

PRESS RELEASE

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Technology fuels strong growth in U.S. consulting market

- ***Digital demand drives double-digit growth in tech services spending***
- ***Work in tech sector continues its shift away from ERP systems***

With U.S. companies focused on all things digital, technology consulting was the biggest and fastest growing of all consulting services in 2015 – increasing by 10.5 per cent to \$14.36bn. This growth outperformed the wider U.S. consulting market, which expanded 7.7 per cent to almost \$55bn.

These research findings are published today in a new report from leading global consulting market analysts, Source Global Research (Source). The report found that in 2015 different parts of the market grew at different rates with new technologies such as cloud computing, data & analytics, social media, and digital in general, continuing to take priority over old technologies, mainly but not exclusively, ERP systems.

The once lucrative ERP market for U.S. consultants is increasingly being commoditized with stiff competition from pure play firms making it almost impossible to charge a premium for this type of work. Much of the ERP work that was available in 2015 came from mergers, as companies looked to consolidate and synchronize systems.

Digital moves from theory to practical

The year also saw clients continuing to move from thinking of digital in the abstract, to focusing on the development of concrete digital solutions. This meant clients turning to consulting firms to help them make sense of their wider IT estate and configuration to support their digital strategy across the client organization. The ability to offer speed and agility were vital here, client expectations of what technology can do for them have never been higher, a potent mix coupled with the pace of change.

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

"With technology at the heart of so much change, our view is that this service line is set to continue to outpace the U.S. consulting market in terms of growth in 2016. However, consulting firms are still struggling to accept the transition away from ERP work as it was so lucrative for many years - and many are still mourning what has been lost. Now cloud-based systems are providing the advantages of speed and relatively low cost to implement, so that's where the growth is."

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Eric Rich, VP, Unit Head, Management Consulting Services at Infosys added:

“There was a shift in the market in 2015 - massive transformation programs and large-scale ERP programs are still around, but they are fewer in number across the market.”

The Source report also revealed that the more premium end of the technology consulting spectrum is where both growth and higher fees can be found, and consulting firms are investing heavily to build their profile. With even the largest firms often finding it difficult to house all the necessary digital skills under their roof, alliances between consulting firms - or even between consulting firms and non-consulting companies, such as software developers - are proving key to the delivery of end-to-end IT transformation projects.

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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

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.