

PLANNING FOR GROWTH IN 2017 (MARKET ATTRACTIVENESS INDEX)



A global perspective on the consulting market,
drawing heavily on extensive client-side research

CONTENTS

Introduction: A game of snakes and ladders	3
About this report	4
Survey	5
The role of this report in our series	5
Market attractiveness index 2017	6
Detailed view	7
Talent	9
Growth	11
Average revenue per consultant	14
Client's propensity to buy consulting	16
Market-by-market commentary	18
DACH	18
Australia	18
UK	19
US	19
GCC	19
Nordics	20
France	20
Benelux	20
Spain	21
India	21
Eastern Europe	21
China	22
South East Asia	22
Italy	22
Africa	23
Brazil	23
Russia	23
About the author	24
Strategic planning programme	25
About Source	26

ABOUT THIS REPORT

This is the fourth edition of our market attractiveness index and we've made one improvement to our methodology. It concerns average revenues per consultant and addresses the fact that the DACH consulting market was always so far ahead of other markets by this measure. That was happening because of the structure of the DACH consulting market—in which high-priced consulting work represents a much higher proportion than it does elsewhere—rather than because like-for-like revenues were much higher than elsewhere. Even on a like-for-like basis DACH revenues are higher, but not to the degree previous editions of our index suggested.

There's also a change to the baseline we use to calculate propensity to buy. This is still measured by the size of a consulting market relative to GDP, but in order to align data in this report with that in our global consulting data model, we now use World Bank, rather than IMF, GDP data. Alongside issues connected with currency fluctuations and the restatement of market sizes, this makes year-on-year comparisons by this measure particularly troublesome, so we'd largely stayed away from them.

In all other respects our methodology remains unchanged (though see the note below about geographical changes). It's important to note, though, that much of what we're doing here is art as much as science: we're combining hard data, where it exists, with our view of a market based on our conversations and surveys with both consulting leaders and their clients. Our index isn't perfect, but then nothing about predicting the future ever is. We think it's a pretty good guide and holds up very well against the question we ask once we've completed it every year: Knowing what we know, does it accurately reflect where we'd put our own money?

We award a score out of five (where one is the lowest and five is the highest) for each of the following:

Talent

How easy it is to find and retain the people you need.

Growth

What are the market's prospects for growth in 2017? This is converted from the forecasts published in our Consulting Market Programme for 2016 (updated, where necessary, to take account of changes that have occurred in the time since the report for a specific geography was published), which take into account:

- How clients expect their consulting expenditure to change
- GDP growth forecasts
- Inward investment
- Political stability
- The number of companies headquartered in the market

Average revenue per consultant

Using data from our global consulting data model, balanced to account for differences in the structure of markets.

Clients' propensity to buy consulting

Based on the size of consulting markets relative to the GDP of the geographies in which they sit (World Bank figures for 2015).

Why not size?

We don't take into account the size of a consulting market in assessing its attractiveness for a couple of reasons:

1. *Our ranking would become much more static: The size of markets relative to each other changes very slowly indeed, and the US consulting market is so much bigger than any other market that it would probably always top our rankings. So our barometer would become less sensitive.*
2. *We're not sure size really matters in itself. Yes, the US is the biggest market by some considerable distance, but it's also got the most people working in it. What matters is how much opportunity exists, and our view is that the size of a market relative to GDP, combined with the other things we measure, provides a much more useful view of that.*

Geographical changes

- Having added Portugal to Spain and called it Iberia last year, we've taken it out again. Sorry. Our coverage of Portugal has been a bit intermittent over the last few years, owing to the difficulty of researching the market there, and that's led to us putting it in, taking it out, and shaking it all about. It won't happen again*
- We've included The Philippines in our data about South-East Asia this year.

*It might happen again.

This report is based on quantitative research. We conducted an extensive survey in December 2015 with senior users and buyers of consulting services.

Survey

We surveyed just over 2,700 senior users and buyers of consulting services in 15 major consulting markets in North America, Europe, the Middle East and Asia Pacific. Forty-two percent of respondents work in organisations with more than 1,000 employees (the percentage is higher in mature markets where large corporations are more numerous). Respondents are distributed across operations, general management, sales & marketing, IT, finance and HR. They represent nine industries: energy & resources; financial services; healthcare; manufacturing; pharma & biotech; the public sector; retail; the services sector (including transportation and construction); and technology, media & telecoms.

The increased scale and scope of our survey creates potential problems in comparing this year's data with last year's. Our experience is that there's not a lot of variation in the way relatively large organisations use consultants, but there are some cases where our sample has had an impact and we highlight these.

The role of this report in our series

Our fourth annual market attractiveness index, which assesses each geographical market for the next 12 months in terms of things like: the rate of growth in the market, how easy it is to find and retain talent, how much revenue the average consultant can expect to generate, and the propensity amongst clients to use consultants.

The existing publications in this series are:

Forecasts for 2016

Based on our largest-ever survey of senior users of consulting services around the globe, this report looks at the prospects for growth in the consulting industry in 2016. Clients are as busy as ever, but 2016's data doesn't show the jump in "busyness" that we've seen in each of the last three years, suggesting that the overall rate of growth in consulting will start to slow this year. Inevitably, though, different industries and services are likely to grow at different rates...

Megatrend #1: Making consulting and IT services propositions work

Having spent the last few years cutting back their consulting operations in favour of delivering IT projects from low-cost locations, many IT services companies are now in the process of rebuilding their consulting presence. Most, though, are starting where they left off: with a flawed model of how consulting and IT services fit together.

This report explores the relationship between management and IT consulting, and other IT services, both from a client perspective (what do they want, what do they think they don't get), and from the point of view of suppliers themselves (how are IT services companies remodelling themselves, what impact could this have on the consulting industry).

Megatrend #2: Premium and commodity consulting: Is the string getting longer?

One of the most important trends our 2015 research highlighted was the extent to which clients are increasingly using on consultants in two ways, in more familiar areas as a commodity, but also in more innovative fields (e.g., digital transformation) where the characteristics of traditional, high-value management consulting come to the fore. Crucially, our research suggested that this division cut across conventional consulting boundaries, and is increasingly seen as two different business models, making hard for firms to do both at once.

The report explores this theme in greater detail, looking at how this division is taking even more concrete shape in clients' minds, and how consulting firms are responding to the challenge it creates to their business model.

Megatrend #3: M&A: Is it adding value?

The consulting industry has experienced unprecedented levels of consolidation over the last two years, but it's still far from clear how clients benefit from the trend. This report analyses clients' views around this issue and explore how they'd construct such deals, if they had a say.

The final publication will be:

Megatrend #4: Talent: Will the world run out of consultants?

With worldwide growth in consulting expected to be strong throughout 2016, the perennial war for talent is reaching new levels of ferocity, especially when it comes to senior people. Moreover, consulting firms are facing new competition from high tech companies and start-ups, making it hard for them to recruit a new generation of consultants, too. This report will look at how consulting firms are responding to the challenge this poses, and asks what the winning strategy is likely to be.

ABOUT THE AUTHOR

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.



Edward Haigh

✉ edward.haigh@sourceglobalresearch.com



How the *Strategic Planning Programme* can help you

- Deepens your understanding of the major trends shaping the consulting industry
- Helps you to identify what clients want from consulting firms in relation to major trends
- Helps you in your business planning activities
- Helps you to identify opportunities and threats in the market, and to develop strategies in response to them

Our *Strategic Planning Programme* helps you to develop your strategy. It looks at the consulting market from a global perspective, picking out the trends that matter wherever you are and drawing extensively on our research with clients. In 2016 it splits into six parts, honing in—in parts 2, 3, 4 and 6—on the themes we're hearing most firms and most clients talking about at the moment.

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 *Strategic Planning 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 covered in this programme:

Forecasts for 2016

Megatrend #1: Making consulting and IT services propositions work

Megatrend #2: Premium and commodity consulting: Is the string getting longer?

Megatrend #3: M&A: Is it adding value?

Megatrend #4: Talent: Will the world run out of consultants?

Planning for growth in 2017 (Market Attractiveness Index)

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.

