UK Consulting Industry 2014
Growing by helping others grow
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The UK’s management consulting industry is growing, now faster than at any time since 2007. Just as importantly, it is changing, and fast.

Part of this success is about quantity – the strength of the UK consulting industry and its ability to generate fee income, including from overseas. But it is also about quality. Consulting is changing how it is organised and what it provides to meet the challenges of the modern world.

As Britain moves towards recovery after the downturn there are few certainties. Old assumptions about business have been blown away. The environment – economically and socially – is very different and continues to change, especially with the arrival of the Digital age. We are at the start of what will turn out to be a fundamentally new era in our economic history. That makes today an important moment in the history of management consulting.

Here we show how consulting firms are adapting to meet the new challenge of a growing and changing economy. Drawing on our authoritative Annual Industry Report1, we provide statistics and evidence on where consulting is happening across the UK and beyond. We show where our industry is growing, especially in areas like Digital, and how it is growing. Our member firms record that unlike during the downturn, where much of their work was about helping business restructure, downsize and survive, now they are helping Britain meet the challenge of growth. Management consulting is growing by helping others grow.

Alan Leaman
Chief Executive, MCA

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1 The report is based on fee income data (what management consultants are paid for their work) provided by consulting firms almost all of whom are members of the Management Consultancies Association. Comprising the “Big Four” accounting firms, household names like Accenture and IBM, as well as a range of small and medium-sized firms, we estimate that our membership accounts for around 60% of the UK management consulting industry. To purchase a copy of the full report and the associated data sets, visit www.mca.org.uk
About the Management Consultancies Association

The Management Consultancies Association is the representative body for the management consulting industry. Our 57 members work with most of the FTSE 100 companies and operate right across the public sector.

The MCA demands the highest standards of ethics and professional integrity from its members. It promotes the very best in consulting. MCA membership is a recognised hallmark of quality. Through our Consultancy Buyers Forum, we facilitate engagement between consultants and those who use them, to promote effective specification, purchase and management of consulting assignments. Our Young MCA is a network that captures the enthusiasm, talent and innovative thinking of our industry’s more junior members. The recently launched Managers Network provides the same service for middle-ranking consultants, and the work of both forums is closely linked to the Careers Group. We facilitate an SME Group to promote the interests of our small and medium-sized firms. We represent the interests of our members to Government, encouraging ministers and officials to continue to view the industry as a key growth sector and export. We also engage with a range of public sector bodies on procurement issues. Our Annual Awards celebrate the very best in consulting. Our Think Tank gathers our industry experts’ ideas and ensures they make a positive impact on debates on the economy, public policy and the business environment.

Our members are:

Accenture
AECOM
Arup
ASE Consulting
Atkins Management Consultants
Atos Consulting
BAE Systems Applied Intelligence
BDO LLP
BearingPoint Limited
Berkeley Partnership
Bourton Group
Boxwood
Capita Consulting
Challenge Consulting
Concerto
CSC
Deloitte
EC Harris
Entrusted Group

EY
Grant Thornton UK LLP
Hay Group
Hitachi Consulting
Hudson & Yorke
Huthwaite International
IBM Global Business Services
iMPOWER
Information Services Group Europe Ltd
Integration Management Consulting Limited
Kepner-Tregoe
KPMG
LCP Consulting
Management Consulting Group
Managementors Limited
Moorhouse
Mott MacDonald
Navigant
Novoaltum

NTT DATA
Oakland Consulting
Optimos Consulting Limited
Oystercatchers
PDN LTD
PPL
Prederi Limited
Propaganda
PwC
Quest Worldwide
Quintec, a Thales business
Roth Observatory International
Solving Efeso
Stream:20 Ltd
Sysdoc Ltd
TATA Consultancy Services
Transform
Turnstone Services Limited
Visa Consulting
Wipro Consulting Services
An industry at the heart of the economy

Back in 2012, management consulting achieved 7% growth at a time when the wider economy was stagnant. This growth derived in part from continuing assistance provided by consultants to firms with restructuring, efficiency and cost-cutting requirements. But our members indicated that their fee income also derived from the first intimations of coming economic growth, with some clients needing support to develop more expansive propositions.

Headline growth for the industry in 2013 improved to 8%. Our sample grew to £4.8bn. Consulting growth accordingly outpaced wider economic expansion both in a period of stagnation and as GDP increases started tentatively to re-emerge. However MCA member firms indicated that the greater part of their 2013 income came from advice connected with growth possibilities. Current consulting performance appears to be an advanced indicator for the prospects and health of the wider economy. That businesses in significant numbers are seeking consulting support to develop growth propositions is good news: the current economic optimism and the prospects for sustainable growth appear well founded. Consulting is growing by helping others grow.

It is also evolving to help others evolve. Take the growth of Digital consulting, representing around 25% of all consulting activity (an increase of 6% in one year). Here we see evidence of the centrality of the consulting industry to the emergence of Digital as a major force in the economy. Indeed, the connection between consulting’s growth, its basis in support provided to help other enterprises grow, and the emergence of Digital, is a pretty clear one. Many businesses are facing a range of Digital challenges and opportunities. Digital is perceived as a route to efficient organisation, improvement of supply chain management, and, crucially, a means of opening up new modes of engagement with customers – understanding their needs better and developing new products and service offerings. Businesses are motivated to pursue Digital solutions, but their understanding of its potential is constrained by knowledge. Digital is exciting. But it is novel and technical. Consulting firms are conversant with the detail of Digital. But they are also fluent in the language of business. They can explain the importance of Digital to clients without recourse to forbidding and technical jargon. They are thus able to link Digital’s potential to the bottom line in ways that executives can understand and respond to.

If 25% of consulting is Digital, the majority is not. Consultants continue to provide advice in areas such as programme and project management, strategy and business transformation. Yet even those activities are affected by technological change and the assumptions of the Digital Age. Digital provides real time information on what is going on in a business. So consultants are incorporating these data into their programme management. The speed at which the economy moves in Digital is reflected in how consultants are now providing strategy advice. Our members are moving away from simply producing a strategic plan towards helping businesses get in shape, making sure they are adaptable, can innovate fast, try new ideas fast, even fail fast, and keep moving in a commercial world whose characteristics are relentless change and unpredictability.

Our members operate across all sectors of the economy. Consulting has a large footprint in financial services, helping that vital part of the UK service landscape recover and change after the global shocks of 2008. But consulting also supports other parts of the service sector, such as retail, as well as manufacturing. Consultants are rebalancing the economy. The Government’s emphasis on infrastructure as a route to growth is mirrored in significant new consulting activity in this area. Consultants are present at all points in the infrastructure value chain, from business case development, finance support, through to implementation and project management. Indeed, there is a great consulting track record of involvement in many of the UK’s infrastructure successes, such as Crossrail and the Olympics.

Consulting is also continuing to support the transformation of the public services. The UK public sector is currently experiencing a significant shrinkage in expenditure and workforce, while expanding in responsibility and organisational complexity. Unsurprisingly it is using consultants in areas where these challenges are especially sharp, such as health, local government and defence services. Consultants are helping service providers achieve more for less. Indeed, there are many notable examples of public service consulting creating great value. MCA member firms are improving customer segmentation and service tailoring in local government. They have developed patient pathways in the NHS. They have helped introduce the dynamics of choice into long-term care and have supported drives to improve standards in education.

Back in 2012, management consulting achieved 7% growth at a time when the wider economy was stagnant. This growth derived in part from continuing assistance provided by consultants to firms with restructuring, efficiency and cost-cutting requirements. But our members indicated that their fee income also derived from the first intimations of coming economic growth, with some clients needing support to develop more expansive propositions.
# Headline consulting information

## 2013 Growth in Selected Services and Industries

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<tr>
<th>Industry</th>
<th>Growth Rate</th>
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<tr>
<td>Retail Trade (excl. Motor Vehicles)</td>
<td>15%</td>
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<td>Wholesale trade (excl. Motor Vehicles)</td>
<td>10%</td>
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<tr>
<td>Public Admin and Defence</td>
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<td>Land Transport</td>
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<td>Financial Services</td>
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<td>Food and Beverages</td>
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<td>Oil &amp; Gas Extraction</td>
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<td>Energy</td>
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<td>Consumer Non-Durables</td>
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2013 Consulting Activity by Service Line

- Digital & Technology Consulting: 25%
- Programme/Project Management: 15%
- Financial: 14%
- Operations: 10%
- Human Capital: 14%
- Strategy: 6%
- Risk Management: 7%
- Change Management: 7%
- Business Transformation: 5%
- Other: 4%

2013 Fee Income by Sector

- Financial Services: 35%
- Government & Public Sector: 21%
- Energy & Resources: 12%
- Retail & Leisure: 9%
- Transport: 6%
- Manufacturing: 5%
- Manufacturing: 3%
- Health & Life Sciences: 2%
- Capital Infrastructure Advisory: 2%

2013 Digital Consulting by Sector

- Financial Services: 33%
- Government & Public Sector: 20%
- Digital & Technology: 10%
- Energy & Resources: 8%
- Retail & Leisure: 8%
- Transport: 7%
- Manufacturing: 6%
- Health & Life Sciences: 6%
- Capital Infrastructure Advisory: 4%

2013 Public Sector Consulting by Sub-sector

- Central Government: 27%
- NHS/Public Health: 21%
- Defence: 19%
- Other Government/Public Sector: 19%
- Local Government: 12%
- Education: 9%
- International Agencies: 6%
- Executive Agencies & NDPBs: 4%
- NGOs (0%)
- European Commission (0%)

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- Retail & Leisure: 9%
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- Health & Life Sciences: 2%
- Capital Infrastructure Advisory: 2%
Andy Tinlin, Accenture

Andy Tinlin, Managing Director
Accenture Strategy, is optimistic about the health of consulting.

Increasingly he is seeing that most consulting demand now comes from businesses needing support to help them develop growth propositions. “Business leaders endured six years of restructuring and cost-cutting. That’s a large chunk of anyone’s career. They got tired of being tired. Now, they’re seizing on the return of growth to the economy to look to the future.”

And it is his view that businesses need consulting support at the moment in part because of gaps in their strategic and middle management skills. “While some firms held onto key staff during the tight years of the downturn, many shed expertise or didn’t recruit emerging capabilities. Consultants are filling these gaps, often in response to urgent demands. Investment committees are now asking to see where businesses want to go next, and what their big plays for the future are going to be.”

Consulting, Andy argues, is changing. It has moved from being a niche advisory business, into an industry worth billions of pounds. “Increasingly, as our industry matures, we will need to move away from commodity sales into much more dynamic relationships with clients.”

Digital is at the heart of Accenture’s vision for the future, but so are people. Consulting will remain a business delivered by people, though certain bulk processes and types of analysis may be digitised. But the realities of the Digital economy and the changes it is bringing will mean that the consultants of the future will be different. Andy says that Accenture has no difficulty attracting people, but it needs to train graduate entrants, mature hires and existing staff to cope with the new realities of business.

“Clients need to look at options for the future, while also recognising that the future is unpredictable. Our role is to prepare them to meet that unpredictability, to ensure that they can adapt to change. So, our consultants themselves will need to be able to deal with ambiguity and uncertainty.”

At Accenture’s London Innovation Centre, clients are challenged about their own assumptions, their own dogmas, and encouraged to think about how they would react to a range of future challenges.

“The output of these sessions is not typically the old-fashioned strategic plan. Rather, we aim to help organisations to become more responsive, light on their feet, more innovative and more resilient. This will equip them to face the challenges of an increasingly fast-moving business environment.”

Carlo Gagliardi, PwC

Carlo Gagliardi, Partner and Digital guru at PwC, believes Digital is changing not only how value is distributed, but also how value is created. This changes how the economy works.

“Digital has already collapsed supply chains and shortened the distance between the buyer and the product. Yet eCommerce can still generate advantage. Do organisations understand Digital Natives? Are they optimising digital interactions in today’s world of smart devices with the same computing power as thousands of Apollo 11 computers! Digital should allow much more frequent and tailored interactions with customers – and new possibilities for eCommerce.

“Once businesses get that right they can move onto the new frontier of eOutcomes.” Carlo suggests that combining Big Data, smart devices, sensor technology and agile capabilities can create new orders of value that help customers move towards and realise their goals. Take car owners. Usually, they buy or lease the car, tax, insure, maintain and clean it. Their real goal is having the freedom and convenience of going from A to B by car. Digital could simplify that for them, so they don’t have a plethora of supplier relationships to manage. And why stick to ownership or 3-year leasing? What if the customer wants a different car every week? Or even different modes of transport?

“This is a new Economy of Outcomes: enabling a goal a consumer has, rather than manufacturing a new product. This is a new kind of value, completely impossible without digital technology.”
But Carlo suggests that businesses wanting to exploit this new potential will need a certain ‘Digital Mastery’. “The Economy of Outcomes is exciting and revolutionary. But you need to get the basics absolutely right. Understanding how to get best advantage from eCommerce is crucial. If you are a new entrant, you could leapfrog the market straight into the Economy of Outcomes. But if you are an established business, you need to work out how to use eCommerce first. Then you can have a go at making money with eOutcomes.”

Carlo believes that “Businesses don’t need a digital strategy. They need a business strategy for the Digital Age. So consultants should recognise that Digital is more than just a channel. It’s new value.” He suggests that economists and policy-makers haven’t caught up with this. “The Digital economy is creating new forms of value that aren’t captured by traditional sectorial measures of GDP. An increasing amount of unconventional and highly innovative services is emerging every day, and many of these create value by making people achieve desired outcomes better - rather than just by executing a transaction. These new forms of value creation aren’t even truly factored in to our measures of growth.”

In the coming years, Carlo intends to work up a “GDP+™” model to capture these new forms of value, so that the innovative potential of Digital, and Britain’s centrality to it, can be quantified and recognised.

Jonathan Barber, Optimos

Jonathan Barber, a Director at Optimos Consulting, a new member of the MCA, believes the potential for delivering consulting value will come increasingly from Big Data.

“Our clients are faced with an exponential increase in the amount of data to manage from within their organisations, together with social media and increasingly, digital devices. This range of data, or Big Data as it is known, provides amazing opportunities for firms to revolutionise their businesses, change their relationships with customers, staff and suppliers and innovate value into their operations. However, most organisations are built on old technologies and getting the right data at the right time in the hands of the people who need it most is not an easy task!”

Jonathan sees Optimos Consulting at the heart of the Digital revolution. “All our consulting is Digital consulting. The relationship between a business and its customers and how a business handles suppliers, people and assets is being transformed completely by Digital. Big Data is both changing the way companies do business and providing the information to help decision-makers analyse how and when to change their businesses. There’s no better place for consultants to be right now.”

Alwin Magimay, KPMG

Alwin Magimay, Head of Digital at KPMG, suggests that Digital provides significant opportunities for consulting to supplement its people offerings with entirely digitised ones.

“Consulting, even Digital consulting, depends on the creative imaginations of the people who carry it out. But it’s possible to extend the range of our offerings, and our client base, by creating new Digital applications and portals.”

For example, KPMG has launched The C2FO Market, a new digital supply chain finance platform to UK business. The C2FO Market is transforming the business to business loan principle, acting as a ‘private exchange’ between buyers and their suppliers who use the marketplace to increase profit and accelerate cash transfers between themselves, giving SMEs access to a new source of working capital. Existing supply chain relationships are enhanced and strengthened without the SME becoming a debtor to the larger enterprise.

Alwin suggests that there are other ways that he can use applications to bring services to the SME market by making them more affordable. “We’re looking at how some of our core services, such as accountancy and tax services, can be provided in a basic digitised form for small and medium enterprises. As those ventures get larger, they will need more complex services, delivered by people. But if we’ve been able to give them access to a more simplified but top quality service through an application or a portal, then they will be more likely to choose us when they need something more involved.”

Alwin thinks that we’ve only seen the tip of the iceberg in terms of being able to transform product offerings through this type of model. Whole areas of the economy, especially in the provision of services, could be disintermediated. “As we go forward, consulting will need to learn to leverage these sorts of products. That’s going to mean changes in our skills base. We’ll still need traditional analysts. But we’ll also need people who understand Digital and can write code.

“But most important of all, we’re going to need creative people, with fresh thinking and new ideas that can foster innovation in a connected world.”
Alex Holland, Hitachi Consulting

Alex Holland, of Hitachi Consulting, believes that consultants have a critical role to play in the fast moving world of Digital innovation – not just in advising on technology trends and futures but also by helping organisations make a cultural and technological shift towards embracing innovation and experimentation.

“Many organisations now face an innovation imperative. Sometimes this is about countering the challenges brought by start-ups and other competitors in their industry. Sometimes it is simply that they have yet to harness the power of digital technologies, such as mobile, cloud, social media and Big Data. They need to experiment – fast.”

However Alex suggests that successful innovation requires an attitude towards experimentation, failure and learning that many organisations find hard to stomach. This is partly a result of historic models in IT. In the past, IT departments were geared towards large, heavily controlled projects with significant set up costs.

To enable their clients to incubate and test new business ideas, Hitachi Consulting are launching a new service called The Hitachi Labs. The Labs will provide a platform for rapid digital innovation.

“This service will bring together a combination of strategic skills and digital technology knowhow. We will deploy quick-start templates to enable ideas to be generated, tested, deployed and mainstreamed to create business value quickly and frequently.”

Crucially, Alex suggests, the approach will also allow businesses to do something they will need to do frequently in Digital: fail fast. “Failing is the flipside of succeeding. Tomorrow’s business leaders will need to generate many ideas, test them, and rapidly back those that look like winners and close down or reengineer those that aren’t working. The key ingredients are controlled risk-taking and speed.”

Claire Kennedy, PPL Consulting

Claire Kennedy, Managing Director of PPL Consulting, a specialist consultancy working predominately in health, is proud of her firm’s performance last year.

“We had a very good year in 2013. It built on what has been essentially a strong performance in general. We’ve continued to grow despite the downturn and cuts in public sector spending.”

Claire attributes PPL’s success to the fact that they help address ongoing, but evolving, needs for clients, without being part of the business as usual cost.

“Our work focuses primarily on integrated care. That’s an essential issue for the NHS and other health providers, irrespective of wider issues, such as institutional reform and political change. We address ongoing problems flexibly, without being part of the ongoing staff cost of the NHS. This is an efficient model and it works – our clients keep on using us.”

Controversies around the use of consultants in the public sector can be addressed, Claire suggests, by stressing the efficiency consulting represents as route to expertise. The cost of keeping experts needed for essential but intermittent challenges permanently on the books would be much greater than the cost of using consultants, a perspective that scotches the facile myth of trade-off between more management consultants and more doctors.

However, this argument only works if consultants and their clients can point at the positive value consultants are creating. That’s not always easy where consultants are helping them with challenging change programmes and cost reduction.

“Most importantly, consultants need to promote the positive benefits of what we do. We should identify the real improvements in patient care, efficiency and the management of tax-payers’ money for which we are directly responsible.”

Claire acknowledged the changes Digital was making in the health sector, but indicated that PPL’s business was people-based and would be difficult to digitise itself. “The public sector will be making great use of some of the Digital expertise in our industry. But most frontline services will remain human resources, delivered by highly skilled people. A people business will always need people to advise it.”

And as far as getting the skilled professionals PPL needs, Claire indicated that the firm had indeed faced challenges, but added, “That’s only because we’re picky!”
Chris Cooper, Challenge Consulting

Chris Cooper, MCA President, and Chief Executive of Challenge Consulting is optimistic about the consulting market – despite working in one of its more challenging environments, board-level advisory to Financial Services and Banking.

“Sentimental factors in the economy are now much more positive. Actuals are also more positive: UK GDP has increased and most of the ground that was lost since 2008 has been regained. Consumers and businesses are gradually feeling more confident about spending money. And that’s all positive and is positively impacting consulting.”

“But life in the “new normal remains somewhat unpredictable in these early days of recovery.” Financial services, though a considerable source of consulting revenues since 2008, has only just started to scan the horizon and consider future options and possibilities. “Much of the activity in Financial Services has been focused on immediate demands: regulatory, compliance, relations with government, stress testing. Just when they start to breathe out, the sector hits the front page again and there’s another round of banker bashing.”

Nevertheless, Chris believes that confidence in the sector is improving in general and that the Digital transformation has already begun. “Digital is already a significant theme in the financial services space and will become increasingly prominent. This is positive effect for consultants.

“Challenge Consulting specialises in formulating and mobilising change. Digital is already a theme for us in our work in Financial Services, particularly as we help our clients work out how to change what they do as a result.”

Lucinda Peniston-Baines, Roth Observatory International

Lucinda Peniston-Baines of Roth Observatory International says that the rise of Digital is creating new challenges for her clients, usually the Chief Marketing Officer within a firm.

“Digital has shifted the balance of brand control towards the consumer. The CMO is now expected to do more than blanket customers with brand awareness and messaging. Now they must collaborate with other departments to place the customer experience first, right across the full range of traditional and Digital channels including social media.”

Often that “experience” needs to be dealt with in real time, as would a real conversation. Take the case of a cashpoint failure by a major bank. In the past that would have led to a lot of complaints, to be handled in retrospect, and the outside chance of an adverse news headline. Now, within minutes, the problem is trending on Twitter.

“In this scenario,” suggests Lucinda, “the CMO is faced with a two-directional issue to address. They need to manage the expectations of the consumer. But they also need to collaborate with the operational functions within the firm that looks after cashpoints and perhaps call centres. This integration role is new and demanding. Some of the consulting growth we are seeing stems from helping CMOs and their teams to understand how to manage it to deliver a seamless customer experience, as well as ensuring that their range of external agency partners (and their own in-house team) contains the right mix of expertise they need.”

CMOs relationships with Chief Information Officers (increasingly rebadged Chief Digital Officer) and Chief Finance Officers is also deepening. “Managing brand and marketing issues in the Digital Age needs new technology and also new capabilities. CMOs need to work with CDOs on getting the best technologies and analytics in place to understand their consumer and their brand’s performance. They also need to work closely with CFOs to get marketing technology requirements in the budget.

Lucinda echoes the view of many across the industry that success for firms in understanding customer perceptions and marketing opportunities is a function of understanding their data. “This is about Big Data, of course. But actually within the Big Data haystack, what firms may be looking for is a small data needle – crucial piece of insight, in a tweet, in a blog, or even in something one of their own staff said, something that allows the business to see itself in a new light.”

Businesses are getting hungry for this sort of information. Roth Observatory International helps brands identify and work best with agency partners that can help them navigate this digital landscape. But there are also new, exciting, but little-known enterprises out there who are highly conversant with digital analytics. “One of our most exciting projects recently was with Starcount, a new online platform that aggregates fans’ social media content related to celebrities or brands. We’re helping them source an agency partner to highlight their digital data proposition to clients in ways that the increasingly hard-pressed CMO can understand and put to good use.”
10 things you (probably) didn’t know about management consulting...

1. The UK is a significant exporter of management consulting services. Most MCA member firms have increased their exports significantly since 2008.

2. Many consulting projects are at the cutting edge of innovation and new thinking. For instance, recent MCA Award winners helped create a digital car showroom, launch a new bank and keep transport systems working during the London Olympics.

3. More than a quarter of consulting in the UK is now Digital. This is the largest and the fastest growing part of the consulting industry.

4. All of the major global consulting firms are strong in the UK consulting industry – but so are many specialist smaller firms which have specific expertise or skills.

5. Independent research for the MCA has shown that consulting projects, on average, generate benefits for clients worth £6 for every £1 spent in fees.

6. Britain’s consultants are world leaders in infrastructure, planning and construction. Bridges, railways, airports, hospitals and roads are often built with the help of UK management consultants.

7. Britain’s consulting firms work for almost all of the country’s leading companies, and with most organisations in the public sector.

8. In recent years, consultants have helped public sector organisations to save money – and to improve the quality of their services. They have saved hospitals from insolvency, improved safety on our railways and created innovative ways of delivering local government services.

9. More and more consulting is being done on a ‘payments by results’ basis. Instead of charging for their time, consultants agree their objectives and get paid when they meet them.

10. The UK’s consulting industry grew by 8% in 2013, its best performance since 2007. The growth of consulting is concentrated in areas where wider economic growth can follow. Consulting is growing by helping others grow.