



# THE HEALTHCARE CONSULTING MARKET IN 2017

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

# EXECUTIVE SUMMARY



- The healthcare consulting market enjoyed another strong year in 2016 as disruption from a variety of sources continued to inspire calls to consultants. The consulting market grew by 8.4% to reach a value of \$9,358m, as ageing populations, the sustained growth of the middle class, budget cuts, and the ongoing trend of viewing patients more like customers continued to encourage clients to seek out consultants' advice.
- All services lines saw growth from healthcare clients in 2016, with technology remaining the largest service among this group, both in terms of consulting revenues and growth, rising by 11.2% as digitisation remained at the forefront of clients' minds. The ever-present challenges of regulatory compliance ensured that the risk & regulatory service saw the second-fastest growth at 8.4%, with operational improvement consultants also enjoying strong growth of 7.9%.
- The potential repeal of the Affordable Care Act remained a hot topic of conversation in the healthcare industry, both in and outside of the US. Uncertainty over the future of US healthcare policy saw demand in that region slow in 2016, as clients delayed projects, including those requiring consulting support. But with no further clarity on the future of the ACA a year after the election of President Donald Trump, clients are now moving ahead with a focus on those projects less likely to be affected by any changes to the ACA, with consultants benefitting as a result.
- Consultants continued to benefit from the ongoing pressures to improve efficiency and cut costs, including the ongoing transition of some markets from a fee-for-service model to value-based healthcare. While efficiency and cost-cutting have been at the top of the agenda for several years now, initiatives gained momentum in 2016, providing further opportunities to consultants.
- The ongoing rise of digitisation in the industry continued to provide a wealth of opportunities for consultants. The adoption of new digital back-office solutions and customer-facing applications rose further as healthcare organisations continued a largely piecemeal approach to digital transformation. But some clients have started to move beyond simply implementing new systems and are looking to consultants to advise them on how best to not only protect the ever-growing volume of data they have access to but how to harness it to grow their businesses and improve patient care.
- From a geographical perspective, China was the quickest-growing healthcare consulting market, expanding 20.8% in 2016, well ahead of the second quickest-growing market, the Nordics at 14.6%. Growth in the US was a more modest 7.9%, but it remained the dominant market accounting for nearly three quarters of the value of consulting revenues from the industry. Russia experienced the slowest growth at 1%, and remained the smallest market for healthcare consultants. Eastern Europe remained the second smallest market and also saw the second lowest growth at 3.5%.
- Consultants we spoke with were optimistic about the future of the healthcare consulting market. While 2016 had its challenges, the pace of change in the industry in 2017 and 2018 is expected to remain high as clients continue to adapt to the changing needs and demands of both regulators and patients.

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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 172 senior clients of consulting firms globally. All work in organisations 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.

Figure 1

Respondents by organisation size

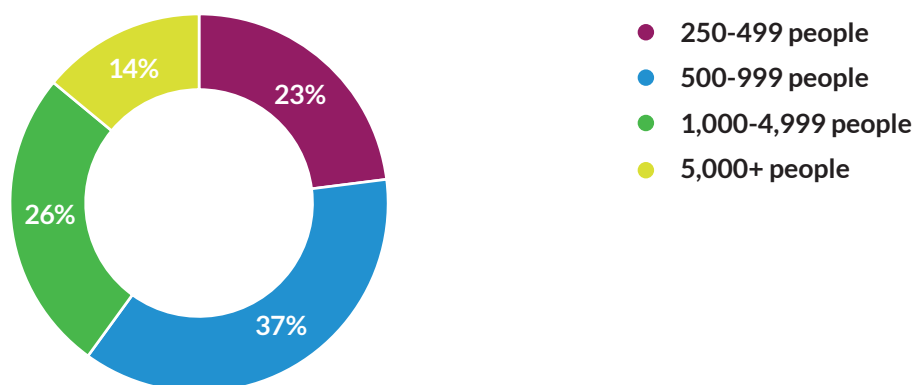
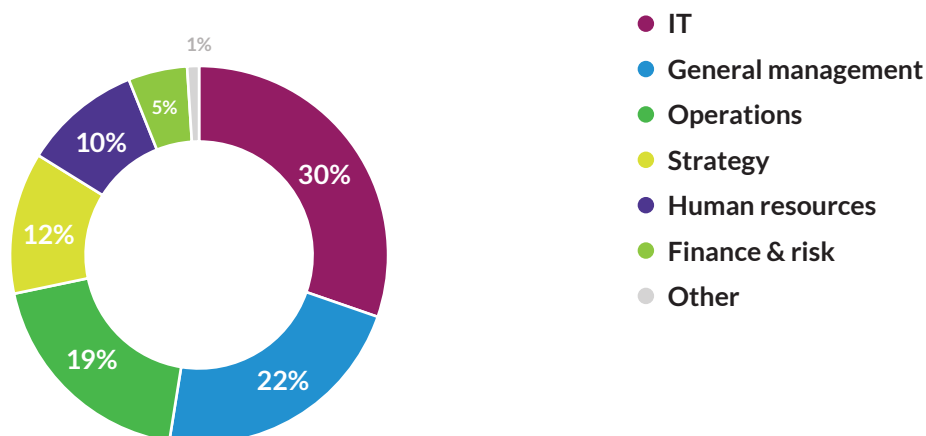


Figure 2

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.

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 35 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.

# 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.

## 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).*

# 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                        |
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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.

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