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UK consulting market – now worth £7bn – booms as Brexit looms

- **UK consulting grows four times faster than economy in 2016 (up 7.5 per cent)**
- **Financial Services work – the largest sector for consultants – to be impacted by post-Brexit passporting issues and regulatory changes**
- **Public sector work up 4.6 per cent to £1.3bn in 2016, with a potential post-Brexit consulting boom on the horizon**

A new report published today (13th March 2017) finds the UK's management consulting sector grew four times faster than the economy in 2016 – up 7.5 per cent to £7.3bn - and looks set to grow further as a result of Brexit, as its two biggest customers - financial services (worth £2.3bn to consultants) and the public sector (£1.3bn) – are likely to turn to consultants for help.

Over the last five years, the UK's consulting market has seen strong growth, increasing in size by over a third (£1.7bn). Growth in both financial services and the public sector work has added almost £1bn to the size of the market, and both sectors are now faced with major post-Brexit issues.

But the new report from Source Global Research, the leading research and strategy firm for the global management consulting industry, says that with London's status as the financial hub of the world in doubt, many consultants are anxious about how things will play out for them. The report says that much will depend on the particulars of the Brexit deal, specifically with regard to passporting, but further uncertainty thrown up by the US election has left UK financial services in a precarious position.

Nigel Slater, UK Head of Management Consulting at KPMG, who was interviewed for the report, said: *“For banks, the obvious issue is passporting, with everyone trying to work out how best to continue their existing businesses with the minimum amount of impact to top growth plans and customer service.”*

Thousands of advisers needed in the public sector...

In contrast, consultants serving the public sector, who have seen work only marginally rise over the last five years, are feeling positive. The report says that with the government seemingly unprepared for the enormous task of negotiating a Brexit deal and preparing for a post-Brexit UK, many consultants anticipate boom times. One consultant interviewed for the report said: *“There could be a need for 3,000 to 5,000 consultants, lawyers, etc. supporting the government's Brexit negotiations.”* Another consultant added, *“The government approached all strategy houses for free advice. We said no, and I think everyone else did, too.”*

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Source points out in the report that uncertainty has also been highlighted on the client side, with predictions about the impact of Brexit split. A November 2016 client survey conducted by Source found that while nearly half (46 per cent) of clients expect business confidence to suffer because of Brexit, a quarter (24 per cent) are already stepping up their use of consultants in response to Brexit.

The same survey found that the biggest consulting firms are set to prosper most as 82 per cent of clients said they expected to turn to the Big Four for answers to at least some of their Brexit issues. *One consultant commented in the Source report, 'The Big Four will make hay out of Brexit, because of the number of trade agreements that will have to be negotiated.'*

Fiona Czerniawska, Director of Source Global Research said:

"The aftermath of Brexit put the consulting market on pause, as everyone took a step back to assess the implications. But still, the constantly evolving picture is making it hard for both clients and consultants to be confident about what the impact will be.

We can be certain that a post-Article 50 world will feel very different from one industry to the next; clients in financial services have a number of concerns ranging from passporting to regulation, while the relative value of the pound will be of concern to retailers - all of which could generate considerable demand for consulting services."

Other key findings from the report included:

- Financial services, the largest industry sector for consultants, grew 8.2 per cent to 2.3bn in 2016.
- The pharma & biotech industry was the fastest growing industry for consultants – up 14.1 per cent to £277m. Growth is predicted to increase to 16 per cent over the year ahead.
- Consulting into the manufacturing sector rose 9.5 per cent to £884m in 2016
- Because of increased cybersecurity work and continued regulation, risk was the fastest growing service line – up 10.9 per cent to £540m in 2016
- Technology, the largest service line for consultants almost hit £3bn for the first time – growing 9.8 per cent to £2.96bn in 2016

Zoë Stumpf, Head of Consulting Market Trends at Source Global Research concluded:

"While Brexit is undisputedly this year's headline stealer, last year's most-talked-about subject—digitisation—continues to be a very hot topic and still drives most of the chatter where consulting services are concerned.

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The advent of mass digitisation also means that cybersecurity has moved up the agenda as organisations realise the grave importance of shoring up their digital citadels to protect not only their operations but the personal information of their clients and employees.”

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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. 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 UK Report

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

Clients of consulting firms:

Source interviews senior end users of consulting in the UK to help it build up a rich picture of how trends in the consulting market are playing out within clients' organisations. Source also undertakes client surveys. It surveyed 440 senior clients of consulting firms across the UK for this report. The majority (96%) work for private sector organisations, many of which are multinationals. The remaining 4% work in various public sector organisations. All have over 250 employees, and 83% have annual revenues of over \$500m.

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 this report 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 certain criteria, and extrapolating from that to reach a figure for the market as a whole.

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Using this definition, Source has built a bottom-up model of the global consulting market from the information its gets from consulting firms and its own research, and they use 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.

In addition to its quantitative research, Source interviewed 24 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.