

December 2018

# The North Pole Consulting Market in 2018

## Market Trends Programme

Understanding 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.



# OUT OF THE BLUE:

## A BRIEF HISTORY OF THE NORTH POLE CONSULTING MARKET

Historically a small, highly specialised backwater, the North Pole exploded onto the consulting scene in 2013 as a result of the botched rollout of SANTA Inc.'s Universal Present System. That immediate cause, however, stemmed from a more general failure to respond to rising costs, demographic change, and the wholesale restructuring of the North Pole's core market. Various described by investors at the time as "the father of all conglomerates" and "the worst example of vertical integration run riot", SANTA was forced to make significant leadership changes, moving its founder into a non-executive role and bringing in a new management team. "Father Christmas had to accept that it wasn't possible to run this multinational corporation as a family-owned business", says Timo Virtanen, Managing Partner of Finnish strategy firm, Suorituskykyinen Konsultointi. "A chief executive should be there for the long haul, not just for Christmas."

The last five years have seen significant change: Not only has SANTA's main business been restructured into separate operating companies, but controversially, some key functions have been outsourced, including wrapping and reindeer maintenance. And big challenges remain: "The corporate HQ is chock-a-block with 'suits'", said another consultant we interviewed. "People are going to hear a lot more about the North Pole consulting market in the future."

# NORTH POLE MARKET SUMMARY

Consulting market size

2018\*



US\$498m

Growth

2018

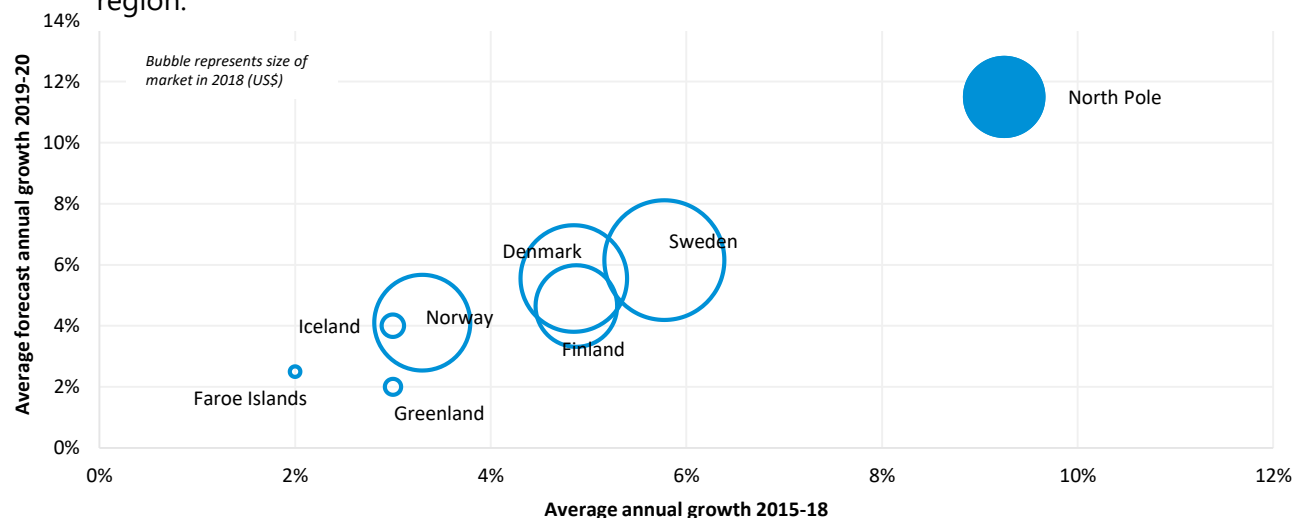


13%

## Market overview

The North Pole consulting market is an extreme example of a pattern we see elsewhere in the Nordics. In Norway and Finland in particular, the willingness of a small number of organisations, such as Statoil, Telenor, and Nokia, to use consultants has a significant and immediate impact on the market as a whole. The North Pole, lacking both the public sector market that's boosted the size of the consulting industry in Denmark and Sweden's vibrant private equity clients, is essentially a one-trick reindeer. "You're either in with SANTA, or you're not", says Otto Knudsen, Partner at Oslo-based Høy Ytelse Rådgivning. "It has little to do with how good you've been."

Putting the North Pole market into its regional context highlights just how important a market it has become. Moreover, higher than average expected growth rates over the next couple of years will take the market over an important Rubicon: By the end of 2019, the North Pole consulting market will overtake Finland's to become the fourth biggest market in the Nordic region.



We've moved all our attention to the North Pole. By comparison the market here in Iceland has been disappointing.

Katrín Johansdóttir,  
Hágæða ráðgjöf

\*Note that these figures refer to what we call the "big consulting" market only (consulting done by firms with more than 50 consultants globally and for clients with revenues in excess of about US\$500m). We estimate that this represents 80% of the North Pole market, making the entire North Pole market worth US\$622,500m. All figures from here onwards in our report refer to the "big consulting" market only.

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# MARKET DATA

## Services

### Analyst view







Geographically isolated, the North Pole consulting market isn't immune to the wave of digital transformation sweeping the rest of the consulting world. As a result, technology now accounts for 29% of all consulting work in the region, up 38% on 2017.

A further 27% comes from distribution\*, but growth rates here are much lower. Investment in digital transformation has eaten into the money available for conventional strategy work, where demand fell by almost two-thirds. By contrast, the relatively small risk management market saw growth of 65%, driven by GDPR compliance and the rollout of SANTA's virtual chimney system.

Demand for risk-related work is expected to remain strong in 2019, but we also expect fast growth in the elf resources market in light of recent revelations about working practices and gender discrimination at SANTA. In addition, we forecast strong growth in the highly specialised wrapping market, driven by growing environmental and recycling concerns.

\*Please note that our figures include revenue associated with SANTA's Joint Integrated Navigational and Ground Link (JINGL) initiative. Not all consultants in the region would agree with the inclusion in our data of the five-year contract that combines consulting expertise with advanced analytics and proprietary data, which was won by the Icelandic firm Helguson, Helgusonson & Helgusonsonson, in 2016. But as this new-style "managed service" has effectively replaced work consultants have done in the past and as interviews we've carried out with key SANTA executives suggest that many see this contract as a model for the future of consulting services in the North Pole, we think it's right to include it.

Breakdown of the North Pole consulting market in 2018 and 2019 (forecast) by service

	US\$m	2018 ▲▼	2019 f. ▲▼
 Technology	144	38%	25%
 Distribution	132	2%	3%
 New present development	80	60%	15%
 Reindeer management	48	14%	-25%
 Risk management	38	65%	55%
 Strategy	25	-62%	2%
 Elf resources	22	29%	45%
 Wrapping	9	-10%	35%

# THE CLIENT'S VIEW OF THE MARKET

We conducted a series of in-depth interviews with clients at all levels of SANTA to understand their views about the work consultants were doing for them.

## **Reasons for using consultants**

Despite the myriad opportunities for transformation being eyed by eager consultants, the hard reality of the North Pole consulting market is that capacity remains the overwhelming driver of use. "They're keen to talk to us about opportunities to digitise our operations", says Kevin Elf, Senior Vice President of Wrapping, "but in actual fact the main reason I need them there is because we've got too much to do. I keep telling them we're snowed under and they keep sending ploughs instead of people."

## **Nervousness about automation**

Following a high-profile problem with its flagship automation project—Digideer—the appetite throughout SANTA for further work in this area has been affected. "Look, nobody wants to rake over the Christmas Eve incident again", says Dasher, from SANTA's reindeer division. "Elf & Safety have been conducting their review, and I'm pretty confident they'll conclude that the weather played as big a part in the collision as any software glitch, even if Boeing are contesting that. But it's really set the programme back a bit, and I think the consultants are going to have to work hard to regain our trust on this."

## **Cultural barriers to successful implementation**

When it comes to implementation, being able to work alongside your client is often seen as critical to success. This presents a challenge for consultants serving SANTA, as Lead Reindeer, Rudolph, explains: "We had a guy come in to train us on the new route planning system his firm was implementing. Didn't even have a red nose. Prancer leans towards me and whispers 'who does this schmuck think he is?'"

# THE WHITE SPACE

## WHAT EVERYONE'S TALKING ABOUT

### **An increasingly polarised market**

"I think we're going to be more discriminating when it comes to using consulting services in the future", says Astrid Brekke, Head of Strategy at SANTA. "There are some areas—reindeer management, for instance—where we've got a lot of in-house capacity and most firms offer a pretty similar service, so we'll be looking for lower rates and more automation. But you can't take that approach for the work we're doing in elf resources at the moment. This is a highly specialised field and world-class expertise is limited, so consultants can add real value here." It's a story we see playing out all around the world, but it creates challenges for consulting firms that may find themselves trapped in low-cost/low-growth markets in the future.

### **Complacency could lead to disruption**

"We're not convinced that SANTA has given sufficient thought to the potential Uberisation of its business", says Mille Hyde, Managing Director at Bård & Co. "Who's to say that Amazon or Alibaba won't be the SANTAs of the future?" Recent cuts in strategy spend reinforce this: "Simply believing in SANTA isn't going to be enough", says Hyde.

### **CHRISTMAS 4.0: Is there consulting life outside digital transformation?**

Digital transformation is still in its early days at SANTA, and our data suggests there is plenty of room for further growth. But we also see increasing concern among clients. "We'd like to see more hard evidence of results delivered in other, similar organisations," continues Astrid Brekke of SANTA. Niklas Holm, COO at Santa, also has questions around the impact of transformation: "Despite the level of investment we've already made in our back office, we're not seeing much change in elf behaviour, and engagement levels are at their lowest in three centuries."

### **A growing market isn't necessarily an easy market**

Rapid growth in demand has inevitably put a strain on the capacity of consulting firms to "fly in" sufficient resources into the region, and that's been exacerbated by the recent decision of Svalbard's mayor to ban consultants. "They're scaring the polar bears", explains Carl Peter Jensen. Kim Qujaukitsoq, Partner at Simonsen & Bagger, acknowledges that this has caused problems for the company's Greenland business. "We're weighing up the advantages of having a permanent North Pole base, but it's obviously very seasonal work."

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