

Global Consulting 2016: North America

Key Findings

Global Consulting Market 2016: North America is one of ALM Intelligence's four annual geographic reports on the global consulting market. The North America edition provides an outlook of the market dynamics, history, and recent events in the consulting industry and how they relate to the overall economy and adjacent markets. Market size, trends, growth rates, market share, and rankings information are provided for the total consulting market and the four service lines. Additional market size and trends data is shown for two main regions and 10 industries.

At the end of 2016, the North America consulting market is characterized by a slowdown in consulting spending due to an ending M&A boom and reduced regulatory focus on financial services and healthcare. The decreased willingness of the US Federal Reserve to continue accommodating the capital markets with a loose monetary policy is raising concerns in the corporate world, with companies remaining hunkered down instead of investing in productive assets. The health of the Canadian economy is deteriorating due to a deflating housing bubble and suppressed commodity prices, which is putting a damper on the country's consulting market.

The two largest single winners in the North America consulting industry come from digital consulting, currently growing with double digit rates, and cybersecurity, which has become an integral part in most consulting engagements. Despite the positive trends in the overall North America consulting market, growth rates are low with both digital and cybersecurity consulting mostly eating consulting dollars from other segments rather than growing the consulting pie organically. HR benefits consulting remains one of the most stable consulting segments in the North America region due to the ongoing baby boomer retirement wave.

On an industry level healthcare will remain the most important growth engine for the North America consulting market. In the US, the Affordable Care Act (ACA) implementation is still ongoing (although its future is uncertain under a new administration) and Canada is engaging in larger healthcare reforms of its own, such as shifting the drug-buying power over to the federal government. Overall, if the economic growth rates remain below the 2% level, additional public spending is expected to boost consulting revenues from the aerospace & defense industry and the public sector.

Market Trends

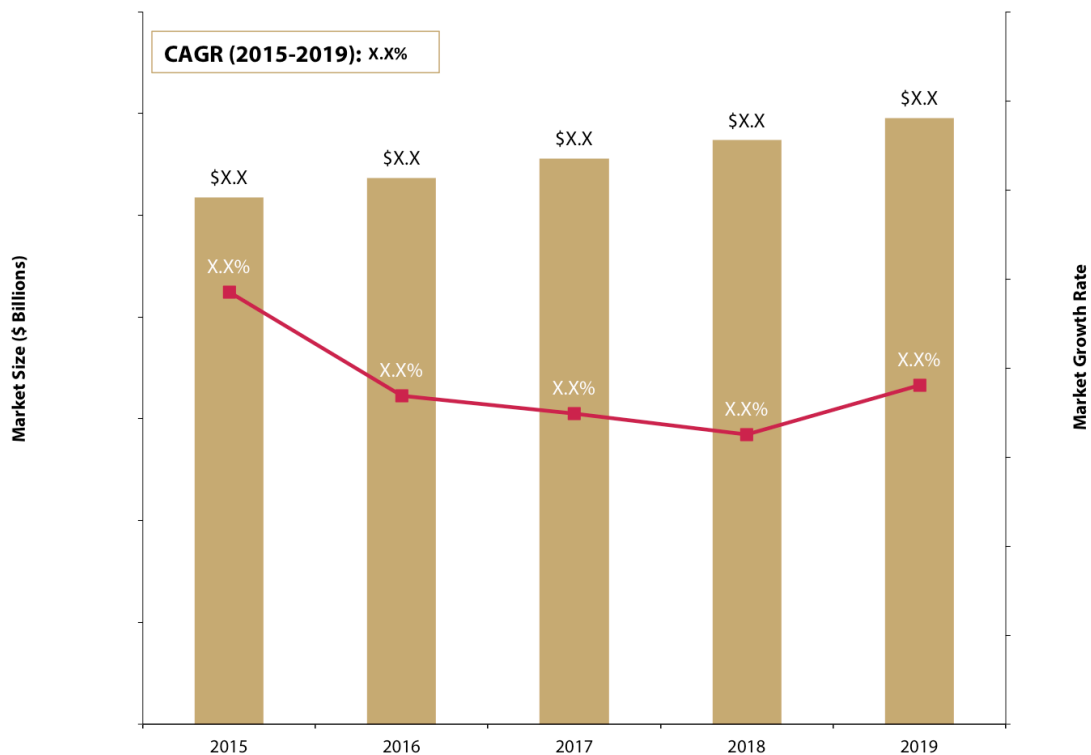
Global Consulting Market Size and Growth

■ The global consulting market has clearly entered a deceleration phase. The economies in the developed world are suffering from high debt levels, low growth, poor demographics and reduced regulatory zeal, all of which have contributed to the waning interest in consulting engagements. However, these inhibitors are clashing against some very strong drivers in the developed economies such as the digitalization of multiple industries, larger public sector spend and a few hot button issues, like cybersecurity, that fall directly in the sweet spot of consultants. By the end of the decade, many of these inhibitor issues are also expected to be

resolved through technological changes such as service robots, which will boost the consulting spend back on an acceleratory path.

■ From the lens of the developing economies, the state of the global consulting market looks very different. Despite the Chinese slowdown and a collapse in commodity prices, the consulting markets in developing countries are growing at high single digits by grabbing market share from other industries. This effect is expected to continue for the foreseeable future due to increased complexity through globalization and the ongoing advancement in the underlying emerging market economies.

Global Consulting Market Size and Growth Forecast, 2015-2019



Source: Global Consulting Market 2016: North America, ALM Intelligence estimates

Market Trends

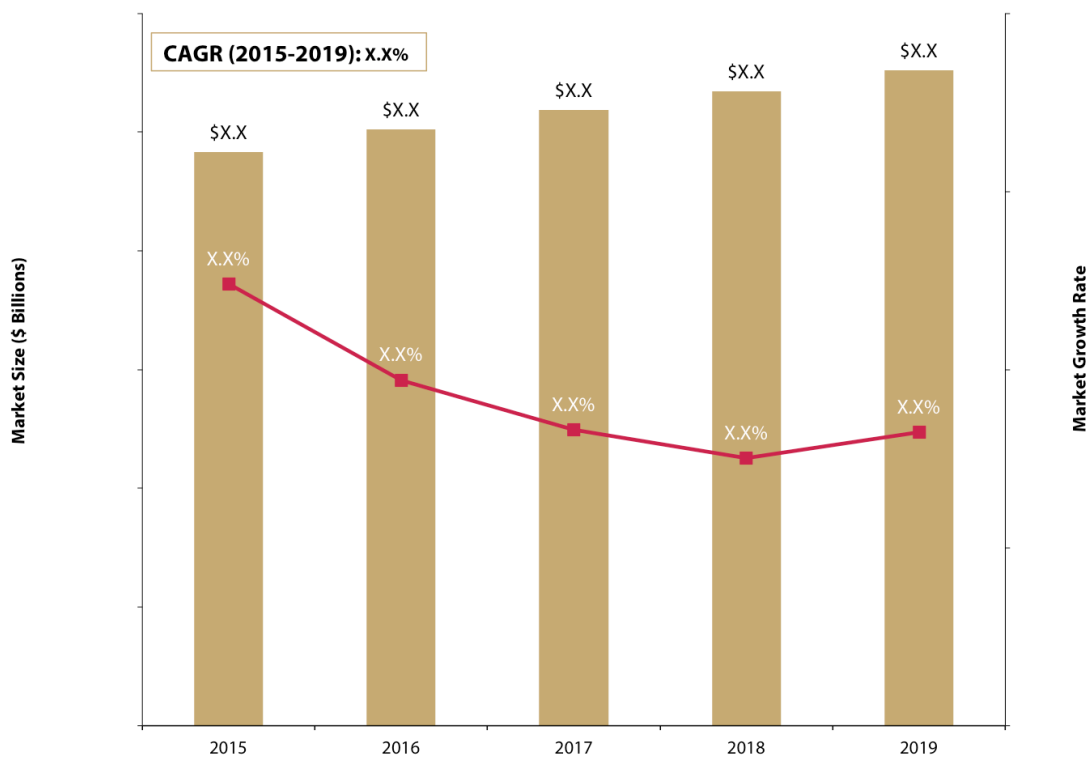
North America Consulting Market Size and Growth

■ As the world's most mature consulting market, the North America consulting market has grown surprisingly fast in the last five years. Overall, this growth has been fueled by the loose monetary policy provided by the Federal Reserve, which has increased the willingness of companies to engage in M&A activities. In the US, this trend has further been strengthened by numerous, demanding regulations in key industries such as financial services and healthcare. Technological change has also played a huge part in this development, particularly when combined with national security concerns in the realm of cybersecurity, which has forced companies to invest both to remain competitive as well as to remain current with the most recent regulations.

In Canada, the consulting market has benefitted from the country escaping the Great Recession almost unscathed while the prices of commodities continued to seemingly creep up year after year.

■ Despite its healthy run, the North America consulting market is currently decelerating. In the US, the key factor behind this development is a tighter monetary policy that is bringing the M&A boom to an end. In Canada, the long lasting housing bubble is about to end and, combined with the current freefall of natural resources prices, the country will most likely enter a recession within the next 12 months.

North America Consulting Market Size and Growth Forecast, 2015-2019



Source: Global Consulting Market 2016: North America, ALM Intelligence estimates

Market Trends

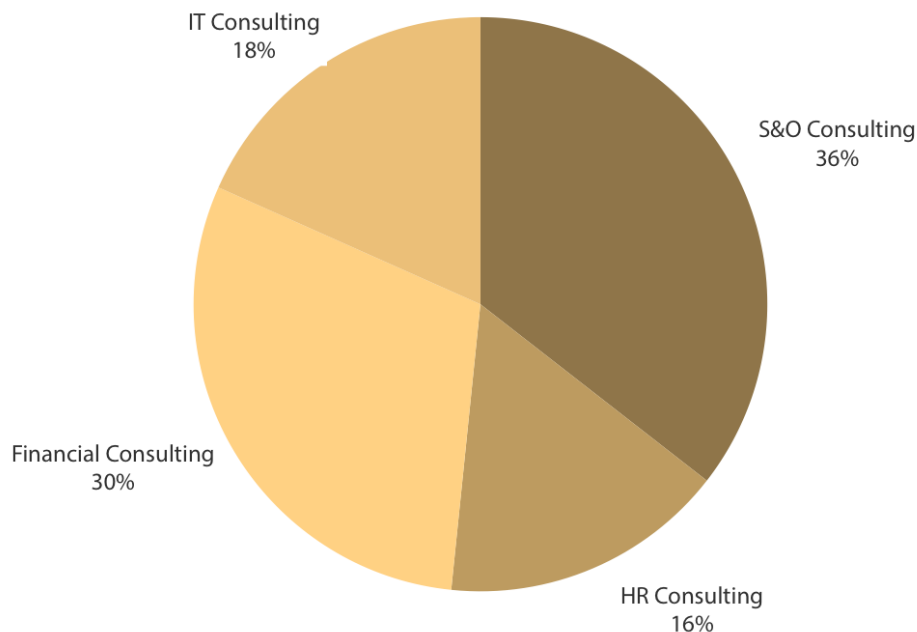
North America Consulting Market Share by Service Line

■ The traditional four service line composition in each region is a function of two main factors. One is the degree of economic development, which determines how far the region is on average on the consulting S-curve. The curve starts with the IT consulting that is already occurring in the least developed consulting markets, followed by strategy & operations (S&O) consulting with a heavy emphasis on operational performance improvement work entering developing consulting markets. Rapidly developing consulting markets also include nascent financial consulting and HR consulting offerings, whereas the mature consulting markets are the only consulting markets where all four service lines are fully established. In practice, this means that the least developed economies are IT and S&O consulting heavy whereas the advanced economies have a roughly even split across the service lines. A second major factor affecting how large the four service lines are in each geography involves the es-

tablished regulatory peculiarities that have influenced how and by whom certain services and functions are provided. A prominent example is how HR benefits – particularly pensions – are provided in a region. Publicly provided benefits and pensions usually reduce the need to bring in benefits consultants, whereas employee selected, tax deductible or voluntary benefits increase HR consulting spend. On the margins, certain industry composition and where corporations are domiciled also significantly affect the split between the traditional four service lines.

■ In North America, the defined benefits and defined contributions pension plans in the US form the primary reason behind a very large HR consulting segment. The financial services segment, through their need for financial risk & controls consulting, is also boosting the need for financial consulting services in the region.

North America Consulting Market Share by Service Line, 2015



Source: Global Consulting Market 2016: North America, ALM Intelligence estimates

Market Trends

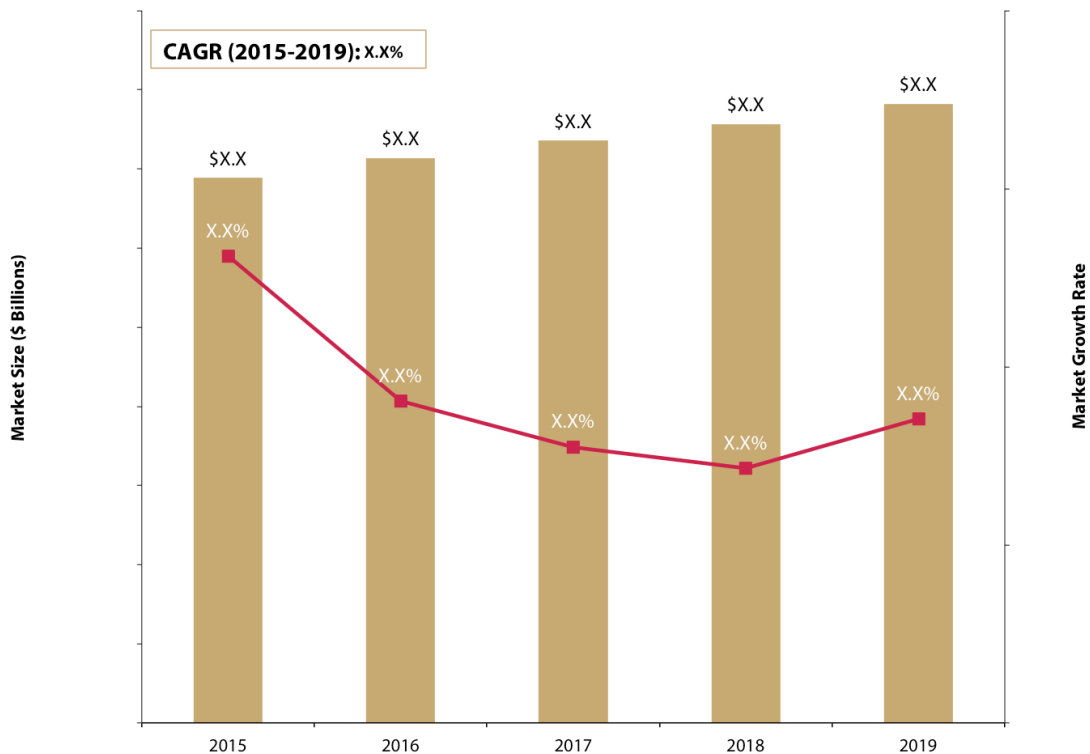
Strategy & Operations Consulting Market Size and Growth

■ In 2013, Harvard Business School Professor Clayton Christensen famously predicted the disruption of large-scale management consulting by smaller plays unbound by bureaucracy. Three years on, the academic’s forecast is becoming reality, as the “gig economy” tethers itself to freelancers who promise quality advisory at lower cost than the brand names. While these small strategy and operations advisories gain traction, mid-sized consultancies continue to be acquired by established brands. There were two and a half times as many global consulting firm acquisitions in 2015 as in 2014, with the majority (63%) taking place in North America. The acquisition frenzy

shows no signs of slowing down; 2016’s total will likely exceed that of 2015.

■ With the economy continuing to slowly improve, S&O consulting demand is also being affected by executive recruitment drives. A tighter labor market is placing upward pressure on executive compensation packages and leaders across industries will increase shopping around for the best packages. Purchasing consulting solutions from basic cost improvements to interim CXO services is therefore becoming a valid alternative for highly paid executives in companies seeking an alternative route to operational improvements and better market positioning.

North America S&O Consulting Market Size and Growth Forecast, 2015-2019



Source: Global Consulting Market 2016: North America, ALM Intelligence estimates

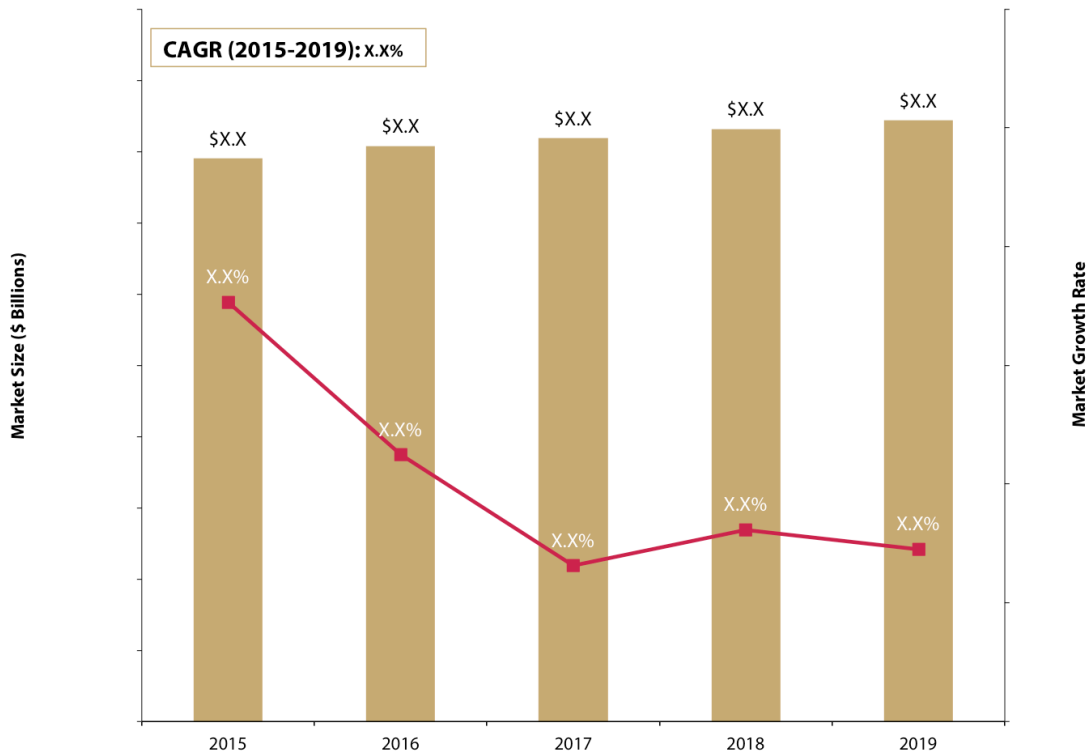
Market Trends

Human Resources Consulting Market Size and Growth

- Regulatory and market changes affecting employee status and turnover rates are driving companies to more closely examine HR data. Companies are engaging HR consultancies in the wake of a new rule decreasing the salary threshold for workers exempt from overtime rules to help them accommodate the change. In addition to new labor rules, employers are waiting to see the fate of the ACA, especially the employer mandate, which technically went into effect in January of 2015. As the new Congress makes changes, companies will seek consulting firms that can minimize compliance costs and maximize opportunities for cost savings.
- Market improvements are also spurring demand in the HR consulting service line with an improving econ-

omy creating more wandering employees in search of higher salaries. Companies, fearful of workers suddenly quitting, are increasingly looking for HR solutions that can predict employees who are flight risks. HR departments looking to develop analytical talent in-house are facing serious difficulty finding data management talent due to large shortages in the field. Data-challenged companies are turning to consultancies to create analytics boot camps for HR employees, with topics ranging from cloud-based human resources information systems to regulatory compliance. These partnerships are just beginning to ramp up, with positive implications for HR advisory demand.

North America HR Consulting Market Size and Growth Forecast, 2015-2019



Source: Global Consulting Market 2016: North America, ALM Intelligence estimates

Market Trends

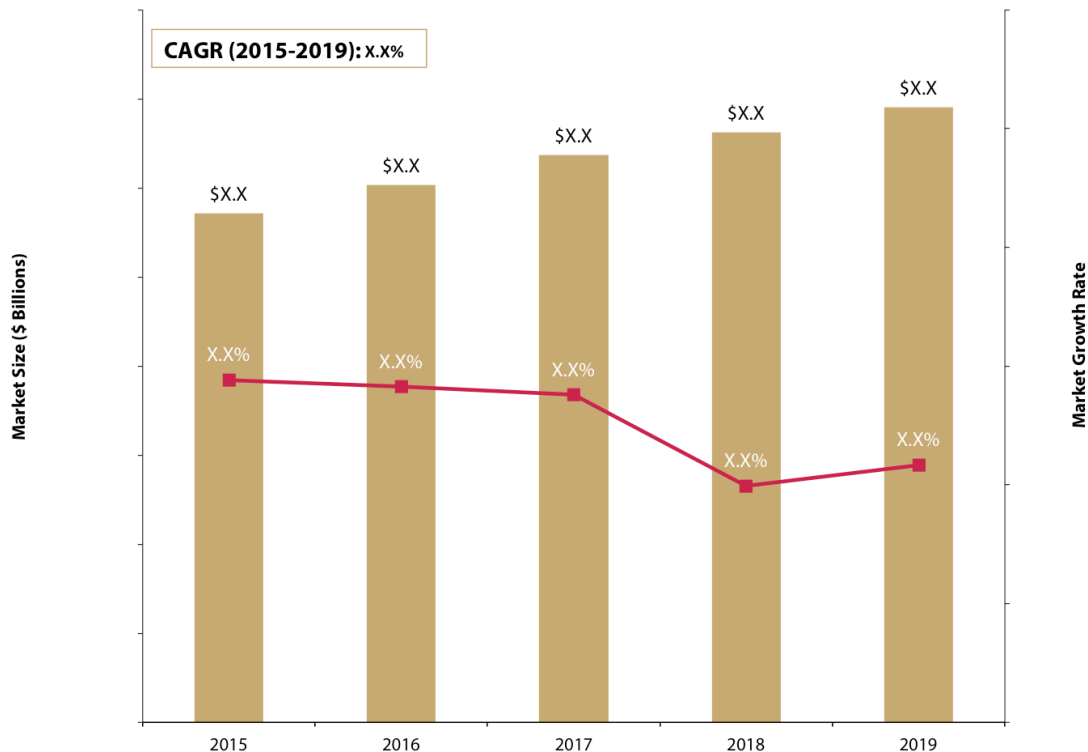
Financial Consulting Market Size and Growth

■ The North America financial consulting market has been heavily driven by the robust deals activity that has been going on since the Federal Reserve first introduced near-zero interest rates. Early on, this translated to an increase in deals that took place through various restructuring activities through crisis & recovery consulting engagements, but in the early 2010s the focus had shifted towards transaction advisory services between two solvent entities. With dropping company earnings and the US stock market being heavily driven by stock buybacks, the deals market has started to shift again towards restructuring driven deals. The financial consulting market in Canada has followed largely in lock-step with the developments in the US, with the exception that the

large bump in the Canadian crisis & recovery consulting took place later in the US, and started to intensify by the mid-2010s due to the collapse in commodity prices while the US was still undergoing a massive M&A boom.

■ Although the regulative activities from the aftermath of the Great Recession are winding down in North America, the original boost in the financial risk & controls advisory is still acting as a driver. Now that the banks and insurance institutions have become better capitalized, the largest regulatory hurdles are centered around preventing future financial shocks that may even include creating financial risk frameworks on the North America continent that are more in line with those found in the EU.

North America Financial Consulting Market Size and Growth Forecast, 2015-2019



Source: Global Consulting Market 2016: North America, ALM Intelligence estimates

Market Trends

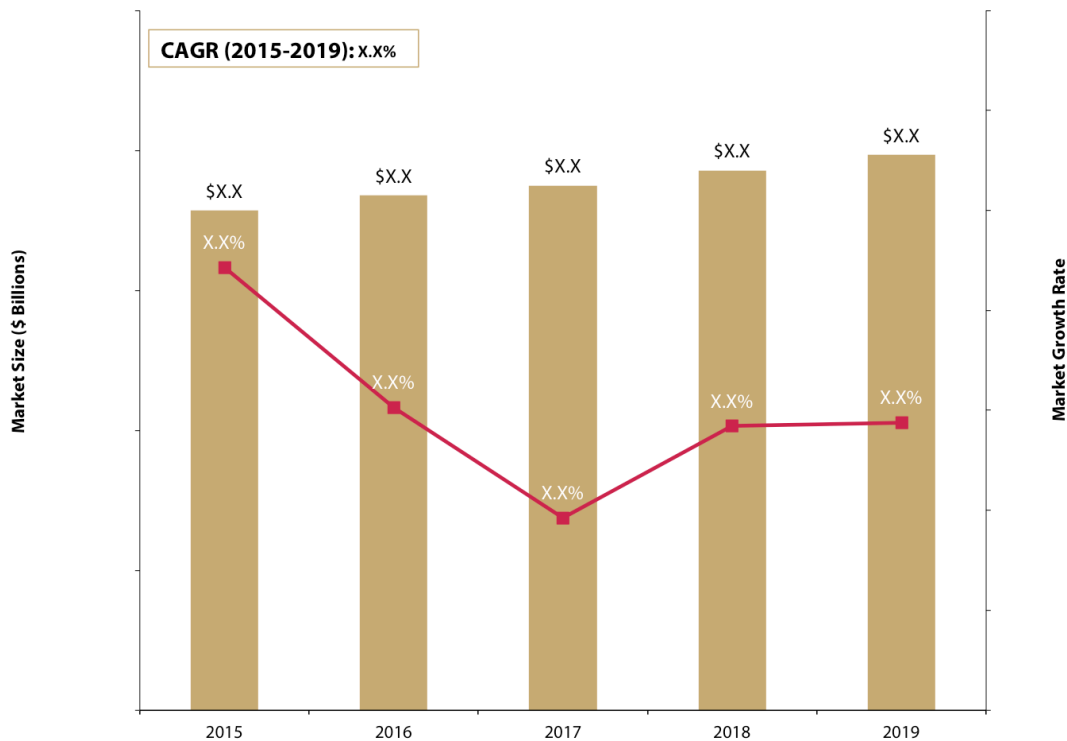
Information Technology Consulting Market Size and Growth

■ Unlike any other word in the consulting industry, “cybersecurity” is currently on the minds of policymakers and executives alike, fostering growth in the IT consulting space. Recent fears of foreign interference in US elections, including several documented breaches of email servers, are likely to lead government agencies and companies alike to invest in new security ecosystems to keep valuable data out of the hands of hackers. The Department of Defense, citing fears of Chinese and Russian attempts to steal secrets, has already shifted \$20 million in funds from contract savings into the US Army Intelligence and Security Command in order to invest in cybersecurity research. Additionally, recently finalized rules require contractors and sub-contractors to report cyber incidents that compromised the contracted work. These moves coincide with a shift toward cybersecurity by many government service providers. The movement toward cyber can also be seen on the commercial

side with traditional government contracting companies starting to expand their data security product offerings for high-end commercial entities to shield themselves from breaches. One damper on IT consulting demand is the increased hiring of in-housing cybersecurity experts with the belief that this will enable them to keep a closer eye on the companies’ data.

■ IT consulting demand is also driven by companies seeking software solutions for the challenges of a 21st century workplace. Firms across industries are going remote and ditching the high, fixed costs of an office space in favor of work-at-home arrangements with occasional onsite meetings. This trend has resulted in IT advisory engagement with its associated solutions including virtual private network technology that is safer to operate and more capable than its predecessors.

North America IT Consulting Market Size and Growth Forecast, 2015-2019



Source: Global Consulting Market 2016: North America, ALM Intelligence estimates

Market Trends

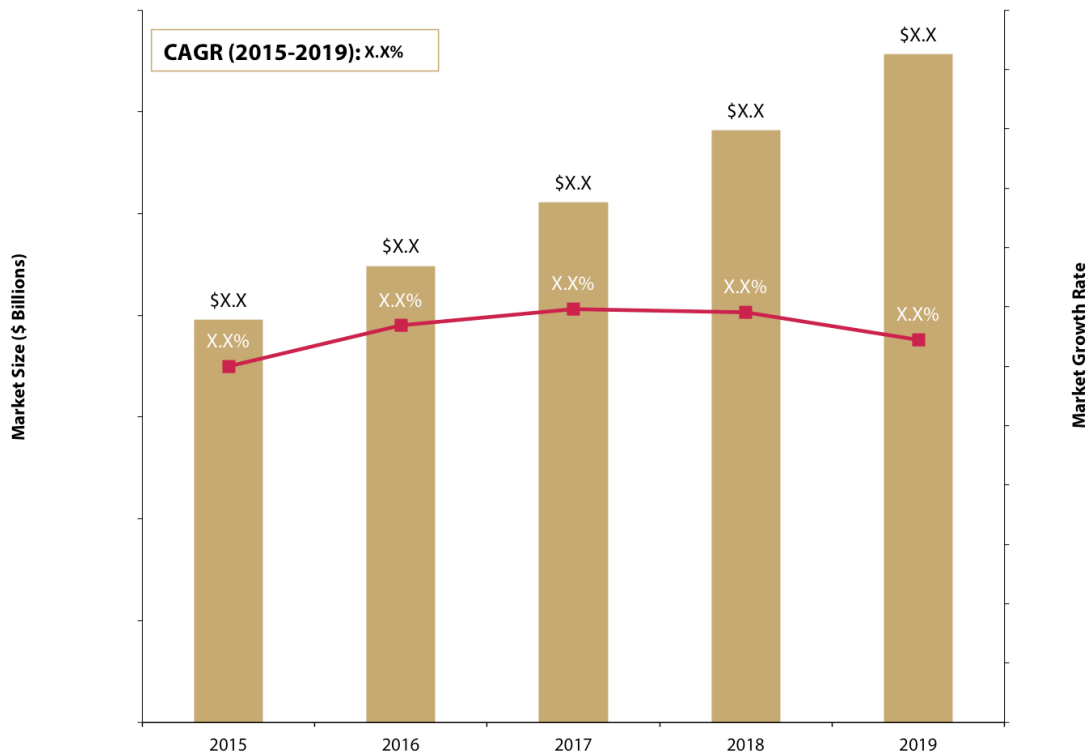
Digital Consulting Market Size and Growth

■ A large commercial and governmental push to digital is continuing its rapid acceleration through the end of the decade, contributing to advisory demand growth in leaps and bounds. The digitalization has brought an M&A mania to the consulting world with large well-established consulting companies acquiring numerous ad agencies and digital consultancies since the early 2010s. Currently three of the top five digital agencies are in the hands of large advisories. Firms are also embarking on large, in-house hiring sprees of data scientists with an emphasis on millennial hires with a broad employment and educational background in statistics, computer science and business. On a company level, website traffic has replaced foot traffic as the main metric of success. Additionally, video marketing in the digital marketing segment continues

to surge in popularity. Due to the extremely high click-through and conversion rates in personalized video campaigns, companies are increasingly likely to bring in digital consultants with the most impressive portfolios to help create their next viral marketing campaign.

■ Digital consulting demand, however, is not confined to the commercial space. Government agencies' longstanding commitments to trim waste, fraud, and abuse from their budgets are finally gaining traction due to digital interventions. The Office of Inspector General for the Department of Health and Human Services have, for example, used software to combat Medicare-Medicaid abuse. On the regional governmental level, states such as Utah are hiring consultants to improve the GPS tracking on transportation fleets and the collection of traffic flow data.

North America Digital Consulting Market Size and Growth Forecast, 2015-2019



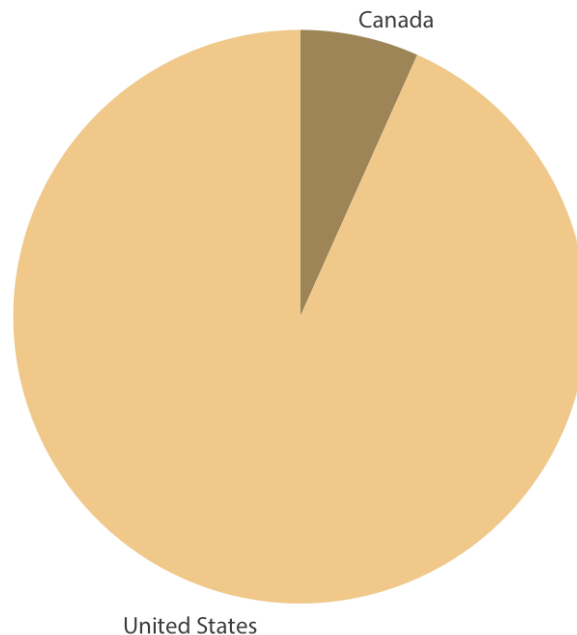
Source: Global Consulting Market 2016: North America, ALM Intelligence estimates

Market Trends

North America Consulting Market Share by Geographic Region

- The consulting market in North America consists of only two segments: Canada and the US, of which the latter is larger in absolute terms and carries a bigger share of the underlying economy. In other words, the US consulting market is more mature than that of Canada, and that is not going to change due to structural difference in the underlying economies (e.g., how the two countries' labor markets, pension systems, and healthcare systems are set up).
- In general terms, the Canadian consulting market is very dependent on the natural resources & power industry, albeit the country also has a broad consulting market in other industries as well. From this stand point, the Canadian consulting market resembles more its southern neighbor than the consulting markets of other advanced natural resource centric consulting markets of Australia or South Africa.
- On an overall level the consulting market in the US is very balanced, but unlike the consulting market of the European Union, it tends to fluctuate more in terms of spend and growth rates between economic expansions and contractions. Again, the reasons behind these differences is structural, such as the dominant role the financial services industry plays in the US economy and that, in practice, all US states are – except for some local oil boom and busts – on the same business cycle.

North America Consulting Market Share by Geographic Region, 2015



Source: Global Consulting Market 2016: North America, ALM Intelligence estimates

Market Trends

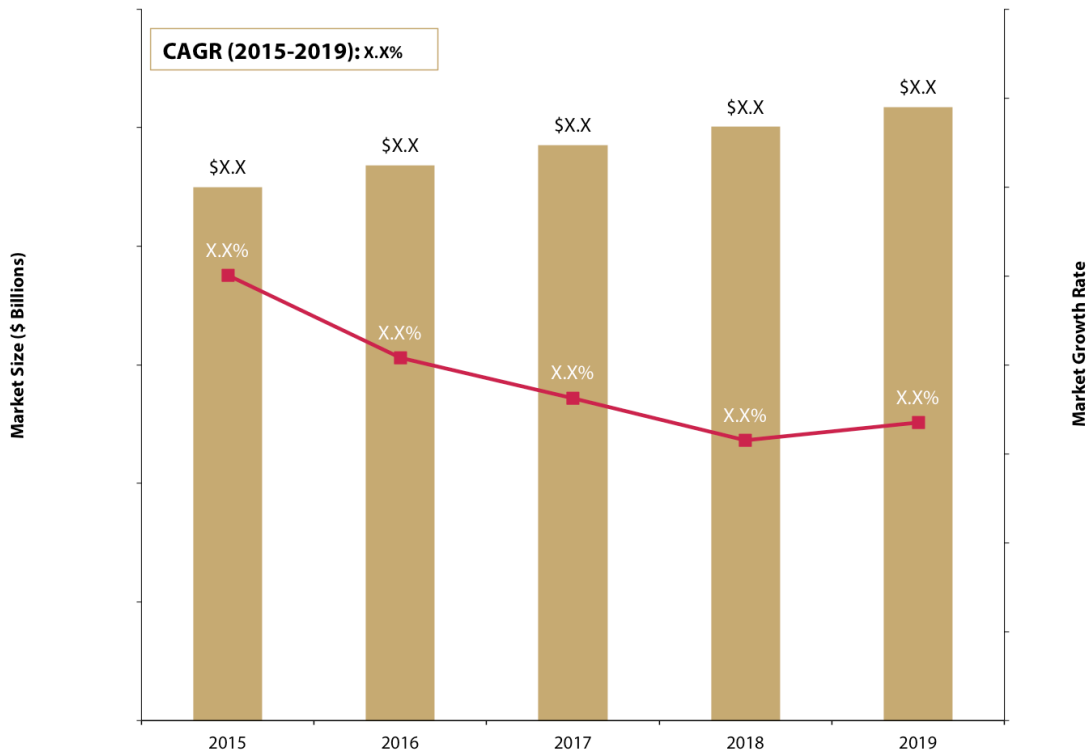
United States Consulting Market Size and Growth

■ Despite quarterly growth rates regularly below two percent, the United States’ economy is expected to grow over the next year with continued improvements in the labor market. Absent a coordinated rate-hike strategy by the Federal Reserve, companies across all industries will continue to cautiously expand. As a result, companies will continue to fund consulting services through discretionary spending. IT consulting has been particularly elevated on the agenda due to companies becoming increasingly fearful of being hacked by individual profit-seekers and governments alike. Foreign breaches into private servers have alarmed US officials and are already leading to greater efforts by government agencies to boost private and public cybersecurity defenses. The Pentagon’s Cybersecurity

Discipline Implementation Plan, unveiled last year and continually updated, has led some aerospace and defense consulting providers to boost their IT advisory capabilities.

■ Consulting to the financial industry is likely to remain another hot spot for advisory growth, as regulatory uncertainty drives demand. Impending executive pay regulation and Consumer Financial Protection Bureau rulemaking is continuously pushing banks to seek help from compliance firms. That said, the future demand for financial advisory depends greatly on the regulatory priorities of the Trump administration and Congress. If the US can successfully enact a sandbox model of financial regulation, which is gaining traction in Canada and the UK, financial institutions will see less of a need to rely on consultancies.

United States Consulting Market Size and Growth Forecast, 2015-2019



Source: Global Consulting Market 2016: North America, ALM Intelligence estimates

Market Trends

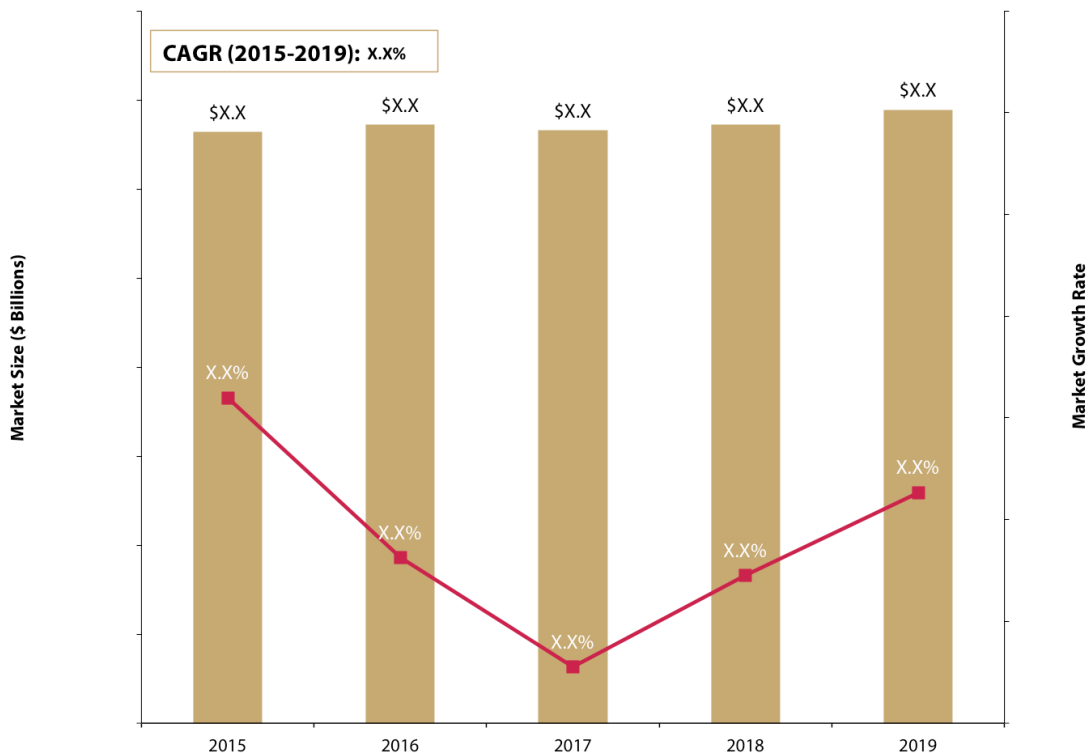
Canada Consulting Market Size and Growth

■ While economic trends in Canada generally mirror that of the United States, the low price of oil and weak export demand pose unique challenges to continued economic growth. These problems led to a contraction in the second quarter of 2016, from which the economy is struggling to rebound. Price challenges surrounding oil and natural gas projects, coupled with the introduction of a carbon tax, have led natural resource firms to seek the help of management consultancies. Financial markets, and fintech in particular, remain a brighter spot in the Canadian economy. Though back-end financial technology has enjoyed steady growth in hubs like Toronto, a soft-handed regulatory approach is simultaneously working to reduce demand for regulatory advisory. Canada is currently in the process of foregoing

the restrictive financial regulation seen in the United States in favor of a sandbox approach in which financial services companies are allowed range to explore technologies. The growth seen in regulatory data mining solutions in the United States will thus remain muted in the North.

■ Advisory demand in the public sector is likely to remain modest, as the 2016 cuts to professional services pushed by the ruling Liberals is dampening contract growth. Additionally, public-sector consultancies will continue to endure near record-lows in Canadian military spending and a corresponding lack of cybersecurity funding. The provinces, however, remain a bright spot, as demographic budgetary challenges are leading officials to seek consulting services.

Canada Consulting Market Size and Growth Forecast, 2015-2019



Source: Global Consulting Market 2016: North America, ALM Intelligence estimates

Market Trends

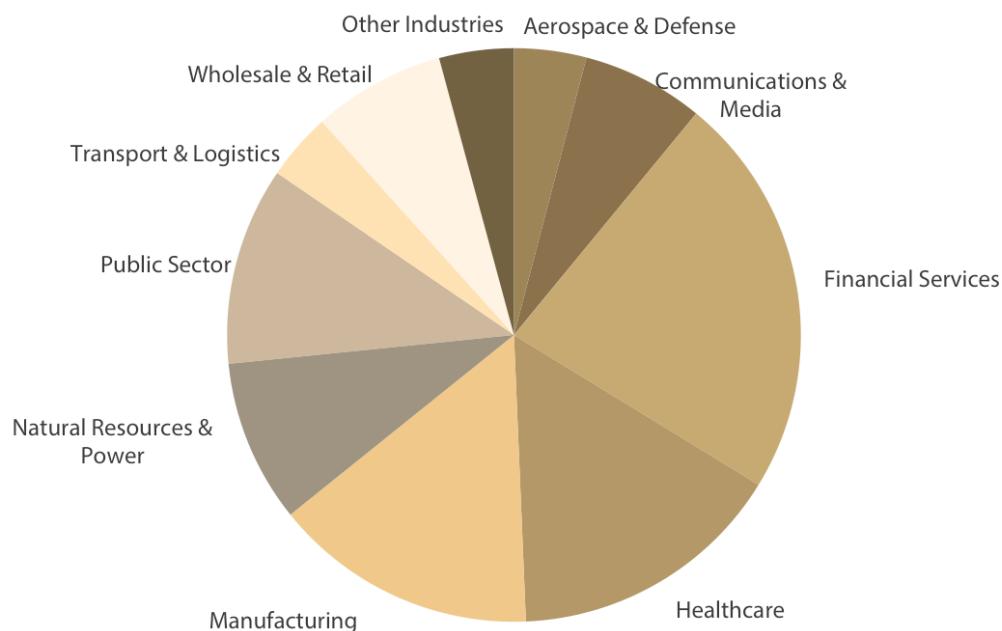
North America Consulting Market Share by Industry

■ Differences in the industrial composition of the underlying economy in the four major regions of the world are also reflected in the consulting market. The largest factor determining the configuration of the consulting market is how advanced the underlying economy is. Regions with highly advanced economies tend to be focused on service sectors, leading to larger shares in industries such as financial services and communications & media. Regions with a medium level of development tend to be centered around the manufacturing industry, whereas natural resources & power is often oversized in the least developing regions. The second most important factor for the consulting market is the size and scope of the public sector. Somewhat counterintuitively, healthcare consulting spend in regions with large public sectors lags behind re-

gions characterized by private healthcare solutions. However, the amount of consulting spend often goes hand in hand with the size of the public sector.

■ The role of New York City as the financial center of the world is mirrored in the market share of financial consulting spend in the North America region, which is two percentage points higher than on average. However, the biggest deviation from the average consulting spend is found in the healthcare industry with a 12% market share globally and a 16% market share in North America. This higher level of healthcare consulting spend can be attributed to the fact that the US healthcare industry comprises a very complicated public/private mix of healthcare provider solutions and a pharmaceutical sector with strong bargaining power.

North America Consulting Market Share by Industry, 2015



Source: Global Consulting Market 2016: North America, ALM Intelligence estimates

Market Trends

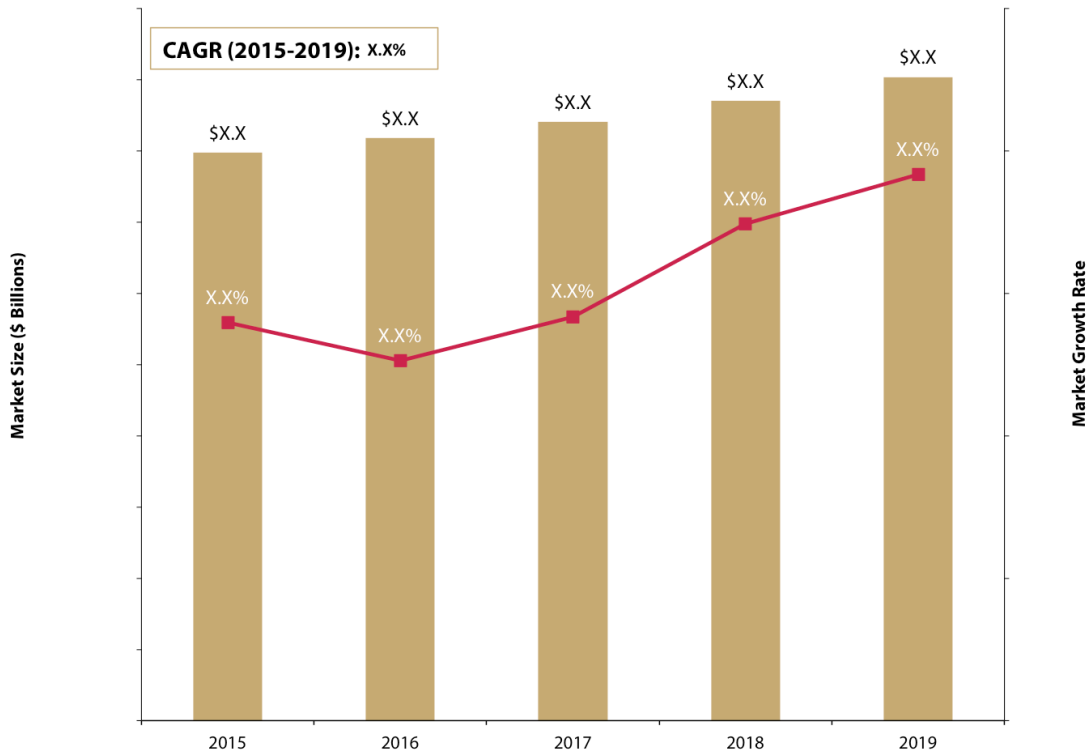
Aerospace & Defense Consulting Market Size and Growth

■ The 2016-2018 period will likely be a tumultuous one for legacy aerospace and defense corporations. While these large companies have traditionally been unchallenged as providers for North America governments, the rise in competition from Silicon Valley threatens this status. A recent audit has found major weaknesses in oversight of the Pentagon’s cybersecurity upgrade program, and the US Government Accountability Office (GAO) has voiced concern about the security of smartphones in the hands of government employees and contractors alike. These concerns are leading the Pentagon to spend greater resources on cybersecurity and technological upgrades. Since defense companies spend considerably less on

R&D and hire fewer computer engineers than technology giants such as Apple or Google, a ramp up in cybersecurity consulting spend is expected to reduce this gap.

■ The recent escalation of conflicts in Ukraine and the Middle East are about to end the spending drought the aerospace & defense industry suffered after the 2011 end of the Iraq War. The anticipated spending increase coincides with diminishing economic austerity measures, which will result in a boom in the North America aerospace & defense industry. Consultants who work in the digital or financial consulting service lines will likely benefit the most due to the need for companies to update their technology and regulatory frameworks.

North America Aerospace & Defense Consulting Market Size and Growth Forecast, 2015-2019



Source: Global Consulting Market 2016: North America, ALM Intelligence estimates

Market Trends

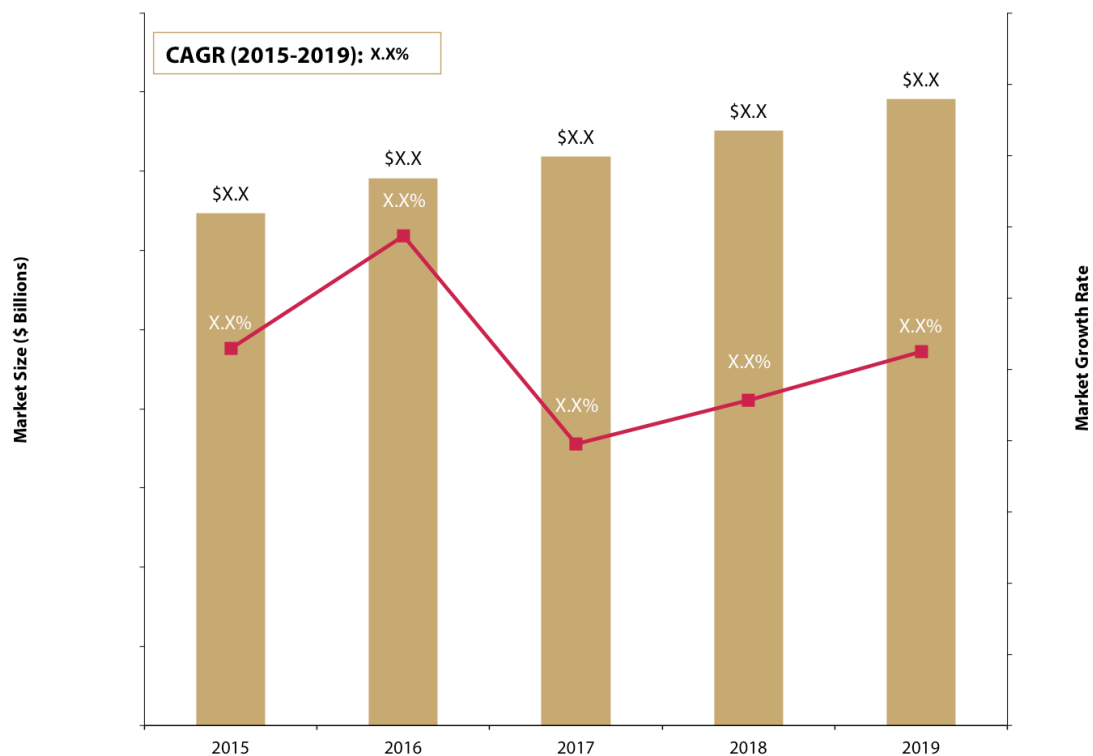
Communications & Media Consulting Market Size and Growth

■ The communications & media consulting market is poised for strong growth, as previous hiccups in technology are solved by new platforms and software. Companies, for instance, have long struggled to maintain adequate video communication between distant offices and remote employees. Concerns about call quality, interdependence on multiple technologies, and browser-based limitations are leading to a new line of video solutions centered on seamless business communication. Unify Square, for instance, recently unveiled its Skype for Business integrated software, PowerSuite. Further efforts are on the way to eliminate the so called “video tax” – the lost time spent setting up video conferencing. The goal for consultants is to marry the latest digital technologies with a virtual work environment that is capable of combining

the advantages of working physically and working remotely.

■ Solutions offerings have rapidly expanded to social media, as companies struggle to optimize usage of different websites such as Facebook, Twitter, and Pinterest. Platforms designed to manage multiple social media accounts simultaneously have surged in demand, benefiting from an aura of inevitability. Leading consulting providers are enjoying success in balancing the social media needs of employers and employees alike by promoting employee advocacy through the digital space by allowing workers to voice management concerns in a controlled, unthreatening way. Future advisory demand will be heavily shaped by social media giants’ reactions to these developments.

North America Communications & Media Consulting Market Size and Growth Forecast, 2015-2019



Source: Global Consulting Market 2016: North America, ALM Intelligence estimates

Market Trends

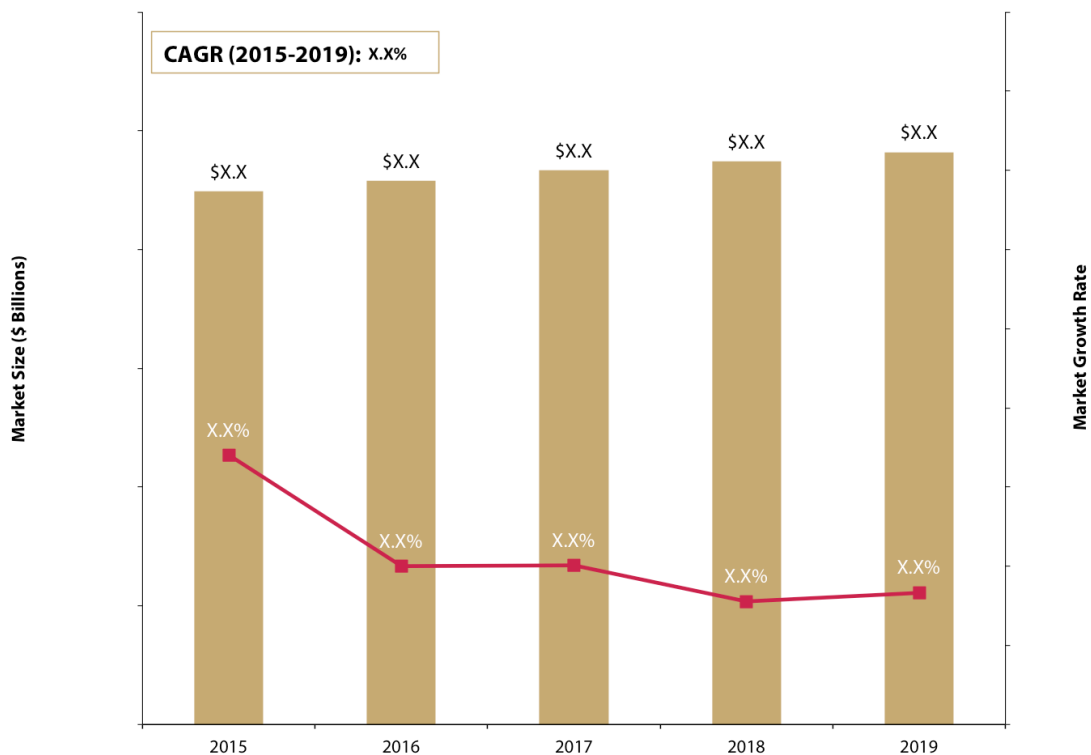
Financial Services Consulting Market Size and Growth

■ On the financial services front, an increasingly regulated environment may dampen advisory demand for the coming year. US service providers worried about the impact of the European Union’s recently unveiled Financial Instruments Directive 2004/39/EC can now breathe a sigh of relief, as the European Securities and Market Authority granted regulatory equivalence to several US markets for derivatives trading. A more comprehensive ruling is forthcoming, but an accommodating approach on the part of the EU means less uncertainty for international financiers. Additionally, the implementation of homegrown regulations has slowed

down, as the Consumer Financial Protection Bureau (CFPB) decelerates its rulemaking process. Canadian financial institutions are experiencing accelerated rulemaking, as mutual fund disclosure regulations take effect and banks struggle to implement Basel III capital requirements.

■ Digital disruption of the industry may increase advisory demand over the medium term, but key players will likely take a wait-and-see approach for the time being. Banks devote roughly 10% of operational spending to regulatory compliance, making cognitive systems pivotal in identifying obscure rules that increase business costs.

North America Financial Services Consulting Market Size and Growth Forecast, 2015-2019



Source: Global Consulting Market 2016: North America, ALM Intelligence estimates

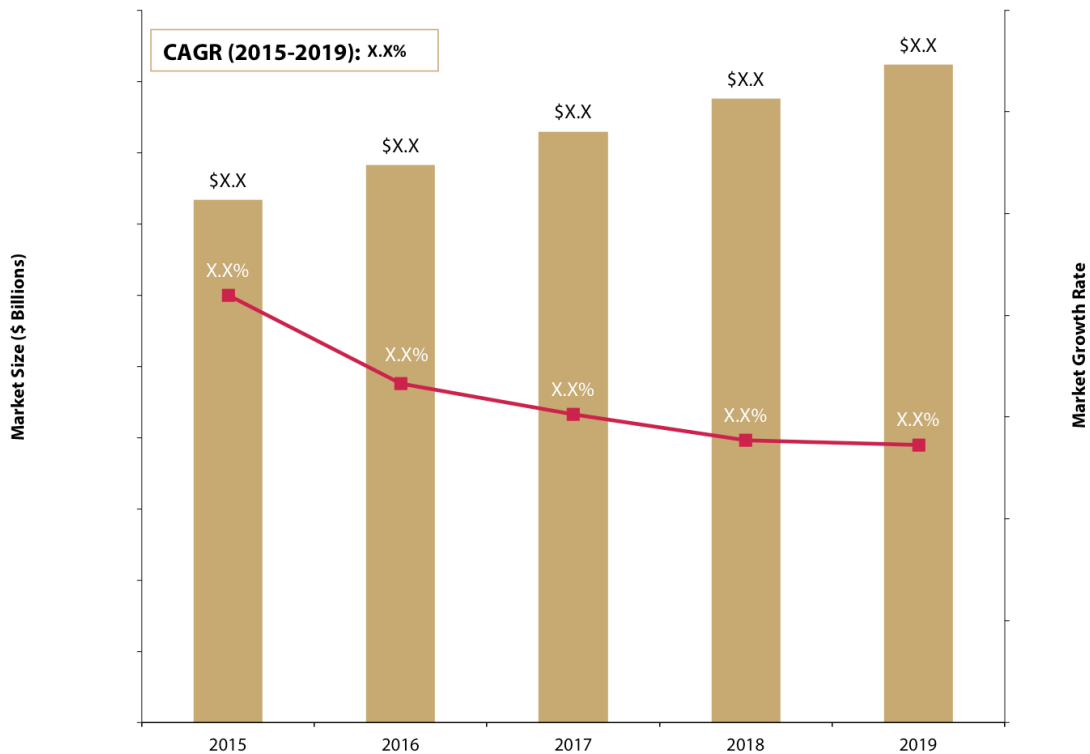
Market Trends

Healthcare Consulting Market Size and Growth

■ The health-care market continues to feel the effects of ACA implementation; key provisions have been taking effect since the beginning of 2014. Mergers and acquisitions, however, are slowing down after a flurry of acquisitions over the past two years. While this slowdown may lead to a decrease in demand for advisory services, such a dip will be more than offset by provider network restructuring advisory that has already grown with the implementation of ACA exchanges. Because of this change, the demand for consulting services is expected to grow for all health insurance providers that operate in the state exchange market.

■ Digital transformations in the healthcare space also continue to drive advisory demand. Initial projections for electronic health record adaption proved to be too rosy and many physicians remain overwhelmed by Medicaid’s new payment model that goes into effect in January of 2017. The American Medical Association’s efforts to provide online tools to assist implementation are being supplanted by consultancy offerings due to unexpected levels of complexity in the process.

North America Healthcare Consulting Market Size and Growth Forecast, 2015-2019



Source: Global Consulting Market 2016: North America, ALM Intelligence estimates

Market Trends

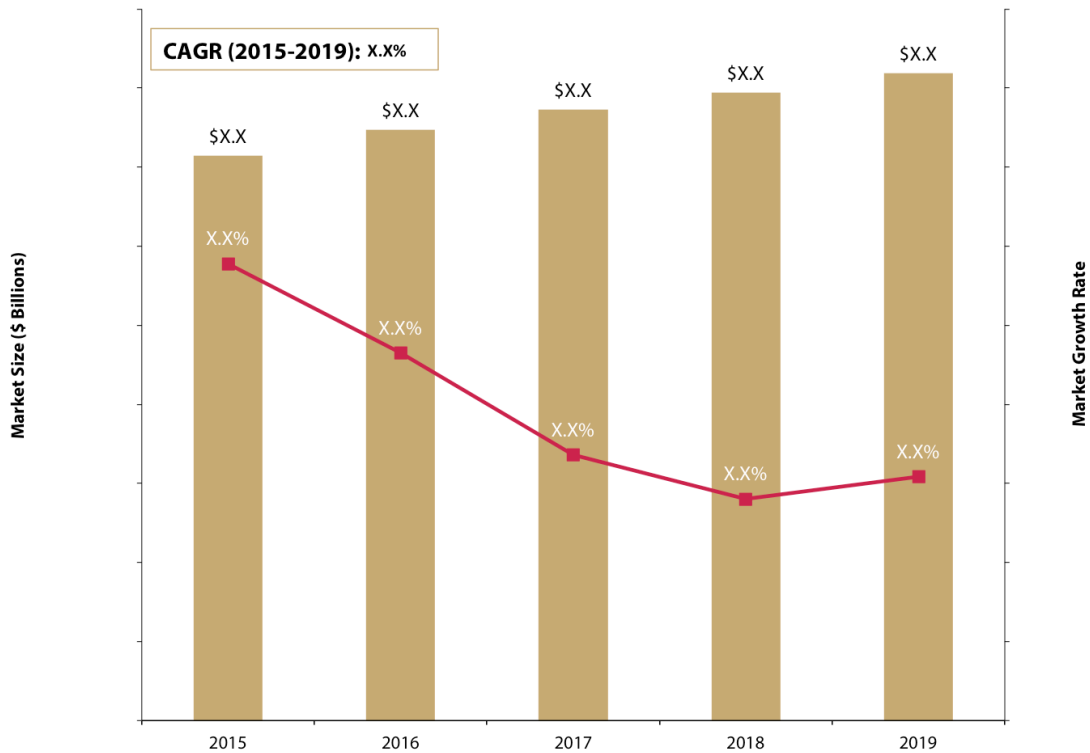
Manufacturing Consulting Market Size and Growth

■ The North America manufacturing sector continues to be weak with industrial production levels per capita remaining far below pre-recession levels. Though the purchasing manager’s index (PMI) has increased for most of 2016, the sharp, unexpected contraction in 2016 confirmed an uneven manufacturing recovery. The sector faces unique employment problems, as manufacturing firms struggle to fill open vacancies in rust-belt states. Traditional headhunting efforts entail high transaction costs, leading to increased demand for human capital management consulting services.

as manufacturing fundamentals show little sign of improvement. Both the USD and the CAD are at a decadal high, weakening already tepid demand for North America exports. China’s PMI has rebounded from a 2015 decline while Southeast Asian countries such as Vietnam enjoy steady export growth. In the short term, advisory demand will likely continue to reflect the diminished role of manufacturing in creating North America economic growth. By the end of the decade, however, 3-D printing may spur a manufacturing resurgence with an accompanying demand for consulting services.

■ Management consulting demand is likely to remain weak

North America Manufacturing Consulting Market Size and Growth Forecast, 2015-2019



Source: Global Consulting Market 2016: North America, ALM Intelligence estimates

Market Trends

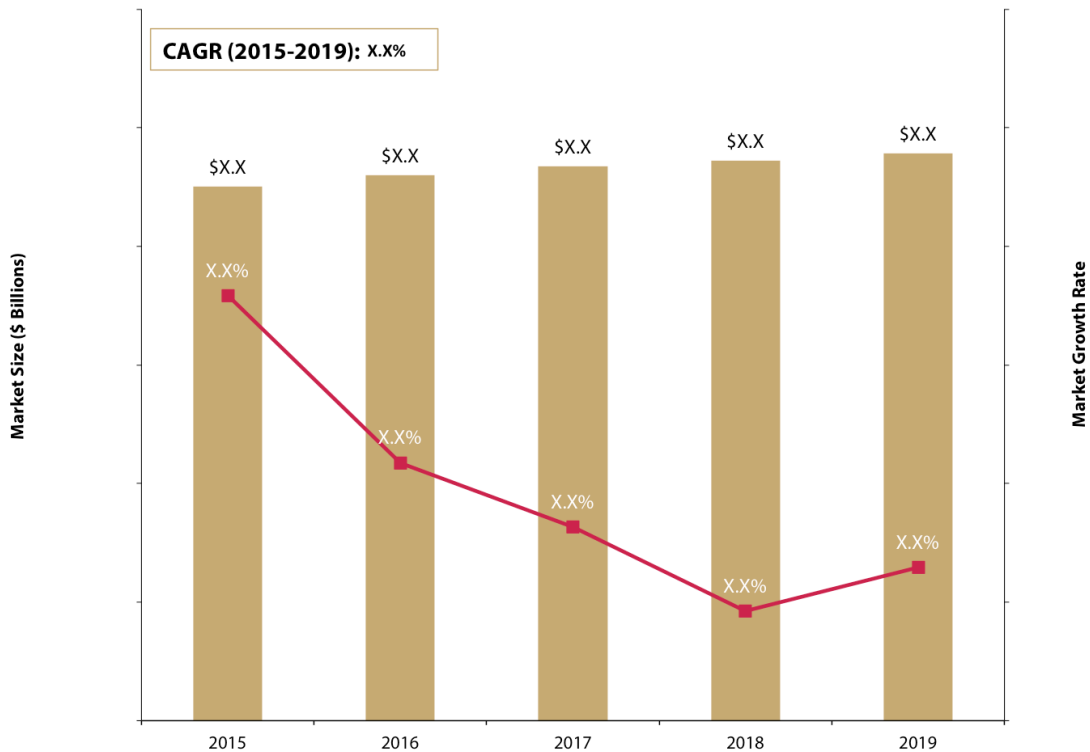
Natural Resources & Power Consulting Market Size and Growth

- The North America natural resources market has been rattled by international price movements and regulatory uncertainty. The low, steady price of crude oil has triggered a wave of bankruptcies in the North America shale oil market. An early September report from the international corporate law firm Haynes and Boone documents 58 energy company bankruptcies in 2016, up from 2014's tally of 44. Additionally, the North America oil renaissance has resulted in a collapse of natural gas prices as producers struggle to extract gas at an economically viable price.
- The decline of the coal industry, however, has liquid natural gas developers bullish on future investment

contingent on a decadal supply gap. While the Liberal leadership in Canada is expected to further regulate coal supply, the Trump administration may move in the opposite direction.

- Despite the recent price increases in metal prices from copper to gold, the near future of the mining business reminds bleak due to high inventory levels and ever-tightening environmental regulations. Consultants who work in the deals, finance and IT advisory spaces are expected to benefit most from the upcoming consolidation in the natural resources & power market.

North America NR&P Consulting Market Size and Growth Forecast, 2015-2019



Source: Global Consulting Market 2016: North America, ALM Intelligence estimates

Market Trends

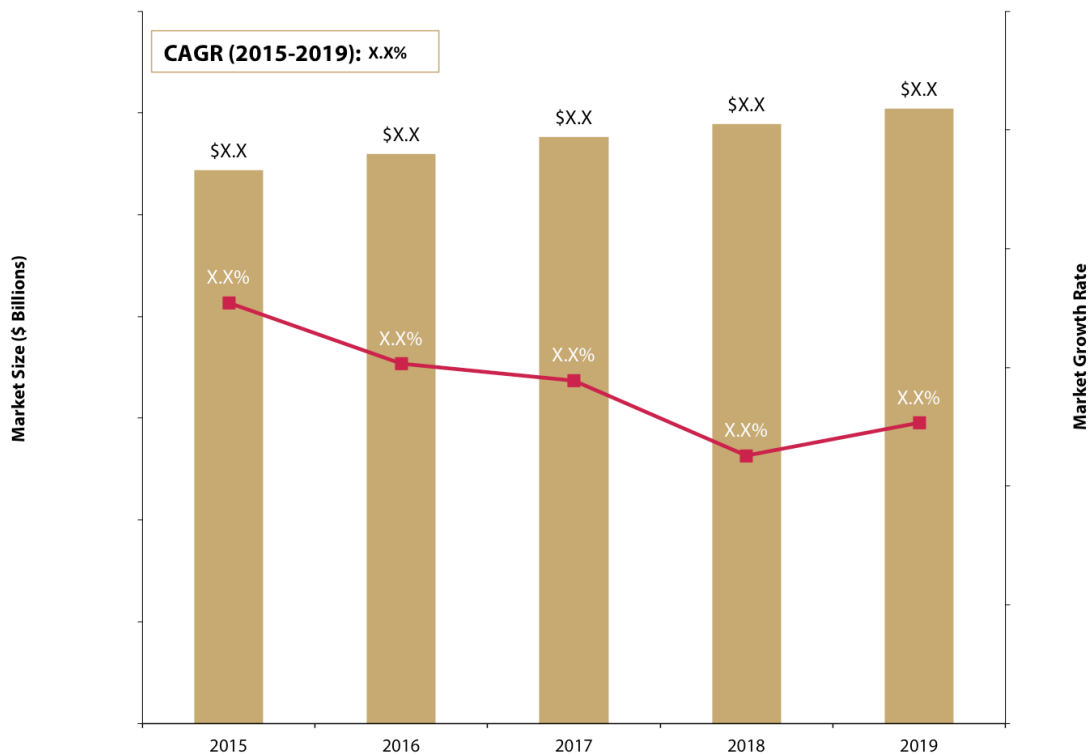
Public Sector Consulting Market Size and Growth

■ Though state government finances have improved considerably since the Great Recession, large funding gaps spurred by an anemic recovery continue to put pressure on budgets. The GAO estimates that, holding tax rates constant, tax revenues for state and local governments as a percentage of GDP will not rebound to 2007 levels until 2047. Ongoing budgetary crises in Puerto Rico and Illinois will likely drive public sector advisory demand, as governments struggle to restructure their obligations. Comprehensive audits can identify needed budgetary savings and reprioritizations, but their completion necessitates the existence of sufficient discretionary funding outside court mandates. Unsurprisingly, recent

developments suggest that advisory demand growth is limited due to voter resentment against additional expenditures.

■ Many Canadian provinces also face budget problems as the Canadian federal government attempts to bring Canadian healthcare from the provincial to the federal realm. Prime Minister Trudeau’s insistence that annual increases in healthcare transfers remain 3% is likely to drive public sector advisory demand in order to account for the health care needs of an aging population. Increased province-level consulting is likely to come at the expense of decreased federal consulting, whose 2016 budget faces steep cuts by the Liberal government.

North America Public Sector Consulting Market Size and Growth Forecast, 2015-2019



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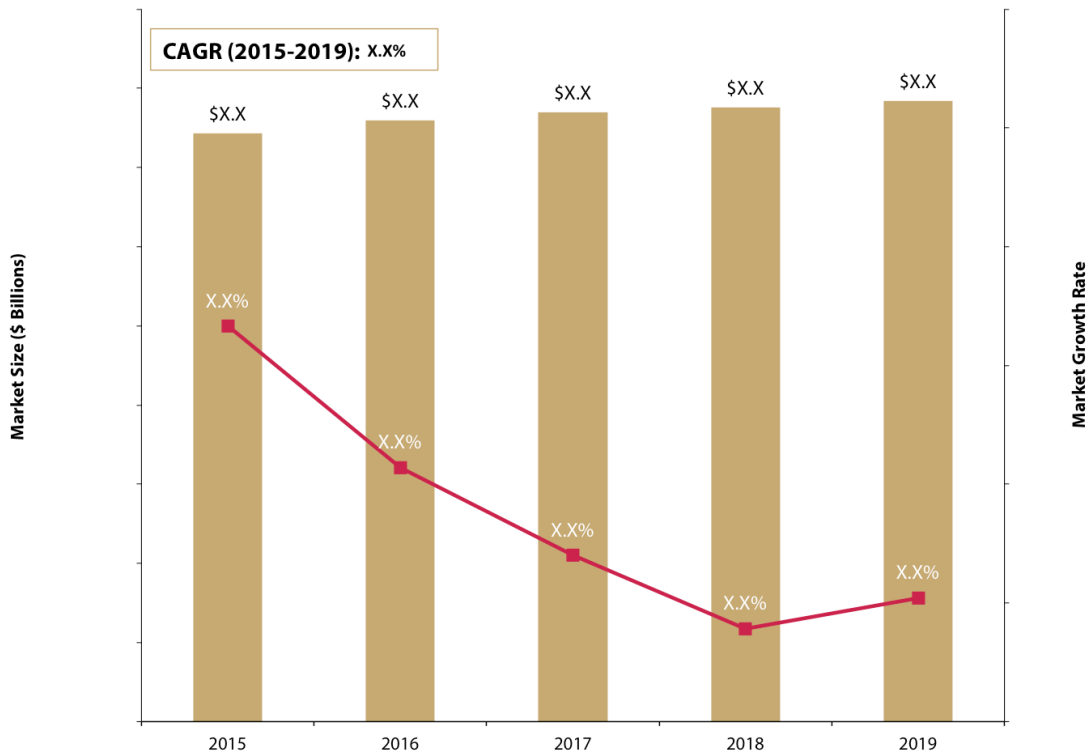
Market Trends

Transport & Logistics Consulting Market Size and Growth

■ Fuel costs are at decade lows, yet freight traffic growth has stalled. This anomaly highlights the decline of the traditional, centralized transport & logistics model. While shippers and distributors have long relied on midnight sorting locations at the midpoint of multiple population centers, new entrants prefer a localized approach. Product manufacturers are eschewing third-party transporters and taking matters into their own hands. Retail giants such as Amazon and Wal-Mart are investing heavily in smaller distribution facilities in suburban locales with faster delivery times and more thorough tracking than traditional transport companies. Consulting dollars will be spent by traditional transport & logistics companies as they struggle to adapt to these changes.

■ Crowdsourcing is another factor threatening to disrupt traditional third-party product transportation. Shipping retail goods from a distribution center to a consumer's home has long been considered expensive, with a lack of local knowledge (i.e., city traffic conditions) hampering the process. Initiatives spearheaded by retail giants increasingly allow customers and phone apps to take charge of the final model. Currently, Wal-Mart is testing the utilization of Uber and Lyft services to deliver packages to online purchasers. The beleaguered trucking industry is likely to undergo further consolidation because of this disruption, with an accompanying short-term need for advisory.

North America Transport & Logistics Consulting Market Size and Growth Forecast, 2015-2019



Source: Global Consulting Market 2016: North America, ALM Intelligence estimates

Market Trends

Wholesale & Retail Consulting Market Size and Growth

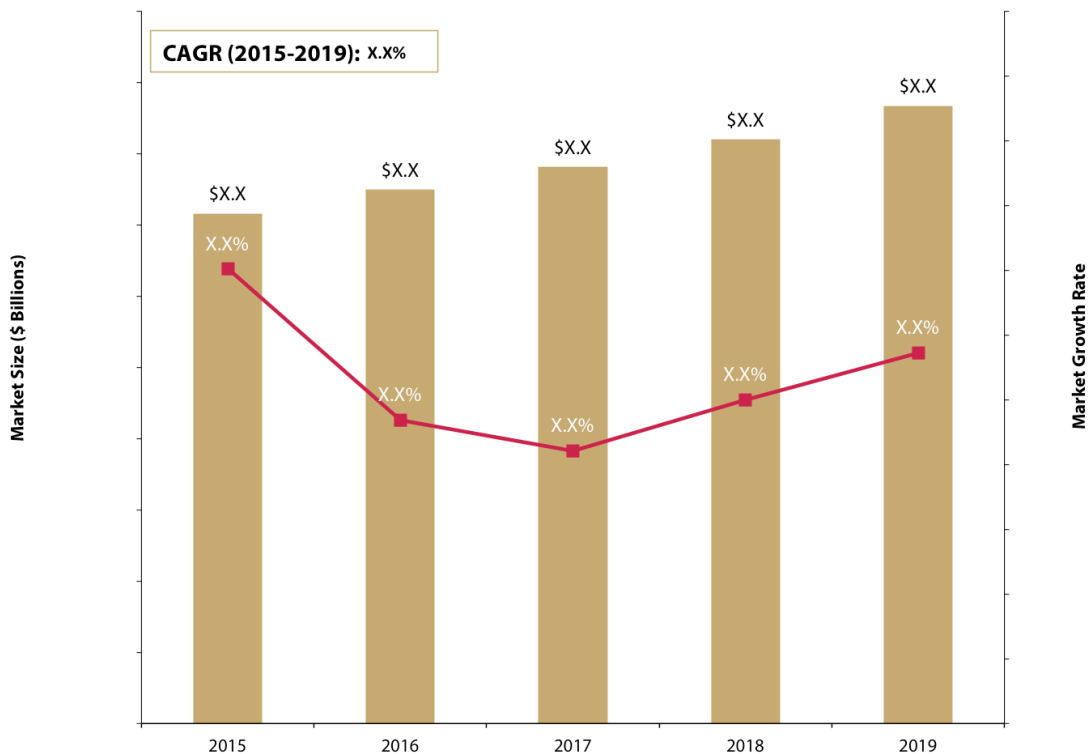
■ Amid historic changes to the retail markets, established companies that sell products at physical locations must adapt to survive. E-commerce continues to rattle product markets with companies such as Amazon being able to deliver products to consumers faster than traditional catalogue companies such as Sears. Aeropostale, The Sports Authority, and Pacific Sunwear have all declared bankruptcy, failing to replicate the digital sales pivots of Abercrombie & Fitch and American Eagle. Retail behemoths struggling to strengthen their online sales divisions are increasingly turning to experienced consultancies for assistance. The main theme in the consulting engagements that follow is how to drive value to the retail client through digital disruption.

eschewing wholesale digitization. Costco, for example, continues to beat earnings estimates quarter after quarter due to regional differentiation, aggressive vertical integration and smart cost minimization. Traditional retailers who are paying attention to market trends are hiring consultants to help them cross the digitalization bridge in the in the face of growing obsolescence.

■ Despite the health consulting growth trends, both US and Canadian retailers are facing falling discretionary consumer spend and growing inventories, which will affect their ability to pay consulting fees. Retail companies with below average margins are expected to continue their belt tightening through layoffs rather than engage in transforming consulting projects.

■ Some brick-and-mortar operations are finding success by

North America Wholesale & Retail Consulting Market Size and Growth Forecast, 2015-2019



Source: Global Consulting Market 2016: North America, ALM Intelligence estimates

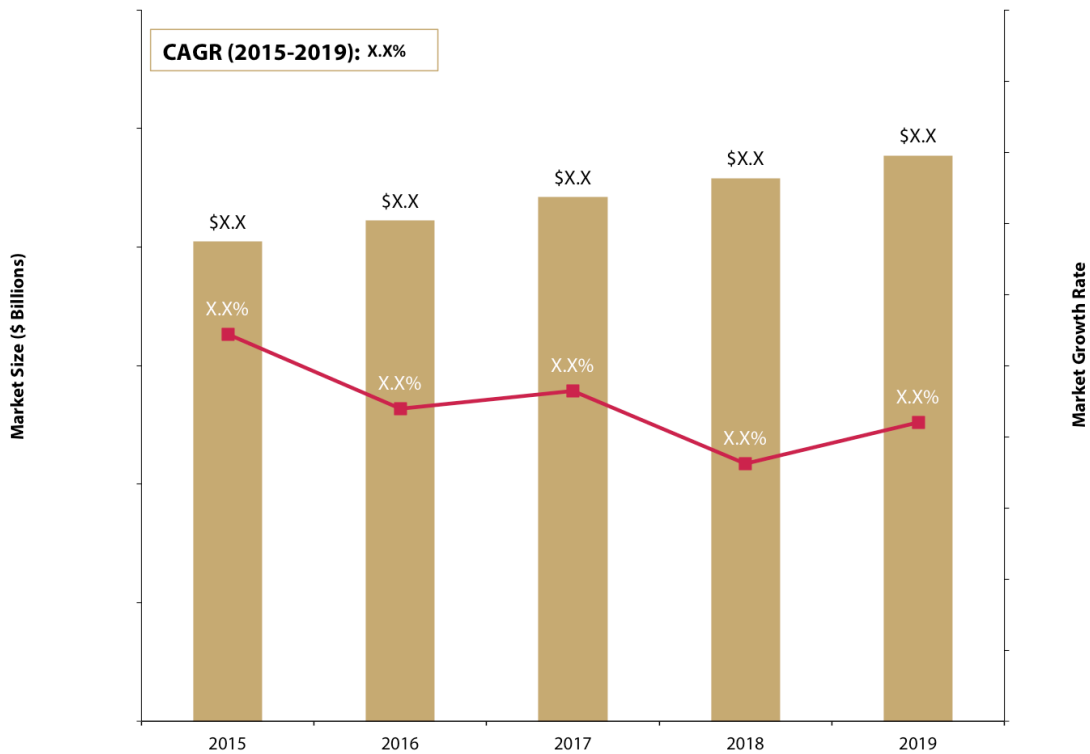
Market Trends

Other Industries Consulting Market Size and Growth

■ The hospitality industry is known for its high cyclical nature with an increase in planned vacations in an improving economy. However, currently there is a lot of anxiety in the sector due to the rise of the sharing economy and applications like Airbnb that threaten to siphon traditional hospitality business away. Major hotel companies have responded to this challenge by seeking to influence the regulatory process and introducing double-branding in multiple cities. A recent victory for hotels on the regulatory front took place when New York City sided with the traditional hospitality industry in ruling that the typical Airbnb rental violated transient occupancy laws. Creating entry barriers using expert witness consulting is highly lucrative for the hotel industry, whereas government officials are interested in adding a regulatory layer to better account for various risks.

■ The real estate sector's growth has been the economic success story of 2016 with the infamously troubled sector facing a demand surge. The construction of 1.1 million American homes in May, for instance, was insufficient to meet the demand for 1.5 million new homes. Challenges remain, as first-time homebuyers are facing a market more focused on large-residencies with multiple amenities. Millennials may respond to the lack of starter homes by renting, but only if developers in Washington DC, New York City, and San Francisco can keep rent prices stable. Rents have remained flat in the 2015-2016 period and a federal push to rewrite local zoning rules may exert further downward pressure. Development companies will seek out advisory services on how to better attract customers to take advantage of this newfound price stability.

North America Other Industries Consulting Market Size and Growth Forecast, 2015-2019



Source: Global Consulting Market 2016: North America, ALM Intelligence estimates

Provider Rankings

North America Consulting Provider Rankings

20 Largest Consulting Providers by Revenue, 2015

Providers			North America Consulting Revenue (\$M)		
Ranking	Position	Firm Name	CY2015	2015 Growth	Market Share
1	➡	Firm 1	\$10,464.0	6.2%	10.8%
2	➡	Firm 2	\$7,735.0	6.5%	8.0%
3	➡	Firm 3	\$6,360.0	7.9%	6.6%
4	➡	Firm 4	\$3,989.6	18.0%	4.1%
5	➡	Firm 5	\$3,860.9	17.1%	4.0%
6	➡	Firm 6	\$3,103.4	1.7%	3.2%
7	⬆	Firm 7	\$2,520.5	6.3%	2.6%
8	⬇	Firm 8	\$2,300.2	-3.2%	2.4%
9	➡	Firm 9	\$1,668.2	-0.6%	1.7%
10	➡	Firm 10	\$1,610.5	8.3%	1.7%

Source: Global Consulting Market 2016: North America, ALM Intelligence estimates

Provider Rankings

North America Consulting Provider Rankings**20 Largest Consulting Providers by Revenue, 2015 (cont.)**

Providers			North America Consulting Revenue (\$M)		
Ranking	Position	Firm Name	CY2015	2015 Growth	Market Share
11	➡	Firm 11	\$1,297.5	9.4%	1.3%
12	➡	Firm 12	\$1,129.6	-0.7%	1.2%
13	➡	Firm 13	\$1,094.2	2.3%	1.1%
14	➡	Firm 14	\$1,069.0	4.6%	1.1%
15	⬆	Firm 15	\$939.9	19.2%	1.0%
16	⬆	Firm 16	\$822.5	4.5%	0.9%
17	⬆	Firm 17	\$653.5	2.5%	0.7%
18	⬇	Firm 18	\$620.1	-24.3%	0.6%
19	➡	Firm 19	\$613.2	-1.5%	0.6%
20	➡	Firm 20	\$584.3	6.9%	0.6%

Source: Global Consulting Market 2016: North America, ALM Intelligence estimates

Provider Rankings

North America Strategy & Operations Consulting Provider Rankings

10 Largest S&O Consulting Providers by Revenue, 2015

Providers			S&O Consulting Revenue (\$M)		
Ranking	Position	Firm Name	CY2015	2015 Growth	Market Share
1	➡	Firm 1	\$3,047.9	4.4%	8.9%
2	➡	Firm 2	\$2,089.3	6.6%	6.1%
3	➡	Firm 3	\$1,427.1	2.1%	4.1%
4	➡	Firm 4	\$1,130.5	5.5%	3.3%
5	⬆	Firm 5	\$1,119.4	27.3%	3.3%
6	⬇	Firm 6	\$1,019.3	10.8%	3.0%
7	⬇	Firm 7	\$975.2	10.6%	2.8%
8	➡	Firm 8	\$921.7	5.0%	2.7%
9	⬆	Firm 9	\$551.2	20.1%	1.6%
10	⬇	Firm 10	\$498.6	5.3%	1.4%

Source: Global Consulting Market 2016: North America, ALM Intelligence estimates

Provider Rankings

North America Human Resources Consulting Provider Rankings

10 Largest HR Consulting Providers by Revenue, 2015











Providers			HR Consulting Revenue (\$M)		
Ranking	Position	Firm Name	CY2015	2015 Growth	Market Share
1	➡	Firm 1	\$1,879.9	7.9%	11.9%
2	➡	Firm 2	\$1,668.2	-0.6%	10.6%
3	➡	Firm 3	\$1,610.5	8.3%	10.2%
4	➡	Firm 4	\$1,129.6	-0.7%	7.1%
5	➡	Firm 5	\$1,006.5	3.9%	6.4%
6	➡	Firm 6	\$834.3	3.6%	5.3%
7	➡	Firm 7	\$545.2	9.9%	3.4%
8	➡	Firm 8	\$356.3	0.7%	2.3%
9	⬆	Firm 9	\$237.0	5.8%	1.5%
10	⬇	Firm 10	\$220.6	-4.2%	1.4%

Source: Global Consulting Market 2016: North America, ALM Intelligence estimates

Provider Rankings

North America Financial Consulting Provider Rankings

10 Largest Financial Consulting Providers by Revenue, 2015

Providers			Financial Consulting Revenue (\$M)		
Ranking	Position	Firm Name	CY2015	2015 Growth	Market Share
1		Firm 1	\$4,829.5	7.4%	16.9%
2		Firm 2	\$4,230.6	6.0%	14.8%
3		Firm 3	\$4,227.9	6.3%	14.8%
4		Firm 4	\$2,722.5	18.2%	9.5%
5		Firm 5	\$976.5	2.0%	3.4%
6		Firm 6	\$673.1	4.4%	2.4%
7		Firm 7	\$557.1	6.8%	2.0%
8		Firm 8	\$527.9	7.1%	1.8%
9		Firm 9	\$522.1	8.8%	1.8%
10		Firm 10	\$468.6	2.2%	1.6%

Source: Global Consulting Market 2016: North America, ALM Intelligence estimates

Provider Rankings

North America Information Technology Consulting Provider Rankings

10 Largest IT Consulting Providers by Revenue, 2015

Providers			IT Consulting Revenue (\$M)		
Ranking	Position	Firm Name	CY2015	2015 Growth	Market Share
1	↑	Firm 1	\$1,816.3	18.6%	10.2%
2	↓	Firm 2	\$1,644.5	1.4%	9.2%
3	↓	Firm 3	\$1,566.3	-3.1%	8.8%
4	→	Firm 4	\$1,305.7	8.9%	7.3%
5	→	Firm 5	\$768.5	6.0%	4.3%
6	↑	Firm 6	\$742.5	19.5%	4.2%
7	↑	Firm 7	\$627.9	16.4%	3.5%
8	→	Firm 8	\$611.7	12.9%	3.4%
9	↓	Firm 9	\$525.2	-24.2%	2.9%
10	↑	Firm 10	\$441.7	74.6%*	2.5%

*Note: This growth rate reflects Capgemini's acquisition of IGATE Corp in 2015.

Source: Global Consulting Market 2016: North America, ALM Intelligence estimates

Appendix

- Definitions
- Methodology
- About ALM Intelligence

Definitions

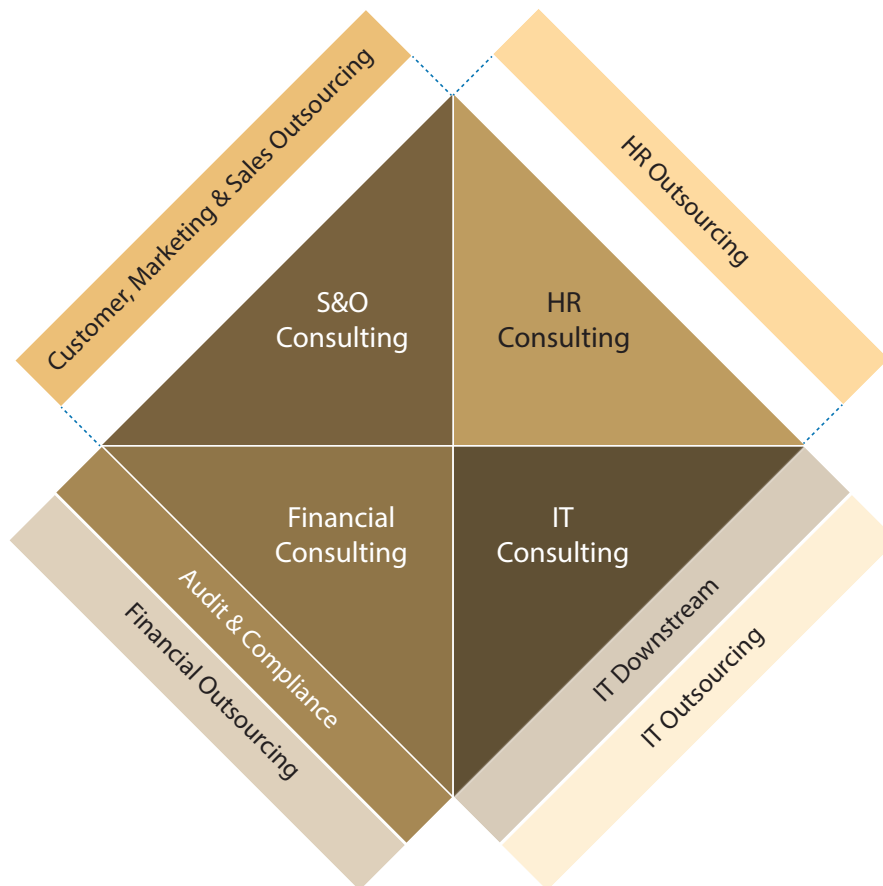
Consulting Market

ALM Intelligence defines the global consulting marketplace as the space within professional services between the tactical ends of mandatory assurance and outsourcing. Consulting includes both advisory and execution work – projects in which the client typically is looking for either objective insight to help address problems or execution of solutions to solve those problems.

The consulting market is segmented into four service lines: strategy & operations consulting, HR consulting, financial consulting, and IT consulting. Each service line is divided further into segments and several levels of subsegments.

The service lines are mutually exclusive and collectively exhaustive. Each service line is adjacent to downstream, audit, and outsourcing services, which are considered *non-consulting*.

Definition of Consulting



Source: Global Consulting Market 2016: North America, ALM Intelligence

Definitions

Client Vertical Industries



Aerospace & Defense

Aerospace & Defense – Includes aircraft manufacturing, missile and space vehicle manufacturing, tank manufacturing, space research and technology, and national security.



Natural Resources & Power

Natural Resources & Power – Includes agriculture, forestry, fishing and hunting, energy, mining and metals, and utilities.



Communications and Media

Communications & Media – Includes primarily telecommunications (cable, wireless, satellite, broadcast, and Internet), but also network services (not equipment), publishing, printing, advertising, libraries online, and other content businesses.



Public Sector

Public Sector – Includes US federal/state/local governments, non-US central/national and local or provincial governments, and international organizations.



Financial Services

Financial Services – Includes banking, insurance (excluding health insurance) and capital markets.



Other

Other Industries – Includes business and professional services, construction, education, hospitality, leisure and recreation, real estate, and other services.



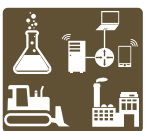
Healthcare

Healthcare – Includes payers, providers, public healthcare, social assistance, pharmaceuticals/biotech, and medical devices.



Transport & Logistics

Transport & Logistics – Includes air, rail, water, and road passenger and freight transportation, as well as cargo handling, warehousing, and storage.



Manufacturing

Manufacturing – Includes automotive, chemicals, consumer packaged goods, industrial equipment and products, information technology, and other manufacturing.



Wholesale

Wholesale & Retail – Includes wholesale supply and retail trade. Excludes petroleum wholesalers and gas stations.

Definitions

Geographic Regions

ALM Intelligence segments the consulting world into the following four geographic zones based on the concentration of consulting by client market:

North America – Includes Canada and the United States (excluding American Samoa, Guam, Northern Mariana Islands, Palmyra Atoll, Puerto Rico, and the United States Virgin Islands). It also includes the territories of Bermuda and Saint Pierre and Miquelon.

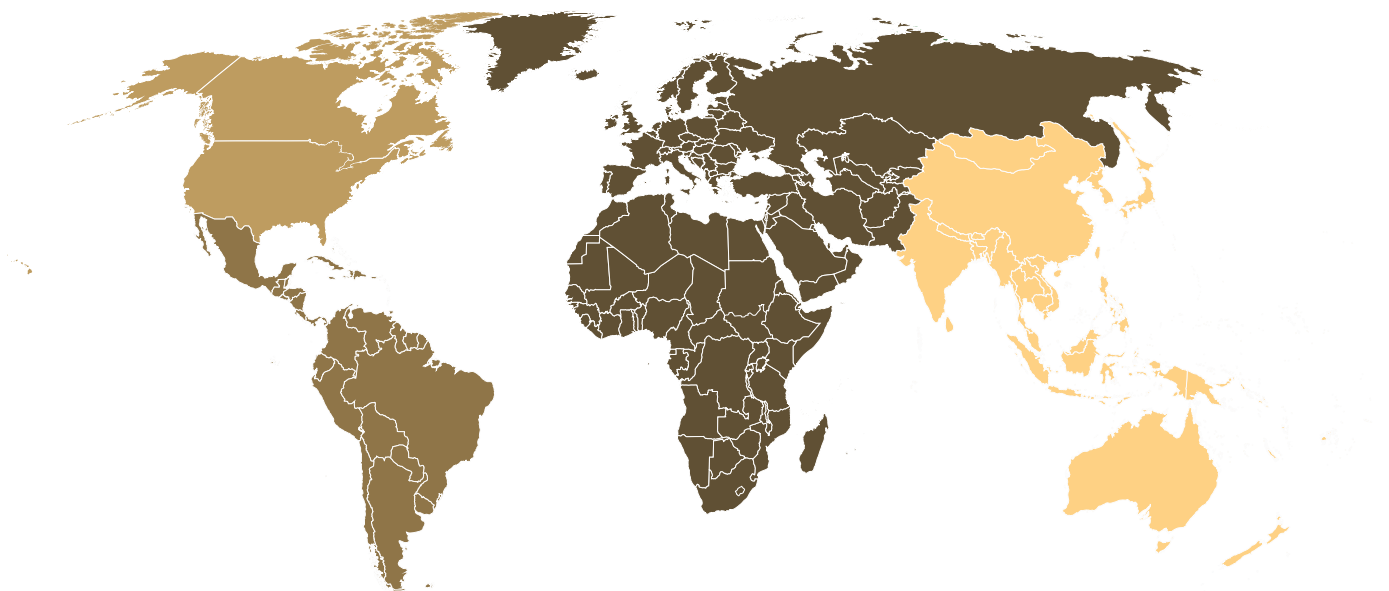
Latin America – Includes the South American continent, Central America, the Caribbean, and various American, British, Dutch, and French territories.

EMEA – Consists of Europe, Middle East and Africa. Europe includes the European continent, the countries of Russia

and Turkey in their entirety, as well as Georgia, Azerbaijan, Cyprus (including Northern Cyprus), and Israel. The Middle East includes the Arabian Peninsula (including Yemen, but excluding Jordan) and Levant (including Jordan, Egypt, and Afghanistan, but excluding Israel). Africa includes all countries on the African continent as well as the surrounding islands, with the exception of Egypt.

Asia Pacific – Includes Central Asia, Southern Asia, Eastern Asia, Southeast Asia, and the entire Oceania. Excludes the Middle East, Afghanistan, Azerbaijan, Cyprus, Georgia, Russia, and Turkey.

Geographic Coverage



Source: Global Consulting 2016: North America, ALM Intelligence

Methodology

Overview

ALM Intelligence has been researching the management, financial and IT consulting industry for over 40 years, studying the global consulting marketplace at multiple levels. The resulting market analyses help buyers of consulting services to effectively target best in class providers, and help consulting providers to identify and evaluate business opportunities.

The research is conducted around three primary dimensions:

- Consulting Service Lines
- Client Vertical Industries
- Global Geographic Regions

The proprietary research methodology comprises four components:

- Extensive interviews with consulting practice leaders, financial analysts, consulting clients, and clientside industry experts
- Data and background material from the proprietary library of research on the consulting industry and individual firms
- Quantitative data collection from primary and secondary sources
- Key economic data relevant to the sector(s) being analyzed

The research output for a project is derived predominantly from primary research.

Data is obtained through a centralized effort, with teams of analysts collecting, assessing, fact-checking, and refreshing baseline information on leading consultancies and consulting markets. This information populates an extensive knowledge base of consulting providers, widely regarded as among the most comprehensive in the world.

Working collaboratively, analysts narrow their research to the most discrete and pertinent intersection of consulting service/industry/geography.

The experience and knowledge of the analyst team are critical to the success of these research endeavors. Directors and associate directors average over a decade of consulting and/or analyst experience, with an emphasis on professional services. Junior analysts typically bring an average of five years of consulting and/or analyst experience.

The group's long-term relationships with consulting clients and industry leaders are based on trust and respect. ALM Intelligence's fundamental goal is to deliver objective assessments and insightful viewpoints on the management, financial and IT consulting market.

Methodology

Data Types and Forecasting

ALM Intelligence’s Competency reports represent specific segments derived from proprietary market-size data.

Consulting client spending estimates and provider data are continually validated and refreshed by the analysts, who provide information specific to their domain expertise.

The client spending datasets include data on all consulting segments, as well as cross-tabulations of consulting spending by consulting segment, industry, and country/region. Based on this segmentation, the primary forecasting datasets contain three million data points, with historical data from 2008 to 2012 and forecasts through 2020. The full dataset includes data beginning in 1970.

Data Types

	Quantitative Data	Qualitative Data
Primary Sourced	<ul style="list-style-type: none"> Provider interviews Provider revenues and headcount (by geo, service line, industry) Historical spending, headcount, and revenue estimates Quantitative surveying of consultants and other stakeholders Provider benchmarks (e.g., revenue per professional; % of gross revenue reimbursements; fee and utilization metrics) Client polling and demand analysis 	<ul style="list-style-type: none"> Client interviews Provider demand patterns Industry expert interviews Provider firm briefings Consolidation in provider marketplace Provider analyst events Qualitative surveying of consultants and other stakeholders ALM Intelligence’s analyst services
Secondary Sourced	<ul style="list-style-type: none"> Industry data Macroeconomic and financial data (e.g., M&A; GDP by industry, country) Demographic, labor & employment data (by industry, country) Technology adoption and use data Other proxy data (e.g., World Bank, Energy Information Administration, EU, US Census) 	<ul style="list-style-type: none"> News and industry insights Brokerage/equity research Provider thought leadership and other publications Provider websites Industry books and blogs Other finance and technology news Industry conferences and events Global legal and regulatory developments

Source: Global Consulting 2016: North America, ALM Intelligence

Methodology

How We Evaluate Consulting Providers

ALM Intelligence's goal is to deliver objective assessments to help buyers of consulting services effectively identify and maximize the benefits of working with best in class providers and help consulting providers to assess business opportunities and competitive threats.

ALM Intelligence evaluates providers with respect to a particular consulting competency area in terms of the following baseline criteria. The general criteria below are refined and customized over the course of the research effort based on input from clients and providers:

- **Consulting approach:** What are providers' points of view on the root causes of client challenges? How do those points of view inform choices about how best to resolve them? How do providers view the intersection of these needs and solutions with other consulting or non-consulting offerings or crosscutting themes?
- **Consulting organization:** How do providers organize and deploy their capabilities? What sort of consultants and other human resources do they possess and how do they obtain and use them? What sorts of partnerships, collaborations, and alliances with external parties do they use to bolster their capabilities?
- **Consulting service delivery model:** How do providers deliver their services? Do they employ any particular processes or methodologies, preconfigured tools, or other unique elements of service delivery? Do they follow any particular sequence or direction in their service delivery? How do they measure outcomes?
- **Client pain points and needs assessments:** What factors most influence successful engagements in the opinion of clients? What capabilities do providers need to bring to their engagements to be compelling? What sources of differentiation matter most to consulting buyers?
- **Future development:** What investments are providers making or planning to make to enhance their future capabilities?

In addition to briefings with consulting buyers and providers, ALM Intelligence uses a mosaic approach to derive its findings. This incorporates primary research conducted with industry practitioners, academics, and other experts and secondary research on providers' public information and other third-party sources of data and analysis.

During the research process, ALM Intelligence identifies through interactions with consulting buyers, providers, and other sources the critical consulting capabilities that matter for the specific competency area. It presents its findings on providers' capabilities in three ways:

1. Segmentation of providers into peer groups accompanied by a detailed breakdown of providers' relative strength in each capability area
2. Designation of best in class providers for each capability area
3. Vanguard analysis that positions providers relative to one another in terms of their overall depth and breadth of capability

About ALM Intelligence

ALM Intelligence provides accurate and reliable market sizing and forecasts on consulting services worldwide, needs-analysis and vendor profiling for buyers of consulting services, timely and insightful intelligence on the top consulting firms in their respective markets, and operational benchmarks that measure consulting performance. ALM Intelligence's research spans multiple service areas, client vertical industries, and geographies. Our analysts provide expert commentary at consulting industry events worldwide, and offer custom research for Management Consulting and IT Services firms. More information about ALM Intelligence is available at www.consulting.almintel.com.

ALM, an information and intelligence company, provides customers with critical news, data, analysis, marketing solutions and events to successfully manage the business of business. For more information, visit www.alm.com.

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A handwritten signature in black ink, appearing to read 'Lasse Pitkaeniemi'.

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