

THE UK CONSULTING INDUSTRY 2003/4

The definitive report on the UK consulting market, based on data, analysis and forecasts from the Management Consultancies Association



1 A summary ...

● THE CONSULTING INDUSTRY

The beginning of 2003 saw the UK consulting industry in the depths of an economic downturn, with many firms struggling to restructure in the face of shrinking markets and over-capacity. Yet, consulting firms ended the year with order books looking stronger than at any point since 2000. Confidence is on the rise – but is it justified? Recovery has so far been largely fuelled by pent-up demand, and the consulting industry still faces considerable challenges if it is to convert this into solid and sustainable growth.

● THE REPORT

The UK Consulting Industry 2003/4 provides the latest data on consulting fee income by sector and service line and other key operational metrics, as well as analysis of the prospects for the most important markets.

Published jointly by the Management Consultancies Association and PMP and written by Fiona Czerniawska, a leading commentator on the consulting industry, this report provides an authoritative picture of the world's second largest consulting market. Also included are insights from over 30 industry leaders including Nick Owen, Head of Market and Service Programmes at Deloitte, Bruce Tindale, CEO, PA Consulting Group and Laurence West, Head of Consulting Services, UK and Ireland at Cap Gemini Ernst & Young, as well as niche players and specialist firms and award-winning case studies.

● THE CREDENTIALS

The Management Consultancies Association (MCA) has been providing valuable statistics on the UK consulting market since 1956. As the UK trade body for consulting firms, it has unique access to fee data and other performance metrics, as well as the views of senior partners, finance directors, personnel and marketing directors in the UK's major consulting firms.

‘This is the definitive report on the UK management consultancy industry, making it essential reading for all who need a comprehensive understanding of the subject.’

Alan Russell
Consulting Director
Atos Origin

‘A sharp, challenging report that goes much further than the usual statistical summaries. All UK practitioners need to test their strategies against the data, informed analysis and insight in this report.’

Gilbert Toppin
former Head of
European Operations
Deloitte

‘Last year’s MCA report provided a realistic context for CSC’s consulting business direction. I fully expect it to do the same for next years.’

Andrew Crowley
Head of Consulting
CSC Computer Sciences
Corporation

2 About the report . . .

The UK Consulting Industry Report 2003/4 comprises some 90 pages of new data, analysis and trends from MCA firms, including:

- Growth in MCA fee income
- Geographical source of fee income
- Split of fee income between the public and private sectors
- Comparative rates of growth in fee income in private and public sectors
- Public/private sector split of fee income by country of origin
- Fee income by sector and geography in percentage and absolute terms
- Pareto curve of fee income from the UK by sector
- Comparison of UK fee income to UK GDP
- The mixed fortunes of key consulting sectors
- Analysis of fee income by service line
- Breakdown of fee income, by service line and geography
- Breakdown of fee income, by service line and sector
- Comparative growth rates across major service lines
- Key service lines among primary industries
- Key service lines among production industries
- Key service lines among service industries
- Key service lines in the public sector
- Comparative percentage growth in fee income, by sector and services
- Trends over the past three/six months – cost of sales, volume of new orders, and average costs
- Growth in the number of consultants employed by MCA member firms
- Breakdown of consultants, by major service line
- Increase/decrease in the number of consultants, by grade and key service line
- Employee turnover, by grade
- Key staffing ratios
- Revenue per consultant, by grade and key service line

As well as detailed analysis of the metrics outlined above, the report also contains **interviews** with over 30 industry leaders, which provide a unique insight into the challenges faced by the consulting firms and their plans for the future. The final section of the report includes **award winning case studies** from the MCA's Best Management Practice Awards, providing an invaluable insight into successful projects.

3 Who should buy the report?

The UK Consulting Industry Report 2003/4 provides an essential source of information and a useful planning tool for all those with an interest in this fast-changing sector:

- Managers in consulting firms
- Purchasers of consulting
- Suppliers and partners of consulting firms
- Investors
- Analysts
- Recruitment consultants
- Journalists
- Researchers

MCA member firms

Accenture
AMTEC Consulting
Atos Origin
Axon
billetts
BT Syntegra
Bourton Group
Boxwood
Cap Gemini Ernst & Young
Capita Property Consultancy
Compass Management Consulting
Corpra
CSC Computer Sciences Corporation
Deloitte
ER Consultants
French Thornton Partnership
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Hay Group
HEDRA
IBM Business Consulting Services
Impact Plus
Kepner-Tregoe
Kurt Salmon Associates
LogicaCMG
Management Consulting Group
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Mercer Human Resource Consulting
Metra Martech
Mouchel Parkman
Oakland Consulting
PA Consulting Group
Pagoda Consulting
Partners for Change
P-E International
PKF
PricewaterhouseCoopers
RSM Robson Rhodes
Solving aem
Trinity Horne
Troika
Turner & Townsend Management Solutions
Xayce

Section D

Operating ratios

Key points MCA member firms employed just under 40,000 people in 2003, of whom more than 80 percent were fee-earning consultants and partners/directors. With demand increasing, especially in the second half of the year, consulting firms are starting to recruit, albeit slowly and cautiously. While the number of consultants employed by MCA member firms rose on a like-for-like basis by 2 percent, the number of partners/directors decreased by 4 percent. The number of contractors rose, also suggesting that consulting firms sought to retain operational flexibility. Overall growth helped push revenue per consultant per year up to just over £188,000, an increase of 4 percent. Traditional management consultants still generate more than half as much fee income again as other types of consultants (IT and outsourcing-related).

Note: As throughout this report, the term "fee income" is used to denote the fee income of MCA member firms, estimated to be 60 percent of the UK consulting industry.

Where like-for-like comparisons have been made, adjustments have been made to reflect changes in the MCA membership.

For the purposes of this report, the term "employee" has been used to cover consultants, support staff and partners.

Consultant numbers have been classified into three categories: IT-related (IT strategy, architecture and systems development), outsourcing-related (consulting on the negotiation and impact of outsourcing contracts) and management consulting (non-IT or outsourcing related, largely strategy, HR and marketing).

Any small differences between the totals in tables are the result of rounding.

Number of fee-earning staff

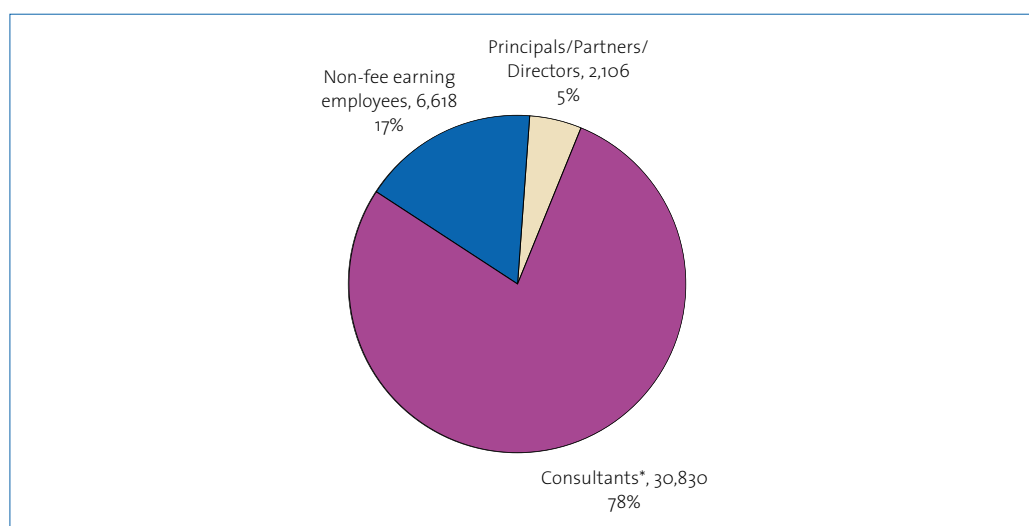
MCA member firms employed just under 40,000 people in 2003, of whom 78 percent were fee-earning consultants, 5 percent were partners or directors and 17 percent were non-fee earning staff (Figure D1).

Although this represents an actual increase of around 5,000 people since 2002, like-for-like growth has been negligible. Looking below the surface (Figure D2), it's clear that 2003 saw further reductions in headcount at the more senior levels in consulting firms (4 percent, on top of a 7 percent reduction in 2002). This loss has been offset by small percentage increases in the number of fee-earning consultants and non-fee earning staff.

From the MCA's quarterly survey, it's clear that most of this recruitment took place in the back-end of 2003 (Figure D3). What recruitment there is, focused on consultants rather than partners/directors, suggests that the industry remains cautious and concerned with keeping costs low while the strength of the recovery is still uncertain.

With the number of consultants picking up again, it will be interesting to see what happens to the number of contractors (freelance consultants employed on short-term contracts with consulting firms) in 2004. Like 2002, 2003 saw the number of contractors grow; indeed, the rate of growth has more than doubled to 12 percent. Over this period, using contractors has been a key way in which consulting firms have staffed new projects without taking on the risk of full-time employees. While most consulting firms remain sceptical about relying too heavily on contractors, the flexibility contractors bring continues to make them a very attractive source of labour.

Figure D1:
Breakdown of employees in 2003, in absolute and percentage terms



*Note: Excludes contractors

5 How to order . . .

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