



CLIENT

Adecco

Support document for RFP response

Client: NAME

Team: Joe LaMuraglia
Engagement Manager

Peter Sorgenfrei
Founder

INTRODUCTION	4
ADECCO.....	4
Adecco – Background	4
Adecco – SWOT	6
Strengths.....	6
Weaknesses	7
Opportunities.....	8
Threats	8
CURRENT MEDIA POSITION – ADECCO.....	10
SHARE OF VOICE.....	10
Strength	10
Reach	11
Sentiment.....	11
Passion	13
Synopsis	13
RECOMMENDATIONS	14
Corporate Communications.....	14
Consumer.....	15
Analysts	17
ADECCO RECAP.....	17
SUPPORTING INFORMATION	18
SOCIAL MEDIA – TWITTER	18
WEBSITE TRAFFIC	19
GLOBAL STAFFING INDUSTRY OVERVIEW	20
STAFFING INDUSTRY SURVEY – ASA.....	26
COMPETITIVE COMPANIES	28
MANPOWER.....	28

Manpower – Background	28
Manpower – SWOT	30
Strengths.....	30
Weakness.....	31
Opportunities.....	31
Threats	33
ROBERT HALF	34
Robert Half – Background.....	34
Robert Half – SWOT.....	36
Strengths.....	36
Weaknesses	37
Opportunities.....	38
Threats	38
KELLY SERVICES	40
Kelly Services – Background.....	40
Kelly Services – SWOT	42
Strengths.....	42
Weaknesses	43
Opportunities.....	43
Threats	44
SPHERION	46
Spherion – Background.....	46
Spherion – SWOT	47
Strengths.....	47
Weaknesses	48
Opportunities.....	49
Threats	50
RANDSTAD	52
Randstad – Background.....	52
Randstad – SWOT.....	53
Strengths.....	53
Weaknesses	55
Opportunities.....	55
Threats	57

Introduction

The purpose of this document is to provide CLIENT background information on Adecco and their primary competitors; Manpower and Robert Half. We have provided a general overview of Adecco, produced a SWOT analysis, analyzed their Share of Voice (SOV) and produced recommendations on how to improve Adecco's image and SOV in the U.S.

As added value, we have included information about Kelly Services, Spherion and Randstad where available, as these are major competitors to the aforementioned companies.

All company information included is publicly available from a variety of sources and we are presenting it unformatted so CLIENT can include it in your materials as you see fit.

Adecco

Adecco – Background

Adecco is a leader in human resource services, offering both temporary and permanent placement services. The company offers specialist and professional staffing, career services consulting and outplacement services. Its network connects about 700,000 associates (workers) with up to 150,000 business clients each day through its network of 7,000 branches in 60 countries and territories around the world.

The company primarily operates through geographic areas: France, the US and Canada; the UK and Ireland; Japan, Italy, Iberia, Benelux, Nordics, Germany, Australia and New Zealand, Switzerland, and emerging markets.

The company divides its business into two segments: office and industrial and professional business lines.

The company's office and industrial businesses offer a range of general staffing services, including temporary staffing, permanent placement, assessment, and training and integrated human resources solutions.

The company's professional business lines segment includes Adecco Finance and Legal; Adecco Engineering and Technical; Adecco Information Technology; Adecco Medical and Science; Adecco Sales, Marketing and Events, and Adecco Human Capital Solutions.

Adecco finance and legal offers highly qualified temporary and direct-hire professionals in finance and accounting, corporate finance, insurance and senior management.

In the US, the company's Ajilon Finance Solutions business provides senior-level project



professionals for a range of services, including: finance and accounting, operational audit, reporting and compliance, enterprise risk management - Sarbanes Oxley, and business process improvement.

Adecco Engineering and Technical offers temporary and permanent professional staffing; consulting, project staffing and solutions; and outsourcing. It also offers industrial information technology tools development (CAD - Computer Aided Design, CAD - Computer Aided Drafting, Desktop Publishing) in all the main industrial sectors.

Adecco Information Technology is organized to control all of the activities related to information technology services: from consultation to maintenance, including engineering and systems integration. It offers temporary and permanent professional staffing; consulting, project staffing and solutions; outsourcing, project management, enterprise solutions, application maintenance testing and acceptance; and user support.

Adecco Medical and Science deliver its services to more than 15,000 medical and pharmacy institutes and companies. The company offers temporary staffing, permanent placement, outsourcing and delegation of services.

Adecco Sales, Marketing and Events offer sales and marketing; events and promotions and call center solutions.

Adecco Human Capital Solutions is a global leader in a range of restructuring services and talent solutions for organizations aiming to optimize their human capital and for individuals determined to develop their career potential and employability.

The company provides consulting services to companies and organizations that face two major human resources challenges: an ongoing requirement to restructure their company due to increased productivity pressure; and attracting, developing and engaging their workforce in a context of demographic change that is leading to a shortage of critical skills worldwide.

The company is headquartered in Glattbrugg, Switzerland and employs 37,000 people.

Adecco – SWOT

Adecco SA (Adecco) is engaged in the provision of high quality human resource services across the globe. The major services offerings of the company include temporary staffing, permanent recruitment, outsourcing, training and consulting, outplacement and career management. The company benefits from its strong operations, and strong performance of office and industrial division, even as its declining market share in the sector, operating margin, and dependence on single regions areas of concerns. Competition and prevailing economic conditions will continue to present challenges for its growth. However, the company may benefit from growing demand for outsourcing market, and globalization.

Strengths

1. Efficient Use of Resources
2. Office and Industrial Divisions
3. Strong Operations
4. Strong Growth Prospects

1. Efficient Use of Resources

The company's return on equity (ROE) was 17.7% for fiscal year 2008. This was above the S&P 500 companies average of 12.9%. A higher than S&P 500 companies average ROE may indicate that the company is efficiently using the shareholders' money and that it is generating high returns for its shareholders compared to other companies in the S&P 500 index.

2. Office and Industrial Divisions

The strong performance of the two divisions enhances the company's revenues and ensures the further growth. The company's HR outsourcing operations are mainly focused on two main divisions namely; Office and Industrial services. Both the divisions accounted for 77% of the total revenues in the fiscal year 2008. The company's industrial division shared 55%, and the Office division 22% of the total revenues. Along with the emerging markets, these two businesses employ more than 650,000 associates per day, serving over 135,000 clients.

3. Strong Operations

The wide-spread operations help the company to earn profits from several sources as well as insulate the company from various business risk. The company offers HR outsourcing services such as temporary staffing, permanent placement, outsourcing, consulting and outplacement services in over 60 countries and territories worldwide. The company's staffing solutions are offered to small, medium and large companies and attractive career perspectives to approximately 5,000,000 qualified associates across every business area, seniority level and age group.



The company has 37,000 full-time internal and over 700,000 external employees. The company serves more than 150,000 clients per day. The operations were held through more than 6,000 offices in more than 60 countries and territories. The company offers HR outsourcing service across several sectors including Office; Industrial; Information Technology; Engineering and Technical; Finance and Legal; Medical and Science; Sales; Marketing and Events; and Human Capital Solutions.

4. Strong Growth Prospects

The company was trading at a price/earnings (P/E) ratio of 12.37 at the end of fiscal year 2008. This was above the S&P 500 companies average of 9.2. A higher than S&P 500 companies average P/E may indicate that the company may have high growth prospects which is reflected in its stock's premium pricing. Investors may be expecting higher earnings growth in the future compared to other companies in the S&P 500 index.

Weaknesses

1. Reliance on France Region
2. Declining Operating Margin
3. Declining Market Share in Sector

1. Reliance on France Region

The company generated a significant amount of revenues from a single region, which could affect its business operations. It generated a considerable amount of revenues from France, which is not a developing or emerging country to compensate its growth. Any unconditional outcome occurs in France region could hamper the company's revenue standards. During the fiscal 2008, the company derived revenue 33% of the total revenues from France, followed by the US and Canada by 13% (together). The unequal contribution of the revenues from various nations could make the company's position weak in low revenue generating areas.

2. Declining Operating Margin

The company's operating margin was 3.75% for the fiscal year 2008. This was below the S&P 500 companies average of 14.7%. A lower than S&P 500 companies average operating margin may indicate inefficient cost management or a weak pricing strategy by the company. The operating margin has decreased 125 bps over 2007, which may indicate management's low focus on profitability.

3. Declining Market Share in Sector

The company's compounded annual growth rate (CAGR) for revenue was 3.74% during 2004-2008. This was below the S&P 500 companies average of 11.1%. A lower than S&P 500 companies average revenue CAGR may indicate that the company has underperformed the average S&P 500 companies growth and lost market share over the last four years. The company's underperformance could be attributed to a weak competitive position or inferior products and services offering or lack of innovative

products and services.

Opportunities

1. Accounting Services
2. Globalization
3. Growing Outsourcing Market

1. Accounting Services

The company being engaged in services industry it would capture and capitalize on the rising demand for accounting and bookkeeping services in the US. It is predicted that the list of services included such as tax preparation, bookkeeping and accounting, financial auditing, and tax consulting could gain momentum in near future. According to analysts that the output of the US accounting and bookkeeping services is expected to witness 3.1% growth from 2007 to 2012.

2. Globalization

Globalization gained new thrust with the entry of China into the World Trade Organization (WTO). Several bilateral trade agreements were signed among developing countries; those in western countries as well as the WTO spearheaded the number of human resources consulting companies. There are rising trends of the North American and European companies expanding to Latin America and Asia, through partnerships and joint ventures. Likewise, an increasing number of Latin American and Asian companies are going global, creating increased demand for the employment services sector to boom. Randstad being one such well-established company and a prominent player in the industry has abundant opportunities to expand itself further.

3. Growing Outsourcing Market

The global addressable retail business process outsourcing worth around USD 35 billion to USD 45 billion followed by, USD 25 to USD 35 billion worth of insurance, USD 10 to USD 12 billion worth of travel/hospitality, USD 10 to USD 12 billion worth of auto, USD 8 to USD 10 billion worth of telecoms, USD 8 billion worth pharma, USD 10 to USD 15 billion of other industries and USD 20 to USD 25 billion is finance, accounting and HR. The locations such as Eastern Europe, Philippines, Morocco, Egypt and South Africa have emerged to take a share of the market. However, the BPO industry is expected to grow in the near future. Most services provided by BPO vendors are offered on a fee-for-service basis. Hence, the outsourcing growth in various sectors could provide the company an improved stage to increase its revenues.

Threats

1. Decline in Recruitment Services Market
2. Global Economic Slowdown
3. Impact of Information and Communication Technology
4. Competitive Pressures

1. Decline in Recruitment Services Market

The company as a recruitment services provider it could face deterrent conditions in market, as a result of extenuated global economic environment. According to Aarkstore Enterprise's global recruitment market report, in 2009, about 76,000 temporary employees are laid off, or a decrease of 22.7% year-on-year, which is the significant decline in the US job market. During the same period, in Canada, 1,29,000 jobs are cut down.

According to the survey of Manpower's latest Employment Outlook conducted by Expatica, an international media company, in first quarter of 2009, most of the European countries have experienced negative hiring rates such as France (-2%), the UK (-4%), Spain (-9%), Italy (-9%), and Ireland (-12%). In second quarter of 2009, it is estimated that the recruitment market might face hard environment in Asia-Pacific region also. Many companies are strongly focusing on retrenchment of jobs as a cost reduction measure. Finally, the global recruitment market would face tough conditions in near future.

2. Global Economic Slowdown

Though the company has its operations across the world, it derives a majority of its revenue from America and Europe. The economic slowdown has shown its effect on all the geographic regions, prominently Europe and the US. Analysts forecast that the GDP growth in the US and the Eurozone would further slowdown in 2009. Reports suggest that the US real GDP growth would fall to negative 2.6% in 2009 from positive 1.1% in 2008. Also, the economic growth in the Eurozone decreased to 1.4% in 2008 from 2.9% in 2007 and is forecasted to drop further to as low as 0.2% in 2009. Such a weak economic outlook across the company's two key markets could pressurize the company's revenue and thereby adversely affect its overall business.

3. Impact of Information and Communication Technology

Information and communication technology advances enabled the companies to automate business processes. In banking segment due to partial automation of customer interface processes decreased the requirement for employees in customer care department. The use of direct to customer channels such as e-commerce reduced the need for marketing staff. Decreased need for staff due to increased automation by information and communication technologies may adversely affect the revenues of Adecco.

4. Competitive Pressures

The company operates its business in a highly competitive environment, which hampers its position. There is high competition in temporary and permanent staffing services business. The increasing competition is driven by low barriers to entry. In North America, Europe, Australia, Asia and Latin America, Adecco competes with full-service

and temporary service agencies. However, Internet-based sources are also competing with the company. The Internet-based businesses are trying to substitute the traditional staffing services businesses with new business models. The company is sensing threats from companies with higher resources including Kelly Services, Manpower, Randstad Holding and Vedior. Competitive pressures may adversely affect the market position of the company.

Current Media Position – Adecco

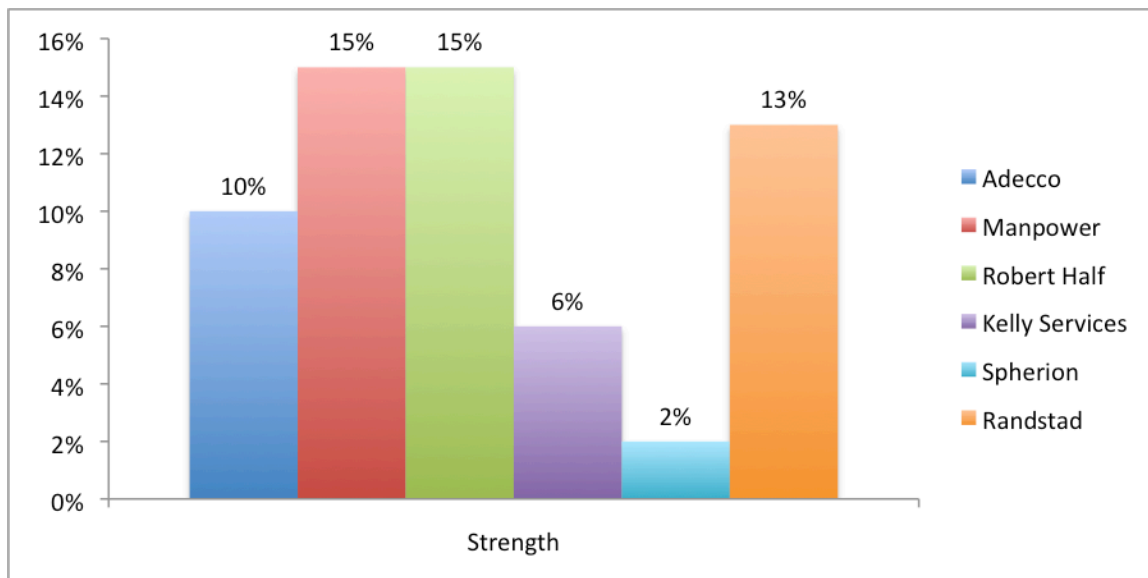
Share of Voice

We used Social Mention to analyze Adecco and its competitors' share of voice in the in U.S. media. The charts shown below depict strength, reach, sentiment (whether mentions are positive or negative) as well as passion.

Strength

Strength is the likelihood that a brand is mentioned in media as a percent share of total relevant media. Adecco ranks fourth in strength amongst its competitors.

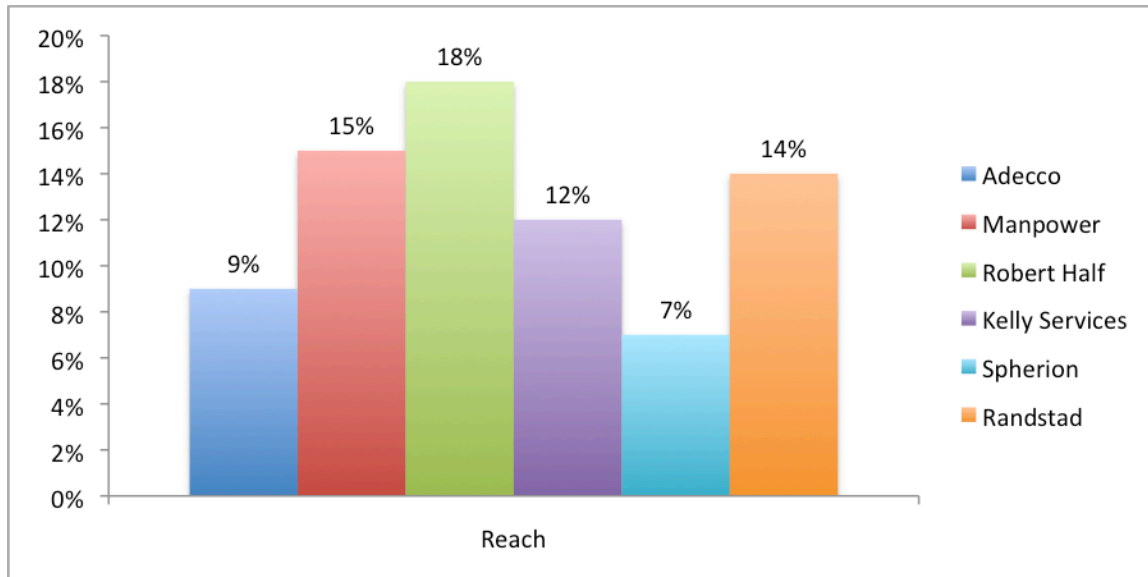
Analysis: Adecco's ranking indicates that it is not top of mind for media authors when it comes to coverage of the employment and staffing industries.



Reach

Reach is an indicator for range of influence. It is calculated as the number of unique authors of mentions divided by total number of mentions. Adecco is behind its main competitors with the second lowest score. Strength and reach have a strong correlation.

Analysis: The low number of media mentions is due partially by a low number of content producers mentioning them.

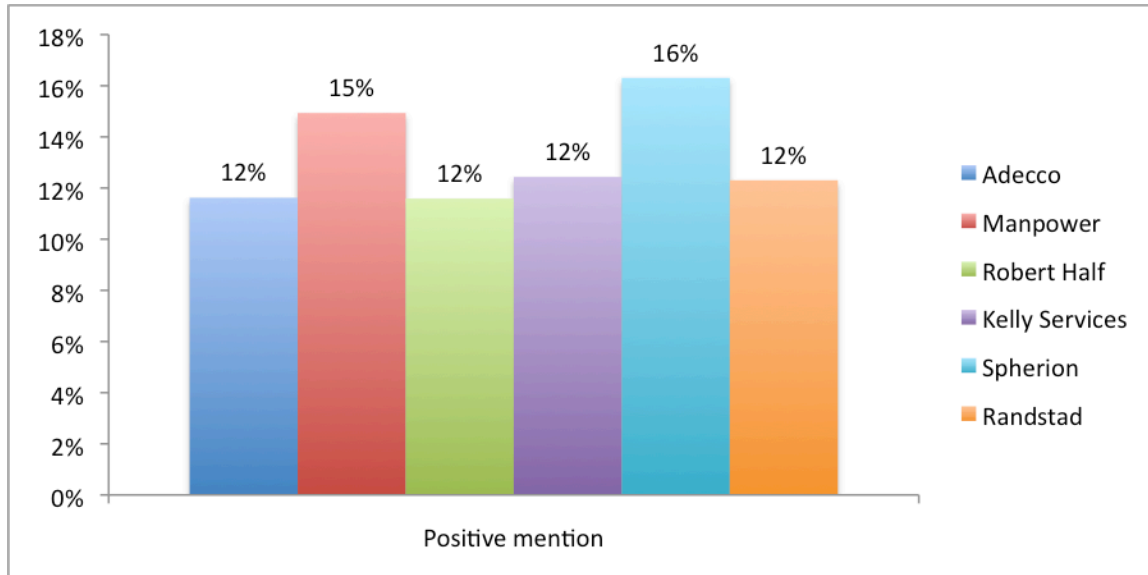


Sentiment

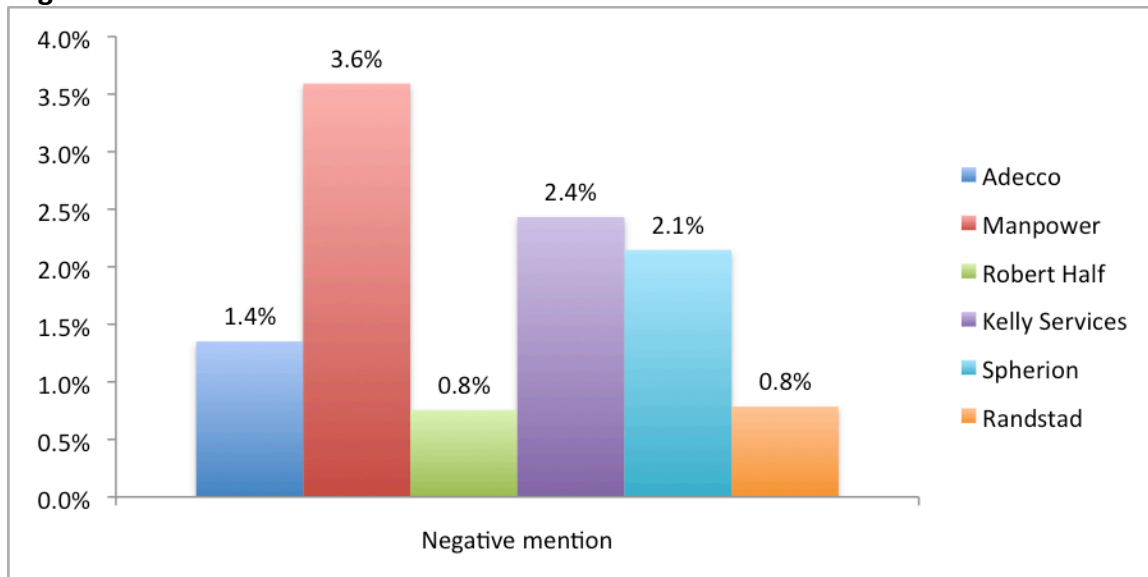
Sentiment is the measurement of positive and negative mentions in media. While the majority of mentions for all companies examined are neutral (not shown), it is important to examine the quality of media mentions in relation to each other. When examining all mentions of Adecco in the media, the percentage of positive mentions is on par with the norm. When examining the percentage of negative mentions, they fare much better.

Analysis: Adecco is not making a positive impact on the few media contributors that are mentioning them but they are doing a good job of not getting negative coverage.

Positive Mention



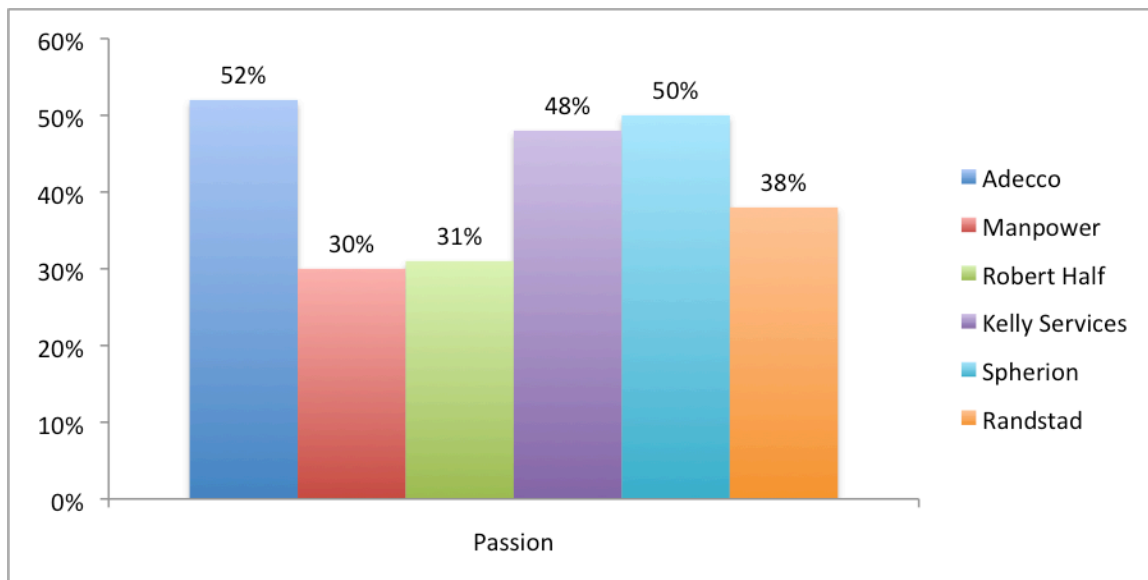
Negative Mention



Passion

Passion is the likelihood that authors mentioning a brand do so repeatedly. As evidenced by reach above, Adecco has a relatively small number of authors mentioning their brand. The Passion score indicates that they are doing so repeatedly. Spherion and Kelly Services' scores can be attributed to their use of Twitter to broadcast job availability with a high monthly rate of posts.

Analysis: Adecco has done a good job educating and supporting the few authors that mention them in the media.



Synopsis

In terms of SOV in the coverage of employment and staffing issues, Adecco is mid-pack when juxtaposed to its primary competitors. The media authors that mention them when covering the employment market are passionate but their numbers are not great enough to impact the key indicators of strength, reach and sentiment. There are clear opportunities for Adecco to improve their SOV.

Recommendations

In order to improve SOV, awareness and enhance the brand image of Adecco in the three core areas outlined in the RFP, we suggest the following strategies within each program for 2010 in the U.S. market.

Corporate Communications

Goal: Establish Adecco as the thought leader in the minds of C-Level executives

Information Strategy

- Conduct interviews with Fortune 500 executives that have used Adecco and have been pleased with the results. C-Level executives are not interested in reading marketing fluff, they want to hear from their peers. These concise interviews should be candid, sincere and communicate why they chose Adecco over the competitors.
 1. All interviews should be made available in various formats to cater to the needs of the target customer. They should be on the Adecco site and be available to download in video, audio (iTunes) and .pdf format.
 2. All formats should be programmed with the ability to share via social media (Facebook, Twitter) as well as email.

Media Strategy

- Work with targeted media outlets to provide relative content about industries and services where Adecco can differentiate themselves.
 1. Promote the Renaissance Program via a monthly article in AARP that showcases a company or employee that has been a part of the program.
 2. Promote the Magic Workforce Solutions via monthly article in diversity media (Diversity Inc, Black Enterprise etc) that showcases a company or employee that has been a part of the program
- Target small business media with relative content.
 1. Magazines like Fortune Small Business or Entrepreneur are always looking for content and small to medium size businesses are more likely to need the flexible workforce that Adecco specializes in.
 2. Fortune Small business features articles where executives give advice to small business owners. Get an Adecco executive as a coach/columnist in Fortune Small Business.

Product/Services Strategy

- Conduct more proprietary research and publish more insights. With the volume of data that is available from the Adecco databases and the volume of consumers that utilize their services, there is a wealth of data that seems to be going largely untapped. In addition the standard employment outlook, there are additional data

that would be of interest to media outlets around the county.

- More Diversity Outreach. Adecco has programs for older workers and African American workers but what about Hispanic? Asian? LGBT? Adecco can help their corporate clients improve their diversity image by developing expertise in additional diversity areas. This core competency will be another differentiating factor that will facilitate more media coverage and inclusion.
- Consolidate the existing blogs into one Adecco blog and have various contributing voices publish on topics. As it stands, each blog is stand-alone and many have no content. This is confusing for media outlets looking to find experts to quote or interview. Promote the blogs to industry magazines and implement sharing capability (Facebook, Twitter, and email).

Consumer

Goal: Establish Adecco as the resource consumers turn to when looking for employment or career advice

Information Strategy

- Conduct interviews with consumers that have used Adecco and have been pleased with the results. The interviews should reflect the diversity of the work force and the diversity of jobs that Adecco fills. Make them fun, informative and representative of the various target customers (youth, diversity, retirees). These concise interviews should be available in various formats online to cater to the needs of the target customer. They should be on the Adecco site and be available to download in video, audio and .pdf format. All formats should be programmed with the ability to share via social media (Facebook, Twitter) as well as email.

Media Strategy

- Work with targeted media outlets to provide interesting, relevant content that resonates with the target consumer for each area of expertise that Adecco serves. In addition, we recommend that the following three sub-segments of the consumer market be targeted in order to differentiate Adecco from its competitors:
 - **Youth**
 - Showcase any celebrities that used Adecco in the past in popular youth magazines (US Weekly, PEOPLE)
 - Publish and promote a monthly “future leaders” article focusing on young clients that have used Adecco to find employment and manage their careers
 - Conduct outreach to high schools, community colleges and universities to promote Adecco as a supplement to existing career counseling
 - Publish any pertinent data points about the youth employment market and promote to all media outlets
 - **Diversity**

- Promote the Magic Workforce Solutions via monthly article in diversity media (Diversity Inc, Black Enterprise etc) that showcases a company or employee that has been a part of the program
- When additional diversity programs get rolled out, target the appropriate media outlets (People Espanol, Diversity Inc. etc.)
- Publish any pertinent data points about the diversity employment market and promote to all media outlets
- **Seniors**
 - Promote the Renaissance Program via a monthly article in AARP that showcases a company or employee that has been a part of the program
 - Publish any pertinent data points about the seniors employment market and promote to all media outlets

Product/Service Strategy

- **Facebook**

- Examine how users are using the Adecco Facebook fan page. It is not good enough to simply have a fan page to push out job listings. It is imperative to understand that Facebook users expect two-way communication. Currently, users are posting job requests without any sort of response from Adecco.
- Adecco should manage this page in a much better manner. Integrate a job search box into the page and disable the ability for fans to post job requests unless someone can spend the time responding. Each unanswered wall post damages the image of the company.
- Use the Facebook fan page to post “hot” jobs or interesting career advice for the fans. Showcase videos/stories of Adecco customers that have had a good experience or used Adecco in a different way (career management, full-time employment etc.).
- Post advice on the Facebook fan page about “safe social media usage” and share how what you post can enhance or hinder a job application. If done properly, a video or application can enhance the brand awareness of Adecco with little cost.
- Allow Facebook fans to register with Adecco directly in the Facebook environment.

- **Twitter**

- The accounts seem to be set up well but there is a dearth of followers considering the size of the company. Time should be spent promoting the account within the Twitter environment and the organization should hire someone be responsible for managing the account on a daily basis.
- The Twitter account manager should actively build followers for the primary account and all sub-accounts.
- Proper use of social media like Twitter is a full-time job.



Analysts

Goal: Establish Adecco Solutions as the source for information on Human Resource Strategies

The key to establishing strong relationships with industry analysts is to make sure that the information they need is readily available and in formats that they can use and share easily. With that in mind, we propose a few product updates that will enhance the ability of the industry analysts to do their job. New product updates are a perfect avenue to re-connect with industry analysts and re-introduce them to the data and services that Adecco has to offer.

Product/Service Strategy

All pertinent company information should be available in .pdf or .xls where applicable. Each file should be easily shared via social media (Twitter, Facebook) or via email.

If an analyst has a question, the ability to contact Adecco is paramount. During business hours a industry relations professional should be available via telephone, email or chat to answer any questions in a timely manner.

Adecco Recap

Adecco has the size and resources that come with a long history of success. As the rate of change in society and the employment industry accelerates, it is imperative that Adecco leverage their strengths with a solid communication strategy to support their growth. Their position may be strong in Europe but their SOV in the U.S. indicates there is room for improvement. With a clear, strategic approach to supporting both traditional and “new” media, Adecco has the opportunity to increase their share of voice as well as differentiate themselves from their competition.

Additional competitive background information is available in the following section.

Supporting Information

Social Media – Twitter

Among the six companies we have analyzed only four have a meaningful Twitter presence. As indicated below (as of Monday November 9, 2009) all four have number of followers, although compared to the number of people each company places in a year these are very small follower numbers.

Analyzing Twitter Accounts

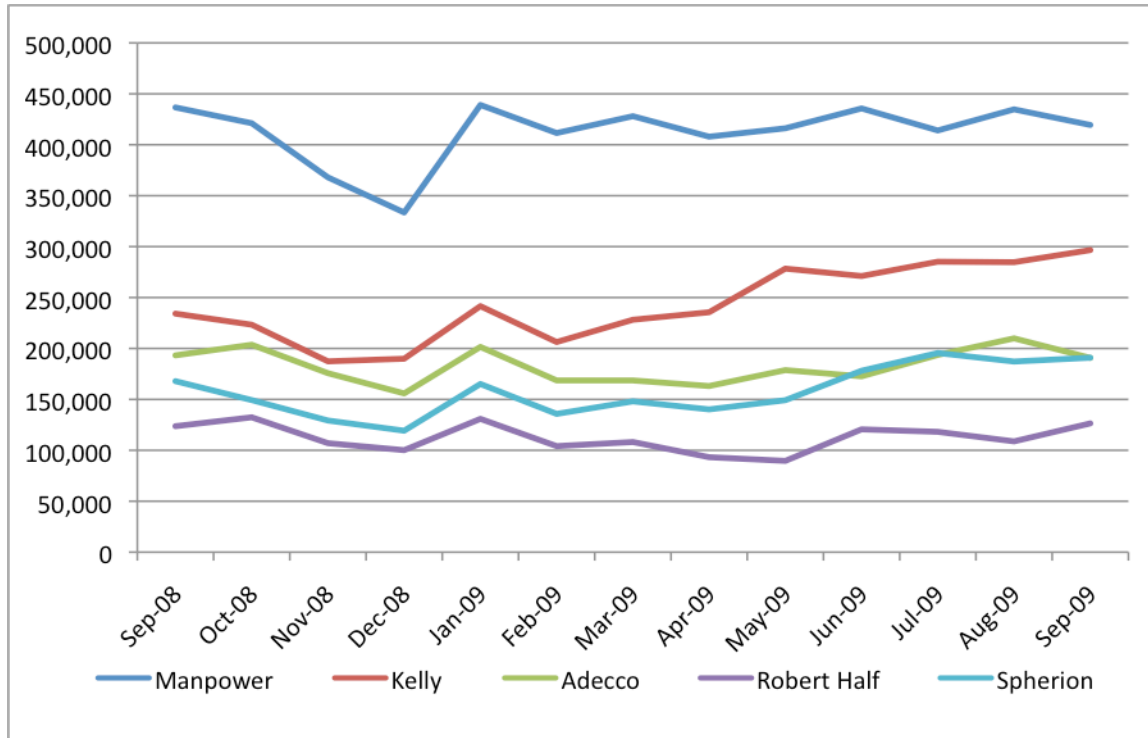
	Spherion @spherion	AdeccoGroup @AdeccoGroup	Manpower @manpower	Kelly Services @kellyjobs
Followers	1,866	2,154	1,688	907
Friends	1,557	105	2,001	13
Lists following	10	20	27	15
Twitter ratio	1.2	21	0.8	70
URLs cited	10	8	3	269
Hashtags used	0	0	0	0
References	144	10	650	0
Unique referrers	73	5	439	0
References to others	4	0	0	0
Retweets	5	9	16	0
Unique retweeters	5	4	15	0
Retweeting others	4	0	0	0
Unique retweeted	3	0	0	0
Influence	3.5	0.9	13.7	2.0
Signal	100.0%	100.0%	60.0%	100.0%
Generosity	72.7%	0.0%	0.0%	0.0%
Velocity	1.5%	1.1%	0.7%	35.9%
Clout	9.6%	0.7%	43.3%	0.0%

Some additional points:

- Adecco and Kelly Services do not practice reciprocity as they are following a much smaller number than what is following them. Thus their Twitter Ratio (followers/following) ends up being high
- Kelly Services puts a URL in most of their updates (links to jobs) thus driving people to platforms with additional content from their brand
- Manpower owns influence. Influence is a calculation based on relative reach (number of followers), authority (number of times retweeted), generosity (how often user retweets), clout (frequency of being referenced), and velocity (number of updates in last seven dates)

Website Traffic

Although site traffic in of itself is not necessarily a great metric, we thought we would illustrate the differences between the brands in this report. This data from Compete is the number of monthly unique visitors to the main website for each of the companies. Manpower and Kelly Services clearly take the lion share of the total number of visitors to their site. Kelly Services and Spherion have experienced the highest growth year to date with roughly 20% and 30% respectively.



Global Staffing Industry Overview

The human resources and employment services market consists of revenues received for provision of temporary staffing, search and placement (permanent staffing), and corporate training services provided by external service providers. Other employment services, such as independent contracting and employee leasing are not considered in this report.

The global human resources and employment services market generated total revenues of \$431.8 billion in 2008, representing a compound annual growth rate (CAGR) of 4.4% for the period spanning 2004-2008.

The temporary staffing segment proved the most lucrative for the human resources and employment services market in 2008, generating total revenues of \$310.4 billion, equivalent to 71.9% of the market's overall value.

The performance of the market is forecast to decelerate, with an anticipated CAGR of 4.1% for the five-year period 2008-2013, which is expected to drive the market to a value of \$528.8 billion by the end of 2013.

Market Analysis

The global human resources and employment services market has seen fairly consistent rates of growth over the past four years, although it did dip into negative figures in 2008. The rate of growth is set to increase again over the coming five years.

The global human resources and employment services market generated total revenues of \$431.8 billion in 2008, representing a compound annual growth rate (CAGR) of 4.4% for the period spanning 2004-2008. In comparison, the Americas and European markets grew over the same period, to reach respective values of \$124 billion and \$137 billion in 2008.

The temporary staffing segment proved the most lucrative for the human resources and employment services market in 2008, generating total revenues of \$310.4 billion, equivalent to 71.9% of the market's overall value. In comparison, the corporate training segment generated revenues of \$65.8 billion in 2008, equating to 15.2% of the market's aggregate revenues.

The performance of the market is forecast to decelerate, with an anticipated CAGR of 4.1% for the five-year period 2008-2013, which is expected to drive the market to a value of \$528.8 billion by the end of 2013.

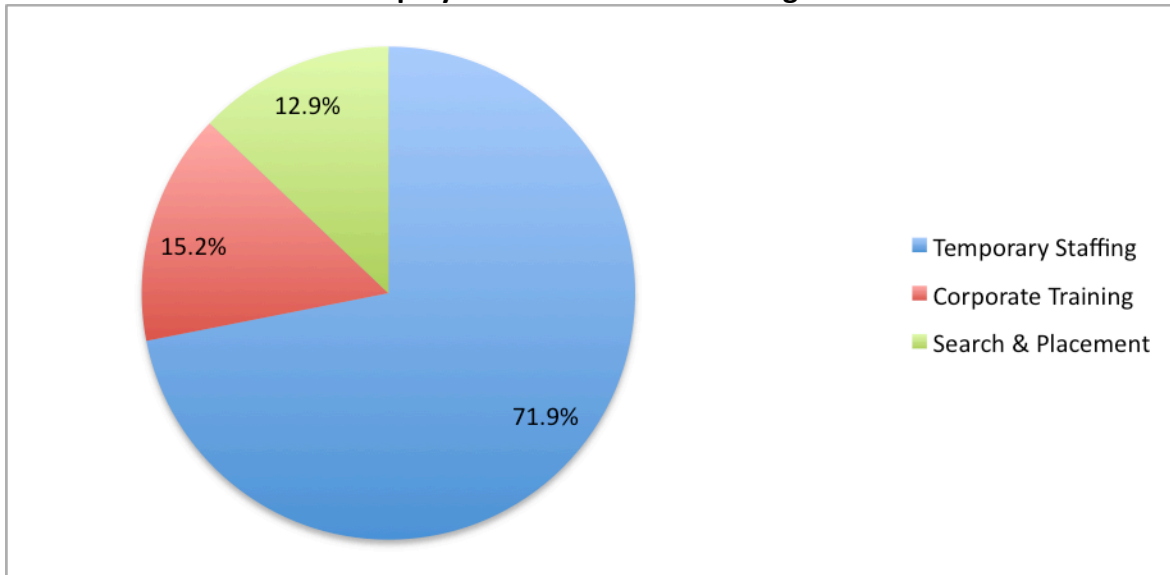
Value

The global human resource and employment services market shrank by 1.4% in 2008 to reach a value of \$431.8 billion. The compound annual growth rate of the market in the period 2004-2008 was 4.4%.

Segmentation

Temporary staffing dominates the global human resource and employment services market, with 71.9% of the market's value. Corporate training accounts for a further 15.2% of the market's revenue.

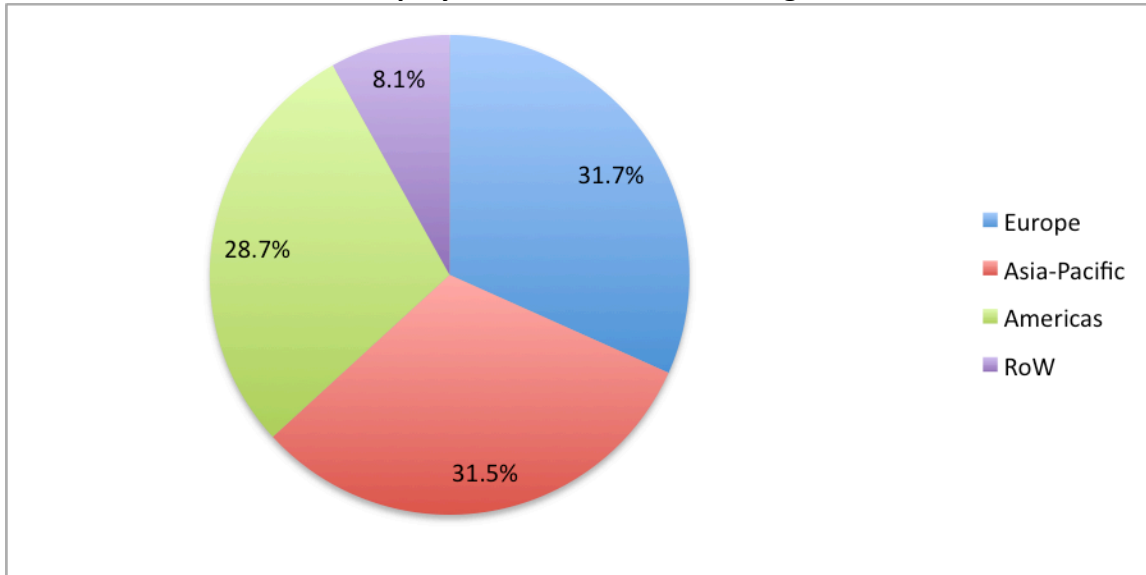
Global Human Resource & Employment Services Market Segmentation 2008



Segmentation

Europe accounts for 31.7% of the global human resource and employment services market's value. In comparison, Asia-Pacific accounts for a further 31.5% of the market's revenue.

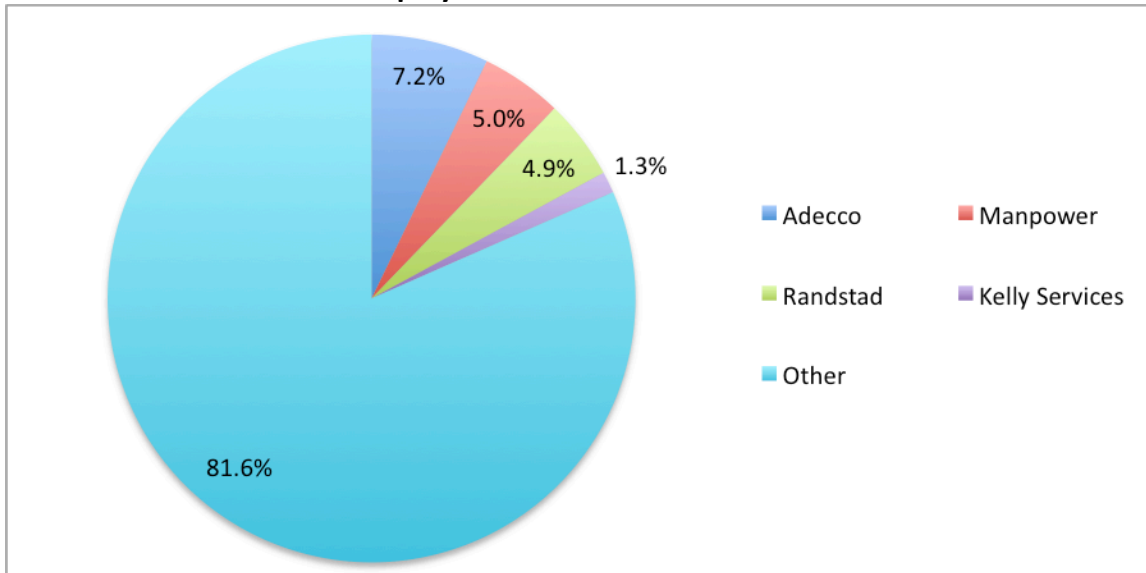
Global Human Resource & Employment Services Market Segmentation 2008



Share

Adecco accounts for 7.2% of the global human resource and employment services market's value. In comparison, Manpower, Inc. accounts for 5% of the market's revenue.

Global Human Resource & Employment Services Market Share 2008



Competitive Landscape

Demand for services in the global human resources and employment market is dependent upon a number of global trends, such as demand for skilled workers, as well

as economic growth. Recent difficult economic situation and mass staff reductions, especially in labor intensive industries mean, players must compete more intensely to keep certain level of revenues.

The number of buyers is additionally limited by automation of business processes possible due to advances in information and communication technology. Main inputs to the global human resources and employment market include prospective employees and ICT equipment.

Substitution is possible i.e. in form of own recruitment and human resources services rather than out-sourcing to market players. Another form of substitution exists in terms of web-based operations; however most of the players have already incorporated this method of operating into their business models.

Large companies in this market benefit from significant scale economies in terms of marketing and back-office operations. However, small companies can compete successfully by specializing in an industry or by job function. Main players within this market are Adecco, Manpower, Randstad and Kelly Services, together accounting for less than 20% of overall revenues.

Global human resources and employment services market will be analyzed taking companies engaged in provision of temporary staffing, search and placement (permanent staffing), and corporate training. Buyers in this market are end-user customers, mostly commercial, financial and industrial corporations.

There are a variety of buyers present within this market; however some of these companies tend to be large and medium businesses, able to make large purchases.

As such, their negotiating position is stronger and losing such client would have impact on players' revenues. Additionally, number of buyers is limited by worsening global economic condition and automation of business processes possible due to advances in information and communication technology.

Possibilities of differentiation exist within this market weakening buyer power somewhat. Players can attract buyers by industry specialization, specific training courses, etc. Brand can be of importance in this market with well-established brands reflecting the reliability of certain companies.

Buyer power is strengthened by the fact, that switching costs are not of significant meaning here and buyers have the ability to utilize multiple agencies in advertising a specific position. Additionally, buyers' backward integration in form of carrying on own human resources and employment services is a widely used practice, reducing dependence on companies offering employment services. Overall, buyer power is

assessed as rather strong.

Main inputs to the global human resources and employment market include prospective employees and ICT equipment. Prospective employees are expected to be of a particular standard in order to meet the requirements of clients.

Companies invest large sums of money in ICT systems, for which they typically have contracts with large technology providers and therefore incur raised switching costs. Market players are likely to stick with one ICT supplier in order to maintain consistency throughout the business.

Changing suppliers can incur significant costs in terms of staff training, or the impact of a new system not being compatible with an existing one.

In recent economic situation, prospective employees may be in a little worse situation as their number is growing accordingly with more and more layoffs undertaken by employees to save shrinking revenues. Overall, supplier power is assessed as moderate.

In order to enter the global human resources and employment market, it is possible to open a new company, diversify existing company's operations into employment business or acquire an existing company. Furthermore, few barriers to entry exist for companies at the local level. Small companies can operate on a local scale, which ties in with employees typically being unwilling to travel great distances to work.

Access to potential employees and employers has been made easier by the Internet, where companies can set up websites and advertise positions.

This market has been increasingly liberalized with labor market deregulation in many countries. However, some country markets are becoming more heavily regulated in terms of improvements in legislation to protect temporary workers from exploitative employment practices.

Additionally, global uncertain economic situation makes companies look for lower costs in order to save their shrinking revenues, and staff reductions are in place in most business areas, especially in high labor intensive industries.

This means, good market growth experienced in last years is no longer that lucrative for newcomers. Overall, there is a strong likelihood of new entrants entering the market.

Substitutes to the global human resources and employment market exist i.e. in form of out own recruitment and own human resources services rather than out-sourcing it to market players. This can be a cheaper alternative. However, the use of players in this market can be beneficial, for example in terms of sourcing the best employees and it

saves time.

Another form of substitution exists in terms of web-based operations; however most of the players have already incorporated this method of operating into their business models. Overall, the threat of substitutes is strong.

The global human resources and employment services market is fragmented despite the presence of large international players, such as Adecco, Manpower, Randstad or Kelly Services, together accounting for less than 20% of overall revenues.

The global market consists of a large number of highly reputable companies with strong brand names, which boost the competition level. The growth of the Internet provided services has led to reduced barriers to entry and a growth in the number of players in this market.

This intensifies competition, putting pressure on existing market players. Largest players present similar business models and usually conduct diversified operations. Adecco for example, offers both temporary and permanent placement services.

It provides specialist and professional staffing, career services consulting and outplacement services. The company has global operations spanning Europe, North America, Asia Pacific, Latin America, and Africa. The diversified operations not only provide protection against unfavorable forces in specific market but also enable companies to benefit from opportunities available in various markets, easing competition somewhat.

Demand for services in the market is dependent upon a number of global trends, such as demand for skilled workers, as well as economic growth.

Recent difficult economic situation and mass staff reductions, especially in labor intensive industries mean, players must compete more intensely to keep certain level of revenues, which may discourage newcomers. Rivalry in the global market is moderate overall.

Forecast

In 2012, the United States employment services market is forecast to have a value of \$110.8 billion, an increase of 21.7% since 2007. The compound annual growth rate of the market in the period 2007-2012 is predicted to be 4%.

Staffing Industry Survey – ASA

Jobs

Staffing companies match millions of people to millions of jobs.

- 2.96 million people per day are employed by staffing companies
- 11.4 million temporary and contract employees are hired by U.S. staffing firms over the course of a year
- 79% of staffing employees work full time, virtually the same as the rest of the work force

Flexibility

The staffing industry offers flexibility to both employees and companies. People can choose when, where, and how they want to work. Companies can get the skills they need to keep fully staffed during busy times.

- 66% of staffing employees say flexible work time is important to them
- 64% of staffing employees report that their work gives them the scheduling flexibility and the time for family that they desire
- 90% of client businesses say staffing companies give them flexibility to keep fully staffed during busy times.

Bridge

Temporary and contract work provides a bridge to permanent employment. People can try out a prospective employer and showcase their skills for a permanent job.

- 88% of staffing employees say that temporary or contract work made them more employable
- 77% of staffing employees say it's a good way to obtain a permanent job
- 80% of staffing clients say staffing firms offer a good way to find people who can become permanent employees

Choice

Many people choose temporary and contract work as an employment option. They can select their work schedules and choose among a variety of diverse and challenging assignments.

- 67% of staffing employees say choice of assignments was an important factor in their job decision
- 23% of staffing employees have little or no interest in a permanent job—they prefer the alternative arrangement over traditional employment
- 33% of staffing employees say they work for a staffing company because they like the diversity and challenge of different jobs

Training

The staffing industry provides free training for millions of temporary and contract



employees to help meet today's demand for skilled workers.

- 90% of staffing companies provide free training to their temporary and contract employees
- 65% of staffing employees say they developed new or improved work skills through their assignments
- 40% of staffing employees say they choose temporary or contract work as a way to obtain employment experience or job training.

Competitive Companies

Manpower

Manpower – Background

Manpower is a company engaged in providing global employment services worldwide. The company has global network of over 4,500 offices in 80 countries that provide services to different industry segments. Manpower operates five major brands: Manpower, Manpower Professional, Elan, Jefferson Wells and Right Management.

These brands offer a range of services for the entire employment and business cycle, including permanent, temporary, and contract recruitment; employee assessment and selection; training; outplacement; outsourcing; consulting; and professional services.

The company's operations are organized and managed primarily on a geographic basis, with the exception of Jefferson Wells and Right Management, which operate as separate global business units. Each country and business unit primarily has its own distinct operations, is managed locally by its own management team, and maintains its own financial reports.

The company's operations have been segregated into the following seven segments: the US; France; other EMEA (Europe, Middle East and Africa, excluding France and Italy); Italy; Jefferson Wells; Right Management; and other operations.

In the US segment, the company operates through Manpower and Manpower Professional brands. It carries its operation through 555 branches and 282 franchise offices.

In the US, the company's Manpower operations provide a variety of employment services, including recruitment; assessment and selection; training and outsourcing. In addition to the US segment, the company also conducts business in the US under its Jefferson Wells and Right Management brands.

Manpower is an employment service provider in France. The company conducts its operations in France and the surrounding region through 1,069 branch offices under the name of Manpower and 89 franchise branch offices under the name Supplay.

The company's other EMEA (Europe, Middle East and Africa, excluding France and Italy), operations comprise operations in Germany, the Netherlands, Norway, Spain, Sweden, and the UK. Collectively, the company operates through 1,192 branch offices and 55 franchise offices in EMEA region. Manpower UK is the largest operation of the company



in the other EMEA segment.

Manpower UK conducts operations in the UK through a network of 121 branch offices. In the UK, the company also owns Brook Street Bureau, which operates through a total of 132 branch offices, separate from the Manpower and Manpower Professional brands. Also included in the company's other EMEA operations is Elan, an IT and technical recruitment firm. Additionally, Elan provides managed service solutions to clients in 17 countries, with the largest operations in the UK.

The company provides employment services in Italy. It conducts its operations under the Manpower and Manpower Professional brands through a network of 435 branch offices. Manpower also conducts its business in Italy under its Elan, Jefferson Wells and Right Management brands.

The company's Jefferson Wells segment provides project professionals along four primary solution areas that include internal controls, tax, technology risk management, and finance and accounting. The company serves more than half the Fortune 500 companies its 56 offices across North America, Europe and Asia Pacific.

The company's Right Management segment is a global provider of integrated consulting solutions across the employment lifecycle, operating from approximately 285 branch offices in 52 countries across the Americas, Europe and Asia Pacific and 11 franchise offices in the US. Its transition services offer assistance to individuals or groups of employees displaced from employment. Its organizational consulting services help companies manage their evolving human capital needs.

The company's other operations include operations under the Manpower and Manpower Professional brands through 542 branch offices and 23 franchise offices in the other markets of the world. The largest of these operations are located in Australia, Japan, Mexico and Argentina, all of which operate through branch offices, and Canada, which operates through both branch and franchise offices.

The company is headquartered in Milwaukee, Wisconsin and employs about 33,000 people.

The company recorded revenues of \$20,500.3 million during the fiscal year ended December 2007, an increase of 16.7% over 2006. The operating profit of the company was \$825.4 million during fiscal year 2007, an increase of 55.1% over 2006. The net profit was \$484.7 million in fiscal year 2007, an increase of 21.8% over 2006.

Manpower – SWOT

Manpower is focused on offering global employment services. The company operates five principal brands namely; Manpower, Manpower Professional, Elan, Jefferson Wells and Right Management. The company's strong EMEA segment provides a scope to generate high revenues and its balanced geographical mix minimizes the risk associated with any particular region. But at the same time its Jefferson Wells segments performance is declining drastically and increasing its debt level are the major areas of concerns. Though the company has a threat of competition and economic slowdown, the growing outsourcing market and strategic acquisitions provides an opportunity towards growth.

Strengths

1. Strong Liquidity Position
2. Strong EMEA Segment
3. Geographic Mix of Revenue

1. Strong Liquidity Position

The company's current ratio was 1.61 at the end of fiscal year 2008. This was above the S&P 500 companies average of 1.4. A higher than S&P 500 companies average current ratio indicates that the company is in a strong financial position and is more capable of meeting its short term obligations than other companies in the S&P 500 index.

2. Strong EMEA Segment

Europe, Middle East and Africa (excluding France and Italy), or Other EMEA segment is the largest operational region. During the fiscal 2008, the respective segment accounted USD 7.4 billion, an increase of 10.2% over 2007. It principally operates through 1,233 branch offices and 52 franchise offices across Germany, the Netherlands, Norway, Spain, Sweden, and the UK. Manpower UK under the brands Manpower and Manpower Professional operates with a 116 branch offices network. In addition, it also serve its clients through provide on-site services. The company owns Brook Street Bureau PLC, which operates through 115 branch offices in the UK. It provides secretarial, office and light industrial recruitment services.

3. Geographic Mix of Revenue

The company is one of the leading providers of employment services worldwide. It has 547 branches and 240 franchise offices in the US and operates through a network of 4,400 offices located in 82 countries across the US, Europe, Asia Pacific, and Middle East regions. Though its principal market is the US, it generates balanced revenue from all its geographies. The company generated approximately 89% of its total revenue from outside the US. The company's largest markets are France, which accounted 32% of total revenues, followed by the UK with 12%, the US with 11%, and Italy with 7% of total revenues. Such a geographic balance could minimize the risk associated with any

particular geography.

Weakness

1. Increasing Debts
2. Declining Performance in Jefferson Wells
3. Low Return on Equity
4. Declining Operating Margin

1. Increasing Debts

The company's debts have been increasing year on year, which could adversely affect its operating flexibility and put the company at competitive disadvantage. Its debts increased from USD 914.5 million in the fiscal 2007 to USD 952.9 million in the fiscal 2008. Further, any new debt is added to its current debt levels, the related risks the company now face could intensify. Such an increase in debt level could adversely affect its business operations.

2. Declining Performance in Jefferson Wells

Manpower has shown a decline in the revenue for the Jefferson Wells segment. In the fiscal 2008, the Jefferson Wells segment derived USD 291 million, a decrease of 12% over 2007. Though the respective segment of the company serves big clients from Fortune 500, FTSE 350 and Global 1000 companies across the US, England, Germany, Canada, The Netherlands, South Africa and Hong Kong through its 36 offices, it failed to generate positive revenue figures. Hence, the declining performance of the respective segment could hamper the company's overall revenue growth.

3. Low Return on Equity

The company's return on equity (ROE) was 8.8% at the end of fiscal year 2008. This was below the S&P 500 companies average of 12.9%. A lower than S&P 500 companies average ROE may indicate that the company may not be using the shareholders' money as efficiently as other companies in the S&P 500 index and that it is generating low returns for its shareholders compared to other companies in the S&P 500 index.

4. Declining Operating Margin

The company's operating margin was 2.36% for the fiscal year 2008. This was below the S&P 500 companies average of 14.7%. A lower than S&P 500 companies average operating margin may indicate inefficient cost management or a weak pricing strategy by the company. The operating margin has decreased 167 bps over 2007, which may indicate management's low focus on profitability.

Opportunities

1. Corporate Awards
2. Growing Outsourcing Market
3. Strategic Acquisitions

1. Corporate Awards

In early 2009, Manpower was named as one of Fortune's Most Admired companies in the staffing industry for seventh consecutive year by a group of 10,000 executives, directors and securities analysts. In addition, the company received two major awards showing its commitment to ethics and female employees. The Ethisphere Institute named Manpower in the Ethisphere's second-annual World's Most Ethical Companies List. The World's Most Ethical Companies list would be featured in the Q2 issue of Ethisphere Magazine. Manpower named as one of PINK magazine's 2008 "Top Companies for Women". The company is the only employment services firm to get selected in the list. These awards could improve the company's reputation in the market and helps to increase its operations in new markets.

2. Growing Outsourcing Market

The global BPO market is expected to generate USD 450 billion in revenues by 2012. The retail business process outsourcing worth around USD 35 to USD 45 billion followed by, USD 25 to USD 35 billion worth of insurance, USD 10 to USD 12 billion worth of travel/hospitality, USD 10 to USD 12 billion worth of auto, USD 8 to USD 10 billion worth of telecoms, USD 8 billion worth pharma, USD 10 to USD 15 billion of other industries and USD 20 to USD 25 billion is finance, accounting and HR. The locations such as Eastern Europe, Philippines, Morocco, Egypt and South Africa have emerged to take a share of the market. However, the BPO industry is expected to continue to grow its market in the near future. Most services provided by BPO vendors are offered on a fee-for-service basis. Another way in which BPO increases organizational flexibility is by increasing the speed of business processes. The use of techniques such as linear programming reduces the cycle time and inventory levels, thereby reducing a company's slack. Hence, as the company is engaged in providing the outsourcing services, the growing BPO markets could boost the company growth.

3. Strategic Acquisitions

The company has been acquiring several companies since 2000. In 2006, Right Management completed acquisition of Grow Talent Company, an organizational and individual consulting firm in India. Manpower acquired three major firms in the year 2008 namely; Clarendon Parker Middle East FZ LLC (CPME), Vitae and CRI Inc. Manpower's acquisition of Clarendon Parker Middle East and Vitae (CPME), provides a scope to expand its global network to 78 countries and territories worldwide. CPME acquisition made the Manpower Middle East the clear market leader for employment services in that region. Vitae's acquisition resulted in the addition of Vitae's offices in 10 locations in Netherlands. The acquisition of CRI strengthened the company's presence in the fast growing recruitment process outsourcing market. Thus, these acquisitions can expand the company's business across the several regions and can improve the company's income.

Threats

1. Slowdown in the U.S. and Eurozone
2. Competitive Pressures
3. Regulatory Pressures

1. Slowdown in the U.S. and Eurozone

Though the company has its operations across the world, it derives a majority of its revenue from America and Europe. The economic slowdown has shown its effect on all the geographic regions, prominently Europe and the US. Analysts forecast that the GDP growth in the US and the Eurozone would further slowdown in 2009. Reports suggest that the US real GDP growth would fall to negative 2.6% in 2009 from positive 1.1% in 2008. Also, the economic growth in the Eurozone decreased to 1.4% in 2008 from 2.9% in 2007 and is forecasted to drop further to as low as 0.2% in 2009. Such a weak economic outlook across the company's two key markets could pressurize the company's revenue and thereby adversely affect its overall business.

2. Competitive Pressures

The global employment service is having high competition due to with limited entry barriers. Manpower has operations in North America, South America, Europe, Australia and Asia. The company competes with Adecco, Randstad Holding and Kelly Services, in the recruitment services market. In the outplacement market, the company competes with Drake Beam Morin and Lee Hecht Harrison. In the HR consulting market, the company competes with Mercer Delta, Towers Perrin, Watson Wyatt, DDI and Hewitt Associates; and Kenexa. In the professional services industry, Jefferson Wells of Manpower competes with Deloitte & Touche, Ernst & Young, PricewaterhouseCoopers, KPMG and Protiviti. Increasing competitive pressures may affect the company's revenues.

3. Regulatory Pressures

Manpower is subjected to many government regulations in several countries in which it operates. The employment services industry in France and Germany is heavily regulated. In Germany, governmental regulations limit the period of contracts and the number industries in which it operates. Special taxes, fees or costs are imposed in some countries in context with the use of company's associates. In France, the company's associates are allowed to a 10% allowance for the uncertain period of employment, which is eliminated if a full-time position is offered within three days. Such regulations may affect the company's revenues as well as operations.



Robert Half

Robert Half – Background

Robert Half International (RHI) provides full-time and temporary staffing and consulting services for the accounting and finance vertical. The company operates through more than 330 offices in the US, Canada, Mexico, Europe, Asia, Australia, and New Zealand. The company placed approximately 242,000 employees on temporary assignments with clients during 2006.

RHI operates through three segments: temporary and consultant staffing; risk consulting and internal audit services; and permanent placement staffing.

The temporary and consultant staffing segment provides specialized staffing services in the accounting and finance; administrative and office; information technology (IT); legal; advertising; marketing; and web design industry segments.

Temporary employees placed by RHI are its legal employees working on assignments. The company pays all related costs of employment, including workers compensation insurance; state, and federal unemployment taxes; social security; and certain fringe benefits.

The risk-consulting segment provides business and technology risk consulting and internal audit services. Risk consulting and internal audit services are generally provided on a time-and-material basis or fixed-fee basis. Revenues on fixed-fee arrangements are recognized using a proportional performance method based on the relative hours spent on an engagement compared with the total estimated hours.

The company periodically evaluates the need to provide for any losses on these projects. Reimbursements, including those relating to travel and out-of-pocket expenses, are included in risk consulting and internal audit service revenues, and equivalent amounts of reimbursable expenses are included in direct costs of services.

The permanent placement segment provides full-time personnel for industry segments such as accounting, finance, administrative and office, and IT.

Further, the company operates eight brands based on product lines: Accountemps, Robert Half Finance & Accounting, OfficeTeam, Robert Half Technology, Robert Half Management Resources, Robert Half Legal, The Creative Group, and Protiviti. All these product lines are also registered brand names/trademarks in the US and in a number of foreign countries.

The Accountemps offers temporary staffing options for accounting, tax, and finance



personnel in event of peak workloads. These may be caused by predictable events such as vacations, tax work, month end activities, and special projects or unforeseen events such as illness and emergencies.

Robert Half Finance and Accounting offers permanent placement of accounting, financial, tax, and banking personnel. The fee for successful placements (paid by the employer) is generally a percentage of the new employee's annual compensation.

The OfficeTeam places temporary and permanent office and administrative personnel, ranging from workers with word processing skills to office managers. Robert Half Technology offers placements of information technology (IT) contract consultants and other placements in areas ranging from multiple platform systems integration, programming, networking, systems integration, database design, and help desk support.

Robert Half Management Resources offer placement services for senior-level project professionals in the accounting and finance verticals. These employees may include Chief Financial Officers, controllers, and Senior Financial Analysts.

The company places temporary and permanent employees in attorney, paralegal, legal administrative, and legal secretarial positions through Robert Half Legal.

The Creative Group serves clients in the areas of advertising, marketing, and Web design. The Creative Group places project consultants in a variety of positions such as creative directors, graphics designers, Web content developers, Web designers, media buyers, and public relations specialists.

The company's Protiviti brand provides independent internal audit, business, and technology risk consulting services. It also offers a range of professional consulting services, technologies and skills for business and technology risk management, and the transformation of internal audit functions.

The company recorded revenues of \$4,013.5 million during the fiscal year ended December 2006, an increase of 20.2% over 2005. The operating profit of the company was \$449.5 million during fiscal year 2006, an increase of 17.9% over 2005. The net profit was \$283.2 million in fiscal year 2006, an increase of 19% over 2005.

Robert Half – SWOT

Robert Half is one of the leading specialized staffing services providers of placement services for accounting, finance and information technology professionals. The broad range of offerings, awards and recognition, and strong presence are the major strength of the company. However, declining margins and over dependence on domestic market are the key concerns for the company. The launch of global salary guides and demand for specialty recruitment services could minimize the risk associated with competition, and change in legislation.

Strengths

1. Strong Liquidity Position
2. Strong Presence
3. Recognition
4. Broad Range of Services

1. Strong Liquidity Position

The company's current ratio was 2.5 at the end of fiscal year 2008. This was above the S&P 500 companies average of 1.4. A higher than S&P 500 companies average current ratio indicates that the company is in a strong financial position and is more capable of meeting its short-term obligations than other companies in the S&P 500 index.

2. Strong Presence

The diversified presence of all the verticals could provide the company a competitive edge. The company is one of the world's first and largest specialized staffing firms. It has its staffing and consulting operations in more than 400 locations worldwide. It is also a parent company of Protiviti, a global business consulting and internal audit firm composed of experts specializing in risk, advisory and transaction services. Robert Half's specialized staffing divisions include Robert Half Technology, for information technology professionals; Robert Half Legal, for legal personnel; OfficeTeam, for highly skilled temporary administrative support personnel; The Creative Group, for advertising, marketing and web design professionals; and Accountemps, Robert Half Finance & Accounting and Robert Half Management Resources, for temporary, full-time and project professionals, respectively, in the fields of accounting and finance.

3. Recognition

The company's strong recognition helps in improving its reputation, thereby increase the demand for the company's offerings. In March, 2009, the company ranked first in its industry on FORTUNE magazine's list of World's Most Admired Companies. In addition, it was ranked 17th on the BusinessWeek 50 list of best performing S&P 500 companies for the second consecutive year. Further, Forbes also named it as one of 130 'Global High Performers'. In April 2007, Robert Half was included on the Forbes Global 2000, a list of the world's largest public companies. BusinessWeek ranked Protiviti as one of the



Best Places to Launch a Career for the second consecutive year in 2007. Such a recognition could further increase the demand for its products, thereby improves its top line growth.

4. Broad Range of Services

Robert Half is a specialist staffing firm providing wide range of professional staffing and consulting services. The company's specialized staffing division includes Accountemps, Robert Half Finance & Accounting and Robert Half Management Resources. Through these divisions, the company provides temporary, full-time and project professionals in the fields of accounting and finance. Robert Half's Office Team provides highly skilled temporary administrative support. Robert Half Technology provides information technology professionals and Robert Half Legal provides project and full-time staffing of attorneys, paralegals and legal support personnel. The Creative Group division provides creative, advertising, marketing and web design professionals on a freelance and full-time basis. The company also operates a global consulting and internal audit firm named Protiviti, which provides solutions in finance, operations, technology, litigation, and governance, risk and compliance (GRC). Such broad range of services could offer the company a wide revenue sources by minimizing risks associated with any particular businesses.

Weaknesses

1. Declining Margins
2. Reliance on the U.S. Market

1. Declining Margins

The decline in margins could have an adverse impact on company's business operations. The company's operating margin was 9.11% for the fiscal year 2008. This was below the S&P 500 companies average of 14.7%. A lower than S&P 500 companies average operating margin may indicate inefficient cost management or a weak pricing strategy by the company. The operating margin has decreased 145 bps over 2007, which may indicate management's low focus on profitability. Consequently, its net profit margin declined to 5.4% in the fiscal 2008 from 6.4% in the fiscal 2007. Further, its return on equity also declined to 25.4% in the fiscal 2008 from 30.1% in the fiscal 2007. Such a decline in margins indicates that the company has a poor pricing strategy than its customers, which could affect its revenue stream.

2. Reliance on the U.S. Market

Robert Half has its operations spread across the North America, South America, Europe, Asia and Australia, with majority of its revenues derived from the US. Though the company has its presence across the globe, it generates a significant amount of revenue from its domestic market, where the economic situations are not in favor. The company recorded domestic revenues of USD 3,278.3 million in the fiscal 2008, which accounted for 71.3% of the company's total revenues. This high reliance on the

company's domestic market may expose it to the risks associated with the country's economy, thereby adversely affect the top line growth.

Opportunities

1. Launch of Salary Guides
2. Demand for Specialty Recruitment Services

1. Launch of Salary Guides

The company launched a global and Asia Pacific salary guides for finance and accounting professionals, which could improve its revenue stream. In June 2009, the global salary guides were launched by Robert Half, which offers interesting insights into the hiring environment and average salaries for finance professionals globally and in Singapore. The salary levels of finance and accounting professionals are expected to be steady in 2009 and 2010, while demand for banking and finance talent remain strong in Asia Pacific despite ongoing economic challenges, according to the Global Financial Salary Guide 2009/2010 and inaugural Asia Pacific Banking & Financial Services Salary Guide 2009/2010. Further, the company's Global Financial Salary Guide 2009/2010 provides data on starting salaries for finance and accounting professionals. Moreover, the data from the inaugural Asia Pacific Banking & Financial Services Salary Guide 2009/2010, provides insights into the recruitment competitive landscape and job prospects for banking and financial services professionals in the region, which could increase the its top line growth.

2. Demand for Specialty Recruitment Services

There is a growing awareness and willingness to use specialist recruitment services in sectors and countries, which have historically not been familiar with specialist recruitment services. Increasing skill shortages is also driving more businesses to use the company's services to help fill highly skilled roles. Rising demand by employers and employees for flexible employment is driving growth in the temporary placement market. Further increased frequency in changing jobs is creating a greater demand for Robert Half's services. These global trends in the specialty recruitment could provide wide prospects for the company's services in future.

Threats

1. Highly Competitive Market
2. Changes in Legislation
3. Economic Slowdown

1. Highly Competitive Market

The markets for the provision of permanent and temporary recruitment are competitive and fragmented. Robert Half's competitors in its markets range from large multi-national organizations to small, boutique, privately owned businesses. Its major competitors include Manpower Inc., MPS Group, Inc., Kforce Inc., Rentokil Initial plc,

and CDI Corp. In addition, the company is continually subject to existing and new competitors entering into the markets in which it operates. Considering the relatively low costs of entry into the specialist recruitment markets, the competitive threats for the company could be ranging from start-up operations to large multi-nationals.

2. Changes in Legislation

An increasing level of compliance, which varies from country to country and market to market, governs the recruitment industry. As the employment laws are changed and harmonized in certain geographies, they bring with them new risks. The temporary market is more heavily regulated. Changes in legislation such as changes in managed service company legislation, the planned removal of the staff hire concession and changes to temporary worker rights could have an adverse impact on the company's operations.

3. Economic Slowdown

Though the company has its operations across the world, it derives a majority of its revenue from America. The economic slowdown has shown its effect on all the geographic regions, prominently Europe and the US. Analysts forecast that the GDP growth in the United States and the Eurozone would further slowdown in 2009. Reports suggest that the United States real GDP growth would fall to negative 3.15% in 2009 from positive 1.1% in 2008. Also, the economic growth in the Eurozone decreased to 1.4% in 2008 from 2.9% in 2007 and is forecasted to drop further to as low as 0.2% in 2009. Such a weak economic outlook across the company's key markets could pressurize the company's revenue and thereby adversely affect its overall business.

Kelly Services

Kelly Services – Background

Kelly Services (Kelly) is a prominent player in providing human resources solutions. The company offers temporary staffing services, outsourcing, vendor on-site and full-time placement. The company operates in 37 countries and territories spanning North America, South America, Europe, Asia, Australia and Africa. It provides employment to more than 750,000 employees annually.

The company assigns the professional and technical employees in the fields of finance and accounting, creative services, education, engineering, information technology, legal, science, and health care. The company is also one of the world's largest scientific staffing providers. The company also offers innovative staffing alternative solutions for customers in outsourcing, consulting, recruitment, career transition, and vendor management services.

The company offer staffing solutions to a group of customers through offices in the Americas (the US, Canada, Puerto Rico, and Mexico); Europe (Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Hungary, Ireland, Italy, Luxembourg, the Netherlands, Norway, Poland, Russia, Spain, Sweden, Switzerland, Turkey, Ukraine and the UK); and the Asia-Pacific region (Australia, China, Hong Kong, India, Indonesia, Japan, Malaysia, New Zealand, the Philippines, Singapore, and Thailand).

The company organizes its business operations across two divisions: commercial and professional, technical and staffing (PTSA). These two divisions are organized across two geographic divisions: Americas and international. Therefore, the company manages all its operations across four segments: Americas-commercial; Americas-PTSA; international-commercial; and international-PTSA.

The company's Americas-commercial segment services include Kelly office services, provides trained employees who worked in word processing and data entry and as administrative support staff; KellyConnect, provides staff for contact centers, technical support hotlines and telemarketing units; Kelly Educational Staffing, provides qualified substitute teachers; Kelly Marketing Services, provides support staff for seminars, sales and trade shows; Kelly Electronic Assembly Services, provides technicians to serve the technology, aerospace and pharmaceutical industries; Kelly Light Industrial Services, provides maintenance workers, material handlers, assemblers and more; KellySelect, a temporary to full-time service that provides customers and temporary staff to evaluate the relationship before making a fulltime employment decision; and KellyDirect, a permanent placement service used across all business units.



The Americas-PTSA of the company segment includes services like: CGR/seven, placing employees in creative services positions; Kelly Automotive Services Group, placing employees in technical, non-technical and administrative positions in major automotive manufacturers and their suppliers; Kelly Engineering Resources, supplying engineering professionals across all disciplines including aeronautical, chemical, civil/structural, electrical/instrumentation, environmental, industrial, mechanical, petroleum, pharmaceutical, quality and telecommunications; Kelly FedSecure, placing professionals across all skills in jobs requiring security clearances; Kelly Financial Resources, serves corporate finance departments, accounting firms and financial institutions with professional personnel; Kelly Healthcare Resources, provides healthcare specialists and professionals to work in hospitals, ambulatory care centers, HMOs and other health insurance companies; Kelly IT Resources, provides information technology specialists across IT; Kelly Law Registry, provides legal professionals including attorneys, paralegals, contract administrators, compliance specialists and legal administrators; and Kelly Scientific Resources, provides entry-level to Ph.D. professionals to a spectrum of scientific and clinical research industries.

The Americas-PTSA segment also provides Kelly HRfirst, conducts recruitment process outsourcing programs; Kelly HR Consulting, provides strategic human capital consulting services and solutions; Kelly Management Services, provides outsourcing solutions that provide operational management of entire departments and business functions; Kelly Vendor Management Solutions, provides supplier base and contract information; and The Ayers Group, provides outplacement services and organizational effectiveness consulting.

The company's international-commercial segment provides a range of commercial staffing services that offers in the Americas.

The international-PTSA segment of the company provides engineering, financial, health care, IT, legal and scientific staffing. Recruitment process outsourcing, consulting, outsourcing and vendor management are also included in this segment. Kelly is also focusing on cross-border recruitment opportunities.

The company is headquartered in Troy, Michigan and employs 10,000 people. The company recorded revenues of \$5,517.3 million during the financial year ended December 2008 (FY2008), a decrease of 2.7% over 2007. The net loss was \$82.2 million in FY2008, comparing to net profit of 61 in FY2007.

Kelly Services – SWOT

Kelly is a staffing company that provides temporary placement, outsourcing, vendor on-site and full-time placement services. It offers these services across a range of professional, technical, and traditional office disciplines. The company has continuously strengthened its operations through its integrated business model and strong contributions from commercial services segment. On the other hand poor resource management along with influence of the economic cycles may have an adverse affect on the company's operations.

Strengths

1. Strong Liquidity Position
2. Commercial Services Segment
3. Integrated Business System

1. Strong Liquidity Position

The company's current ratio was 1.71 at the end of fiscal year 2008. The value of current ratio reflects the strong liquidity position of the company. Also, the current ratio was above the S&P 500 companies average of 1.4. A higher than S&P 500 companies average current ratio indicates that the company is in a strong financial position and is more capable of meeting its short term obligations than other companies in the S&P 500 index.

2. Commercial Services Segment

Kelly's Commercial segment is engaged in temporary and permanent staffing for office services, contact centers, light industrial jobs and electronic assembly jobs. Through Kelly Office Services, the segment provides employees who work in word processing and data entry and as administrative support staff. KellyConnect provides staff for contact centers, technical support hotlines and telemarketing units. Kelly Educational Staffing provides qualified substitute teachers. Kelly Marketing Services provides support staff for seminars, sales and trade shows. Kelly Electronic Assembly Services provides technicians to serve the technology, aerospace and pharmaceutical industries. Kelly Light Industrial Services places maintenance workers, material handlers, assemblers and more. Through KellySelect, the segment offers temporary hire business services; and KellyDirect provides permanent placement services used across all business units. Commercial staffing makes up the majority of Kelly's revenue and also accounts for much of the low skill staffing the company provides. This segment contributed 75% of the total revenues and 61% of the operating profit of the company. Strong performance of the commercial business works as the key driver of the company's operations.

3. Integrated Business System

Kelly is a HR solutions provider engaged in offering temporary staffing services, outsourcing, vendor on-site and full-time placement services. The company offers these

services in professional, technical, and traditional office disciplines including finance, creative services, healthcare, science, engineering, law, education, contact centers, office services, and light industrial. Kelly provided temporary employment for more than 650,000 employees in 2008 to a variety of customers around the globe including more than 90% of the Fortune 500 companies. The company has global presence with offices in 36 countries and territories spread across Americas, Europe and Asia Pacific regions. Such an integrated business system with a wide portfolio of operations and facilities would enable Kelly to achieve its strategic goals.

Weaknesses

1. Low Return on Equity
2. Declining Operating Margin
3. Declining Market Share in Sector

1. Low Return on Equity

The company's return on equity (ROE) was negative 12.6% at the end of fiscal year 2008. This was below the S&P 500 companies average of 12.9%. A lower than S&P 500 companies average ROE may indicate that the company may not be using the shareholders' money as efficiently as other companies in the S&P 500 index and that it is generating low returns for its shareholders compared to other companies in the S&P 500 index.

2. Declining Operating Margin

The operating income of the company has declined to negative USD 70.27 million in year 2008 from positive USD 80.08 million in year 2007 due to the downfall in revenue. The company's operating margin and the net profit margin was negative 1.27% and negative 1.4% for the fiscal year 2008. This operating margin was below the S&P 500 companies average of 14.7%. A lower than S&P 500 companies average operating margin may indicate inefficient cost management or a weak pricing strategy by the company. The operating margin has decreased 268 bps in comparison to 2007, which may indicate management's low focus on profitability.

3. Declining Market Share in Sector

The company generated revenue of USD 5517.29 million in year 2008, which is a decrease of 2.6% in comparison to the previous year. Also, the company's compounded annual growth rate (CAGR) for revenue was 2.84% during 2004-2008. This was below the S&P 500 companies average of 11.1%. A lower than S&P 500 companies average revenue CAGR may indicate that the company has underperformed the average S&P 500 companies and lost market share over the last four years. The company's under performance could be attributed to a weak competitive position.

Opportunities

1. Business Restructuring

1. Business Restructuring

Kelly divested its non-core business of Kelly Home Care as a part of its restructuring strategy. In UK the company has closed 22 branches and also consolidated the operations of its three headquarters. It closed 58 branch offices and centralized the payroll processing, in Americas. To facilitate the company's international growth, it implemented a new business structure designed around three regions: the Americas, Asia-Pacific and EMEA (Europe, Middle East, Africa). These business restructuring initiatives would assist the company to accelerate its expansion activities.

Threats

1. Global Economic Slowdown
2. Dependence on Technology
3. Changes in Legislation
4. Declining Recruitment Services Market

1. Global Economic Slowdown

The economic slowdown has shown its effect on all the geographic regions, prominently Europe and the US, which could concern the company. Analysts forecast that the GDP growth in the US and the Eurozone would further slowdown in 2009. Reports suggest that the US real GDP growth would fall to negative 2.6% in 2009 from positive 1.1% in 2008 . Also, the GDP growth in the Eurozone decreased to negative 4.1% in 2009 from positive 1.2% in 2008. This could adversely affect the overall business of the company.

2. Dependence on Technology

The company's operations are increasingly reliant on a number of technology systems for providing its services to clients. These systems are situated at various datacenters located at different locations. The system faces the risk of losing data from any of these centers due to technical errors. It is also reliant upon a number of important suppliers that provide critical information technology infrastructure. Further, the company is in the process of upgrading some of its key operational and financial systems. Such changes have an element of inherent risk in managing the scale of company's data.

3. Changes in Legislation

The recruitment industry is governed by an increasing level of compliance, which varies from country to country and market to market. As the employment laws are changed and harmonized in certain geographies, they bring with them new risks. The temporary market is more heavily regulated. Changes in legislation such as changes in managed service company legislation, the planned removal of the staff hire concession and changes to temporary worker rights could have an impact on the company's operations.

4. Declining Recruitment Services Market

The company as a recruitment services provider it could face deterrent conditions in



market, as a result of extenuated global economic environment. According to Aarkstore Enterprise's global recruitment market report, in 2009, about 76,000 temporary employees were laid off. The US job market has decreased 22.7% year-on-year, which is a significant decline since 1990. During the same period, in Canada, 129,000 jobs were cut down. According to the survey of Manpower's latest Employment Outlook conducted by Expatica, an international media company, in the first quarter of 2009, most of the European countries have experienced negative hiring rates such as France (-2%), the UK (-4%), Spain (-9%), Italy (-9%), and Ireland (-12%). In second quarter of 2009, it is estimated that the recruitment market might face hard environment in Asia-Pacific region also. Finally, the global recruitment market would face tough conditions in near future. Such adverse situations could negatively affect the overall business of the company.

Spherion

Spherion – Background

Spherion Corporation (Spherion) is one of the largest recruiting and staffing companies that provides temporary staffing services, managed services and permanent placement services. The company is engaged in providing integrated staffing solutions to meet the evolving needs and priorities of companies and job candidates.

Spherion operates through a network of 671 locations within North America. The company's network comprises of 504 company-owned offices, 101 franchised locations and 66 area-based franchised locations. Geographically, the company has its business operations across the US and Canada.

The company operates its business through its two segments, namely, Staffing Services segment and Professional Services segment. Under staffing services segment, it offers temporary staffing, managed services and permanent placement, while under professional services segment of the company provides temporary staffing and permanent placement services.

The Staffing Services segment provides temporary staffing, managed services and permanent placement of employees with primarily clerical and light industrial skills.

Temporary Staffing services division of the company provides employees who work at customer locations under the supervision of customer personnel. It provides temporary employees with clerical, light industrial, information technology, finance and accounting, legal, engineering, and marketing and administrative skill sets.

Under the company's managed services division, the company manages aspects of operation and management of customer function including recruiting, administrative services, and help desk and data center services. These managed services also include recruitment process outsourcing offerings, where the aspects of customers' hiring and recruitment are managed. The company is responsible for the operation of the customer function and generally is required to meet minimum service level agreements, and provide customer driven reporting. It also takes responsibility for most aspects of a customer's hiring or recruiting function.

Through the company's Permanent placement service division, it hunts for talented personnel on behalf of customers, screens the candidates and assists in the recruitment efforts. The company's staffing services segment generated USD 1,440.7 million in the fiscal year 2008, a decrease of 2.1% in comparison to fiscal year 2007.

The Professional Services segment provides temporary staffing and permanent placement of employees with higher-level skill sets in the fields of information technology, finance and accounting, legal, engineering, sales and marketing, human resources and administration. Through those two operating categories, the company provides temporary staffing services, managed services and permanent placement services. The professional services segment generated USD 748.4 million in the fiscal year 2008, an increase of 37.4% over the fiscal year 2007.

On January 23, 2009, the company's division Mergis Group, a leading specialty professional placement firm launched Troubled Assets Relief Program (TARP) and Government Bailout Talent Delivery Team to manage and deliver companies' recruiting and staffing needs. On May 04, 2009, the Recruitment Process Outsourcing (RPO) division of the company launched RPO One (SM), an industry leading, standardized RPO product. On May 25, 2009, the company and Spring Group signed global recruitment process outsourcing alliance

Spherion – SWOT

Spherion is a leading recruiting and staffing company. The company is engaged in providing integrated solutions to meet the evolving needs of companies and job candidates. The company operates its business through its two operating segments- Staffing Services and Professional Services. The company predominantly operates in North America. Spherion's comprehensive suite of services and well positioning in North America has put the company in a leadership position in the Recruitment Process Outsourcing (RPO). However, legal proceedings and declining margins are the major areas of concerns for the company. The growth in HR outsourcing and strategic initiatives could minimize the risk associated with competition, technological quirks and economic situations.

Strengths

1. Strong Liquidity Position
2. Contracts and Agreements
3. Well-positioned in North America

1. Strong Liquidity Position

The company's current ratio was 1.59 at the end of fiscal year 2008. This was above the S&P 500 companies average of 1.4. A higher than S&P 500 companies average current ratio indicates that the company is in a strong financial position and is more capable of meeting its short term obligations than other companies in the S&P 500 index. In addition, its quick ratio also became 1.59 in the fiscal year 2008 from 1.4 in the fiscal year 2007. The higher liquidity ratios show that the company has better ability to pay its short-term obligations and maintain its position in the market.

2. Contracts and Agreements



The company signed several contracts and agreements, which could further increase its top line growth. On January 23, 2008, the company's recruitment process outsourcing (RPO) division extended its contract with United Airlines through 2010. On May 28, 2008, the company's RPO division merged with its assessment business in the processes of expansion. In addition, on September 8, 2008, its RPO division signed a one-year contract with Gerdau Ameristeel, a leading mini-mill steel producer and second largest recycler in North America, to provide full end-to-end RPO services. On September 19, 2008, the company's RPO division signed strategic alliance with AMN Healthcare to jointly provide RPO services to healthcare organizations across the US. Such strong and long-term agreements and contracts strengthen the company's positions and thereby enhances its top line growth.

3. Well-positioned in North America

In North America, the company is well positioned to cater its diversified staffing services such as managed services, permanent placement services and staffing services. It caters its services through a broad network of 671 locations within North America, of which of 504 are company-owned offices, 101 franchised locations and 66 area-based franchised locations. The company holds 639 and 32 locations in the US and Canada, respectively to serve its clients. Though the company has its locations in the Netherlands, Asia-pacific and the UK, it divested all and proposed to focus its concentration in the region of North America. This pinpoint focus of the company on the market enhances its business.

Weaknesses

1. Declining Margins
2. Declining Market Share in Sector
3. Legal Proceedings

1. Declining Margins

The declining margins could adversely affect its business operations. The company's operating margin was negative 6.45% for the fiscal year 2008. This was below the S&P 500 companies average of 14.7%. A lower than S&P 500 companies average operating margin may indicate inefficient cost management or a weak pricing strategy by the company. The operating margin has decreased 875 bps in comparison to 2007, which may indicate management's low focus on profitability. In addition, its net profit margin declined to negative 5.4% in the fiscal year 2008 from 1.25% in the fiscal year 2007. The company's return on equity (ROE) was negative 33.3% at the end of fiscal year 2008. This was below the S&P 500 companies average of 12.9%. A lower than S&P 500 companies average ROE may indicate that the company may not be using the shareholders' money as efficiently as other companies in the S&P 500 index and that it is generating low returns for its shareholders compared to other companies in the S&P 500 index. Such a decline in margins indicates that the company has poor pricing strategy and low rate of return on ownership interest of common stock holders.

2. Declining Market Share in Sector

The company's declining performance and market share in the sector could affect its competitive position. The company's compounded annual growth rate (CAGR) for revenue was 1.78% during 2004-2008. This was below the S&P 500 companies average of 11.1%. A lower than S&P 500 companies average revenue CAGR may indicate that the company has underperformed the average S&P 500 companies growth and lost market share over the last four years. In addition, its operating income declined to negative USD 141.3 million in the fiscal 2008 from USD 46.5 million in the fiscal 2007. Further, its net income also declined to negative USD 118.5 million in the fiscal 2008 from USD 25.3 million in the fiscal 2007. Moreover, its return on working capital declined to negative 125.5% in the fiscal 2008 from 37.2% in the fiscal 2007. The company's underperformance could be attributed to a weak competitive position or inferior products and services offering or lack of innovative products and services.

3. Legal Proceedings

The company has become a defendant in many lawsuits which arises in its normal course of its business. The principal risks that the company insures against are workers' compensation, personal injury, bodily injury, property damage, professional malpractice, errors and omissions, and fidelity losses. In December 2004, a case has brought against the company by its plaintiffs; Glidepath Holding B.V. and Jeimon Holdings N.V., in the US District Court of the Southern District of New York. In 2002, the plaintiffs acquired Cyber Center business of Spherion Technology (UK) Limited, a subsidiary of Spherion Corporation. The plaintiffs sued Spherion for fraud, negligent misrepresentation, aiding and abetting breach of fiduciary duty and unjust enrichment. They sought USD 32.0 million in damages, and treble for punitive damages, plus attorneys' fees, expert fees and costs. Still this case is pending in the court and is yet to be adjudged. Such legal proceedings could affect the company's financial condition adversely and also the customers' perception.

Opportunities

1. Strong Growth in RPO
2. Strategic Initiatives
3. Positive Outlook in HR outsourcing

1. Strong Growth in RPO

The company is a major provider of recruitment process outsourcing (RPO), which is expected to continue growing as it can reduce the costs associated with talent acquisition and talent management. According to NelsonHall, the global RPO market is projected to attain 37% annual growth and become an USD 7 billion market by 2010. Similarly, the US based companies spending on end-to-end RPO is at USD 480.4 million in 2008 and this figure is expected to climb to about USD 1.6 billion by 2012. Such a strong growth in RPO market could increase the demand for the company's offerings, thereby improving its top line growth.

2. Strategic Initiatives

The strategic initiatives made by the company could improve its business operations and thereby increase its top line growth. On January 23, 2009, the company's division Mergis Group, a leading specialty professional placement firm launched Troubled Assets Relief Program (TARP) and Government Bailout Talent Delivery Team to manage and deliver companies' recruiting and staffing needs. In addition, on March 31, 2009, the company's subsidiary, Technisource, one of the largest technology services providers in North America launched Provali Group, a specialized IT consulting and outsourcing firm. On May 04, 2009, the Recruitment Process Outsourcing (RPO) division of the company launched RPO One (SM), an industry leading, standardized RPO product. On May 25, 2009, the company and Spring Group signed global recruitment process outsourcing alliance. These initiatives could improve its revenue stream further.

3. Positive Outlook in HR outsourcing

The positive growth in human resource outsourcing services could increase demand for the company's offerings, and thereby improve its top line growth. For the last few years, the HR outsourcing market has been growing in leaps and bounds. The growth of this market is at par with mid-market companies and Fortune 100. The increasing globalization helped the new companies open up new locations and set up new operations. In order to procure high performance workforce and to reduce the costs of recruiting and allied services, these companies outsource the work to third parties providing staffing and recruiting services. Staffing companies like Spherion, help such companies in developing and optimizing their resources. The global human resource outsourcing market is expected to cross USD 78.8 billion by 2010. Further, Human resources business process outsourcing (BPO) is the fastest-growing segment of HR services and will grow at a compound annual growth rate (CAGR) of 16% in the US, reaching USD 18.9 billion in spending by 2010. Such a positive outlook of the market could help the company in increasing its operations further.

Threats

1. Slowdown in the US and Euro zone
2. Intensifying Competition
3. Technological Quirks

1. Slowdown in the US and Euro zone

There is economic recession in the US and the Euro zone nations. The recession will be long and could be severe as per the Organization of Economic Cooperation and Development (OECD) forecast. Economic activity in the US is expected to decrease by 0.9% in the US, by 0.5% in the Euro zone and by 0.1 % in Japan in 2009. According to OECD's forecast, in the third quarter of 2008, the US and the euro zone entered a period of four serial quarters of negative GDP growth. The US economy will contract by 0.9 %, while euro zone GDP will shrink by 0.5 % in 2009. GDP for all 30 OECD nations is seen to



decline by around 0.3 % on the average in next year. Thus, slowdown in the US and Euro zone may affect the company's operations.

2. Intensifying Competition

The company operates in a highly competitive environment. The competition for the company is fragmented and varies with the services. The company's permanent and temporary staffing services business is characterized with low barriers of entry and is highly competitive. Furthermore, Internet based competition is alarmingly increasing. The company faces stiff competition from companies with major financial resources, more work-force and with advanced technological competence as compared to the company. The major competitors of the company are Randstad Holding and Adecco, Manpower, Kelly Services, and Vedior. The increase in the competitive pressures could affect the company's financial condition adversely.

3. Technological Quirks

As the technology is growing at a phenomenal pace, all the companies must automate and equip themselves with latest information and communication technology, otherwise the company's competitive edge in the markets would be eliminated. For instance, in banking sector, several banks moderately equip themselves with upcoming technologies in their customer interface processes. This may bring down the customer care staff requirements. In the same way, many other organizations and companies are going with direct-to-customer channels such as e-commerce sites that bring down the automation of business processes. Such automation in the organizations reduces the need for the staff to control and regulate the information. This could affect the company's financial condition materially.

Randstad

Randstad – Background

Randstad is an international supplier of temporary staffing and employment services to businesses and institutions. Randstad offers an extensive portfolio of HR services, from regular temporary staffing and permanent placement (mass-customized), through consultants provided on site (in-house services), to seconded specialists (interim professionals), the recruitment of middle and senior managers (search & selection) and a comprehensive range of specialized HR services (HR Solutions).

The company currently operates in Belgium, Canada, China, Denmark, France, Germany, Hungary, India, Italy, Japan, Luxembourg, the Netherlands, Poland, Portugal, Spain, Sweden, Switzerland, Turkey, the UK and the US.

The company's operations are organized into three business segments: mass customized; in house services; and interim professionals, search and selection.

The mass customized segment is further divided for into mass customized Europe and Asia and mass customized North America based on its geographical presence in those regions.

The mass customized segment offers temporary staffing, permanent placement and high volume specialty services. The company primarily operates through the Randstad brand. This segment also operates the Tempo Team brand. Tempo-Team is the second largest staffing brand in The Netherlands.

Apart from these, the segment also operates the Otter-Westelaken and team4u brands.

The in house services segment is further divided into in house services Europe and in house services North America, based on the company's geographical presence in these regions.

This segment provides on site services exclusively for one client, providing a limited number of job profiles. The employees that form part of this staffing solution are on the Randstad payroll. This segment also provides HR management, including recruitment and selection, training, planning, retention and management reporting. In house services are offered in Netherlands under the Capac in-house services brand and on an international level as Randstad in house services.

Interim professionals search and selection segment provides fee based recruitment services for middle and senior management positions for permanent positions, interim



positions or on a project basis. This segment operates through the Yatch, Martin Ward Anderson and EmmayHR brands.

The company also provides fee based HR solutions. These include HR project management, HR management and HR consultancy services.

The company is headquartered in Diemen, the Netherlands and employs about 386,770 people. In December 2007, Randstad Holding agreed to buy its smaller Dutch competitor, Vedior NV, for 3.5 billion euros (\$5.14 billion) to create the world's second-largest staffing company.

The company recorded revenues of E9,197 million (approximately \$12,606.7 million) during the financial year ended December 2007 (FY2007), an increase of 12.3% over 2006. The operating profit of the company was E539.6 million (approximately \$739.7 million) during FY2007, an increase of 27.4% over 2006. The net profit was E384.9 million (approximately \$527.6 million) in FY2007, an increase of 6.8% over 2006.

Randstad – SWOT

Randstad is an employment services supplier catering to the recruitment needs of businesses and institutions, offering contract and temporary staffing services. Strong market position in the world's leading markets made Randstad as a prominent brand in the recruitment services industry, leveraging its organic and inorganic growth potential. Further, strong growth in revenue stream and acquisitions are some of the strengths of the company. However, the declining margins and share prices are the major areas of concerns for the company. The growth in Indian BPO market and globalization could minimize the risk associated with economic situations and competition.

Strengths

1. Strong Liquidity Position
2. Strong Growth Prospects
3. Acquisitions
4. Strong Revenue Stream
5. Leading Position

1. Strong Liquidity Position

The company's current ratio was 1.57 at the end of fiscal year 2008. This was above the S&P 500 companies average of 1.4. A higher than S&P 500 companies average current ratio indicates that the company is in a strong financial position and is more capable of meeting its short term obligations than other companies in the S&P 500 index.

2. Strong Growth Prospects

The company was trading at a price/earnings (P/E) ratio of 363.5 at the end of fiscal year 2008. This was above the S&P 500 companies average of 9.2. A higher than S&P 500



companies average P/E may indicate that the company may have high growth prospects which is reflected in its stock's premium pricing. Investors may be expecting higher earnings growth in the future compared to other companies in the S&P 500 index.

3. Acquisitions

The company became a key player in highly fragmented market through the acquisition of Vedior in the fiscal 2008. Randstad acquired its principal competitor Vedior in July 2008; post which the company known as Randstad and Vedior N.V. The acquisition of its principal competitor Vedior, the company becomes a largest HR services provider in the emerging markets. After the acquisition, with a combined entity operates through 122 offices in 78 locations. This combination was extremely positive in India, where the strong market out performance was maintained through out the fiscal 2008. Further, during the fiscal 2008, the company also acquired 10% stakes in Japanese FujiStaff, which is sixth largest staffing company in Japanese market. This acquisition strengthens the ties between Randstad and FujiStaff.

4. Strong Revenue Stream

The strong growth in revenue stream provides the company to maintain its leadership position further by maintaining the competitive edge. Its compounded annual growth rate (CAGR) for revenue was 24.92% during 2004-2008, which was above the S&P 500 companies average of 11.1%. A higher than S&P 500 companies average revenue CAGR indicates that the company has outperformed the average S&P 500 companies growth and gained market share over the last four years. During 2008, the company reported strong annual growth in its revenues, which comprises of its net sales from its key business segments. Randstad posted total revenues of EUR 14,038.4 million in the fiscal 2008, an increase of 52.6% over the fiscal 2007. Its staffing segment and professional segment generated EUR 9,849.4 million and 2,384.4 million in the fiscal 2008, an increase of 47.3% and 287% over the fiscal 2007, respectively. The strong growth revenue stream through its key segmental performance was due to increase the demand for the company's offerings.

5. Leading Position

The company being one of the world's largest organizations, engaged in contract staffing and temporary recruitment services. It operates through over 2,886 branches as well as in-house locations worldwide. Randstad services clients on large scale and also on small scale assignments. The company has a significant share in the markets it caters. Randstad is a second largest HR services provider with market share of 8%. It is also a leader in Belgium's market with over 25% of market share, and leader in providing HR services in Germany with 13% of market share. Such a leading and strong position in various markets in which it caters provide the company a competitive advantage.

Weaknesses

1. Falling Share Price
2. Declining Margins

1. Falling Share Price

Randstad's share price did not perform well in the fiscal 2008, ending the year at EUR 14.55, which was 46% below the 2007 closing price of EUR 27.02. The total shareholder return (TSR) was negative 42% in 2008. The company's stock performed well in April 25th April 2008, mid-July when it reached a high of EUR 30. The revenue started slowing from Q1 2008, and had a clear negative impact on Randstad's share price. This was followed by a broader market setback prompted by the turmoil in the US mortgage market and volatility. A continued trend in this direction results in shareholder apprehensiveness, which might further lead to the company's dwindling financial position.

2. Declining Margins

During the fiscal 2008, the company's margins have declined, which could affect its business operations. The company's operating margin was -0.25% for the fiscal year 2008. This was below the S&P 500 companies average of 14.7%. A lower than S&P 500 companies average operating margin may indicate inefficient cost management or a weak pricing strategy by the company. The operating margin has decreased 612 bps over 2007, which may indicate management's low focus on profitability. In addition, its net profit margin declined to 0.13% in the fiscal 2008 from 4.3% in the fiscal 2007. Further, the company's return on equity (ROE) was 0.8% at the end of fiscal year 2008. This was below the S&P 500 companies average of 12.9%. A lower than S&P 500 companies average ROE may indicate that the company may not be using the shareholders' money as efficiently as other companies in the S&P 500 index and that it is generating low returns for its shareholders compared to other companies in the S&P 500 index. Consequently, its return on working capital also came down to negative 2.6% in the fiscal 2008 from 84.4% in the fiscal 2007. This declining profitability margins indicates that the company has poor pricing strategy, low profitability to its working capital and low rate of return on ownership interest of the common stock owners.

Opportunities

1. Expansion Plans
2. Growing Indian BPO Market
3. Globalization
4. Global Reach through Online Advertising

1. Expansion Plans

The company has expansion plans, which could further strengthen its position in the market, thereby increase the top line growth. Though the company has its presence in

Middle East and the UK regions, it still has plans to further expansion into these regions through mergers, which would help to develop its standing in the construction and healthcare industries. The construction, property and engineering division was formed by the merger of its construction business with Hill McGlynn's operation in the Middle East. In addition, Global firms Beresford Blake Thomas (BBT) and Hill McGlynn are to merge and be re-branded Randstad Construction, Property and Engineering. Further, BBT's portfolio of Middle East-based specialist businesses will be re-branded as Randstad Middle East. Consequently, BBT's UK-based Health and Social Care business is due to merge with fellow UK firm Reliance Care and will be known as Randstad Care. Such a strong expansion plans could further improve its presence.

2. Growing Indian BPO Market

The strong growth in human resource outsourcing services could enhance the demand for the company's offerings, thereby improves its top line growth. The Indian BPO market has shown tremendous growth since its birth. This BPO market grew at a rate of 50% over the last five years and reached USD 1.6 billion revenue in 2008. It has higher growth rate when compared to export BPO market, though the domestic BPO market is smaller than the export market. The domestic market has a greater chance to prosper. It is also estimated that there is a huge market opportunity in the range of USD 16 to 19 billion by 2012 and there will be significant business growth in sectors like BFSI (banking, financial services and insurance), telecom, media, retail and government. The above figure mean tremendous opportunity for the company as Randstad recently started its operations in India.

3. Globalization

Globalization gained new thrust with the entry of China into the World Trade Organization (WTO). Several bilateral trade agreements were signed among developing countries; those in western countries as well as the WTO spearheaded the number of human resources consulting companies. There are rising trends of the North American and European companies expanding to Latin America and Asia, through partnerships and joint ventures. Likewise, an increasing number of Latin American and Asian companies are going global, creating increased demand for the employment services sector to boom. Randstad being one such well-established company and a prominent player in the industry has abundant opportunities to expand itself further.

4. Global Reach through Online Advertising

High growth is forecasted in the online advertising markets in the years down the line. Cost-effectiveness, convenience and easy access are the reasons for the high rise in the line of growth in this segment. Newspaper advertising in print is on a low and this proves another means for the company to generate revenues through online advertising. The online advertising spend would reach to USD 61 billion by 2012, a compound annual increase of 27% over the next five years. As the market is estimated to further grow in the years to come, revenues from Internet advertising is expected to

increase by many folds. Randstad's global reach will also be fortified with the extensive usage of Internet as its principal advertising medium.

Threats

1. Global Economic Slowdown
2. HRO Industry Consolidation
3. Competition

1. Global Economic Slowdown

The economic slowdown has shown its effect on all the geographic regions, prominently Europe and the US, which could concern the company. Analysts forecast that the GDP growth in the US and the Eurozone would further slowdown in 2009. Reports suggest that the US real GDP growth would fall to negative 2.6% in 2009 from positive 1.1% in 2008. Also, the GDP growth in the Eurozone decreased to negative 4.1% in 2009 from positive 1.2% in 2008. This could adversely affect the overall business of the company.

2. HRO Industry Consolidation

Consolidation in the Human Resources Outsourcing (HRO) industry results in large companies competing with each other in acquiring smaller players. This poses a threat in a way that the investments made in acquisitions might either not match with Randstad's service standards in their quality process or a brand image loss for Randstad. Lack of economically sustainable measures might result in smaller companies getting acquired, but at the same time, large corporations like Randstad might as well get into a weaker financial position, without strategically planned acquisition decisions. This could prevent the company from achieving its operational goals, affecting its financial condition.

3. Competition

The company faces competitive challenges from existing and new competitors. Some of the major competitors of the company include USG People, Manpower Inc., Robert Half International, and Kelly Services. The above-mentioned companies also have strong financial position, large number of employees and diversified operations. Thus, in order to maintain growth and sustain its competitive advantage, Randstad would be required to continuously incorporate innovation in its service offerings with state-of-the-art technological solutions, failing which it might lose its share to its competitors.