

PRESS RELEASE

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China's consulting market achieves double digit growth as it hits US\$4.5bn

China's consulting market outpaced its economy in 2016, growing at over 10 per cent to reach a total market value of US\$4.5billion.

The demand for consultants was driven by multinational corporations (MNCs) increasing their investments in the country, government initiatives transforming the landscape for domestic players, and clients across many industries reconsidering their business models in light of digital innovation and a slower-growing economy.

These findings are published in a new report today (4th December 2017) by Source Global Research, the leading research and strategy firm for the global management consulting industry. The report says that the growth and professionalisation ambitions of China's state-owned enterprises (SOEs) and privately-owned enterprises (POEs) is also opening up new opportunities for management consultants, who previously found little work among these client groups.

Zoë Stumpf, Head Analyst at Source Global Research, said:

"As consulting opportunities expand in mainland China, the Hong Kong market has lost much of its appeal, now seeming very small in comparison. Meanwhile, a new market is opening up in China's western provinces as MNCs and domestic companies alike seek expansion in first- and second-tier cities beyond the major cities in the east. But the need for a thoroughly local proposition—and the thoroughly local talent to support it— has left some firms doubting the value of establishing a western presence."

The report found that all industry sectors performed well for consultants, but it was the smaller industries where consulting grew the fastest, with healthcare, pharma & biotech, and retail all experiencing strong growth from a relatively small base. Financial services, by far China's biggest consulting market, turned in a solid performance, with digitisation, growth, and regulation all driving demand. The manufacturing consulting market also did well due to modernisation and efficiency initiatives.

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With the productivity agenda driving good volumes of digitisation work, the technology service line grew the most in percentage terms. Customer-facing initiatives are also a hot area, as are data & analytics services aimed at monetising the consumer information collected. Advanced technologies, including robotics and AI, are also gaining ground, especially in the automotive sector.

The operational improvement service line, China's largest by some distance, also grew at an impressive rate in 2016 as clients took on reforms aimed at ensuring their continued success as economic growth slows.

Accounting firms (a group that includes the Big Four) continue to control the largest market share in China, as their strong brands, global credentials, ability to leverage their audit base, and end-to-end solution set all play well to domestic and multinational clients alike.

Daniel DiFilippo, Market Leader for China and Hong Kong, at PwC, commented:

"People talk about 'the China slowdown', but it's a story that needs to be put into perspective. It's still a huge market that continues to grow. It might not be supersized like it once was, but it's still growing very well."

B.J. Richards, Senior Editor at Source Global Research concluded:

"2017 has so far been another good year for China's consultants, with strong growth expected at least through the end of 2018. Despite a slower-growing economy and growing international political and economic instability, pressure for clients to grow, modernise, and digitise shows no sign of abating and is expected to keep consultants busy for some time to come."

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About Source Global Research

Source Global Research (Source) is a leading provider of information about the market for management consulting. Set up in 2007 and with offices in London and Dubai, Source serves both consulting firms and

their clients with expert analysis, research and reporting. Source draw not only on our extensive in-house experience, but also on the breadth of our relationships with both suppliers and buyers.

The Source [global consulting data model](#) is the biggest and most sophisticated model of the consulting industry ever created, and the model on which many of the world's leading consulting firms now base their understanding of the size and shape of the consulting industry. It provides data on market size, growth rates, and forecasts across 29 sectors, six service lines, 84 countries and five firm types.

Source was founded by Fiona Czerniawska. Fiona is one of the world's leading experts on the consulting industry. She has written [numerous books](#) on the industry including: [The Intelligent Client](#) and *The Economist* books, [Business Consulting: A Guide to How it Works and How to Make it Work](#) and [Buying Professional Services](#).

All of Source's work is underpinned by its core values of intelligence, integrity, efficiency and transparency. For further information, please visit: www.sourceglobalresearch.com

About this report:

This Source Global Research report is based on two major sources of primary data:

Clients of consulting firms:

Source interviews senior end users of consulting in China to help it to build up a rich picture of how trends in the consulting market are playing out within clients' organisations.

Source also carries out client surveys, and surveyed 56 senior clients of consulting firms in China. The majority (98 per cent) work for private sector organisations, many of which are multinationals. The remaining two per cent work in various public-sector organisations. 98 per cent work in organisations with revenues in excess of \$500m, and all have over 250 employees.

Consulting firms:

The quantitative data contained in this report focuses on consulting done by mid-and large-sized consulting firms (those with more than 50 consultants) and typically includes work they have carried out for mid- and large-sized clients—what Source call “big consulting”. It therefore reflects the “addressable” market for the majority of mid- and large-sized consulting firms. Source doesn't try to track the long, thin tail of work done by very small firms for very small clients, nor the contractor market, as most readers of its reports would not seek or be able to compete with this part of the market. Source analysts work out the addressable size of the market through desk research, identifying the number of firms that meet its criteria, and extrapolating from that to reach a figure for the market as a whole.

Using this definition, Source has built a bottom-up model of the global consulting market from the information it gets from consulting firms and its own research, and uses it to size the industry and its growth rates. This is based on the Source 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 primary research carried out by Source analysts.

Please note that 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 \$1 = £0.74

US dollar to euro \$1 = €0.90

In addition to quantitative research, Source interviewed 19 very senior consultants (typically the most senior person in their country) from most of the leading consulting firms in the country and many smaller local specialists to understand more about how the consulting market is performing, and what the major trends, changes, and challenges are. Throughout the year Source analysts remain plugged into the global consulting market through its bespoke research and consulting projects, adding further depth to its understanding of the consulting industry.