EXTRACT

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CONSULTING MARKET PROGRAMME

The UK consulting market in 2013

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

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Executive summary

- What matters most in UK consulting at the moment isn't the size, shape or growth rate of the market. It's the need for UK consulting to define what it's all about. What its role is in a global market. We argue that its role should be about globalisation itself – that nowhere else is better placed than the UK to be associated with the business of globalising. But we also argue that the key to success here, lies in UK consulting firms being able to redefine not just what consulting they do, but what consulting is.
- Worth just over £5bn (€6bn) in 2012, the UK consulting market remains the largest in Europe. At just over 2% over 2011, growth was not stellar but was noteworthy nonetheless given the gloomy economic environment in a country that's been either in recession, or very narrowly avoiding it, for some time. But slow top-line growth hides a variety of experiences amongst consulting firms, depending on sector, clients and firms. Some consulting firms did very well indeed, achieving double-digit rates of growth in 2012, others less so.
- All sectors of the UK consulting market showed positive growth, but the public sector and financial services sector (the biggest and most important), grew by 4% and 3% respectively. Even Retail, TMT and Energy, the three lowest growing sectors, managed to grow by 1% over 2011.
- Offering a clear signal that clients had shifted their focus from cost reduction to growth, marketing and selling was the best performing consulting service last year, with a notable 4.8% increase. However, the corporate agenda was still balanced between efficiency and expansion – operational efficiency consulting was the domain where most clients expected to increase their investment in 2013; in fact 24% said the increase would exceed 10%.
- Accountancy firms, as a segment, made the biggest gains in market share, growing their portion of the market by 6% in 2012. HR and people-related consultancies lost most ground with a 4% decline in revenue compared to 2011.
- Throughout all sectors, segments and services, clients' interest in receiving measurable value and tangible outcomes from the consulting projects they commission became a prerequisite.

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Methodology

Our report is based on two major sources of primary data:

Clients of consulting firms:

We surveyed and interviewed about 115 senior (typically C-suite) end users of consulting services across the UK. The majority (90%) worked for private sector organisations, many of which were multinationals. The remaining 10% worked in various public sector organisations.

For the sake of simplicity, and to protect the identity of clients who wished to remain anonymous, we have attributed every client quote to the director of a function (including describing CEOs, Managing Directors and Chairpersons as 'strategy directors'). This is a fair reflection of the seniority of the majority of people to whom we spoke, and saves us revealing job titles that might help someone to identify the individual. Anonymity is important when it comes to client interviews because without it clients are, quite understandably, a lot more guarded and don't always speak their minds as freely as they do when they know nothing they say will be attributed to them

Consulting firms:

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.

The quantitative data contained in this report focuses on consulting done by mid-sized 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. It therefore reflects the 'addressable' market for the majority of mid- and large-sized consulting firms, as most would not seek or be able to compete with very small firms and/or freelance consultants.

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.

We interviewed over 30 very senior (typically the most senior person either in the region or in their country) consultants from most of the leading consulting firms in the region and many smaller regional and local specialists. Our model (which we use to size the industry and its growth rates) is based on data from about 120 consulting firms.

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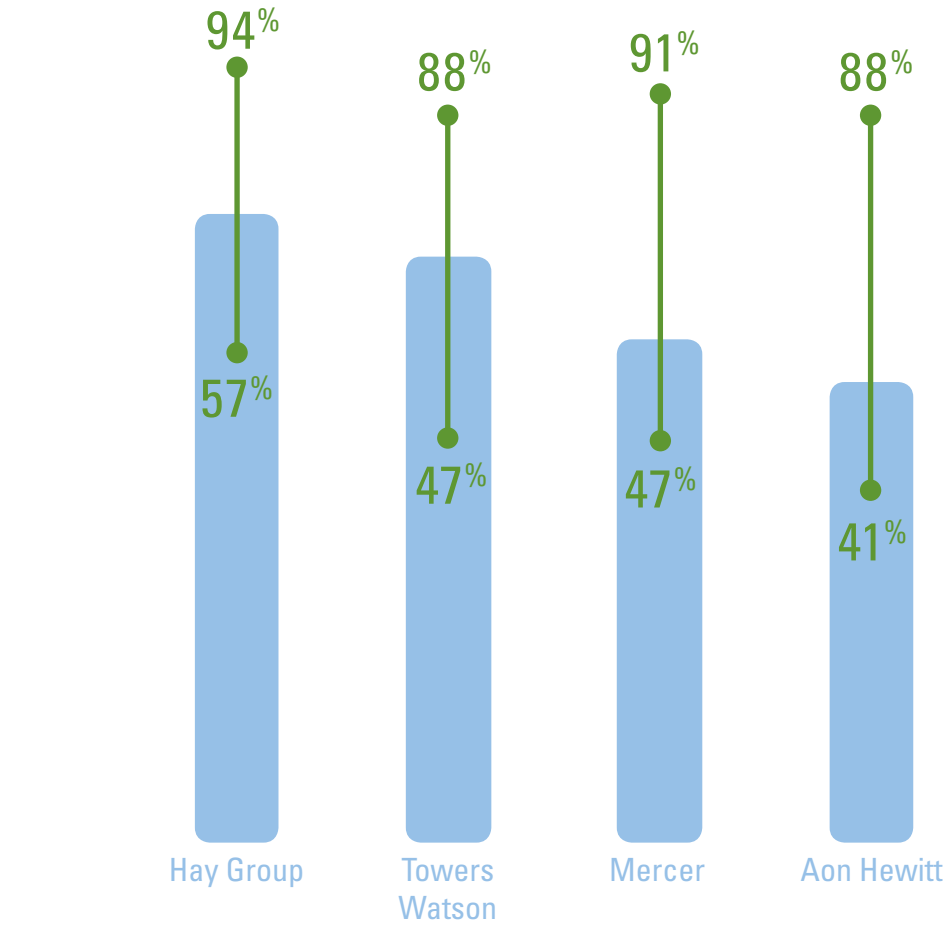
Figure 14 Comparing presence and perceptions among leading HR consulting firms in the UK



* As with all surveys, it may be that the people we surveyed were not totally representative of all clients of these consulting firms. To account for this, rather than simply show the answer we got from our sample (% of clients positive about the firm), we are instead showing a range that we can be 90% confident the true answer sits within. These ranges vary in size: the greater the number of comments we had, and the greater the consistency of those comments, the smaller the range.

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