

PLANNING FOR GROWTH IN 2018

Market attractiveness index



CONTENTS

| | |
|---------------------------------------|----|
| Introduction | 3 |
| About this report | 5 |
| Market attractiveness index 2018 | 7 |
| Talent | 10 |
| Growth | 12 |
| Average revenue per consultant | 14 |
| Clients' propensity to buy consulting | 16 |
| Market-by-market commentary | 18 |
| About the author | 26 |
| Source report programmes | 27 |
| About Source | 28 |

INTRODUCTION

Setting aside the issue of Catalanian secession from Spain—which, at the time of writing, hadn't actually happened—2017 has been largely devoid of major political shocks. We may all be doing business against a backdrop of Brexit, persistently low commodity prices, and the threat of thermonuclear war on the Korean peninsula, but it turns out we can handle that.

And how. Among the markets we cover in our attractiveness index, the average score we awarded last year was 9.38 (out of a possible 20). This year, despite everything that's going on, it's actually increased, to 10.07. Excited? We're not sure you should be.

For a start, it's looking increasingly unlikely that we underestimated the extent to which the global business community would stare down the various threats it faces and carry on regardless in 2017. In other words, while there's nothing to suggest that we got our ranking wrong last year, the average score we awarded a market should arguably have been higher, and possibly even higher than it is for 2018. So, a score of 10.07 might actually represent a deterioration in the attractiveness of the global consulting market.

But there are other reasons for caution: The first is that, while we may all have mastered the art of keeping calm and carrying on, those big threats still exist. The chances of Spain breaking up, Brexit negotiations breaking down, or war breaking out in Korea (not to mention a long list of other potential calamities) are sufficiently high that it's hard to believe we'll get through 2018 without one of them happening.

The second reason is strongly related: We suspect that what's happening to clients' consulting expenditure now may represent a sort of reversed pent up demand. In much the same way that the floodgates open after a period of restricted spending (as happened in the US after the global financial crisis), we think clients are worried that the gates could close again at any moment and are spending heavily before they do.

The third reason is simply that some sort of slowdown in the rate of growth is starting to look overdue. Although there's no theoretical reason why consulting markets can't continue to grow indefinitely, in practice growth tends to be cyclical, and in many markets—most notably the US—it's been going on for longer than it would normally. Does that mean that the market's about to contract? No, probably not. But some form of slowdown in the rate of growth looks likely.

And then there's what's happening with digital. There's no doubt that digital transformation remains by far the most exciting part of the consulting market—our research suggests that growth in digital transformation may be as much as five times higher than it is in the rest of the market—but we think there are causes for concern. For a start, if you take digital transformation out of the picture it becomes clear that it's been propping up a market that would otherwise look distinctly underwhelming. There's also the fact that, for all the opportunity digital transformation presents, it also represents a threat to consulting firms. We estimate that about two thirds of an increasingly bifurcating consulting industry sits in the low-cost, commodity end of the market, and is therefore ripe for automation. Consulting firms might continue to have a role to play in that market—and it's a market that could grow significantly in its own right—but they're likely to face stiff competition and it's by no means certain that they'll win.

And lastly there's the possibility, rarely mentioned by analysts because it's much easier to keep pedalling good news, that the digital market might be overheating a bit. In our recent assessment of whether Artificial Intelligence represents the next blockbuster consulting service, we concluded that—at least for now—many doubts remain. And while there are other elements of the digital ecosystem—such as cybersecurity—that are already delivering on their promise, our conversations with clients point to the idea that there's a lot more money being spent than there are results being delivered. The parallels with the dot-com bubble are just a bit too persistent for comfort.

Despite all this, there's every chance that the global consulting market will continue to perform well in 2018, and once again we think that your investment dollar is best directed towards the biggest markets in the world—the US, the UK, and particularly DACH and Australia. But we urge caution.

ABOUT THIS REPORT

This is the fifth edition of our market attractiveness index, and we've made no changes to our methodology this year. It remains important to note that much of what we're doing here is art as much as science: we're combining hard data, where it exists, with our view of a market based on our conversations and surveys with both consulting leaders and their clients. Our index isn't perfect, but then nothing about predicting the future ever is. We think it's a pretty good guide and holds up very well against the question we ask once we've completed it every year: Knowing what we know, does it accurately reflect where we'd put our own money?

We award a score out of five (where one is the lowest and five is the highest) for each of the following:

Talent

How easy it is to find and retain the people you need.

Growth

What are the market's prospects for growth in 2018? This is converted from the forecasts published in our Consulting Market Programme for 2017 (updated, where necessary, to take account of changes that have occurred in the time since the report for a specific geography was published), which take into account:

- How clients expect their consulting expenditure to change
- GDP growth forecasts
- Inward investment
- Political stability
- The number of companies headquartered in the market

Average revenue per consultant

Using data from our global consulting data model, balanced to account for differences in the structure of markets.

Clients' propensity to buy consulting

Based on the size of consulting markets relative to the GDP of the geographies in which they sit (World Bank figures for 2015).

Why not size?

We don't take into account the size of a consulting market in assessing its attractiveness for a couple of reasons:

1. Our ranking would become much more static: The size of markets relative to each other changes very slowly indeed, and the US consulting market is so much bigger than any other market that it would probably always top our rankings. So our barometer would become less sensitive.
2. We're not sure size really matters in itself. Yes, the US is the biggest market by some considerable distance, but it's also got the most people working in it. What matters is how much opportunity exists, and our view is that the size of a market relative to GDP, combined with the other things we measure, provides a much more useful view of that.

ABOUT THE AUTHOR

Edward Haigh

Ed is a Director of Source, and he is particularly focused on HR, strategic marketing, and new product development. He is a key member of the Source research team and spends much of his time interviewing consultants and their clients around the world in order to identify and explore major market trends.

Ed regularly speaks about the consulting market to leadership teams around the world, has lectured at Columbia University, Imperial College, and Vrije Universiteit, and he is regularly quoted by media including the *Wall Street Journal*, the *Washington Post*, the *Financial Times*, Bloomberg, and the trade press. Prior to joining Source in 2008, Ed spent seven years in various marketing roles for Sony Europe.



Edward Haigh

✉ edward.haigh@sourceglobalresearch.com

SOURCE REPORT PROGRAMMES

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.

| 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 France | |
| September | Africa Brazil Energy & Resources Financial Services | Planning for growth in 2018 | | Quality ratings of thought leadership for the first half of 2017 |
| October | China Healthcare | | | |
| November | TMT | Mega trend #4: Brand and business models | | |

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 visit our website, have a more in-depth look at what we do, and drop us a question at: www.sourceglobalresearch.com

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 Dunstons 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.

