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Low commodities prices hit the global energy & resources consulting market

- **Energy sector hit worst by low commodities prices**
 - **Utilities by far the best performing sector**
- **US energy & resources – the only global market to achieve moderate growth**
 - **Technology consulting – the largest and fastest growing service**

Energy & resources was a tough market for both clients and consultants in 2015. Continued low oil and commodities prices made it difficult for clients to take on new projects, and as a result, the consulting market grew just 3.2 per cent to reach a total value of \$15.4bn. The utilities sector, which is less vulnerable to these pressures, was the industry's best performer in 2015 with consulting revenues increasing 7.5 per cent to \$3.6bn.

These findings, published in a new report from Source Global Research (Source), the leading research and strategy firm for the global management consulting industry, also revealed that the energy sector struggled the most in 2015 – growing just 2 per cent to \$9.9bn.

In terms of geography, the energy & resources consulting market performed the best in the huge US market, the only major market to achieve moderate growth in 2015. India, Spain, and the DACH region also performed relatively well. Things were worst in Russia, with revenues falling a disastrous 25 per cent.

The report says that the level of demand across the sector can differ significantly depending on where a client sits in the energy value chain. Upstream clients are under significant pressure; many projects have been postponed or cancelled, and the work that remains is largely of the low-value cost-cutting and efficiency variety. Mid- and down-stream clients fared better, some of them even finding low oil prices advantageous.

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

“These are not easy times in the energy sector, with a huge portion of clients under pressure from continued low oil prices and the resulting pressure on margins. 2014 was a tough year for the industry, but for consultants, 2015 was worse. In the early days of the crisis, many clients were optimistic that prices would make a quick recovery and so kept ploughing ahead with existing plans. But as time wore on, planned projects have been postponed, and new projects tend to either stick to the essentials such as regulatory compliance, or focus on lower-value cost reduction.”

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Regulations and mergers boost the utilities consulting market

Utility providers have turned to consultants due to a hefty regulatory demand, and there's been plenty of M&A. There is also a huge volume of transformation that's happening as utilities feel their business increasingly disrupted by new technologies, climate change initiatives, and new sources of competition.

Serge Colle, Global Power and Utilities Leader from EY, said:

"The biggest challenges within the industry in the next five years are renewable integration, and moving from current electricity systems to new ones. Entire networks are being fundamentally transformed by the implementation of smart meters into the home, for example."

Technology outperforms the rest of the market due to consultants helping cut costs

From a service perspective, the year belonged to technology consulting, as it was the only service line to see moderate growth (5.7 per cent to \$4.7bn in 2015). The report says a lot of the work here is aimed at cost cutting and efficiency, but there are opportunities to take on more exciting projects, too, especially in the utilities sector, which is dealing with massive digital disruption.

B.J. Richards from Source concluded:

"The energy & resources consulting market has been flat in 2016 as the price of oil and other commodities prices remained low throughout the year. The market looks set for a return to low-level growth in 2017, however, as energy clients are forced to take on work aimed at adapting to long-term low prices. Low-value cost-cutting and efficiency initiatives will therefore continue to drive work in the primary resources market, while utilities will remain the star player with its clients taking on ambitious projects aimed at managing major disruption."

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About Source Global Research

Source Global Research (Source) is the leading research and strategy firm for the global management consulting industry. 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. All of our work is underpinned by our core values of intelligence, integrity, efficiency and transparency.

Source was founded by Fiona Czerniawska and Joy Burnford. 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](#). Joy Burnford was Marketing and Operations Director at the UK Management Consultancies Association between 2003 and 2010, and prior to that worked for PA Consulting Group and has extensive experience of marketing consulting services. For further information, please visit: www.sourceglobalresearch.com

The Source report:

For the report Source surveyed just over 2,700 senior users and buyers of consulting services in 15 major consulting markets in North America, Europe, the Middle East and Asia Pacific. Forty-two percent of respondents work in organisations with more than 1,000 employees (the percentage is higher in mature markets where large corporations are more numerous). Respondents are distributed across operations, general management, sales & marketing, IT, finance and HR. They represent nine industries: energy & resources; financial services; healthcare; manufacturing; pharma & biotech; the public sector; retail; the services sector (including transportation and construction); and technology, media & telecoms.