ECONOMICS OF CANDIDATE RELATIONSHIP DATABASES

A Study by Taleo Research

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Executive Summary

Attracting, hiring, retaining and optimally deploying talent are paramount for every organization’s success. Strategic staffing requires the identification of people who possess a given set of skills for a particular job opening in a way that efficiently allocates expenditures related to finding that candidate.

Sourcing has always accounted for a significant percentage of overall external expenditures. Large corporations are turning to a recruitment process that treats sourcing as a strategic investment, not a one-off expense. The new model, candidate relationship management, has the goal of creating and sustaining long-term relationships with targeted candidates.

The technology that enables candidate relationship management is a candidate relationship database, which automates the prescreening and matching of candidates, and communication with targeted candidates. The highly structured nature of the data sets a candidate relationship database apart from previous generations of recruitment databases.

These functionalities are all representative of the candidate relationship database in practice:

- Job Agents
- Candidate Profile Creation
- Automated Response Management
- Request for More Information
- Candidate Status and Update Status
- Ad-hoc and Full-database Candidate Messaging

Candidate relationship databases lower sourcing costs by better marketing of opportunities to candidates sourced in the past. Sourcing costs per candidate can be reduced between 25 and 50 percent. Ultimately, corporations may adjust or reduce reliance on volume sourcing methods. Moreover, the fulfillment of real-time quality staffing will result in even greater enterprise-wide impact and savings.

The Economics of Candidate Relationship Databases provides an explanation of the financial benefits of implementing a candidate relationship database and defines the value of maintaining it. By quantifying the value of a candidate relationship database (CRD Value), the report substantiates how spending on sourcing should be seen as investment to build an inventory, not as an expense.

The candidate relationship database transforms the staffing process from a tactical, transactional and expense-centric model to a strategic, incremental investment decision. The report outlines a financial model calculating the value of a candidate relationship database. The model quantifies the savings that result from amortizing the costs of acquisition of a candidate over time.
Introduction

Today’s knowledge economy places increasing value on human capital. Attracting, hiring, retaining and optimally deploying talent are paramount for every organization’s success. Strategic staffing requires the identification of people who possess a given set of skills for a particular job opening in a way that efficiently allocates expenditures related to finding that candidate. Candidate sourcing through a variety of media is a perennial activity in the staffing process. Sourcing expenses have been viewed as a necessary “cost of doing business.” For each new hiring need, the result achieved from the sourcing expenditure has been a flow of candidates.

The evolution of the Internet has enabled the usage of media for sourcing to extend beyond print, and focus on leveraging branding to attract candidates. The adoption of online methods to capture candidate information has grown rapidly, and increasingly become the media of choice for large corporations and jobseekers. Yet all online methods and attendant back-end systems and candidate databases are not equal. The utility of candidate databases as electronic filing cabinets, common in recent years, has been surpassed by dynamic corporate candidate relationship databases with structured information.

The identification of candidates with specific, desired skill sets, motivations, and interests and subsequent interactions with these candidates is known as candidate relationship management. The utilization of a candidate relationship database brings new opportunities for corporations to realize significant cost savings and improved candidate quality by applying Internet-based technologies to recruiting processes.

Today, robust technology platforms with a structured skills definition framework that powers candidate relationship functionality generate automated sourcing, providing an ongoing return on each advertising or sourcing expenditure. Instead of discarding the resumes of rejected candidates into filing cabinets or basic candidate databases for storage, once-sourced candidates may be continually and automatically considered for future hiring needs. Structured skills-based databases drive automated matching and pre-screening, truncating the administrative burden on staffing and creating a consistent, quality process. Consequently, the candidate relationship databases at the system core build valuable corporate assets from an inventory of candidates.

As a result, large corporations, which spend millions of dollars to attract candidates, have the opportunity to realize a significant candidate relationship database value that can increase exponentially over time to reach hundreds of thousands of dollars. In many cases, the sourcing cost per candidate can be reduced between 25 and 50 percent. The goal of candidate relationship management is to create and sustain long-term relationships with targeted and, in many cases, segmented audiences in order to create significant value for both parties. Candidate relationship databases provide the platform to bridge the gap between the supply of candidates and the organization’s demand for talent, in an efficient, cost-effective way.
Economics of Candidate Relationship Databases

The implementation of candidate relationship management practices can have a significant impact on overall staffing budgets. Sourcing often represents the largest single outside expense in the cost of a hire. Candidate relationship databases lower sourcing costs by better marketing of opportunities to candidates sourced in the past. Ultimately, corporations may adjust or reduce reliance on volume sourcing methods as the quantity (and quality) of candidates mined from its proprietary database rises, and other sourcing methods are more targeted. In contrast to stagnant candidate databases that are only digital filing cabinets for candidate information, candidate relationship databases are dynamic and refreshed through ongoing candidate updates and interactions with the corporation.

This Taleo report examines the economics of candidate relationship databases in relation to:

1. the range of sourcing media, and
2. the value and asset creation of candidate relationship databases.

This report provides an explanation of the financial benefits of implementing a candidate relationship database, and how sourcing spending should in fact be seen as investment to build an inventory, not as an expense.

What is Candidate Relationship Management?

Companies have always sought methods to help them more efficiently build, sustain and effectively communicate with their customers. During the age of the Internet, the Web has provided a platform for new methods, business practices and applications to help enterprises manage relationships with its customers. In many ways, candidate relationship management mirrors many of those practices and processes employed in customer relationship management.

Candidate relationship management is a recruiting practice that involves automated, personalized and meaningful communications between a corporation and its pool of potential hires, driven by the candidate relationship database. The candidate relationship intrinsically relies on key candidate data management techniques, best practices and methodologies.

Practice of Customer Relationship Management (CRM)

From the point of view of customer relationship management, the first step in garnering new customers is to identify appropriate market segments and collect data on customers and prospects, allowing corporations to successfully build and execute marketing campaigns and events. Customers and prospects take part in online and offline events that most interest them, and relationships begin to evolve. This helps corporations build strong brands that differentiate them from their competitors in an effort to maintain loyal customers and solid prospects.
These relationship-building practices translate well into the activities surrounding attracting candidates in staffing management and talent deployment.

The move on the part of corporations towards structuring the points of contacts between them and their clients comes from the willingness to maintain the asset that the relationship holds, and that employee turnover was losing. Improving services to customers by maintaining a central repository accessible by anybody within the firm not only increases client satisfaction and management, but also maintains the intellectual capital and the knowledge of the account as a structural capital within the firm, even when the employee left. Increasingly, the intangible asset of human capital is being acknowledged, especially to account for the disparity between traditional book value of corporations and market capitalization.

**Applying CRM Principles to Candidate Relationship Management**

Staffing management technology based on the Internet platform enables the extension of the same customer relationship concepts to candidate sourcing, and maintenance and mining of a proprietary corporate candidate database. Similar to customer relationship management, the goal of candidate relationship management is to create and sustain long-term relationships with targeted and, in many cases segmented audiences in order to create significant value for both parties. For online staffing management, customers are not only external candidates but also come from within the corporation, its subsidiary or affiliate. The application of permission marketing practices, for example, through use of Job Agents, expands the reach and persuasiveness of corporate efforts towards drawing desirable “passive” jobseekers into the corporate fold.

With powerful candidate relationship database functionality including Job Agents, skills-based candidate profiling, segmented targeting and automated data mining of robust corporate candidate databases, corporations can communicate effectively with candidates and build long-term, loyal relationships. This positively impacts the company’s brand recognition as an employer of choice and differentiates it from its peers. Corporations can utilize systems to streamline staffing processes and make better staffing decisions while simultaneously being responsive to candidates and internal employees.

**The Internet Platform**

Candidate relationship databases for staffing management have evolved in parallel with the growth of the Internet, the development of staffing management technologies that leverage the Internet platform, and the strong adoption by both jobseekers and corporations of Internet transactions as a favored medium.

There has been rapid growth in the use of the Internet and in the convergence of the demographics of the Internet population with the demographics of the population as a whole.

- In May 2002, it was estimated that 581 million people were online worldwide; 183 million of those were in the United States and Canada.¹

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¹ Nua Internet Surveys
In March 2002, more than 66 percent of Americans are online, with age, gender, race, education and income demographic distribution that nearly mirror the population at large.²

Fifty-two million Americans have looked online for information about jobs; more than four million do so on a typical day. These figures represent a more than 60% jump in the number of online job hunters from March 2000 to May 2002.³

Corporations also have responded with careers sections on corporate websites. The rate of adoption of use of the corporate website for recruiting by Global 500 corporations (the 500 largest corporations in the world, ranked by revenue) has risen dramatically from 29 percent in 1998, to 91 percent in 2002.⁴

Corporate Web Site Recruiting by Global 500 Companies, 1998 – 2002

As most new candidates are coming online, many corporations have moved towards accepting online responses only. In 2002, 42 percent of Fortune 500 companies directed all candidates wishing to respond to job positions posted to the corporate Careers website through a purely online response mechanism. This has trended up from 27 percent in 2000, and 34 percent in 2001.⁵

Candidate Relationship Database is a Mechanism for Sourcing

Clearly, both candidates and corporations have embraced the digital format for candidate information. It enables real-time information transfer and inexpensive communication via email. Corporate staffing departments have been leveraging Internet technology to improve efficiencies by using candidate relationship management practices for the attraction phase of recruiting, which is where sourcing occurs. Technology developments that support advantageous staffing supply chain management practices, although not the focus of this report, are available for the processing phase.

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² Harris Interactive
³ Pew Internet Project
⁴ Taleo Research Global 500 Web Site Recruiting, 2002 Survey available at www.taleo.com
⁵ Trends in Fortune 500 Careers Web Site Recruiting, Taleo Research available at www.taleo.com
Attracting and Sourcing Candidates

A range of options, both offline and online, have always been considered to build a sourcing strategy to fill an open position. Few traditional sourcing methods remain unchanged by the development of candidate relationship databases; however most have been improved and streamlined.

Employee referral

For some companies, employee referral is the source that provides the highest percentage of new hires. Candidates introduced to the organization this way are pre-screened on several levels such as against the company’s employment culture. Leading staffing management systems allow for integrated tracking and reporting, further streamlining the recruiting process.

Walk-Ins

For some organizations, candidates literally come in through the door. Public facilities, retail establishments, hospitals and other organizations receive applications from jobseekers who personally appear in response to local advertising or are in the facility for other reasons and take the opportunity to apply, or have identified the organization as an employer of interest to them. Kiosks or available computers are being utilized in order for walk-in candidates to apply through the organization’s hiring management system.

Fig. 2: Traditional Candidate Sourcing
Active sourcing

Active sourcing—that is, pursuing candidates through cold calling, networking and candidate research—has always been a fundamental sourcing strategy, especially for third-party recruiting firms. The Internet, the ultimate repository of information, presents a new opportunity for “active sourcing.” Corporate recruiters have become versed in the practice of uncovering candidates by following their digital tracks.

Internal redeployment

Companies can often fill open positions through internal redeployment, which can reduce costs and ramp-up time while increasing retention and employee satisfaction. The challenge for internal redeployment as a core sourcing strategy is just-in-time knowledge of current employees’ skills and desired career paths. Staffing management systems utilizing integrated skills inventories can improve the efficiency and use of internal redeployment as a key sourcing method.

Search Firms

Staffing agencies, contingency and retained recruiters provide sourcing services based on a percentage (typically 20-33%) of the position’s first year salary. Leading staffing management systems offer staffing gateways to move information about corporate staffing needs digitally.

Print advertising

Print classified advertising remains a strong component of most corporations’ sourcing strategy. Print advertising (including billboards) is increasingly focused on branding, and frequently includes a web address (URL) to drive traffic to corporate careers websites. As the Internet has developed, many newspapers have provided an online venue as well for classified employment ads.

Job boards

Job boards evolved as a media to post classified help-wanted ads online. There are thousands of job boards, ranging from specialized niche boards to global, consumer-branded job boards such as Monster and HotJobs. With robust staffing management system functionality, positions may be posted directly to the job boards from the corporate requisition database, and linked back to the corporate careers site to capture candidate information in the centralized corporate candidate pool.

Job fairs

Job fairs have long been a standard method to attract and identify candidates. Whereas the results of job fairs in the past were piles of paper resumes, now corporations can use good staffing supply chain management practices to garner candidate information directly into staffing management systems. Laptops and kiosk-style data entry options streamline job fair results. Additionally, many large organizations prefer online applications and distribute business cards at job fairs to direct interested candidates to the website.
Corporate Website

For large corporations, the corporate website has emerged as perhaps the most efficient and effective vehicle for attracting candidates, providing self-service information to candidates to convince them of interest in potential opportunities, and finally, to capture and process candidate information. In 2002, 83 percent of Fortune 500 companies post jobs and accept applications on the corporate careers website.\(^6\)

Campus

College recruiting season is a traditional activity in the staffing departments of many companies. Some large corporations have a sub-group of the staffing department dedicated to cultivating candidates from this important segment of the talent pool. The emergence of the corporate careers website has also included the design, in many cases, of a separate college recruiting section. 52 percent of Fortune 500 companies provide a separate area of the corporate careers site for college recruiting.\(^7\)

Candidate Relationship Database

Utilization of the candidate relationship database fits into the overall context of sourcing and attracting candidates. Once implemented, the candidate relationship database becomes another sourcing media. The candidate relationship database value relies on the ability of the technology to segment information to provide an automated value-added communication with the candidate.

Enabled by the Internet medium and data mining power, staffing professionals are increasingly leveraging sourcing spending, which in essence becomes an investment rather than an expense. The candidate relationship database truly transforms the staffing process from a tactical, transactional and expense-centric model to a strategic, incremental investment decision.

Fig. 3: Candidate Relationship Database Sourcing

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\(^6\) Taleo Research 2002

\(^7\) Taleo Research 2002
Process of Candidate Relationship Management

The value of candidate relationship management is the transformation of sourcing expenditures into inventory. When candidate relationship database functionality is utilized, the recruiting process is powered to move past a “one-off” activity in which each candidate is identified, screened and assessed, and hired or discarded. Duplicated sourcing costs can be eliminated. At the essence of the efficiency of candidate relationship databases is the ability to structure the database. Competency profiling is leveraged, and is truly the foundation for a successful candidate relationship database.

First Generation Process

In the conventional hiring cycle, the recruiting process begins with the identification of a hiring need. The identification of a hiring need typically results in the production of a corporate document, the requisition. The conventional hiring cycle can be characterized as reactive, since it is initiated by and responds only to the identification of the hiring need made in the requisition. Sourcing is similarly reactive, since it is triggered by the requisition. The marketing message is generated out of the requisition document, and a list of potential candidates consists of those who respond to the sourcing stimulus. Delays inherent in waiting for the candidate population to react to the marketing stimulus contribute significantly to prolonging the overall cycle-time of the conventional recruiting process.

Typically, once the hiring need identified by the requisition has been filled, resumes of unsuccessful candidates are stored for a period dictated by law or by the corporation’s document retention policies. Storage of paper resumes presents a tremendous barrier to retrieval. Hence, the full cost to attract a candidate must be incurred again for every hiring need. There is no opportunity to leverage previous sourcing expenditures for future hiring demand.
Second Generation Process

The outcome from the reactive, conventional hiring cycle is a document, the resume. Many large corporations adopted resume management systems to handle the volume of many hundreds or even thousands of resumes per day.

A resume database allows for limited searching of candidates sourced for past hiring needs, to match them to current requisitions. However, resume database storage and retrieval techniques, typified by keyword and field searches have proven to be a highly ineffective means of matching and recalling candidates. A further barrier to retrieval is the fact that the quality of information contained in a resume database degrades over time, as the information becomes stale and out of date.

Third Generation Process

Fully utilized candidate relationship management practices, with structured candidate information stored in a dynamic candidate relationship database, enables a process in which candidates touched by both past and present sourcing activities, are automatically accessible to communicate with for a hiring need. The cost of acquiring each candidate is significantly reduced as the existing proprietary corporate candidate database is mined. The results of sourcing dollars spent on any and all corporate recruiting needs flow forward to be leveraged for all future hiring demands.
With candidate relationship management, the desired output of any sourcing is a relationship, not a document. A resume remains fixed at the moment it is created, and so becomes obsolete over time. Consequently, the value and accuracy of the document diminishes. A structured profile, on the other hand, is able to much more easily mirror the changing situation of the candidate and the evolving relationship with that candidate. The value of the investment made to acquire a candidate relationship increases as the profile evolves to encompass newer and richer information.

The concept of planned strategic staffing is relevant here. A recruiting process based on documents, matching resumes to requisitions, is handicapped by barriers in the retrieval and interpretation of information, the degradation in the quality of information in a document over time, and an inherent lag in supply and demand.

By building relationships, not simply gathering documents, staffing departments can respond to the needs of the corporation in a timely fashion. Through a continuous recruiting process dedicated to developing candidate relationships in advance of any identification of a hiring need, the staffing function is in a better position to identify quickly those candidates who possess the required skills, interests and motivations.

Changing the recruiting process from one that merely reacts to corporate hiring needs to a more strategic focus saves the corporation revenue potentially lost through decreased productivity brought about by vacant positions. Strategic recruiting requires an approach more aligned with sales and marketing, coupled with the ability to target the best hires. The candidate relationship database is the enabler for strategic recruiting.
Candidate Relationship Database Functionality

Online recruiting is not just a “webification” of an older, paper-based process. E-recruiting enables new practices and processes not available before the Internet. The instant communication made possible by email increases the speed of recruiting, while the Web gives recruiters a much broader reach. Skills-based profiling produces a standardized structure for candidate information and drives an efficient, quality pre-screening process. Permission-based and viral online marketing, in the form of Job Agents for example, add new layers of interactivity not possible with traditional recruiting. The Internet combines mass broadcasting with the ability to customize the message narrowly to communicate one-on-one with the jobseeker. And most significantly, e-recruiting automates fundamental recruiting tasks such as matching and screening, making them scalable across an enterprise.

Candidate relationship database functionality requires a digital flow of data, integrated with a robust database built on structured data. The following functionalities are all representative of the candidate relationship database in practice.

**Job Agents**

When completing a candidate profile or applying online, candidates are also given the option to receive notification about other positions for which they possess the skills, through a Job Agent. The Job Agent automatically notifies qualified candidates about new job openings that fit their skills and ambitions, encouraging them to return to the corporate Careers website to apply. In the same fashion, corporations can send out communications keeping candidates informed of news, openings and other initiatives within the company.

**Candidate Profile Creation**

The relationship with a candidate begins when an online job application is completed for an immediate job opening, or a candidate profile is submitted to see if there are other open requisitions that best suit a candidate’s skills and interests. Candidates can be immediately notified via email that their application has been received and may be updated on the status of their application throughout the entire staffing process.

**Automated Response Management**

Importantly, candidates can receive notification and status updates every time they apply for positions within the corporation or when they update their profile. In fact, jobseekers in an Taleo Research survey of more than 1,500 visitors to Careers Web sites of Fortune 500 companies clearly indicated this is a priority. As reported in *Perception vs. Reality: Jobseeker Behavior Online*, 99 out of 100 jobseekers expect an acknowledgement after applying online.
Request for More Information
Maintaining an ongoing relationship with a candidate requires updating and refreshing the candidate’s profile on an ongoing basis. A candidate relationship database system includes functionality that automatically identifies missing or out of date pieces of information, and requests them, through automated email, from candidates.

Candidate Status and Update Status
During the hiring process candidates can be kept apprised of their status, and may apply for as many positions as they like without resubmitting their information.

Ad-hoc and Full-database Candidate Messaging
Corporations can periodically send corporate messages to the candidate pool. Good candidate relationship management examples are invitations to candidates for career seminars, or holiday greetings.

Over the past 30 years, recruiting has evolved from mass recruiting and segmentation to one-to-one recruiting and redeployment of talent. With sophisticated technology available today, these candidate relationship management techniques are both achievable and effective.
Modeling the Value of a Candidate Relationship Database

Staffing budgets can be positively and significantly impacted by the implementation of candidate relationship management practices. In the staffing process, attracting and sourcing candidates has always accounted for a significant percentage of overall external expenditures. Sourcing activities have traditionally been viewed as an expense, a necessary cost to achieve the goal of meeting the staffing demands of the corporation with no means to capitalize on it. Candidate relationship databases lower overall sourcing costs and increase the available flow of talent for an organization.

This section outlines a financial model showing the value of a candidate relationship database. The model is based on analyses by Taleo Research of recruiting results achieved by many large companies. A key assumption of the model is that attracting candidates for a company’s recruiting needs has associated costs. Given an overall sourcing budget and the total number of candidates sourced on that budget, there is an average sourcing cost per candidate.

For a company with a sourcing budget of $1.5 million and attracting close to 200,000 new candidates annually, there is an average sourcing cost per candidate of $7.70 (total sourcing budget divided by the number of candidates). The model also assumes an improvement in the economy producing a reduction of 0.1% per quarter in the unemployment rate. For the first year, the data looks like this:

<table>
<thead>
<tr>
<th>Table 1: Sourcing Candidates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 Y1</td>
</tr>
<tr>
<td>Sourcing expenditure per quarter</td>
</tr>
<tr>
<td>Sourcing expenditure to date</td>
</tr>
<tr>
<td>New candidates for the quarter</td>
</tr>
<tr>
<td>Cumulative candidates in database</td>
</tr>
</tbody>
</table>

The accuracy of information in a candidate database slowly degrades over time, as candidates change jobs, relocate, or acquire additional training and education. It is expected that a proportion of candidate records in the database becomes inactive, as all contact with the candidate is lost. Regular communication with candidates extends the expected lifespan of a candidate in a talent database.

Accounting for data obsolescence, this model assumes that a candidate remains in the database for an average of three years. There are therefore a number of candidates lost each quarter, leaving an active candidate pool that is reachable through candidate relationship management techniques.

<table>
<thead>
<tr>
<th>Table 2: Active Candidates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 Y1</td>
</tr>
<tr>
<td>Cumulative candidates in database</td>
</tr>
<tr>
<td>Cumulative active candidates in database</td>
</tr>
</tbody>
</table>
The fundamental principle behind the candidate relationship database is borrowed from customer relationship management: it is cheaper to maintain a relationship than to acquire a new one. As outlined above, candidate relationship management consists of cultivating relationships with candidates over time, by delivering targeted, personalized communications, with a meaningful message, to pre-qualified candidates. A structured database built on candidate profiles is able to target pre-screened candidates far more efficiently and accurately than the traditional media.

The model assumes that on average, the company can send four targeted new job notifications to a candidate in a year. Though this rate could be higher, reaching a frequency as often as once per month, there is a potential trade-off between more frequent communications and a diminishing response rate from candidates. More aggressive direct recruitment marketing communications may be perceived by candidates as unwelcome. The model further assumes the job opportunities targeted at qualified candidates in the database receive an eight percent response rate from candidates.

Table 3: Returning Candidates from Database

<table>
<thead>
<tr>
<th></th>
<th>Q1 Y1</th>
<th>Q2 Y1</th>
<th>Q3 Y1</th>
<th>Q4 Y1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cumulative active candidates in database</td>
<td>50,000</td>
<td>95,083</td>
<td>135,324</td>
<td>170,794</td>
</tr>
<tr>
<td>Quarterly returned candidates from database</td>
<td>8,000</td>
<td>15,213</td>
<td>21,652</td>
<td></td>
</tr>
<tr>
<td>Cumulative returned candidates from database</td>
<td>8,000</td>
<td>23,213</td>
<td>44,865</td>
<td></td>
</tr>
</tbody>
</table>

The value of a profile-based candidate relationship database derives in part from the advertising expenditures that otherwise would have to be spent to acquire from external media sources the candidates identified using candidate relationship management practices.

Taleo defines the sourcing costs saved as the advertising value equivalent of the candidate relationship database. Further value of a candidate relationship database stems from an accelerated sourcing timeline and more efficient processing of candidate data. The current model, however, seeks only to quantify the savings that result from amortizing the costs of acquisition of a candidate over time. Though a reduction in staffing cycle-time has a significant positive influence on the financial performance of a company, this model focuses on the more easily recognized “hard-dollar” savings to be found in a company’s sourcing budget.

Table 4: Candidate Relationship Database Value

<table>
<thead>
<tr>
<th></th>
<th>Q1 Y1</th>
<th>Q2 Y1</th>
<th>Q3 Y1</th>
<th>Q4 Y1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quarterly returned candidates from database</td>
<td>8,000</td>
<td>15,213</td>
<td>21,652</td>
<td></td>
</tr>
<tr>
<td>Advertising Value Equivalent</td>
<td>$61,367</td>
<td>$116,700</td>
<td>$166,088</td>
<td></td>
</tr>
<tr>
<td>Cumulative returned candidates from database</td>
<td>8,000</td>
<td>23,213</td>
<td>44,865</td>
<td></td>
</tr>
<tr>
<td>Candidate Relationship Database Value</td>
<td>$61,367</td>
<td>$178,067</td>
<td>$344,155</td>
<td></td>
</tr>
</tbody>
</table>
Examining the data, we can observe the growing number of candidates who are considered for future hiring needs because they were identified in the candidate relationship database. The only costs associated with those candidates derive from maintenance of the database and not sourcing. For returning qualified candidates we have consequently an advertising value equivalent that corresponds to the cost it would have taken to attract them.

According to this model, there is a growing number of candidates from the existing database coming back for new positions. From the example here—a growing economy (diminishing return of recruitment efficiency), and a candidate database life expectancy of three years (decreasing number of candidates in the database), and a rate of return of eight percent—as many candidates will be generated from advertising as from the candidate relationship database after just a bit more than two years.

![Quarterly Return of CRD](image)

This model establishes the value of the investment in recruitment advertising that may be realized for a firm by maintaining a database of relationships. The value of a candidate relationship database (Candidate Relationship Database Value, or CRD value) is the advertising spending equivalent the employer would have to spend to attract the same amount of candidates.

To further clarify, apply the calculations for this model for two firms that spent the same amount of advertising dollars and generated the same amount of candidate applications. Firm 1 does not maintain a candidate relationship database. It may accept resumes online and scan some resumes into a database for storage. Its database has no automated sourcing functionality. Firm 1 will not have generated the added value Firm 2 would have by reaping the additional candidates from its database. For Firm 2 that represents a value of $344,000 at the end of the first year and more than $1M for the second year, which converts to a decreasing cost per candidate of $7.70 for Firm 1 and $6.20 for Firm 2.
Table 5: Comparative Cost per Candidate

<table>
<thead>
<tr>
<th></th>
<th>Firm 1</th>
<th>Firm 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising spending</td>
<td>$1,500,000</td>
<td>$1,500,000</td>
</tr>
<tr>
<td>Candidates from advertising (year 1)</td>
<td>195,545</td>
<td>195,545</td>
</tr>
<tr>
<td>Candidates from the database (year 1)</td>
<td>0</td>
<td>44,865</td>
</tr>
<tr>
<td>Cost per candidate</td>
<td>$7.7</td>
<td>$6.2</td>
</tr>
</tbody>
</table>

So the direct impact of the value creation from a candidate relationship database is to reduce the cost per candidate. In this example, the cost is reduced by 30 percent to acquire new candidate applications in the fourth quarter compared to the first, and 44 percent after two years.
Consequences for Companies

As substantiated in the financial model presented in this report, corporations are creating considerable value from aggregating candidate information into a structured database. In tandem with the development and use of Internet technology for structuring candidate information, integrated dynamic databases can now power candidate relationship functionality. Robust systems can identify individual candidates from profiles already populated in the proprietary corporate candidate database, and “push” automated communications between candidates and recruiters. Sourcing need no longer be started anew for each new staffing need.

When the candidate database is accessible this way, it is not merely the repository of static records, but is instead a living inventory of candidate profiles. As an inventory, built through sourcing and furthered through candidate relationship management techniques, it is in fact, a valuable corporate asset. Real value, calculable through the model detailed in this report, is created by a company as it leverages its candidate relationship database. The process change that is driven with candidate relationship database systems in place minimizes waste and maximizes the return on the sourcing dollar investment.

Staffing departments need to appreciate the true asset they have the opportunity to build for their firm by creating a candidate relationship database. Those databases optimize sourcing spending estimated here by the CRD value (Candidate Relationship Database Value), directly impacting the hard dollars spending. Advertising spending and sourcing cost per candidate will be reduced. Moreover, the fulfillment of real-time quality staffing will result in even greater enterprise-wide impact and savings.
About Taleo Research

Taleo Research analyzes the best practices and economics of talent management for organizations of all sizes, worldwide. The specialty research practice focuses on business analytics that tie talent management technology and process improvements to financial results.

Taleo Research also conducts primary research on critical issues of talent management and maintains a valuable library of talent management resources. Published reports and studies include *Hidden ROI of Talent Acquisition and Mobility, Contingent Workforce Management: A Recipe for Success, Quality of Hire, Internal Mobility, Hourly Job Applications Methods at Top 100 Retailers, Economics of Candidate Relationship Databases, Corporate Careers Site Value Creation*, and *Jobseeker Surveys*, among others.

Founded in 1997 as iLogos Internet Intelligence, Taleo Research is the talent management research division of Taleo.

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About Taleo

Taleo Corporation (NASDAQ: TLEO) delivers on demand talent management solutions that enable organizations of all sizes to recruit, assess and manage their workforces for improved business performance. Taleo’s customers use its suite of solutions to improve their talent management processes to reduce the time and costs associated with these processes and to enhance the quality, productivity and satisfaction of their workforces. Taleo currently has more than 350 corporate customers with approximately 500,000 registered users who use our services to fill positions in almost 100 countries. For more information, visit [www.taleo.com](http://www.taleo.com).

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Mr. Lermusiaux earned a degree in Physics, Philosophy and a diploma in Economics from the University of Brussels and from the University of London.

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Alice Snell (asnell@taleo.com) is vice president of Taleo Research, the talent management research division of Taleo (www.taleo.com).

Ms. Snell focuses on critical issues and key trends in talent management that impact organizational performance. Ms. Snell has authored numerous articles and reports on staffing management technology and processes and is frequently called upon to provide expert commentary on staffing management issues. She is quoted in leading media including The Boston Globe, Chief Executive, The New York Times, Chicago Tribune, CNBC.com, and Investor’s Business Daily.

Prior to joining Taleo, Ms. Snell was a senior analyst at Kennedy Information where she published Recruiting Dot Com: The Impact of the Internet on Executive Search; and The Job-Seeker’s Guide to On-Line Resources in 1994. She has been a contributing editor to Executive Recruiter News, Recruiting Trends, Human Resource Management News and Consultants News.

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Taleo Research Staffing Management Resources Library

Taleo Research conducts primary research on critical issues of talent management and provides a valuable library of resources, available at www.taleo.com.

**Hidden ROI of Talent Acquisition & Mobility** provides a full understanding of the costs related to talent acquisition and mobility and specific opportunities for cost reduction and improved corporate performance, as validated by Taleo Research studies. (Purchase)

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**Contingent Workforce Management: A Recipe for Success** provides an overview of the major issues involved in the choice and use of contingent workers. It includes insights into financial considerations as well as best methods for procurement. (Download)

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ABOUT TALEO
Taleo delivers on demand talent management solutions to leading companies worldwide.
Taleo enables organizations of all sizes to assess, acquire, and manage their workforce for improved business performance.

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