

EXTRACT



October 2019

The China Consulting Market in 2019

Market Trends Programme



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Provides an at-a-glance view of the main trends in the market alongside key statistics.

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About this report

Our report draws on five main sources:

- Our global data model with 9.7 million 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 interviews with senior clients of consulting firms across a range of sectors and functions
- 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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China overview

DIGITISATION DATA & ANALYTICS COMPETITION TRANSFORMATION GROWTH MATURITY EFFICIENCY OPTIMISM TRADE AUTOMATION

Despite a cooling Chinese economy, 2018 was another year of strong growth for the consulting industry in China. This growth has several sources: Economic development initiatives by the government are creating work for consultants, as are increasing numbers of tech-savvy start-ups; meanwhile, China's newly affluent middle class is driving expansion in consumer industries, leading to further consulting opportunities.

“ Generally, the market has been pretty good. We're still seeing double-digit growth, with clients still spending in all the areas that really matter for us.

Eric Chia, EY

“ The Belt and Road Initiative is encouraging companies to invest, and there is a consumption upgrade going on in China. Firms are looking overseas to bring technology and brands back to China.

Xuong Liu, Alvarez & Marsal

“ There's been an acceleration of innovation in the Greater Bay Area. Lots of start-ups are in the area, creating both disruption and a lot of opportunity.

Julien Bourdinere, Capgemini Invent

“ This is a huge country with a rising middle class that has money to spend and a highly developed mobile and payments technology infrastructure.

Simon Kent, A.T. Kearney, global

“ Overall, the market was still very strong last year. The whole market has been growing because of the burning need for transformation as clients respond to challenges such as slower GDP growth, the international trade situation, and technological advancement.

Shirley Xie, PwC

At the same time, slowing GDP growth is encouraging China's ambitious domestic clients to turn their gaze abroad—a trend that consultants say is having a happy two-pronged effect. Companies that would never consider seeking external advice at home may be very interested in using consultants to help them navigate foreign markets. As a result, consultants have a golden opportunity to showcase their skills to new clients and win an invitation to provide advice back home.

“ We're seeing a rapid maturing of clients in China—as they go overseas, they appreciate the value of consulting, and as they buy more, they know how to best use consultants.

Reynold Liu, KPMG

However, while consultants remain largely positive, there are signs of creeping anxiety. Since the start of 2019, the trade war with the US has heated up significantly, resulting in a further slowing of GDP growth—a trend expected to continue at least through next year. This is compounding clients' economic anxieties—already heightened by concerns that decades of economic reform have stalled as President Xi Jinping focuses on bolstering the public sector. With many clients feeling disappointed by current economic growth rates, some are beginning to rethink their consulting spend, and several consultants already report seeing cuts.

“ Management teams have seen their budgets shrinking, with less to spend on consulting work. Even smaller pieces of work, such as market studies, have failed to generate as much demand as the year before.

Senior management consultant, China

“ We saw demand in some sectors slow down a little during the fourth quarter last year. It's not that clients weren't spending, but they became a little more cautious as they waited to see what the outcome of the US trade talks would be.

Shirley Xie, PwC

And then there's Hong Kong, wracked by the most intense protests since the territory reverted to China in 1997. Most consultants we spoke with believe that, over the long term, Hong Kong's prospects remain bright. However, the unrest has reached such a level that, for now, some are questioning the very accessibility of the market.

“ *I think what could happen in Hong Kong would be more significant than a US-China trade war.*

Julien Bourdinere, Capgemini Invent

“ *Hong Kong is obviously highly disrupted in the short term, but it remains a premier global financial centre, and that's not going to change. Hopefully, the market will get back on track quickly and continue operating as a financial centre and a site of wealth generation. Consulting's prospects are bright over the longer term.*

Jan Bellens, EY

“ *In Hong Kong, we are reviewing if we can comfortably get people in and out to service the market; that could have a short-term impact.*

Jonathan Sharp, Publicis Sapient, South East Asia

Yet with ambitious clients intent on expansion, professionalisation and—increasingly—digitisation, growth persists. We therefore expect double-digit percentage growth in China's consulting market, at least through the end of 2020. Over the next few years, much will hinge on whether clients' increasing use of consulting as a catalyst for growth translates into a willingness to turn to consulting for advice on weathering a more uncertain climate. As this consulting market shows increasing signs of maturity, we are betting it will.

“ *In the short term, I expect a lot of bumps in China. There is uncertainty about trade talks with the US, and Middle East tensions are having an impact on oil prices. A lot of things indirectly affect investments. These will persist for the next six to 18 months.*

Xuong Liu, Alvarez & Marsal

“ *'Fit for growth' is a growing theme in the market. Companies are seeing the possibility of an economic slowdown on the horizon and they want to make sure they're fully prepared, so they're asking us to help them be fit for growth so they can remain resilient in light of developments with the wider economy.*

Shirley Xie, PwC

“ *There's still massive untapped potential in the consumer market in China, and this will drive a lot of activity in the years to come. From that perspective, there's not much to worry about.*

Julien Bourdinere, Capgemini Invent

“ *Clients are starting to realise that consumers are becoming digital natives. There are many digital tools available that would enable our clients to translate the data they've collected to more effectively engage with their customers and to improve their own productivity. The more they engage with their data, the more they're able to use it to help improve their customers' experience.*

Yu Jin, Accenture

Explore the data

All of the market size data in this report is available to explore online through our global 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:

The UK Consulting Market in 2019

Overall growth 2017-2018: 5.6% | Overall size 2018: £8,243m | Overall forecast 2018-2019

Revenue (£m) by Industry:

Industry	2017	2018	2019
Financial services	~2500	~2800	~3000
Public sector	~1300	~1400	~1500
Manufacturing	~900	~1000	~1100
TMT	~800	~900	~1000
Services	~500	~600	~700
Energy and resources	~500	~600	~700
Retail	~300	~400	~500
Pharma	~200	~300	~400
Healthcare	~200	~300	~400

Legend: Revenue 2017 (dark blue), Revenue 2018 (medium blue), Revenue 2019 (light blue)

Table Headers: Industry by firm type (Int), Industry by Service (Ext), Financial management, HR & change, Operations, Risk & regulation, Strategy, Technology, Total

Legend: Type A, Type T, Type S, Type M, Type P

Buttons: Load Market, Reset Form, View the report, EXPLORE THE DATA

Our global data model is the biggest and most sophisticated model of the professional services 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 professional services firms are basing their understanding of the market and their performance within it.

The China market—what you need to know

China consulting's maturity test

In recent years, we've seen China's consultants engage in a good deal of handwringing about the maturity of their market. Conventional wisdom holds that large, world-leading economies should play host to highly mature consulting markets such as those in the US, UK and DACH (Germany, Austria, and Switzerland), where clients lean heavily on external advice in good times and bad. And yet in China—home of the world's second largest economy—domestic clients have proved persistently sceptical of management consulting and overall revenues remain modest relative to GDP.

Consultants have understandably shown concern about whether this situation can change. Will long-term economic growth and structural reform see this market mature to resemble those in other world-leading economies? Or will China's domestic clients always harbour an inherent distaste for external advice? The rapid growth of China consulting in recent years seems to support the former, and the fact that this has been sustained through a period of slowing economic growth is good news.

Further good news is the widening of the client base for the most sophisticated kinds of consulting work, with once-hesitant domestic clients—including state-owned enterprises (SOEs hereafter)—showing more willingness to trust consultants with high-value and mission-critical work. “Among the biggest developments over the past 18 months has been the increased investment of local clients in solving complex problems in partnership with consultants,” says Simon Manetti of Kantar Consulting. “We're seeing more and more business come from local consumer packaged goods giants, consumer electronics giants, and other durable goods brand owners.”



A few years ago, MNCs dominated the client base. Now though, we have a much more even distribution.

Shirley Xie, PwC



We aren't seeing a huge gap in the demand of different client types. In the past, SOEs may have been a bit slower than MNCs and POEs, especially when it came to digital. Now though, we're seeing SOEs becoming a lot more sophisticated in their outlook. The issues that they are facing are the same as those faced by the MNCs—it's all about compliance, cybersecurity, data, and digital.

Eric Chia, EY

About this report

Methodology

Sources

Our report is based on quantitative and qualitative research of consulting firms in China. This includes the following:

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 2017 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 2017 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.

Please note that we have refined and implemented improvements to our research methods for digital data, taking a bottom-up approach to firm-level data this year.

All figures given in this report are in US dollars. For reference, Source is using the following exchange rates in its reports this year:

US dollar to British pound	US\$1 = £0.75
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US dollar to euro	US\$1 = €0.85
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Client view

We interview senior end-users of consulting in China 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 60 senior clients of consulting firms across China. All work for private sector organisations, many of which are multinationals, and 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 2019 and into 2020, what initiatives they'll be working on, and how likely it is that those initiatives will 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 sector

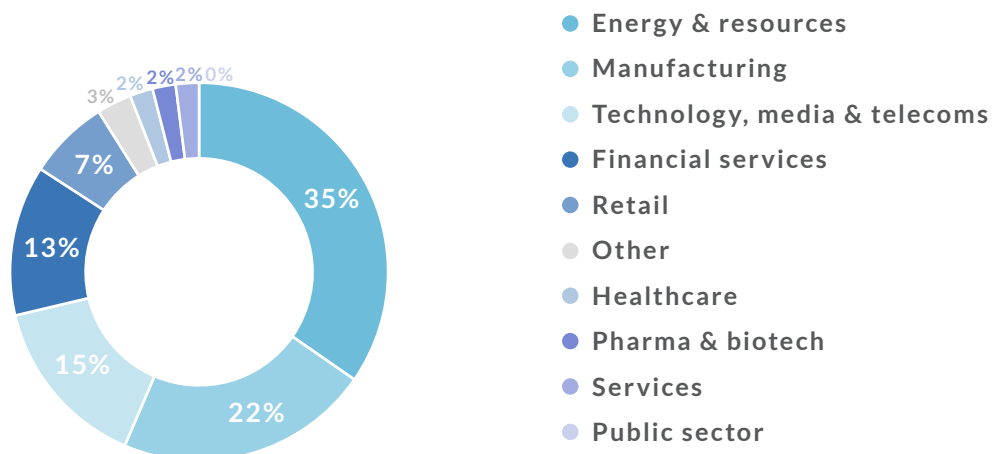


Figure 18

Respondents by organisation size

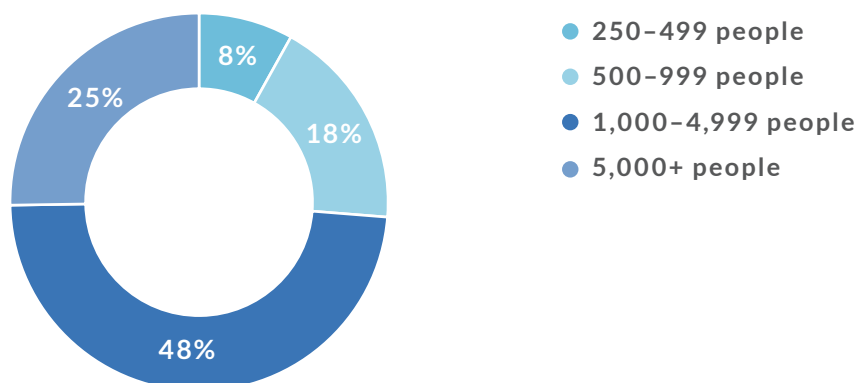
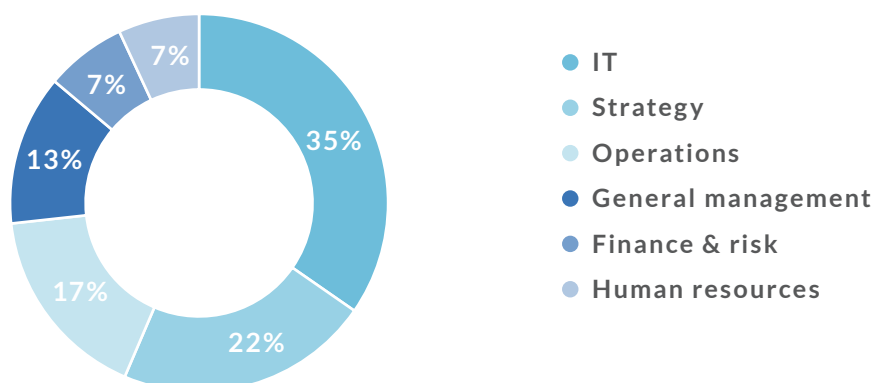


Figure 19

Respondents by function



Interviews with senior consultants

In addition to our quantitative research, we interviewed 18 very senior consultants (typically the most senior person in their country) from most of the leading consulting firms in the country 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 China 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).

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Vincent Kasbi	Head of Asia	Sia Partners
Simon Kent	Partner	A.T. Kearney
Jian Li	Managing Director	AlixPartners
Karl Wang Liping	Country Manager - China	EFESO
Reynold Liu	Head of MC, China	KPMG
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Simon Manetti	Director of Technology	Kantar Consulting
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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.

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Programme schedule for 2019

Reports 2019	Market Data and Analysis	Client and Brand Insights	Emerging Trends
January	Forecasts for 2019		
February	UK	UK Nordics GCC	
March	GCC Benelux Nordics	France Germany US	The Future of Pricing
April	France DACH Southern Europe	Energy & Resources Financial Services Healthcare Technology, Media & Telecoms	
May	US Eastern Europe & Russia		The Value Problem
June	Canada		
July	South America Australia	Perceptions of Audit Firms Perceptions of Risk Firms Perceptions of Tax Firms	
August	Africa Risk		The Make-Buy Decision
September	India Energy & Resources Planning for Growth in 2020	Talent Attractiveness in 2019	
October	Financial Services China South East Asia		
November	Japan Healthcare Technology, Media & Telecoms		The Future of Delivery
December	Tax		

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- Acquisition strategy
- Proposition strategy and development
- Brand and client sentiment analysis
- Thought leadership strategy, development, and review

For more information about any of these, please visit our website or get in touch.

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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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