

THE AUSTRALIA CONSULTING MARKET IN 2016



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

EXECUTIVE SUMMARY



- The Australian consulting market grew 4.4% last year, with a buoyant performance from financial services and the public sector going some way to balance negative growth in the beleaguered energy & resources industry. The value of the market now stands at US\$4.4bn.
- As political instability abounds across the globe, Australia has seen more than its fair share. November 2015 saw the appointment of Malcolm Turnbull as the country's new Prime Minister, albeit by a very slim majority. His leadership has already been beset by issues: Most recently, the July elections saw a number of independent or minor parties elected to the senate and determined to block Turnbull's foreign investment agenda.
- Traditional consulting models are in a state of flux with bifurcation becoming more pronounced and clients increasingly demanding that implementation be delivered alongside advice. Of the two trends, consultants were most eager to talk about the growing demand for implementation, which is largely driven by clients' need for fast, tangible results in a rapidly evolving market; those firms prepared to deliver quickly are poised to do well. Furthermore, a demand for implementation that's not only fast but cost effective is driving firms to develop assets (which can deliver proven solutions with minimal people costs) and also driving a surge of interest in risk-reward pricing, which clients see as a means of hedging their consulting bets.
- Talent shortages are an ongoing challenge for consulting firms and those in Australia are finding it increasingly difficult to find the people they need to meet ever more sophisticated client demands. Digital skills, in particular, are badly needed and hard to source; firms are also facing a shortage of people ready to meet clients' implementation demands. Frustratingly for graduates, the people shortage isn't necessarily translating into opportunities for the newly trained: The most-needed skills tend to come from years of professional experience, and a recent rise in university attendance is making it harder for eager young graduates to distinguish themselves from the masses in any case. A mass exodus to the US and UK is further compounding the talent shortage.
- This year, energy & resources lost its spot as the biggest market for Australian consultants in terms of size, owing to the unrelenting pressure of low commodity prices, which hit the market hard. As a result, spending on consultants in this sector is now a much more considered affair. In its place, financial services has become Australia's biggest buyer of consulting services.
- Technology remains the most buoyant service line with clients looking for support on a large range of initiatives; digital, ERP, agile, and cloud are all keeping consultants busy here. At the same time, the nature of strategy work is undergoing a seismic shift in Australia, driven from two directions: On the one hand, as clients navigate the digital landscape they are looking for strategic advice to align digital and overall business goals. On the other, strategy houses are increasingly having to offer end-to-end solutions that include implementation.
- The big accounting firms have had another successful year with clients valuing both their global experience and end-to-end delivery capability. Mid-sized firms have had it tough, struggling to compete on both depth of expertise and price.
- 2016 is shaping up to be an interesting year. The political landscape remains volatile, but the impact could be limited as both clients and consultants have become accustomed to forging ahead despite uncertainty. Overall, we expect to see modest but continued growth over the next two years.

CONTENTS

Executive summary	2	Consulting firms	56
Methodology	4	The consulting landscape	57
Definitions	4	Type A firms	58
Sources	4	Type T firms	59
Definitions of industries and services	7	Type S firms	60
Contributors	9	Type P firms	61
Australia summary	10	Forecast	62
Market overview	12	A word on methodology	62
What everyone's talking about	13	The consultant view	62
Uncertainty	13	Client view	63
The importance of being globally connected	13	Projection for 2016	66
The changing nature of consulting	14	Growth prospects 2016 Australia	66
Speed	14	Industries—prospects for growth 2016	66
Developing assets	15	Services—prospects for growth 2016	67
Adopting new pricing models	15	Firm types—prospects for growth 2016	67
Digitisation	16	Forecast for 2017	68
A broadening church	16	Growth prospects 2017 Australia	68
Data & analytics	16	Industries—prospects for growth 2017	68
Talent	17	Services—prospects for growth 2017	69
Market data	19	Firm types—prospects for growth 2017	69
Industries	19	About the authors	70
Financial services	21	Consulting market programme	71
Energy & resources	24	About Source	72
Public sector	27		
Manufacturing	30		
Services	32		
Technology, media & telecoms	34		
Healthcare	36		
Retail	38		
Pharma & biotech	40		
Services	42		
Technology	44		
Strategy	46		
Operational improvement	48		
Risk & regulatory	50		
HR & change management	52		
Financial management	54		

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” on pages 7–8.

Sources

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

Clients of consulting firms:

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

- **What’s driving change in their organisation**
- **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 51 senior clients of consulting firms across Australia. The majority work for private sector organisations, 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

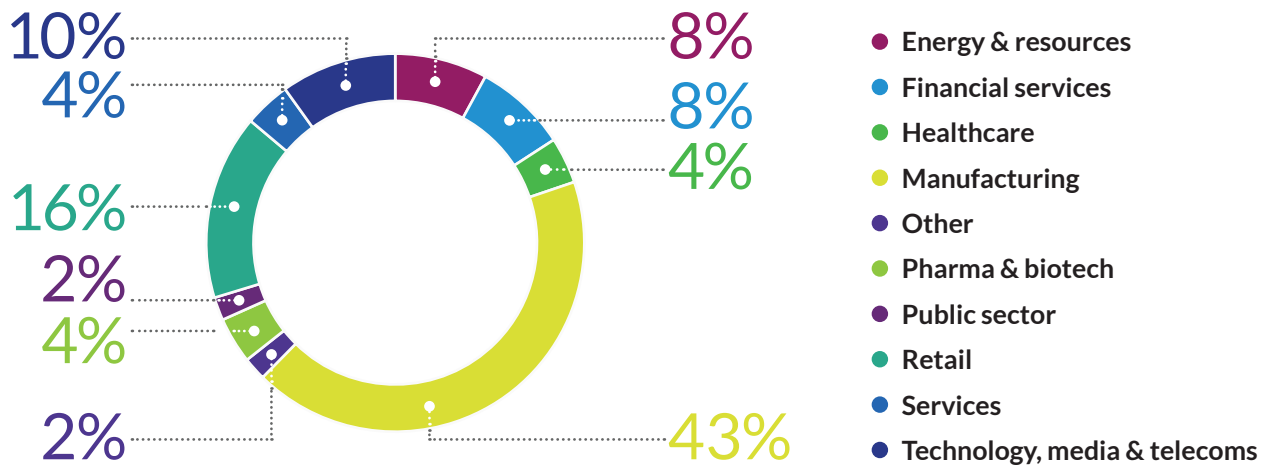


Figure 2

Survey respondents by organisation size (revenues)

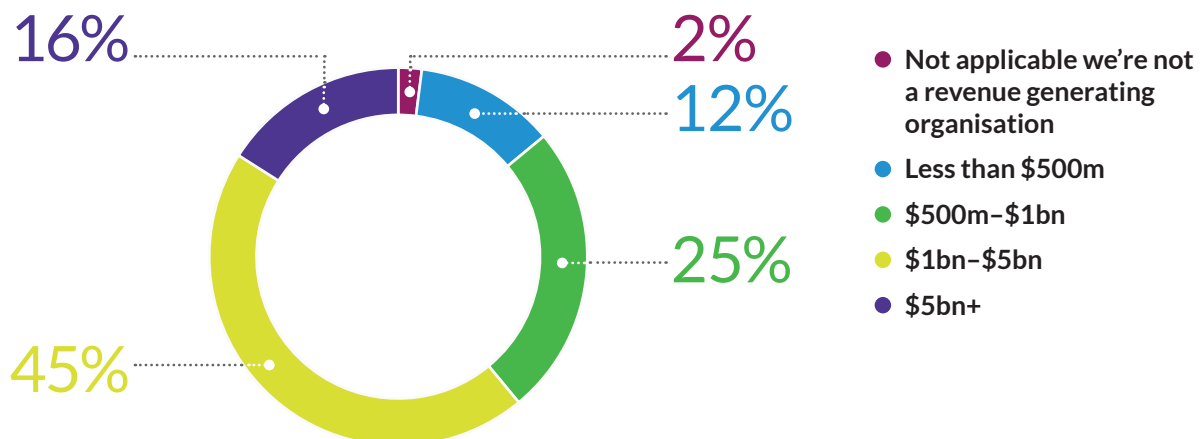
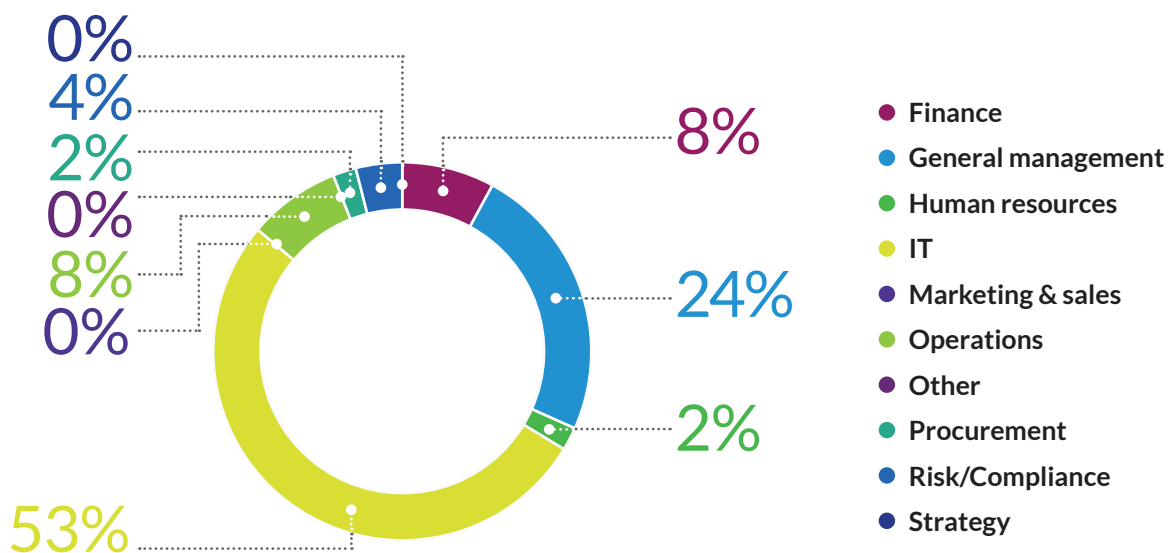


Figure 3

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. We adjust the metrics in our model to try and counter the effect of currency fluctuation in order to get a sense of true consulting growth, with as much noise from external sources filtered out. 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. We are happy to provide subscribers with a restated set of 2014 baseline figures should this be of interest.

We should emphasise 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 US 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 19 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, organisational 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, mobile 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).

Name	Job title	Firm
Roy Barden	Regional Practice Leader—Asia Pacific	The Hackett Group
Bridget Beattie	Executive Vice President Asia Pacific Middle East	Right Management
Tim Carroll	Director & Co-Founder	325 Consulting
Jon Chadwick	Managing Partner	Litmus Group
Andrew Clark	Managing Partner	The Boston Consulting Group
Peter Cudlipp	Director	Growth Solutions Group
Michael Dobrijevic	Managing Principal	Mozaic Management Consulting
Jacqueline Gillespie	Head of Consulting Australia	Korn Ferry Hay Group
Justin Greig	Lead Partner	EY
Ian Hancock	Management Consulting Leader	KPMG
Joost Hoeve	Managing Partner	Infosys Consulting
Jacob Hook	Partner	Oliver Wyman
Duncan Keith	Program manager	Oakton
Dominic Moore	Director & Co-Founder	325 Consulting
Peter Munro	Partner	A.T. Kearney
Neil Plumridge	Managing Partner, Consulting	PwC
Scott Roantree	Vice President, Program Delivery	Abt JTA
Peter Ryan	Partner	Deloitte
Greg Spinks	Managing Director	Consulting & Implementation Services

ABOUT THE AUTHORS

Edward Haigh

Ed was Source's first employee and is now a Director of the business. Prior to joining Source in 2008, he spent seven years in various marketing roles for Sony Europe, followed by a spell as Marketing Director for a small start-up venture. Ed oversees Source's strategic marketing activities, writes many of our reports and speaks regularly to domestic and international audiences about the consulting market.



Alastair Cox

Alastair is an Analyst at Source and plays a key role in the development of our Consulting Market Programme reports. Prior to joining Source, Alastair worked as a management consultant with PwC, working on a multitude of projects across a number of different industries and service lines. He graduated from the University of Bath with first-class honours in French and Spanish with European Studies, and spent a year working in Paris and Valencia as part of his degree.





How to subscribe

You can either subscribe to the whole programme (the cheapest way of getting access to everything) or buy reports individually. All reports in the *Consulting Market Programme* come with a global licence, so once you've bought them you can use them anywhere in your firm.

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		

For information about the products or services available from Source, please contact:

UK, EUROPE AND US

Alice Noyelle

+44 (0)20 3795 2662

alice.noyelle@sourceglobalresearch.com

MIDDLE EAST

Jodi Davies

+971 52 989 5224

jodi.davies@sourceglobalresearch.com

www.sourceglobalresearch.com

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](#).

For further information please visit www.sourceglobalresearch.com

UK AND EUROPE

Source Information Services Ltd

📍 20 St Dunstons Hill • London • EC3R 8HL

☎ +44 (0)20 3795 2668

MIDDLE EAST

📍 PO Box 340505 • Dubai • United Arab Emirates

☎ +971 (0)52 989 5224

✉ info@sourceglobalresearch.com

🌐 www.sourceglobalresearch.com

© Source Information Services Ltd 2016

Source Information Services Ltd and its agents have used their best efforts in collecting the information published in this report. Source Information Services Ltd does not assume, and hereby disclaims, any liability for any loss or damage caused by errors or omissions in this report, whether such errors or omissions result from negligence, accident, or other causes.

