

Report
Q1 2023

EXTRACT



MARKET

The UK Consulting Market
in 2023



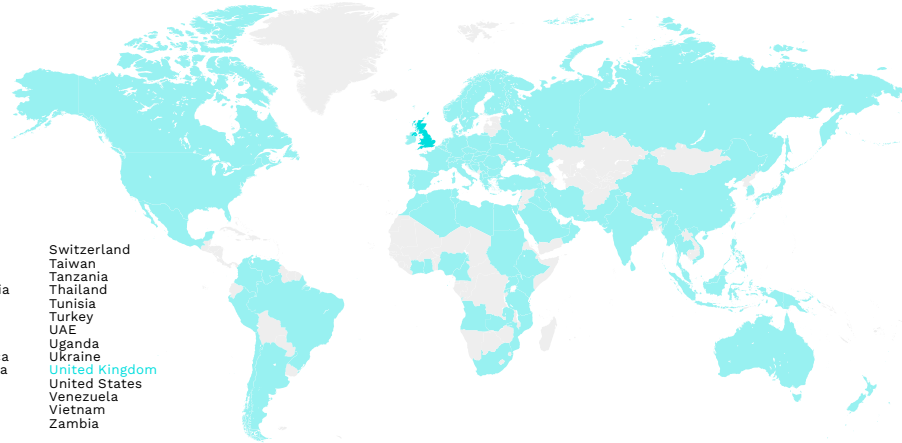
What's included in this report

Our reports offer a wealth of market sizing, growth, and forecast data alongside engaging, in-depth analysis of the trends that matter. Using our highly flexible, multidimensional model we provide firms with robust, trusted data to make informed decisions about strategic investments and plan for the future.

Geography model

● Regions covered

Albania	Germany	North Macedonia
Algeria	Greece	Norway
Angola	Hong Kong	Oman
Argentina	India	Pakistan
Australia	Indonesia	Papua New Guinea
Austria	Iran	Peru
Bahrain	Iraq	Philippines
Belarus	Ireland	Poland
Belgium	Israel	Portugal
Bosnia	Italy	Qatar
Brazil	Japan	Romania
Bulgaria	Kenya	Russia
Cameroon	Kuwait	Rwanda
Canada	Lebanon	Saudi Arabia
Chile	Libya	Serbia
China	Luxembourg	Singapore
Colombia	Malaysia	Slovakia
Côte d'Ivoire	Mexico	Slovenia
Croatia	Morocco	South Africa
Cyprus	Mozambique	South Korea
Czech Republic	Myanmar	Spain
Denmark	Netherlands	Sri Lanka
Egypt	New Zealand	Sudan
Ethiopia	Nigeria	Sweden
Finland		Switzerland
France		Taiwan
		Tanzania
		Thailand
		Tunisia
		Turkey
		UAE
		Uganda
		Ukraine
		United States
		Venezuela
		Vietnam
		Zambia



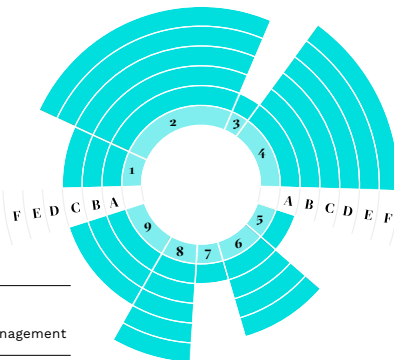
Sector model

Sectors

- 1 Energy & resources
- 2 Financial services
- 3 Healthcare
- 4 Manufacturing
- 5 Pharma & biotech
- 6 Public sector
- 7 Retail
- 8 Services
- 9 Technology, media & telecoms

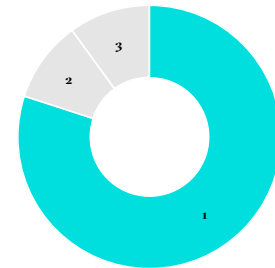
Sub-sectors

- 1 A Energy
- 1 B Primary resources
- 1 C Utilities
- 2 A Banking
- 2 B Capital markets
- 2 C Insurance
- 2 D Investment and wealth management
- 2 E Private equity
- 3 A Healthcare
- 4 A Aerospace
- 4 B Automotive
- 4 C Construction
- 4 D Consumer electronics
- 4 E Consumer packaged goods
- 4 F Industrial products
- 5 A Pharma
- 6 A Defence
- 6 B Education
- 6 C Not-for-profit
- 6 D Public sector



- 7 A Retail
- 8 A Business services
- 8 B Leisure
- 8 C Logistics
- 8 D Real estate
- 8 E Transportation
- 9 A High-tech
- 9 B Media
- 9 C Telecoms

The revenue-earning model



- 1 Consulting
- 2 Managed service
- 3 Other (contingent fees, software licensing, associate networks)

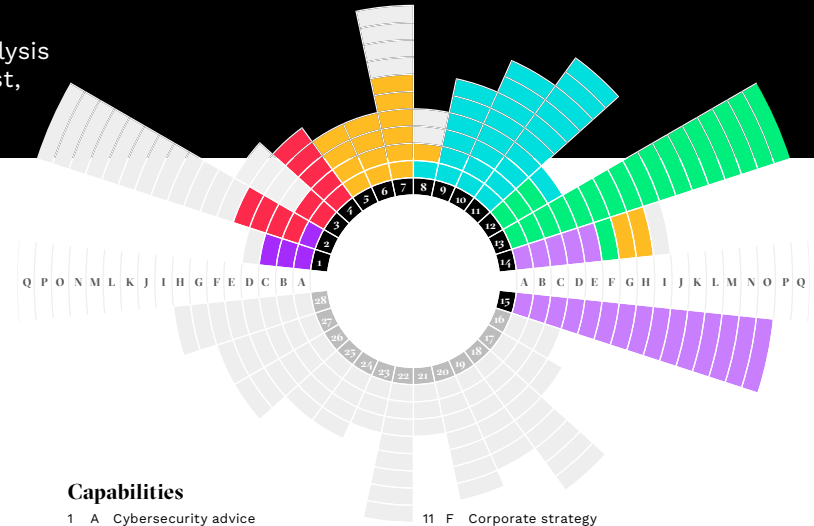
Line of business model

Services

- Cybersecurity consulting
- Risk & financial management
- HR, change & people strategy
- Operations
- Strategy
- Technology & innovation

Line of business

- 1 Cybersecurity
- 2 Risk
- 3 Forensic
- 4 Financial management
- 5 Design & UX
- 6 Innovation
- 7 Technology
- 8 Data & analytics
- 9 Research
- 10 Deals
- 11 Strategy
- 12 Real estate
- 13 Operations
- 14 Sustainability
- 15 HR & change
- 16 Architecture
- 17 Audit & assurance
- 18 Business process outsourcing
- 19 Civil engineering
- 20 Legal
- 21 Litigation
- 22 Marketing & creative
- 23 Network engineering
- 24 Product engineering & R&D
- 25 Recruitment
- 26 Software engineering
- 27 System integration
- 28 Tax



Capabilities

- 1 A Cybersecurity advice
- 1 B Cybersecurity incident response
- 1 C Penetration testing & wargaming
- 2 A Technology & security risk services
- 2 B Operational risk
- 2 C Programme risk
- 2 D Responding to regulation
- 2 E Risk management
- 3 A eDiscovery
- 3 B Forensic accounting
- 4 A Budgeting/financial planning process
- 4 B Debt advisory
- 4 C Finance function
- 4 D Financial advisory
- 4 E Financial restructuring & insolvency
- 5 A Corporate identity
- 5 B Customer journey & UX benchmarking
- 5 C Graphic & UI design
- 5 D UX & service design
- 6 A Ideation
- 6 B Innovation management
- 6 C Innovation strategy
- 6 D Strategies for growth from innovation
- 7 A Cloud advice
- 7 B ERP consulting
- 7 C IT strategy, planning & review
- 7 D IT training
- 7 E Programme management
- 7 F Vendor selection
- 8 A Advanced analytics
- 8 B Data visualisation, business intelligence & semantic layer
- 9 A Customer feedback
- 9 B Customer segmentation
- 9 C Employee feedback
- 9 D Environmental & social impact research
- 9 E Macro/microeconomic research
- 9 F Market research
- 10 A Capital allocation strategy
- 10 B Commercial due diligence & valuation
- 10 C Financial due diligence
- 10 D M&A transaction strategy
- 10 E Operational due diligence
- 10 F Portfolio & investment strategy
- 10 G Public-private partnerships
- 10 H Technology due diligence
- 11 A Business & financial modelling
- 11 B Category management
- 11 C Channel management
- 11 D Corporate recovery & turnaround
- 11 E Corporate restructuring
- 12 A Benchmarking
- 12 B Business continuity & recovery
- 12 C Cost cutting
- 12 D Customer service
- 12 E DevOps
- 12 F Distribution strategy
- 12 G Lean & Six Sigma
- 12 H Operational review
- 12 I Outsourcing advice
- 12 J Post-M&A integration
- 12 K Process design, re-engineering & automation
- 12 L Procurement/purchasing
- 12 M Property & estate management
- 12 N Sales & distribution planning
- 12 O Sales force effectiveness
- 13 A Purpose-led strategy & change
- 13 B Resource-efficiency implementation
- 13 C Resource-efficiency strategy
- 13 D Social impact & trust
- 13 E Sustainable workforce
- 13 F Sustainable supply chain
- 13 G Clean technology
- 13 H Green IT
- 14 A Benefits, compensation & pensions, excluding actuarial & investment advice
- 14 B Change management
- 14 C Diversity & inclusion
- 14 D Employee engagement
- 14 E Governance & board effectiveness
- 14 F HR strategy & effectiveness
- 14 G Leadership
- 14 H Organisational design & culture
- 14 I Organisational training & development
- 14 J Outplacement
- 14 K Pension fund evaluation & advice
- 14 L Performance management
- 14 M Stakeholder management
- 14 N Talent management
- 14 O Team effectiveness & collaboration

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What **really** **matters**

Three things for firms to act on



Knowing your customer is more important than ever before, and consulting firms **need to show innovation at every touchpoint in their client relationships.**

The UK is an uncertain market at present. Supply chain issues, complicated at the outset by Brexit, have been exacerbated by lockdowns in China and the war in Ukraine. Inflation is making it difficult to procure, and price pressures weigh heavily on consumer demand during this cost-of-living crisis. And the increased cost of borrowing makes it harder for businesses to take on new projects, stymying their growth ambitions.

Given all this, it wouldn't be surprising if clients felt the need to take more work in-house, to save money at a time of exceedingly tight margins. Yet this remains the exception rather than the rule.

Clients still feel that consulting firms have a crucial role to play in helping them navigate the market as it stands, to ensure resilience to market shocks, to increase productivity, and to make inter-functional relationships more efficient. But, if they do choose to use firms, clients want to know that they're being listened to, that their needs are being taken onboard, and that their ambitions are being considered.

When deciding what consulting firm to work with, clients highlighted innovation as a key consideration. While innovation does include technology, it reflects a much broader client need. Clients want to see something different from their consulting firm. They want to see new ways of doing things at every touchpoint in their relationship, from account management through to the tools and methodologies used to deliver a firm's expertise.

Client perspective

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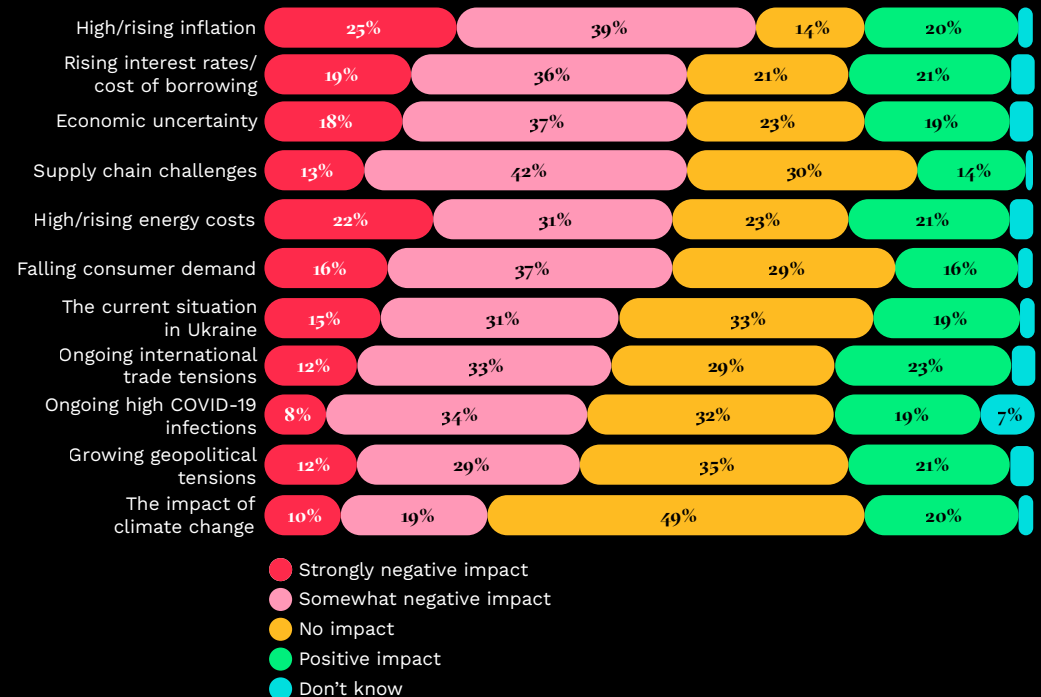
The state of play

Clients face a mounting list of economic headwinds leaving them feeling uncertain about their place in the market

- Economic and geopolitical challenges have left clients uncertain. At the close of 2022, companies in the UK were dealing with a list of substantial headwinds. Mounting risks created by an increasingly fraught macroeconomic climate meant that a growing number of businesses experienced more negatives than positives, with the expectation that those challenging factors would remain in place for at least the next six months.
- Inflation was the most prominent issue facing companies in the UK, with almost two-thirds of clients identifying rising inflation as the major factor hindering their business. Simultaneously, the uptick in interest rates was increasing the cost of taking on credit to fund new projects, while rising energy costs and falling consumer demand exacerbated balance sheet challenges.
- Global supply chain issues were a further hindrance to businesses' ability to operate effectively in the market in general, and in the energy & resources sector in particular, with 88% of these respondents highlighting challenges in their supply chains as critical pain points.
- However, there's a nascent sense of opportunity for those able to navigate an increasingly fraught international trade environment, with around 20% of clients seeing many of these challenges as an opportunity to recalibrate their business models and approaches to the global market.

Figure 5

To what extent have the following factors already had an impact on your organisation or are likely to do so over the next six months?



Implications for firms



Consulting firms are being used mainly for strategy engagements, with clients favouring the Big Four

- Over the past year, clients have used consulting firms predominantly for strategy projects, with technology and business strategy featuring as the two most used consulting services in the past 12 months. This indicates where clients find themselves, using consulting firms to help navigate the tricky economic environment through the development of strategies which drive efficiency, productivity, and competitiveness by devising holistic and inter-functional technology strategies.
- This is a sweet spot the Big Four increasingly find themselves occupying, attracting clients by virtue of their heritage financial management, while also competing with strategy houses for business strategy work. Indeed, this appears to be working in their favour, with strategy houses in both corporate and technology domains used by only 40% of clients despite high levels of demand for strategy work.
- Data & analytics plays an important role across consulting demand, to underpin strategy development, understand enterprise pain points, and create a better understanding of customers, to fuel quick decision making in a volatile business environment. As a result, it's not surprising to see that 33% of clients in our research hired a consulting firm for a data & analytics project in the past year.
- While sustainability continues to be lower priority, there's more to this. Demand for elements of sustainability within core offerings mean elements of carbon reduction and diversity & inclusion incorporated into projects as standard, rather than something bought and sold as a discrete service.

Figure 41

Which type of consulting firm did your organisation use in the past 12 months?

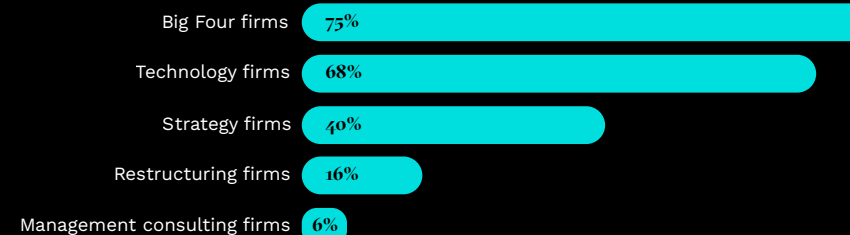
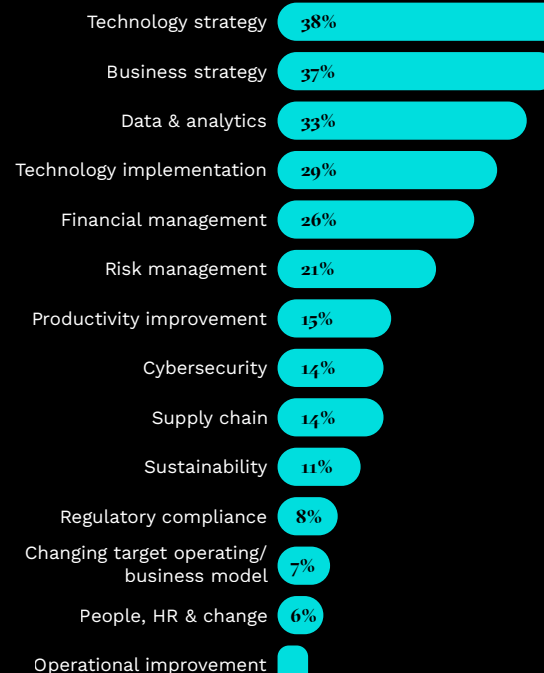


Figure 42

What services did you use a consulting firm for?



Insights from consultants



Simon Albrighton, Partner, Head of Sectors Consulting, KPMG UK and Paul Henninger, Partner, Head of UK Connected Technology & Global Lighthouse, KPMG UK

“Cyber played a major role, both in terms of attack prevention and incident response, but also around compliance.”

“We saw more clients willing to take risks despite the economic uncertainty—not by cutting consulting budgets, but by cutting projects into smaller elements.”

“Being agile and continuous upskilling is crucial.”

How did the market perform over the past year, and what were its key drivers?

SA: “The UK was a growing market last year. A lot of companies became cognisant of their technology deficit post-COVID and wanted to strengthen their tech infrastructure—for example, by moving to the cloud or implementing new platforms such as SAP, Microsoft, Workday, Oracle, and ServiceNow.”

“Many of our clients were growing over the past year and were facing the challenges of growth in a world of supply chain difficulties and high shipping costs. Their focus on the growth and cost agenda, to ensure everything was optimised with value creation at its core, resulted in more demand around new operations and business models. Resilience was a strong driver. Cyber played a major role, both in terms of attack prevention and incident response, but also around compliance.”

PH: “There was extremely fast growth in the digital transformation of functional processes and models. This was driven by the desire to house multi-disciplinary teams in the same room, by layering an organisational change component on top of supply chain, data & analytics, ERP, and enterprise architecture transformation.”

“The first half of 2022 was characterised by the same strategy-implementation-run pattern we saw during the pandemic. In the second half, we saw more clients willing to take risks despite the economic uncertainty—not by cutting consulting budgets, but by cutting projects into smaller elements.”

Did this growth come from any particular sectors?

SA: “Up to the last few weeks of 2022, all sectors were growing. There was a very strong regulatory pull in financial services. In infrastructure, government and health, there

was demand for services around how to modernise and transform. Consumer & retail began to struggle.”

To what extent have economic headwinds impacted demand over the past year?

SA: “We have grown every year for the past 10 years and that continued in 2022, although we did start to see the rate slow a little towards the end of the year—still growing, but slower because of the economic headwinds at play.”

PH: “Firms now have more experience in the pains caused by headwinds and have the leaders in place to engage with change. Companies are looking to see where their risk exposures exist and are investing more in sustainable risk management.”

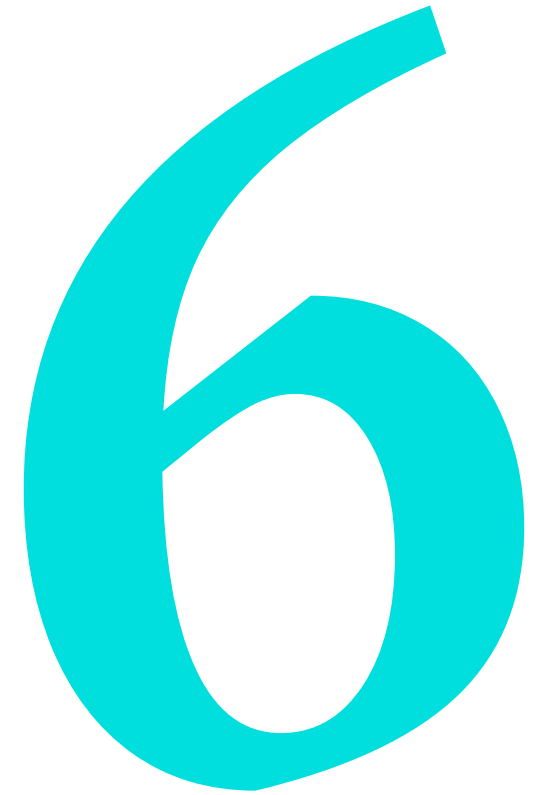
Was there slowing demand in any specific areas?

PH: “HR & change slowed down from a people and change technology perspective, and while finance transformation has sustained, the digital transformation aspect of it has slowed. There are technology companies currently facing risks from regulators and because of lay-offs. Since these companies are a big part of the transformation landscape, it has prompted activity in other technology islands of dependency.”

SA: “It is a dynamic market from a skills perspective. The themes of our work aren’t changing, but the skills and content needed to provide our work are. This means that the role of being agile and continuous upskilling is crucial.”

PH: “The focus on skills development has seen people shift in a way they were unable to five years ago. People who previously would not have considered themselves as ‘technical’ now work in very technical roles.”

About this report



Methodology—The MegaModel

MegaModel: Our global data model

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 capability 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, capability, and market segment.

For the purposes of this report, we've focused on types of firm and market segments that broadly equate to traditional definitions of consulting. 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). Please note that we don't track the long, thin tail of work done by contractors and very small firms, as most readers of this report would not seek or be able to compete in this part of the market.

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 UK pounds. For reference, Source is using the following exchange rates in its reports this year:

US dollar to British pound US\$1 = £0.80

US dollar to euro US\$1 = €0.94

The data in all charts has been rounded to the nearest whole number. This may result in some totals that do not equal 100%.

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 & 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”.

Client perspective

We carry out a client survey to help us build a rich picture of how different trends in the UK are affecting clients' organisations and their use of consulting. Our survey focuses on trends in the UK, providing detailed insights into the nuances of the market. For this, we surveyed 100 senior clients of consulting firms from across the UK, all of whom work in organisations with 1,000 or more employees. This survey focuses on the following areas:

- How they expect to use consultants during 2023 and the first half of 2024
- Factors that affect the way clients work with consulting firms
- The ways consulting firms market themselves to clients and the impact this has on client decision making.

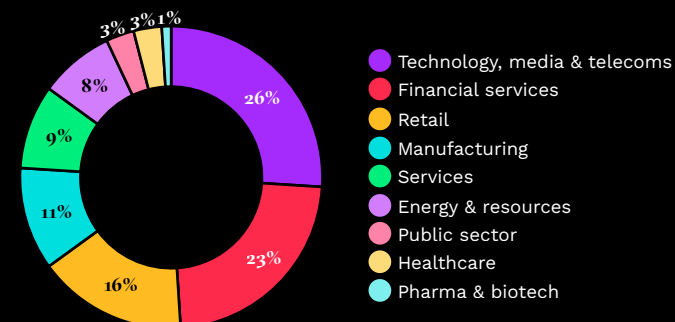
Insights from consultants

Throughout the year, Source analysts remain plugged in to the global consulting market through our bespoke research and consulting projects, adding further depth to our understanding of the consulting industry.

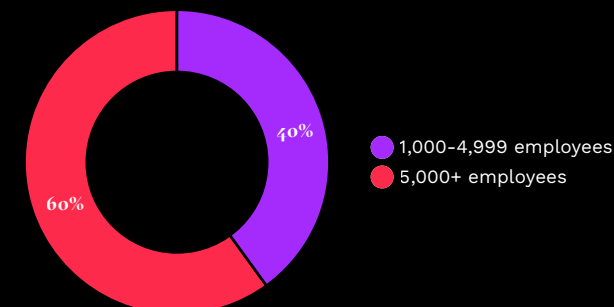
In-depth desk research

We also conducted a thorough PEST analysis in the UK 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.

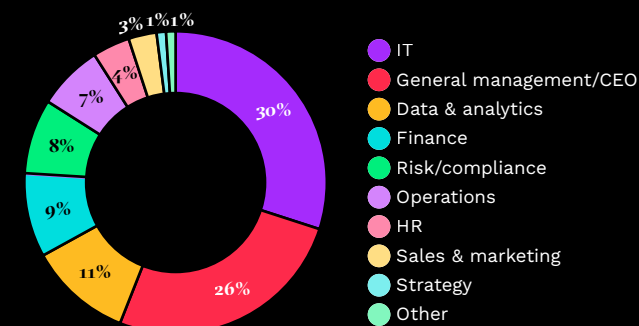
Respondents by sector



Respondents by organisation size



Respondents by function



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
Simon Albrighton	Partner, Head of Sectors Consulting	KPMG UK
Brandon Bichler	Partner	Elixirr
Pierre-Yves Commanay	Executive Director, UK Consulting & Continental Europe	Sopra Steria
Philip Dunne	UK Managing Partner	Roland Berger
Alan Frost	Partner	Mazars UK
Paul Henninger	Partner, Head of UK Connected Technology & Global Lighthouse	KPMG UK
Tim Medforth	Consulting Markets Leader UKI	EY
Tim Roberts	Partner, Managing Director & UK Country Co-Lead	AlixPartners
Paul Terrington	UK and EMEA Head of Consulting	PwC
Mark Veldon	Partner, Managing Director & UK Country Co-Lead	AlixPartners

Meet the expert

James Beeby

James is Research Manager at Source and works across the business to provide clients with research and analysis into firms, countries, sectors, and markets to understand the key trends impacting the professional services industry. James also plays a leading role in our internal research programme, tracking macroeconomic, political, and social changes to understand the risks and opportunities for client firms across a range of sectors and markets. He also evaluates research processes to unearth new and insightful ways of delivering original and impactful research and analysis. Prior to joining Source in 2019, James worked in the Singapore Ministry of Foreign Affairs in London as a political researcher.

James Beeby

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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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