EXTRACT

CONSULTING MARKET PROGRAMME 2017

THE UK CONSULTING MARKET IN 2017

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

SOURCE GLOBAL RESEARCH

EXECUTIVE SUMMARY

- Against the backdrop of a turbulent year—one that will be documented as a turning point in the UK's history—the consulting market grew by a healthy 7.5%, to reach a value of more than £7.3bn. 2016 was a tale of two halves. The first six months were largely uneventful, characterised by strong demand for a raft of consulting services, from digitisation to cost reduction. Then: Brexit. The immediate aftermath put the consulting market on pause as everyone took a step back to assess the implications.
- While Brexit is all anyone wants to talk about, the constantly evolving picture makes it hard for both clients and consultants to be confident about what the impact will be. We can be certain that a post-Article 50 world will feel very different from one industry to the next; clients in financial services have a number of concerns ranging from passporting to regulation, while the relative value of the pound will be of concern to retailers—all of which could generate considerable demand for consulting services.
- Meanwhile the changing digital landscape was a hot topic for consultants. Clients are becoming more considered in their approach and are keen to work on more holistic "front-to-back solutions", which take a business-wide view of digital solutions.
- Increasingly, firms are finding new ways to deliver consulting services. Ecosystems enable firms to build long-term relationships with a range of service providers, delivering clients a greater breadth of offerings. A full-service platform approach, meanwhile, enables firms to keep exclusive ownership of their client relationship and to sell lower-value services as part of a more profitable package.
- High levels of disruption drove transformative change across industries. Clients in public sector, healthcare, and energy & resources continued to battle intense cost pressures, so improving productivity and efficiency was of paramount importance. Meanwhile, new competitors in financial services and TMT were heightening competition for the established brands, and digital- and customer-focused solutions were in high demand here.
- Convergence continues to be the dominating feature of the UK consulting services landscape, as the boundaries between hitherto distinct service lines like operations, technology, and strategy becomes increasingly blurred. Pervasive across all of these, of course, is digital, which now makes up a percentage (however small) of the work taking place in all service lines.
- It's proving difficult to predict the shape of 2017, particularly when the uncertainty surrounding Brexit is factored in. Still, we expect a good year on the whole—and despite the political and economic risks, there will be continued demand for a broad range of consulting services, particularly in the digital sphere, where new innovations in artificial intelligence have the power to transform clients' capabilities and productivity.

 © Source Information Services Ltd 2017

SOURCE GLOBAL RESEARCH

REPORT EXTRACT: non-exclusively licensed for internal use only

CONTENTS

Executive summary 2
Methodology 4
- Definitions 4
- Sources 4

Explore the data 7
- Definitions of industries and services 8

Contributors 10
UK summary 11
Market overview 13
What everyone's talking about 14
- It's the end of the world as we know it (and consultants feel mostly fine) 14
  - The calm before the storm? 14
  - Life after Article 50 15
  - Different industries, different prospects 15
  - Firms respond 16
- Digital evolution 18
  - From vision to value 18
  - The advent of AI 19
  - Challenging the model 20
- Ecosystems and platforms 21
  - Case study 1: A Big Four firm 23
  - Case study 2: A financial services firm 24
  - Case study 3: A technology firm 24

Global trends in the consulting industry 25
- Coping with convergence 25
- The changing world of data & analytics 27
- The people problem 28

Market data 30
- Industries 30
  - Financial services 31
  - Public sector 35
  - Manufacturing 38
  - Technology, media & telecoms 41
  - Energy & resources 44
  - Services 47
  - Retail 49
  - Pharma & biotech 52
  - Healthcare 54
  - Services 56
  - Technology 58
  - Strategy 61
  - Operational improvement 63
  - HR & change management 65
  - Risk & regulatory 67
  - Financial management 69
- Consulting firms 71
  - The consulting landscape 72
  - Type A 73
  - Type T 74
  - Type S 75
  - Type P 76

Forecast 77
- A word on methodology 77
- The consultant view 77
- The client view 78
  - How clients think their consulting expenditure will change 78
  - What clients are working on 79
  - How much of that is turning into consulting work? 81
  - Will they need consultants for capacity or capability? 81
- Forecasts for 2017 83
  - Industries—prospects for growth 2017 83
  - Services—prospects for growth 2017 84
  - Firm types—prospects for growth 2017 85

About the authors 86
Source report programmes 87
About Source 88

 © Source Information Services Ltd 2017

SOURCE GLOBAL RESEARCH

REPORT EXTRACT: non-exclusively licensed for internal use only

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:

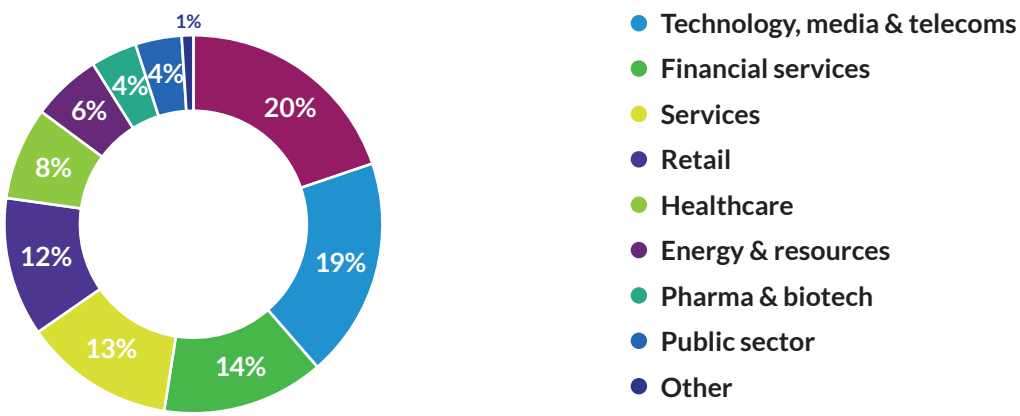
We interview senior end users of consulting in the UK to help us to build up a rich picture of how trends in the consulting market are playing out within clients' organisations. Our conversations focus on the following areas:

- **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 440 senior clients of consulting firms across the UK. The majority (96%) work for private sector organisations, many of which are multinationals. The remaining 4% work in various public sector organisations. All have over 250 employees, and 83% have annual revenues of over $500m.

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 2017 and into 2018, 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



 © Source Information Services Ltd 2017

REPORT EXTRACT: non-exclusively licensed for internal use only

Figure 2

Survey respondents by organisation size (revenues)

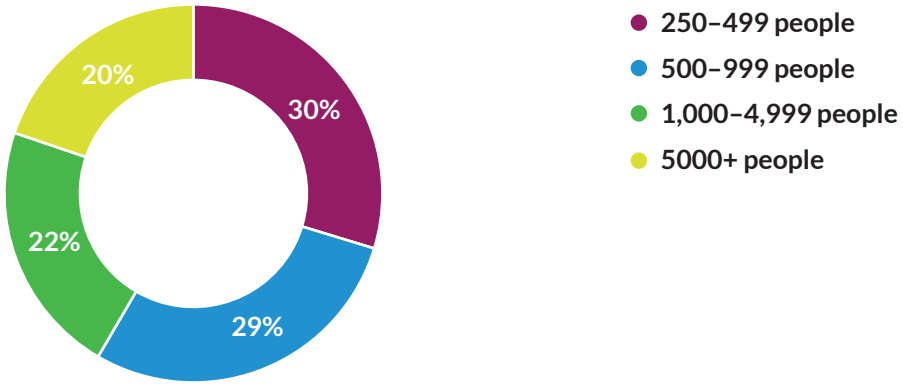
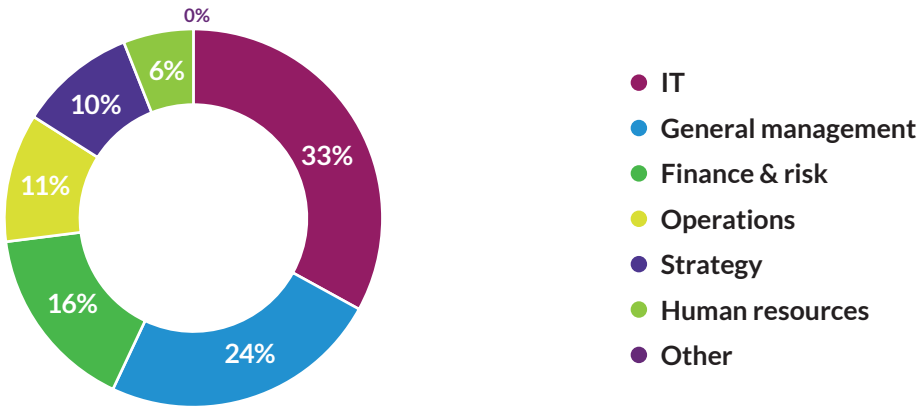


Figure 3

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.

 © Source Information Services Ltd 2017

REPORT EXTRACT: non-exclusively licensed for internal use only

Please note that our 2015 baseline figures have changed a little since last year, as we have refined and implemented improvements to our research methods. We are happy to provide subscribers with a restated set of 2015 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 = £0.74**
- **US dollar to euro** **$1 = €0.90**

In addition to our quantitative research, we interviewed 24 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.

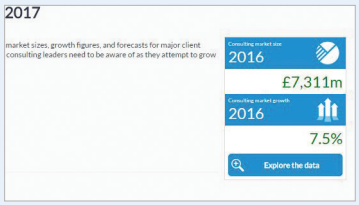
 © Source Information Services Ltd 2017

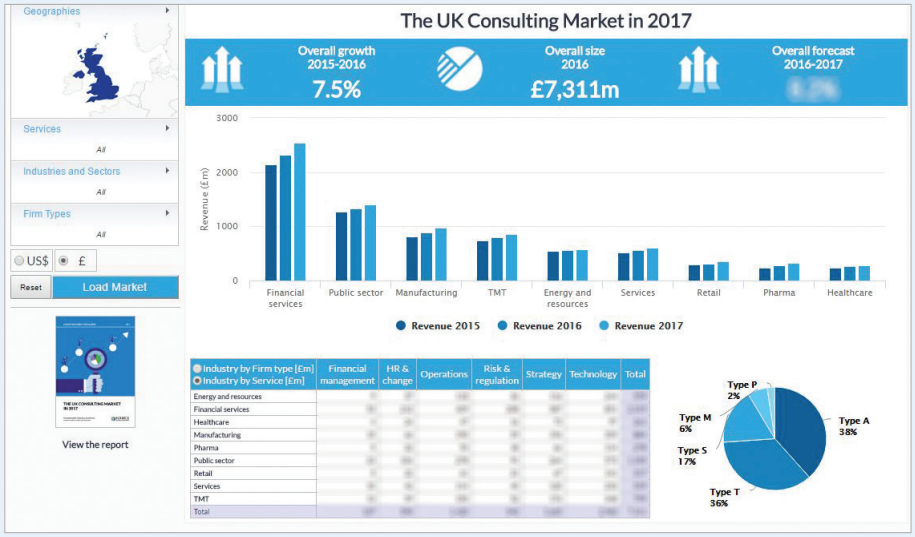
REPORT EXTRACT: non-exclusively licensed for internal use only

EXPLORE THE DATA

All of the market size data in this report is available to explore online through our Global Consulting Data Model portal. You are able to interact with the data in more detail and create custom views of the market to suit your needs.

You can access the data via our reports page, as seen below:





Our Global Consulting Data Model is the biggest and most sophisticated model of the consulting industry available. It provides data on market size, growth rates, and forecasts across 29 sectors, six service lines, 84 countries, and five firm types. It's the platform on which a growing number of consulting firms are basing their understanding of the market and their performance within it.

Click here to access the data.

 © Source Information Services Ltd 2017

REPORT EXTRACT: non-exclusively licensed for internal use only

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
Marco Amitrano	UK Consulting Leader	PwC
Dai Bedford	Global Banking and Capital Markets Advisory leader	EY
Adrian Bettridge	Managing Partner	Baringa Partners
Brandon Bichler	Partner	Elixirr
Alex Bombeck	President of North & UK Region	North Highland
Dr. Peter Colman	Partner	Simon-Kucher & Partners
Michael Garstka	Managing Partner	Bain & Company
James Hadley	Partner	Bain & Company
Andrew Hooke	Chief Operating Officer	PA Consulting
Richard Houston	Managing Partner	Deloitte
Paul Jowett	Managing Partner	Roland Berger Strategy Consultants
Daniel Meere	Managing Director	Axis Corporate
Stuart Quickenden	Senior Partner and Managing Director	The Boston Consulting Group
Mark Quinn	Partner, UK	Mercer
Tomas A Romero	Global Practice Leader	Wipro Consulting Services
Stefan Schaible	CEO Germany & Central Europe	Roland Berger Strategy Consultants
Nigel Slater	UK Head of Management Consulting	KPMG
Richard Squire	Managing Director	Synechron
Andrew Stewart	Partner	A.T. Kearney
Luca Stoppino	UK and Ireland Managing Director	EFESO
Adam Stork	Director / Head of Business Consulting	Atkins
Lee Timmins	Senior Vice President, Consulting	Atos
Charles Vivian	London Market Lead	North Highland
David Williams	CEO	Capgemini Consulting

 © Source Information Services Ltd 2017

SOURCE GLOBAL RESEARCH

REPORT EXTRACT: non-exclusively licensed for internal use only

SOURCE REPORT PROGRAMMES

SOURCE GLOBAL RESEARCH

CONSULTING MARKET PROGRAMME

- A series of detailed reports that contain the most accurate view available about the consulting market in an extensive list of countries and regions. These explore key themes, provide market sizing data, growth forecasts, and deep analysis, all backed up by extensive quantitative and qualitative research amongst consulting firms and clients.
- As well as our country reports, we also produce a global view of four different industries. These reports contain industry analysis, market sizing data, and growth forecasts at a global level, as well as breakdowns by sub-sector, service, and geography.

STRATEGIC PLANNING PROGRAMME

- A series of reports that take a detailed look at the big trends in the global consulting industry, interpreting them in terms of what they mean for consulting firms and who is best placed to exploit them.

CLIENT PERCEPTION PROGRAMME

- A series of reports based on our huge client survey, that reveal what clients think about the leading consulting firms in a number of regions and industries. We rank the leading consulting firms in terms of clients' perceptions of things like quality and value.
- As part of this programme, we also publish brand perception summaries. These give an in-depth and unique view of the world's leading consulting firms. Available on request.

WHITE SPACE

- A series of reports that analyse the quality and effectiveness of thought leadership. These are included in all White Space subscriptions.

How to subscribe

You can either subscribe to a whole programme (the cheapest way of getting access to everything) or buy reports individually. All reports in our programmes come with a global licence, so once you've bought them you can use them anywhere in your firm.

What's included

- **A global licence.**
- **An executive summary (8-10 pages) highlighting key themes.**
- **Relevant content, updated regularly: blogs, podcasts, and spotlights.**

Want to know more?

For more details about how you can subscribe, 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

Or simply visit our website, have a more in-depth look at what we do, and drop us a question at:

www.sourceglobalresearch.com

2017	CONSULTING MARKET PROGRAMME	STRATEGIC PLANNING PROGRAMME	CLIENT PERCEPTION PROGRAMME	WHITE SPACE
January				Hot topics in thought leadership
February	UK	Forecasts for 2017	GCC	Quality ratings of thought leadership for the second half of 2016
March	France GCC	Mega trend #1: Digital transformation	US UK	Analysis of recent thought leadership
April	Benelux Nordics		Energy & Resources	
May	US Canada	Mega trend #2: Cognitive computing, robotics, AI	Nordics Financial Services	Analysis of recent thought leadership
June	DACH Eastern Europe Russia		Trends in procurement	
July	Italy Spain Australia	Mega trend #3: Assets and productisation		Maximising the impact of thought leadership
August	India		Healthcare TMT Germany	
September	Africa Brazil Energy & Resources	Planning for growth in 2018	France	Quality ratings of thought leadership for the first half of 2017
October	Financial Services China Healthcare			
November	TMT	Mega trend #4: Brand and business models		

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 Dunstans 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 2017

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.

SOURCE GLOBAL RESEARCH