EXTRACT

CONSULTING MARKET PROGRAMME 2017



THE ENERGY & RESOURCES CONSULTING MARKET IN 2017

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

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EXECUTIVE SUMMARY



- The energy & resources industry remained a difficult market for both clients and consultants in 2016, although consultants enjoyed a marked improvement from the previous year. The consulting market grew by 3.5% to reach a value of US$14,980m, with a very good rate of revenue growth in the utilities sector capped by lower growth in the energy and primary resources sectors. Here, ongoing low commodity prices and resulting financial pressures prevented anything more than low growth for consultants.
- Energy was the worst performing market in 2016. With the exception of the small but growing shale market, upstream clients remained under significant pressure from the low oil price, resulting in an overwhelming focus on cost reduction and efficiency, much of which was undertaken in-house. Thankfully for consultants, less exposed mid- and down-stream clients fared better, with greater investment in digital and emerging technology driving better demand for consulting support.
- The utilities market was the hot sector for consultants in 2016 with a healthy level of consulting market growth. While consultants were busy across the board in this sector, technology-driven transformation was the name of the game as clients grappled with the opportunities and challenges associated with the evolution to a two-way distributed energy grid and the associated higher-level shift away from selling energy to the provision of services related to the management of energy.
- The primary resources market remained weak as low commodity prices continued to hamper consulting demand in 2016. But things are looking somewhat brighter for 2017 as prices rise, miners turn their attention to longer term strategies for dealing with lingering low prices, and the chemical sector continues its recent trend of mergers & acquisitions.
- Oil prices remained a hot topic among consultants. But while conversations in 2015 were dominated by speculation about when prices would return to previous levels, 2016 saw broad acceptance—among consultants and clients alike—that low prices are a "new normal" to which the industry will have to adjust. Cost cutting remains important, but clients are also re-thinking the future of the industry, with consultants seeing a rise in transformation projects as a result. Diversifying portfolios to include cleaner and renewable energy is a particularly strong area of demand.
- Digitisation in energy & resources has largely lagged other major industries, but this started to change in 2016. More and more companies are adopting cloud-based solutions in the back-office, but there has also been a rise in digitisation in the customer-facing parts of businesses, as well as an increased focus on cybersecurity and data & analytics.
- The ongoing technology-driven transformation of the utilities sector continued to provide a wealth of opportunities for consultants, with the rise of a platform-approach among utilities clients being the big development in 2016. Platforms, which can provide a framework for utilities, utility-adjacent service providers, and customers to connect and interact in the provision of both traditional and new energy services via a single digital storefront, are a new area of demand with potential to drive significant consulting investment over the next few years.
- From a geographical perspective, China was home to the fastest-growing energy & resources consulting market, expanding 6.7% in 2016, with DACH coming in second with 5.2% growth. Growth in the US was a more subdued at 3.7%, but it remained the largest market, accounting for more than half of global energy & resources consulting revenues. The low oil price weighed most heavily on the energy-dominated Russia market, which contracted by 6.9% and remained the smallest overall market. The Nordics, the second-smallest market for energy & resources consultants, saw the second-largest contraction, shrinking 3.2%.
- On the whole, energy & resources consultants are feeling positive about the year ahead. With oil prices expected to remain low through next year, the market will likely remain challenging, but there is an expectation that the current trend for business transformation projects will continue. Utilities will remain the key driver of growth, and technology is expected to remain at the forefront of opportunities for consultants in the industry.

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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:

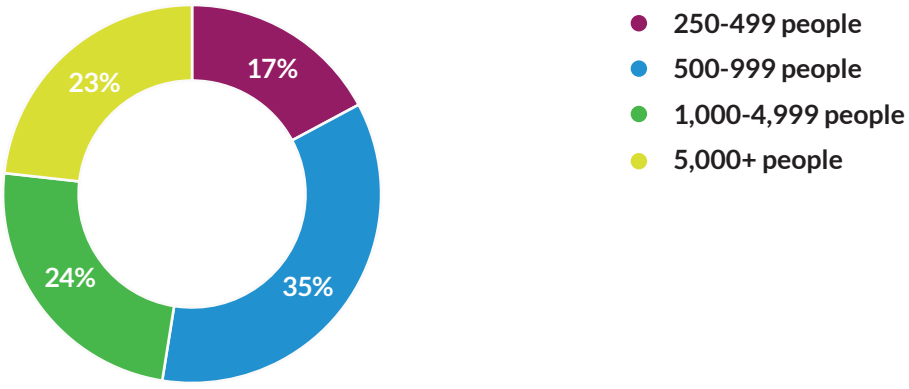
We interview senior end users of consulting globally to help us to build up a rich picture of how trends in the consulting market are playing out within clients' organisations. Our conversations focus on the following areas:

- **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 197 senior clients of consulting firms globally. All of them work for private sector organisations, many of which are multinationals. Eighty-seven percent work in organisations with revenues in excess of $500m, and all 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 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.

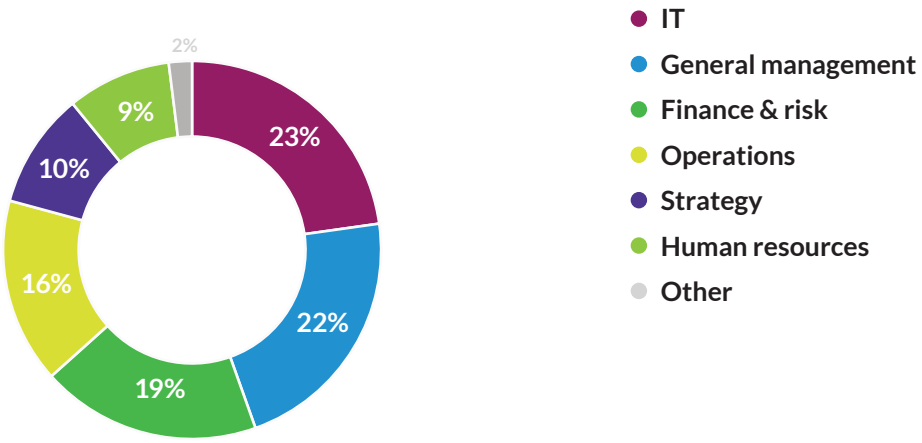
Figure 1 Respondents by organisation size



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Figure 2 Survey respondents by industry



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

In addition to our quantitative research, we interviewed 19 very senior consultants (typically the most senior person in their country) from most of the leading consulting firms globally, 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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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.

Not for profit
Includes non-commercial research organisations, religious, political and professional membership organisations, trusts, labour unions, and business associations.

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 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, 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).

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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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- 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.

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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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