



THE EAST & SOUTH EAST ASIA 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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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
- Our in-depth desk research on the market

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

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MARKET OVERVIEW

INVESTMENT **GROWTH** DIGITISATION RELATIONSHIPS
INTERNATIONALISATION
TALENT LEAPFROGGING
LOCAL REGULATIONS ECOSYSTEMS STRONG **PRICE** CULTURE

At first glance, East & South East Asia may look like a disparate group of cultures and economies, but the two regions are increasingly tied together by investment, with East Asia pouring substantial sums of money into the developing South East Asia region. Japan remains the dominant foreign investor; over the last seven years 20% of all greenfield investment in South East Asia has come from Japanese companies.¹

This has been good news for consultants in both regions as the expansion of multinationals leads to demand for services, but it also points to a far more important trend. East Asia is internationalising—by both expanding overseas and welcoming inward investment—and is becoming more in tune with the Western business world. As companies look to move into new markets, they are hiring consultants to help them understand, plan, and adapt to unfamiliar surroundings. As a result, spending on consulting services by East Asian companies—something traditionally considered an unnecessary expense in this part of the world—is becoming more commonplace. In Japan and South Korea—the two East Asian countries we cover—consulting spend grew at 8% and 7% respectively, despite uninspiring GDP growth.

“Japan's consulting market is still small relative to GDP, as compared to the US, because Japanese companies traditionally are not willing to hire consultants. But that mindset is gradually changing, so even though the market remains small, I believe it is overachieving in terms of growth rate.

Susumu Adachi, PwC (re Japan)

“Overall, the market performed well last year, largely because the domestic market is gearing up for the Olympics in 2020.

Go Matsumoto, KPMG (re Japan)

“In 2017, the Japanese consulting market did very well. Lots of companies were using consulting firms: There's definitely greater maturity in the market compared to 10 years ago.

Ray Fujii, L.E.K. Consulting (re Japan)

The consulting market in South East Asia, which we value at US\$3.3bn, dwarfs that of East Asia (valued at US\$1.84bn), and represents an exciting opportunity for consulting firms, with strong growth of 11.5%. However, South East Asia presents an eclectic mix of both mature, stable consulting markets and more volatile developing economies, which can make serving the market challenging. Mature Singapore—a juggernaut compared to the other consulting markets in the region—can be counted on to provide solid stable growth; its consulting market expanded 11% last year. Elsewhere in the region, the developing Vietnam and Philippines markets are standout performers, with high consulting market growth of 21% and 20% respectively. But it's important to remember that, despite the buzz of optimism surrounding these fast-moving, maturing markets, these economies remain prone to volatility, making future consulting market growth harder to predict.

1 John Reed and Valentina Romei, *Who dominates the economies of south-east Asia?*, Financial Times, Apr. 30, 2018 (accessed Oct. 26, 2018). Available at: <https://www.ft.com/content/898fa38e-4882-11e8-8ee8-cae73aab7ccb>.

While stable, mature Singapore has long served as the preferred base of most consulting firms working here, increasing opportunities elsewhere in South East Asia—coupled with a slight saturation of the Singapore market—are pushing firms to consider expanding their permanent presence across the region. However, expanding operations across South East Asia poses a daunting challenge, in particular because there is a demand for consultants with a strong knowledge of local languages and culture, which can vary substantially from one market to the next. Building up a talent base with the right skills requires predicting where future opportunities will be, but given the market’s unpredictability and the very competitive talent market, this can be prohibitively difficult.

“From an overall, regional perspective, 2017 was a fairly good year for consulting. The diversity in the region continues to be a double-edged sword at times, but overall, 2017 demonstrated good demand and growth for consulting services.

Sundara Raj, PwC (re South East Asia)

“Thailand, Indonesia, Vietnam, and the Philippines have all continued to develop well with demand for consulting services.

Senior management consultant, South East Asia

“In South East Asia, it seems the hot points switch around every year—the region has fairly consistent performance, but every year there’s a question about how you balance the eyes and nose.

Senior management consultant, South East Asia

“The Vietnamese consulting market is growing rapidly, but still lacks some maturity. What we’re seeing is that it’s following a similar trajectory to that of the Chinese market a number of years ago. There’s a strong technology play that will increasingly evolve into broader transformational consulting work.

Ross Macallister, KPMG

“The fastest-growing markets in the region were the Philippines, Thailand, and Malaysia. This was mainly driven by the growth in the economy and business activities. Singapore is the largest market, and growth was fuelled by the government’s Smart Nation initiative.

Chow Sang Hoe, EY

As is true globally, digitisation has become a hot topic across the region. In East Asia, clients are still at an exploratory stage, turning to consultants to find out what’s possible and seeking their help in defining digital strategies. While there were pockets of opportunity around digitising the customer-facing side of clients’ businesses, the real demand has focused on back-office operations, with efficiency in mind. But while digitisation is undoubtedly picking up pace, clients in the region have been relatively restrained in their investments, with few embarking on any large-scale digital transformation initiatives. Not everyone is so conservative, however: For example, some South East Asia manufacturers are making bold investments in robotics and automation to cut out process waste and manual tasks.

In South East Asia, Singapore is leading the way on digitisation, proving to be a reliable source of work for consultants. Elsewhere, the appetite for digital work in developing markets, including Indonesia and Vietnam, increased, with some talk of leapfrogging: This is a trend observed in other developing regions, including several African markets, whereby companies can bypass a whole stage of technology development to “leap” straight into digital technologies without first developing complex IT infrastructure. This is generating some interesting work for consultants, and contrasts starkly with the more cautious approach that clients in Japan and South Korea have taken to digital investments.

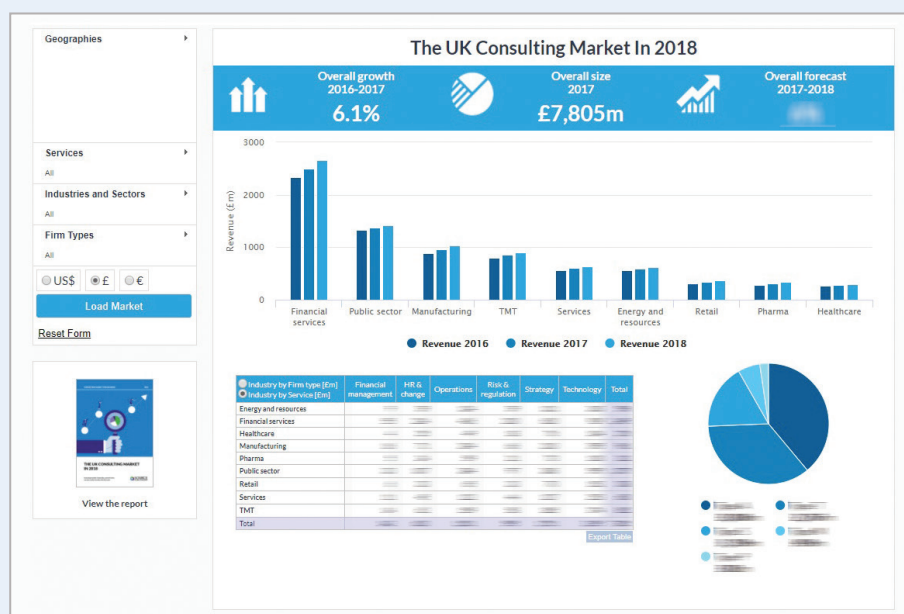
“Last year we saw a very interesting dynamic in the market. Demand around traditional consulting was down by 11% while demand around digital was up by 70%.

Chang-Ho Lee, EY (re South Korea)

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 industries, 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](#)

ABOUT THIS REPORT

Methodology

Sources

Our report is based on quantitative and qualitative research of consulting firms in East & South East Asia. This includes:

Megamodel: our global consulting 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.

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 South East Asia 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 50 senior clients of consulting firms across South East Asia. The majority (96%) work for private sector organisations, many of which are multinationals. The remaining 4% work in various public sector organisations. 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 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 26

Survey respondents by sector

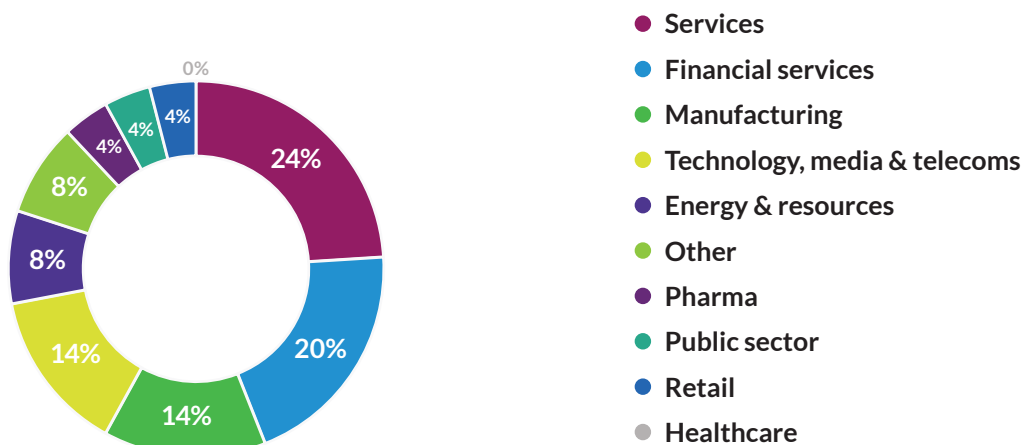


Figure 27

Survey respondents by organisation size

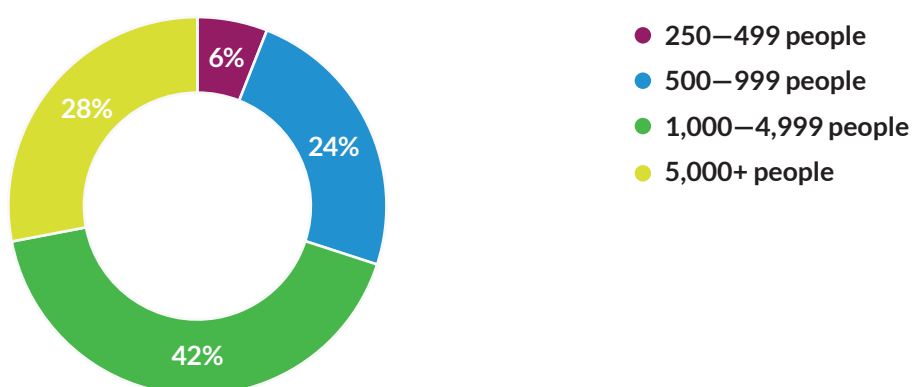
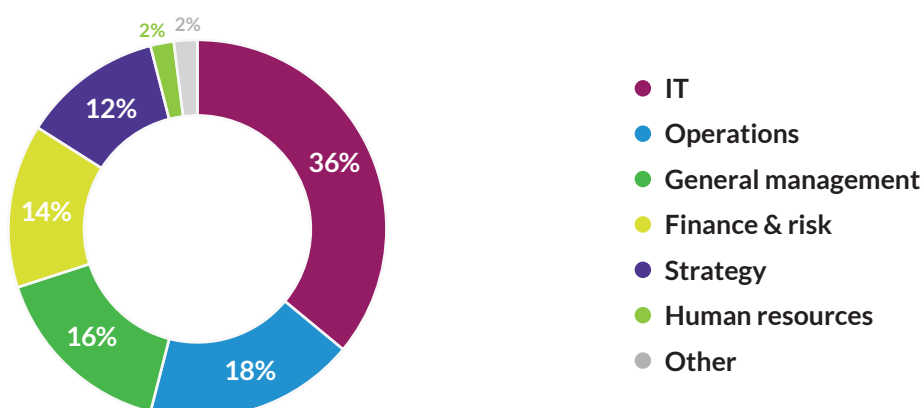


Figure 28

Survey respondents by function



Interviews with senior consultants

In addition to our quantitative research, we interviewed 27 very senior consultants (typically the most senior person in their country) from most of the leading consulting firms in the region 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.

In-depth desk research

We also conducted a thorough PEST analysis in East & South East Asia that drills down into finer macroeconomic details on a holistic and sector-by-sector basis and allows us to fit our research into a wider macroeconomic picture.

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”.

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
Susumu Adachi	CEO	PwC
Charles Bokman	Managing Director	Synechron
Bill Farrell	Chairman at EY Advisory and Consulting Company, Japan	EY
Ray Fujii	Partner and Head of Tokyo Office	L.E.K. Consulting
Pathik Gupta	Associate Partner and Regional Head of Wealth Management, APAC & Southeast Asia Head of Financial Services	Aon
Chow Sang Hoe	Managing Partner for the ASEAN and Malaysia Advisory Practice	EY
Bill Johnston	President Director & Chief Executive Officer	Mercer, Indonesia
Dae-Gil Jung	Head of Consulting/Partner	KPMG
Thomas Klotz	Managing Partner, South-East Asia	Roland Berger
Timothy Kooi	Head, Data Analytics	DHL APAC Innovation Center
Chang-Ho Lee	Korea Regional Advisory Managing Partner	EY
Key Hak Lee	Partner	PwC
Chulayuth Lochotinan	Managing Principal	Capco
Ross Macallister	Managing Partner, Consulting, KPMG Vietnam	KPMG
Go Matsumoto	Partner	KPMG
Nicolas Miesch	Managing Director, South East Asia – Pacific	EFESO
Fabio La Mola	Partner and Managing Director, Singapore	L.E.K. Consulting
Tatsuhiro Ogawa	Director	Corporate Directions, Inc
Shintaro Okuno	Partner	Bain & Company
Mun-Gu Park	Partner	KPMG
Ilesh Patel	Partner	Baringa Partners
Panagiotis Poligenis	Associate Partner	Lufthansa Consulting
Satya Radjasa	Chairman & Managing Director	Korn Ferry
Sundara Raj	CEO & Markets Leader, PwC's South East Asia Consulting Services	PwC
Satya Ramamurthy	Partner, Head of Management Consulting (Singapore and Indonesia)	KPMG
Makoto Shiono	Partner/Managing Director	Industrial Growth Platform, Inc
Tomoyuki Yamashita	Associate Partner	McLagan

ABOUT THE AUTHORS

Callum Jack

Callum is a Senior Analyst at Source and has experience across analysis, writing and interviewing for both the company's core and bespoke products. This has covered consulting market reports, client perceptions, and strategic trends, as well as bespoke projects. Callum previously worked in consulting for Accenture and a boutique firm.



Callum Jack

✉ callum.jack@sourceglobalresearch.com

Ashok Patel

Ashok is a writer and editor at Source, contributing to our Consulting Market Programme and Client Perception Programme reports. Prior to joining Source, he was an editor and a consultant in the commodities market, and he also brings experience from the UK automotive sector.



Ashok Patel

✉ ashok.patel@sourceglobalresearch.com

B.J. Richards

B.J. is the senior editor at Source and is responsible for ensuring consistency in quality, content, and tone across the core programme. She also writes a number of our core reports and participates in Source's market research. An accomplished writer and editor, B.J. has provided strategic communications for senior executives ranging from a US senator to presidents of Harvard University. She earned her juris doctorate from the University of Georgia and is a member of the Georgia bar.



B.J. Richards

✉ bj.richards@sourceglobalresearch.com

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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 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.

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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.	

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.

For further information please visit www.sourceglobalresearch.com

Source Information Services Ltd

📍 20 Little Britain • London • EC1A 7DH

☎ +44 (0)20 3478 1207

✉ info@sourceglobalresearch.com

🌐 www.sourceglobalresearch.com

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