

Report
Q4

EXTRACT



MARKET

Planning for Growth
in 2023



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What really matters

Introduction

COVID-19 is no longer at the top of clients' agendas. While discussions over the past two years have been dominated by the pandemic and how to best deal with it, clients are now looking ahead to the future. Of course, there are some lingering after-effects—namely lags in supply chains—but the market has a much more positive outlook: Over 70% of US clients tell us that they are more ambitious than before. However, there is a whiff of forced ambition where it is not backed by fundamentals. The pandemic may be over—or at the very least contained and manageable—but a plethora of other crises have emerged. And while companies during the pandemic viewed retaining business as their path to survival, the perception now is that clients will have to grow to survive.

The main challenge currently facing clients is around falling consumer demand. While rising inflation, high energy costs, and lingering supply chain issues are expected to have an impact, we expect falling consumer demand to hit clients' (and particularly consumer-facing businesses') balance sheets harder than any of the other factors. But while their ambitions are strong, and while they remain short-staffed, clients will turn to external support for consulting, as well as for day-to-day operational and efficiency improvements.

For our Planning for Growth 2023 report, we are sticking with the same format as last year. We are weaving together the qualitative insights gathered from hundreds of interviews with senior leaders, in both client organisations and consulting firms, with Source's own views on the industry. This allows us to identify four pairs of key issues* (problems on the client side) and offerings* (solutions from firms to manage those problems) that the business world is currently dealing with and will continue to deal with in 2023. We have asked our experts to score the issues/offerings based on eight criteria to ultimately answer the question: How big is the consulting opportunity?

The offerings are as follows:

- **Next-generation benefits**
- **Economic uncertainty (including energy strategy, interest rate increases, cost of living, and sustainability)**
- **Robotics and mass automation**
- **Evolution of the supply chain**

We've polled our analyst community to crowdsource our assessment and no opinion has carried more or less weight: This report is, in the truest sense, Source's opinion.

We have also put an estimated dollar value to these four offerings. This is one of the benefits of the granular nature of our data model; we can reconfigure and recombine its constituent parts to build new offerings. It's something that we do for clients on bespoke projects all the time, but we have extended this approach to this report, as part of our Market Trends programme. It's important to note that our analysts didn't know the size of the market when they scored each offering—we didn't want them to be swayed by the current dollar value when there are so many other factors at play, and because this is a forward-looking report.

For context, it's worth knowing that even the smallest offering of the four in this report is still larger than the entire consulting market in France, as defined in our Market Trends reports.

*We're using the terms "issues" and "offerings" throughout this report in recognition of the multidisciplinary nature of what we're describing, and to distinguish them from the more traditional "services" that professional services firms have tended to think of themselves as providing.

Sizing methodology

The quantitative market data in this report comes from our unique model of the global professional services market. Rather than making high-level assumptions, this model has been built from the bottom up, sizing the market by capability—assessing how much work a firm earns delivering each professional capability within each sector and country. This results in a robust view of the size of the supply-side market, which can then be broken down to view the size of the market by country, sector, line of business, capabilities, and market segments.

For the purposes of this report we've taken relevant parts from each capability in the model and aggregated them to form multidisciplinary markets: offerings.

Alongside this market segmentation, we also limit our market sizing and analysis to what we at Source call “big consulting”—work done by mid and large-sized firms (those with more than 50 people).

All of the data in the model is calibrated through extensive interviews with, and surveys of, professional services firms and their clients, allowing us to discuss broader trends in the market alongside detailed dimensions such as headcount. These interviews and surveys are supplemented with desk research, which allows us to assess the impact of wider macroeconomic trends on professional services. This, combined with our detailed modelling, results in a long-term view of the market that is able to support both historic and forecast data. All figures given in this report are in US dollars.

Scoring methodology

Our scoring methodology starts from the basic idea that, in order to assess how attractive an offering is to professional services firms, conditions on both the client and supply side need to be taken into account. We settled on four factors for each side (below). For each of these factors, we devised a series of questions with answers that scored from 1 to 5, and then averaged them to give each factor a score. Combining the scores for the factors gives each offering two separate scores out of 20: a client score and a provider score.

It's here that the key difference between the provider and client perspectives becomes apparent. For the former, the questions centre on the challenges of delivery and ROI: A high score overall will come from an offering that draws on existing methodologies and skills, could be bought predictably by many people for a

long time, and isn't hard to make differentiated from the competition. On the client side, the higher the score, the greater the need to look to external providers for help: It's a resonant issue, preferably with attendant regulatory pressure, and while there's clear evidence of the benefits of taking action, the resources needed to address it are scarce.

For the avoidance of doubt, though they take different things into account, both scores measure the attractiveness of the offering to professional services firms. So, a high client score doesn't mean it's good news for the client, it means it's good news for the firm (because conditions on the client side are favourable). It is, then, the two scores combined that ultimately determine how attractive each offering is to professional services firms.

Client issue

Resonance	Intervention	Impact	Scarcity
How engaged are the general public, employees, and the C-suite?	Is there pressure to act from external forces?	Is it possible to make a tangible impact?	How available are the technology, people, and data required?

Provider offering

Foundation	Size	Execution	Predictability
What's already in place?	How big is the opportunity?	How complicated is delivering the offering?	Will clients come back for more?

About the author

Tony Maroulis

Tony is a Principal Consultant in the Market Trends team. He joined Source in September 2022 and works on a range of regular and custom reports. Prior to joining Source, Tony spent a decade as an industry analyst at Ampere Analysis, leading a team of 15 analysts to market size the TMT sector. This included maintaining syndicated products, leading and delivering custom projects, speaking to journalists and presenting at industry events.

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About us

We help professional services firms understand what really matters when facing decisions of vital importance.

The best decisions are based on evidence, objectivity, and a willingness to change. That's why, at Source, we tell you what you need to hear, rather than what you want to hear.

We draw upon our deep roots within the professional services sector to provide firms with a clear picture of their clients' worlds. Through comprehensive research and meticulous analysis, we pinpoint what truly matters and deliver actionable insights that help firms map out the right way forward.

We believe in thriving individually and succeeding together. And we would love to help your firm crack its latest conundrum.

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Publication schedule for 2023

Reports 2023	Market Trends Reports	Market Trends Presentations	Client Perception Studies	Emerging Trends Programme
Q1 January February March	Forecasts for 2023 UK GCC France	India	UK US Germany GCC France	Offshoring Consulting Services
Q2 April May June	Nordics US DACH Sustainability Australia East Asia South East Asia		Australia China Japan Energy & Resources Technology, Media & Telecoms	Crisis Fatigue: How Much More Can Clients Take?
Q3 July August September	Africa Energy & Resources Financial Services Technology, Media & Telecoms	South America Healthcare & Pharma	Risk Tax Audit Technology	Staff Augmentation: Focusing on the Opportunity The Rise of the Technology Challenger
Q4 October November December	Tax Risk Planning for Growth in 2024			Outcomes-Based Consulting

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