

PLANNING FOR GROWTH IN 2019

*Market
attractiveness
index*



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INTRODUCTION

Consulting waters have been calmer than might have been expected—to date at least—in 2018: Global trade wars simmer rather than seethe, geopolitical tensions surrounding North Korea have eased to background levels for that region, and Brexit still remains an unknown quantity. It's probably true to say that 2018 has hit the consulting sweet spot of providing a high degree of uncertainty without incurring too much collateral damage in the process.

Is this too good to last? Possibly. This time last year, we awarded an average score of 10.07 (out of a possible 20) in our market attractiveness index, but an overall deterioration will notch this back to 9.76 for the coming year; apart from Canada and South America, which enter our rankings for the first time this year, all regions other than India and South East Asia are either less attractive or no more attractive than they were this time last year.

We think there are a number of factors in play: Firstly, pressure on prices at the low-cost end of an increasingly bifurcated market is causing real concern and is hastening a disruptive shift to new business models which are, as yet, unproven.

This ties in with the second factor: talent. The move to automated business models risks deterring the very same talent that is crucial to future development of the industry. While moving the model beyond people can help to address pressure on average revenues, regions like Africa and South East Asia demonstrate—importantly—how talent shortages can curtail growth.

The third reason lies in the impact of Brexit in 2019—either in the form of a so-called hard Brexit or as the start of a phased transition. Discretionary spend could be in short supply across business value chains spanning the UK, EU, and North Atlantic, creating further jitters in the US and Germany—both of which have already been expecting a cyclical readjustment for several years.

While many of the mature markets could provide more challenging conditions next year, there's little to suggest that any are about to go into reverse, unless the digital bandwagon stops rolling. At the same time, opportunities are doubtless on offer within emerging markets, which now show a three-year trend of leading the field when it comes to growth; India stands out in particular, with consistently high performance in this area. Nerves of steel and a clever regionally hedged strategy are of course required, particularly given that Africa has demonstrated this year that readjustments are par for the course with this type of market.

ABOUT THIS REPORT

This is the sixth 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 2017).

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 AUTHORS

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.



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Polly joined the team at the end of 2015, bringing a professional background in financial services which includes Barclays (commercial and retail banking), Barclays Capital (where she ran the organisational design workstream of an Accenture-led project), and the Association for Payment Clearing Services (interbank payments). Her specialisms within financial services include organisational design, strategy and transformation. In addition to her professional life, Polly has studied environmental decision-making and has applied these skills—pro bono—within several environmental contexts.



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SOURCE REPORT PROGRAMMES

● 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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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.	

Would you like more information on any of the above? A more detailed view? Or to adjust any of it to suit your requirements?
The adjacent page offers more insights into how we can help you.

OUR CUSTOM RESEARCH SERVICES



Over the course of the last ten 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, 10 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 that 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 services 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.

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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