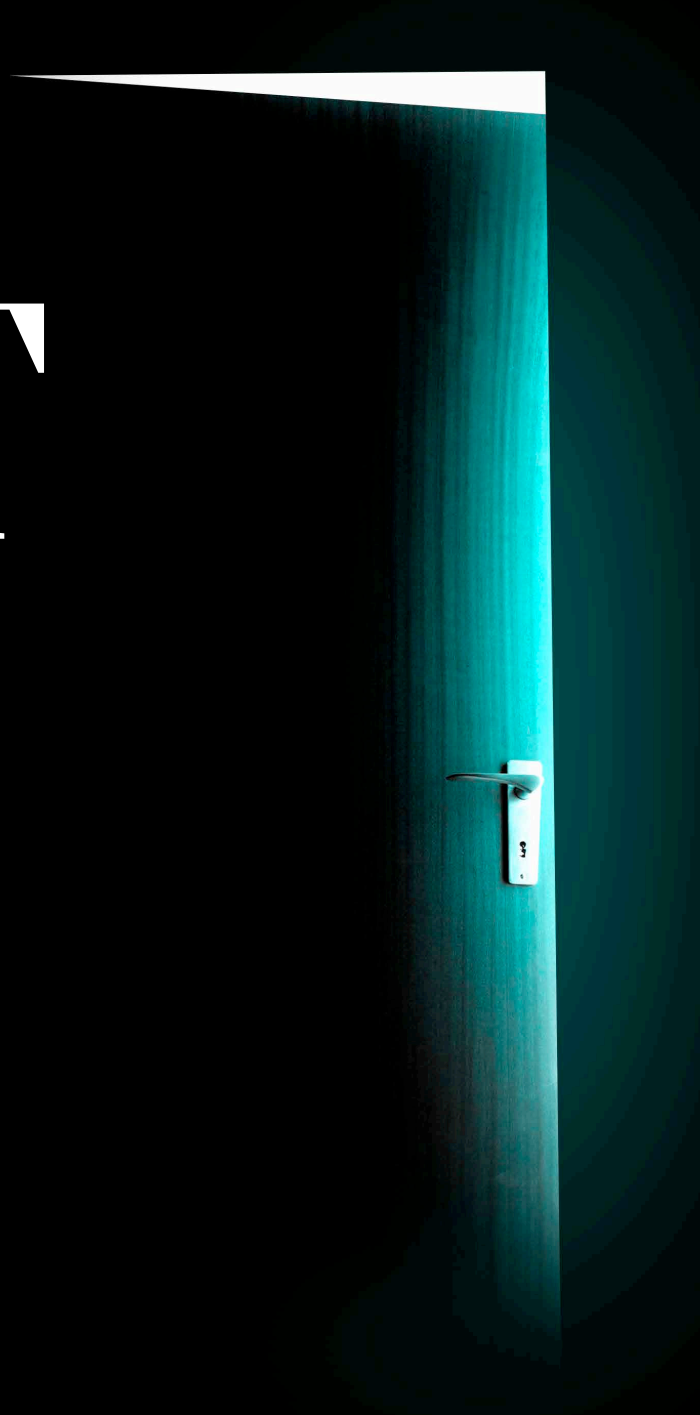
Report
September 2023

EXTRACT

SOURCE

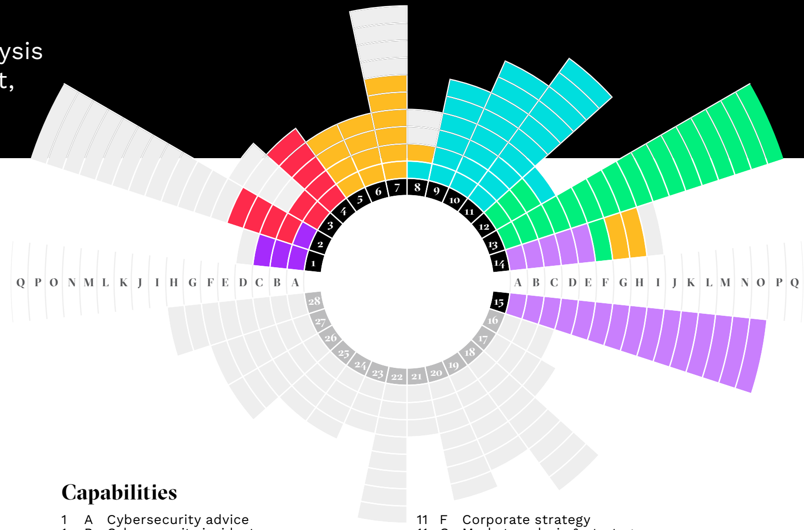
MARKET

The Technology, Media & Telecoms Consulting Market in 2023



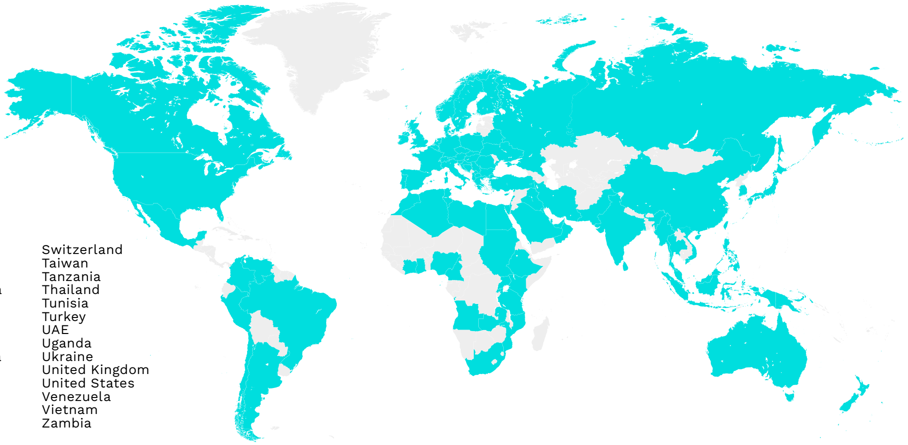
What's included in this report

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

Countries covered

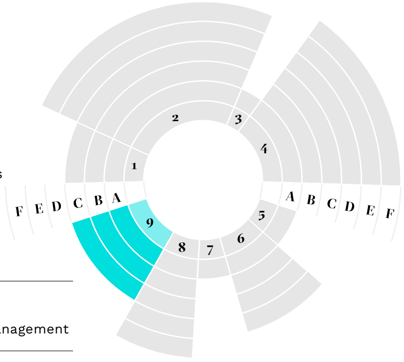


Albania, Algeria, Angola, Argentina, Australia, Austria, Bahrain, Belarus, Belgium, Bosnia, Brazil, Bulgaria, Cameroon, Canada, Chile, China, Colombia, Côte d'Ivoire, Croatia, Cyprus, Czech Republic, Denmark, Egypt, Ethiopia, Finland, France, Germany, Ghana, Greece, Hong Kong, Hungary, India, Indonesia,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

Sector model

Sectors

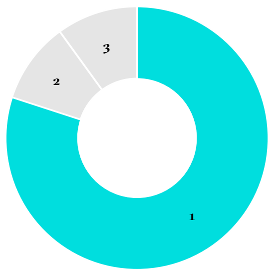
1 Energy & resources
2 Financial services
3 Healthcare
4 Manufacturing
5 Pharma & biotech
6 Public sector
7 Retail
8 Services
9 Technology, media & telecoms



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
11 F Corporate strategy
11 G Market analysis & strategy
11 H Policy formulation
11 I Pricing
11 J Strategic sourcing/offshoring services
12 A Corporate, occupier services & facilities management
12 B Integrated real estate developer services
12 C Real estate deal/transaction services
12 D Real estate strategy
13 A Benchmarking
13 B Business continuity & recovery
13 C Cost cutting
13 D Customer service
13 E DevOps
13 F Distribution strategy
13 G Lean & Six Sigma
13 H Operational review
13 I Outsourcing advice
13 J Post-M&A integration
13 K Process design, re-engineering & automation
13 L Procurement/purchasing
13 M Property & estate management
13 N Sales & distribution planning
13 O Sales force effectiveness
13 P Supply chain management
13 Q Target operating model
14 A Purpose-led strategy & change
14 B Resource-efficiency implementation
14 C Resource-efficiency strategy
14 D Social impact & trust
14 E Sustainable workforce
14 F Sustainable supply chain
14 G Clean technology
14 H Green IT
15 A Benefits, compensation & pensions, excluding actuarial & investment advice
15 B Change management
15 C Diversity & inclusion
15 D Employee engagement
15 E Governance & board effectiveness
15 F HR strategy & effectiveness
15 G Leadership
15 H Organisational design & culture
15 I Organisational training & development
15 J Outplacement
15 K Pension fund evaluation & advice
15 L Performance management
15 M Stakeholder management
15 N Talent management
15 O Team effectiveness & collaboration

Contents

What really matters

1

Three things for firms to act on

SOURCE

AI hype is turbocharging tech work.

AI hype is alive and kicking among TMT clients, with nearly two thirds (62%) of TMT clients foreseeing AI having a positive impact on their business in the next six months, higher than from any other aspect.

AI capabilities will evolve and improve through the introduction of more data, and we can see clients focusing on the development of their data & analytics capabilities to build the groundwork for broader AI use. The better and more detailed the data, the more meaningful the AI capabilities can become.

Client perspective

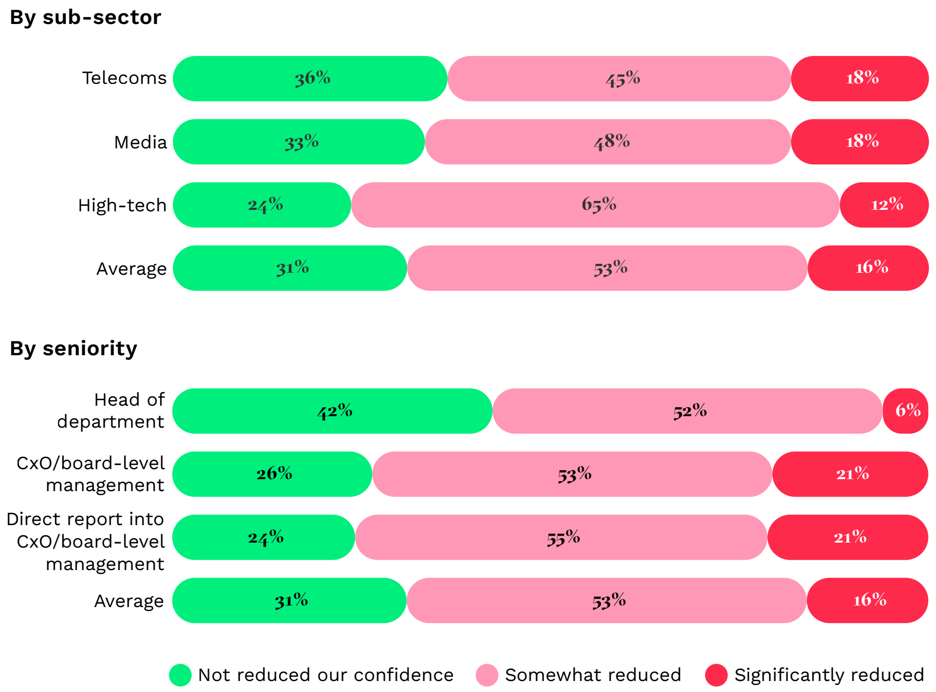
3

More than two thirds of TMT clients have been affected by macroeconomic challenges

- The way in which clients are affected by these challenges varies by sub-sector and seniority
- Tech clients have had their confidence affected the most, with three-quarters (77%) experiencing some kind of drop in confidence. However, while more clients have been affected, the impact is dispersed. Media and telecoms clients are a bit more polarised, with over a third of clients saying they have been unaffected, but nearly a fifth (18%) saying they have been significantly affected. Overall, this paints an uncertain picture for the TMT sector as a whole, as only the energy & resources sector has been harder hit than TMT in terms of confidence levels.
- There is also a significant disconnect between the leaders of TMT businesses. CxOs and direct reports into CxOs have a more negative outlook than heads of departments. While heads of departments' remits have been less affected, CxOs and senior leaders—who are likely looking for the next big expansion or investment project—will be feeling less confident about pulling the trigger as global markets remain uncertain. More than a fifth (21%) of CxOs and direct reports indicated that their confidence was significantly affected, compared to just 6% of the department heads surveyed.

Figure 10

To what extent have the macroeconomic situation and political tensions impacted your confidence when thinking about the future of your organisation?



Implications for firms

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Clients need consultants more than last year, and this is due to new and unfamiliar issues rather than high workload

- Clients are expected to need consultants' help more than they did during the last twelve months. Where 56% of TMT clients said they would use consultants more last year, this proportion increased to 66% in 2023. Additionally, the portion of clients expecting to use consultants less has remained small, albeit increasing slight from 3% to 5%.
- The reason for this expected rise in consulting services has also changed since last year. Where last year, the primary reason for leaning more heavily on consultants was the amount of work and short deadlines, this year clients need help dealing with new issues they have not encountered before (23% of clients selected this as a primary reason). That is not to say that clients are not struggling with workloads; a shortage of staff was the primary concern for the second largest portion of clients (17% of clients selected this as the primary reason), and this is affecting media clients in particular.
- Unlike last year, consultants looking to capitalise on the client demand for consulting support will have to provide more than just capacity to clients. Clients will be looking for consultants to help them understand the new challenges they are facing and ultimately provide a course of action.

Figure 19

How do you think that your organisation's overall use of consultants will change in the next 12 months?

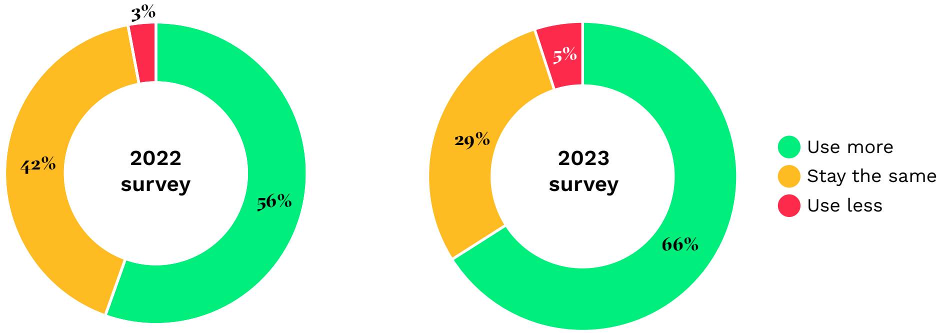
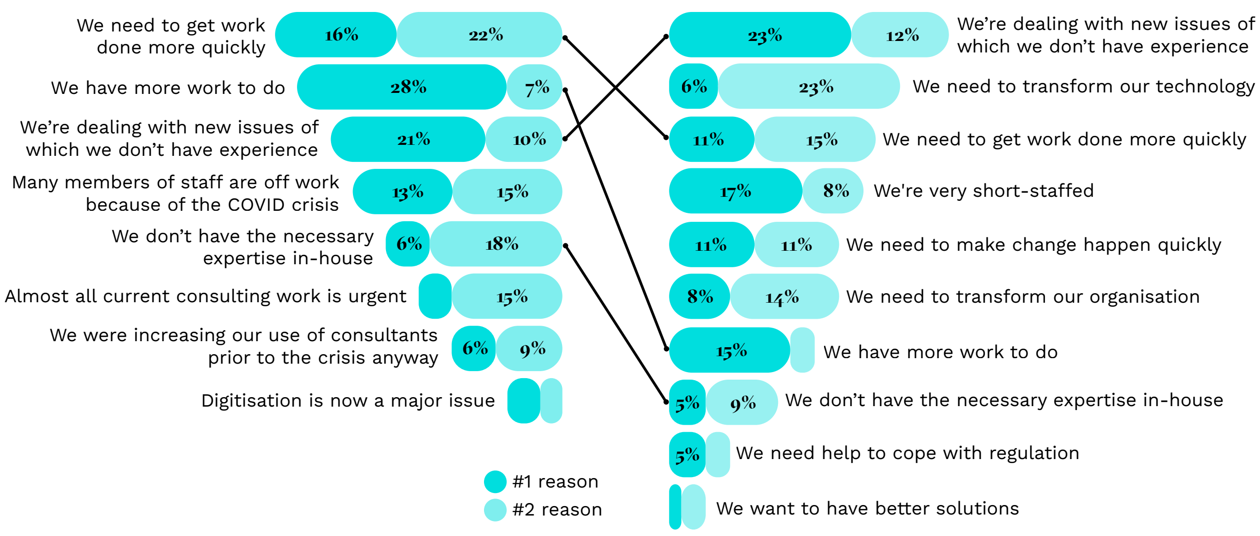


Figure 20

What are the two most important reasons why you expect your overall use of consultants will increase?



Greg Cudahy, Global Technology, Media & Entertainment and Telecommunications (TMT) Sector Leader, EY

"The US West experienced a specific reduction in SPACs and transactions over the last 12 months."

"East-West tensions have, in some ways, increased client demand. [...] It's not a business-as-usual environment."

"In my 11 years at EY, [the AI] worldwide push is the biggest and fastest mobilisation I've ever seen."

How did the TMT market perform for you in 2022?

Relative to the market, our 2022 was strong. It was a record year for Global TMT, with double-digit year-on-year growth, with a lot more strength in Europe and APAC.

There was solid growth in the Americas, too, but the US was the real laggard in a very specific area. Growth for our very big transactions and strategy businesses was heavily dependent on things like SPACs (special purpose acquisition companies) in previous years, but this was a soft point for us in 2022. In particular, the US West experienced a specific reduction in SPACs and transactions over the last 12 months or so.

This was mostly focused on the tech side of TMT. However, we did experience 20–30% growth in IT work in the tech sector. We've found that the slowdown some of our tech clients are experiencing has made them a little more open to consultants for some of these things.

We had very strong double-digit growth in telecoms—in fact, we saw some of our highest growth ever in that sector. In addition, we saw very strong performance in media and entertainment, which weren't as affected as tech.

Have global political tensions or general macroeconomic uncertainty affected other parts of your business?

They have. In particular, East-West tensions have, in some ways, increased client demand. Clients are trying to figure out how to navigate these issues, especially around supply chains and regulatory matters. It's not a business-as-usual environment.

Is your business model the same ratio of traditional consulting to managed services as it was before?

We've been doing managed services for a long time, but it's changing up and accelerating. While the transactions work I mentioned has been softer, we've seen almost explosive growth in emerging tech, both in consulting and managed services. We're hiring a lot of people in that space.

Have you started using AI yourself? Are you helping clients implement it?

Absolutely. We've broken down the application of AI into three areas: transforming clients, transforming EY, and transforming society. In my 11 years at EY, this worldwide push is the biggest and fastest mobilisation I've ever seen. On the client side, we're focusing on things like full process reengineering using AI and cross-industry disruption.

Looking ahead, what kind of services do you see as being the biggest growth areas for you within TMT?

The expectation a year ago was that we'd be in a deep recession by now, but that hasn't happened yet. Working with several external parties, we looked at where would be the best place to go and make strategic "big bets" that are effectively "no regrets". As a result of this, we have a tremendous focus on digital infrastructure and edge/cloud optimisation. Also, companies are all focused on AI and RPA, but not many are talking about data sufficiency to run those engines. So, digital data fabric is a very hot topic for us with clients right now. Finally, edge consulting is in hyper-growth for us.

About this report

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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.

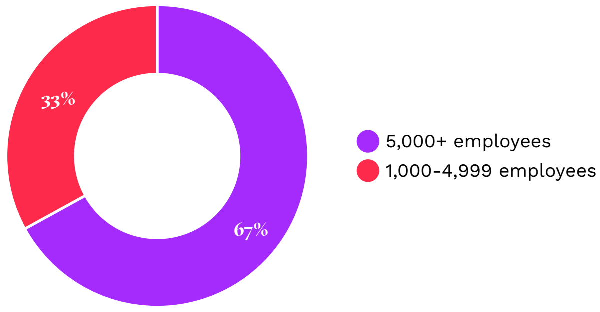
For more information about how we classify consulting services and sectors, please see "Definitions of sectors and services".

Client perspective

We carry out a client survey to help us build a rich picture of how different trends in the TMT sector are affecting clients' organisations and their use of consulting. Our survey focuses on trends in the TMT sector, providing detailed insights into the nuances of the market. For this, we surveyed 100 senior clients of consulting firms from across the TMT sector, 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.

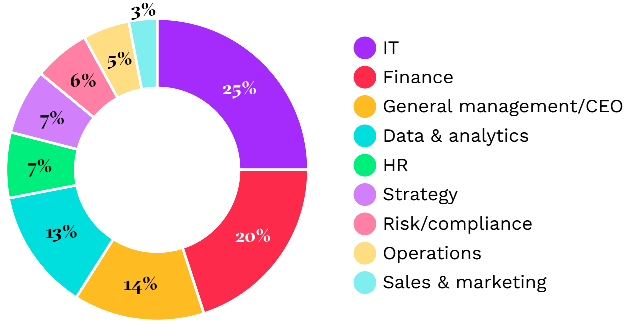
Respondents by organisation size



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.

Respondents by function



In-depth desk research

We also conducted a thorough PEST analysis in the TMT sector 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.

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
Greg Cudahy	Global Technology, Media & Entertainment and Telecommunications (TMT) Sector Leader	EY
Cristobal Escoda	Founder Partner & CEO	NAE
Mark Gibson	Global & US Technology, Media & Telecoms Leader	KPMG
Scot Glover	Managing Director	Protiviti
Alex Rattray	Media, EMEA Head of Entertainment, Technology, Media & Telecom Industry	North Highland
Anthony Shaw	EMEA Managing Director & Global Corporate Development Leader	North Highland
Gordon Tucker	Managing Director	Protiviti

Meet the expert

Tony Maroulis

Tony is an experienced principal consultant in our Market Trends team, working on a range of regular and bespoke reports. Additionally, he's worked on some of our most complex custom research projects, including designing and analysing surveys, and identifying growth opportunities for major consulting firms in emerging markets.

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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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