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# IBISWorld Industry Report

# Global Management

# Consultants

November 2017

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# About This Industry

## Industry Definition

Management consultants provide advice and assistance to organizations on strategic and organizational planning; financial planning and budgeting; marketing objectives and policies; human resource policies, practices and planning; production scheduling; and control planning. Although this industry does not encompass information technology (IT) or computer consulting services, any revenue generated from IT strategy services is included.

## Main Activities

The primary activities of this industry are:

- Performing statistical analysis
- Providing actuarial, benefit and compensation consulting services
- Providing administrative and general management consulting services
- Providing change management and strategy development consulting services
- Providing marketing consulting services
- Providing process, physical distribution and logistics consulting services

The major products and services in this industry are:

- Business strategy and planning consulting services
- Operations and supply chain management consulting services
- Marketing management consulting services
- Financial management consulting services
- Human resources management consulting services
- Other management consulting services

## Similar Industries

### L-GL - Global Business Activities

Business service providers cover a wide variety of industries that offer outsourcing of business operations and activities.

### L6711-GL - Global Public Relations Agencies

Global PR firms create campaigns to promote positive public perceptions of companies and organizations.

### L6713-GL - Global Accounting Services

Global accounting firms offer payroll and employee benefits administration services for businesses and organizations.

### L6741-GL - Global HR & Recruitment Services

Companies in this industry provide outsourced human resource and employment placement services.

## Additional Resources

For additional information on this industry:

**[www.census.gov](http://www.census.gov)**  
US Census Bureau

**<http://ec.europa.eu/eurostat>**  
EuroStat

**[www.oecd.org](http://www.oecd.org)**  
Organisation for Economic Co-operation and Development

# Industry Performance

## Executive Summary

Firms in the Global Management Consultants industry provide advisory services to a range of clients to help improve organizational performance. Consultants focus on topics such as organizational design, process management and corporate strategy. Over the five years to 2017, demand for management consulting services has increased, as stronger corporate profitability has increased global aggregate private investment. Furthermore, the emergence of China, India and other growing economies has opened new doors for consultants. Consequently, industry revenue is projected to expand at an annualized rate of 4.5% to \$603.1 billion over the five years to 2017, with projected growth of 2.8% in 2017.

The United States has been the backbone of the industry, estimated to account for 37.9% of global revenue. Improving business conditions have meant that businesses have attained extra funds to spend on consultants, while new financial regulations have generated a need for corporate strategy and advisory work. Emerging markets such as the BRIC nations have also provided a source of growth as they look to expand their commercial sectors and increase operational efficiency, thereby creating new opportunities for management consultants. Despite strong growth during the five-year period, the industry is also contending with a more competitive environment. The increasing need for technology-based solutions has exposed the industry to competition from firms specializing in information technology consulting. Nonetheless, growth in the number of industry establishments has remained strong, as new sole proprietors and partnerships enter the industry and provide services to local geographic or niche markets.

Over the next five years, the industry is expected to continue expanding, but at a slower pace. Business in the United States will continue to grow, but sluggish corporate profit growth may slow overall industry growth. Meanwhile emerging economies are expected to hire consultants to strategize amid slowing growth conditions. This demand will help revenue grow, but will be less lucrative than the expansion consulting done during the prior period. Furthermore, financial activity and consulting opportunities remain strong in Germany and other more developed markets where merger and acquisition activity is expected to increase. Overall, industry revenue is forecast to grow an annualized 1.8% to \$660.1 billion over the five years to 2022.

## Key External Drivers

The key sensitivities affecting the performance of the Global Management Consultants industry include:

### Downstream Demand - Finance and Insurance

Management consultants derive the majority of their income from the global financial sector. A stronger global financial sector results in rising profit margins and business investment in advisory services, which, in turn, increases industry revenue. Downstream demand from finance and insurance businesses is expected to increase in 2017.

### External competition for the Global Management Consultants industry

As information technology (IT) services become increasingly integrated into corporate management functions and strategy, competition from IT consulting and technology companies will intensify. Increased competition from this sector has the potential to decrease industry revenue and profit by placing downward pressure on prices. External competition is expected to increase in 2017, posing a potential threat to the industry.

### GDP of the BRIC nations

Brazil, Russia, India and China (BRIC) represent rapidly growing and emerging markets. As the GDPs of these nations increase, there will be greater demand for management consultants to provide advisory services, which will lead to higher industry revenue. GDP of the BRIC nations is expected to grow in 2017, representing a potential opportunity for the industry.

## Global aggregate private investment

Aggregate private investment, or private fixed investment, includes spending by individuals and businesses on physical structures, equipment and software. An increase in business investment in facilities, workers and other equipment generates demand for management consultants as companies seek optimal organizational demand and assistance in management. Therefore, an increase in global aggregate private investment causes industry revenue to increase. Global aggregate private investment is projected to grow in 2017.

## Current Performance

The Global Management Consultants industry has experienced accelerated growth over the past five years, as business confidence returned to the global economy and spurred new waves of business investment and expansion. Businesses have become increasingly positive in their financial outlook, spurring investments in new projects, new facilities and larger workforces in anticipation of expanding demand. Such businesses hire management consultants to advise them in relation to the profitability, strategy and organizational structure required to undertake new ventures. Furthermore, management consulting companies have expanded the range of their advisory service offerings, generating new expertise and organizational structures in a bid to reduce risk for both themselves and clients. As a result, industry revenue is projected to grow at an annualized rate of 4.5% to \$603.1 billion over the five years to 2017, with growth of 2.8% in 2017 alone.

## American bedrock

The United States continues to be the largest market for this industry due to the many private and public US companies seeking to leverage organizational strategy to thrive in the highly competitive US market. Stronger macroeconomic conditions, higher corporate profit, greater business confidence and low interest rates have helped US companies expand operations and increase their spending on consultants to assist with the expansion process. Industry growth has been most notable for process services, physical distribution, production scheduling and supply chain management. Additionally, growth in the healthcare sector has been a boon to the industry. Regulations encouraging the use of electronic health records and changes due to the Patient Protection and Affordable Care Act have prompted massive shifts in the day-to-day operations of healthcare providers. As a result, these businesses have increasingly sought out consultants to help them optimize efficiency during these times of change.

Stronger US financial activity has also encouraged new mergers and acquisitions among US corporations. This generates demand for consultants who look for organizational synergies and develop strategies for newly formed or acquired companies. This has been particularly lucrative for management consulting firms that provide services to the financial sector and those that assist companies in navigating new regulation. For example, the Dodd-Frank Wall Street Reform and Consumer Protection Act introduced significant changes to how financial institutions operate and how risk portfolios are managed. This included key pieces of reform such as the Volcker Rule, which prohibited banks from making speculative investments that would expose the institutions to heightened risk. US management consultants have become increasingly familiar with financial regulation over the past five years in an effort to assist financial institutions seeking to adjust processes and departments to ensure regulatory compliance.

## Saturating emerging markets

During the five-year period, the Global Management Consultants industry has experienced significant growth in emerging economies such as China and India. GDP of Brazil, Russia, India and China has risen each year since 2012, representing some of the fastest economic growth in the world. As a result, demand for management consulting services has risen tremendously from the ongoing integration of service industries into their economic development. This environment has proven to be highly lucrative for management consultants, as international firms seek advice on entering and developing market share in these regions.

## Industry competition increases

Historically, the Global Management Consultants industry has been highly profitable due to its diversified customer base and varied service offerings. However, in recent years, the market has seen competition intensify across all segments of the highly fragmented consulting landscape. Management consultants endure increased competition from information technology (IT) consultants, global technology and accounting companies and in-house consulting segments of large multinational corporations. IT services have become increasingly relevant to the creation of successful management, production and logistics strategies. For example, large multinational providers of hardware and software now offer strategic implementation consulting, such as IBM through its global business services division. This trend poses a threat to management consulting companies by imposing pricing pressures on industry operators, as well as in terms of marketing ability, contract negotiation and service quality.

Despite growing competition, similarly growing demand ensured that industry growth was strong enough to accommodate a rise in industry profit margins. As a result, average industry profit grew to reach an anticipated 13.4% in 2017. The industry was also aided by increases in efficiency brought on by technology. For example, teleconferencing technologies have enabled consultants to provide services from their own offices, cutting some travel costs. Additionally, investment in software that permits consultants to sort and analyze data has enabled operators to provide additional, value-added, high-margin services.

### Exploring new frontiers

In response to client demands for increasingly specialized and technical analysis, major consulting companies have expanded their expertise through aggressive acquisition activity over the past five years. The most notable acquisition during this time was the purchase of the consulting arm of Booz & Company by PricewaterhouseCoopers. The acquisition is estimated to have generated an additional \$1.0 billion in consulting revenue to the company and is illustrative of the expansion of major accounting and audit firms into this industry through their advisory operations.

Over the five years to 2017, strong industry growth will translate to the number of industry enterprises rising at a projected annualized rate of 4.7% to 1.9 million operators. The majority of these companies will be small firms with specialized expert knowledge, focused on providing services to niche markets and local geographic areas. As a result, industry employment is forecast to increase an annualized 5.1% to 4.0 million workers during the five-year period. Employment opportunities have been forthcoming in the United States, where financial regulation has been driving the need for teams of experts. Similarly, emerging economies have provided new jobs, particularly where consulting firms are seeking to develop new and highly lucrative businesses.

## Industry Outlook

The Global Management Consultants industry's growth is projected to decelerate over the five years to 2022. Growth will continue to be driven by increasing demand from growth markets, where businesses are likely to seek consultants to help advise them on issues such as corporate strategy and risk mitigation. Furthermore, businesses in the United States will continue to be the premier source of revenue for the industry, as businesses look to increase profitability and market share in a saturated economy where corporate profit growth remains sluggish. Despite a recent slowdown in growth in emerging economies like China, India and Brazil, the economies still represent expansion markets for the industry and operators will continue to advise businesses throughout the business cycle. Accordingly, businesses in emerging economies will continue focusing more on product development and organizational design as they seek to become international players in a highly competitive marketplace. While the Eurozone has entered a phase of economic recovery, growth still remains weak where political turmoil and economic austerity has limited economic expansion and reduced the need for consulting firms. Overall, economic volatility will ensure that global demand for consultants is to remain strong, with revenue forecast to grow at an annualized rate of 1.8% to \$660.1 billion over the five years to 2022. Industry profitability is expected to remain steady, with growth constrained by higher levels of competition.

### Emerging economies focus on innovation

Despite a recent slowdown in emerging economies, China and India will continue to underpin industry growth as their economic expansion outpaces that of the rest of the developing world, encouraging management consultants to continue market penetration. In August 2015, changes in the Chinese currency regime were introduced, thereby depreciating the Chinese currency in a bid to boost exports. The appeal of an undervalued currency, coupled with strong growth, a burgeoning service industry and the entrance of overseas companies, will lead to sustained demand for consulting services. The financial sectors of China and India are also expected to develop further. The manufacturing sector, however, will continue to be the largest driver of industry growth in Asia for the foreseeable future. Management consultants are expected to increasingly enter these markets to provide organizational design and corporate strategy solutions for new businesses seeking to expand internationally.

International expansion efforts will include a sustained investment in technology and communications-based industries, which are particularly prominent in India. As a result, industry gains will be somewhat muted, as management consultants lose work to an influx of information technology (IT) consultancies into the market. IT consultancies, such as India-based Infosys, are expected to benefit from strong growth in the region and international investment in technology and communications systems, which will capture terrain from this industry and curb industry revenue growth. Furthermore, the most successful IT firms operating in India are expected to consolidate their position in the market through mergers and acquisitions to provide a greater range of services to businesses and expand into process management services.

With the collapse of commodity prices in 2014, management consultants are also expected to assist commodity-reliant emerging economies such as Brazil to develop other sectors of their economy. Brazil's large population and abundance of natural resources has spurred rapid growth over the past five years, but the resources boom underpinning growth has now come to an end. Management consultants will work with businesses and policymakers to find new ways to attract investors to the region. Management consultants are expected to assist in organizational design and corporate strategy for new businesses seeking to gain footing on an international level, as well as assist firms transitioning into the Brazilian market.

### US expansion in financial regulation and insurance

The industry's largest market, the United States, is expected to continue on a path of economic strengthening over the next five years. Slowly rebounding corporate profitability, increasing business confidence and greater access to credit are expected to spur investment in new technologies and systems, as well as investment in larger workforces and new facilities. Consequently, management consultants will continue to grow in this geographic market and provide services to a wide range of industries.

Financial institutions, most of which are located in the United States, are expected to represent the industry's largest growth market over the next five years due to the continued implementation of new financial regulations. Banks and other financial institutions are expected to increase investment in consultants and other expert services to ensure regulatory compliance and better manage the wide range of operations that exist under their brand names. Additionally, the healthcare market is expected to experience strong growth over the next five years as uncertainty of the future of the Patient Protection and Affordable Care Act causes healthcare companies to seek out consultants to help plan for different potential outcomes. The increased pressure on insurance companies, hospitals, outpatient facilities and pharmaceutical manufacturers is expected to precipitate greater demand for professionals that can assist in organizational design, corporate strategy and marketing. IBISWorld expects consultants to increasingly focus on these sectors over the next five years.

### European hopes

Since 2015, the euro region has entered a tentative phase of recovery, which is expected to continue over the five years to 2022. Labor market conditions continue to improve and are likely to provide further job creation and a lower unemployment rate. Furthermore, lower oil prices are expected to benefit the region as they redistribute wealth from oil-exporting economies to oil-importing economies. Fiscal policy in the eurozone is expected to be supportive of growth, with recent monetary policy making it easier and less expensive to access funding. This is expected to spur investment, thereby supporting demand for consulting services, particularly in corporate strategy and financial planning.

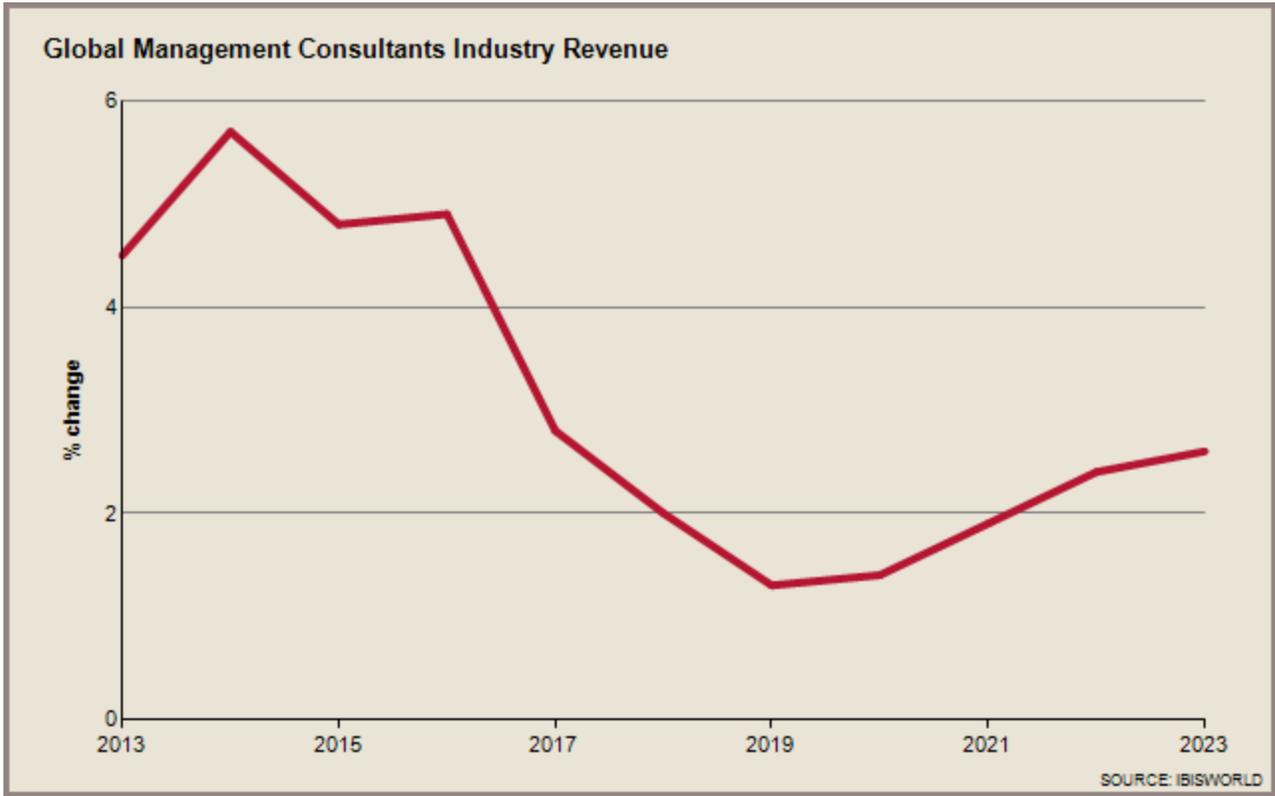
Nevertheless, management consultants are expected to experience varied conditions across Europe. Growth forecasts are highest for countries located in Eastern Europe, yet the Eurozone overall is not expected to surge. GDP of the European Union is only expected to grow marginally over the five years to 2022 as the ongoing effects of previous austerity measures continue to result in slowed activity and heightened economic uncertainty, which limits business confidence and investment levels.

Merger and acquisition activity is expected to remain strong over the next five years, however. Management consultants have received an uptick in work since 2013, as major deals such as Vodafone Group's acquisition of Kabel Deutschland Holding and Telefonica Deutschland Holding's acquisition of E-Plus Mobilfunk generated significant revenue. Merger and acquisition activity is projected to increase in Germany, as stronger financial conditions and turmoil in other parts of Europe encourage major corporations to consolidate their position in the market. Industry demand from the telecommunications sector is expected to shrink as a proportion of revenue in Germany and greater Europe, while industrial and chemical markets grow rapidly. Furthermore, pharmaceutical, medical and biotechnology industries all represent growth areas in Germany and will encourage more consultants to work in these fields.

### Industry consolidation and specialization

The industry is expected to continue consolidating over the next five years, leading to the creation of larger, globally linked companies. These companies will seek to develop strategic alliances with other IT or finance operators to offer a wider range of services to clients. The industry is also expected to remain highly competitive. Larger management consulting companies will have to compete with large specialist firms and spin-off consultancy businesses of large chartered accountancy firms. Major accounting and audit firms such as Deloitte Touche Tohmatsu Ltd., Ernst & Young, PricewaterhouseCoopers and KPMG International are expected to increase the size of their advisory services segments to capitalize on growing demand.

However, the industry will continue to be dominated by smaller companies, including a large range of sole proprietors and partnerships. Over the five years to 2022, the number of industry enterprises is projected to increase at an annualized rate of 2.6% to 2.2 million companies. Small firms are less likely to consolidate during the period, yet the overall average share of revenue generated by each firm is still expected to rise. Similarly, industry employment is projected to grow an annualized 2.3% to 4.5 million people during the period.



## Industry Life Cycle

**This industry is in the growth stage of its life cycle.**

### Life Cycle Stage

- Growth is strong in emerging economies
- Competition from other industries such as IT consultancy has intensified
- Some regions have high recognition of industry services, while others have untapped markets
- The industry has increased focus on growth in Asian markets

The Global Management Consultants industry is in the growth phase of its life cycle, although growth varies significantly depending on the region. As new markets open up, particularly in booming Asian economies, the industry will remain in a growth phase. However, in more developed markets, such as the United States and Europe, the industry is exhibiting hallmarks of maturity. Industry value added, which measures the industry's contribution to the global economy, is forecast to increase at an annualized rate of 3.4% over the 10 years to 2022. Comparatively, world GDP is projected to grow 2.9% during the period. The number of industry firms and establishments is also anticipated to increase over the five years to 2022. Conversely, consolidation is on the rise, as large consulting companies have acquired or partnered with smaller specialist firms to help them broaden their service offerings and are expected to continue to do so over the coming years. Together, these factors indicate a mature industry with significant growth markets.

Corporate profit is essential to industry growth because consulting services are primarily viewed by major businesses as a luxury expense, making them one of the first costs eliminated in lean economic times. While regions such as North America and Europe have high awareness and acceptance of the industry's services, new growth regions such as India, China, South Korea, Brazil and Argentina are only beginning to develop service-based economies. These emerging economies rely heavily on management consultants, leading to the opening of new markets for domestic operators and multinational firms.

The most prominent threat to the industry is price-based competition among larger players, which dilutes available revenue and reduces industry growth. Additionally, looming competition from information technology (IT) consultancies as a viable alternative to management consultancies is a significant risk factor, particularly as computers and IT become increasingly integrated into company operations across many industries.

## Products & Markets

### Supply Chain

#### Key Buying Industries

##### **C-GL - Global Manufacturing**

Manufacturing operators demand consulting services, particularly in view of solid growth in China where manufacturing is the top industry.

##### **D-GL - Global Electricity, Gas and Water Supply**

Energy and other utility providers have routinely used consulting services to increase revenue and profit levels. The increasing importance of sustainable and renewable energy production has increased the importance of outsourced consulting services.

##### **F-GL - Global Wholesale and Retail Trade**

The Global Wholesale and Retail Trade industry, while only a minor market segment, in many countries operates in highly competitive environments, and seeks assistance in maintaining often-low profit levels.

##### **I-GL - Global Telecommunications**

Telecommunications providers operate in a highly competitive environment with rapidly changing technological conditions, resulting in an increasing reliance on outsourced consulting services.

##### **J-GL - Global Financial Intermediation**

Financial services operators, such as mutual funds, banks, insurers and brokerage firms are the Global Management Consultants industry's largest market segment.

##### **L6711-GL - Global Public Relations Agencies**

Public relations agencies, while in competition with some management consulting firms, also use their services in order to maintain reputation and profit levels.

##### **L6741-GL - Global HR & Recruitment Services**

Human Resource consulting is a large part of the Management Consultants industry's market.

##### **M-GL - Global Public Administration and Defence**

Government agencies are increasingly using industry services to assist in policy-making and public relations.

#### Key Selling Industries

##### **C2523-GL - Global Computer Hardware Manufacturing**

Computer equipment is essential to the provision of industry services.

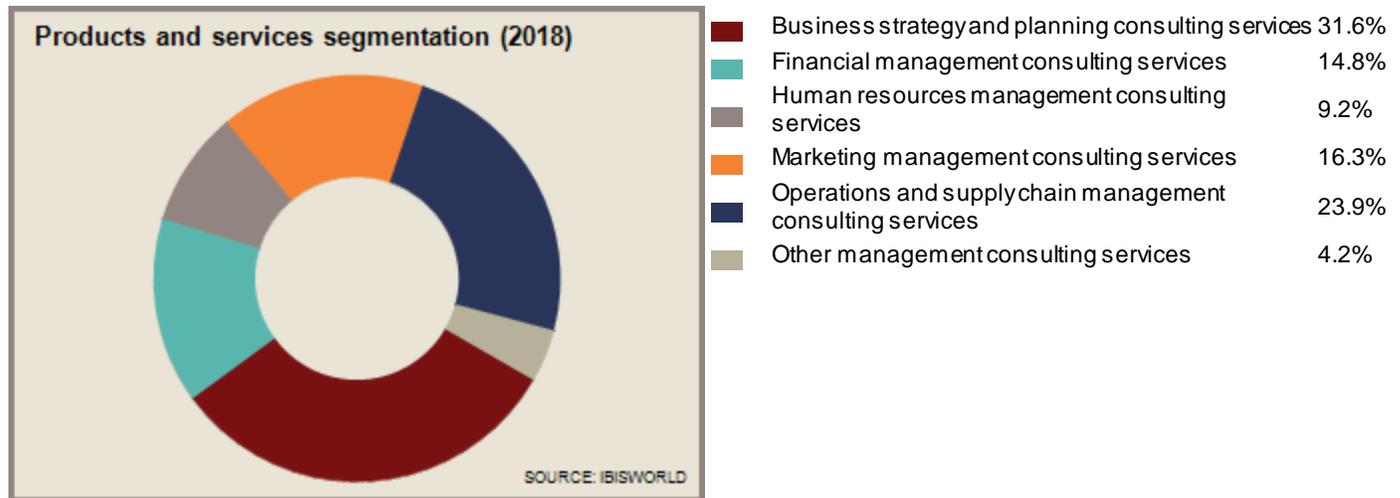
##### **K6111-GL - Global Commercial Real Estate**

Major consulting firms require prestigious office locations in order to maintain reputations for excellence.

##### **L6741-GL - Global HR & Recruitment Services**

Consultancies often employ recruiters to seek out talented staff, and often work in alliance with recruiters for human resource-oriented projects

## Products & Services



Management consultants provide advisory services to clients on business goal development and daily operations. The latter involves the creation of company strategy, marketing, operations and supply chain, human resources and financial management consulting services. Over the past five years, all industry segments have grown at varying degrees.

### Business strategy consulting services

Business strategy consulting services are estimated to account for 31.6% of industry revenue. This segment includes the provision of strategic management consulting, which primarily involves the development of an organization's overall business direction and objectives. Management consultants assist companies in creating specific business development goals and advise on whether actions such as mergers and acquisitions, joint ventures, outsourcing or divestiture are appropriate. Additionally, consultants provide advice on the incorporation of new technologies and the pursuit of other business relationships.

Over the past five years, business strategy consulting services have grown as a proportion of total revenue. Economic uncertainty and global competition caused many businesses to reevaluate their business models and call in consultants to help provide strategic solutions. Furthermore, businesses in emerging markets, such as China and India are demanding more strategic services as they expand into developed markets.

### Operations and supply chain management consulting services

Operations and supply chain management consulting services are projected to comprise 23.9% of industry revenue. Consultants in this segment assist businesses in the management of physical and financial resources, with the objective of procuring goods and services. Offered services include inventory management, company distribution systems and warehouse storage solutions. Consultants also advise businesses on how to reduce costs, improve quality and register quality management systems. Over the past five years, supply chain management has remained a steady proportion of revenue as it remains an important concept for businesses.

### Financial management consulting services

Financial management consulting services are forecast to account for 14.8% of industry revenue. Consultants in this segment provide advice to businesses regarding banking, insurance, wealth management and securities distribution. Analysis is provided on working capital, liquidity management,

capital structures, capital investment proposals, asset management and accounting policy. Over the past five years, this segment has grown as firms have increasingly had to navigate complex regulatory issues.

### **Marketing management consulting services**

Marketing management consulting services are estimated to account for 16.3% of total revenue. Marketing management consultants provide advisory services to clients that require assistance in attracting new customers and developing brand awareness. Consultants in this segment conduct analysis of internal strengths and weaknesses before determining the most appropriate markets for their clients' goods and services. This involves analysis of competitive position, pricing, advertising, distribution channels and marketing expenditure levels.

Over the past five years, this segment has grown marginally as a proportion of industry revenue. Businesses have increasingly called in consultants to better understand their market positions and profit potential of their products and services. Furthermore, new businesses are increasingly looking for specialist insight as to how to take advantage of online platforms, and how to gain a foothold in international markets.

### **Financial management consulting services**

Financial management consulting services are forecast to account for 14.8% of industry revenue. Consultants in this segment provide advice to businesses regarding banking, insurance, wealth management and securities distribution. Analysis is provided on working capital, liquidity management, capital structures, capital investment proposals, asset management and accounting policy. Over the past five years, this segment has grown as firms have increasingly had to navigate complex regulatory issues.

### **Human resources management consulting**

Human resources management consulting is estimated to account for 9.2% of industry revenue. Human resources management consultants provide advice and assistance to businesses and other organizations in structuring human resource departments, developing personnel policies, employee benefit packages, compensation systems and other administrative tasks. Over the past five years, this segment has remained steady as a proportion of revenue.

### **Other consulting services**

There are numerous other services provided by consultants. These include IT strategy consulting, management accounting and controllership consulting services, as well as organizational development. These miscellaneous services account for the remaining 4.2% of industry revenue.

## Demand Determinants

Demand for industry services is closely linked to the availability of budgetary resources and other discretionary expenditure by business, public sector and nonprofit clients. As a result, business confidence, corporate profit and government investment are factors that strongly affect the growth of this industry.

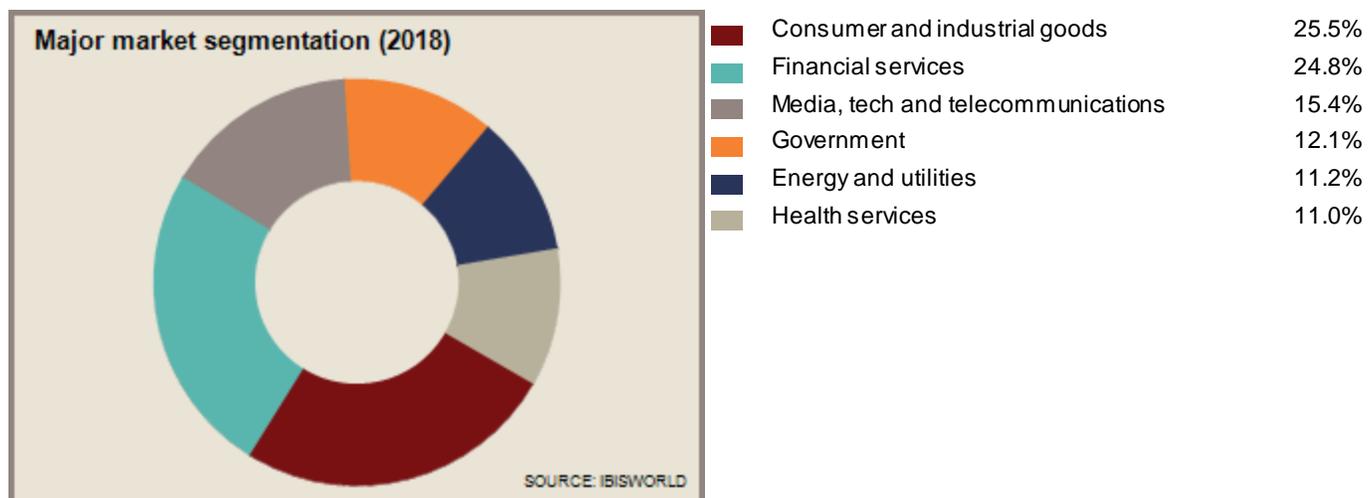
Demand for management consulting services is also linked to the economic cycle. It is particularly sensitive to business and government activity levels in areas such as mergers, acquisitions, financial planning, feasibility studies, human resources, strategic planning and corporate profit. The hiring of consultants by governments, particularly at federal and state levels, has increasingly become a contentious political issue as it relates to actual expenditure and value obtained from these assignments. Management consultants must prove that the value of their services is worth the money, as many federal governments have highly rigid budgets.

Expenditure on consultancy services by governments and businesses tends to be reduced or eliminated when business confidence levels and economic growth decline. Although slow economic growth leads to a tightening of overall budgetary and financial resources, in some instances, management consulting services can be countercyclical, whereby consultants are hired to improve a company's performance during a downturn.

Industry revenue is also affected by global economic conditions, and by changes in particular industries and markets. Revenue fluctuations are subject to the introduction of new products, including competing services, and the effect of government policies and regulations.

Industry spending continues to be concentrated in the developed economies of North America and Western Europe, and this is expected to remain the case over the next five years. However, rising economic development in the BRIC nations (Brazil, Russia, India and China) is anticipated to drive industry demand through the coming years. Despite recent slowdowns in growth, these markets are likely to grow their market share of industry revenue. Asia Pacific, in particular, will be an increasingly important source of demand over the period.

## Major Markets



Revenue generated by the Global Management Consulting industry is overwhelmingly earned in the corporate sector (nearly 90.0% of industry revenue), with the remainder derived from the government and nonprofit sector, although this market segment is growing. IBISWorld estimates that the major clients for

the top 40 industry operators were largely from the financial services, products, telecommunications, energy and utilities and healthcare sectors. All of these client industries tend to undergo rapid and significant changes as a result of technological advancements, shifting consumer needs and demands, government regulations and competition (both domestic and international). Therefore, these clients tend to require ongoing advice and information from contracted consultants.

### **Manufacturing and consumer products**

Consumer products and manufacturing industries have a greater interest in the branding and logistics development functions of consultancies, as sales and shipping are significant factors in these fields. China's double-digit growth over the past decade has led to many consumer products manufacturers rushing to enter the Chinese market, while manufacturers based in other regions, such as North America and Europe, are concerned with maintaining market share against low-cost economies in Asia. Management consultants are being contracted to assist with transitions to Asian markets and establishing cost-cutting regimes to maintain competitiveness.

The strength of the manufacturing sector in China has propelled segment growth in the region. The sector represents a substantially greater share of revenue for consultants in China and other Asian markets than it does in other regions. The growth of this market's share of revenue has resulted in it becoming the industry's largest market, accounting for an estimated 25.5% of revenue in 2017.

### **Financial services**

Financial services operators are the industry's second-largest consumers, projected to account for 24.8% of industry revenue in 2017. Companies in this industry tend to use a variety of consultancy services, from strategic planning to IT policy development and organizational restructuring. These services are outsourced because the vast bulk of industry staff perform market analysis, and investment research and modeling and prefer to have specialists provide management and organizational structure services.

Over the past five years, demand from the financial services sector has increased as stronger corporate profitability encourages expenditure on consulting services. Furthermore, as large banks and other financial institutions increase the size of their workforces and the number of facilities they operate, management consultants have become increasingly valuable in reducing operating inefficiencies. Additionally, the introduction of a wide range of new financial regulation, particularly in the United States, has become a key growth market for consulting firms that provide advisory services pertaining to financial reform.

### **Telecommunications and other high-tech industries**

Telecommunications is a rapidly changing field that is strongly influenced by technological change. The introduction of Voice over Internet Protocol, which offers voice services using the internet instead of traditional switch-based telephony, is looming as a notable threat to the telecommunications sector. As a result, the employment of outsourced consultants to assist telecommunications companies in adapting new technology for profit while still generating revenue from viable existing services is becoming increasingly common. This market is expected to account for 15.4% of revenue in 2017.

### **Energy, utilities and government**

Consulting work in this sector is for large-scale engineering, infrastructure and utilities projects. As mentioned above, revenue from the government sector is growing. Increasingly governments rely on expert consultants from the private sector to assist in making decisions and recommendations with regard to public investment projects. With the impending transition away from fossil fuels as a source of energy toward renewable energy, this segment is likely to grow in coming years. In 2017, 12.1% of revenue is expected to come from governments, while 11.2% of revenue is expected to come from the energy and utilities sectors.

## Health services

The health services sector, which primarily comprises hospital management and pharmaceutical companies, uses the management consulting industry's logistics and public relations services to help with ongoing difficulties resulting from imposed budgetary restrictions to healthcare. Scientific and technological frontiers are expanding rapidly on today's healthcare horizon, even as economic and financial pressures reduce profit margins, intensify competition and constrain funds available for investment. Technological innovation affects the understanding and treatment of diseases, how healthcare companies can specialize and the ways in which patients increasingly view their role as healthcare consumers. This environment of constant change encourages healthcare companies to outsource consultants to aid in improving cost-effectiveness while maintaining standards of care. This segment is expected to account for 11.0% of industry revenue in 2017.

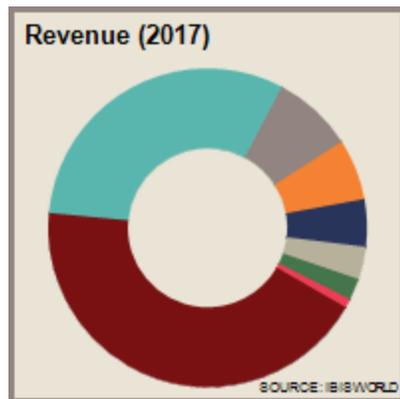
## International Trade

**Exports in this industry are low and steady.**

**Imports in this industry are low and steady.**

While there are numerous multinational management consulting firms operating in the industry, imports and exports are not applicable, as the industry is inherently service-based; products are not produced in countries and moved internationally. A significant amount of revenue is often sourced from international countries, yet this is not considered to be international trade.

## Business Locations



Region	%
North America	43.1
Europe	31.2
North Asia	8.2
South America	6.2
Africa & Middle East	4.8
India & Central Asia	3.3
Oceania	2.2
South East Asia	0.9

The Global Management Consultants industry is highly concentrated in regions with established economies and functioning financial markets, as industry operators are reliant on revenue generated from companies that are themselves dependent on highly developed economies. However, the prominence of consultancies in emerging economies is growing rapidly. As a result, over the past five years, firms have been increasingly shifting to South America and North Asia, where developing and expanding businesses demand advisory services.

Several factors are essential to the development of a prominent management consultancy presence in a given region. The availability of professional industries, such as finance or insurance, with enough capital to invest in industry services facilitates expansion into what have been consultants' traditionally largest markets. Proximity to highly skilled, experienced and educated personnel (i.e. being near major universities) ensures a ready supply of educated potential staff. Additionally, an economy's development into a service industry-based culture exemplifies growth in Asian nations. While manufacturing and retail industries do employ consulting services, the bulk of industry revenue is generated from tertiary service industries. Industry growth in China and India is concurrent with the expansion of those countries' service sectors.

Finally, proximity to large private enterprises in several related industries, within which relationships exist or are sought, is necessary for management consultancy presence. While greater international connectivity has somewhat diminished the need for face-to-face contact, the ability to provide in-person assistance and advice remains critical for a consultancy's success.

## North America

North America is the most concentrated region in the world for management consultants, with an estimated 43.1% of revenue sourced from the region. The United States is home to the largest specialized management consulting companies in the world such as McKinsey & Company. Additionally, major accounting and audit firms, such as Deloitte Touche Tohmatsu Ltd., PricewaterhouseCoopers and KPMG, which have been providing an increasing number of advisory services, generating the vast majority of their income from the United States and the rest of North America. Although revenue generated from other countries is increasing at a rapid rate, the United States disproportionately demands industry services. The majority of businesses in the United States are based in the Mid-Atlantic region, specifically New York, Massachusetts and Pennsylvania, along with highly populated states like California in the West and Texas in the South.

## Europe

Europe represents the second-greatest source of industry revenue, accounting for an estimated 31.2% of global revenue. Major industry players typically have offices in all major cities in Europe, including London, Berlin, Paris, Rome and Zurich. The region is the third-most populated in the world with a population of 742.3 million people. Furthermore, the very high level of interconnectedness in the region, fostered by the European Union, means that major companies frequently operate on regional bases rather than in any single state. Therefore, companies are often large and call in management consultants to help reduce costs and better allocate resources.

Over the past five years, Europe has declined as a proportion of total revenue. The sovereign debt crisis has hindered growth in various countries such as Greece, Ireland, Spain and Portugal. As a result, there has been little growth in the area compared with North America and emerging markets.

## Asia and other regions

North Asia is estimated to account for 8.2% of global revenue in 2017. The area has been rapidly growing over the past five years due to the fast pace of development, primarily driven by China's rapid development. China is the most dominant country in the region due to its enormous population, immense volume of land and rapidly growing economy. Many new consulting firms have entered this region as businesses in North America are increasingly turning their attention to Asia-Pacific to expand global revenue.

Similarly, South America, with 6.2% market share, represents a growing region as the economies of Brazil, Mexico, Peru and Chile rapidly expand. Expanding businesses in this region hire management consultants to develop better strategic goals and marketing plans. Marketing is especially important to emerging economies that typically export to the United States and, therefore, require a greater understanding of how to cater to their key market.

There has also been industry growth in Africa and the Middle East. Many African economies are making appearances as emerging markets that will require more advisory services as they expand. However, poor political institutions and civil turmoil are preventing the region from becoming more important to the industry.

# Competitive Landscape

## Market Share Concentration

**Industry concentration is low.**

The Global Management Consultants industry has a low level of concentration, with the top four firms projected to account for 9.2% of global revenue in 2017. There are numerous operators in the industry and such a diverse clientele that it is difficult for any single operator to capture significant market share. Currently, there are over 1.8 million consulting companies operating in this industry, many of which are small, specialized firms that offer niche services. While there are large companies that offer a full suite of consulting services, some smaller companies only offer consultations in a specific area of expertise. A company looking for advisement in the healthcare arena can contract the services of a large firm that has a multitude of services or it can contract a smaller, boutique firm that only works in healthcare and can provide more specialized service. This wide variety of clients has enabled many operators, small and large, to thrive in the industry. This level of fragmentation is common in industries with low market share.

The industry's largest players are globally recognized, billion-dollar multinationals; however, even the largest firms control less than 4.0% of the market. Most operators are small, geographically specific consulting firms that employ few workers and specialize in narrow fields of expertise, with big companies often subcontracting them for niche requests. However, concentration has grown slightly over the past five years as larger companies have engaged in mergers and acquisitions to grow market share. The most notable activity to affect market concentration over the past five years was the acquisition of the consulting arm of Booz & Company by PricewaterhouseCoopers. Over the next five years, the industry is expected to become marginally more concentrated; as the industry continues to mature and companies seek to gain market share, they will acquire domestic and foreign competitors. At the same time, companies will take on more staff to continue offering more services, which will encourage clients to take their business to larger firms.

## Key Success Factors

The key success factors in the Global Management Consultants industry are:

### Ability to compete on tender

Many consulting tasks, particularly large contracts for major companies or government contracts, are put up to tender. Smaller firms, in particular, are often reliant on one or two large contracts to maintain revenue.

### Effective quality control

Internal processes are important to maintaining customer satisfaction, which is of utmost importance in maintaining repeat custom.

### Well-developed internal processes

Given the labor-intensive nature of the industry, players must ensure that appropriate cost and time management systems are in place on a project basis so that these can be closely monitored.

### Access to highly skilled workforce

As work performed in this industry is often knowledge- and skill-intensive, it is vital to have a professional and skilled workforce.

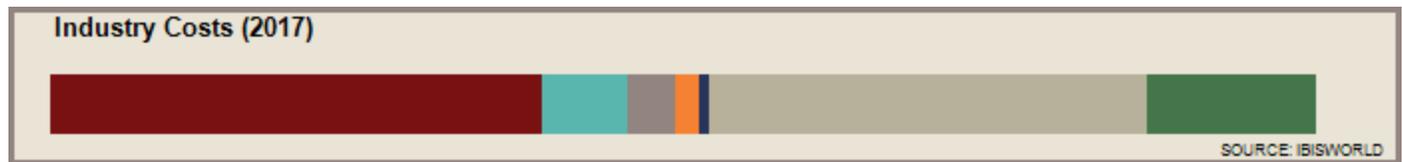
### Access to niche markets

Defining a clear niche for the tailoring of services can be essential for smaller operators that lack the economies of scale to offer broadly based services to a variety of clients.

### **Having good working relationships with subcontracting building trade specialists**

Where subcontractors are used, it is necessary to ensure that quality output can be guaranteed on time and on budget.

## Cost Structure Benchmarks



■ Wages	38.9%
■ Purchases	6.7%
■ Rent & Utilities	3.8%
■ Marketing	1.8%
■ Depreciation	0.9%
■ Other	34.5%
■ Profit	13.4%

Cost structures for management consultants vary in wages and profit margins. Larger industry operators such as Accenture and Deloitte tend to have higher profit margins due to their ability to leverage their capacity in many fields to boost sales and achieve economies of scale. Conversely, smaller firms generally have considerably higher wage costs as profit margins are slimmer and the majority of revenue is paid in wages. Management consultants tend to attract the most lucrative deals in North America; however, strong growth from emerging markets such as China, India and parts of Asia-Pacific are also causing profit margins to rise.

### Profit

Industry profitability is estimated to account for 13.4% of total revenue in 2017. The provision of management consulting services is highly value-added because consultants require a high degree of education and extensive business experience to provide advisory services to companies. As a result, firms are able to charge high premiums on consultancy services while few costs are incurred outside of wages. The industry's largest players such as Accenture, Deloitte and McKinsey & Company, experience large profit margins because their established reputations in the industry for providing high-quality services help attract business from the largest companies in the world.

Industry profit margins have varied over the past five years, having increased from 12.8% in 2012. They have generally displayed an upward trend, as consultants have experienced lessening price competition in a high-demand environment. Over the next five years, industry profitability is expected to remain steady as rising global business sentiment and profit drive new business.

### Wages

Wages as a proportion of revenue account for an estimated 38.9% of industry revenue. Consultants are highly trained and typically have a minimum of an undergraduate university degree or extensive experience in the corporate world. Additionally, much of the work that takes place in this industry is interpersonal, with consultants providing in-person advising services to their clients.

Due to the highly competitive nature of the industry, operators have placed a premium on hiring highly skilled consultants to provide superior service in an increasingly populated industry environment. More than 100,000 new operators have entered the industry since 2011 and having more skilled, trained or

experienced consultants is a way to gain an edge over the competition. These employees often earn high wages, which has pushed up relative wage spending. Additionally, consultants are increasingly being expected to offer Big Data analysis, which involves sorting and analyzing large data sets. Businesses are generating a growing amount of statistics throughout the course of day-to-day operations and consultants must be able to interpret trends in these large data sets to properly consult these businesses. Industry operators have hired more consultants with this skill, which has put upward pressure on relative wages.

### **Purchases and depreciation**

Industry purchases are estimated to account for 6.7% of industry revenue. Consultants purchase market research, data storage, company intelligence and online systems to better understand business operations, external markets and organize their own work. Purchases have increased as a proportion of revenue over the past five years as operators have strived to make use of improved computing technology and have increasingly purchased relevant ancillary equipment.

Industry depreciation costs are estimated to account for only 0.9% of industry revenue. Examples of depreciation expenses include basic administrative technology, such as laptops and other computer devices, and some specialized software. Depreciation has remained steady during the period, as no major structural changes to firms' capital expenditure have occurred.

### **Rent and utilities**

Rent and utilities costs account for 3.8% of revenue. Industry rent costs can be high, as consultants require office spaces where they can work and hold client meetings. Consultants are also typically located in urban hubs within major corporate areas, effectively raising rent costs. Conversely, utility costs are typically low, as firms require only basic power and other amenities for operations.

### **Other**

Marketing costs represent about 1.8% of industry revenue. Industry firms sponsor major events and pay for advertising through various channels to increase brand awareness and attract new clients. Other costs include insurance and legal fees, travel and accommodation expenses, motor vehicle-running expenses, among other miscellaneous expenses.

## Basis of Competition

### Competition is high and increasing

Competition within this industry is generally based on an operators' mix of knowledge, skills and expertise. Consultants employed by firms must match and meet clients' budgets and expectations, produce quality outcomes and ensure a high degree of client satisfaction. Many larger and some medium-sized firms that are well established in the industry trade solely on the basis of client satisfaction, seeking to generate a high level of repeat custom over time.

### Internal competition

Price-based competition tends to emerge during low economic growth periods and result from reduced expenditure by both the corporate and government sectors on industry services. The large number of small consultancy firms also ensures that price-based competition for certain projects will be present and significant.

Many smaller firms undertake consultancies on the basis of generating cash flow only, rather than take into account the actual costs involved in completing any assignment. Others view it as a method of carving out a toehold within a particular area, against other, more established firms. Small- and medium-sized firms also have the advantage of being able to provide quality outcomes with lower overhead costs compared with larger and more established management consultancy firms.

Over time, a successful management consultancy will develop a reputation for success, primarily through the success or failure of programs and strategies implemented upon their recommendation. Good reputation is the biggest selling point for management consultancies, especially large industry players. Often, testimonials from past clients are used as a means of promoting and enhancing reputations. Larger players also tend to promote themselves on the basis of their expertise in specific areas of management, or in various industries in which their consultants specialize. The Boston Consulting Group, for example, provides a list of consultants referred to as experts on their websites, and the field of expertise they consult in.

As the bulk of major players are based in the United States or the United Kingdom, the ability to provide consultants with an awareness of regional and cultural issues and business practices is seen as a competitive advantage in the global market, particularly considering the growth of Asian economies and the expansion of professional firms into that region.

In general, amongst smaller industry operators, niche and specialist firms tend to trade better than generalist consultancies and some medium-to-large firms trade on the basis of specific techniques or forms of analysis which they sell to existing and new clients.

Throughout the industry, clients are becoming more results oriented, seeking quantifiable targets and tangible outcomes from their expenditure. The ability to advise, consult and assist in the implementation of any recommendations is a valued commodity in this highly competitive industry. As a result, major industry players are offering a continually broadening range of services, often entering into IT consulting, an area previously the domain of external competitors such as IBM, Microsoft and EDS.

Conversely, many IT consulting companies, such as India-based firm Infosys, are moving into management consulting. As a result, strategic alliances have increasingly been forming between major management consultancy firms and other specialist operators, as larger consultancies seek to increase their breadth of specialties.

### External competition

Competition has recently increased from operators in other industries, especially in the IT, finance, human resources and chartered accountancy sectors. The initiative to train experts in a variety of specialties is designed to take market share away from large consultancies by promoting the notion that experts trained to be consultants are better than consultants trained to be experts. This phenomenon has led to some

management consultancy firms establishing strategic alliances with operators in other client service industries. This is particularly the case with chartered accountancy, IT, finance and employment and human resources firms.

## Barriers to Entry

Barriers to entry are low and increasing.

Barriers to Entry checklist	Level/Impact
Industry Competition	High
Industry Concentration	Low
Life Cycle Stage	Growing
Capital Intensity	Low
Technology Change	Medium
Regulation and Policy	Light
Industry Assistance	Low

SOURCE: IBISWORLD

The Global Management Consultants industry has low but increasing barriers to entry. The prominence of small one- or two-person operations, particularly in the US, is evidence of the ability of new industry entrants to access the requisite capital to establish new companies. Capital costs are minimal, as basic computing equipment is all that is required, and business may still be conducted without this, while regulations governing the industry are minimal. Some industries require licensing or membership of a particular industry group. Without such certifications or memberships, obtaining business can be difficult or impossible.

IBISWorld expects that the number and size of barriers to entry will increase over the forecast period. Larger industry firms, in an attempt to gain market share and establish a foothold in emerging Asian markets, have in recent years become highly acquisitive, with particular attention paid to entities in emerging markets with established client bases. Additionally, increasing horizontal integration of small operators by larger firms, intended to prevent clients from going elsewhere for implementation services, has led to a more challenging environment for smaller firms to match the service provision offered by large firms taking advantage of economies of scale.

### Service specialization

New companies can exploit specialist knowledge, often acquired while working for larger management consulting firms, of a particular industry (such as automotive, banking, engineering), skill (human resource management, change management, IT strategy) or geographic region (intimate knowledge of Chinese culture and the Chinese economy, which is particularly valuable in the current economic climate), while targeting clients with interests in these industries, skills or regions. However, as it can be safely assumed that the vast majority of new entrants possess specialized knowledge, it can only be considered a barrier to entry for those attempting to provide generalized advice on a variety of issues.

### Networking

Key requirements for new entrants are the development of a network of clients that can provide regular work and to create business associations and strategic alliances with individuals and companies that can be brought together on any assignment, as required. Many start-up management consultancy firms, however, are created by consultants with existing experience and networks, most often developed during tenures with large consultancy firms. Nevertheless, a new consultancy can purchase a client list for as little as \$10,000; however, this price can increase almost infinitely, depending on the number and quality of prospective clients.

Economies of scale possessed by major players are not a significant barrier to entry for smaller players entering the industry, as it is highly unlikely that new entrants will attempt to compete for contracts with major players.

## Industry Globalization

### The level of globalization is low and increasing.

The four largest management consulting firms in the industry account for less than 10.0% of global revenue, but this share is increasing as large firms continue to expand into new markets. The largest players are expanding globally by establishing branch offices in Asia-Pacific and Middle East regions, as well as China and other emerging economies. As a result, the overall level of industry globalization is estimated to be low but trending upward gradually. Most operators are locally owned and earn the bulk of their sales from domestic business.

Many of the major players in this industry are based in the United States or the United Kingdom, although firms such as Paris-based Capgemini are evidence of the growth of major industry operators in Europe. Increasing connectivity between developed economies is permitting large industry players to broaden their international approach by conducting consulting projects across international borders, thereby increasing industry globalization.

The expected low level of globalization over the next five years will result from smaller players in specific geographic regions, particularly Europe and North Asia, gaining a foothold. However, globalization will increase as major players enter Asian markets. Although Western markets are well-established and the bulk of major players operate from Europe or the United States, these firms are expected to extend their reach to become truly global. The bulk of industry operators as a group of small, domestic operators, is not expected to change.

### Specialization

Industry clients demand a high level of customization of services and personal attention, minimizing the ability of firms to offer internationally homogeneous services. Clients often require advice tailored to the business cultures of the geographic regions in which they operate. This factor ensures that, while the level of globalization in the industry is increasing, the predominance of large multinationals will be mitigated by the specialist requirements fulfilled by local niche competitors.

# Major Companies



Major Player	Market Share
Accenture Ltd	3.1% (2017)
Deloitte Touche Tohmatsu	2.4% (2017)
PricewaterhouseCoopers International Limited	2.0% (2017)
Other	92.5% (2017)

## Accenture Ltd

**Market Share:** 3.1%

Accenture Ltd. is one of the world's leading management consulting, technology and outsourcing services companies. The company is chartered in Dublin, Ireland, but effectively headquartered in New York. Accenture has offices and operations in more than 200 cities in 55 countries and employs more than 350,000 people. In fiscal 2016 (year-end August), Accenture generated \$32.9 billion in revenue and \$4.4 billion in operating profit.

While traditionally, major companies in an industry must control more than 5.0% of the market share, companies in the Global Management Consultants industry are small, geographically specific consulting firms that employ few workers and have narrowed specialties. Therefore, market share concentration remains small for the top companies in the industry.

Accenture is structured into five operating groups, subdivided into 19 industry subgroups that provide management consulting, technology and business process outsourcing services to clients in several sectors, including communications, media and technology; financial services; health and public services; manufacturing and retail; and resources. Accenture generates 47.6% of revenue from North America, 34.8% from Europe and 17.6% from all other growth markets.

Accenture's management consulting division works closely with professionals from relevant operating groups to develop and deliver solutions in customer service, finance and performance management, process and innovation performance, risk management, strategy, supply chain management and organizational performance.

## Financial performance

Over the five years to fiscal 2017, industry-specific revenue is projected to grow an annualized 4.9% to \$18.6 billion. The company is characterized by geographic expansion into emerging markets and a strategic focus on improving its service offerings. Efforts to differentiate itself from competitors and expand its integrated service offerings have underpinned the company's revenue growth. The Asia-Pacific region has been the fastest growing region for the company, as the growth markets are not nearly as saturated as established regions such as North America and Europe. Growth has recently slowed, prompting the company to refocus its expansion on Association of Southeast Asian Nations countries, Brazil, India,

Mexico, the Middle East, Russia, South Africa, South Korea and Turkey. Over the five years to 2017, industry-specific operating income is projected to increase at an annualized rate of 3.2% to \$2.4 billion.

## Deloitte Touche Tohmatsu

**Industry Brand Names:** Deloitte

**Market Share:** 2.4%

Deloitte Touche Tohmatsu Ltd. is one of the largest professional services firms in the world, and one of the Big Four accounting and audit firms along with PricewaterhouseCoopers, Ernst & Young and KPMG. The company comprises nearly 50 member firms that function independently. The private parent company, Deloitte Touche Tohmatsu, is based in London, with global operations running through its office in New York. Deloitte employs over 244,400 employees in 150 countries that collaborate to provide audit, consulting, financial advisory, risk management and tax services to clients.

Deloitte operates through four main segments: audit and enterprise risk services, consulting, tax and financial advisory. The audit and enterprise risk services segment generates the majority of company revenue; however, the consulting segment has continued to grow as a proportion of revenue over the past five years. In fiscal 2012, the group's financial advisory and consulting segment contributed less than 31.0% of company revenue, but has grown to account for an estimated 36.6% of revenue in fiscal 2017. The consulting business helps clients develop strategic goals and better manage human capital. It also provides assistance with digital enterprises and technological services. Deloitte provides the majority of its consulting services to companies specializing in financial services and consumer business. However, the company also advises manufacturing firms; technology, media and telecommunications firms; the public sector; and energy and resource companies.

### Financial performance

Over the five years to fiscal 2017, Deloitte's industry-specific revenue is anticipated to grow an annualized 7.9% to \$14.2 billion. Deloitte's consulting revenue has expanded over each of the past five years due to the company's increased focus on providing consulting services in conjunction with traditional audit and assurance services. This is due to rising demand for consulting services and the high profit margins associated with providing expert advisory services.

Significant growth in Deloitte's consulting segment was predicated on investment and movement into markets in Asia-Pacific and India, both of which surpassed its core regions in North America and Europe in terms of growth. Deloitte also launched a new global strategy called "As One" to improve its global services delivery across member firms, which helped grow its consulting segment and reduce costs. Furthermore, the company aggressively hired personnel and completed over 30 acquisitions of smaller digital, analytics, financial advisory and consulting firms.

## PricewaterhouseCoopers International Limited

**Industry Brand Names:** PwC, Strategy&

**Market Share:** 2.0%

PricewaterhouseCoopers, trading as PwC, is a global professional services firm headquartered in the United Kingdom. The company was created in 1998 out of a merger between Price Waterhouse and Coopers & Lybrand, which made it one of the largest accounting and auditing firms in the world. The business focuses on providing audit and assurance, tax and consulting services, but also provides human resource, forensic accounting services and other services. According to its most recent annual review, PwC generated \$37.7 billion in revenue in fiscal 2016-17 and employed 236,235 employees across 736 locations.

PwC operates through three main segments: assurance, tax and advisory. The company's assurance segment generates most revenue, followed by its advisory and tax segments. While PwC offers its services to a variety of industries, the majority of its customers are in banking and capital markets, industrial products, asset management and private equity. The company generates most revenue from North America and Europe, although growing proportions of revenue are coming from Asia-Pacific, South America and Africa.

PwC has been active in acquisitions over the past five years; one of the company's notable purchases was Digital Creative Consultancy in 2013. However, the firm's most important acquisition, which significantly changed the industry landscape, was the purchase of the consulting arm of Booz & Company, to create "PwC Strategy&." The acquisition is indicative of the company's desire to grow its consulting segment by integrating Booz & Company's consulting arm with its own assurance and tax services segments.

### Financial performance

Over the five years to fiscal 2017, PwC's advisory and tax services have driven growth. Stronger global business confidence and renewed investment following the global economic downturn has precipitated rising demand for advisory services. Furthermore, growth in South America, Africa and Australia has benefited the company, as each region now generates more than \$1.0 billion in revenue. Over the five years to fiscal 2017, PwC's industry-relevant revenue grew an annualized 7.1% to \$12.3 billion, with the acquisition of Booz & Company's consulting segment significantly boosting industry-specific revenue growth.

### Other Players

# Operating Conditions

## Capital Intensity

**The level of capital intensity is low.**

- The industry requires a significant input of direct labor and professional input
- The industry is labor, and particularly knowledge and skill, intensive
- There is a high degree of personal interaction with clients
- Besides standard computer equipment and software, capital is rarely required, and can be charged to the relevant client
- Wage costs far outstrip any expenses on capital

The Global Management Consultants industry exhibits a low level of capital intensity. For every dollar spent on labor, the industry is expected to allocate \$0.02 to capital. By its nature, the industry is highly labor-intensive, as consultants typically have strong educational backgrounds and the requisite skills and knowledge needed to provide advisory services to growing or restructuring businesses. The consultation process is highly personalized and many consultants are sought after. For example, contracts can be won or lost if a certain expert enters or departs a company. Sourcing clients can also be expensive and might involve a prolonged process that requires a well-developed network of domestic and international contacts.

Capital expenditures tend to include fixtures and fittings for office spaces, computer equipment and software. These costs are relatively low, as much of the work done by consultants is interpersonal and little technological equipment is used for the majority of consulting. Capital intensity has remained largely steady over the five years to 2017, with capital spending growing alongside overall revenue growth. One of the major drivers of capital spending growth has been the adoption of software that can sort and analyze large data sets, often known as Big Data. Retailers and service-oriented companies generate numerous statistics with each transaction and the ability to sort and analyze this data is paramount for consultants advising these clients.

## Technology & Systems

**The level of technology change is medium.**

The industry is labor intensive and heavily dependent on educated, professional individuals or teams, as opposed to any technological innovation. Technology in this industry primarily refers to computing and online solutions that enable greater speed and connectivity between branches of a firm and between consultants and their clients. Improving technologies in clients' industries are greatly important to the operations of management consultants. Any major steps forward in technology, particularly in the information technology (IT) sector, are likely to necessitate relevant strategic consulting methods to be developed. Staff must be aware of and proficient in all new technologies related to their clients' industries. One of the major developments in industry technology over the period has been the implementation of software that can sort and analyze large data sets. Firms must be able to provide these services to keep pace with industry competitors and win large contracts.

A significant technological cost for industry operators relates to the purchase of information, database and library materials, including access to online services. Some major firms have invested in global intranet systems which hold reports, techniques and knowledge gained from consultancy work and may be of use to employees in similar circumstances.

Strategic alliances with specialist firms in areas such as IT and corporate finance are on the rise. For major industry players, significant changes in technology relate to knowledge, such as the development of strategic and proprietary business theories, models and practices, which clients purchase.

## Revenue Volatility

### Industry revenue volatility is low.

The Global Management Consultants industry has a low level of revenue volatility. Revenue has grown each year since 2012, achieving growth as high as 5.7% in 2014 and as low as the projected 2.8% in 2017. The industry is insulated from decline, and consequently mitigated from volatility, by countercyclical demand. Many companies consider outsourced consulting to be a discretionary expense, and so expenditure on industry services tends to be cut during economic downturns. Conversely, however, just as clients use consultants to expand their business during boom periods, customers seek out consultants to improve and maintain margins and revenue and restructure operations when business conditions are poor.

Additionally, the industry also experiences low volatility because of the wide variety of sectors that are clients of the industry. Many consulting firms employ expert consultants across a variety of fields and industries, minimizing the impact of sector slowdowns. When one sector's demand for consultants falls, it is often balanced out by growth in another segment. Additionally, over the five years to 2017, any slowdown in growth in one global region has often been met by strong growth elsewhere, particularly in Asia, which has provided firms willing to expand to economically fertile areas insulation from volatile yearly changes.

## Regulation & Policy

### The level of regulation is light and the trend is steady.

This industry is subject to a light level of regulation, as management consultants are not regulated or licensed. However, there are several pieces of legislation that affect industry operators. When regulation at-large grows, downstream clients are subject to new rules that they must follow and they often seek out consultants to help them adapt to the changing regulatory landscape. For example, changes to healthcare regulation in the United States pertaining to the Patient Protection and Affordable Care Act have changed the way that healthcare providers in the country operate. Consultants benefited greatly from these changes, as these businesses sought out industry consultations to optimize operations in light of new laws. In developing economies such as China, the level of regulation is higher than in Western countries with open markets, but these regulations tend to focus on the formation of partnerships, joint ventures and other start-ups. Industry-specific regulation is negligible and is unlikely to change over the coming years.

## Sarbanes-Oxley Act

The Sarbanes-Oxley Act was passed in 2002 in the United States and relates to certified public accountants (CPAs) and CPA firms that audit public companies. Audit and assurance firms have become increasingly involved in the provision of consulting services over the past five years, with major companies such as Deloitte, PricewaterhouseCoopers, Ernst & Young and KPMG increasing the size of their consulting businesses. Consequently, to maintain the independence of audits, the Sarbanes-Oxley Act precludes accountants from providing consulting services to current audit and assurance clients. This includes the provision of bookkeeping, financial information system design, appraisal and valuation services, investment or dealer services, legal and expert services unrelated to audit and any management or human resource services.

The Sarbanes-Oxley Act is specific to US businesses; however, most nations have similar regulations in place to prevent conflicts of interest. The need for such regulation was highlighted by the Enron Corp. scandal, in which Arthur Anderson, the company's now-defunct auditor, also provided significant consulting services to the company, which is widely considered to have compromised the auditor's independence.

## Industry Assistance

**The level of industry assistance is low and the trend of industry assistance is steady**

**There are no specific tariffs for this industry.**

The industry obtains no special assistance or protection from governments and is a totally open and highly competitive industry. However, most countries where the industry is present contain one or many representative associations, such as the Association of Management Consulting Firms in the United States, or the Institute of Management Consultants and the Management Consultancies Association Ltd., both of which are in the United Kingdom. These associations provide professional development opportunities, industry research, referral services and legislative monitoring for client industries. Additionally, these agencies often provide some form of registration or accreditation process.

## Key Statistics

### Industry Data

	Revenue (\$m)	IVA (\$m)	Establishments (Units)	Enterprises (Units)	Employment (People)	Exports (\$m)	Imports (\$m)	Wages (\$m)	Global Aggregate Private Investment (\$ trillion)
2008	403,207.3	210,606.3	1,391,564	1,379,729	2,835,193	-	-	157,721.7	15.8
2009	381,130.3	198,793.2	1,413,100	1,398,257	2,767,287	-	-	151,435.3	14.4
2010	419,858.3	212,221.6	1,438,612	1,422,636	2,870,047	-	-	159,085.4	16.0
2011	459,316.9	241,325.9	1,503,980	1,484,825	3,045,308	-	-	172,098.5	17.0
2012	483,411.3	256,245.0	1,531,573	1,512,061	3,099,991	-	-	189,504.0	17.7
2013	505,016.9	266,941.8	1,589,450	1,566,566	3,247,525	-	-	192,569.7	18.4
2014	533,877.7	276,154.5	1,691,433	1,668,351	3,437,897	-	-	203,060.3	19.3
2015	559,269.1	296,662.7	1,783,627	1,761,939	3,684,827	-	-	216,874.7	20.0
2016	586,486.3	314,310.0	1,870,793	1,848,061	3,879,382	-	-	228,839.6	20.3
2017	603,105.5	320,770.8	1,925,017	1,902,206	3,969,281	-	-	234,530.4	21.2
2018	615,250.5	328,579.7	1,970,059	1,947,489	4,067,809	-	-	240,604.6	22.3
2019	623,496.1	334,111.0	2,024,106	2,002,756	4,150,267	-	-	245,473.8	23.5
2020	632,187.6	339,846.9	2,066,138	2,045,548	4,234,110	-	-	250,467.6	24.7
2021	644,507.9	347,444.4	2,125,557	2,105,548	4,336,197	-	-	256,763.1	25.9
2022	660,143.9	356,728.4	2,187,334	2,167,460	4,455,096	-	-	264,264.2	27.2

## Annual Change

	Revenue (%)	IVA (%)	Establishments (%)	Enterprises (%)	Employment (%)	Exports (%)	Imports (%)	Wages (%)	Global Aggregate Private Investment (%)
2009	-5.5	-5.6	1.5	1.3	-2.4	N/C	N/C	-4.0	-8.9
2010	10.2	6.8	1.8	1.7	3.7	N/C	N/C	5.1	11.1
2011	9.4	13.7	4.5	4.4	6.1	N/C	N/C	8.2	6.3
2012	5.2	6.2	1.8	1.8	1.8	N/C	N/C	10.1	4.1
2013	4.5	4.2	3.8	3.6	4.8	N/C	N/C	1.6	4.0
2014	5.7	3.5	6.4	6.5	5.9	N/C	N/C	5.4	4.9
2015	4.8	7.4	5.5	5.6	7.2	N/C	N/C	6.8	3.6
2016	4.9	5.9	4.9	4.9	5.3	N/C	N/C	5.5	1.5
2017	2.8	2.1	2.9	2.9	2.3	N/C	N/C	2.5	4.4
2018	2.0	2.4	2.3	2.4	2.5	N/C	N/C	2.6	5.2
2019	1.3	1.7	2.7	2.8	2.0	N/C	N/C	2.0	5.4
2020	1.4	1.7	2.1	2.1	2.0	N/C	N/C	2.0	5.1
2021	1.9	2.2	2.9	2.9	2.4	N/C	N/C	2.5	4.9
2022	2.4	2.7	2.9	2.9	2.7	N/C	N/C	2.9	5.0

## Key Ratios

	IVA/revenue (%)	Imports/demand (%)	Exports/revenue (%)	Revenue per employee (\$'000)	Wages/revenue (%)	Employees per est.	Average wage (\$)
2008	52.2	0.0	N/C	142.2	39.1	2	55,630.0
2009	52.2	0.0	N/C	137.7	39.7	2	54,723.4
2010	50.5	0.0	N/C	146.3	37.9	2	55,429.5
2011	52.5	0.0	N/C	150.8	37.5	2	56,512.6
2012	53.0	0.0	N/C	155.9	39.2	2	61,130.5
2013	52.9	0.0	N/C	155.5	38.1	2	59,297.4
2014	51.7	0.0	N/C	155.3	38.0	2	59,065.3
2015	53.0	0.0	N/C	151.8	38.8	2	58,856.2
2016	53.6	0.0	N/C	151.2	39.0	2	58,988.6
2017	53.2	0.0	N/C	151.9	38.9	2	59,086.4
2018	53.4	0.0	N/C	151.3	39.1	2	59,148.5
2019	53.6	0.0	N/C	150.2	39.4	2	59,146.5
2020	53.8	0.0	N/C	149.3	39.6	2	59,154.7
2021	53.9	0.0	N/C	148.6	39.8	2	59,213.9
2022	54.0	0.0	N/C	148.2	40.0	2	59,317.3

Figures are inflation-adjusted 2017 dollars

NOTE: UNLESS SPECIFIED, AN ASTERISK (\*) ASSOCIATED WITH A NUMBER IN A TABLE INDICATES AN IBISWORLD ESTIMATE AND REFERENCES TO DOLLARS ARE TO US DOLLARS.

## Jargon

**CHANGE MANAGEMENT** The assistance provided by consultants on structural change within a company - a major growth area during the global recession.

**HUMAN RESOURCES CONSULTING** The development of policies designed to ensure staff are adequately provided for, and their productivity is maximized.

**STRATEGIC CONSULTING** Consultants can be contracted to advise on long-term planning, with an eye to minimize costs growth and maintain profit margins. This often involves the development of new products and services.

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