

THE CHINA CONSULTING MARKET IN 2016



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

EXECUTIVE SUMMARY



- The China consulting market grew 7% over the course of 2015 to reach a total value of US\$4,048m. It's a rate of growth that would make this the envy of many Western markets, though it may seem disappointing to those firms operating on the ground. Many of those came to this market to take advantage of a booming Chinese economy that has slowed in recent years and are now asking themselves if the opportunity is really as big as they once imagined.
- Many consultants are also expressing disappointment that China's consulting market isn't maturing as quickly as hoped, as it continues to be complicated by intense price pressure, fierce competition, talent shortages, and often reticent clients. But some consultants counter that China is achieving maturity on its own terms—even if it's a model of maturity that doesn't look very familiar to Western firms. The future success of these firms may very well depend on their willingness to adapt their offers to suit the market's distinct personality or else finding ways to exploit their Western experience by helping ambitious clients looking to expand to Europe or the US.
- Digitisation is making its presence felt in China's consulting market, even if it's yet to become the same cross-industry blockbuster as in some other major markets. Financial services clients, who are eager to compete with fintech startups, and retail clients, who are forced to compete with extraordinarily tech-savvy companies like Alibaba, are driving strong demand that will only grow in the coming years.
- Consulting talent is a perpetual challenge in China, as it is in most other markets, with pain being felt at all levels of the pyramid as people with the most desirable skills are highly sought across industries. The hunt for senior-level consultants is the most fraught, as those with a decade's experience under their belts command a very high price and are quick to jump ship if offered more. Large, multinational firms have the upper hand in the war for talent as their ability to provide international experience is very attractive in this market.
- The financial services industry continues to be the biggest buyer of consulting services in China, with demand being driven by the need for multi-market regulatory compliance, a need to stay competitive against fintechs, and a booming insurance sector. It's the smallest market segments that are growing the fastest, however, as healthcare and pharma & biotech deal with massive disruption from many directions and traditional retailers are having to make sweeping changes in order to compete for China's digitally savvy consumers.
- Operational improvement is the most popular service line in China, with the economic slowdown fuelling a strong interest in efficiency. China's second-largest service line, technology, is growing fastest with both digital and more conventional IT projects driving a good deal of work.
- Consultants tell us that 2016 has been another year of steady, moderate growth though perhaps at a slightly slower pace than seen in 2015. If China can avoid the banking crisis many fear is brewing, we expect 2017 will see much of the same.

CONTENTS

Executive summary	2	Forecast	56
Methodology	4	A word on methodology	56
Definitions	4	The consultant view	56
Sources	4	The client view	57
Definitions of industries and services	7	Projection for 2016	60
Contributors	9	Growth prospects 2016 China	60
China summary	10	Industries—prospects for growth 2016	60
Market overview	12	Services—prospects for growth 2016	61
What everyone's talking about	13	Firm types—prospects for growth 2016	61
More than one way to be mature	13	Forecast for 2017	62
A market for the Western mindset	14	Growth prospects 2017 China	62
Digital finds its footing	15	Industries—prospects for growth 2017	62
Talent: a seller's market	16	Services—prospects for growth 2017	63
Market data	18	Firm types—prospects for growth 2017	63
Industries	18	About the authors	64
Financial services	19	Consulting market programme	65
Manufacturing	21	About Source	66
Services	23		
Energy & resources	25		
Technology, media & telecoms	27		
Healthcare	29		
Public sector	31		
Retail	33		
Pharma & biotech	35		
Services	37		
Operational improvement	38		
Technology	40		
Strategy	42		
Risk & regulatory	44		
HR & change management	46		
Financial management	48		
Consulting firms	50		
The consulting landscape	51		
Type A	52		
Type S	53		
Type T	54		
Type P	55		

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 China 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 71 senior clients of consulting firms across China, of which 80% work in organisations with revenues in excess of \$500m, and 93% have over 250 employees.

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

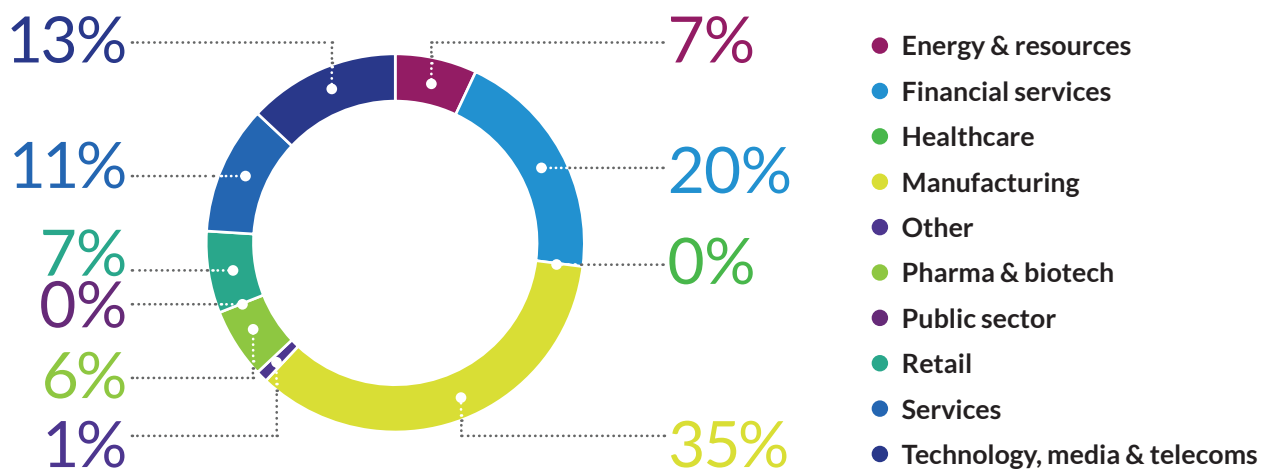


Figure 2

Survey respondents by organisation size (revenues)

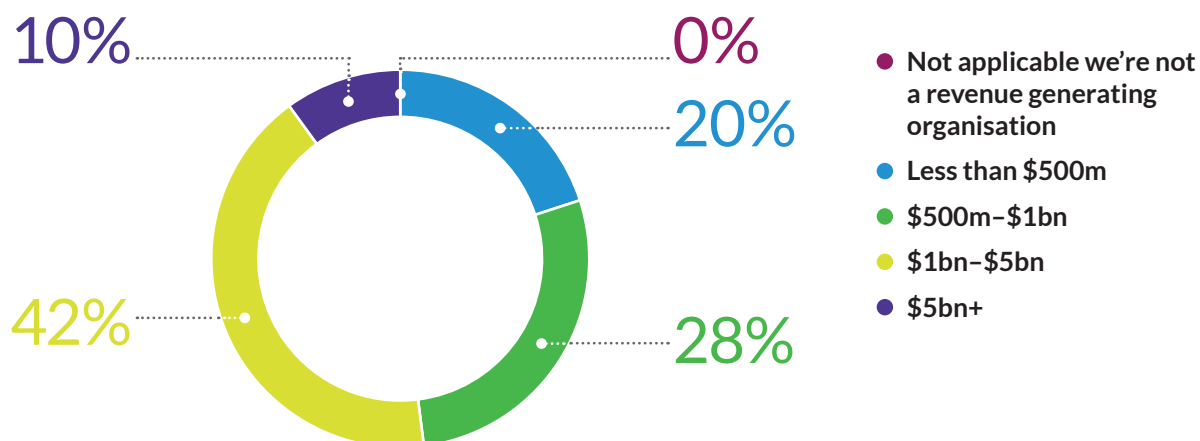
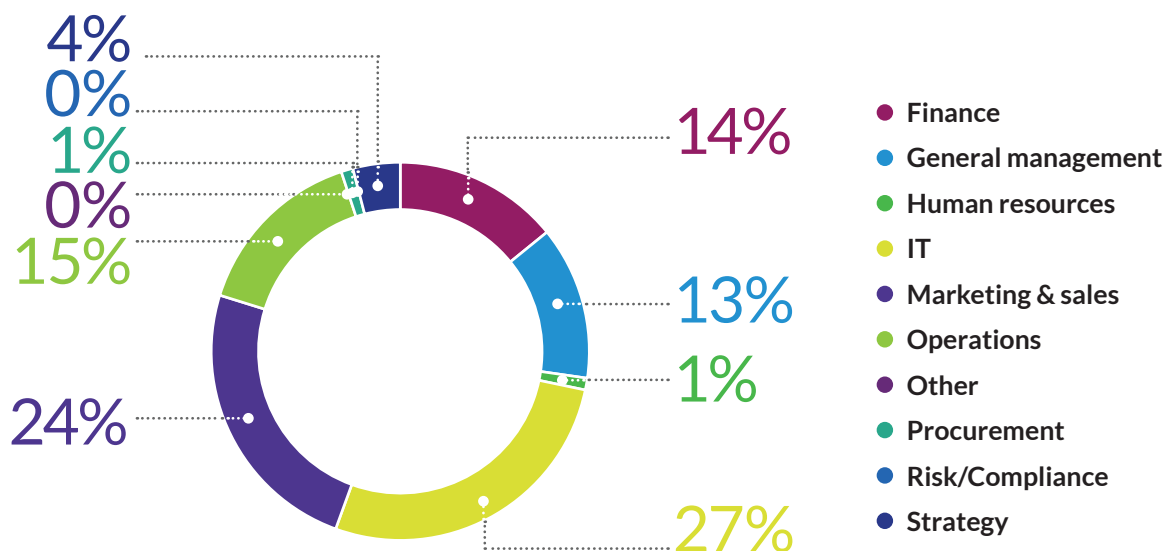


Figure 3

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. 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 added specific Hong Kong data into our model this year, which has slightly increased the growth figure for the China region from 6.8% to 7.0% in 2015. It has also added US\$563m to the overall market size that was not included last year. 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 13 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
Bridget Beattie	Executive Vice President Asia Pacific Middle East	Right Management
Didier Bonnet	Senior Vice-President, Global Head of Practices	Capgemini Consulting
David Bostock	COO	PwC
Julien Bourdiniere	APAC CEO	Capgemini Consulting
Aidan Brennan	Global Head of Management Consulting	KPMG
Fan Chen	Managing Director China	Simon-Kucher & Partners
Yvon Donval	General Manager	BearingPoint
Vincent Kasbi	Head of Asia	Sia Partners
Jean-Marc Laouchez	Managing Director	Hay Group
Reynold Liu	Head of MC, China	KPMG
Jacques Penhirin	Partner and Managing Director of Greater China	Oliver Wyman
Ignatius Tong	MD for Greater China	Roland Berger Strategy Consultants
Cecilia Zhang	Managing Partner	EY

ABOUT THE AUTHORS

Rachel Duk

Rachel is one of our Senior Analysts, working on both our core programmes and bespoke client projects. Rachel started her career on the Deloitte graduate programme and worked with the firm for over four years in London, Dubai, and Auckland. Prior to joining Source in June 2016, she worked as a senior project manager at an airline. When she's not at Source, Rachel is likely to be found walking in London's parks with her dog, Alfie.



Rachel Duk

✉ rachel.duk@sourceglobalresearch.com

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.



Alastair Cox

✉ alastair.cox@sourceglobalresearch.com

B.J. Richards

B.J. is Senior Editor at Source. An accomplished writer and editor, B.J. has provided strategic communications for a US 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.



B.J. Richards

✉ bj.richards@sourceglobalresearch.com



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.

