

|| US INDUSTRY (NAICS) REPORT 54161

# Management Consulting in the US

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**Corporate strategy: The industry will likely be dominated by smaller operators despite increased consolidation**

Kevin Kennedy | January 2021

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# About IBISWorld

IBISWorld specializes in industry research with coverage on thousands of global industries. Our comprehensive data and in-depth analysis help businesses of all types gain quick and actionable insights on industries around the world. Busy professionals can spend less time researching and preparing for meetings, and more time focused on making strategic business decisions that benefit you, your company and your clients. We offer research on industries in the US, Canada, Australia, New Zealand, Germany, the UK, Ireland, China and Mexico, as well as industries that are truly global in nature.

# Covid-19

## Coronavirus Impact Update

IBISWorld's analysts constantly monitor the industry impacts of current events in real-time – here is an update of how this industry is likely to be impacted as a result of the global COVID-19 pandemic:

- The Management Consulting industry is expected to experience the most substantial revenue contraction in recent industry history amid the COVID-19 (coronavirus) pandemic, with revenue expected to fall 7.8% in 2020 alone. However, industry revenue is still expected to increase over the five years to 2020. See the Current Performance chapter for more information.
- While the industry as a whole is anticipated to be negatively affected by the pandemic, most economic fallout will likely be among small-scale operators that specialize in particular industry groups or service offerings. See the Current Performance chapter for more information.
- Demand contractions resulting from the coronavirus pandemic is forecast to directly contribute to a heightened level of revenue volatility over the five years to 2020. See the Revenue Volatility chapter for more information.

Note: The content in this report is currently being updated to reflect the trends outlined above.

# About This Industry

## Industry Definition

Operators in the Management Consulting industry advise businesses, nonprofits and public-sector agencies in areas such as organizational design, human resources, corporate strategy, information technology strategy, marketing and sales, finances and logistics. This industry excludes operators providing day-to-day administrative services and those that are concentrated in recruitment, training, public relations, market research, engineering, computer systems design and investment advice.

## Major Players

Deloitte Touche Tohmatsu Limited

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Accenture PLC

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## Main Activities

### The primary activities of this industry:

Actuarial, employee benefits and compensation consulting services

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Administrative and general management consulting services

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Marketing consulting services

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Process and logistics consulting services

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### The major products and services in this industry:

Corporate strategy

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Marketing and sales

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Organizational design

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Process and operations management

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Human resources advisory

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Financial advisory

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IT strategy

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# Supply Chain



## SIMILAR INDUSTRIES

Accounting Services in the US Competitor	Tax Preparation Services in the US Complementor	IT Consulting in the US Competitor	Business Coaching in the US Complementor
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## RELATED INTERNATIONAL INDUSTRIES

Global Management Consultants	Management Consulting in Australia	Management Consulting in China	Management Consultants in the UK
Procurement Outsourcing Services in the UK	Occupational Health & Safety Services in the UK	Management Consulting in Canada	Consulting Services in New Zealand
Management Consultants in Ireland			

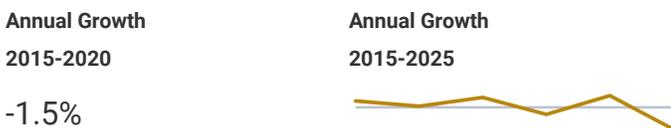
# Industry at a Glance

## Key Statistics

**\$236.2bn**  
Revenue



**\$24.1bn**  
Profit



**10.2%**  
Profit Margin



**832k**  
Businesses



**2m**  
Employment



**\$105.6bn**  
Wages



## Key External Drivers

% = 2015-2020 Annual Growth

<b>0.2%</b> Number of businesses	<b>-3.0%</b> Corporate profit
<b>0.5%</b> Aggregate private investment	<b>1.6%</b> Government consumption and investment

## Industry Structure

### POSITIVE IMPACT

Capital Intensity Low	Concentration Low
Regulation Light	Technology Change Low

### MIXED IMPACT

Life Cycle Mature	Revenue Volatility Medium
Globalization Medium	

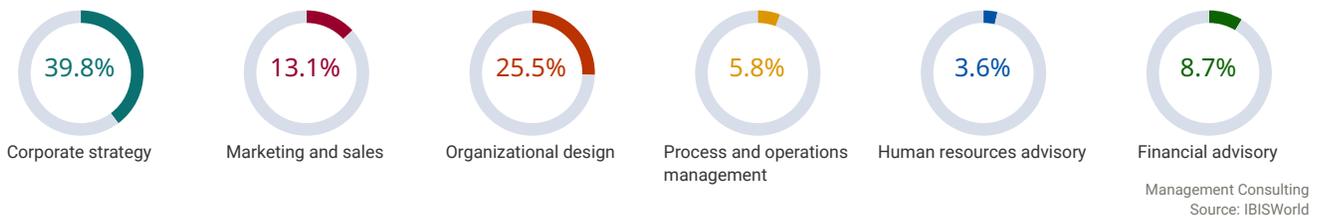
### NEGATIVE IMPACT

Industry Assistance None	Barriers to Entry Low
Competition High	

## Key Trends

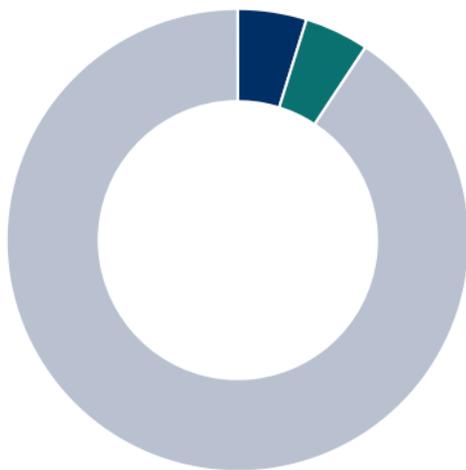
- Negative effects of the pandemic will likely be experienced by companies specializing in more vulnerable industries
- Improving business conditions have supported industry revenue growth during most of the period
- Low barriers to entry have encouraged new entrants and the emergence of smaller-scale operators
- Investment in new capabilities will likely boost demand for industry services
- Businesses across all sectors will likely seek external services for appropriate measures on increasing efficiency
- Strong demand conditions are expected continue to lure new entrants
- Consultants will likely benefit from increased investment in the healthcare sector to combat the pandemic

**Products & Services Segmentation**



**Major Players**

% = share of industry revenue



- 4.8% Deloitte
- 4.5% Accenture
- 90.7% Other

Management Consulting  
Source: IBISWorld

**SWOT**

**S STRENGTHS**

- Low Imports
- High Profit vs. Sector Average
- Low Customer Class Concentration
- Low Product/Service Concentration
- Low Capital Requirements

**W WEAKNESSES**

- Low & Steady Barriers to Entry
- None & Steady Level of Assistance
- High Competition
- Low Revenue per Employee

**O OPPORTUNITIES**

- High Revenue Growth (2020-2025)
- Government consumption and investment

**T THREATS**

- Low Revenue Growth (2005-2020)
- Low Revenue Growth (2015-2020)
- Low Outlier Growth
- Low Performance Drivers
- Corporate profit

## Executive Summary

### **The Management Consulting industry has experienced significant growth over the five years to 2020.**

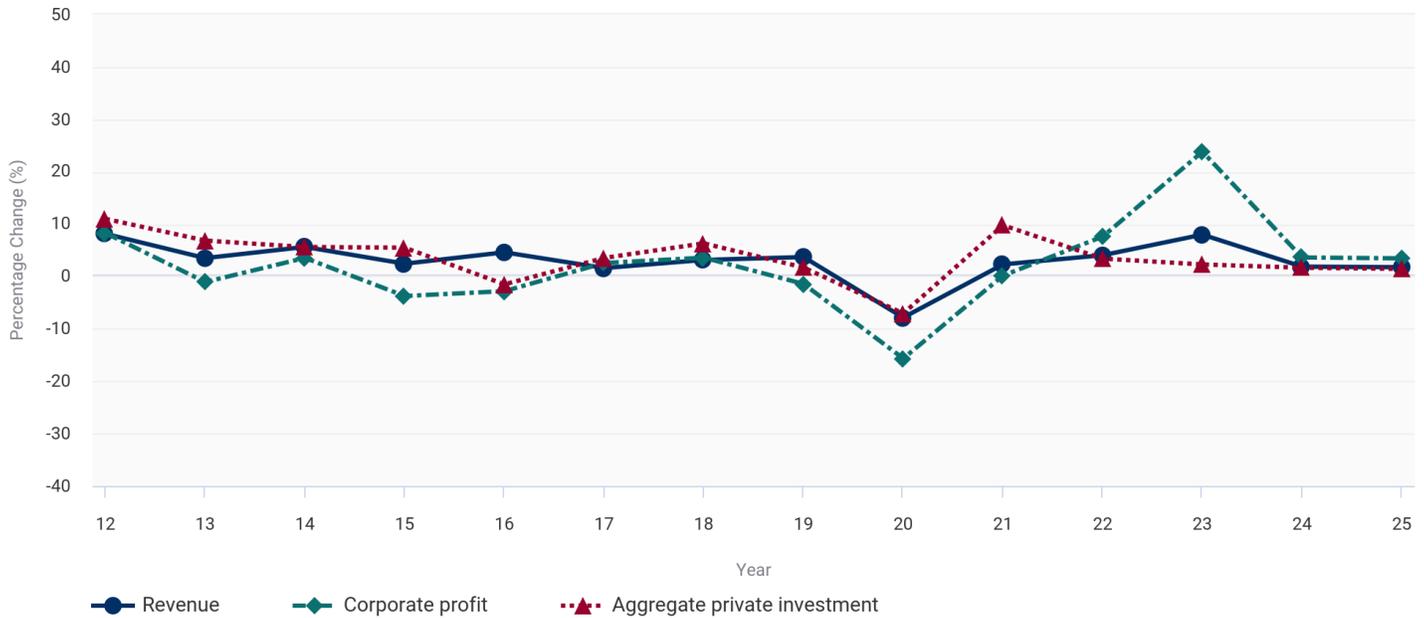
In general, a positive economic climate has generated growth in corporate profit levels and private investment. Thus, as companies sought to allocate excess funds toward expansion opportunities, industry services benefited from increased contract volume in regard to new investments. While this dynamic enabled industry expansion during much of the period, revenue expansion is expected to be offset by the COVID-19 (coronavirus) pandemic. In fact, industry revenue is forecast to decrease 7.8% in 2020 alone, while industry profit is expected to similarly fall. Still, the industry's countercyclical nature has prevented larger declines, as negative effects has been disproportionately distributed among operators of various specialties. Overall, industry revenue has increased at an annualized rate of 0.9% to \$236.2 billion over the five years to 2020.

Demand for consulting is directly linked to broader business activity; thus, periods of economic decline often precipitate industry revenue contraction. However, the unique nature of the pandemic is expected to disproportionately affect demand. For example, operators specializing in consumer products or hospitality industries will likely experience negative effects, as in-person consumer interaction has been discouraged. Conversely, companies focusing on IT restructuring services will likely experience growth, as social distancing guidelines have shifted business operation toward remote work. Similarly, restructuring services will likely expand as corporations reorganize to stay financially viable. Consultants will also likely benefit from increased investment in the healthcare sector to combat the pandemic.

Following the coronavirus pandemic, industry revenue growth will likely accelerate, increasing at an annualized 3.6% \$236.2 billion over the five years to 2025. IT consulting is expected to continue comprising a key growth area for operators, while the healthcare market will also likely provide new business opportunities. Consolidation from the largest players is forecast to continue; however, the industry will still likely be dominated by smaller operators. These businesses focus on servicing local or niche markets and control exceptionally small proportions of industry revenue. Adapting to the postpandemic economic climate will likely be crucial for businesses at all levels, especially within the IT, healthcare and restructuring service groups.

# Industry Performance

Key External Drivers 2012–2025



Management Consulting  
Source: IBISWorld

## Key External Drivers

### Corporate profit

Corporate profit measures profit earned across the entire economy. A rise in corporate profit generally increases the number of businesses that are able to afford consulting services. Therefore, an increase in corporate profit precipitates an increase in industry revenue. Corporate profit is expected to decrease substantially in 2020 amid the COVID-19 (coronavirus) pandemic and its disruption on global business activity.

### Aggregate private investment

Aggregate private investment includes spending by individuals and businesses on physical structures, equipment and software. As investment in software and other equipment increases, businesses are more likely to use management consultants. Additionally, companies use consultants to understand what aspects of their business are most profitable and where investment should be focused, boosting industry revenue. Aggregate private investment is expected to decrease significantly in 2020, posing a potential threat to the industry.

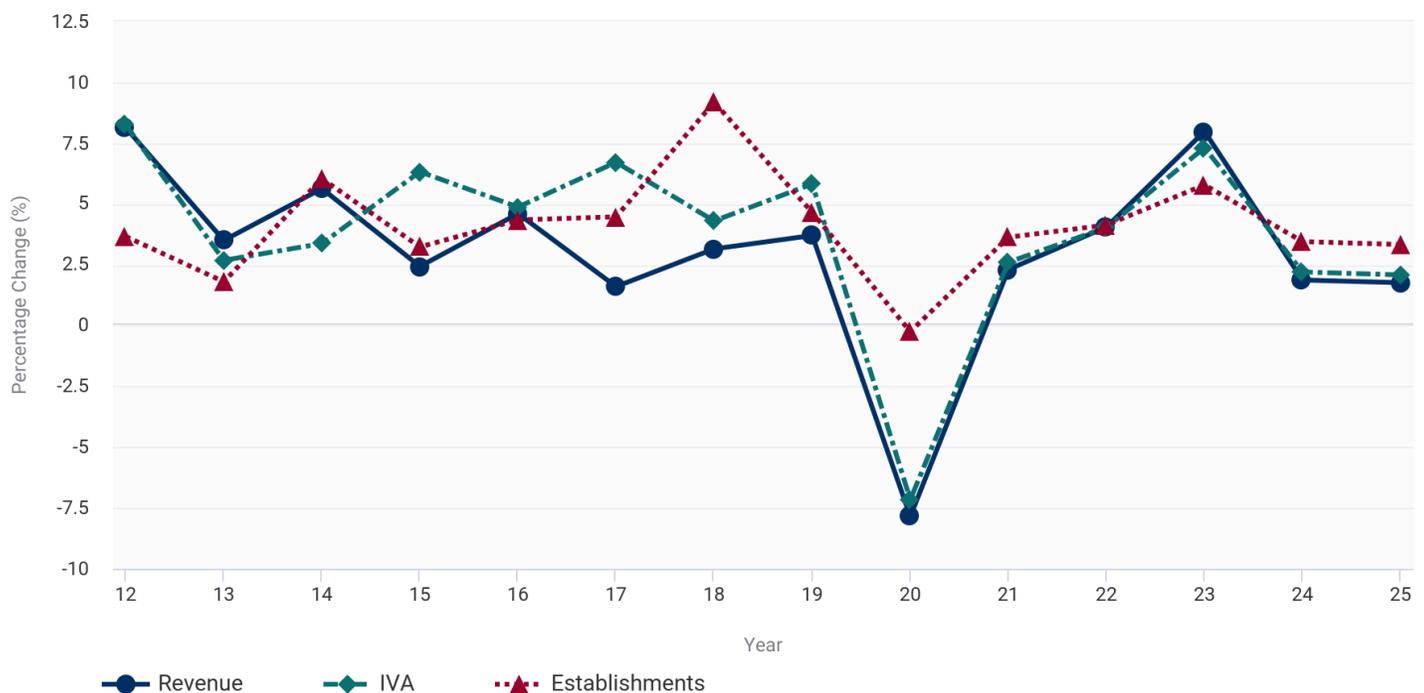
### Number of businesses

Growth in the number of businesses directly affects aggregate demand for management consulting. An increase in the number of businesses expands the potential pool of clientele for management consultants and increases demand for industry services such as administrative, organizational and strategy consulting. The number of businesses is expected to decrease in 2020.

### Government consumption and investment

Although the corporate sector accounts for most industry revenue, government agencies are responsible for the remainder. Industry revenue is closely linked to government consumption and investment via public sector consulting demand. Concerns about the federal deficit have limited the potential for further expansion of federal spending. Government consumption and investment is expected to increase in 2020, representing a potential opportunity for the industry.

Industry Performance 2012-2025



Management Consulting  
Source: IBISWorld

### Current Performance

**Revenue for the Management Consulting industry is estimated to grow at an annualized rate of 0.9% to \$236.2 billion over the five years to 2020.**

Industry operators provide advice and assistance to businesses, organizations and government bodies on organizational planning, financial planning, budgeting and strategic marketing objectives. As a result, the industry is reliant on strong

economic conditions. For example, when corporate profit rises, businesses often seek out new ways to invest excess capital and expand operations. However, the industry also experiences growth when corporate profit falters; businesses often use industry operators' services when attempting to restructure to maintain profitability or readjust sales strategies to stem losses. Consequently, this countercyclical demand can help insulate the industry from experiencing contractions, even in broader recessionary environments.

## COVID-19

**While favorable economic conditions have generated significant growth during most of the period, fallout from the COVID-19 (coronavirus) pandemic is expected to generate a revenue decline of 7.8% in 2020 alone.**

As a result, annualized growth during the period is expected to be marginal at best. Across the United States, many businesses have been forced to either continue operations remotely or temporarily shut down. Thus, demand for the industry is expected to experience mixed effects from this disruption in business activity. Although many consulting firms maintain necessary infrastructure to support remote work, downstream clients may have difficulty affording industry services as aggregate corporate profit levels are constrained. In fact, IBISWorld expects corporate profit to decrease 15.7% in 2020 alone, forcing many companies to postpone or cancel expansion projects in favor of maintaining budgets and debt obligations.

Furthermore, negative effects of the pandemic will likely be experienced predominantly by consulting firms specializing in more vulnerable industries, such as hospitality, tourism and consumer products related to retail industries. Conversely, companies that specialize in particular service offerings, such as restructuring or those that directly assist on government projects, are expected to experience a significant uptick in demand. Increasing bankruptcy filings will likely drive demand for restructuring services from corporations attempting to avoid complete foreclosure. Similarly, companies that must reorganize employee bases toward remote work may hire management consultants to aid in setting up proper information technology infrastructure. Overall, the combination of these dynamics underlines the comparative advantage of larger operators, in which the diversity of service offerings and client bases proves to be the largest factor for insulating a company from negative economic effects.

## Business conditions and demand

**Aside from the expected contraction in 2020, improving business conditions have supported industry revenue growth during the period.**

Over most of the past five years, the national economy has experienced healthy expansion as both government consumption and expenditure and the number of businesses expanded. An increasing number of businesses broadens the pool of potential clients for consultants, while historically low interest rates have encouraged entrepreneurs to start businesses and incentivized existing companies

to seek expansion. As a result, demand for management consultants has demonstrated consistent growth, as expansion plans for large corporations often require guidance to ensure some level of return-on-investment (ROI). Nonetheless, other factors influencing demand have experienced some volatility during the period.

For example, corporate profit also influences demand for industry services, in which companies with excess profit often hire consultants to help invest funds and appropriate resources for new projects. Additionally, when corporate profit falters, companies seek consultation on restructuring organizations to help maximize profitability, making the industry countercyclical to a degree. Overall corporate profit has declined over the past five years, creating a ripple effect that tapered growth in aggregate private investment. Nonetheless, growth in government consumption and spending, especially amid the coronavirus pandemic, has helped the industry ward off these negative trends.

### Burgeoning opportunities

**While some of these economic trends have had mixed effects on the industry over the past five years, there have also been some more specific factors that have driven growth.**

Two of the more powerful trends that have emerged are healthcare changes and rapid digitization. The Healthcare and Social Assistance sector (IBISWorld report 62) has emerged as one of the most lucrative market segments for industry operators. Regulation changes in this sector are frequent, and healthcare providers must continuously adapt to a changing regulatory landscape. Demand from this sector is also expected to expand moving forward, especially following the coronavirus pandemic, as both the public and private sector increase focus on healthcare infrastructure.

Similar to healthcare innovation, skyrocketing demand for smartphones and mobile internet connections has also helped boost demand for management consultants over the past five years. Although some businesses have cashed in on the rising importance of a digital presence, many companies have struggled to keep up with the rapidly changing landscape of online systems. Management consultants have benefited from providing custom computer application design and development services to businesses. Management consultants are increasingly working with IT professionals to help businesses understand consumer markets and transform IT functions, driven by an acceleration in consumer use of the internet through smartphones and other devices.

### Industry landscape

**The industry remains largely fragmented, with a substantial proportion of the industry consisting of small nonemploying firms.**

Overall, IBISWorld estimates the number of industry enterprises to increase at an annualized rate of 4.5% to 831,621 companies over the five years to 2020. This influx of new entrants has precipitated a similar expansion in the industry's labor force, with industry employment estimated to rise an annualized 3.6% to 1.6 million during the same period. Still, while demand has increased over the past five years,

the industry has experienced a decline in profitability. Low barriers to entry have encouraged new entrants and the emergence of smaller-scale operators, which has amplified price-based competition, putting downward pressure on profit. These negative effects were then augmented by the coronavirus pandemic, in which profit is expected to decrease. Overall, industry profit, measured as earnings before interest and taxes, is estimated to decline from accounting for 11.5% of revenue in 2015 to 10.2% in 2020.

#### Historical Performance Data

Year	Revenue (\$m)	IVA (\$m)	Estab. (Units)	Enterprises (Units)	Employment (Units)	Exports (\$m)	Imports (\$m)	Wages (\$m)	Domestic Demand (\$m)	Corporate profit (\$b)
2011	186,132	93,858	581,314	577,074	1,120,448	N/A	N/A	69,475	N/A	
2012	201,281	101,604	602,633	598,221	1,202,413	N/A	N/A	77,450	N/A	
2013	208,332	104,331	613,537	607,307	1,242,838	N/A	N/A	77,664	N/A	
2014	220,078	107,850	650,640	644,597	1,324,924	N/A	N/A	81,661	N/A	
2015	225,445	114,676	671,657	665,742	1,375,963	N/A	N/A	86,721	N/A	
2016	235,837	120,261	700,873	694,544	1,447,369	N/A	N/A	92,197	N/A	
2017	239,623	128,336	732,268	725,561	1,514,511	N/A	N/A	98,143	N/A	
2018	247,175	133,858	799,525	793,225	1,636,986	N/A	N/A	105,433	N/A	
2019	256,327	141,662	836,746	829,474	1,703,084	N/A	N/A	110,646	N/A	
2020	236,208	131,521	834,686	831,621	1,639,449	N/A	N/A	105,602	N/A	

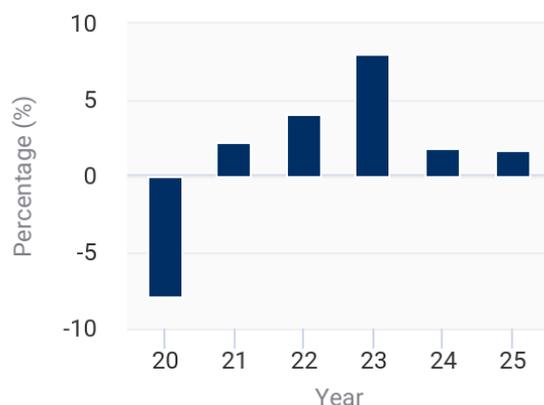
# Industry Outlook

## Outlook

**Following the expected contraction in 2020, broader economic recovery after the COVID-19 (coronavirus) pandemic subsides will likely accelerate industry revenue growth over the five years to 2025.**

While corporate profit contracted over the five years to 2020, an anticipated reversal of this trend is expected to help expand business budgets, enabling companies to heighten spending on consulting services. Additionally, as businesses remain confident in future conditions, companies are expected to increase labor forces and expand investment in new facilities and operations. Investment in new capabilities will likely boost demand for process and operations management consulting, corporate strategy consulting and organizational design consulting.

Industry Outlook  
2020–2025



Management Consulting  
Source: IBISWorld

Furthermore, rapid IT developments will likely continue to be instrumental in developing new strategies and designs as well as understanding an evolving domestic market. Private sector investment in IT is expected to boom and management consultants will likely pursue more solutions that incorporate computer systems. This trend is also expected to be amplified by a broader shift toward remote working environments, directly resulting from social distancing measures from the pandemic. Moreover, major investment in life sciences and healthcare over the next five years will likely help drive growth for consultants that assist in merger and acquisition activity. Overall, industry revenue is expected to increase at an annualized rate of 3.6% to \$281.5 billion over the five years to 2025. Nonetheless, major accounting consultancies and prestigious specialized consulting firms are expected to continue to win most contracts and drive growth in industry revenue.

### After COVID-19

**While the material economic effects of the coronavirus pandemic are yet to be fully understood, the pandemic has undoubtedly catalyzed change in the global business environment.**

For example, businesses that maintained remote-work capabilities prior to the pandemic are undoubtedly faring better than competitors without the proper systems. Furthermore, enhanced public and private focus about the state of domestic healthcare infrastructure has taken center stage. As a result, substantial investments are expected to be made in the healthcare sector over the coming

years. These trends also follow changing consumer behavior, brought on by new generations of individuals entering the professional world. As a result, the Management Consulting industry is expected to maintain substantial growth. Businesses across virtually all sectors will likely seek external services for appropriate measures on increasing efficiency and mobility in the new business environment.

### Business conditions and demand

**Over the next five years, business conditions are expected to continue to advance, bolstering industry revenue growth.**

Aggregate private investment and the number of businesses are anticipated to climb, broadening the pool of potential clients seeking consulting services. Corporate profit is also expected to grow, increasing at an annualized rate of 7.4% over the five years to 2025, significantly rebounding from pandemic-related contractions. While increased demand from higher-value and higher-margin clients, such as financial and healthcare services clients, may boost profitability for specific companies, the average industry profit margin, measured as earnings before interest and taxes, is expected to stagnate, accounting for 10.2% of revenue in 2025. Rebounding demand and enterprise expansion will likely heighten labor competition among industry operators, increasing wage values in proportion to revenue. In fact, industry wages are anticipated to increase at an annualized rate of 3.7% to \$126.5 billion over the five years to 2025. As a result, wage costs will likely increase from accounting for 44.7% of revenue in 2020 to 44.9% in 2025, subduing profit growth.

Strong demand conditions are also expected continue to lure new entrants, aided by relatively low barriers to entry. Furthermore, steady revenue growth will likely encourage existing operators to expand the number of locations to reach fast-growing regional markets. Accordingly, the number of industry enterprises is expected to grow at an annualized rate of 4.1% to 1.0 million companies over the five years to 2025. Still, many of these companies will likely be classified as small-scale, nonemployer operators.

### Addressing investment and equity gaps

**Asset management and private equity companies represent a key market for management consultants.**

These companies seek to invest through venture and growth capital, which are becoming increasingly attractive when compared with public equity due to higher returns. Growing interest in alternative investments, movements toward defined-contribution pension schemes and new financial regulations continue to alter how companies and individuals invest money. While most wealth is held in developed economies, emerging economies are growing at a relatively rapid rate. Therefore, management consultants are playing a larger role in assisting with domestic company strategy, including advising businesses on which emerging markets to invest in overseas.

Currently, many asset management and private equity firms are attempting to take over existing operations and invest in start-up businesses. This trend has also been

exacerbated by relatively low returns and higher volatility in developed markets, according to the McKinsey Global Institute. Therefore, management consultants have been hired to assist businesses for the purpose of considering market opportunities, with a view to allocating funds for investment. In many cases, management consultants are aware of favorable smaller companies, and as a result, assist these companies in attracting funds from investors.

**Performance Outlook Data**

Year	Revenue (\$m)	IVA (\$m)	Estab. (Units)	Enterprises (Units)	Employment (Units)	Exports (\$m)	Imports (\$m)	Wages (\$m)	Domestic Demand (\$m)	Corporate profit (\$b)
2020	236,208	131,521	834,686	831,621	1,639,449	N/A	N/A	105,602	N/A	
2021	241,648	134,945	865,055	862,698	1,687,462	N/A	N/A	108,562	N/A	
2022	251,450	140,389	900,810	898,482	1,754,532	N/A	N/A	112,895	N/A	
2023	271,530	150,651	952,899	949,198	1,871,484	N/A	N/A	120,718	N/A	
2024	276,610	153,973	985,861	983,109	1,919,658	N/A	N/A	123,656	N/A	
2025	281,504	157,180	1,018,703	1,016,974	1,966,283	N/A	N/A	126,496	N/A	

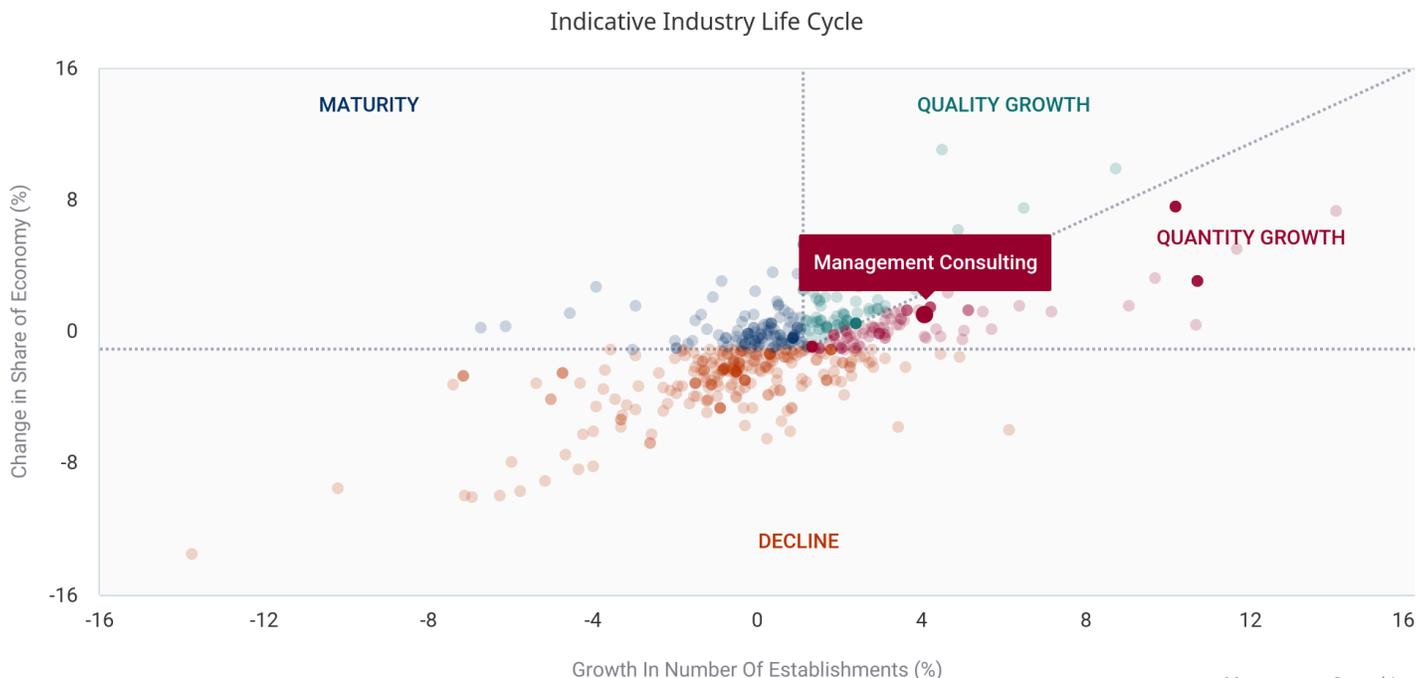
**Industry Life Cycle**    The life cycle stage of this industry is **⊖ Mature**

LIFE CYCLE REASONS

**IVA is anticipated to outpace GDP over the 10 years to 2025**

**Increased consolidation, through merger and acquisition activity, is occurring among the industry's larger players**

**There is widespread acceptance and adoption of the services being offered, limiting growth in new markets**



Management Consulting  
Source: IBISWorld

The Management Consulting industry is in the mature stage of its life cycle. The industry is characterized by growth in line with the overall economy, an increasing number of industry players and technological change based on improving efficiency rather than developing entirely new services. Over the past five years, a generally positive economic environment for the majority of the period drove demand for industry services, sustaining growth even amid the COVID-19 (coronavirus) declines. Furthermore, consultants continue to be a key component in helping firms navigate an evolving business landscape, which will be amplified by the post-pandemic world.

Over the 10-years to 2025, industry value added (IVA), measured as the industry's contribution to the broader macroeconomy, is projected to increase at an annualized rate of 3.2%. Comparatively, US GDP is expected to rise an annualized 1.9% during the same 10-year period. The value of management consulting is well accepted in the business community, particularly in the realms of corporate strategy and organizational design. Accordingly, the industry has achieved a high degree of market saturation, with third-party management consulting widely considered to be a vital source of impartial analysis.

The industry has been characterized by a relatively high volume of merger and acquisition (M&A) activity. An uptick in M&A activity over the past five years is expected to persist during the outlook period as major companies scramble for market share, which is a characteristic of mature industries. In addition, firms from external industries are increasingly offering the same lines of services. Over the coming five years, large corporate clients will increasingly seek firms that offer “end-to-end business solutions” (i.e. a firm that is involved in every step of the process, from advisory to execution to assessment). As a result, the distinction between the advisory services offered by the Management Consulting industry, the IT Consulting industry (IBISWorld report 54151) and the Accounting Services (54121c) industry will ultimately become blurred.

# Products and Markets

## Supply Chain

### KEY BUYING INDUSTRIES

#### 1st Tier

- Retail Trade in the US

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- Finance and Insurance in the US

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- Healthcare and Social Assistance in the US

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- Public Administration in the US

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- Utilities in the US

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- Manufacturing in the US

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#### 2nd Tier

- Consumers in the US

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### KEY SELLING INDUSTRIES

#### 1st Tier

- Computer Stores in the US

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- Office Supply Stores in the US

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- Commercial Leasing in the US

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#### 2nd Tier

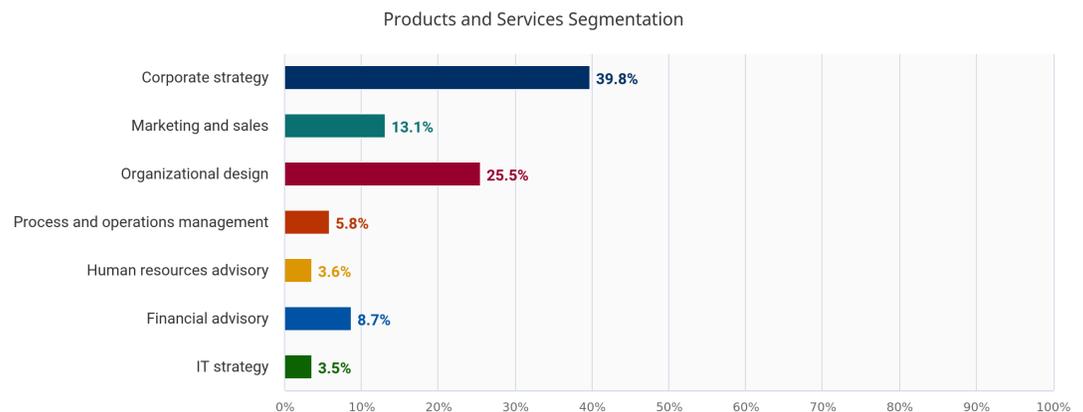
- Computer Manufacturing in the US

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- Computer Peripheral Manufacturing in the US

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## Products and Services



2020 INDUSTRY REVENUE

**\$236.2bn**

Management Consulting  
Source: IBISWorld

**Service offerings for the Management Consulting industry are highly diverse and vary based on size, scale, employee background and geographic location, among other factors.**

As a result, diverse service offerings enable many smaller enterprises to capture market share by specializing in a particular field; contributing to industry market fragmentation. While the COVID-19 (coronavirus) pandemic is expected to affect the broader industry, the material effects on service revenue remain majorly uncertain. As a result, fluctuation in downstream demand better illustrates pandemic fallout at this time.

## Corporate strategy

**Corporate strategy consulting services includes strategic advice in the areas of general growth strategy, leadership development, performance improvement, mergers and acquisitions (M&A) and corporate portfolio design.**

In the area of leadership development, consultants view employee engagement as a potential source of competitive advantage. Similarly, new businesses often seek management consultants to build out executive leader teams, as industry enterprises often maintain connections in senior recruiting. As online learning methodologies have reduced the cost of providing employee training, this service area has experienced growth over the five years to 2020.

Mergers and acquisitions also represent another substantial contributor to corporate strategy revenue. Partnerships, mergers and strategic acquisitions carry a significant amount of uncertainty for the newly formed business. As a result, these companies will contract industry professionals to highlight synergies, illustrate justified divestitures and discuss proper financing options. M&A consultation also represents a countercyclical service offering for the industry, as these purchases are most common in recessionary economic climates that enable financially stable enterprises to acquire relevant competitors at a discount. Overall, this category of consultation accounts for an estimated 39.8% of total revenue in 2020, representing the industry's most substantial service offering.

## Organizational design

**Organizational design services are estimated to account for 25.5% of management consulting revenue, representing the second largest industry service offering.**

Organizational design can be broad or narrow depending on the scope of the consulting company, but generally relates to streamlining business processes and organizational structure in a way that best adheres to the client's direction. As a result, organizational design consulting can have many forms. For instance, a corporation seeking to enter an international market will contract industry professionals to determine proper structure that maintains the company's foundational values; but is also nuanced to better serve the cultural differences in the foreign market. Additionally, companies that have over extended product or service portfolios to the point of loss will seek industry professionals to divest product or service lines and specialize on the most profitable items. Over the five years to 2020, this service segment has increased in proportion to revenue as many domestic businesses seek international expansion.

## Marketing and sales

**Marketing and sales services contribute an estimated 13.1% to management consulting revenue in the areas of brand strategy and design, corporate identity and image consulting.**

Accordingly, this segment represents the third-largest service offering for the industry by revenue. As companies have reconsidered existing marketing techniques in light of digital marketing opportunities, revenue from this segment has improved with the rise of digital technology over the past five years. This trend has become especially apparent for consumer product businesses seeking the aid of social media personalities to reach new customers or enhance brand recognition.

### Financial advisory

**Financial advisory services contribute an estimated 8.7% to management consulting revenue.**

Consulting firms engaged in financial advisory services provide finance and risk management executives (such as CFOs) with financial and economic analysis of the risks and uncertainties their companies are undergoing. These uncertainties include business and legal issues that result from changes in demand, public policy, financial conditions, competition and the regulatory environment. Financial volatility increases the difficulty of providing solutions to these issues and, therefore, demand for financial advisory consulting. This service segment has been a growth area for the industry over the past five years.

### Process and operations management

**Process and operations management comprises a traditionally large service group in the management consulting industry at an estimated 5.8% of industry revenue.**

This service area includes process, physical distribution and logistics consulting. Under the heading of logistics consulting, production scheduling and supply chain management form a consistent source of revenue for management consultants. Profit-motivated companies seek strategies to generate cost savings and increase operational efficiency, regardless of the macroeconomic climate. While this service segment has increased slightly over the past five years, disruptive effects of the coronavirus on global supply networks has placed substantial emphases on logistics. As a result, this segment is set to expand over the coming five years in the post-pandemic economic landscape.

### IT strategy

**Information technology (IT) strategy services contribute an estimated 3.5% to management consulting revenue.**

Although IT consulting is excluded from this industry (54151), management consulting does include the following IT solutions: custom computer application design and development services, computer systems design, development and integration services and IT infrastructure management services. In some areas, management consulting firms directly compete with specialist consulting firms in the IT consulting industry. However, many clients have recognized that review of an organization's structure and technology are part of an integrated process. As a result, management consulting firms increasingly integrate IT strategy into their

services, making this a growth area over the past five years. Additionally, similar to human resources consulting, this service is also offered by the IT Consulting industry (54151) but industry companies offer it as a part of full-service consulting.

## Demand Determinants

**Demand for the Management Consulting industry's services is closely linked to the availability of budgetary resources and other discretionary expenditures by business, government and nonprofit clients.**

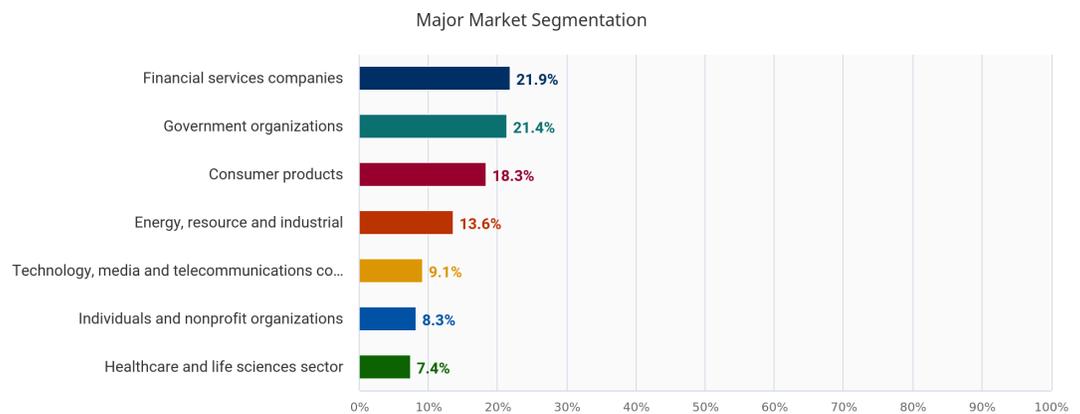
As a result, business confidence, corporate profit and government investment are all important factors that collectively determine the growth trajectory of this industry.

Similarly, demand for management consulting services is strongly 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. Governments' hiring of consultants, particularly at the federal and state level, has increasingly become a political issue in terms of actual expenditure and the value obtained from these assignments. Management consultants must prove that the value of services matches the expenditure because due to highly rigid federal budgets.

Unfortunately for industry operators, expenditure on consultancy services by governments and businesses tends to be one of the first areas to be reduced when the level of business confidence and economic growth decreases. Slow economic growth leads to a tightening of overall budgetary and financial resources. In some instances, however, management consulting can be a countercyclical industry, whereby consulting companies are hired to improve a company's performance during a downturn.

Global economic conditions, including changes in clients' particular industries and markets, also affects revenue in the consulting business. Revenue fluctuations are also subject to the introduction of new products, including competing services, as well as the effect of government policies and regulations.

## Major Markets



2020 INDUSTRY REVENUE

**\$236.2bn**

Management Consulting  
Source: IBISWorld

The overwhelming majority of revenue for the Management Consulting industry is generated from the private sector. Financial services and consumer products industries represent the largest private businesses; however, the industry also garners a significant proportion of revenue from government organizations, individuals and nonprofit organizations. The markets for industry companies can vary drastically between operators. Some of the larger companies, such as Accenture, offer services to clients in a variety of industries, while some smaller companies may specialize heavily and rely primarily on customers from a single industry or small spectrum within an individual sector.

The diversity, or lack thereof, of an operator's client base will directly affect the company's exposure to the COVID-19 (coronavirus) pandemic. For instance, firms specializing in healthcare, life sciences and government contracts, will benefit from heightened focus on sector development to combat the virus, along with government stimulus at the state, local and federal levels to mitigate economic losses from quarantine measures. Conversely, operators that primarily service consumer product and hospitality clients will experience significant negative effects, as discretionary spending among these businesses will be entirely halted or substantially reduced. While the material effects of the pandemic remain uncertain, the event will undoubtedly shift revenue contribution in the short-term along with carrying lasting effects into the outlook period.

### Financial services companies

Financial service providers are one of the largest consumers of management consulting services, accounting for an expected 21.9% of industry revenue in 2020. This market seeks industry consultants for variety of services, ranging from strategic planning to organizational restructuring. Major international banks, for example, employ management consultants to streamline operations and maintain profit levels. Following the economic downturn, many financial services companies restructured to adapt to the changing regulatory environment and remain profitable, which was a boon to this industry. Additionally, as the economy has strengthened over the past five years, the financial services sector has thrived. As profit margins for this sector have grown, demand for consultants that can help financial services companies expand and efficiently structure and invest profit has grown. Demand from the Finance and Insurance sector (IBISWorld report 52) is expected to

continue rising over the next five years in line with rising capital markets and favorable macroeconomic conditions, boosting demand from this market.

### **Consumer products and hospitality**

The consumer products markets focus on the branding and logistics consulting segments, as sales and shipping are significant factors in these fields. For example, typical customers in this market include wholesalers, retailers and distributors in industries such as consumer products, apparel, automotive and aviation and aerospace. In addition, the prospect of the high economic growth in many emerging economies over the next five years is leading to a rush by many domestic consumer goods providers to enter these developing markets. As a result, many enterprises will seek consultation to understand the cultural and geographic nuances associated with conducting business in foreign countries.

Hospitality markets represent restaurants and food services; hotel and other accommodation businesses; and airline transportation. For food and accommodation customers, the majority of consultation advice relates to labor management, since employee compensation typically represents the most significant operating expense. Similarly, product development, marketing research and organizational structure consulting services are popular among these clients. However, these industry groups have experienced the most significant economic disruption from the coronavirus pandemic, reducing revenue contribution in the current year. In fact, domestic trips by US residents have decreased substantially in 2020 alone, underlining the pandemic's negative effect on revenue. Overall, these customer markets account for 18.3% of industry revenue in 2020.

### **Government organizations**

Government organizations are expected to account for 21.4% of industry revenue in 2020. Management consultants are hired by federal agencies to advise these organizations on methods to better administer grants, deliver benefits and entitlements to employees and provide necessary services to citizenry. Consultants also advise on public projects, such as infrastructure and often counsel on public-private partnership projects. Consultants may additionally work for governments at the state and local levels. Within this segment, work from federal government agencies is expected to contribute 18.0% of industry total revenue, while state and local government agencies are expected to collectively contribute 3.4%.

### **Technology, media and telecommunications companies**

This market is expected to account for 9.1% of annual industry revenue in 2020. Customers in this market segment seek management consultants to advise on business strategy in relation to the wide field of IT, including telecommunications and digital media. Telecommunications is a rapidly changing field that is strongly influenced by technological change. As businesses increasingly focus operations online, many engage consultants to adjust a strategy to take advantage of digital opportunities. In recent years, digital technologies have proved a disruption to existing business processes, resulting in companies seeking expert advice in how to respond and take advantage of new technologies. For example, the introduction of big data and voice over internet protocol, growth in cloud consulting fields and opportunities in B2B telecommunications have all been issues considered by

consultants over the past five years. Since digital disruption is accelerating, revenue from this market is expected to grow over the next five years.

### **Healthcare and life sciences sector**

The healthcare sector, which is primarily composed of hospital management and pharmaceutical companies, as well as life sciences companies, are expected to collectively generate 7.4% of annual industry revenue in 2020. Customers in this segment demand the industry's logistics, human resources and public relations services. Healthcare science and technology are rapidly expanding frontiers, even as economic and financial pressures reduce profit margins, intensify competition and constrain the funds available for investment. This changing environment is encouraging healthcare companies to hire management consultants to aid in improving cost while maintaining standards in treating ill patients. This segment has also experienced a significant boost from the coronavirus pandemic, as both public and private investment in the healthcare sector to combat the virus has precipitated growth.

### **Energy, resource and industrial companies**

Energy, resource and industrial companies also take advantage of management consultants and are estimated to account for 13.6% of total industry revenue in 2020. This includes oil drilling, gas extraction, mining and manufacturing companies that use consultants to help develop corporate branding, navigate changing regulation and direct investments. Over the past five years, energy and resource companies have fallen as a proportion of industry revenue, particularly as oil prices declined and investment in new facilities was reduced. Conversely, increased US industrial production and manufacturing activity has precipitated a rise in demand for management consultants, that offer expertise in streamlining the production process.

## **International Trade**

**Exports in this industry are**  **Low and Steady**

**Imports in this industry are**  **Low and Steady**

International trade does not occur in the Management Consulting industry due to the service-based nature of activities management consultants provide. However, many of the largest firms in this industry are global players that generate an increasing proportion of total revenue through operations outside of the United States, in markets such as Europe, the Middle East and South America. For more information on this trend, refer to the Industry Globalization section of this report.



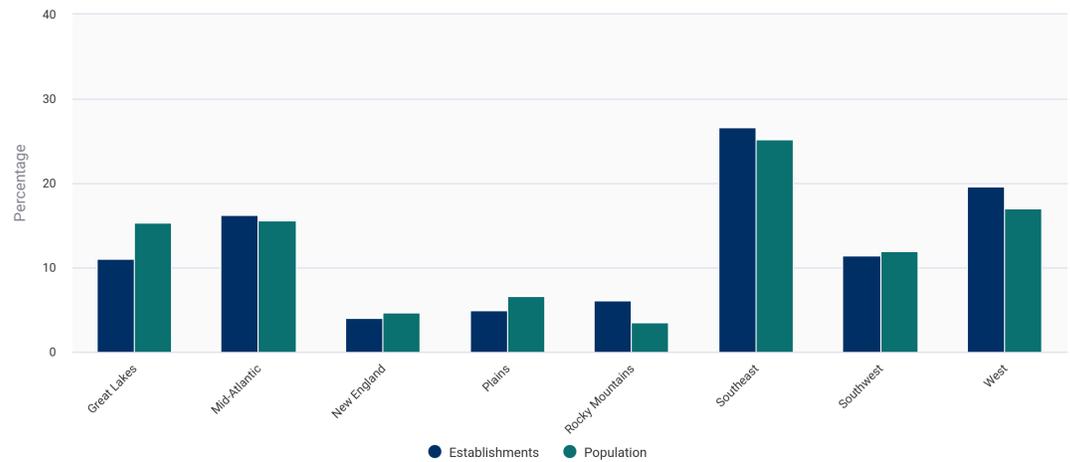
## Mid-Atlantic

The Mid-Atlantic region is strategically important for management consulting firms. The region accounts for an estimated 16.2% of total industry establishments; however, consulting firms in this region contribute a higher proportion to industry revenue. This region comprises the offices of some of the industry's largest players, which primarily serve high-profile clientele, many of which are located in New York. New York City ranks first among US cities in terms of Fortune 500 corporations and New York state is estimated to account for 6.7% of industry establishments alone. Washington, DC, home to a majority of federal agencies, is also located in the Mid-Atlantic region. Consulting services in these two cities target the industry's largest- and highest-value corporate and institutional clients. Consequently, revenue per establishment in this region is higher than the national average, as is the average regional wage.

## West

The Western region accounts for an estimated 19.7% of total industry establishments falling directly in line with the estimated 17.2% of the domestic population within the region. Among western states, California ranks first in establishment concentration with an expected 14.4% of the total. With a large concentration of high-growth tech and finance firms located in the San Francisco Bay Area, California produces the greatest share of management consulting revenue, establishments and employment of any state.

Distribution of Establishments vs Population



Management Consulting  
Source: IBISWorld

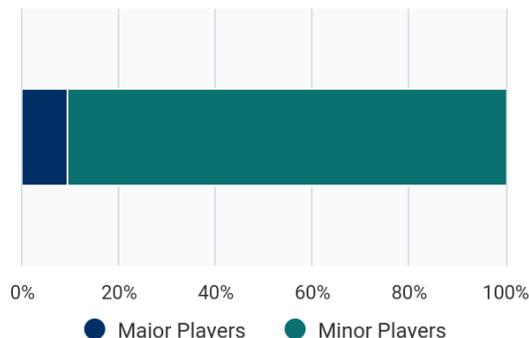
# Competitive Landscape

## Market Share Concentration

Concentration in this industry is ✔ **Low**

The Management Consulting industry is characterized by a low level of market share concentration, where no single operator is expected to capture more than 5.0% of total market share over the past five years. The industry is highly fragmented and primarily consists of small, nonemploying companies that service narrow geographic or niche markets, underscoring the industry's low concentration. Furthermore, more than 80.0% of industry operators are classified as nonemployees, indicating available space for niche companies to succeed. High fragmentation is directly attributable to the diversity in both applicable services and potential market segments. As a result, even small-scale companies can capture a portion of industry revenue by specializing in a particular service, industry group or combination of both. Still, with more than \$230.0 billion in annual sales in 2020, major operators include some of the largest and most renowned companies in the world.

Market Share Concentration



Management Consulting  
Source: IBISWorld

This includes specialized industry players such as McKinsey & Company and Boston Consulting Group, which maintain a prestigious reputation in the industry as two of the largest management consultancies. Additionally, the largest accounting firms such as Deloitte Touche Tohmatsu. and PricewaterhouseCoopers LLP (PwC) have extensive industry operations that combine audit and tax solutions with advisory services. While these companies are highly touted for marketed skills, the sheer breadth of client needs prevents any single enterprise from cornering a substantial portion of the total market. In fact, the six largest industry players are estimated to collectively account for less than 15.0% of annual revenue in 2020.

During the five-year period between 2015 and 2020, the Management Consulting industry has grown slightly more concentrated as a result of numerous acquisitions and slight consolidation. The most notable acquisition occurred just prior to the current period, with PwC's acquisition of Booz & Company, formerly owned by large consulting firm Booz Allen Hamilton. The acquisition was finalized at the outset of 2014, where Booz & Company now operates under the PwC brand name as Strategy&. Although the largest operators have continued to aggressively pursue acquisitions during the current period, particularly those related to digital and cloud-based services, these have not been sufficient to change the structure of the overall industry. Moving forward, concentration is expected to slightly increase. Overall, the economic fallout from the COVID-19 (coronavirus) pandemic is expected to shift operating leverage in favor of the largest companies, while small, independent contractors struggle to remain financially viable.

## Key Success Factors

IBISWorld identifies 250 Key Success Factors for a business. The most important for this industry are:

**Ability to compete on tender:** Most consultancy tasks are subject to competition, so competitiveness on price and service offerings is crucial.

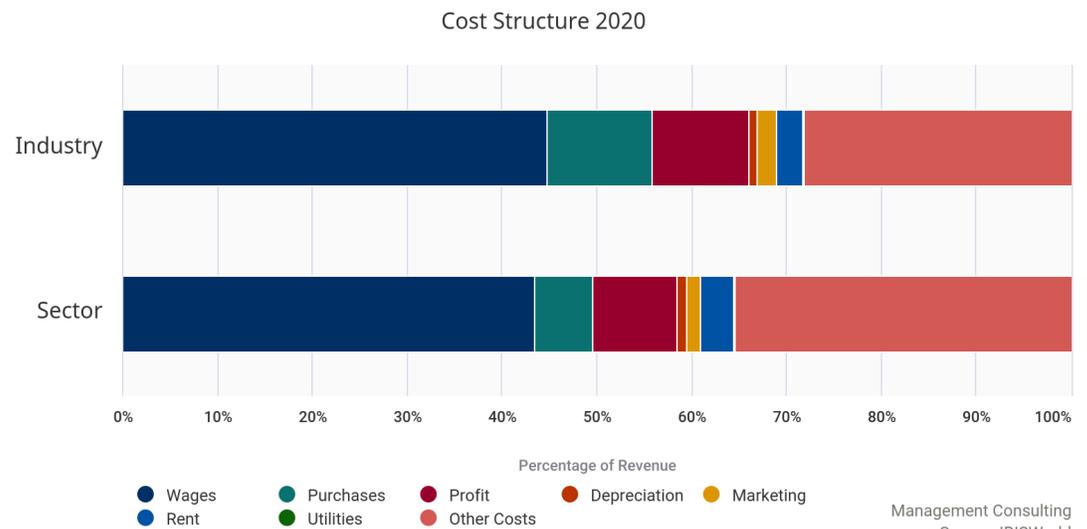
**Well-developed internal processes:** Given the generally labor-intensive nature of the industry, operators need to ensure that appropriate cost- and time-management systems are in place on a project basis so that these can be closely monitored.

**Access to highly skilled workforce:** Often, consulting contracts are entered into on the basis of the consultant possessing specialized knowledge that relates to clients' operations. Without this skill base, the consulting firm has little bargaining power.

**Access to niche markets:** Firms can be more successful if they have specialized skills or services and can serve a niche market.

**Having good working relationships with subcontracting building trade specialists:** Subcontractors are used to ensure that quality output can be guaranteed on time and budget. Many skilled consultants operate as independent contractors.

## Cost Structure Benchmarks

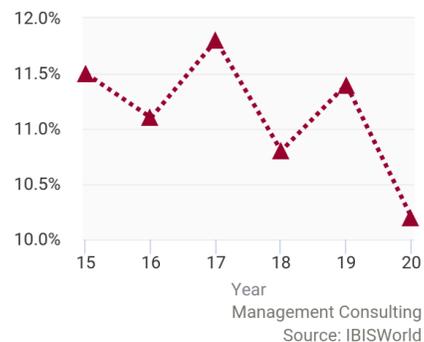


## Profit

Profitability within the Management Consulting industry vary based on a variety of firm-specific factors, including business size and markets served. However, general profitability is primarily dependent on an operator's ability to manage employee compensation expenses, the industry most substantial operating cost. Nonetheless, the average industry profit margin, measured as earnings before interest and taxes, is anticipated to account for 10.2% of revenue in 2020. Still, profitability tends to be higher for larger companies such as Accenture PLC, which have recorded profit margin in excess of 13.0% over the past five years. Economies of scale and vertical integration with taxation and audit procedures enable the company to bundle several products, boosting profitability. Smaller industry operators tend to record low profitability in this industry, which is due to the majority of earnings being recorded as wages as opposed to profit.

Profit, as a whole, has fluctuated within a narrow band over the past five years, but ultimately has declined from 11.5% in 2015. The most apparent encroachment on the industry's bottom line is an uptick in wage expenses, where the proportion of revenue accounted for by wages increased over the past five years. Similarly, the average wage for management consultants has marginally increased during the five-year period, while the industry's highly competitive nature has sustained growth in wages as a whole. This competition is amplified among the industry's top competitors that seek the highest level of talent for company employee bases. For example, according to the job board Indeed.com, a typical consultant salary at industry player Deloitte is estimated to be 9.0% higher than the national average. This negative profit trend is expected to be amplified in 2020, as fallout from the COVID-19 (coronavirus) pandemic is forecast to generate a decrease in profit between 2019 and 2020.

Profit as a Share of Revenue 2015-2020

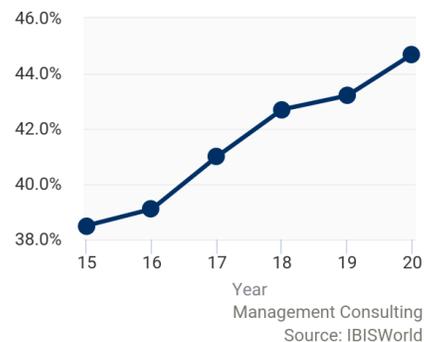


### Wages

Wages represent the industry's largest expense category, consuming an estimated 44.7% of average industry revenue in 2020 and representing an increase from 38.5% in 2015. The average industry wage has increased during the five-year period, totaling \$63,959 in 2020, up from \$63,021 in 2015. This expansion can be attributed to expected growth in the total value of industry wages outpacing both revenue and employment growth over the past five years, as labor competition intensifies. Similarly, industry market share concentration has increased over the past five years, intensifying labor based competition.

Still, a heavy influx into the labor market enables some smaller operators to sustain lower salaries, as there is no shortage of potential consultants to choose from. This, however, is more of a cost cutting strategy than sustainable business plan. For the industry's largest player, salaries are a focal point for attracting top talent, where base salaries at top firms, such as McKinsey and BCG, can be substantially higher than the national average. Further, salaries differ among firms specializing in different industries. Moving forward, wages in proportion to revenue are expected to sustain growth, marginally increasing to reach 44.9% in 2025. Labor competition will be driven by an increasingly concentrated domestic market. As a result, even mid-size and small-scale operators will be forced to invest in employee compensation to retain talent.

Wages as a Share of Revenue 2015-2020



### Purchases

Purchases are expected to account for 11.2% of industry revenue in 2020. Businesses in this industry typically require the procurement of office-related products and services to support day-to-day operations. Additionally, reimbursements for work-related expenses, such as travel, are included in the purchases segment. Since many consulting firms must work with clients on-site, travel can represent a substantial expense for smaller-scale operators. Subcontracting of professional services can also be a significant item in this category, especially in more niche markets. Additionally, research and development costs are considered

Purchases as a Share of Revenue 2015-2020

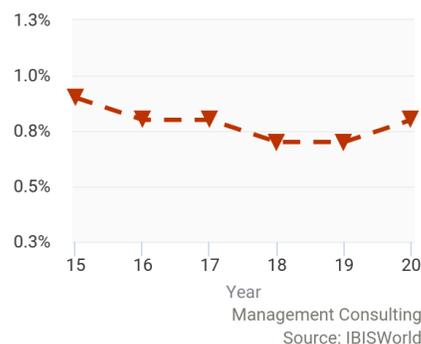


part of this expense category. Over the five years to 2020, purchases have declined in proportion to average revenue, from an estimated 11.4% in 2015. Increased digitization of consulting functions has contributed to reduced need of office supplies. Similarly, introduction of remote work from the COVID-19 (coronavirus) pandemic has temporarily reduced purchased travel expenses among consultants, contributing to the expense decline in the current period.

### Depreciation

Depreciation in this industry is relatively low, estimated to account for 0.8% of average revenue in 2020. Depreciation expenses include investment in office equipment, building locations and capital expenditure on computers and software. These expenses have slightly decreased from 0.9% over the past five years, as the access to available credit lines is forecast to have increased between 2015 and 2020.

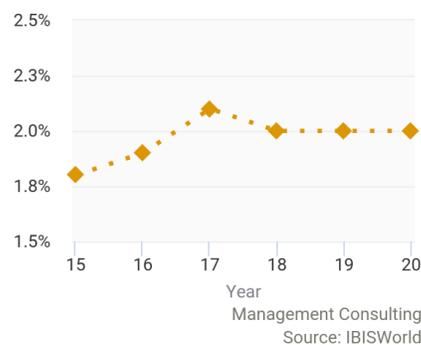
Depreciation as a Share of Revenue 2015-2020



### Marketing

Marketing costs are estimated to account for 2.0% of industry revenue in 2020, representing a slight increase from 1.8% in 2015. Marketing expenses are an essential component of a consulting firm's operating costs, as management consulting companies attempt to differentiate themselves from competitors within the same or other related industries. However, marketing costs are significantly higher for large industry players, while smaller firms operating on a local basis rely mostly upon recommendations and reputation in narrower markets.

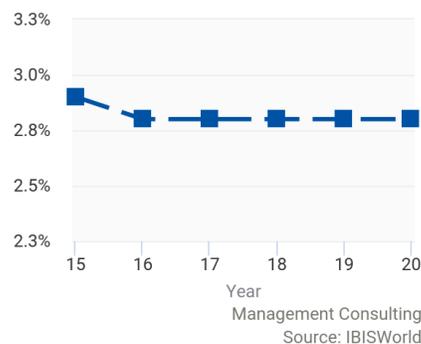
Marketing as a Share of Revenue 2015-2020



### Rent

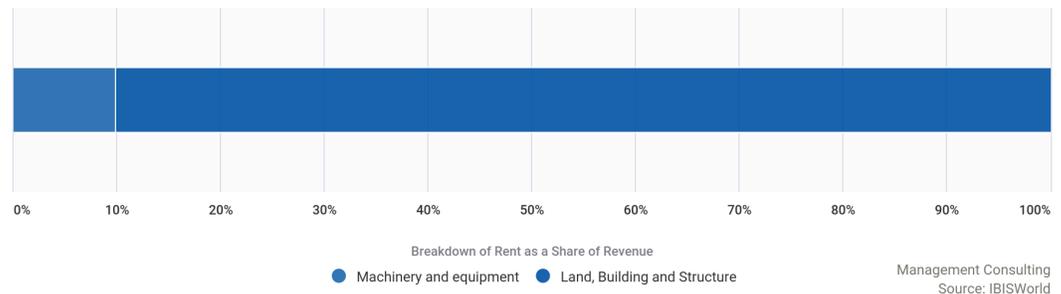
Rental costs are expected to account for 2.8% of average industry revenue in 2020. Industry operators often consider offices and buildings as a form of brand representation and accordingly invest in modern, attractive properties. Although a large share of consulting work is done offsite at a client's place of business, facilities for consultants are necessary for day-to-day work, client meetings and training sessions. During the five-year

Rent as a Share of Revenue 2015-2020



period between 2015 and 2020, more companies have invested in technologies enabling them to perform consulting services virtually with relative ease, which has lessened the need for expansive space to host clients. This has slightly cut into this segment's proportion of industry revenue, where rent in proportion of revenue has declined from 2.9% in 2015.

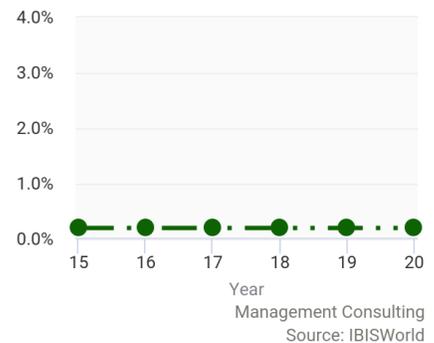
Rent Breakdown (% of Total Rent in 2020)



### Utilities

Utilities expenses within the industry are low, representing a minor share of average revenue at 0.1%. Utility costs are related to general operation of office buildings, including the price of electric power and plumbing. As a result, utilities do not represent a significant expense for the industry and have experienced no material change over the past five years.

Utilities as a Share of Revenue 2015-2020



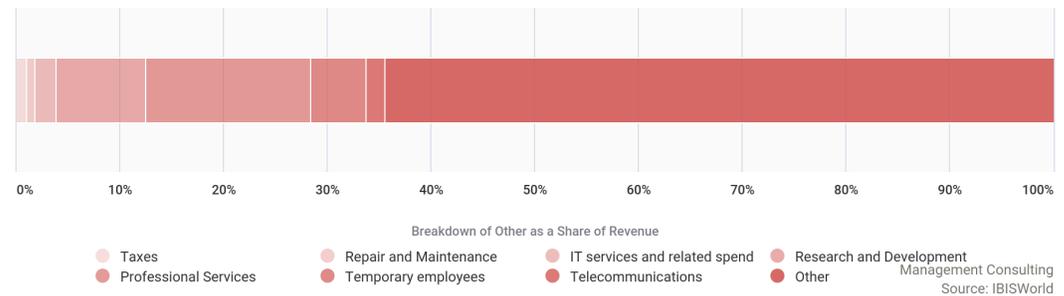
### Other Costs

Other industry costs relate to a variety of expenses, such as accounting, insurance, bank service and legal fees. Since consultants service a variety of industries, a significant portion of revenue is allocated toward compliance, ensuring recommended projects or investments fall within the guidelines of applicable regulation. Overall, IBISWorld estimates other miscellaneous costs to represent 28.1% of average industry revenue in 2020.

Other Costs as a Share of Revenue 2015-2020



Other Breakdown (% of Total Other in 2020)



## Basis of Competition

Competition in this industry is **▲ High and Increasing**

**The Management Consulting industry is composed of companies with the skills, expertise and flexibility to meet the needs of a variety of clients with varying budget constraints.**

Given the high level of competition for large consulting projects and the importance of repeat business, there is a strong emphasis placed not just on the quality of the insights provided, but also on generating tangible results in a cost-effective manner.

### Internal competition

**Before submitting a bid, a management consulting firm has already submitted a crucial component of its offer for scrutiny: its reputation.**

Over time, a management consultancy develops a record of success or failure in terms of the strategies implemented as a result of its advice. It is this reputation, substantiated by past client performance against a benchmark such as stock price, that is the biggest selling point for management consultancies, particularly large industry players.

Increasingly, management consulting firms advertise as one-stop shops, boasting an ability to provide insights and implementation strategies for the whole of large, complex corporations. In this area, consolidation among top firms evidences a race among consulting firms to expand service bases through acquisitions and mergers. Simultaneously, small and large firms compete for niche markets, promoting industry-specific expertise and experience in a particular set of topics important to management (e.g. corporate strategy, human resources and logistics).

As demand for consulting services fell during the recession prior to the outset of the current period, price-based competition intensified, with many firms offering lower fees or more flexible contracts. Although the largest operator accounts for less than 5.0% of industry revenue, the industry's major firms benefit from economies of scale in marketing and service distribution, giving them a greater capacity to serve clients around the country and win high-value contracts. Small- and medium-size firms, however, may have lower overhead costs, enabling them to provide a high-quality service at a lower cost. Furthermore, small consultancy firms

have greater flexibility and may undertake consultancies at a strategic loss to establish a hold within a particular consulting area.

### External competition

**As a result of this push to train specialist consultants in a variety of fields, competition has recently increased from firms in other industries, especially in the information technology (IT), finance and human resource areas.**

For example, the services provided by the IT Consulting industry (IBISWorld report 54151) have increasingly overlapped with this industry because IT has become more relevant to management, production and logistics strategy. Use of the terminology "managed services," which encapsulates this merger of advisory and implementation services, is growing. In fact, Accenture is considered one of the largest players in both the management consulting and IT consulting fields.

In addition to competition from consulting firms external to this industry, the Accounting Services industry (54121c) has emerged as a significant competitor to traditional management consultants. Consulting services represent the top-performing segment for each of the Accounting Services industry's major players. Many of the industry's largest firms are transitioning into full-service consulting providers, as this higher-margin, less-competitive service offers more growth potential than traditional audit and assurance practices.

## Barriers to Entry

Barriers to entry in this industry are **⚠ Low and Steady**

The Management Consulting industry is characterized by low barriers to entry, as the sheer breadth of industry operations, low regulation and diversity in service offerings and market segments facilitates new entrance. Furthermore, the industry maintains a low level of capital intensity, meaning required capital to start a business is minimal compared to manufacturing industries, which require significant investment in complex machinery and equipment. In terms of breadth, total revenue is expected to reach more than \$235.0 billion in 2020, representing one of the largest industries in the domestic economy. As a result, even the largest, multinational, corporations only contribute to less than 5.0% of industry activity.

Furthermore, industry services and market segments are highly diverse. Services for management consulting firms range from financial advisory, corporate strategy to operations and management, among others. As a result, small-scale operators can effectively enter the industry and capture a market niche by specializing in a particular service or group of services. Similarly, market segments remain diverse as well. For instance, industry market groups can range from consumer products to

### Barriers to entry checklist

Competition	High	⚠
Concentration	Low	✓
Life Cycle Stage	Mature	⊖
Technology Change	Low	✓
Regulation & Policy	Light	✓
Industry Assistance	None	⚠

government assistance. As a result, specialization in terms of an industry or industry group can facilitate entrance of smaller operations, reducing general barriers to entry if one market becomes particularly saturated.

However, operators attempting to enter the Management Consulting industry will have to contend with a variety of impediments. Attracting skilled and talented employees will be difficult for new firms. Employees in this industry are highly knowledgeable, attaining at minimum a bachelor's degree and often possessing a graduate degree in business or a related field. As a result, total wage costs in this industry are high, accounting for more than 40.0% of industry revenue in 2020. In addition, developing a network of clients that can provide regular flow of work can be a significant challenge for new entrants. Work in this industry is done on a contract basis and successful firms are usually able to secure repeat business from satisfied clientele.

Furthermore, the industry's largest players bring strong brand recognition, as these firms tend to target big-name clients and offer services across a wide variety of industries and activities. Such firms can provide services on a global basis and have the staff and capacity to work on large projects. In general, firms entering the industry cannot expect to compete with these operators, particularly for high-value clients. New entrants, by contrast, tend to be highly specialized in a certain skill set or localized geographic region.

## Industry Globalization

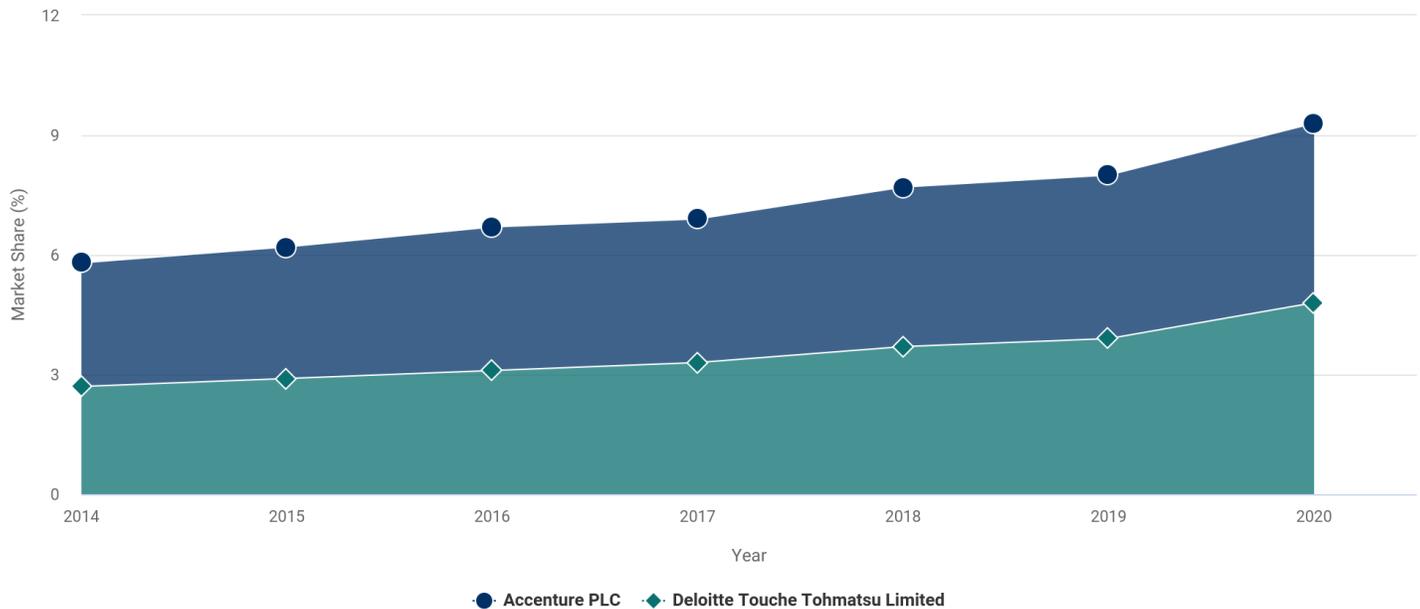
### Globalization in this industry ⊖ Medium and Increasing

The Management Consulting industry's largest players have expanded globally by establishing branch offices in Europe, Asia-Pacific and the Middle East. Increasing connectivity between developed and developing economies is enabling large industry players to broaden their international approach, conducting consulting projects across international borders and increasing industry globalization. As a result of further growth opportunities, the overall level of industry globalization is projected to continue increasing gradually, as companies continue to enter international markets seeking growth opportunities.

Industry clients demand a high level of customization of services and personal attention, minimizing the ability of firms to offer internationally homogeneous services. Client firms require advice tailored to the business culture of the geographic region of operation. For this reason, the major companies in this industry have placed a focus on developing local offices around the world; this strategy produces a cost-effective and qualitatively superior product compared with alternative strategies that ship US experts to countries with which they may lack familiarity. Larger firms in this industry are increasing the volume of offices overseas to build a global management consulting brand, further increasing the industry's globalization.

# Major Companies

Major Players and Their Market Share 2014–2020



Management Consulting in the US  
Source: IBISWorld

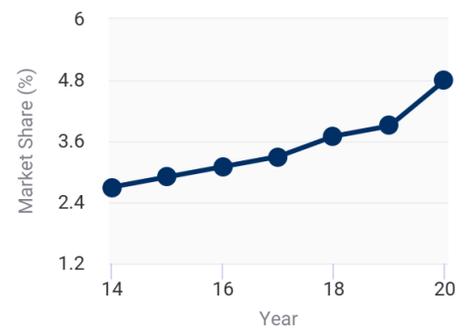
## Major Players

### DELOITTE TOUCHE TOHMATSU LIMITED

**Market Share: 4.8%**

Deloitte Touche Tohmatsu Limited (Deloitte) is known as one of the Big Four accounting firms, but it also ranks high in consulting. Prior to the period, Deloitte was reorganized as a private British company headquartered in New York. It operates as a global professional services network of member companies, with operations in more than 150 countries and with more than 334,000 employees in fiscal 2020 (year-end May; latest data available).

#### Deloitte Touche Tohmatsu Limited



Deloitte's industry-specific division, Deloitte Consulting, formerly the Deloitte & Touche Consulting Group, is a relative newcomer to the industry and was founded in 1995. In fiscal 2020, industry-specific consulting revenue contributed to 41.4% of Deloitte's total revenue and employed more than 106,000 professional consultants. Deloitte Consulting provides management consulting and implementation planning across industries in the areas of strategy and operations, human capital and technology. Based on the reputation of its parent company, Deloitte Consulting is able to compete with top-tier domestically focused players, such as McKinsey &

Company, but also has the scale to compete with larger, more globalized firms, such as Accenture, on the basis of cost.

Deloitte Consulting has drawn on the financial resources of parent company Deloitte to expand through aggressive acquisition activity. For example, just prior to the current period, Deloitte Technology Consulting continued to aggressively chase growth with the acquisition of two Australian technology companies in late 2013, Quattro Integration Group and NXG Business Solutions, which specialize in customer relations management software and systems application product software. These acquisitions have enabled the company to better service the needs of its clients' finance functions and have helped solidify its position as a leading player in the design and implementation of next-generation enterprise resource planning solutions. Furthermore, Deloitte has increasingly focused its efforts on expanding its footprint in digital services. In March 2017, Deloitte announced its acquisition of cloud consulting business Day1 Solutions Inc., as well as the addition of 3,000 new US-based high-tech engineering jobs and the opening of new cloud studios across the country. Most recently, Deloitte announced its acquisition of cloud management and automation platform start-up ATADATA in 2018, boosting the company's investments in cloud management services.

### **Financial performance**

IBISWorld expects Deloitte's US industry-specific consulting revenue to increase at an annualized rate of 13.4% over the past five years, totaling \$11.4 billion in fiscal 2021 (year-end June). The company's US consulting-specific revenue has grown at a significantly faster rate than the company's overall revenue over the past five years, a trend that has been commonplace among the Big Four accounting firms and is expected to persist moving forward. Deloitte is continuing to focus on providing more value-added advisory, consulting and digital consulting services to clients, because these operations tend to be highly profitable when compared with other traditional taxation and assurance services. Continued growth in cloud investments this year is expected to bolster demand for the company's digital consulting services. However, Deloitte generates a significant portion of revenue from consumer products, which are expected to experience comparatively higher negative effects from the coronavirus outbreak.

In regard to the COVID-19 (coronavirus) pandemic and its disruptive effects on the broader economy, Deloitte's size and reputation are expected to aid the company in sustaining growth. More exposed market segments such as energy, consumer products, non-profit organizations and media are expected to account for more than 50.0% of Deloitte's industry-specific consulting revenue. Since these industry groups are expected to be substantially affected by the pandemic, many of Deloitte's clients in these areas may suspend or outright cancel contracts. Nonetheless, the latter half of the company's consulting revenue is generated through financial services, healthcare and government assistance. Thus, potentially substantial losses in more exposed market segments will be partially offset by others. Similarly, recent investments in cloud computing and other digitization technology are expected to enable Deloitte to capitalize on the broader trend of companies shifting toward remote work. While ongoing performance is primarily dependent on the duration and severity of the ongoing pandemic period, Deloitte's exemplifies the benefit of size and scale as a competitive basis for the industry.

### Deloitte Touche Tohmatsu Limited (US industry-specific segment) - financial performance\*

Year**	Revenue (\$m)	Growth (% change)	Operating Income (\$m)	Growth (% change)
2015-16	6075.5	N/C	865.2	N/C
2016-17	6819.5	12.2	1003.1	15.9
2017-18	7599.5	11.4	1150.9	14.7
2018-19	8850.4	16.5	1288.0	11.9
2019-20	9866.1	11.5	1380.6	7.2
2020-21	11398.1	15.5	1631.8	18.2

Source: Annual report and IBISWorld

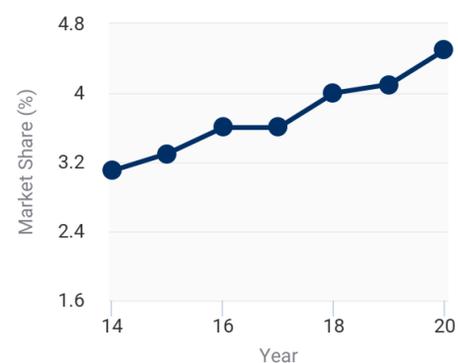
Note: \*Estimates; \*\*Year-end May

## ACCENTURE PLC

### Market Share: 4.5%

Accenture PLC (Accenture) is one of the world's leading management consulting, technology services and outsourcing companies. Accenture began as the consultancy arm of accounting firm Arthur Andersen but split from its parent company in 2000, just one year before Andersen Worldwide effectively dissolved due to its involvement in the Enron scandal. The company is chartered and headquartered in Dublin but has locations in many major US cities, such as New York City. Accenture maintains a global presence, with 506,000 employees and operations in 55 countries. In fiscal 2020 (year-end August; latest data available), the company generated \$44.3 billion in global revenue.

Accenture PLC



Accenture's business is structured around the five major operating groups of its clients: communications, media and technology (e.g. software and platforms); financial services (e.g. banking, capital markets and insurance); products (e.g. consumer goods and industrials); resources (e.g. energy and utilities); and health and public service. This focus enables Accenture to provide clients with high-value expertise and insights from industry experts and professionals with local market knowledge. In regard to service offerings, Accenture's management consulting division works closely with professionals from relevant operating groups to develop and deliver solutions to clients in the areas of customer service, finance and performance management, process and innovation performance, risk management, strategy, supply chain management and organization performance.

Additionally, Accenture pursued several acquisitions globally over the past five years to increase its capabilities across a variety of fields and grow its market size. In 2015, the company acquired Agilex Technologies Inc., a provider of digital solutions for the federal government. The company also completed other smaller acquisitions in recent years to expand the company's digital product and service offerings, including Cloud Sherpas, a leading cloud advisory and services provider, in 2015 and Kogentix Inc., a provider of Big Data and artificial intelligence (AI) services and solutions, in 2018. These acquisitions collectively serve to strengthen the company's ability to help clients in the areas of business solutions, digital

advisory, product life-cycle management, military healthcare, mortgage processing and procurement business process outsourcing.

### Financial performance

Accenture's industry-specific revenue is estimated to increase at an annualized rate of 9.1% over the five years to fiscal 2020 (year-end August), totaling \$10.6 billion. The company posted strong growth in recent years as a result of growing global demand for consulting services, experiencing healthy demand across sectors ranging from communications and media and technology firms to financial services and resources companies. Furthermore, industry-specific revenue has been bolstered during the current period by strong growth in bookings for digital-related strategy and consulting services. The company has made several acquisitions, boosting its capabilities in these domains and leading to above-average industry growth. Additionally, the current period was also marked by a greater share of income sourced from the United States, rising from 42.3% of company revenue in fiscal 2015 to an estimated 43.7% in fiscal 2020.

Regarding the COVID-19 (coronavirus) pandemic, Accenture's core business has experienced some disruption; however, the company's size and reputation largely insulate significant negative effects. According to Accenture's latest annual filing, for the fiscal year ending in August, 2020; more than 95.0% of the company's workforce was transitioned to remote work. In terms of industry revenue specifically, the company noted reduced demand for consulting services during the quarter, primarily in the travel, retail, energy and technology market segments among others. Still, industry-specific revenue is expected to have increased 2.6% for the fiscal year, underscoring Accenture's unique position and competitive advantages of a large, diversified, corporate structure.

<b>Accenture PLC (US industry-specific segment) - financial performance*</b>				
<b>Year**</b>	<b>Revenue (\$m)</b>	<b>Growth (% change)</b>	<b>Operating Income (\$m)</b>	<b>Growth (% change)</b>
2014-15	6846.8	N/C	978.2	N/C
2015-16	7853.0	14.7	1148.7	17.4
2016-17	8094.2	3.1	1190.1	3.6
2017-18	9554.1	18.0	1374.9	15.5
2018-19	10323.6	8.1	1506.2	9.5
2019-20	10588.0	2.6	1555.9	3.3

Source: Annual report and IBISWorld

Note: \*Estimates; \*\*Year-end August

### Other Players

While some consolidation occurs among the Management Consulting industry's larger players, no single company is estimated to capture more than 5.0% of total market share. Many industry operators are independent management consultants. The majority of these companies account for a very small portion of market share, so even firms with a 1.0% market share are significant players. Even though larger firms have increasingly pursued expansion through acquisitions, the industry remains highly fragmented and very competitive.

## BOSTON CONSULTING GROUP

The Boston Consulting Group (BCG) is a global management consulting firm with offices in more than 90 cities across 50 countries. With a workforce of 18,500 people, the firm prides itself on an employee-focused culture and is recognized as one of the best consulting companies to work for in *Fortune* magazine. The company was formed in 1963 when Bruce Henderson became the head of a new management consulting division of the Boston Safe Deposit Company.

BCG works with some of the world's largest and most innovative companies. The majority of BCG clients rank among the 500 largest corporations in North America, Asia, Europe and Australia. BCG also advises midsize companies, nonprofit organizations and government agencies. Worldwide, the firm also works on a pro bono basis for worthy organizations and efforts. BCG has made several investments over the past five years to expand its service offerings, including launching BCG Digital Ventures, BCG Platinion and BCG Gamma. In 2015, the company launched BCG TURN, a turnaround, restructuring and information unit that helps clients deliver performance improvements.

BCG generated \$8.6 billion in global sales in 2019 (latest data available), having posted double-digit annual revenue growth in recent years. The majority of growth recently has been the result of geographical expansion into strategic emerging markets, such as China and India. Overall, the company's industry-specific revenue is expected to total \$4.0 billion in 2020, representing 1.7% of total market share.

## MARSH & MCLENNAN COMPANIES INC.

Marsh & McLennan Companies Inc. (MMC) is a US-based global conglomerate headquartered in New York City. MMC provides professional services in two operating segments: risk and insurance services and consulting. MMC currently operates in more than 130 countries, with nearly 76,000 employees. In 2019 (latest data available), MMC generated \$16.4 billion in global revenue. The company operates under two main segments, split between consulting services, which are industry-relevant, along with risk and insurance services, which fall outside the scope of the industry. While the company remains one of the largest industry operators, the company's industry-relevant revenue stream has decreased in proportion to total sales during the five-year period. In fact, consulting related revenue has declined from 47.0% in 2015 to reach an estimated 39.9% of total revenue in 2020.

Over the past five years, MMC has emerged as a major presence in the US management consulting market through its holdings in Mercer and the Oliver Wyman Group. Mercer has more than 25 years of experience providing consulting services in human resources and related financial advice. Some of its largest clients include Bristol-Myers Squibb Company, Corning Incorporated and the New York Times Company. MMC's Oliver Wyman Group provides economic and management consultancy through 5,100 professionals in 29 countries. The Oliver Wyman Group pairs clients with industry experts specializing in strategy, operations, risk management and organizational transformation. Over the past five years, MMC's industry-relevant revenue is expected to increase at an annualized rate of 2.2%, totaling \$3.3 billion in 2020. However, adverse effects of the COVID-19

(coronavirus) pandemic will cause a significant demand lag in the current year, where industry relevant revenue is forecast to decrease 1.1% in 2020.

## MCKINSEY & COMPANY

McKinsey & Company (McKinsey) is a premier provider of management consulting and a top employer for new MBA graduates. The company was founded in 1926 in New York and currently employs an estimated 27,000 workers in 130 cities across more than 65 countries. In 2019, the company generated an estimated \$10.5 billion in total revenue (latest data available).

Although McKinsey competes directly with other major players, it possesses a competitive advantage in its ability to attract top corporate and government clients due to its reputation, as well as its extensive network of long-term business relationships. McKinsey boasts a client list that includes more than 90.0% of the world's 100 largest companies and two-thirds of the *Fortune* 1000 list. The company specializes in management consulting in several specific industries, including the finance, media and entertainment and consumer goods sectors. It also provides strategic advice to clients in areas such as information technology, pricing, corporate finance, marketing, leadership and organizational structure and processes. Geographically based offices act as the main organizing cells, but the company maintains cross-geographical practices across industry sectors and management areas.

Prior to the current period, McKinsey acquired Henry Rak Consulting Partners, a premier US-based growth strategy and analytics consulting firm. This acquisition has strengthened McKinsey's ability to develop actionable growth strategies that identify where and how companies should compete profitably, based on an in-depth understanding of actual consumer behavior. The company also acquired Lixto Software, a Vienna-based company, which has enhanced its suite of revenue management solutions. Although the firm's financial records are not publicly available, IBISWorld expects McKinsey's US industry-specific revenue to total \$3.9 billion, accounting for 1.7% of total market share in 2020.

## PRICEWATERHOUSECOOPERS

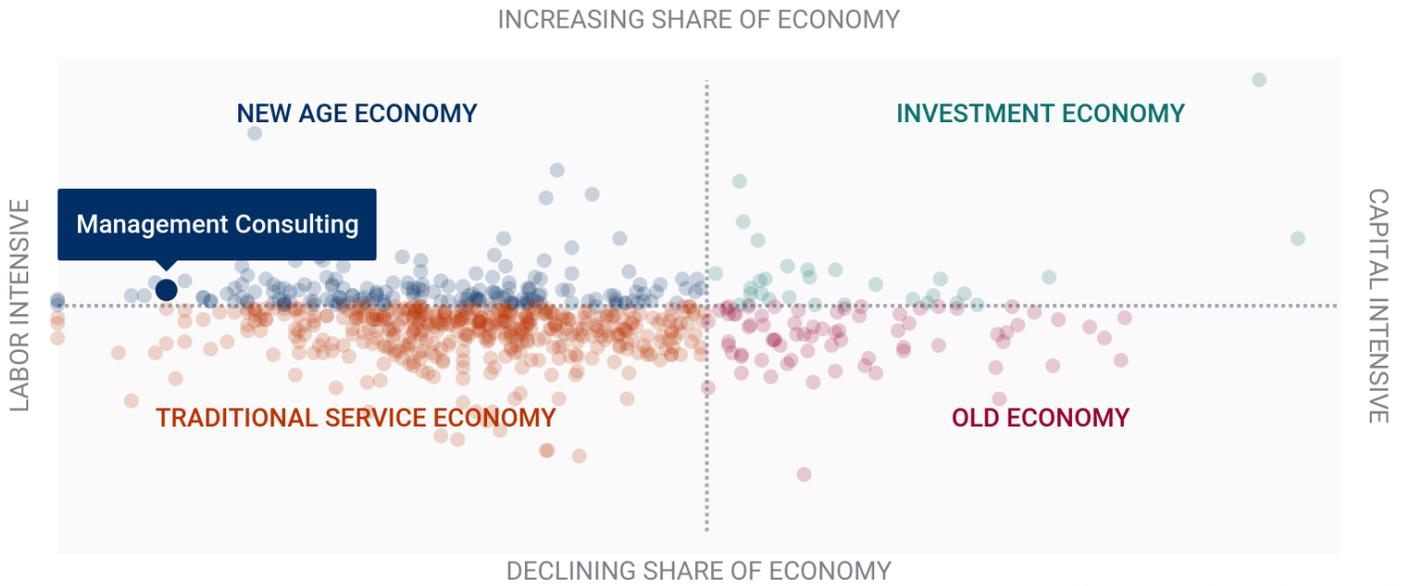
PricewaterhouseCoopers (PwC) is a UK-based accounting and advisory firm. The company was founded in 1998 through a merger between Price Waterhouse and Coopers & Lybrand, which made it one of the largest accounting and audit firms in the world. The business is focused on the provision of audit and assurance, tax and consulting services. Additionally, the company provides human resources, forensic accounting and other services. PwC is headquartered in the United Kingdom and employs more than 276,000 professionals. Just prior to the current period, the company finalized the acquisition of Booz & Company, which now operates as Strategy& under the PwC brand, which has bolstered management consulting revenue for the company over the past five years. Overall, PwC generated \$43.0 billion in global revenue in fiscal 2020 (year-end May; latest data available).

PwC operates through three main business segments: assurance, advisory and tax. The company's assurance segment, which includes financial statements and internal audits, corporate reporting and regulatory compliance, comprises the majority of revenue. In fiscal 2020 (year-end May; latest data available), PwC

generated more than 40.9% of its revenue through its assurance segment, while advisory services accounted for 34.1% of company revenue. The company is increasingly moving to provide consulting services due to rising demand for business intelligence and the higher profit margin associated with advisory services. In fiscal 2021, PwC's domestic industry-specific revenue is expected to total \$4.7 billion, representing an annualized 5.6% increase over the past five years and accounting for 2.0% of total market share. In regard to the COVID-19 (coronavirus) pandemic, the size and diversity of PwC's business will largely insulate any negative effects, where industry-relevant revenue is still forecast to increase 6.2% in fiscal 2021, alone.

# Operating Conditions

## Costs of Growth: Targeting Capital vs. Labor



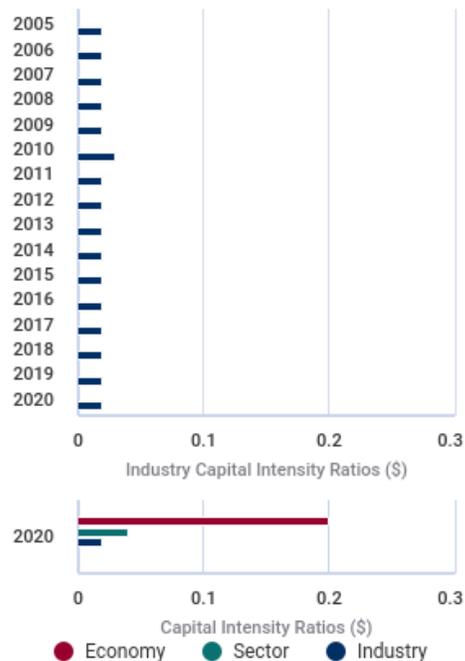
Management Consulting in the US  
Source: IBISWorld

## Capital Intensity

The level of capital intensity is ✔ **Low**

As a fundamentally service-oriented occupation, the Management Consulting industry is characterized by a low level of capital intensity, despite broad sector-level trends toward increasing use of labor-saving technology. IBISWorld estimates that for every \$1.00 spent on labor, industry operators will allocate \$0.02 toward capital investment in 2020. Over the past five years, industry capital intensity has experienced no material change, as average depreciation expenses have only marginally decreased between 2015 and 2020. Furthermore, direct employment costs are forecast to account for 44.7% of average revenue in 2020, increasing significantly from 38.5% in 2015 and underscoring the industry's heightened focus on specialized labor during the period. Total wage costs in this industry are high, primarily due to the advanced level of education and experience required of management consultants. Furthermore, a premium is paid for consultants with a name, reputation and professional network that will draw business to the firm; contracts can be won or lost if a certain expert enters or departs a company. The consultation process is very personalized and a firm's most respected consultants are often requested by name.

Capital Intensity Ratios



Management Consulting  
Source: IBISWorld

Since the majority of industry expenditures are allocated toward personnel costs rather than the purchase of equipment, depreciation of these fixed assets represents just 0.8% of revenue in 2020. Capital intensity within the Management Consulting Industry is relatively low compared with the sector-wide average. Though still labor-intensive, the other industries in the sector, which include Environmental Consulting Services and Scientific and Economic Consulting Services (IBISWorld reports 54162 and 54169, respectively), have a relatively greater reliance on costly scientific equipment, resulting in a higher level of required capital input. In contrast, management consulting firms' capital investments are largely limited to the computer programs, networking and computer hardware necessary to conduct analysis and communicate with clients. Operators consulting for retail clients and others serving consumers must be capable of sifting through and contextualizing large sets of statistics, referred to as Big Data, which are often sorted and analyzed with specialized software. Additionally, companies have increasingly added ancillary software services to complement traditional consulting services.

## Technology And Systems

### Potential Disruptive Innovation: Factors Driving Threat of Change

Level	Factor	Disruption	Description
⚠ Very High	Rate of Entry	Very Likely	Annualized growth in the number of enterprises in the industry, ranked against all other industries. A greater intensity of companies entering an industry increases the pool of potential disruptors.
⚠ High	Ease of Entry	Likely	A qualitative measure of barriers to entry. Fewer barriers to entry increases the likelihood that new entrants can disrupt incumbents by putting new technologies to use.
⊖ Moderate	Rate of Innovation	Potential	A ranked measure for the number of patents assigned to an industry. A faster rate of new patent additions to the industry increases the likelihood of a disruptive innovation occurring.
✔ Low	Innovation Concentration	Unlikely	A measure for the mix of patent classes assigned to the industry. A greater concentration of patents in one area increases the likelihood of technological disruption of incumbent operators.
✔ Very Low	Market Concentration	Very Unlikely	A ranked measure of the largest core market for the industry. Concentrated core markets present a low-end market or new market entry point for disruptive technologies to capture market share.

The rate of new patent additions to the industry is low. This is combined with a low concentration of innovation. Both factors being low suggests that new technology entry is slow and widespread, which limits the threat of disruptive threats hurting leading industry operators.

This technology trend is underscored by structural factors that support new entrants. An accommodative structure can create a situation where small entrants can focus on less profitable albeit innovative industry entry points. Or, large operators in other industries can leverage expertise in other areas to enter the industry from a new angle.

Major market segments for industry operators are relatively diversified. The spread of market segments suggests that there are limited entry points other than those already served by incumbent operators.

### **One of the most disruptive technological forces pertaining to the Management Consulting industry is the rise of big data.**

While the evolution of big data has provided an uptick in demand for consulting services due to the changing landscape of customer analytics, a significant portion of this business has been redirected to competing operators within the IT Consulting industry (IBISWorld report 54151). The services provided by the IT Consulting industry have increasingly overlapped with this industry as a result of big data because IT has become more relevant to management, production and logistics strategy. The largest incumbent industry operators have been quick to

adapt by augmenting their service offerings to include comprehensive end-to-end technology solutions; for example, Accenture is considered one of the largest players in both the management consulting and IT consulting fields. However, smaller industry businesses operating with budgetary constraints may be slower to integrate changing technologies into their business model.

The level of technology change is  Low

**Although the Management Consulting industry benefits from rapid innovations in communications technologies, the general mix of inputs required to produce and deliver consulting services has not changed dramatically over the past five years.**

The industry is highly labor intensive; productivity is more dependent on human capital rather than the technology that employees put to use. Nonetheless, major companies in the Management Consulting industry devote considerable resources to maintaining their technological infrastructure. Over the past five years, most technological improvements have been associated with communication methods and research technologies.

One of the most important technological innovations for management consultants are those that improve the speed and connectivity between firms and their clients. Familiar communications technologies, including email and telecommunications services, enable firms to quickly and efficiently transmit time-sensitive information. For large firms, specialized intranet systems facilitate information-sharing through internal company databases, websites and documents. Additionally, many companies have also begun to implement video conferencing and voice over internet protocol (VoIP) technologies to bolster clients' access.

Having access to new technologies has become increasingly important as enterprise figures have grown and competition has intensified. In terms of research, many firms are expanding their access to external internet-based libraries and databases for research purposes. Additionally, operators must have access to the technologies that are shaping the industries in which their clients operate. For example, retail companies generate dozens of statistics for each transaction. To analyze these large statistical sets, known as Big Data, consultants must have access to software that can sort and contextualize this information. Big Data analytic software has become prominent in this industry, as many consultants work with retailers or service providers. For consultants working with healthcare providers, knowledge of newer laboratory information management systems and electronic health record technologies is necessary to understand how that client fits within the industry and where operations can be streamlined. Additionally, companies have increasingly offered software that complements traditional services. For example, industry player McKinsey & Company rolled out their Horizon360 platform, a software service that helps companies improve IT infrastructure. Finally, a significant proportion of the technological improvements the industry has undertaken has been dedicated toward data security, as compromising sensitive client data could result in a loss of business.

## Revenue Volatility The level of volatility is ⊖ Medium

Volatility vs. Growth



Management Consulting  
Source: IBISWorld

Note: Revenue growth and decline reflective of 5-year annualized trend. Y-axis is in logarithmic scale. Y-axis crosses at long-run GDP. X-axis crosses at high volatility threshold.

### **The Management Consulting industry has exhibited a low-to-moderate level of revenue volatility over the five years to 2020.**

During the current period, total industry revenue has increased each consecutive year besides an expected 7.8% decline in 2020, alone. However, this anticipated contraction represents unprecedented circumstances for management consultants, as the greater economy experiences economic fallout from the COVID-19 (coronavirus) outbreak. Furthermore, the unique nature of the pandemic will create an uneven distribution of its negative effects. For instance, consultants primarily involved in healthcare and life sciences sector are expected to benefit from increased government investment to combat the virus. Conversely, management consultants specializing in consumer products, which are forecast to account for 18.3% of industry revenue in 2020, will be significantly disrupted, as the broader retail segment declines amid social distancing guidelines. Still, the unique nature of management consulting as a service prevents more substantial volatility.

Volatility within the industry can be mitigated by countercyclical demand, as management consultants are often employed to restructure client companies during periods of slow growth or decline. Additionally, large consulting companies employ expert consultants in a variety of fields; this practice can minimize the effect on revenue of economic shocks affecting only one or two industries. Furthermore, this industry services clients in a wide variety of sectors, so that when one market's demand for industry services falls, it can be mitigated by demand from other clients. For example, demand from the energy sector fell during the period, as oil prices and company profit figures plummeted. The combination of these dynamics is emblematic of low volatility; however, the coronavirus pandemic has directly contributed heightened revenue volatility during the five-year period. Moving forward, industry performance is primarily dependent on the severity and duration of the continuing pandemic period.

## Regulation & Policy

The level of regulation is  **Light** and is **Steady**

**As a whole, operators in the Management Consulting industry are subject to a light and steady level of regulation, with variation depending on the firm's consulting specialization.**

One of the most prominent pieces of legislation affecting the industry is the Sarbanes-Oxley Act of 2002. In response to the Enron crisis and the dissolution of Arthur Andersen, this law was passed in part to dissuade companies from both consulting and auditing the same client. Consultants must be aware of the specific codes pertaining to Sarbanes-Oxley if they also provide accounting or auditing services to a client. This mainly pertains to the accounting firms that also have consulting wings present in the industry. Additionally, human resources consultants are subject to additional regulation and licensing. Human resources consulting companies, such as Marsh & McLennan subsidiary Mercer, provide public and private sector companies with assistance in the design and management of their employee healthcare and pension plans. Firms engaged in similar benefits and insurance consulting are subject to the same licensing requirements and regulatory oversight as insurance intermediaries. Similarly, retirement-related consulting services, including trustee services, are subject to pension law and financial regulation within the United States under the SEC. Both health and retirement consultancies must comply with numerous state and federal laws governing the protection of health and other personally identifiable information. For more information on the legislative changes in the Human Resources Consulting subsector, refer to IBISWorld report 54161b.

## Industry Assistance

The level of industry assistance is  **None** and is **Steady**

**Operators in the Management Consulting industry receive no special assistance or protection from the government.**

However, the industry does receive assistance from trade associations representing the industry's interests. For example, the Association of Management Consulting Firms (AMCF) provides professional development opportunities, industry research, legislative monitoring and referrals and other services to its members. Since the mid-1980s, AMCF has undertaken an annual survey of the management consultancy industry in which it publishes operating and financial ratios for member firms. Membership is only open to firms that meet minimum size requirements and have been in operation for at least five years. Although membership is voluntary, members are required to observe a strict code of professional conduct. Additionally, while it is not considered direct assistance, nearly one-fifth of industry revenue is derived from government sources. Industry operators are often called in to consult on large undertakings, such as infrastructure projects.

## COVID-19 response

**In March, 2020, the current executive administrated passed the Coronavirus Aid, Relief and Economic Security Act (CARES) in response to the economic fallout from the pandemic.**

The bill provides more than \$2.0 trillion in relief funds for individuals, small businesses and large corporations that have been adversely affected by the virus. For the Management Consulting industry specifically, operators are expected to benefit from both increased funding for small business loans, as well as direct funding for payroll support. The Paycheck Protection Program (PPP), for example, provides businesses that employ less than 500 individuals with loans to support more than twice the company's annual payroll. Independent contractors are also eligible for these loans, which greatly benefits the industry since an estimated 82.7% of industry establishments are classified as nonemploying companies, typically in the form of independent contractors. Still, the material effects of the stimulus remain uncertain and successful recovery remains primarily dependent on the duration of virus activity.

# Key Statistics

## Industry Data

Year	Revenue	IVA	Estab.	Enterprises	Employment	Exports	Imports	Wages	Domestic Demand	Corporate profit
	(\$m)	(\$m)	(Units)	(Units)	(Units)	(\$m)	(\$m)	(\$m)	(\$m)	(\$b)
2011	186,132	93,858	581,314	577,074	1,120,448	N/A	N/A	69,475	N/A	
2012	201,281	101,604	602,633	598,221	1,202,413	N/A	N/A	77,450	N/A	
2013	208,332	104,331	613,537	607,307	1,242,838	N/A	N/A	77,664	N/A	
2014	220,078	107,850	650,640	644,597	1,324,924	N/A	N/A	81,661	N/A	
2015	225,445	114,676	671,657	665,742	1,375,963	N/A	N/A	86,721	N/A	
2016	235,837	120,261	700,873	694,544	1,447,369	N/A	N/A	92,197	N/A	
2017	239,623	128,336	732,268	725,561	1,514,511	N/A	N/A	98,143	N/A	
2018	247,175	133,858	799,525	793,225	1,636,986	N/A	N/A	105,433	N/A	
2019	256,327	141,662	836,746	829,474	1,703,084	N/A	N/A	110,646	N/A	
2020	236,208	131,521	834,686	831,621	1,639,449	N/A	N/A	105,602	N/A	
2021	241,648	134,945	865,055	862,698	1,687,462	N/A	N/A	108,562	N/A	
2022	251,450	140,389	900,810	898,482	1,754,532	N/A	N/A	112,895	N/A	
2023	271,530	150,651	952,899	949,198	1,871,484	N/A	N/A	120,718	N/A	
2024	276,610	153,973	985,861	983,109	1,919,658	N/A	N/A	123,656	N/A	
2025	281,504	157,180	1,018,703	1,016,974	1,966,283	N/A	N/A	126,496	N/A	

## Annual Change

Year	Revenue	IVA	Estab.	Enterprises	Employment	Exports	Imports	Wages	Domestic Demand	Corporate profit
	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
2011	8.18	11.2	2	2	3	N/A	N/A	6.12	N/A	
2012	8.13	8.25	4	4	7	N/A	N/A	11.5	N/A	
2013	3.50	2.68	2	2	3	N/A	N/A	0.27	N/A	
2014	5.63	3.37	6	6	7	N/A	N/A	5.14	N/A	
2015	2.43	6.32	3	3	4	N/A	N/A	6.19	N/A	
2016	4.60	4.87	4	4	5	N/A	N/A	6.31	N/A	
2017	1.60	6.71	4	4	5	N/A	N/A	6.44	N/A	
2018	3.15	4.30	9	9	8	N/A	N/A	7.42	N/A	
2019	3.70	5.82	5	5	4	N/A	N/A	4.94	N/A	
2020	-7.85	-7.16	-0	0	-4	N/A	N/A	-4.56	N/A	
2021	2.30	2.60	4	4	3	N/A	N/A	2.80	N/A	
2022	4.05	4.03	4	4	4	N/A	N/A	3.99	N/A	
2023	7.98	7.31	6	6	7	N/A	N/A	6.92	N/A	
2024	1.87	2.20	3	4	3	N/A	N/A	2.43	N/A	
2025	1.76	2.08	3	3	2	N/A	N/A	2.29	N/A	

## Key Ratios

Year	IVA/Revenue	Imports/Demand	Exports/Revenue	Revenue per Employee	Wages/Revenue	Employees per estab.	Average Wage
	(%)	(%)	(%)	(\$'000)	(%)		
2011	50.4	N/A	N/A	166	37.3	1.93	62,006
2012	50.5	N/A	N/A	167	38.5	2.00	64,413
2013	50.1	N/A	N/A	168	37.3	2.03	62,489
2014	49.0	N/A	N/A	166	37.1	2.04	61,634
2015	50.9	N/A	N/A	164	38.5	2.05	63,026
2016	51.0	N/A	N/A	163	39.1	2.07	63,700
2017	53.6	N/A	N/A	158	41.0	2.07	64,802
2018	54.2	N/A	N/A	151	42.7	2.05	64,407
2019	55.3	N/A	N/A	151	43.2	2.04	64,968
2020	55.7	N/A	N/A	144	44.7	1.96	64,413
2021	55.8	N/A	N/A	143	44.9	1.95	64,335
2022	55.8	N/A	N/A	143	44.9	1.95	64,345
2023	55.5	N/A	N/A	145	44.5	1.96	64,504
2024	55.7	N/A	N/A	144	44.7	1.95	64,415
2025	55.8	N/A	N/A	143	44.9	1.93	64,333

## Industry Financial Ratios

Liquidity Ratios	April 2019 - March 2020 by company revenue						
	April 2016 - March 2017	April 2017 - March 2018	April 2018 - March 2019	April 2019 - March 2020	Small (< \$10m)	Medium (\$10m-50m)	Large (> \$50m)
Current Ratio	1.5	1.5	1.5	1.5	1.5	1.7	1.4
Quick Ratio	1.4	1.3	1.3	1.3	1.2	1.5	1.2
Sales / Receivables (Trade Receivables Turnover)	7.7	7.5	7.7	7.9	10.4	6.8	7.6
Days' Receivables	47.4	48.7	47.4	46.2	35.1	53.7	48.0
Cost of Sales / Inventory (Inventory Turnover)	999.9	999.9	999.9	999.9	999.9	999.9	999.9
Days' Inventory	0.4	0.4	0.4				
Cost of Sales / Payables (Payables Turnover)	21.8	18.1	19.0	19.9	25.0	20.0	15.9
Days' Payables	16.7	20.2	19.2	18.3	14.6	18.3	23.0
Sales / Working Capital	14.6	13.6	14.9	14.4	19.1	11.2	16.0
<b>Coverage Ratios</b>							
Earnings Before Interest & Taxes (EBIT) / Interest	9.1	8.9	10.0	9.7	7.7	12.4	7.5
Net Profit + Dep., Depletion, Amort. / Current Maturities LT Debt	3.0	3.9	4.5	4.2		4.1	4.6
<b>Leverage Ratios</b>							
Fixed Assets / Net Worth	0.2	0.2	0.2	0.2	0.1	0.2	0.6
Debt / Net Worth	2.2	2.2	2.0	2.2	2.3	1.7	3.9
Tangible Net Worth	20.0	18.4	19.9	32.2	25.3	39.4	29.6
<b>Operating Ratios</b>							
Profit before Taxes / Net Worth, %	43.4	40.6	49.4	45.6	53.1	43.6	42.0
Profit before Taxes / Total Assets, %	11.4	11.1	14.2	12.3	12.0	15.3	8.2
Sales / Net Fixed Assets	66.7	77.9	70.7	6.4	5.8	7.2	5.8
Sales / Total Assets (Asset Turnover)	3.2	3.1	3.1	78.3	121.1	83.3	55.4
<b>Cash Flow &amp; Debt Service Ratios (% of sales)</b>							
Cash from Trading	36.9	36.5	35.3	3.1	3.7	3.0	2.5
Cash after Operations	5.6	5.4	5.6	38.1	47.6	36.2	28.5
Net Cash after Operations	5.5	4.6	5.2	6.2	5.5	7.5	6.1
Cash after Debt Amortization	1.1	0.7	1.5	5.7	4.2	6.1	5.6
Debt Service P&I Coverage	3.7	3.2	3.7	1.5	0.4	2.1	2.2
Interest Coverage (Operating Cash)	9.1	7.1	8.2	4.4	3.1	5.2	4.4
<b>Assets, %</b>							
Cash & Equivalents	21.4	19.1	18.7	33.3	22.3	56.1	32.2
Trade Receivables (net)	40.3	41.7	40.3	7.6	5.3	10.0	10.0
Inventory	2.7	2.9	3.2	1.3	0.0	1.6	2.3
All Other Current Assets	5.7	6.6	6.4	19.7	25.2	18.2	15.2
Total Current Assets	70.2	70.3	68.6	39.7	34.8	44.7	38.1
Fixed Assets (net)	11.6	10.8	11.1	3.6	3.7	3.0	4.4
Intangibles (net)	10.3	10.7	10.9	5.9	6.4	4.9	6.6
All Other Non-Current Assets	7.9	8.2	9.4	68.8	70.1	70.8	64.3
Total Assets	100.0	100.0	100.0	10.5	11.6	9.2	11.0
Total Assets (\$m)	22,179.0	21,143.4	20,883.5	12.2	7.6	12.2	17.8
<b>Liabilities, %</b>							
Notes Payable-Short Term	12.4	12.0	10.8	8.5	10.8	7.8	6.9
Current Maturities L/T/D	2.5	2.6	2.3	100.0	100.0	100.0	100.0
Trade Payables	13.7	14.9	14.2	18,680,547,000	615,253,000.04	185,231,000.	13,880,063,000
				0.0		0	0.0
Income Taxes Payable	0.3	0.3	0.2	12.5	21.0	9.6	6.1
All Other Current Liabilities	21.1	20.7	22.2	2.4	2.5	2.7	1.8
Total Current Liabilities	50.0	50.5	49.5	14.0	12.0	12.5	18.8
Long Term Debt	11.9	12.4	12.1	0.1	0.1	0.1	0.2
Deferred Taxes	0.3	0.2	0.2	20.7	22.1	20.0	19.9
All Other Non-Current Liabilities	7.6	7.9	7.4	49.7	57.7	45.0	46.8
Net Worth	30.3	29.1	30.8	11.9	10.5	10.0	16.6
Total Liabilities & Net Worth (\$m)	22,179.0	21,143.4	20,883.5	6.0	6.4	5.3	6.6
Maximum No. of Statements Used	1,041.0	1,070.0	1,021.0	100.0	100.0	100.0	100.0

Source: RMA Annual Statement Studies, rmahq.org. RMA data for all industries is derived directly from more than 260,000 statements of member financial institution's borrowers and prospects.

# Additional Resources

## Additional Resources

### **Consultant-News.com**

<http://www.consultant-news.com>

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### **Consulting Magazine**

<http://www.consultingmag.com>

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### **Institute of Management Consultants USA**

<http://www.imcusa.org>

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### **US Census Bureau**

<http://www.census.gov>

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## Industry Jargon

### **DEFINED BENEFIT PENSION PLAN**

A retirement pension plan in which an employer commits to paying its employee a specific benefit for life beginning at his or her retirement.

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### **DEFINED CONTRIBUTION PENSION PLAN**

A retirement pension plan in which an employer's annual contribution is specified. The value of future benefits at the time of retirement is not specified.

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### **HUMAN RESOURCES CONSULTING**

The contracting of a consultant for advice on structuring human resource and personnel policies, employee benefits, compensation systems and wage and salary administration.

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### **MANAGEMENT CONSULTANT**

A consultant who provides advice and assistance to businesses and other organizations on various issues, including management.

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### **STRATEGIC CONSULTING**

The contracting of a consultant to advise on long-term planning with an eye toward minimizing costs and maintaining profit, often in conjunction with the development of new products and services.

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## Glossary Terms

### **BARRIERS TO ENTRY**

High barriers to entry mean that new companies struggle to enter an industry, while low barriers mean it is easy for new companies to enter an industry.

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**CAPITAL INTENSITY**

Compares the amount of money spent on capital (plant, machinery and equipment) with that spent on labor. IBISWorld uses the ratio of depreciation to wages as a proxy for capital intensity. High capital intensity is more than \$0.333 of capital to \$1 of labor; medium is \$0.125 to \$0.333 of capital to \$1 of labor; low is less than \$0.125 of capital for every \$1 of labor.

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**CONSTANT PRICES**

The dollar figures in the Key Statistics table, including forecasts, are adjusted for inflation using the current year (i.e. year published) as the base year. This removes the impact of changes in the purchasing power of the dollar, leaving only the "real" growth or decline in industry metrics. The inflation adjustments in IBISWorld's reports are made using the US Bureau of Economic Analysis' implicit GDP price deflator.

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**DOMESTIC DEMAND**

Spending on industry goods and services within the United States, regardless of their country of origin. It is derived by adding imports to industry revenue, and then subtracting exports.

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**EMPLOYMENT**

The number of permanent, part-time, temporary and seasonal employees, working proprietors, partners, managers and executives within the industry.

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**ENTERPRISE**

A division that is separately managed and keeps management accounts. Each enterprise consists of one or more establishments that are under common ownership or control.

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**ESTABLISHMENT**

The smallest type of accounting unit within an enterprise, an establishment is a single physical location where business is conducted or where services or industrial operations are performed. Multiple establishments under common control make up an enterprise.

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**EXPORTS**

Total value of industry goods and services sold by US companies to customers abroad.

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**IMPORTS**

Total value of industry goods and services brought in from foreign countries to be sold in the United States.

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**INDUSTRY CONCENTRATION**

An indicator of the dominance of the top four players in an industry. Concentration is considered high if the top players account for more than 70% of industry revenue. Medium is 40% to 70% of industry revenue. Low is less than 40%.

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## **INDUSTRY REVENUE**

The total sales of industry goods and services (exclusive of excise and sales tax); subsidies on production; all other operating income from outside the firm (such as commission income, repair and service income, and rent, leasing and hiring income); and capital work done by rental or lease. Receipts from interest royalties, dividends and the sale of fixed tangible assets are excluded.

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## **INDUSTRY VALUE ADDED (IVA)**

The market value of goods and services produced by the industry minus the cost of goods and services used in production. IVA is also described as the industry's contribution to GDP, or profit plus wages and depreciation.

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## **INTERNATIONAL TRADE**

The level of international trade is determined by ratios of exports to revenue and imports to domestic demand. For exports/revenue: low is less than 5%, medium is 5% to 20%, and high is more than 20%. Imports/domestic demand: low is less than 5%, medium is 5% to 35%, and high is more than 35%.

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## **LIFE CYCLE**

All industries go through periods of growth, maturity and decline. IBISWorld determines an industry's life cycle by considering its growth rate (measured by IVA) compared with GDP; the growth rate of the number of establishments; the amount of change the industry's products are undergoing; the rate of technological change; and the level of customer acceptance of industry products and services.

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## **NONEMPLOYING ESTABLISHMENT**

Businesses with no paid employment or payroll, also known as nonemployers. These are mostly set up by self-employed individuals.

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## **PROFIT**

IBISWorld uses earnings before interest and tax (EBIT) as an indicator of a company's profitability. It is calculated as revenue minus expenses, excluding interest and tax.

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**REGIONS**

West | CA, NV, OR, WA, HI, AK

Great Lakes | OH, IN, IL, WI, MI

Mid-Atlantic | NY, NJ, PA, DE, MD

New England | ME, NH, VT, MA, CT, RI

Plains | MN, IA, MO, KS, NE, SD, ND

Rocky Mountains | CO, UT, WY, ID, MT

Southeast | VA, WV, KY, TN, AR, LA, MS, AL, GA, FL, SC, NC

Southwest | OK, TX, NM, AZ

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**VOLATILITY**

The level of volatility is determined by averaging the absolute change in revenue in each of the past five years. Volatility levels: very high is more than  $\pm 20\%$ ; high volatility is  $\pm 10\%$  to  $\pm 20\%$ ; moderate volatility is  $\pm 3\%$  to  $\pm 10\%$ ; and low volatility is less than  $\pm 3\%$ .

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**WAGES**

The gross total wages and salaries of all employees in the industry.

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# IBISWorld helps you find the industry information you need – fast

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With our trusted research covering thousands of global industries, you'll get a quick and intelligent overview of any industry so you can get up to speed in minutes. In every report, you'll find actionable insights, comprehensive data and in-depth analysis to help you make smarter, faster business decisions. If you're not yet a member of IBISWorld, contact us at +1-800-330-3772 or [info@IBISWorld.com](mailto:info@IBISWorld.com) to learn more.

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