EXTRACT

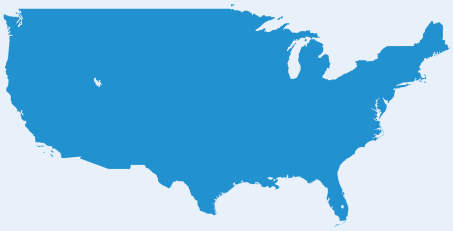
CONSULTING MARKET PROGRAMME 2017

THE US CONSULTING MARKET IN 2017

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

SOURCE GLOBAL RESEARCH

EXECUTIVE SUMMARY



- 2016 was a strong year for the US consulting market, which saw growth of 7.1%, reaching a value of $58.72bn. An explosive digital transformation market played a big role in that growth, as did hot demand for cybersecurity as clients made steps to safeguard their digital empires. Uncertainty introduced by Brexit and the tumultuous presidential race created a slight dip in activity in the middle of the year, but by late 2016, clients were fully back in action and the year closed strong.

- The Trump presidency is a big topic among consultants at the moment, though opinions remain divided on whether the new administration heralds a business-friendly era or a period of ongoing uncertainty. And, among those who see long-term uncertainty, opinions are further split on whether this will prove good news or bad news for consultants. Across industries, most clients are taking their cues from the strong economy and continuing to invest, but those industries specifically targeted for reform (such as healthcare and financial services) may begin to shy away from new initiatives if anticipated legislation lingers in limbo for too long.

- Digitization remains a powerful driver of the US consulting market, with value-driven clients taking a considered approach to front-office and back-office improvements alike, some even using digital technology as the basis of full-scale transformation. Data & analytics remained a hot topic, and robotics gained considerable traction. Solutions built around artificial intelligence can be expected to drive increasing interest over the next few years.

- 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.

- There was a strong link between digital transformation and the best performing industries, as clients' desire to get ahead of their competition fueled demand in financial services, retail, and TMT. A tougher year was had by those consulting to the public sector, where a challenging procurement landscape put pressure on fees and made winning work difficult.

- Digital also played a growing role in each of the traditional service lines, as demand for company-wide digitization initiatives grew. Technology consultants had a very good year, as clients sought to replace outdated legacy infrastructure with shiny, new systems. A forward-looking approach also benefitted strategy consultants, as many clients forged ahead with growth plans despite anxieties around global political and economic uncertainty.

- It's perhaps not surprising that the breadth of opportunity in the market has attracted so many firms, which has created a highly competitive environment. Firms of all types are continuing to expand their capabilities in order to meet the multi-functional demands of big digitization projects, and new competitors with attractive, specialized offerings are forcing even the largest firms to take note. Specialist technology firms are proving particularly popular with clients.

- On the whole, consultants are feeling positive about the year ahead. There is a degree of caution, as everyone waits to see what impact Trump's policies have on their specific industries and the larger economy, but now the economy remains strong, and clients are eagerly pursuing new initiatives. Meanwhile, the ongoing and growing demand for digital transformation will help ensure this market continues to gather pace.

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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 two major sources of primary data:

Clients of consulting firms:

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

- **What's driving change in their organization**
- **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 635 senior clients of consulting firms across the US. The majority (97%) work for private sector organizations, many of which are multinationals. The remaining 3% work in various public sector organizations. All work in organizations with 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 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.

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Figure 1

Survey respondents by industry

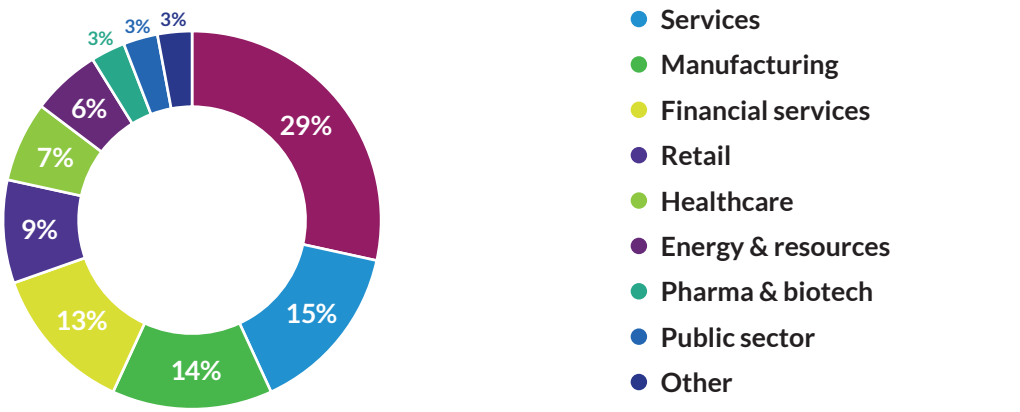


Figure 2

Survey respondents by organization size (headcount)

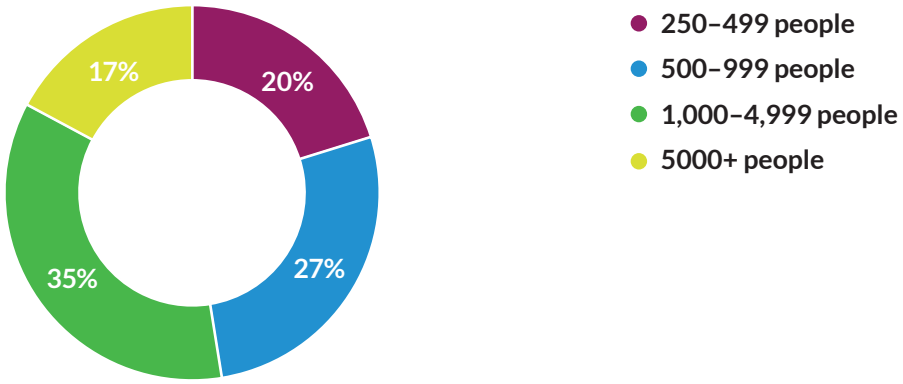
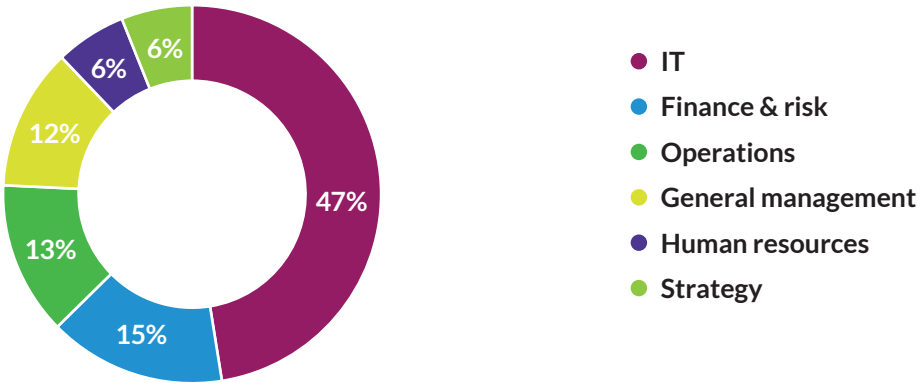


Figure 3

Survey respondents by function



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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 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 emphasize 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 = £0.74**
- **US dollar to euro** **$1 = €0.90**

In addition to our quantitative research, we interviewed 30 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.

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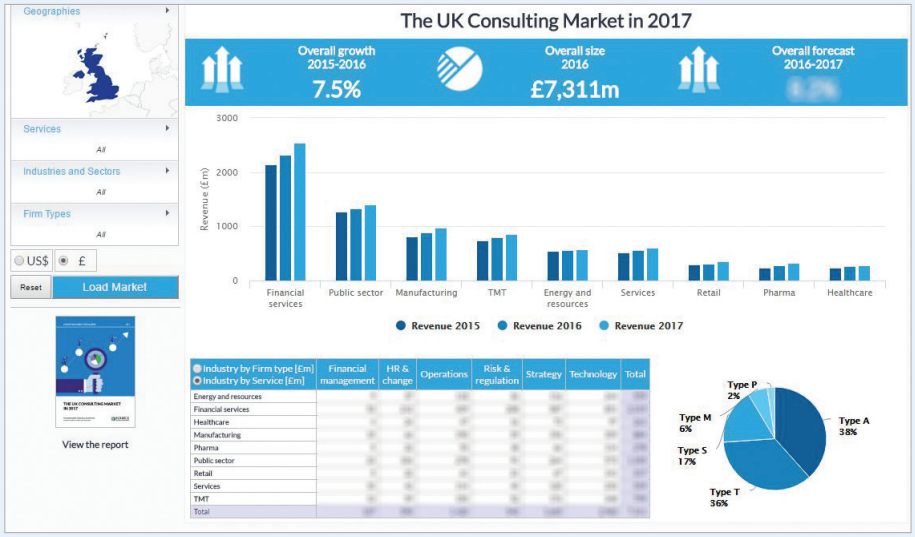
EXPLORE THE DATA

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.

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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, program risk.

HR & change management
Includes HR strategy and effectiveness, benefits, compensation and pensions, change management, internal communications, organizational 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, web and internet consulting, project and program 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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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).

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SOURCE REPORT PROGRAMMES

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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 analyze 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.

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- **Relevant content, updated regularly: blogs, podcasts, and spotlights.**

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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*.

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