EXTRACT

CONSULTING MARKET PROGRAMME 2018



THE ENERGY & RESOURCES CONSULTING MARKET IN 2018

Understand where to target your investment, how to plan your business effectively, and the competitive landscape in which you operate. Including market sizing data, growth rates, current market trends, and forecasts.

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5 ABOUT THIS REPORT

Our report draws on four main sources:

- Our global consulting data model with 9.7m data points
- Our annual global client perception survey of senior end-users of consulting firms
- Our interviews with senior management consultants from a range of consulting firms
- In-depth desk research

A detailed view of our methodology and more information about Source can be found below.

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ENERGY & RESOURCES OVERVIEW

After experiencing some tough years, consultants in the energy & resources sector had a much more positive year in 2017. As oil prices stabilised and clients' cashflows and margins improved, more and more energy & resources companies started to increase investments in an attempt to better deal with the disruption that has dominated the sector in recent years, and consultants benefited as a result.

> *2017 was a much better year for our energy & resources consulting practice.*
>
> John Downie, Accenture

> *Last year, we saw double-digit growth in oil & gas and utilities.*
>
> Francois Austin, Oliver Wyman

As we have highlighted in previous energy & resources reports, clients in the sector have been primarily focused on cost reduction and operational efficiency over the last few years. And while consultants still saw plenty of this work in 2017, the focus began to shift last year towards growth and longer-term business strategy. Mergers and acquisitions remained a key area of demand, and while a lot of this activity was prompted by the need for efficiency-minded consolidation, clients were also making acquisitions aimed at growth and diversifying their portfolios. Consultants tell us this emphasis on growth has only accelerated in 2018, creating further demand around strategy, business transformation, and digitisation.

> *Our clients feel more confident when commodities prices are on the up. And while we can make money in the opposite scenario, it's undeniably easier to make money when organisations are feeling more bullish about their own position in the world.*
>
> John Downie, Accenture

> *If the market was positive in 2017, it's very positive in 2018: Demand is buoyant. The push to digitise continues apace. Clients are spending more and more time thinking about digital, they're appointing CDOs, and I only expect these conversations to carry on and increase.*
>
> Suraj Ramaprasad, Infosys Consulting

> *2018 has been a tremendous year for our energy & resources practice so far. In April, May, and June, energy & resources consulting enjoyed fast growth. The sector's current prominence is reflective of what we're doing and the improving state of the sector worldwide.*
>
> John Downie, Accenture

From a regional perspective, the US remains one of the fastest-growing markets for consultants, with disruption from renewables and distributed power generation leading to sustained consulting demand around portfolio diversification and digitisation. Consultants also saw solid demand relating to mergers and acquisitions, including post-deal support, as the market continued to consolidate. Similar opportunities were seen in Europe, as companies diversified their portfolios and convergence between the energy and utilities industries increased. Increasing competition in the region also resulted in stronger demand for consulting support aimed at helping clients understand and improve the customer experience, with clients eager to both keep existing customers and attract new ones.

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> *We saw the strongest growth in the Americas and Asia-Pacific, with steadier growth in Europe. Overall, it was a very positive year for us globally.*
>
> Regina Mayor, KPMG

> *We've seen strongest demand in the US and Europe.*
>
> Francois Austin, Oliver Wyman

> *We saw continued strong demand in the US with a lot of work around clean technologies and distribution.*
>
> Ilesh Patel, Baringa Partners

Improving the customer experience is a big driver of demand in the GCC, with clients particularly focused on how digital tools can help them deliver these improvements. And consultants have also seen an uptick in strategy and regulatory-driven work as governments undertake massive national development plans affecting almost all parts of their economies. Changing regulations were also a big driver of demand in Asia-Pacific, with energy and utilities clients particularly affected.

> *We've seen an uptick in demand in the Middle East as clients focus on digitisation, innovation, and improving the customer experience.*
>
> Ilesh Patel, Baringa Partners

> *The GCC is a special market. We've seen a lot of activity in the utilities space around renewables, nuclear, and water. We didn't see quite the same level of demand from the oil & gas industry though.*
>
> Francois Austin, Oliver Wyman

> *There were some big changes happening in Japan. The market is changing and it's affecting utilities, trading houses, and the big oil & gas players. There is a big focus on market reforms and international expansion.*
>
> Ilesh Patel, Baringa Partners

> *We've seen the most significant growth in Australia and South East Asia—these markets are absolutely booming from a consulting perspective. There have been some deep market reforms to the power industries in those regions which resulted in a lot of change and a lot of investment in clean technology over the last 18 months. The changes are affecting both the utilities and the oil & gas industries.*
>
> Ilesh Patel, Baringa Partners

Along service lines, technology consulting was once again the fastest grower, expanding more than 8% in 2017. It's somewhat unsurprising that operational improvement consultants also had a good year, given the ongoing importance of efficiency and cost reduction in the sector. The changing regulatory landscape meant that consultants with a risk & regulatory focus also saw good levels of growth, and strategy consultants saw demand increase to moderate levels amid continued disruption to business models and convergence of the energy and utilities industries.

> *Clients have two big questions at the moment: How do I continue to improve the customer experience from a digital perspective and what are the winning business models in an energy transition and digital age?*
>
> Roshan Gya, Capgemini Consulting

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ABOUT THIS REPORT

Methodology

Sources

Our report is based on quantitative and qualitative research of consulting firms in the energy & resources sector. This includes:

Megamodel: our global data model

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, we've 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 comprehensive primary research carried out by Source analysts.

Please note that our 2016 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 who bought last year's report with a restated set of 2016 baseline figures should this be of interest.

Please be aware that our regional and global market sizing numbers take a wider view and include more countries than the market sizing data referred to in the "Analyst view by market" section of the report, resulting in some differences between the two sets of numbers.

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** **US$1 = £0.78**
- **US dollar to euro** **US$1 = €0.89**

Client view

We interview senior end-users of consulting in the energy & resources sector 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 217 senior clients of consulting firms across the energy & resources sector, all of whom work for private sector organisations. All work in organisations with over 250 employees.

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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 2018 and into 2019, 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 17

Respondents by organisation size

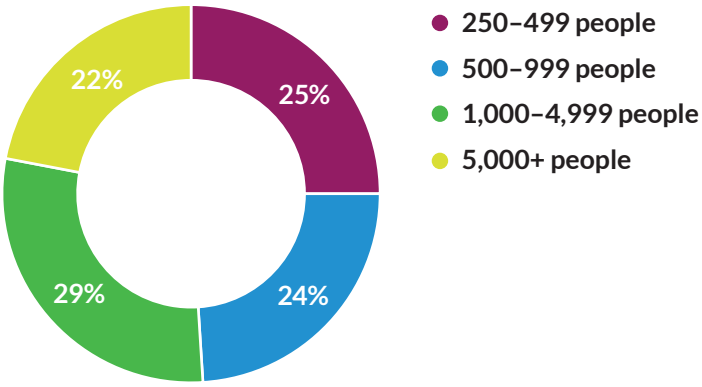
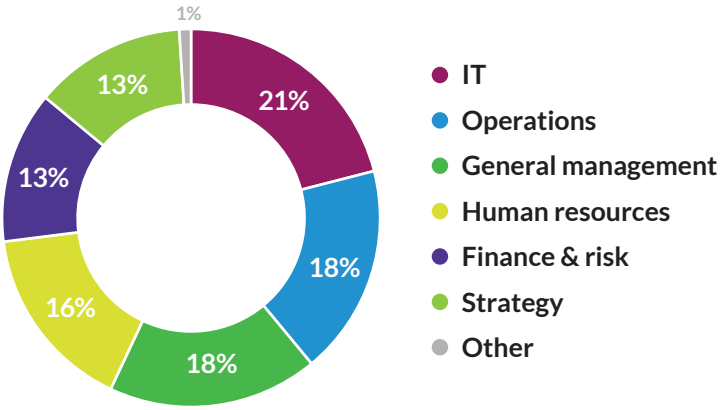


Figure 18

Respondents by function



Interviews with senior consultants

In addition to our quantitative research, we interviewed 20 very senior consultants (typically the most senior person in their country) from most of the leading consulting firms in the sector and many smaller 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 sectors and services

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
- 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 sectors, please see "Definitions of sectors and services".

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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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MARKET TRENDS 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 sectors. These reports contain sector analysis, market sizing data, and growth forecasts at a global level, as well as breakdowns by sub-sector, service, and geography. Snapshots of content from these reports will be published earlier in the year and made available to subscribers, as tranches become available.

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 sectors. We rank the leading consulting firms in terms of clients' perceptions of things like quality and value. Data and analysis for these reports are made available to subscribers throughout the year.

As part of this programme we also publish global brand perceptions. Leveraging all the data we have about each of the world's leading consulting firms, we're able to offer insights that go far beyond traditional brand impact surveys. Choose the firms you want to benchmark yourself against, and we'll analyse how clients see your firm relative to your competitors, writing a custom report that puts you at the heart of it. 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.

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www.sourceglobalresearch.com

2018	MARKET TRENDS PROGRAMME	STRATEGIC PLANNING PROGRAMME	CLIENT PERCEPTION PROGRAMME**	WHITE SPACE
JANUARY				Hot topics in thought leadership
FEBRUARY	Forecasts for 2018 UK		In each report, we will publish the top-ranked firms for: **Mindshare** **Quality of work** **Value added** **Quality of work by different consulting services**	Quality ratings of thought leadership for the second half of 2017
MARCH	GCC DACH Benelux	Mega trend #1: Intelligent analytics	Germany part 1 US part 1 GCC part 1	
APRIL	Spain France Nordics		Germany part 2 UK part 1 US part 2	Analysis of recent thought leadership
MAY	Eastern Europe US Russia	Mega trend #2: Discover	Financial services part 1 Nordics part 1 Energy & resources part 1	Analysis of recent thought leadership
JUNE	Italy Canada	Mega trend #3: Strategy	France part 1 UK part 2 Financial services part 2	
JULY	South America Australia	Mega trend #4: Run	Healthcare part 1 France part 2	Analysis of recent thought leadership
AUGUST	Africa		Nordics part 2 TMT part 1 Energy & resources part 2	
SEPTEMBER	Planning for growth in 2019 India Energy & Resources*		Healthcare part 2 TMT part 2 GCC part 2	Quality ratings of thought leadership for the first half of 2018
OCTOBER	South East Asia Financial Services* China			
NOVEMBER	TMT* Healthcare*	Mega trend #5: How technology will shape the consulting business model of the future		
DECEMBER	*Snapshots of content from these reports will be published earlier in the year and made available to subscribers, as tranches become available.	Mega trend #6: Digital transformation	**Part 1: What our data tells us about the market. Part 2: Firm-by-firm analysis.	

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OUR CUSTOM RESEARCH SERVICES

SOURCE GLOBAL RESEARCH

Over the course of the last 10 years we've worked with leaders in many of the world's biggest professional services firms, to help them find solutions to some of their most important challenges. Here are some typical examples of the kind of work we do.

You need to know how big your market is

We have a global data model of the professional services industry that is the biggest and most sophisticated of its kind ever created. It provides data on market size, growth rates, and forecasts across 29 industrial sectors, six service lines, and 84 countries. It also breaks down the market by different types of firm.

We can provide you with a version of the model that's customised to fit your needs, giving you data on all the countries, sectors, and service lines that matter to you, and none that don't. But we won't stop there, unless you want us to: Our analysts will work alongside you to make the model yours, mapping our definitions to yours, so you can look at the market on your terms rather than ours.

You need to understand what the numbers mean for you

For many of the firms we work with, pure data isn't enough, and nor are standard reports able to offer a view that's sufficiently tailored to their needs. In these situations, our analysts start with a blank sheet of paper, put your firm in the middle of it, and draw on all our data and knowledge—including about clients' perceptions—to build a picture of the world around you. You get a story that's laser-focused on your challenges and your opportunities, and which helps you to translate data and insight into action.

You're new in your role and need to understand the market for which you're now responsible

For people who have just moved into a new role, we can create packs of information specific to a particular geography, sector, or service line. Our market sizing data can be used to quantify the market's potential, and our analysis of clients' perceptions and the competitive landscape will help you understand how best to seize the opportunities and respond to the threats.

You need to create clear propositions around your services

Our research tells us that having a big brand is no longer enough: Increasingly, clients expect professional firms to have a clearly articulated proposition for each service that differentiates them from their competitors. But the best propositions aren't built in a day: Our analysis, because it's grounded in facts about clients' perceptions and behaviour, helps firms quickly cut through internal disagreement and build a clear sense of direction.

You need help with your inorganic growth plans

We also work with firms that are supplementing their organic growth with acquisitions, helping buyers find and qualify suitable targets for acquisitions. Leveraging our deep knowledge of the professional services sector, we can scan the market, profile companies, and even effect introductions. Firms use our services because we're well connected in the industry, independent, and fast.

You need to understand how you measure up against your competitors in the minds of clients

Understanding what your clients think about your firm is critical in today's fast-changing and highly competitive market. New circumstances demand new, expert-led strategies to brand benchmarking, and that requires both independence—to get to the real story, not the one your clients think you want to hear—and deep knowledge and data about your market and your competitors.

We usually have a head start here, because of the data we already have, but we've got all the expertise and experience that's needed to conduct new research among your clients and those of your competitors, in order to understand where your strengths and weaknesses lie, and what you need to do to stand out. The focus might be on your firm alone, but it might also be on how you can create competitive advantage over specific, named competitors.

You need to create better, more effective, thought leadership

Thought leadership has come to dominate the marketing activities of professional service firms, and with good cause: Our research with clients finds consistent evidence that good thought leadership matters to them, too. It helps them to do their job, to identify where world-class capability exists in these firms, and even to shortlist firms for projects.

How well does your thought leadership measure up? We can conduct in-depth reviews to assess quality in a sample of material that's either random or defined by you, from single pieces to entire bodies of work, on an ad hoc or routine basis. We can also help you shape your approach to topics and understand what your competitors are doing, and can provide guidance about how to approach a specific piece of high-profile thought leadership.

We also recognise that good thought leadership doesn't happen by accident, but because you've put in place the right processes and engaged the interests and enthusiasm of your key subject matter experts. We help professional services firms create the foundations, organisational structure and processes for high-quality content. We can also run workshops that inspire your people and help make them more effective at creating thought leadership.

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About Source

Source Global Research is a leading provider of information about the market for professional services. Set up in 2007, Source serves the professional services industry 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.

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