



The Pinnacle Society is a consortium of 75 of the top recruiters in the US in the permanent placement and search industry. As the education chair, Danny features different Pinnacle Society members on our website in the "Pinnacle Pulpit". Last week, Danny interviewed Tom Keoughan. Tom specializes his recruiting in the toy industry. Danny explored the concept of niche selection and development. Here at ATD

we get a lot of calls on niche development - over the next two days we will share excerpts from his interview.

Where the toys are...

Q) You're considered the most "Niched" of all Pinnacle members. Tell us about the Toy niche. How did you come to it? How do you define it?

I focus on the children's product industry which for me is ninety percent toys but also includes baby products (think binkies), candy, kids stationary, etc. I'm looking at businesses where people's job skills are interchangeable. I started recruiting fresh out of college in 1981 for what I would now call an employment agency. We weren't too sophisticated back then. I was doing a lot of work with plastics manufacturers and was placing shift foremen, machine mechanics, etc. It didn't take too long to gravitate toward placing design engineers for these companies. The engineers actually showed up for interviews and were sober...at least some percentage of the time. A lot of my clients were toy companies and they were fun to work with so I gravitated toward them. Over time, I gradually added industrial design, marketing and sales to my practice.

Q) A lot of owners feel there has to be some "affinity" for a niche. A nurse in Health care, an accountant in finance...and some believe that even if you don't have the training, you have to have some personal interest in the area you make placements. A car freak in automotive, for example. Were you a toy freak? Some latent toy affinity?

Experience in a field can certainly be helpful in getting up to speed on what different people do in a particular sector and you may even be able to bring along some client and candidate contacts. However, many of the best recruiters I know started in recruiting right out of college without much training in anything other than drinking beer. Who else can survive on a \$150 per week draw? But seriously, it's a lot like college. So many people in this world succeed in areas that have absolutely nothing to do with their majors. As for any latent (or was that latex) toy affinities of mine, I'm pretty sure that this is probably not the proper venue. That might be a different column entirely.

Q) Our members often say "I'm niched" and then they say they place "engineers in Texas." How narrow should a niche be? How many companies make up a niche?

There are four or five hundred toy companies in the US but a lot of those are mom and pop operations. I think for a niche to be viable you need about two hundred companies or more. You need companies as clients, companies as sources and even more companies as potential clients that you're trying to win and also companies that you're willing to walk away from. Keep in mind that as times and personnel at these companies change, your relationship with them will change also. Try to be loyal to client companies but be very loyal to hiring managers and senior executives who you can partner with successfully wherever they go.

Q) Do you feel its better to be more horizontally niched? (JavaScript programmers only) or vertically niched? (everyone in an insurance niche from adjuster to Presidents) Or is there some other way?

A horizontal niche seems to work in the more administrative areas like finance, legal, IT, etc. In areas

more specific to the heart and soul of a particular business, though, a horizontal niche doesn't really work. If you think that you're a specialist in "marketing" whether it's biotech or washing machines, then you're really not a specialist in anything and you don't bring anything extra to the party, sorry. I believe that a vertical niche, specializing in a particular business or closely aligned group of businesses is the way to go. You can become an expert in recruiting for that business and become recognized as such. You can sell, market and work much more efficiently. The real kicker for choosing a vertical business niche rather than a horizontal, administrative niche is that a recruiter's most difficult search is not filling any one job opening but finding a client company that you can successfully and repeatedly work for with mutual cooperation and respect. When you find one of those, work with them over and over again and work with them on all the openings they have. If you just handle finance, that's not really possible.

Q) How do you fight the temptation to branch out to related industries? Do you ever burn out on toys and just want to try something else?

In my little recruiting niche, I'm the top dog and have been at it for over twenty-five years. That provides tremendous sales, marketing and operational advantages. No way would I want to give those up to enter a different niche and be just another good recruiter. I only want to work searches where I'm the best possible recruiter to work them. Why dilute my effectiveness?

Q) We get a lot of Emails from members saying, "I get it, a niche is where its at" But how do I start? What are the steps to find a high demand niche? What would you advise?

The classic way to look for a niche is to look for a hot industry that is projected to have sustained growth (current examples: biotech, robotics, nanotechnology). These types of industries can be great niches, but keep in mind that you are probably not the only one thinking about them and there is likely to be a lot of competition. Another place to look is fashion businesses (cosmetics, clothing, media, shoes). These industries are extremely volatile with companies' fortunes changing fairly rapidly. This means that companies are hiring one year and laying off the next. Companies are starting up, going out of business and buying each other on a regular basis. A lot of volatility means a lot of hiring and a lot of nervous candidates willing to make a change. It also may mean less recruiters to compete with.

Q) You're a successful solo practitioner. Have you been tempted to hire staff and build up? What are the chief advantages and disadvantages of running solo?

I've never been tempted to staff up. I worked for my original employer for ten years and saw literally one hundred people come through the door as recruiters. Today only two of those are still in the business (the owner is not). I am a very good recruiter but that doesn't mean I would be a great trainer/manager. I might be, I might not be. I just can't be certain and it's really not all that important for me to find out. Managing people...let that be your client's headache.

As a solo practitioner you have an extremely high profit margin and profit margins on each additional recruiter will be significantly lower due to commissions, administrative support, equipment, software, benefits, etc. Managing and training each additional recruiter will also drive down the amount of high margin business that you are able to do at your own desk. You are in effect trading high margin business for additional low margin volume. This will greatly affect your end of the day profits and take home pay. At some point the numbers start to even out and make sense. I'm not sure whether that's at seven successful recruiters or ten successful recruiters— AskDanny, I'm sure he knows the answer. It's a pretty daunting task to develop, manage and hold on to that many successful recruiters. Many have tried, but only a few have succeeded.

The big positive of a successful solo practice is you have your best recruiter doing all the business at an extremely high profit margin and he is not distracted by training and managing less successful recruiters who contribute less volume at a lower profit margin. The big downside is that since you're doing it all yourself, you have to run very fast and very efficiently all the time just to get all the searches done. I would argue that an owner/manager has to work just as hard and just as many hours (maybe not quite

as fast) but is much of the time focused on things other than the actual search process which is what drives both cash flow and profitability.

The other tradeoff is that of an exit strategy. An owner/manager may have a business to sell at the end of the day. Of course he may need something to sell because his profitability and take home pay will generally not have been as high. A solo practitioner, on the other hand, has very little to sell at the end of the day – a website (dubious but maybe), a database (possibly, but you're not going to get rich selling that) but due to very high profit margins and therefore high end of day profits; if he has not just blown it all and has invested prudently he will likely not need to sell anything. Both roads can lead to successful outcomes—but in either case, you only get there by working hard, working smart and being a top recruiter.