

# THE UK CONSULTING MARKET IN 2016



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

# EXECUTIVE SUMMARY



- The UK market grew a solid 8.2% in 2015 to reach a total value of £6,796m, outpacing even 2014's impressive performance. There were a few dull moments—the election slowed things down a bit more than expected, and demand lagged toward the end of the year—but nearly all consultants we spoke with had good things to say about 2015.
- Digitisation, which has been a big presence in the market for several years now, really took off in 2015, as clients moved from analysing digital's impact to designing and implementing real-world solutions. The front office is still driving a lot of the activity, with clients eager to use digital to build stronger customer relationships, but digitisation of the back office (and making sure it seamlessly ties to those front office innovations) is starting to look like the bigger opportunity. The related phenomenon of innovation also created a lot of activity with clients eager for consultants' help thinking through their game-changing ideas and bringing them to fruition.
- The bifurcation of the consulting market continues and has intensified to the point that there are now few firms that aren't being forced to grapple with the thorny issues it throws up. The high-value "luxury" end of the market continues to be the more attractive to most management consultants, though it can be very difficult to leave the high volume of lower-cost commoditised work on the table. For firms determined to keep a foot in each part of the market—essential if they want to be the lead firm on large-scale transformation projects—asset-based consulting, value-based pricing, and risk-sharing arrangements are still popular strategies. Knowledge-based outsourcing is another strategy for straddling both ends of the market that's just beginning to appear, and it involves consulting firms essentially acting as highly skilled outsourcing centres that run entire areas of the client business with the goal of handing them back improved and transformed.
- Talent is, of course, a perennial challenge in the consulting market, but with demand picking up at the same time scarce digital skills are sorely needed, there's a sense that talent issues have become more pressing than ever. Firms are working hard to get their existing consultants up to speed and fit for the digital world, but some skills still need to be brought in from the outside. To improve recruitment—and retention of the people they already have—firms are looking hard at their culture and making big efforts in the area of inclusivity. Of course, old-fashioned acquisition also remains a popular means of filling out the ranks.
- Financial services remains the biggest and one of the fastest growing markets for UK consultants, and work here is getting a little more varied and a little more interesting as clients are finally finding the breathing space to work on issues beyond regulatory compliance. Pharma & biotech, though a much smaller market, is growing even more quickly; this is another heavily regulated industry going through a lot of change right now, and these clients are increasingly likely to turn to consultants for help.
- Risk & regulatory consulting is by far the fastest growing service line in UK consulting. Of course, regulatory compliance remains of critical importance—especially in the enormous financial services sector—but risks relating to reputation and cybersecurity are also driving a lot of work these days. Technology remains the biggest service line with intense interest in digitisation finally attracting attention beyond the CIO silo.
- The Big Four continue to dominate in terms of both size and growth as clients very much appreciate the scale and scope they can bring to bear, but of course inorganic growth accounts for some of the story here, as does a busy regulatory environment from which, at least in financial services, the Big Four benefit more than most. But HR firms might be the more interesting story: This remains a relatively small corner of the market, but it's growing much faster these days, thanks in large part to clients coming to grips with the people side of digital transformation projects.
- Consultants report feeling very bullish about the year ahead, though there are a few signs that growing economic and geopolitical tensions are beginning to chip away at client confidence. But all things considered, we think signs point to another good year.

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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” 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 the UK 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**

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- **How they are using consultants**

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

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

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We also carry out client surveys. We surveyed 638 senior clients of consulting firms across the UK. The majority (94%) work for private sector organisations, many of which are multinationals. The remaining 6% work in various public sector organisations. The majority work in organisations with revenues in excess of \$500m, and over 250 employees. For a further breakdown of our survey respondents, please see page 5.

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

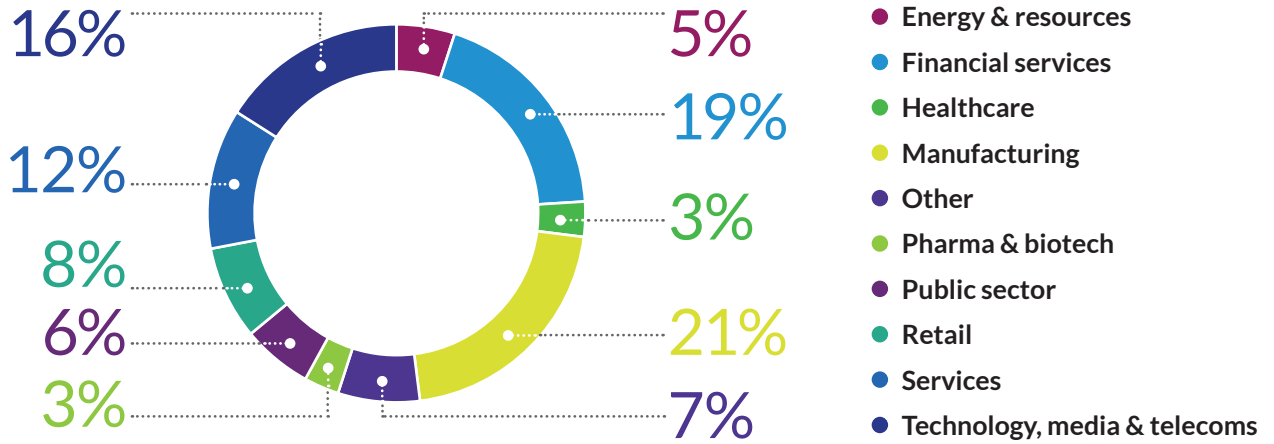


Figure 2

Survey respondents by organisation size (revenues)

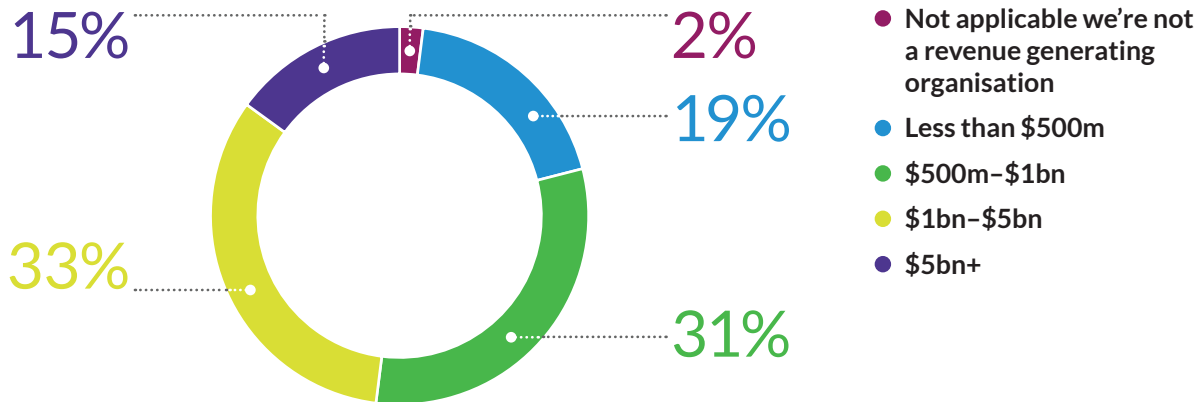
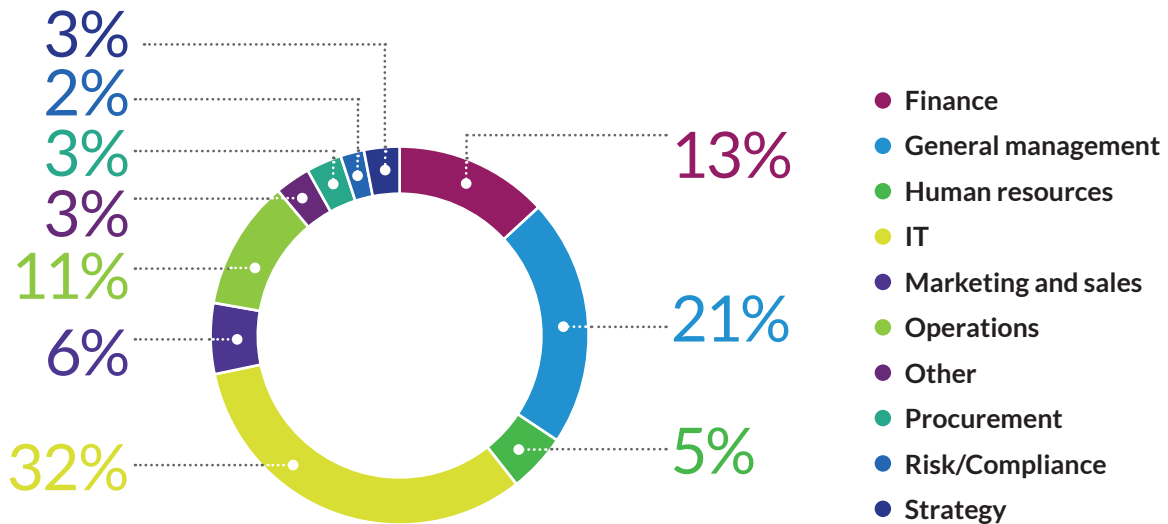


Figure 3

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. Specifically, we overstated the size of the financial management and risk market in 2014 due to the difficulty of having absolute clarity about whether cybersecurity work sits in technology or risk service lines. 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 British pounds. 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 30 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, 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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## How to subscribe

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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

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- Data for the consulting market:
  - Regional report: by industry, service, and firm type
  - Industry report: by sector, service, and geography

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- High-level breakdown:
  - Regional report: by geography within region
  - Industry report: by sector within industry

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- 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

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- Analysis of the key challenges and opportunities in the market

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- Feedback from clients in selected regions

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- 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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