

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.

CONTENTS

Executive summary	2	Consulting firms	56
Methodology	4	Type A firms	59
Definitions	4	Type T firms	60
Sources	4	Type S firms	61
Definitions of industries and services	7	Type P firms	62
Contributors	9	Forecast	63
UK summary	10	A word on methodology	63
Market overview	12	The consultant view	63
What everyone's talking about	13	The client view	64
The revolution will be digitised	13	Forecasts for 2016	68
Next-level customer service	14	Industries—prospects for growth 2016	68
The modern back office	14	Services—prospects for growth 2016	69
Innovation	15	Firm types—prospects for growth 2016	69
The digital-ready consulting firm	16	About the authors	70
Whatever you're doing, do it faster	17	Consulting market programme	71
The people side of digital	17	About Source	72
The further evolution of bifurcation	18		
Bifurcation and digitisation	18		
The appeal of the middle way	19		
Talent: new twists on an old challenge	20		
Not enough people, fewer with the right skills	20		
Getting tech savvy	20		
Toward solutions	21		
Market data	22		
Industries	22		
Financial services	23		
Public sector	26		
Manufacturing	28		
Technology, media & telecoms	30		
Energy & resources	32		
Services	34		
Retail	36		
Pharma & biotech	38		
Healthcare	40		
Services	42		
Technology	44		
Strategy	46		
Operational improvement	48		
HR & change management	50		
Risk & regulatory	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 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**
- **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 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

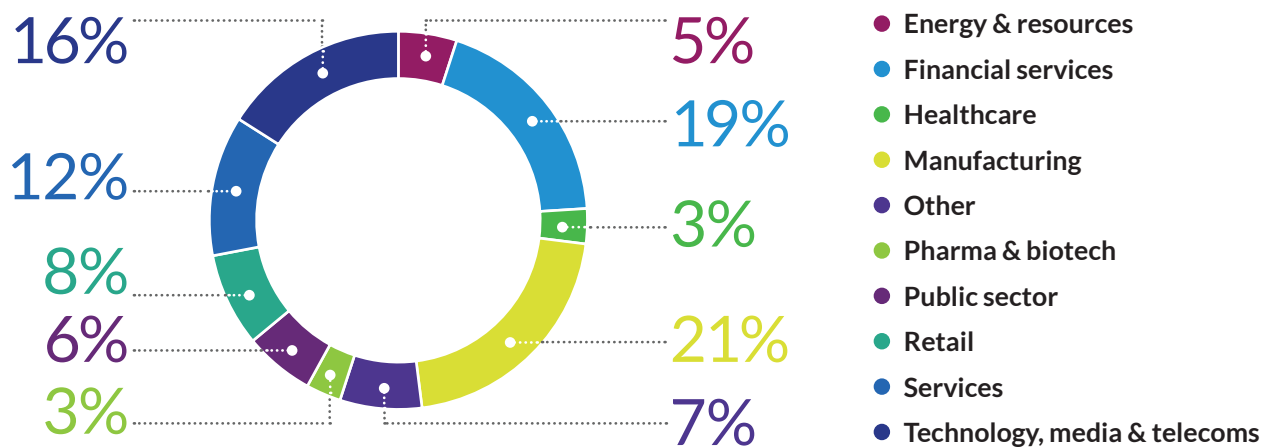


Figure 2

Survey respondents by organisation size (revenues)

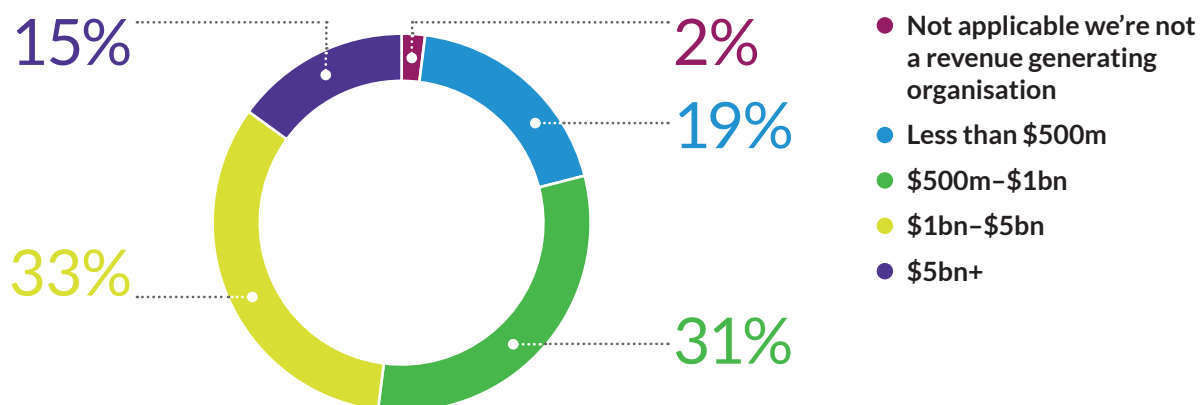
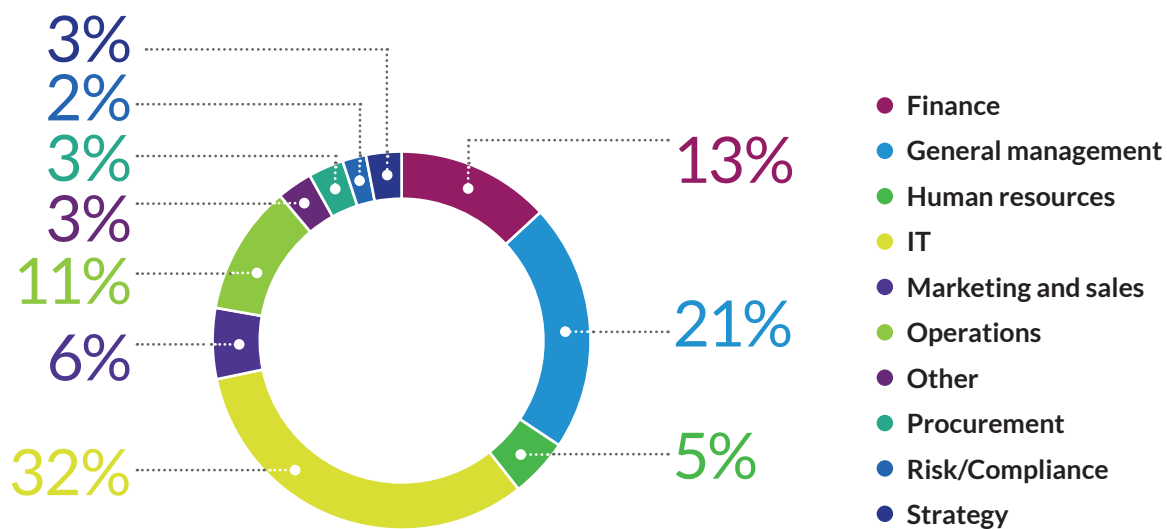


Figure 3

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).

Name	Job title	Firm
Gary Ashton	Partner	OE CAM
Brandon Bichler	Partner	Elixirr
Didier Bonnet	Senior Vice-President, Global Head of Practices	Capgemini Consulting
Aidan Brennan	Global Head of Management Consulting	KPMG
Julia Cook	Managing Director	Change Management Group
Adrian Edwards	EMEIA Advisory Markets Leader	EY
Dimitris Hiotis	Partner	Simon-Kucher & Partners
Andrew Hooke	Chief Operating Officer	PA Consulting
Paul Jowett	Managing Partner	Roland Berger Strategy Consultants
John Kerr	Vice Chairman Global Consulting	Deloitte
David Krucik	Managing partner, UK office	OC&C Strategy
Julian Ladd	Market VP	Right Management
Jean-Marc Laouchez	Managing Director	Korn Ferry Hay Group
Norman Lonergan	Global Vice Chair—Advisory	EY
Daniel Meere	Managing Director	Axis Corporate
Jeremy Milward	Managing Partner	Infosys
Steve Newhall	UK Managing Director	Korn Ferry Hay Group
Stuart Quickenden	Senior Partner and Managing Director	The Boston Consulting Group
Nick Ringrose	Practices and Project Delivery Director	Atkins
James Rodger	Partner, Regional Leader UK and Ireland	BearingPoint
Nigel Slater	UK Head of Management Consulting	KPMG
Richard Squire	Managing Partner	Crossbridge
Luca Stoppino	UK and Ireland Managing Director	EFESO Consulting
Lee Timmins	Senior Vice President, Consulting	Atos
Andy Tinlin	Managing Director, Management Consulting UK & Ireland	Accenture
Ashley Unwin	Managing Partner Consulting Practice UK & EMEA, Executive Board Member	PwC
Stephen Vinnicombe	CEO, UK	Capco
Ian Watts	Head of Consulting	CGI
Ross Williamson	Managing Partner & Head of Consulting	Wipro Consulting Services

ABOUT THE AUTHORS

B.J. Richards

B.J. is Senior Editor at Source. An accomplished writer and editor, B.J. has provided strategic communications for a U.S. senator, three presidents of Harvard University, a prominent American civil liberties advocacy group, and international law and consulting firms. She earned her juris doctorate from the University of Georgia and is a member of the Georgia bar.



Zoë Stumpf

Zoë leads Source's Consulting Market Programme. She has been with us since the beginning of 2012, and prior to this, she had more than 12 years working as a Management Consultant, firstly with KPMG where she led a number of operational improvement and post-merger integration projects, before moving on to be Head of Marketing and Internal Communications at Atos Consulting. She has also worked as an Independent Marketing Consultant at the UK Management Consultancies Association and at Xantus Consulting.





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.

