

Coronavirus: impact on the global consulting market, APAC best off



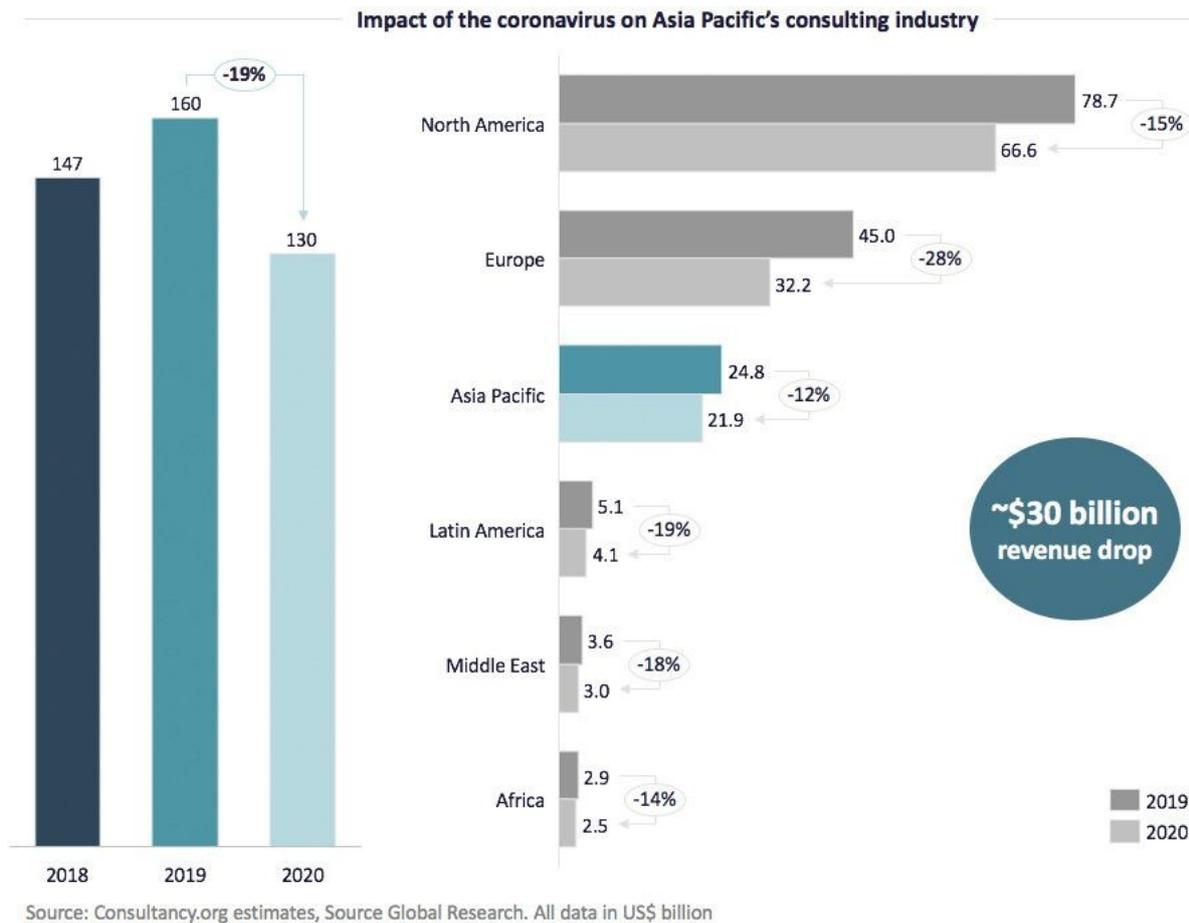
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Coronavirus to slash \$30 billion from global consulting market, APAC best off.

The global consulting industry is facing a \$30 billion coronavirus wipe-out, but the Asia Pacific could be the most insulated according to one early analysis.

While the unfolding coronavirus pandemic remains a wildly fluid situation, and thus its ultimate economic impact a massive unknown, early anecdotal evidence from industry analysts Source Global Research hints at the prospect for the global consulting industry to see one fifth of its revenues shaved off its books in 2020 alone, or a sum of \$30 billion worldwide. The minor bright spot; the fast-growing Asia Pacific market may well be the least impacted.

Like just about every business on the planet, Source Global has in the wake of the outbreak scrambled to get a better picture of the situation, gathering up-to-the minute input from hundreds of leading industry sources across the globe – and presently, the situation looks rather grim. According to its initial calculations, the top end of the consulting industry alone – those firms with a headcount greater than 50 serving mid to large companies – could contract by 19 percent.



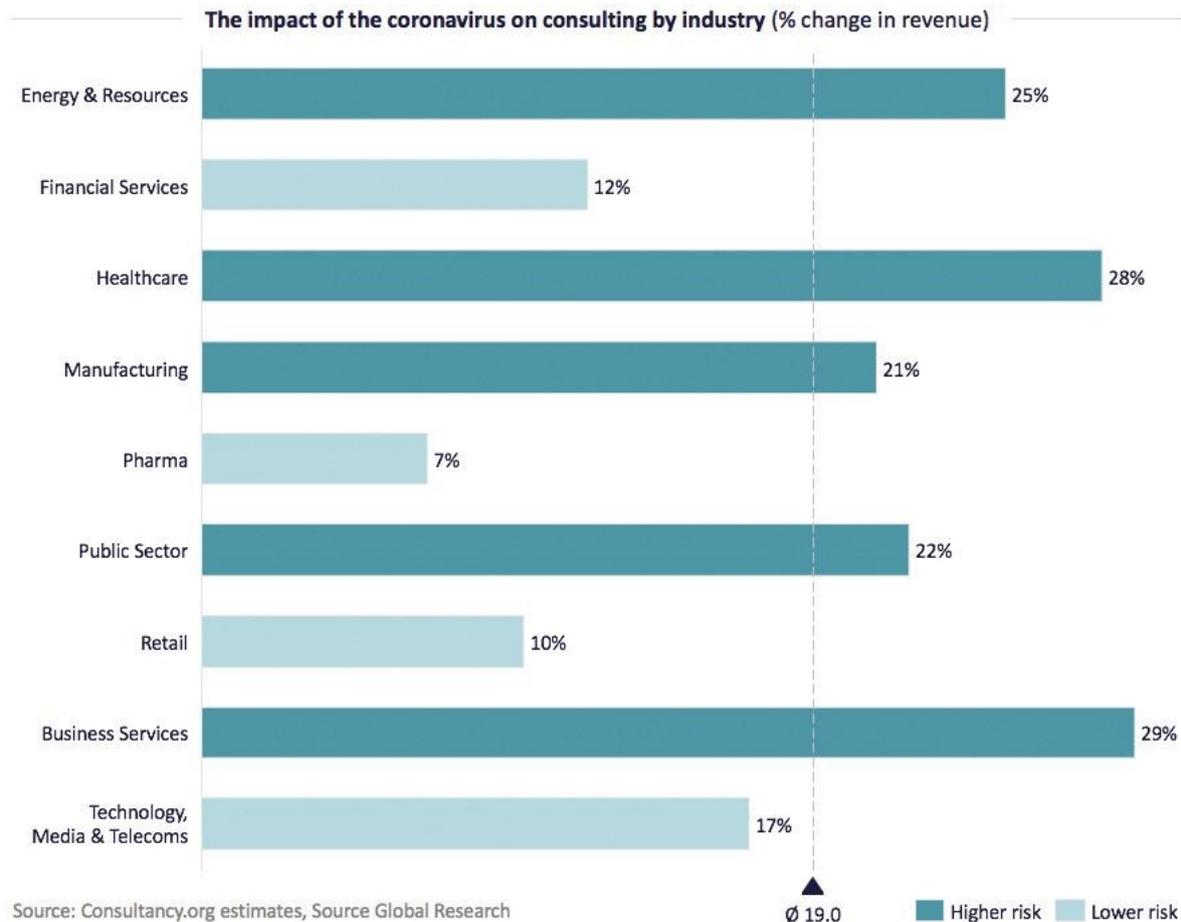
This would see a drop in global revenues of \$160 billion in 2019 to \$130 billion this year, more than erasing any gains made over the past two years, with the longer-term impact still unknown. A sizeable chunk of this damage however will be felt by firms in Europe (including Russia), the world's second largest industry behind North America, which is predicted at this stage to see a drop of almost 30 percent – or the equivalent of almost \$23 billion, dwarfing any losses in Asia.

Should the early estimates pan out, the near \$80 billion North American market would contract by 15 percent this year, dropping around \$12 billion from its books, while the smaller less mature markets of South & Central America (~\$5 billion) and Africa (~\$3 billion) will take respective hits of 19 and 14 percent. The Middle East, recently one of the world's hotspots with growth last year to \$3.3 billion across the GCC, is facing a downturn of 18 percent.

The Asia Pacific – running hot in recent years on the back of growth in China and an evergreen Australian market (both now pulling in close to \$6 billion apiece) – would as a comparison drop by only 12 percent according to Source Global's forecast. While this would still see the region lose nearly \$3 billion from its ~\$25 billion value in 2019, it's a drop in the ocean compared to the world's other parts. Locally-operating firms are also said to be already cautiously looking ahead.



Plainly however, as Source notes, the impact will be felt differently not just between regions, but according to industry segments and service lines and the nature of the firms themselves, with Source having greater faith in the larger firms with more varied portfolios. It should be noted here that while the forecasts for operations in the Asia Pacific are somewhat rosier than elsewhere, these bigger firms nowadays function with highly interconnected global networks.



As per service lines, projects requiring travel and time spent with clients on-site will obviously feel the impact immediately, while strategy and longer-term tech contracts will likely be less badly affected, with the higher capacity for remote-working and a reluctance among clients to lose their investments to date. Extreme measures currently being put in place around the globe to contain the spread of the virus will also cause a significant variation between sectors.

According to Source Global’s modelling, consulting demand from the services sector - which includes leisure and aviation – will shrink by 29 percent, although the firm grimly notes that the collapse of mainstream consulting will be partly offset by a growth in restructuring work. Other segments in the gun include healthcare, which had been growing rapidly but will likely have to divert resources, and energy & resources, both forecast for a contraction of one quarter or above.



The good news amidst the gloom: based on the simple fact that consulting firms tend to be highly adaptive by nature, and have demonstrated their resilience and flexibility in previous crises, Source expects a fast recovery after the crisis, from roughly the fourth quarter this year. The key challenge for firms of all sizes, it says, is how quickly they can rebuild their pipelines and convert sales during what are likely to be at least two very challenging quarters.