

EXTRACT



July 2020

The China Consulting Market in 2020

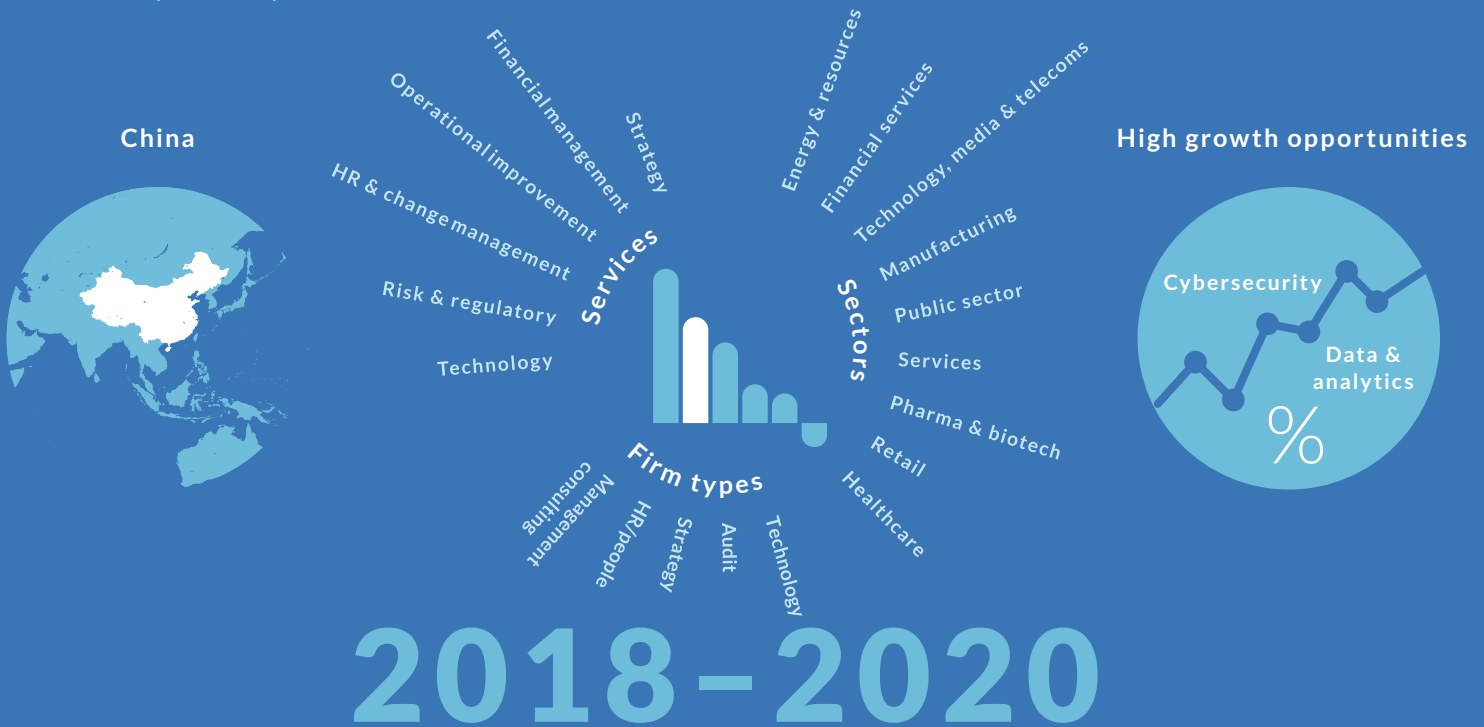
Market Trends Programme





What's included in this report

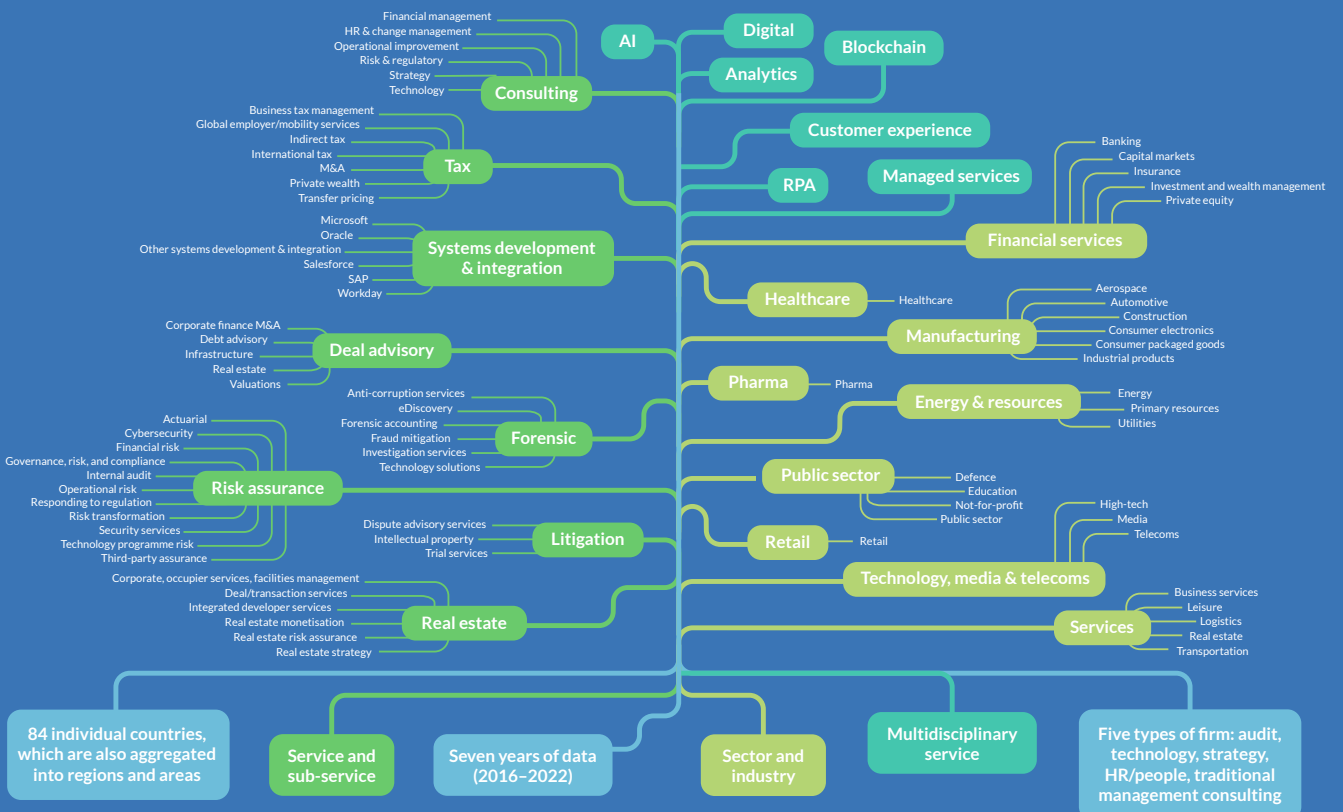
Our reports offer a wealth of market sizing, growth, and forecast data alongside engaging, in-depth analysis of the trends that matter.



2018-2020

What else we cover

Our highly flexible, multidimensional model provides firms with robust, trusted data to make informed decisions about strategic investments and plan for the future.





How we can help your firm to deal with what's happening now and prepare for what comes next

Even before COVID-19, the professional services industry was entering a period of change the likes of which it had never experienced. But the pace of that change is now being accelerated, as firms respond to the crisis and reimagine their future in a changed world. We're working side by side with them, using our experience, data, and deep sector knowledge to help them create effective strategies for extraordinary times.



Real-time forecasting

Since mid-March, we've been supplementing our unique model of the global professional services sector with data collected from hundreds of consulting firms around the world. Our weekly updates have become the industry's satnav, providing up-to-date estimates of the likely impact of the crisis by region, sector, and service, which change as the market changes, helping consulting firms to adjust their strategy accordingly. But this publicly available data is for the market as a whole, and every firm faces a unique set of challenges. As you plan for the next 12-18 months, we can provide forecast data that's tailored to your business.



Immediate market feedback

One of the biggest challenges facing consulting firms is uncertainty: How has client behaviour changed as a result of the crisis? Whether we're leveraging our own research carried out over the previous few weeks, or undertaking custom research around your services and markets, we can provide you with quantitative and qualitative feedback very quickly, enabling you to take quick and informed decisions.



Client-led propositions

Past crises have shown that the speed with which a consulting firm adapts its services will determine its resilience—and that's truer than ever in the current environment, when clients' expectations around what's possible have radically shifted. They're looking to consulting firms to deliver better, faster solutions—and consulting firms will need to respond by being more precise about where they can add tangible value and more compelling in the way they articulate this. We've worked with many firms over the last decade helping them test their ideas with clients.

About us



– **We're nerds:** We take a data-driven approach to helping firms take investment decisions. Since we started, we've invested millions in sophisticated, proprietary research techniques that give us unique insights into current and future trends.



– **We're experts:** We've been focusing exclusively on the professional services sector for more than a decade, and we keep our knowledge up to date by interviewing hundreds of senior partners in professional services firms around the world each year.



– **We're future-focused:** We undertake the largest regular quantitative surveys of the professional services sector anywhere in the world, and we're constantly talking to professional services firms' clients in order to understand how changes in their behaviour will reshape the industry in the future.



– **We're independent:** Our analysis and recommendations are derived from our data and experience. We don't recommend firms to clients, and we will never tell you what you want to hear just because you've paid us.



– **We're obsessed with value:** Our information and insights have underpinned some of the most strategic investment decisions made by professional services firms. That's because we know that, if we're going to have an impact, how we communicate is as important as what we communicate.



– **We're easy to work with:** We'll work with you as you want, whether that's providing you with off-the-shelf data or multi-country custom research. Because we want our work to add value, we charge for what you need. We don't run a meter and we don't have complicated licensing that limits who can read our material.



Contents

China summary

| | |
|--|---|
| Explore the data | 5 |
| Introduction | 6 |
| The China consulting market in numbers | 7 |

1

Insights from consultants

| | |
|---|----|
| The views of consulting leaders in China. | |
| Interviews with consulting leaders | 13 |

3

The China consulting market in 2019

Explores the key trends that were front of mind for consulting firms in this market in 2019.

| | |
|----------|---|
| Overview | 8 |
|----------|---|

2

The China consulting market in 2020

A view of what's likely to happen in the market in 2020.

| | |
|---------------|----|
| 2020 forecast | 33 |
|---------------|----|

4

About this report

Our report draws on three main sources:

- Our global data model with 9.7 million data points
- 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:

| | |
|-------------------------------------|----|
| Methodology | 34 |
| Definitions of sectors and services | 36 |
| Contributors | 38 |
| About the author | 39 |
| Programme schedule for 2020 | 40 |
| Our custom work | 41 |
| About us | 42 |

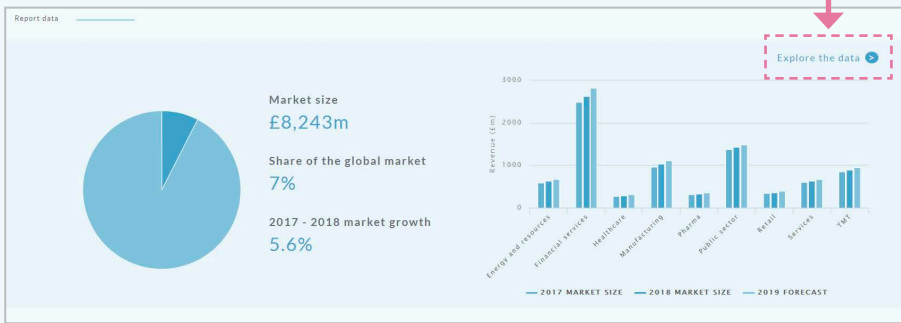
5



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:



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, 12 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.



Introduction

The COVID-19 pandemic has changed our lives, our communities, the global economy, and the consulting market, and its impact is likely to be felt for some considerable time to come. Against this backdrop, we wanted to develop a report that is as useful as possible in understanding the immediate impacts of the crisis while helping firms navigate a way forward.

Once the recovery starts, clients' needs will be dictated by the needs that were already there, coloured by recent events. Therefore, understanding both the situation before the crisis and the things that are changing right now will be essential for firms to support clients through the recovery. With this in mind, this report includes the following:

- Analysis of the consulting market in 2019, including key trends and analysis of demand by sector and service
- Insights from firms around demand drivers in 2019 and how this is being reshaped in 2020, as well as how they are organising themselves and approaching the market
- A link to our latest forecasts for 2020

Recognising how quickly the consulting market is changing in 2020 as it is reshaped by the pressures of COVID-19, we will also provide subscribers with regular, monthly updates during the second half of the year. This will include our latest thinking about the impacts of the crisis, together with global forecasts split by region and accompanied by high-level commentary.

We have drawn on key data sources in order to develop our analysis:

- 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 this 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.
- We're very grateful for the input of a wide range of firms, who are helping us assess the impact of COVID-19 on the market by providing up-to-the-minute information that we are using on an ongoing basis to adjust our existing model of the industry.

For our latest global analysis of the effect of the COVID-19 pandemic on the consulting market, please [click here](#).





The China consulting market in 2019

Overview

2019 was another good year for the consulting markets of China and Hong Kong, though growth rates were slightly lower than in 2018. Trade tensions took their toll, particularly in the country's large manufacturing sector, though even here, there were winners and losers, which made for a patchy market. Social unrest in Hong Kong also created a climate of insecurity, even if the impact on consulting work was not huge, aside from denting demand from consumer-oriented sectors such as retail.

The trade war and economic worries in the West impacted the client mix of many consulting firms. The investment appetite of multinational corporations (MNCs) started to slow in 2019—and has been further impacted as the COVID-19 crisis has hit—which led consulting firms to look elsewhere for work. The expansionist ambitions of privately owned enterprises (POEs) meant that these provided a good alternative, as did state-owned enterprises (SOEs) keen for support to advance their digital transformation programmes.

Indeed, interest in digitisation increased apace with many clients looking to upgrade their B2B approaches as well as continue to use digital to support more efficient processes. One consequence of the trade war has been to provide an impetus to local players able to offer solutions to rival those of Amazon, Google, and Microsoft. The sophisticated, off-the-shelf solutions offered by a range of local technology firms boosted client interest in areas such as cloud transformation, although this did not always translate into an uptick in consulting demand. This was because the customisation support offered by many of these software providers meant that in some cases global consulting firms found themselves struggling to gain a foothold, and instead had to focus on investing more intensively in their own software solutions and assets in order to compete with Chinese technology players, particularly when it came to winning work with local clients.

Data & analytics is a relatively mature topic in this market but continued to evolve in line with technology developments changing the art of the possible. Firms able to stay one step ahead of clients in leveraging insights from complex data sets were those best placed to succeed here, benefiting from a very healthy uptick in demand for data & analytics support, which saw growth of 22.1% in 2019.

Local clients continued to look for support to expand overseas, despite trade tensions and roadblocks in their way. The need for local knowledge of a whole range of potential destinations favoured large global firms with a solid network of local offices.

From a sector viewpoint, the financial services market picked up during the course of the year, resulting in 11.1% growth. There was a healthy pipeline of work in the large Hong Kong market, where banking clients looked for help dealing with the fintech threat and insurers sought support to digitise and streamline back-office operations.

Manufacturing clients had to deal with a whole host of different factors, which impacted demand for both good and ill. China is no longer the low-cost destination for



manufacturing that it once was, and this damaged new investments. Even before COVID-19 hit, some manufacturing activity moved out of China as a result of the trade war,⁵ with South East Asia and Taiwan proving popular alternative locations. Inevitably, this also dented consulting demand from both manufacturers and high-tech players, though energy around the “in China, for China” movement provided a boost in some areas and generated particularly good volumes of work for technology companies that pivoted towards serving the domestic market. International tensions also impacted Chinese telecoms players, though there were some opportunities on offer supporting clients with accelerated 5G roll-out plans as well as around exploring marketing opportunities to encourage customers—both B2C and B2B—to upgrade. Elsewhere, ongoing interest in green energy and the need to boost local agricultural and mining production capacity and yields to counterbalance tariffs made for a solid energy & resources market.

Some of the smaller markets grew the fastest in 2019. An expanding middle class has increased demand for private healthcare provision, which led to good volumes of calls to consultants for help, while public healthcare reforms saw hospitals looking to consultants to support them to become more efficient and effective. The pharma market was similarly active, due to MNCs looking for support to gain a slice of the huge Chinese pharma pie, and local pharma manufacturers seeking help with their expansion plans. This led to a healthy uptick in this small market, despite government pressure to reduce drug prices. Retail was another fast-growing market, thanks to good demand from online retailers keen to expand their reach.

Segmentation classification of consulting firms

Type M: Management consulting only

Type S: Consulting on strategic decisions and operations alongside M&A-related work

Type A: Consulting alongside audit, tax, and corporate finance services

Type P: Consulting on people-related issues, but also investment advice, risk management, and in some cases, HR outsourcing and HR package implementation

Type T: Firms that either specialise in technology or combine technology, outsourcing, and consulting

Data & analytics—our definition

The rise of “big” data and analytics has been one of the defining trends in consulting and the wider professional services market over recent years. While much work is still focused on the basics—basic data management and the gathering and integration of data into coherent storage spaces—growth has been highest in advanced analytics (which goes beyond simple mathematical calculations to use mathematical and statistical formulas and algorithms to generate new information, to recognise patterns, and also to predict outcomes and their respective probabilities), data visualisation, and business intelligence.

Cybersecurity—our definition

Cybersecurity is one of the genuine “blockbuster” consulting services of recent years, fuelled by widespread public and board-level concern. Moreover, as new threats emerge, this is a market that's constantly evolving. Our definition of cybersecurity includes strategic advice around systems design, attack prevention, and response; securing systems, networks, and users through firewalls, endpoint security, multi-factor authentication, etc.; business continuity and crisis management during and after a cyberattack; and testing a computer system, network, or web application to find security vulnerabilities that an attacker could exploit.

5 Kensaku Ihara, *Taiwan tech companies' exit from China fuels \$25bn investment drive*, Financial Times, June 10, 2020 (accessed June 17, 2020). Available at: <https://www.ft.com/content/1389cc16-bf2f-4fcd-8976-86334fc506d4>.



Contributors

We are extremely grateful to all the people we spoke to for making this report possible. Below is a list of individuals who have contributed (excluding those consultants who wished to remain anonymous).

| Name | Job title | Organisation |
|------------------------------|--|-------------------------------|
| Michael Babilon-Teubenbacher | Principal Partner | CPC Unternehmensmanagement |
| James Chang | China Consulting Leader | PwC |
| David Cheung | Country Market Lead | Protiviti |
| Eric Chia | Managing Partner, Markets, Advisory Services | EY |
| Denis Depoux | Managing Director | Roland Berger |
| Edmund Lee | Consulting Leader for Hong Kong | PwC |
| Karl Wang Liping | Country Manager - China | EFESO |
| Reynold Liu | Head of MC, China | KPMG |
| Xuong Liu | Managing Director & Asia Practice Leader - Transaction Advisory Group | Alvarez & Marsal |
| Johnny Yu | People & Organisation Management Consulting Leader/Transformation Leader | PwC |



About the author

Zoë Stumpf

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.

Zoë Stumpf

✉ zoe.stumpf@sourceglobalresearch.com





Programme schedule for 2020

| Reports 2020 | Market Data & Analysis | Client & Brand Insights | Emerging Trends |
|--------------|---|--|--|
| January | | | |
| February | Forecasts for 2020 UK | UK | |
| March | GCC Benelux | GCC Nordics | The Future of Account Management |
| April | Nordics | Germany | |
| May | DACH France Southern Europe US | US France | |
| June | Eastern Europe & Russia Canada Australia India South America Japan South East Asia China | Financial Services Technology, Media & Telecoms | Sustainable Futures: Building Resilient Businesses |
| July | Mexico Africa Global Risk Services | Energy & Resources Healthcare | |
| August | Global Tax Advisory | Perceptions of Audit Firms Perceptions of Tax Firms | |
| September | Energy & Resources Planning for Growth in 2021 | Perceptions of Risk Firms | Sustainable Futures: A Climate Transformed |
| October | Financial Services | | |
| November | Healthcare Technology, Media & Telecoms | | The Consultant of Tomorrow |
| December | | | |

Please note that with the purchase of all country Market Data & Analysis reports in 2020, you will also gain access to monthly updates regarding the impact COVID-19 is having on the consulting industry more widely.

White Space

A powerful research tool that allows subscribers to keep up to date with the latest content being produced and maximise their return on investment. A series of reports that analyse the quality and effectiveness of thought leadership are published throughout the year.

Our custom work

We provide advice and custom research services to the world's most successful professional services firms, helping them to identify, and develop strategic responses to, their most pressing opportunities and challenges.

Among other things, our work includes:

- Deep market and competitor analysis
- Acquisition strategy
- Proposition strategy and development
- Brand and client sentiment analysis
- Thought leadership and content strategy, development, and review

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

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.

Source Information Services Ltd
20 Little Britain | London | EC1A 7DH
UK +44 (0)20 3478 1207
US +1 800 767 8058
info@sourceglobalresearch.com
www.sourceglobalresearch.com

© Source Information Services Ltd 2020

Source Information Services Ltd and its agents have used their best efforts in collecting the information published in this report. Source Information Services Ltd does not assume, and hereby disclaims, any liability for any loss or damage caused by errors or omissions in this report, whether such errors or omissions result from negligence, accident, or other causes.