

THE US CONSULTING MARKET IN 2016



Including market sizing data, growth rates,
current market trends, and forecasts

EXECUTIVE SUMMARY



- 2015 was a good year for US consultants, with the market growing an impressive 7.7% to reach a value of \$54,717m. Still, things aren't quite as good as they were in 2014, thanks to a bit of a slowdown in financial services and difficult times in the energy sector. A slight dip in demand toward the year's end led some consultants to fear a more significant cooling of the market could be on its way.
- So far, 2016 seems to be shaping up to be a good year, but a growing anxiety in the market threatens to dampen the mood. The increasingly unstable global economic and political landscape is taking a toll on client confidence, and the tumultuous presidential race could very well be adding to their nervousness. With things feeling a bit uncertain, apprehensive clients are becoming more focused on getting the most from their consulting spending as they want to be certain any project they pursue will be justified by real and lasting benefit.
- Digitization continues to be a dominant trend, though the nature of the demand has changed a bit. Whereas earlier efforts, often motivated primarily by clients' fear of being left behind or of losing their markets to digital upstarts, often led to rash decisions, clients are now taking a more measured approach. For some, this reckoning is happening only after a lot of fruitless spending, and so rationalization work is also an important part of the demand.
- 2015 also saw a further deepening of the divide between high-value, traditional management consulting at one end of the market and highly commoditized work at the other. Clients have a growing distaste for buying both types of work from a single firm, and so consultants determined to serve both ends are having to be very smart about their offering, with thoughtfully developed asset-based solutions often providing a path.
- The financial services industry remains far and away the US consulting market's biggest spender, and 2015 saw healthy growth even if things weren't moving at quite the pace of recent years. A big reason for this is the growing commoditization of regulatory work, which clients are increasingly taking into their own hands. Meanwhile, retail remains a much smaller market, though in 2015 it was the fastest growing. Much of the work here revolves around clients looking for help with their omnichannel offerings in an attempt to compete with digital disruptors, like Amazon.
- Technology was consulting's biggest and fastest-growing service line in 2015, thanks to clients' insatiable demand for all things digital. Meanwhile, the once lucrative ERP market is increasingly commoditized with stiff competition from pure play firms making it almost impossible to charge a premium for this type of work.
- The big accounting firms continue to dominate the US market in terms of both size and growth rate, with clients showing appreciation for the scale and scope they can offer—especially given their demand for firms that can see projects through from planning to execution. Technology firms are also growing nicely and commanding a big market share, though stiff competition for digitization projects means they're not doing quite as well as might be expected in such a tech-obsessed market.
- Consulting clients tell us that their spending will go up in 2016 by about the same margin as it did last year, and though clients may be slightly less likely to take on big projects this year, the projects they do tackle are more likely to involve the use of consultants. Initiatives aimed at efficiency, productivity, and technology will be especially good sources of work.

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METHODOLOGY

Definitions

Our definition of management consulting includes a broad range of business advisory services, but excludes: tax advisory; audit; the implementation of IT systems; the delivery of outsourced/offshored services; and HR compensation/benefits administration and technology. Where mergers and acquisitions work is concerned, consulting on deals is included (under strategy), but corporate finance fees on deals themselves are generally not included although it is not always straightforward to separate the two.

For more information about how we classify consulting services and industries, please see “Definitions of industries and services.”

Sources

Our report is based on two major sources of primary data:

Clients of consulting firms:

We interview senior end users of consulting in the US to help us to build up a rich picture of how trends in the consulting market are playing out within clients' organizations. Our conversations focus on the following areas:

- **What's driving change in their organization**

- **How they are using consultants**

- **Factors that affect the way clients work with consulting firms**

- **What they value the most—and least—about working with consultants**

We also carry out client surveys. We surveyed 622 senior clients of consulting firms across the US. The majority work for private sector organizations, many of which are multinationals.

Our survey asks clients similar questions about how they buy consulting services. In particular, this report draws on how they expect their expenditure on consulting services to change over 2016 and into 2017, and what initiatives they'll be working on and how likely that is to drive consulting work. Their responses are just one of the factors that we take into account when forecasting future growth rates.

Figure 1

Survey respondents by industry

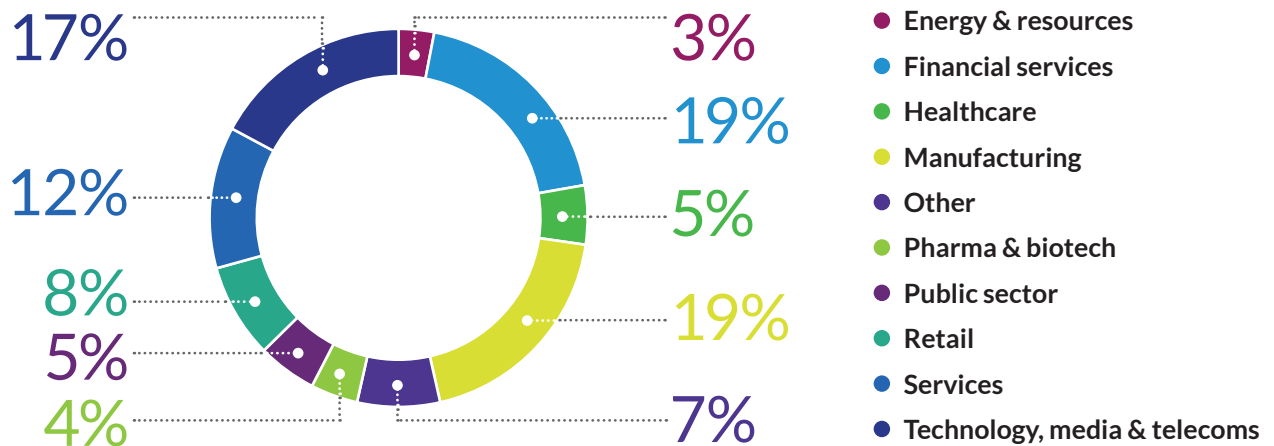


Figure 2

Survey respondents by organization size (revenues)

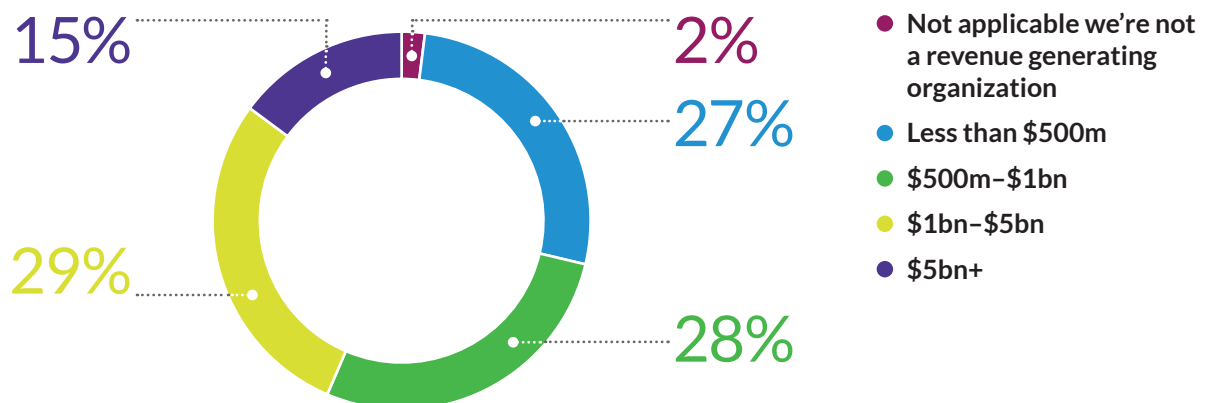
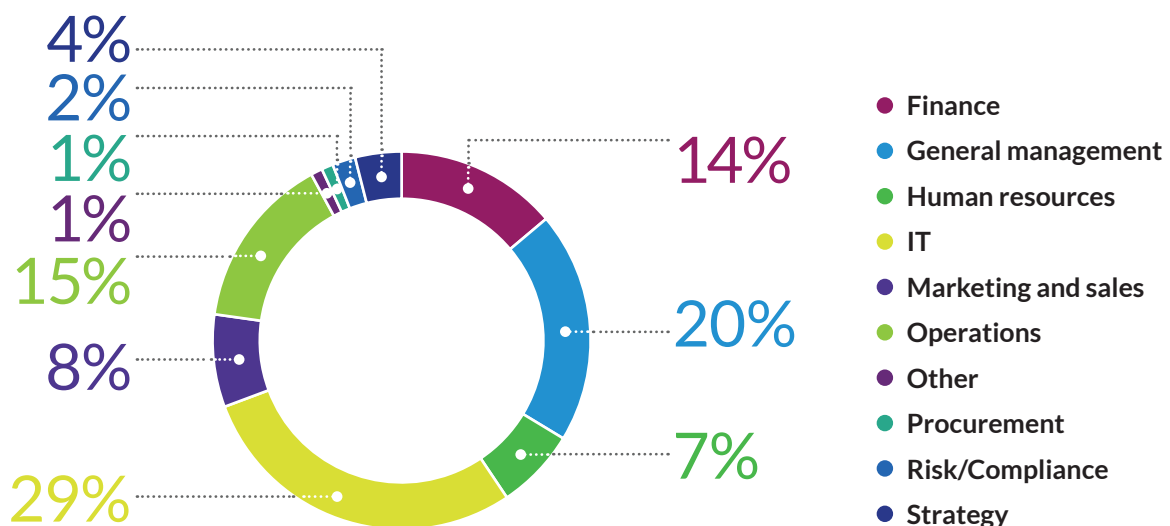


Figure 3

Survey respondents by function



Consulting firms:

The quantitative data contained in this report focuses on consulting done by mid- and large-sized consulting firms (those with more than 50 consultants) and typically includes work they have carried out for mid- and large-sized clients—what we at Source call “big consulting.” It therefore reflects the “addressable” market for the majority of mid- and large-sized consulting firms; we don’t try to track the long, thin tail of work done by very small firms for very small clients, nor the contractor market, as most readers of this report would not seek or be able to compete with this part of the market.

Using this definition, Source has built a bottom-up model of the global consulting market from the information we get from consulting firms and our own research, and we use it to size the industry and its growth rates. This is based on our global model which contains detailed data about almost 1,600 firms, plus higher level estimates about a further 400,000 firms, all with more than 50 consultants apiece, in addition to primary research carried out by Source analysts.

Please note that our 2014 baseline figures have changed a little since last year, as we have refined and implemented improvements to our research methods. Specifically, we understated the size of the manufacturing industry due to these changes in our research methodology. We have also re-classified firms taking into account their current rather than their historic portfolio of services, and this has changed the mix of firm types; it has also led to a restatement of the size of the human resources and strategy service lines. We are happy to provide subscribers with a restated set of 2014 baseline figures should this be of interest.

We should emphasize that there are no standard sources of definitions of data within geographies let alone between them. We are, however, confident that the richness of our qualitative data, combined with Source’s unparalleled industry expertise, means that our analysis fairly and accurately reflects the state of the market.

All figures given in this report are in dollars. For reference Source is using the following exchange rates in our reports this year:

- | | |
|------------------------------|-------------|
| • US dollar to British pound | \$1 = £0.66 |
| • US dollar to euro | \$1 = €0.88 |

In addition to our quantitative research, we interviewed 32 very senior consultants (typically the most senior person in their country) from most of the leading consulting firms in the country and many smaller local specialists to understand more about how the consulting market is performing, and what the major trends, changes, and challenges are. Throughout the year, Source analysts remain plugged into the global consulting market through our bespoke research and consulting projects, adding further depth to our understanding of the consulting industry.

Definitions of industries and services

Industries



Energy & resources

Energy

Includes the exploration and production of energy, including oil, gas, coal, and renewables.

Utilities

Includes the delivery of electricity, gas, water, sanitation, and other related services.

Primary resources

Includes agriculture, chemicals and chemical products, commodities, forestry, fishing, metals, mining, and plastics.



Financial services

Banking

Includes retail banking, commercial banking, and lending.

Insurance

Includes general insurance (e.g., motor, home, pets, health—anything on an annual contract), life insurance, pension products, retirement planning.

Private equity

Includes both consulting work for private equity firms and consulting work with private equity portfolio businesses.

Capital markets

Includes investment banking, trading of stocks and financial products, corporate finance, and broking.

Investment and wealth management

Includes private banking, high net-worth banking, investment management, trust funds, the management of pension funds, and asset management.



Manufacturing

Aerospace

Includes space research and technology, the manufacture of aircraft, aircraft parts, rockets and other space equipment, and tanks and ammunition.

Automotive

Includes the manufacture of motor vehicles, industrial vehicles, and vehicle supplies and parts.

Construction

Includes surveying, architectural, and engineering services, heavy construction, house building, and the building of infrastructure.

Consumer packaged goods

Includes the manufacture of clothes, foods, alcohol, tobacco, furniture, home furnishings, cleaning products, small arms, children's toys, and sports equipment.

Consumer and industrial electronics

Includes electrical components, household and industrial appliances, commercial and professional equipment.

Industrial products

Includes industrial machinery, steel and metal products, and plastic products.



Pharma & biotech

Includes research into and the production of drugs, biological products, medicinal chemicals, and life sciences.



Healthcare

Includes private and publicly-funded healthcare, hospitals, laboratories, and medical equipment.



Public sector

Government

Includes federal/national, state/regional, local government, emergency services, justice, social services, public transport, and conservation.

Education

Includes public and private schools, universities, and libraries.

Defence

Includes national security and consulting around defence issues.



Retail

Includes the selling of clothes, food, consumer goods, and automobiles.



Services

Logistics

Includes warehousing, storage, packing and crating, and distribution including cargo, freight, and haulage.

Business services

Includes services relating to law, accountancy, IT maintenance, security systems, advertising, employment agencies, and vehicle leasing.

Leisure

Includes museums, art galleries, theatre, golf courses, hotels, hospitality, travel agencies, restaurants, and bars.

Real estate

Includes estate agencies and operators of residential and commercial buildings.

Transportation

Includes private and people-related transportation, including airlines, airport management, train operators, rail infrastructure management, water transportation, courier services, and private bus services.



Technology, media & telecoms

Telecoms

Includes telephone, mobile, digital, and other communication services.

High-tech

Includes IT related devices, computer and computer related devices, audio and video equipment, broadcasting and communication equipment.

Media

Includes radio, television and digital broadcasting stations and services as well as printing and the publishing of newspapers, periodicals, and books.

Services



Financial management

Includes finance function and budgeting/financial planning process.



Risk & regulatory

Includes responding to regulation, technology and security risk services, operational risk, financial risk, programme risk.



HR & change management

Includes HR strategy and effectiveness, benefits, compensation and pensions, change management, internal communications, organizational design and culture, stakeholder management, team effectiveness and collaboration, leadership and governance, performance management, talent management/training and development.



Operational improvement

Includes business continuity and recovery, knowledge management, Lean and Six Sigma, property and estate management, quality and performance management, supply chain management, cost-cutting, innovation, M&A integration, managing quality, post-M&A integration, process design and re-engineering, procurement/purchasing, research and development, benchmarking, distribution strategy, environmental, sustainability and CSR, and operational review.



Strategy

Includes business and financial modelling, corporate re-structuring, corporate recovery and turnaround, corporate strategy, market analysis and strategy, market research, policy formulation, strategic sourcing/offshoring strategy, due diligence and valuation, infrastructure/asset financing and management, PFI, mergers and acquisitions, customer service, new product development, branding, marketing and channel management, customer relationship management, pricing, sales force effectiveness, category management, sales and distribution planning.



Technology

Includes ERP consulting, IT training, application of new technology, hardware/software selection, IT design and build, IT strategy, planning and review, IT testing and integration, management information and business intelligence, requirements definition, web and internet consulting, project and programme management (e.g., where consulting firm has been engaged to run a specific project that it is otherwise not involved in).

CONTRIBUTORS

We are extremely grateful to all the people we spoke to for making this report possible. Below is a list of the individuals who have contributed from consulting firms (some consultants choose to remain anonymous).

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For more details about how you can subscribe please contact [Alice Noyelle](#).

Reports for different regions vary in length but the content includes:

- Overall description of the market in the region/industry
- Data for the consulting market:
 - Regional report: by industry, service, and firm type
 - Industry report: by sector, service, and geography
- High-level breakdown:
 - Regional report: by geography within region
 - Industry report: by sector within industry
- Discussion about the current state of, and prospects for, the consulting market:
 - Regional report: by industry, service, and firm type
 - Industry report: by sector, service, and firm type
- Analysis of the key challenges and opportunities in the market
- Feedback from clients in selected regions
- Growth forecasts

Please note that this content is subject to slight changes and amendments

2016 Consulting Market Programme research schedule

February	UK	August	India
March	Nordics	September	Brazil
	France		Africa
April	GCC		Energy & resources
	Benelux	October	China
May	US		Financial services
	DACH		Healthcare
June	Eastern Europe	November	South East Asia
	Russia		Technology, media & telecoms (TMT)
July	Spain		
	Italy		
	Australia		

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About Source

Source Global Research is a leading provider of information about the market for management consulting. Set up in 2007 with offices in London and Dubai, Source serves both consulting firms and their clients with expert analysis, research, and reporting. We draw not only on our extensive in-house experience but also on the breadth of our relationships with both suppliers and buyers. All of our work is underpinned by our core values of intelligence, integrity, efficiency, and transparency.

Source was founded by Fiona Czerniawska and Joy Burnford. Fiona is one of the world's leading experts on the consulting industry. She has written [numerous books](#) on the industry including [The Intelligent Client](#) and *The Economist* books [Business Consulting: A Guide to How it Works and How to Make it Work](#) and [Buying Professional Services](#).

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