

# Recruiters thinking laterally

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It's time to diversify, says Catalyst Recruitment, but others do not agree, writes Tracy Lee.

The consolidation of Australia's \$10 billion recruitment sector is nearly at its natural limit, according to the founder and chief executive of Catalyst Recruitment Systems, George Zammit.

"There will be a widening of an offering rather than a consolidation," he said, predicting companies would begin looking to buy complementary businesses such as training organisations to diversify earnings and offset the cyclical nature of employment services.

"It's going to be a broadening of the offering so we will be providing human resources solutions, training and our industry may even get into IT and equipment sales," he said.

Catalyst has acquired eight companies since 2001 and its latest acquisition demonstrates the company's intention to diversify.

Two months ago it bought training organisation MindAtlas, which provides work-based training courses and counts corporations such as Globe, BP and Sakata among its clients.

Mr Zammit said the acquisition was expected to add \$1.5 million in earnings before interest and tax to Catalyst's forecast EBIT of \$4.4 million for 2005-06.

But that's not to say cashed-up and acquisitive recruiters won't still be making purchases. "There's still scope for consolidation, just not in the volume that some have suggested," Mr Zammit said.

His comments contrast with the strategy of rival Chandler Macleod, which listed in June.

Chandler chief executive Stephen Cartwright has said he plans to increase his company's share of the staffing sector to at least 15 per cent within five years by buying competitors and growing aggressively.

Similarly, Candle Australia, which specialises in white-collar IT recruitment, has been on the acquisition path, buying two recruitment businesses, Parker Bridge and Choice IT, in July.

Candle's chief executive, Rob Collins, indicated that the company still had an appetite for acquisitions.

"Clearly we have the track record and capacity to execute both medium-sized and larger acquisitions and would be prepared to do so if we saw that they met the key criteria," Mr Collins said.

Mr Zammit has not ruled out more acquisitions of recruitment firms but said the nature of the industry meant it would be relatively fragmented as there were several small operations that had developed very specialised niches.

"I think we will follow the same patterns as in the United Kingdom where the top 10 players will occupy 30 per cent of the market and the rest will be occupied by a myriad of players," he said.

A staffing sector review compiled by Deloitte International showed that the top five players in the United Kingdom had a combined market share of only 17 per cent. There are 11 listed recruitment firms in Australia but Mr Cartwright said he believed there was room for only about three or four.

But Mr Zammit said notions that three or four players would hold 15 per cent of the market each were far-fetched.


"If that actually ends up being the case, then we will be the first country with a mature recruitment market that actually consolidates to that level," he said.

"All the research points to 10 players having a third of the market, like in the US and UK, and it's just unlikely that the biggest one will grab much more than 10 per cent of the market."

Catalyst, which has 32 branches, has about a 4 per cent market share.

In Australia, Skilled Group, which is capitalised at more than \$700 million, is the largest listed recruitment provider followed by the local arm of international staffing firm Adecco.

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