EXTRACT

SOURCE GLOBAL RESEARCH

July 2019

# The Australia Consulting Market in 2019

Market Trends Programme



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## Australia summary

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

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## The Australia market—what you need to know

Explores the key trends and topics that are front of mind for consulting firms in this market right now.

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## Market data

Looks at growth, sizing, and forecast data split by sector, service, and consulting firm type, together with analyst insight about what's happening in the market.

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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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## Australia overview

**PARTNERSHIPS** CONVERGENCE
*DIGITAL* ECONOMY
M&A **COMPETITION**
*RPA* **AI** DATA *ANALYTICS* **BLOCKCHAIN** *ASSETS*
**GROWTH** ECOSYSTEMS

2018 was an excellent year for Australia's consultants, with the market growing just above 8% to reach a total value of US$5,408m. Robust market expansion is a familiar story here, and Australia's consultants have long benefited from a strong economy and an eager, confident client base focused on growth and, more recently, digitisation. But while the strong growth trend continued in 2018—even improving on 2017's impressive 7.1% increase—the mood began to shift, as clients and consultants alike increasingly grew concerned that the good times might be coming to an end.

> *2018 was pretty stable for us, and overall performance was solid. The market behaved very much as it did in 2017.*
> Ian Hancock, KPMG

> *The Australia consulting market continues to grow. However, when compared to previous years, the pace of decision making has probably slowed down, and clients are taking longer to invest.*
> David Levi, Accenture

Their fears are not unfounded, with a distressing number of recessionary forces threatening to act as a drag on Australia's long-heroic economy. Global trade tensions, a projected global economic slowdown, and high exposure to the weakening Chinese economy all threaten growth and have contributed to drops in business and consumer confidence. Unusually contentious federal elections also highlighted an increasingly tumultuous political environment and contributed to slowing consulting demand in late 2018 and early 2019.


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> *Overall, the market has been growing at a healthy pace. Australia has seen 27 years of uninterrupted economic growth, and it's probably been the same for consultants.*
>
> Adam Dixon, A.T. Kearney

> *There have been some major events occurring in the Australian market, including the general election and the impact of the Hayne Commission on the financial services industry. Despite this, the consulting market here in Australia is very strong and continues to be strong.*
>
> Sarah Adam-Gedge, Publicis Sapient

So far, the economy has proven resilient, beating predictions to grow a healthy 2.8% last year, but most economists believe a slowdown has been delayed rather than averted and forecast slower growth in the near future. We expect the consulting market will continue to perform well, thanks in large part to ever-growing pressure to pursue greater digitisation as well as clients' need to keep evolving and adapting in a changing and challenging environment. That said, we further think growth has peaked for the foreseeable future, and we forecast healthy-but-slower expansion of the consulting market in 2019 and again in 2020.

> *I think it's been another pretty strong year—most firms experienced growth. It was maybe a little more volatile and a little less steady than last year, but overall it was up.*
>
> Carl Brostrom, Advancy

> *There has been a bit more pessimism in the consulting market than we would like to see over the last year. The biggest worries of CEOs are around where growth will come from and the lack of availability of the right skills for the digital age.*
>
> Frances Maguire, PwC

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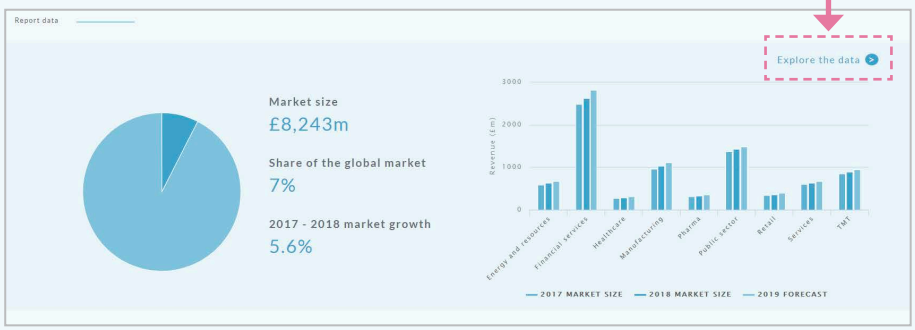
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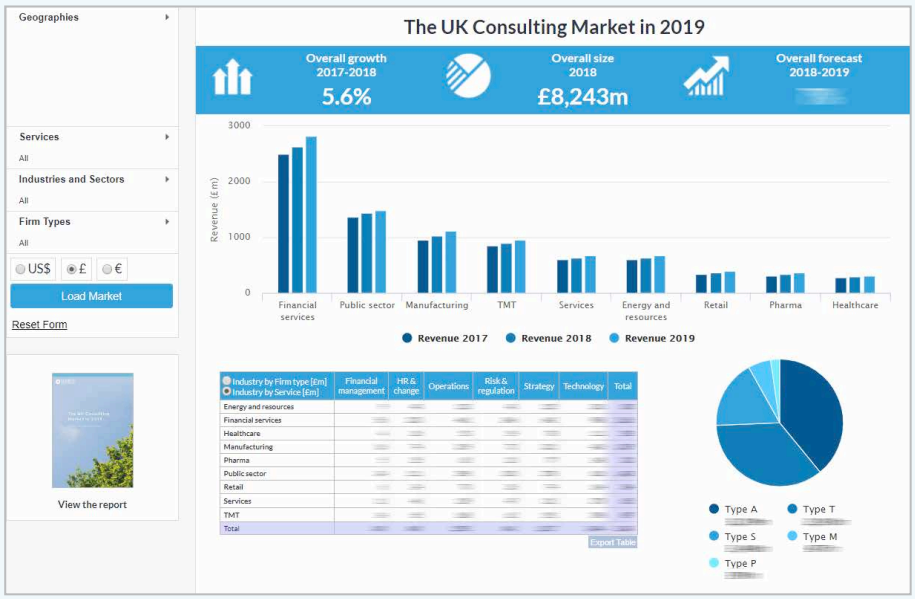
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# Explore the data

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:




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.

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# Market data

## Sectors

Consultants experienced revenue growth across every sector in Australia in 2018. Strong economic growth, especially in the earlier part of 2018, boosted market confidence and put consulting buyers in an investment frame of mind. Priorities varied somewhat from one sector to the next, with, for example, financial services clients keen to adopt risk & regulatory solutions addressing the expected outcomes of the Hayne Royal Commission's investigation and clients in the manufacturing sector looking for support with efficiency approaches.

But top of mind for most clients right across the board is harnessing the digital opportunity. Digital transformation work now accounts for almost 40% of all consulting work carried out in Australia, representing year-on-year growth of 15%. In 2018, the biggest jump in digital uptake came from healthcare clients, whose pressing need to digitise patient records and use technology to improve the patient journey caused digital transformation work to increase by more than 20%. Elsewhere, financial services provided the biggest digital market, with digital transformation work here now worth US$527m.

> *All the big sectors grew last year. Whether it's financial services, energy & resources, technology, media & telecoms, or the public sector, there was a lot of high-value consulting work.*
>
> Adam Dixon, A.T. Kearney

### Digital: a sector view

Digital* work is becoming a more significant driver of consulting demand with every passing year. Digital is, in effect, taking over. With this in mind, we have carried out some analysis to size the digital transformation consulting market by sector. Figure 3 shows the share of consulting work that was digital by sector in 2017 and 2018, while Figure 4 shows the revenues earned from digital work overall and by sector in US$m in the same years. In this last case, the sum of all the different parts constitutes the value of the digital transformation consulting market as a whole.

**Our definition of digital is "any technology that connects people and machines with each other or with information". Broad examples of digital include mobile, social media, cloud, IoT, robotics, data & analytics, and AI.*

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# About this report

## Methodology

### Sources

Our report is based on quantitative and qualitative research of consulting firms in Australia. 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** |
| **US dollar to euro** | **US$1 = €0.85** |

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## Client view

We interview senior end-users of consulting in Australia 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 Australia. The majority (94%) work for private sector organisations, many of which are multinationals. The remaining 6% 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 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.

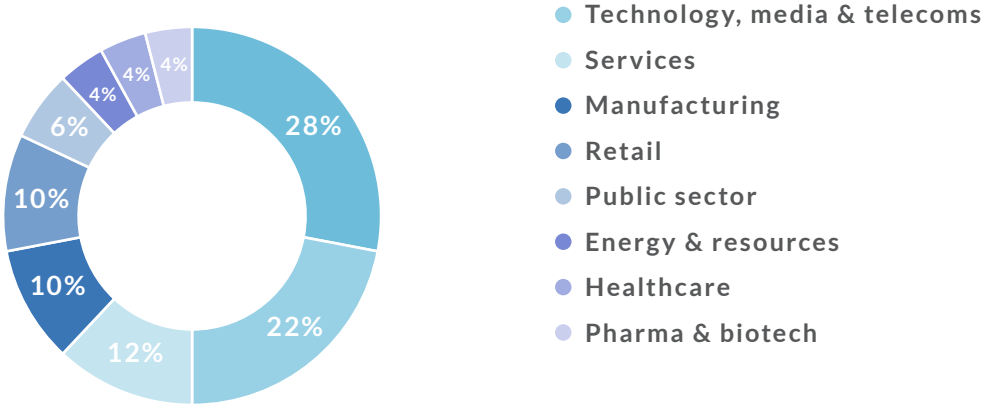
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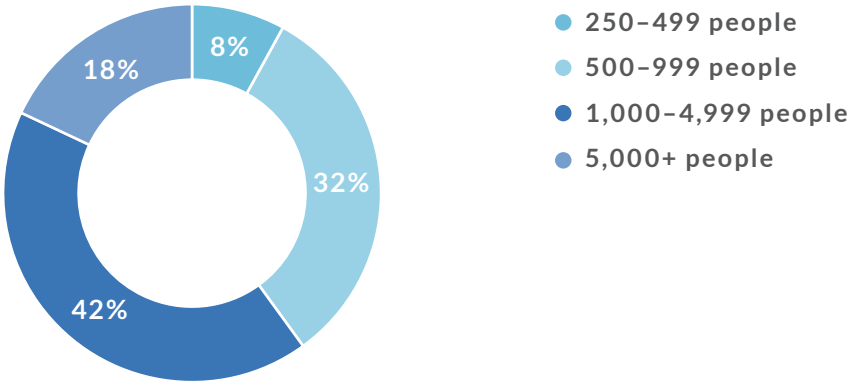
## Figure 17

*Respondents by sector*



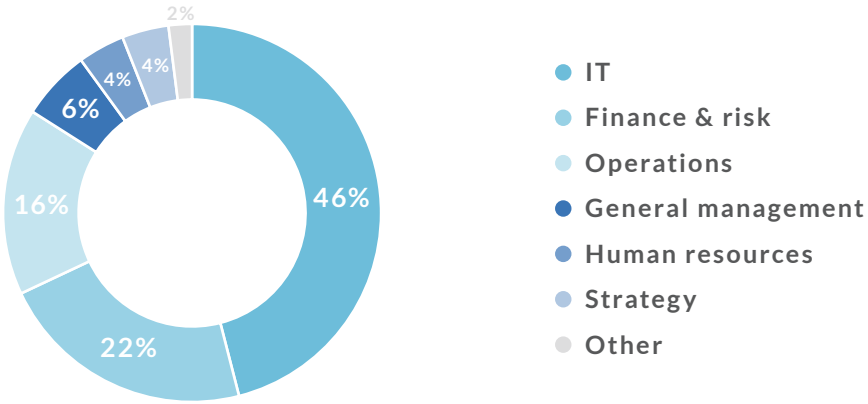

## Figure 18

*Respondents by organisation size*




## Figure 19

*Respondents by function*




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## Interviews with senior consultants

In addition to our quantitative research, we interviewed 11 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 Australia 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”.

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# 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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Zoë is Head of Market Trends at Source and is responsible for all reports published as part of the Market Trends Programme. A world-leading expert on consulting trends, she is the driver behind Source's bespoke analysis of consulting's biggest geographical and industry markets. She is an active member of the Source research team and spends much of her time interviewing consultants and their clients all over the world, collecting their first-hand accounts of what is happening in the consulting world. She also brings extensive experience as an analyst and writer to her post.

Prior to joining Source, Zoë spent more than 12 years working as a management consultant in a variety of roles with KPMG and Atos Consulting. She has also worked as an independent marketing consultant.

### *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.

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Ashok is a writer and editor at Source, contributing to our Market Trends 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.

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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<br>Nordics<br>GCC | |
| March | GCC<br>Benelux<br>Nordics | France<br>Germany<br>US | The Future of Pricing |
| April | France<br>DACH<br>Southern Europe | Energy & Resources<br>Financial Services<br>Healthcare<br>Technology, Media & Telecoms | |
| May | US<br>Eastern Europe & Russia | | The Value Problem |
| June | Canada | | |
| July | South America<br>Australia | Perceptions of Audit Firms<br>Perceptions of Risk Firms<br>Perceptions of Tax Firms | |
| August | Africa<br>Risk | | The Make-Buy Decision |
| September | India<br>Energy & Resources Planning for Growth in 2020 | Talent Attractiveness in 2019 | |
| October | Financial Services<br>China<br>South East Asia | | |
| November | Japan<br>Healthcare<br>Technology, Media & Telecoms | | The Future of Delivery |
| December | Tax | | |

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

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About us

## 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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