

PRESS RELEASE

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U.S. consulting market growing strongly - but growth may be hit by pre-election slowdown

- **Presidential race to slow business activity – as elections did in the UK last year**
- **Financial services - biggest spender on U.S. consultants - but activity slows**

Despite the U.S. consulting market growing at a healthy 7.7 per cent to reach nearly \$55bn in 2015, a new report published today expects the U.S. election season to slow down business and consulting activity – just as national elections did in the UK last year.

The report from leading global consulting market analysts, Source Global Research (Source) found that the U.S. consulting market growth rate in 2015 slowed from the previous year. Although 2016 has started well, a growing anxiety in the market threatens to dampen the mood. An increasingly unstable global economic and political landscape is starting to take a toll on client confidence, while mixed signals from the U.S. economy have put some investors on edge, and the tumultuous presidential race is only adding to the general nervousness.

Edward Haigh, Director of Source Global Research, said:

“We can’t help but draw a parallel between attitudes in the U.S. this year and attitudes in the UK last year when everyone we spoke to in the consulting industry insisted the UK elections would not result in slowed business. But as the election season wore on - and all the polls pointed to another hung parliament, many consulting firms did see a discernible slowdown that persisted until the Conservative party returned to power.”

With that in mind, we expect that the rather unusual U.S. election season will have a bigger impact on the second half of 2016 than anyone is currently ready to accept - or at least admit.”

Other key findings from the 2016 Source U.S. Consulting Market report include:

- **Financial services remains far and away the U.S. consulting market’s biggest spender** - worth nearly \$14bn - but 2015’s 9 per cent growth rate was slower than last year’s.
- **Retail was the fastest growing sector in 2015** - expanding 10.5 per cent to approach \$4bn as retailers aim to compete with the likes of Amazon.
- **Pharma also grew strongly in 2015** – up 10.4 per cent to \$1.7bn despite mounting pressures, including an increasingly intense debate about drug pricing practices.
- **Consulting to the public sector remains the poor relation of the industry** - with a disappointing 2.6 per cent growth to \$6bn, as public sector investment sunk to the lowest level in over 60 years.
- **Technology was consulting’s biggest and fastest-growing service line in 2015** worth \$14.4bn, up 10.5 per cent in 2015 thanks to clients’ insatiable demand for all things digital.
- **Low oil prices impact consulting** - but better news in utilities meant that the U.S. energy & resources consulting market grew by 5.3 per cent to \$7.33bn.

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Cyber-security work on the increase

The Source report also found that 2015 was a good year for risk and regulatory consulting work (up 7.8 per cent to \$14bn), fuelled by worries around cybersecurity, as well as the usual regulatory load. The report says that cybersecurity work is what's really hot in this service line, and consulting firms are making significant investments in predictive analytics that will allow them to halt cyberattacks in their tracks, leading to new potential for firms to offer a managed service in this area. The high profile nature of this work - top of the current corporate agenda for many boards - means that a whole range of consulting firms want to get in on this particular act.

John Romeo, Managing Partner for North America, Oliver Wyman added:

"Cyber is a significant issue at a board level. We are helping senior executives have a better understanding of what cyber risk is. Discussions often tend to start and finish in the very technical space, but organisations need to develop a broader risk management approach in which they can identify risk, model scenarios, quantify, and stress test, in order to develop an organisational strategy."

The Big Four continue to dominate the U.S. consulting

The Big Four continue to dominate the U.S. Consulting market – growing by 10.9 per cent¹ to nearly \$19.6bn in 2015. The Big Four collectively are now 65 per cent bigger than the next largest firm type (technology firms) and are growing a good deal faster. Risk & regulatory work (including cybersecurity) drove a lot of work for the Big Four.

Edward Haigh from Source concluded:

"The consultants we spoke to for this year's report didn't feel quite as bullish as they did in 2015, citing client hesitation in the face of growing global and domestic uncertainty. Still, they do feel that ongoing digital disruption and other rapid-fire changes happening in the U.S. market will drive plenty of work this year."

Ravi Chanmugam, Managing Director, Accenture Strategy, North America at Accenture, added:

"The big question in the market right now is whether or not clients will act decisively to take advantage of what they see out there in terms of Digital opportunities. There's some slowdown in decision making and a question of whether this is a good time to invest. Will they be taking the foot off the gas, or will they continue to move ahead?"

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For further information about this press release, please contact:

¹ This figure refers to what Source calls Type A firms – firms who do audit alongside consulting – which includes firms other than the Big Four, although in reality the Big Four account for the overwhelming majority of this part of the market.

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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.