

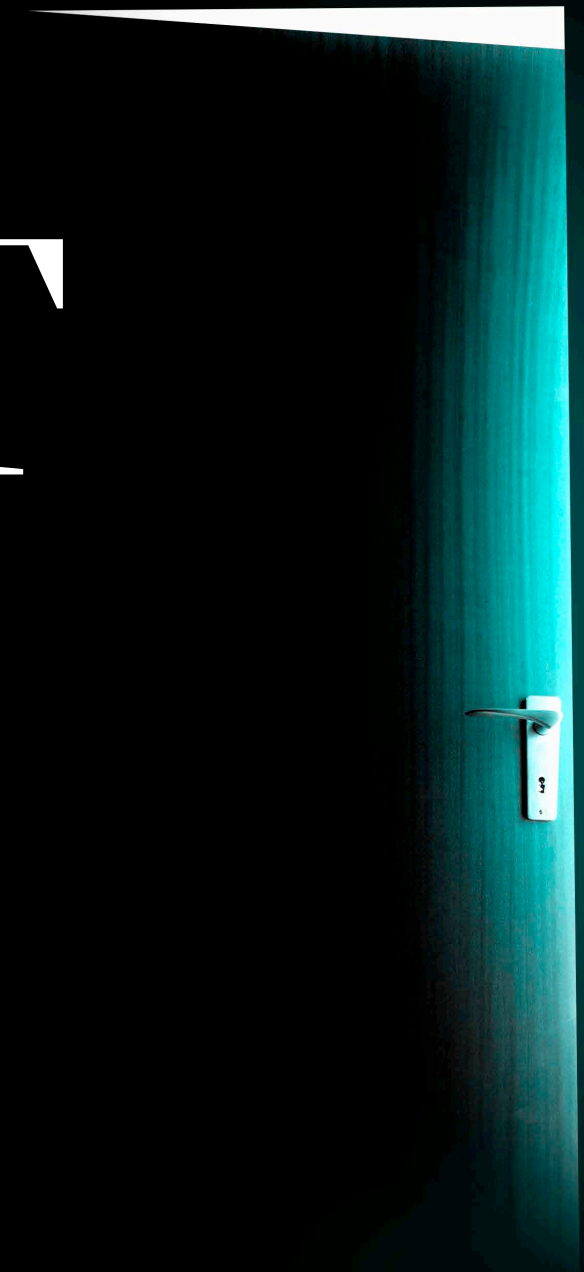
Report
Q2 2023

EXTRACT



MARKET

The US Consulting Market
in 2023



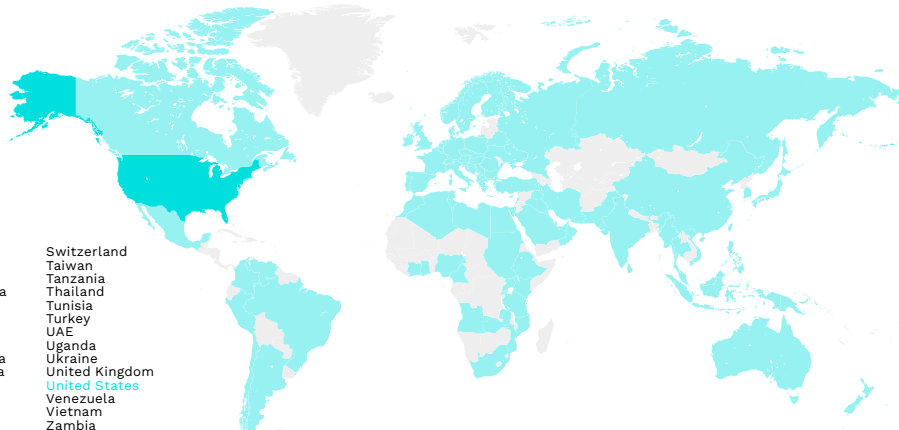
What's included in this report

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

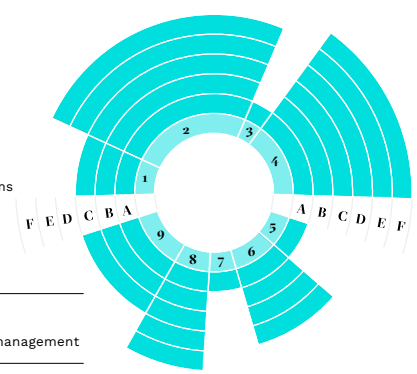


Sector model

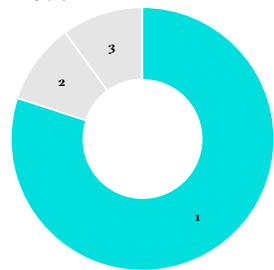
- Energy & resources
- Financial services
- Healthcare
- Manufacturing
- Pharma & biotech
- Public sector
- Retail
- Services
- Technology, media & telecoms

Sub-sectors

- | | |
|--------------------------------------|-----------------------|
| 1 A Energy | 7 A Retail |
| 1 B Primary resources | 8 A Business services |
| 1 C Utilities | 8 B Leisure |
| 2 A Banking | 8 C Logistics |
| 2 B Capital markets | 8 D Real estate |
| 2 C Insurance | 9 A High-tech |
| 2 D Investment and wealth management | 9 B Media |
| 2 E Private equity | 9 C Telecoms |
| 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 | |



The revenue-earning model



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

Line of business model

Services

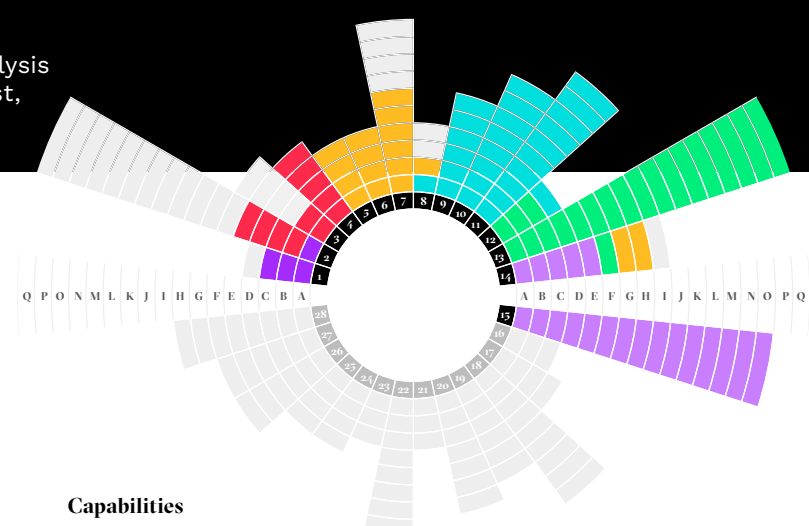
- Cybersecurity consulting
- Risk & financial management
- HR, change & people strategy
- Operations
- Strategy
- Technology & innovation

Line of business

- Cybersecurity
- Risk
- Forensic
- Financial management
- Design & UX
- Innovation
- Technology
- Data & analytics
- Research
- Deals
- Strategy
- Real estate
- Operations
- Sustainability
- HR & change
- Architecture
- Audit & assurance
- Business process outsourcing
- Civil engineering
- Legal
- Litigation
- Marketing & creative
- Network engineering
- Product engineering & R&D
- Recruitment
- Software engineering
- System integration
- Tax

Capabilities

- | | |
|----------------------------------------------------------------|---------------------------------------------------------------------------------|
| 1 A Cybersecurity advice | 11 F Corporate strategy |
| 1 B Cybersecurity incident response | 11 G Market analysis & strategy |
| 1 C Penetration testing & wargaming | 11 H Policy formulation |
| 2 A Technology & security risk services | 11 I Pricing |
| 2 B Operational risk | 11 J Strategic sourcing/offshoring services |
| 2 C Program risk | 12 A Corporate, occupier services & facilities management |
| 2 D Responding to regulation | 12 B Integrated real estate developer services |
| 2 E Risk management | 12 C Real estate deal/transaction services |
| 3 A eDiscovery | 12 D Real estate strategy |
| 3 B Forensic accounting | 13 A Benchmarking |
| 4 A Budgeting/financial planning process | 13 B Business continuity & recovery |
| 4 B Debt advisory | 13 C Cost cutting |
| 4 C Finance function | 13 D Customer service |
| 4 D Financial advisory | 13 E DevOps |
| 4 E Financial restructuring & insolvency | 13 F Distribution strategy |
| 5 A Corporate identity | 13 G Lean & Six Sigma |
| 5 B Customer journey & UX benchmarking | 13 H Operational review |
| 5 C Graphic & UI design | 13 I Outsourcing advice |
| 5 D UX & service design | 13 J Post-M&A integration |
| 6 A Ideation | 13 K Process design, re-engineering & automation |
| 6 B Innovation management | 13 L Procurement/purchasing |
| 6 C Innovation strategy | 13 M Property & estate management |
| 6 D Strategies for growth from innovation | 13 N Sales & distribution planning |
| 7 A Cloud advice | 13 O Sales force effectiveness |
| 7 B ERP consulting | 13 P Supply chain management |
| 7 C IT strategy, planning & review | 13 Q Target operating model |
| 7 D IT training | 14 A Purpose-led strategy & change |
| 7 E Program management | 14 B Resource-efficiency implementation |
| 7 F Vendor selection | 14 C Resource-efficiency strategy |
| 8 A Advanced analytics | 14 D Social impact & trust |
| 8 B Data visualisation, business intelligence & semantic layer | 14 E Sustainable workforce |
| 9 A Customer feedback | 14 F Sustainable supply chain |
| 9 B Customer segmentation | 14 G Clean technology |
| 9 C Employee feedback | 14 H Green IT |
| 9 D Environmental & social impact research | 15 A Benefits, compensation & pensions, excluding actuarial & investment advice |
| 9 E Macro/microeconomic research | 15 B Change management |
| 9 F Market research | 15 C Diversity & inclusion |
| 10 A Capital allocation strategy | 15 D Employee engagement |
| 10 B Commercial due diligence & valuation | 15 E Governance & board effectiveness |
| 10 C Financial due diligence | 15 F HR strategy & effectiveness |
| 10 D M&A transaction strategy | 15 G Leadership |
| 10 E Operational due diligence | 15 H Organizational design & culture |
| 10 F Portfolio & investment strategy | 15 I Organizational training & development |
| 10 G Public-private partnerships | 15 J Outplacement |
| 10 H Technology due diligence | 15 K Pension fund evaluation & advice |
| 11 A Business & financial modelling | 15 L Performance management |
| 11 B Category management | 15 M Stakeholder management |
| 11 C Channel management | 15 N Talent management |
| 11 D Corporate recovery & turnaround | 15 O Team effectiveness & collaboration |
| 11 E Corporate restructuring | |



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What **really** matters

Three things for firms to act on



While uncertainty looms, clients want to see something they have not seen before—**radical solutions brought to bear through an innovative approach.**

After the resurgence of the market in 2021, in the immediate aftermath of the pandemic, the US consulting market is one characterized by uncertainty. A perfect storm of rising inflation, costs, and prices have been complicated further by acute talent shortages and increasingly complex supply chain issues resulting from a tumultuous geopolitical environment.

However, despite the growing list of challenges facing clients, consulting spend remains robust, with 66% of clients telling us that they intend to use consultants more in the next 12 months. That being said, there are some notable changes in how clients are interacting with consulting firms. They are more hesitant to invest in long, expensive transformation projects, and are only spending on consulting to counter the most critical of pain points. They are doing this through smaller, tactical projects, which allows them the space and time to ensure that their investments are paying off before considering further engagements.

This puts consulting firms in a tricky position. They face the challenges of delivering quality in much tighter timeframes, and the sequential nature of smaller projects could mean more competition if each part is put out to tender.

There are also some interesting changes taking place in how clients choose which consulting firm to work with. When we asked clients about how the macroeconomic disruption had changed their use of consulting firms, our findings revealed that clients want new and radical solutions (as well as help with business-as-usual processes). Clients also said that innovation was the key determinant when choosing a firm to work with in the past year, and that they would substantially increase their consulting spend should the proposed solution be backed by robust and reliable data about the market.

This speaks to some interesting new dynamics at play—clients want to see something they have not seen before and have a broad appetite for firms to come to them with new and novel solutions, delivered in a way that emphasizes innovation at all stages in a project lifecycle.

Client perspective



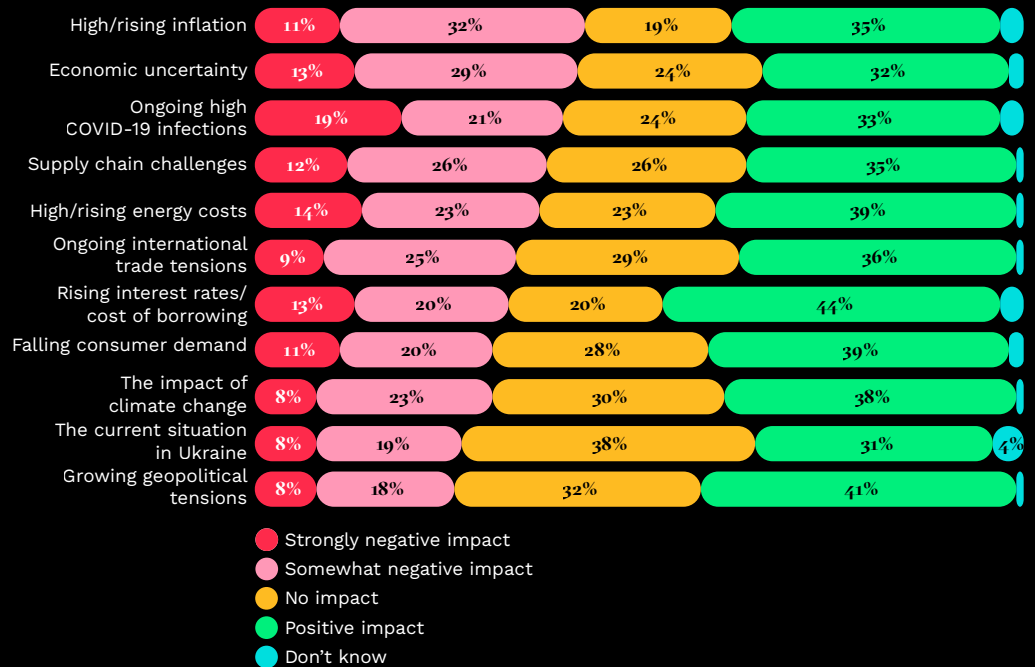
The state of play

Macroeconomic headwinds have stunted confidence in the market, challenging post-pandemic optimism

- 2021 was a booming year in the US. The major disruptions caused by the pandemic were largely over. Aside from some turbulence in the early part of the year caused by the presidential election, clients were feeling optimistic and invested substantially in growth initiatives to make up for the time lost over the preceding year, armed with the capital to bring those ambitions to fruition.
- As 2022 ended, the mood was entirely different. The impact of growing macroeconomic tensions, inflation, and energy price rises had a significant impact on business-as-usual. This was complicated further by new and existing political tensions that impacted their ability to look beyond the US for new growth opportunities. Clients feel that they are not out of the woods just yet, with the looming threat of a global recession clouding client outlook for the year to come.
- That being said, there is evidence to suggest that some clients expect to be able to navigate these obstacles and turn them into an opportunity for forward momentum. Around a third of clients state that the macroeconomic factors at play have had or will have a positive impact on their organization.

Figure 5

To what extent have the following factors already had an impact on your organization and/or are likely to do so in the next six months?



Implications for firms



With technology at the top of clients' priorities, it is no surprise to see technology firms occupying pole position in the market

- Clients are investing heavily into technology, and so it is no surprise to see that this is converting into consulting spend. Of all the areas of consulting clients used over the past year, two of the top three were technology based, with 77% spending on technology strategy and 71% spending on technology implementation. The second spot was taken by productivity improvement (73%), in which technology plays a significant role.
- While this is an increasingly congested area of the market, it is technology players that reap the rewards. While firms from across the spectrum doubtlessly have credentials in this space, demand for a broad range of proprietary technology solutions pushes clients towards technology firms. Clients want to know that their partner firm can provide a workable solution and using a firm that has that mission at its core gives certain guarantees about outcomes, which clients may feel is not on offer elsewhere without making allowances on price or quality.

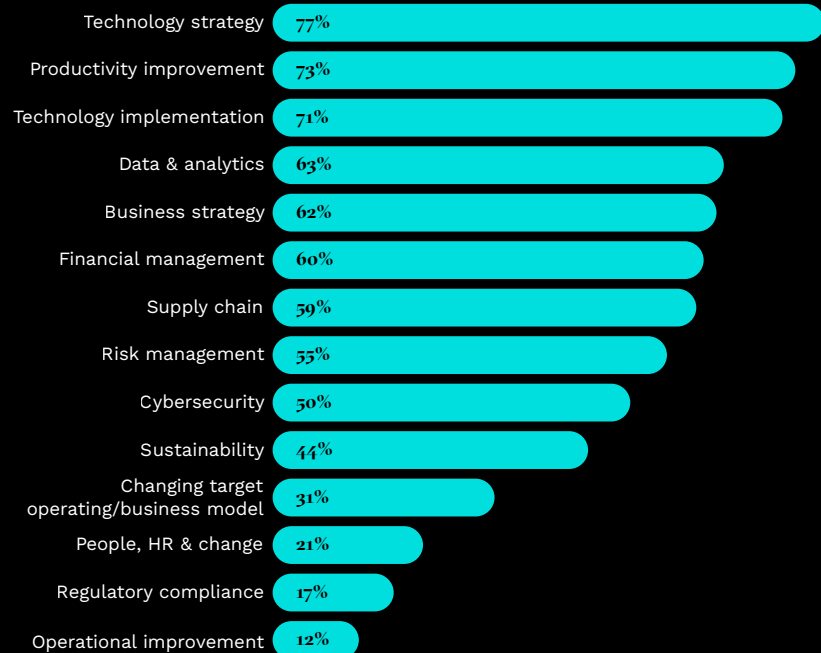
Figure 29

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



Figure 30

What services did you use a consulting firm for?



Tim Medforth, Consulting Markets Leader UKI, EY

“Many departments in central government have continued to focus on long-term transformation projects to help better serve citizens.”

“Much of the cost takeout has already happened by companies so it’s harder to find new sources of cost reduction.”

“The majority of our proposals need to go through the lens of sustainability as part of the engagement.”

How did the market perform in 2022?

“Like 2021, 2022 was a strong year for us in terms of growth and demand. Our UK consulting business saw significant revenue growth of 33%. There was a particularly strong performance in our Government & Infrastructure and Energy & Resources sectors.”

“We’re supporting companies as they face a convergence of challenges, from climate change and the pandemic to economic uncertainty, inflation and shifting consumer habits.”

“We’re continuing to see good levels of growth across our UK business. The long-term investments we’ve made in our business means we are well positioned to navigate the current economic environment.”

How have you seen demand develop in the government sector over the past year?

“Many departments in central government have continued to focus on long-term transformation projects to help better serve citizens and, in local government, there is a focus on renewing infrastructure and systems. We also see a lot of investment in the charity sector, where organisations are looking to professionalise how they operate so that they’re more efficient in finding and deploying funds.”

How much has cost reduction continued to drive consulting demand?

“Cost reduction is still a partial driver, but it has evolved over the past year. Firstly, much of the cost takeout has already happened by companies so it’s harder to find new sources of cost reduction. As a result, companies are now much more focused on value creation. Secondly, the reality of licence to serve is now driven around the overall environmental agenda, and we’re seeing this influence cost reduction initiatives.”

Have you seen sustainability change over the past year?

“Sustainability is much more action-based now. Most organisations now have sustainability executive roles and, increasingly, the work we’re doing in areas like supply chain is moving beyond planning and towards evidencing impact. It is no longer acceptable for enterprises to not be focused on sustainability.”

“Sustainability is a growing part of business and increasingly an intrinsic part of what we do. It’s no longer a discrete set of services. The majority of our proposals need to go through the lens of sustainability as part of the engagement.”

Are there any areas of demand that have reduced over the past year?

“We have seen reduced levels of demand in private equity due to the global and national market uncertainty and so we’ve responded to this by going into proactive mode. We’re engaging with private equity houses and broader corporates to understand what their strategies will be around acquisitions and disposals when there is more economic certainty. We’re also trying to understand what the strategy will be to release value to transform acquisitions made before COVID and the slowdown. Ensuring that these are the best businesses they can be gives [private equity] firms more choices to exit or do other things with portfolio companies.”

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 US dollars. 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 US are affecting clients' organizations and their use of consulting. Our survey focuses on trends in the US, providing detailed insights into the nuances of the market. For this, we surveyed 100 senior clients of consulting firms from across the US, all of whom work in organizations 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.

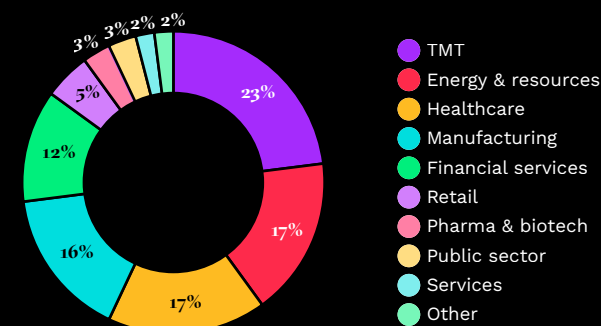
Insights from consultants

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.

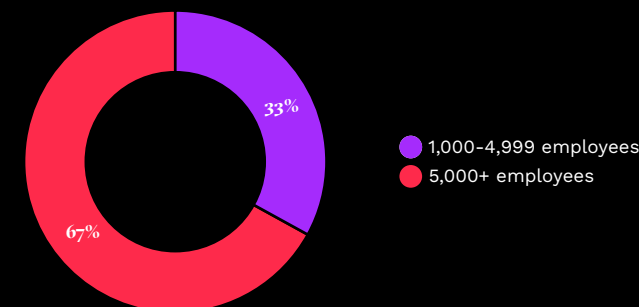
In-depth desk research

We also conducted a thorough PEST analysis in the US 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.

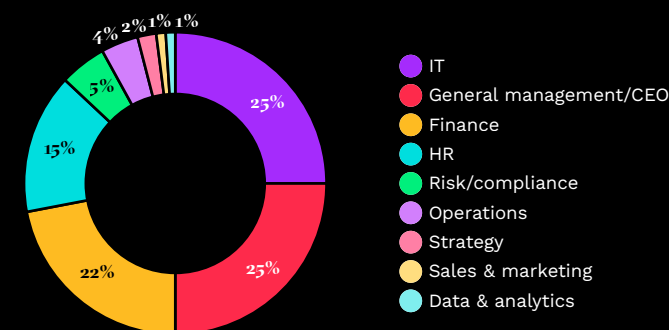
Respondents by sector



Respondents by organization 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	Organization
Alex Bombeck	Chief Executive Office	North Highland
Cory Gunderson	Executive Vice President	Protiviti
Mohamed Kande,	Vice Chair, US & Global Advisory Leader	PwC
Chiaki Nishino	President, North America	Prophet
Manny Picciola	Managing Director and Partner	L.E.K.
Raj Sharma	Americas Consulting Vice Chair	EY
Atif Zaim	US National Managing Principal, Advisory	KPMG

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 program, 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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