

## **PRESS RELEASE**

**Date: June 9<sup>th</sup> 2016**

# **Oil prices hit consulting work in U.S. energy & resources sector**

- ***Growth in energy consulting slows as low oil prices bite***
- ***Better news for utilities as regulation and technology consulting is in demand***

Low oil prices had a major impact on consulting to the U.S. energy & resources sector in 2015, with the rate of growth dropping to 5.3 per cent, almost half the rate of the previous year. The sector spent \$7.33bn on consulting in 2015.

These research findings are published in a new report from leading global management consulting analysts, Source Global Research (Source). The report says that it is impressive that consulting to the sector has grown at all, as at least 48 U.S. energy companies filed for bankruptcy since the start of 2015 (compared to only eight doing so in 2014)<sup>1</sup>.

As a result of this market turmoil, many energy companies reduced in size or disappeared, and there is marked caution among most companies in the energy sector - leading to the postponement, or even termination, of major client projects. This has resulted in a mix of experiences for consulting firms, those that have worked on the smaller number of larger projects have seen the market hold up well, but for others, 2015 was an extremely poor year.

Eric Rich, VP, Unit Head, Management Consulting Services, Infosys said:

*“Even with the downward trend in oil prices, oil and gas clients had continued investing in analytics, as it helps them to make critical business decisions in terms of operating at lower cost. However, with oil prices now bottoming out, many spending initiatives have been cut altogether.”*

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

*“Consulting work hasn’t completely dried up in the U.S. energy & resources market. Much of the work is focused on filling gaps where employees have been laid off or on cost control and operational improvements, but the deals market has been active and strategic challenges remain. Investments in analytics capability have proven to be a smart choice for energy companies aiming to strengthen their decision-making capability.”*

### ***Better news in utilities***

Overall, the Source report found that there was better news in the utilities sector. Consumer expectations of utilities companies are changing, and as a result, clients are looking for help around business and distribution model transformation.

***More./...***

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<sup>1</sup> Nathan Borney and Roger Yu, *Low oil prices end 21st century gold rush*, USA Today, last visited April 27, 2016. Available at: <http://www.usatoday.com/story/money/2016/03/17/crude-oil-prices-us-economy/81318012/>

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Technology is also playing a major role for utilities with high demand for support in data analytics, not just at the consumer end, but also to improve decision making and operations efficiency. The Source report indicates that regulation remains a strong influencer because utilities are under pressure to increase use of cleaner energy sources, which is generating demand for consulting support.

Kevin McCarty, CEO of West Monroe, a consulting firm interviewed for the report, added:

*"The U.S. energy and utilities market has been solid and we expect it to continue to be so in 2016. A bright spot is the Smart Water utility work that has begun to pick up, which leverages some of the same technologies and concepts that have been behind the Smart Grid work that continues to be important to Electric utilities."*

B.J. Richards concluded:

*"We aren't overly optimistic for 2016. Utilities work, though expected to hold up well, does not account for enough of the consulting market to offset issues in the oil industry, which we expect to suffer a further decline as cost containment work dries up and budgets reduce further. Of course, a sustained rebound in oil prices significantly above \$50 a barrel could change this, and deals and restructuring work will continue to generate work for some, but overall we expect, at best, growth to slow further."*

For more information on Source reports contact [alice.noyelle@sourceforconsulting.com](mailto:alice.noyelle@sourceforconsulting.com) or telephone +44 (0)20 3178 6443 or visit [www.sourceforconsulting.com](http://www.sourceforconsulting.com).

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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. We 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](http://www.sourceglobalresearch.com)

**3./...****Sources**

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

**Clients of consulting firms:**

Source interview senior end users of consulting in the U.S. to help it to build up a rich picture of how trends in the consulting market are playing out within clients' organizations.

Source also carries out client surveys. For the report, Source surveyed 622 senior clients of consulting firms across the U.S.. The majority work for private sector organizations, many of which are multinationals.

Source's survey asks clients similar questions about how they buy consulting services. In particular, this report draws on how they expect their expenditure on consulting services to change over 2016 and into 2017, and what initiatives they'll be working on and how likely that is to drive consulting work. Their responses are just one of the factors that we take into account when forecasting future growth rates.

**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;

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 Source then uses it to size the industry and its growth rates. This is based on Source's 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 2014 baseline figures have changed a little since last year, as Source have refined and implemented improvements to its research methods.

For reference Source is using the following exchange rates in this report this year:

- U.S. dollar to British pound \$1 = £0.66
- U.S. dollar to euro \$1 = €0.88

In addition to Source's quantitative research, it interviewed 32 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 Source's understanding of the consulting industry.