THE AFRICA CONSULTING MARKET IN 2016



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

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EXECUTIVE SUMMARY



- 2015 was a good year overall for management consulting in Africa, the continent's 19 largest markets collectively growing 4.8% to reach a total value of US$2,061m. Performance and opportunities vary greatly, however, from one region to the next, with things going slowly in the south, moderate growth in the north, and booming markets in the east and west.
- The southern Africa consulting market is dominated by the huge South Africa market, and so the regional market's fortunes suffered along with that nation's. The devaluation of the rand was sorely felt, not only dampening clients' willingness to invest but making it hard for international firms to demonstrate growth once their revenues were converted into dollars or euros back in their home markets; a tumultuous political situation did nothing to help. Other countries in the region—including Angola, Mozambique, and Zambia—did little better.
- The eastern Africa consulting market remains small relative to the region's larger economy, but it is growing rapidly and shows big potential. Middle-class expansion and a big increase in foreign investment combined with a relative lack of dependence on oil revenues made this a very good place to be a consultant in 2015. It was (and is), however, a difficult market for international firms to reach owing to the great difficulty of obtaining visas and work permits, especially in fast-growing Ethiopia.
- The market in western Africa continues to grow at a rapid pace despite this region being badly hit by the fall in oil and commodities prices. There is hope that a silver lining will emerge in the form of ramped-up efforts to diversify the region's economies in order to ward off such shocks in the future. Nigeria's new government is inspiring confidence, encouraging multinational corporations (MNCs) to take a new look at the country and so should generate consulting demand.
- Northern Africa's largest consulting market, Morocco, had a good 2015 with a stable economic and political situation holding the market in good stead and ensuring this remains a reliable hub for European businesses looking to expand into Africa. Things were a bit tougher in Egypt, as the political situation remains tense and the economy challenging. Tunisia and Algeria were also slow going last year.
- Though stability is on the rise across the continent, Africa remains a challenging place to do business. Even as the types of volatility seen on the continent come to look more like those seen in more mature economies, the swings can be more extreme: Election-related slowdowns can last much longer here than in Europe, and currency valuations can fluctuate rather wildly. Likewise, a lack of economic diversity means that the fall in oil and commodity prices has had an outsized impact in many markets. Diversification and professionalisation efforts are helping to improve the situation, creating consulting work in their own right while also helping to make these markets more navigable going forward.
- The rise of the African middle class is having a big impact on consulting, with companies eager to understand and make the most of the opportunities presented. Customer-facing initiatives in the retail industry and new product development in financial services are especially hot topics. But perhaps the biggest boon of all is the impact the growing middle class is having on digital uptake, thanks to mass smartphone penetration and consumer demand to conduct all business—from banking to retail to accessing government services—on mobile devices.
- As African economies grow and mature, domestic African clients are making up more and more of consulting's client base. Those clients are also coming from a wider range of industries and, as a result, are bringing more types of business problems to consultants. This has caused firms serving the market to reassess the services they're offering, establishing footholds in more markets, investing more in solutions aimed specifically at the African market, and increasing the amount of local talent on hand.
- Prospects for the rest of 2016 and on into 2017 look good overall, with the usual regional variations. Growth will continue to be very low in the difficult southern Africa market; moderate in the north; and very rapid in eastern and western markets. Perhaps even more telling, however, is how much consultants' expectations differ depending on the type of firm in which they sit: Those at smaller and mid-sized firms expect little change and perhaps even a slowing of demand through 2017 while those at large firms are considerably more optimistic about overall growth across the continent.

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CONTENTS

Executive summary 2
Methodology 4
- Definitions 4
- Sources 4
- Definitions of industries and services 5

Contributors 7
Africa summary 8
Market overview 9
What everyone's talking about 10
- Rolling with the punches 10
  - Oil and mining and silver linings 10
  - Maturity doesn't mean stability 11
- The middle-class promise and the digitisation dream 12
  - Digital solutions for the upwardly mobile 13
  - Digital solutions for all 14
- Maturing clients, maturing consultants 14
  - A client base that's changing shape 14
  - Consulting grows up 15

Regions 18
- Southern Africa 18
  - Regional overview 19
  - Industries overview 20
  - Services overview 23
- Eastern Africa 25
  - Regional overview 26
  - Industries overview 27
  - Services overview 30
- Western Africa 32
  - Regional overview 33
  - Industries overview 34
  - Services overview 37
- Northern Africa 39
  - Regional overview 40
  - Industries overview 41
  - Services overview 44

Global view of industries 46
Global view of services 53
Consulting firms 56
- Performance by segment 56
  - By firm type 57
  - The consulting landscape 58
  - Type A 59
  - Type T 59
  - Type S 59
  - Type P 59

2016 projection and 2017 forecast 60
- A word on methodology 60
- The consultant view 60
  - Southern Africa 61
  - Eastern Africa 61
  - Western Africa 61
  - Northern Africa 61
- Projections—2016 61
  - Overall 61
  - Southern Africa—overall 62
    - Industries—prospects for growth 2016 62
    - Services—prospects for growth 2016 63
  - Eastern Africa—overall 64
    - Industries—prospects for growth 2016 64
    - Services—prospects for growth 2016 65
  - Western Africa—overall 66
    - Industries—prospects for growth 2016 66
    - Services—prospects for growth 2016 67
  - Northern Africa—overall 68
    - Industries—prospects for growth 2016 68
    - Services—prospects for growth 2016 69
  - Consulting firms overall—prospects for growth 2016 70
- Forecasts—2017 71
  - Overall 71
  - Southern Africa—overall 72
    - Industries—forecasts for growth 2017 72
    - Services—forecasts for growth 2017 73
  - Eastern Africa—overall 74
    - Industries—forecasts for growth 2017 74
    - Services—forecasts for growth 2017 75
  - Western Africa—overall 76
    - Industries—forecasts for growth 2017 76
    - Services—forecasts for growth 2017 77
  - Northern Africa—overall 78
    - Industries—forecasts for growth 2017 78
    - Services—forecasts for growth 2017 79
  - Consulting firms overall—forecasts for growth 2017 80

About the authors 81
Consulting market programme 82
About Source 83

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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 quantitative and qualitative research of consulting firms in Africa. 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. Our analysts work out the addressable size of the market through desk research, identifying the number of firms that meet our criteria and extrapolating from that to reach a figure for the market as a whole.

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. In particular, we have changed the structure of the report this year to cover the key geographies highlighted in each section as opposed to the whole of Africa, as in previous years. 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 29 very senior consultants (typically the most senior person in their country) from most of the leading consulting firms in the region 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.

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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.

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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).

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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
March	Nordics
	France
April	GCC
	Benelux
May	US
	DACH
June	Eastern Europe
	Russia
July	Spain
	Italy
	Australia
August	India
September	Brazil
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	Energy & resources
October	China
	Financial services
	Healthcare
November	South East Asia
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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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