

Industry Analysis The Consulting Industry

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An Industry Analysis of the Consulting Industry

In just over two decades the consulting industry has evolved into a multibillion dollar conglomerate. In an article titled “Confessions of a Consultant” Andrew Wilman recalls the early beginnings of the industry.

“Consulting was very different in 1977. It was mainly experience-based. Few consultants had an MBA. The concept of inexperienced research analysts/assistants hired straight out of Oxbridge for their raw analytic horsepower did not exist. Strategy consulting was hardly known: BCG had just emerged in the US, McKinsey was still pooh-poohing it, Bain did not exist in the UK. Contrast that with 2002. The industry has mushroomed. Consulting is now a huge part of the business landscape” (p. 32-37).

By 1998 over 200,000 management consulting firms were operating in the United States (Harvard Management Update, Rodenhauser). The industry continues to expand with projected revenues reaching \$178.1 billion by the end of 2005 (US Industry Quarterly Review).

Consulting Firms- An Overview

As defined by government statistics, companies and individuals who function in an advisory capacity are included in the consulting industry. SIC and NACIS codes separate firms based on the type of consulting offered; management, technical or other business related consulting services. This broad based view fails to recognize the average size of the firm, the internal structure or the auxiliary services the firm offers outside its main classification. For this reason, government coding does not portray an accurate view of the consulting industry.

The consulting industry is comprised of numerous firms varying in size, scope and specialty. Sizes range from large multinational corporations employing thousands of people to smaller regional and local boutiques. The business model and organizational structure of the firms differ as much as the clients they serve. Consultants may operate as employees, contract laborers or independent practitioners. Although some independent practitioners maintain a client base, most work with the smaller firms as contract labor. Independent practitioners find it difficult to “do the work” and maintain an adequate sales pipeline and consultants by trade are not salespeople. For this reason, most independent practitioners prefer to work for smaller firms than contact clients directly.

The larger consulting organizations are often referred to as top-tier firms. They maintain offices throughout the world and assist corporations with complex business decisions, such as merger and acquisitions, divestures, overseas expansions or complicated growth strategies. Although large in size they are limited in number. The business sector does not support a large number of firms, as there are only so many Fortune 500, 1000 and Global 2000 businesses.

Regional and local firms concentrate on a specific discipline and therefore are referred to as specialty boutiques. They target middle market companies, which are defined by revenues between 10 to 100 million. The smaller consulting firms play an integral role in the economic development of the business community. Middle market companies seldom employ an executive team representing all the major disciplines required for company growth. Often the strength of the company originates from the owners core competencies. The company may have strong capabilities in operation but lack marketing expertise. The smaller consulting firms fill this crucial gap. They usually work directly with the owner of the company, implementing strategies that promote growth, improve efficiencies, satisfy regulations or incorporate technology.

As expressed earlier, the smaller firms frequently utilize independent practitioners as contract labor. In fact, the outward appearance of the firm as portrayed through marketing collateral and company websites, is seldom a true representation of the internal structure. Unknown to most, many of the well-known regional and

local consulting firms are comprised solely of independent consultants. The relationships utilize an industry-wide standard that divides earned income based on revenue generated. The house receives approximately 10% of the revenue which is applied to the overall marketing cost. The consultant who can be credited with making the client introduction will receive 40% to 60%. The remaining portion is divided among the participants of the project. The formation of such strategic alliances has become commonplace; thereby giving the smaller firms the ability to compete with the larger broad based consulting firms.

Using vertical models to analyze the industry

Analyzing this multifaceted landscape in its entirety is difficult. As already illustrated, the size, scope and business models of the individual firms vary. The competitive and economic forces will differ depending of the firm's specific characteristics; its targeted market, specialty and internal structure. Moreover, the companies they target; corporations or smaller business, will respond differently to economic pressures. For this reason, a model categorizing companies based on size offers an effective model to analyze forces, since the size of the firm often dictates the size of the companies they target.

For example, Fortune 500 companies typically choose larger consulting firms. Although Boeing may use smaller firms on a per project basis, the largest portion of consulting dollars is received by Mckinsey, a large consulting firm. This is also true for the smaller firms which focus predominately on the middle market companies. The fees they charge, as dictated by overhead cost and market forces, are affordable to the companies in this size range. Additionally, the middle market companies can be advantaged by the level of expertise offered by the smaller firms.

By grouping the firms by size, distinct similarities can be seen between competitive and economic forces and their resulting affect on the consulting firm. Specifically, the competitive forces affecting the larger corporations can be discussed in relation to its impact on the larger multinational consulting firms. The same correlation can be examined through the smaller consulting firms and the companies they service. This method of categorizing offers the following two verticals:¹

Size-Related Model:

- Top Tier Consulting Firms
- Regional and local specialty boutiques
 Subcategory: Individual practitioners

However, it is important to note that a size-related model is not a perfect model, since it fails to recognize the specialty of the firm, which also impacts the competitive and economic forces. This holds true for both the large and small consulting firms. For example; Keane, a top tier consulting firm concentrates on technology implementation and usage, which is often the hardest hit in recessionary times. Whereas Proxicom is focused on e-business solutions and marketing dollars are often increased during economic downturns as companies compete for declining market share. Smaller firms consulting on management issues tend to have a larger marketing reach than those who focus predominately on technology solutions. During the dot-com crisis management consulting firm experienced less of a downturn than their technology counterparts. Therefore categorizing by specialty may provide valuable insight into the structural changes that occur within a firm as a direct result of outside competitive forces. However, one difficulty in this approach is the fact that a specialty-related model is difficult to categorize since many firms have adapted a multi-disciplined approach in order to remain competitive.

For example; information technology firms that specialize in IT selection may assist in the implementation and act as a distributor selling the product. Investment banks and financial institutions

¹ Accounting firms, law firms and other companies defined as offering "professional services" may offer auxiliary consulting services; however, these firms are categorized under accounting and legal services.

concentrate on the financial condition of the company and provide debt restructuring through lending institutions. Human resource firms specialize in staffing and government regulations. Management consulting firms assist with a variety of management functions; from strategy and marketing to operations.

This trend can be seen in both large and small firms. Many of the top tier firms have created specialty divisions in an effort to demonstrate an expertise in a particular industry or discipline while offering a full range of consulting services. McKinsey has divided its operations into two segments, industry and functional practices. Bearingpoint is divided into five divisions: public services, financial, operations and technology, high technology, consumer and industrial, communications and content. The industry segment focuses on specific industries such as natural gas, automotive, travel and logistics, metal or telecom. The functional practice works with issues regarding corporate finance, operations, leadership, marketing and general strategy.

The smaller firms have developed a multidiscipline approach by using independent practitioners to add to their area of expertise. Kibel and Green, a local investment banking firm focuses on turnaround debt and restructuring. The firm hires contract labor to assist in the strategy development and management oversight of the turnaround clients.

In combination, both models (size-related and specialty-related) provide a solid foundation for understanding the consulting industry. Although not perfect, the vertical-size model offers the most accurate approach to analyzing competitive and economic forces on a global basis. For this reason it will be the model used in the analysis preceding.

Specialty-Related Model:

- Management (includes strategy and marketing)
- Information Technology
- Operations and supply chain management
- Human resource and government regulations
- Finance and other CFO related services

LW and associates

Within the two models defined, LW and associates functions as a smaller specialty boutique targeting middle market companies. In regards to specialty, LW and associates would be classified as a management consulting firm, offering advice on issues directly relating to strategic planning, sales/marketing and change management.

Competitive Forces and Economic Characteristics Affecting Top Tier Consulting Firms.

The top tier firms target Fortune 500, Fortune 1000 and Global 2000 companies and aggressively compete to gain market share. According to *Consultant News*, 100 of the biggest established management consulting firms compete for 76% of the industry's total revenue (Selz, 1991). The last several years have been tumultuous for both the large consulting firms and the clients they serve. Tough economic conditions, exasperated by the dot com failures, the introduction of new technology, globalization and government regulation have had a significant impact on the consulting industry. Dismal corporate profits in 2001 and 2002 have resulted in an overall reduction in consulting dollars spent. The consulting industry has responded with consolidation; large firms have downsized and mid-sized firms joined forces in an effort to strengthen their positioning.

Technological advances have been a dominant economic force changing the competitive landscape of the industry. Companies turn to consulting firms to assist them with the purchase and implementation of the product choices. As a result a new breed of technology consulting firms quickly established a foothold in the

industry. The management consulting firms responded by adding technology consulting services and/or product sales. Companies selling hardware and software increased the level of competition as they began offering pre-purchase advisory information, and after sale installation and training. Many traditional consulting firms tried to capitalize on this trend by forming technology consulting divisions. Forty-five percent of IBM Global's total \$81 billion revenue is derived from consulting and outsourcing services (2003 Plunkett Research Ltd.). In response to flat software sales HP, Peoplesoft, Oracle and SAP attempted to increase revenues through auxiliary services offered either directly or through partnering relationships.

Scandal and government regulation was the driving force of change for the consulting firms offering accounting services. Prompted by the Enron scandal, the Big Five lost a major player with the dramatic demise of the accounting firm Arthur Anderson. The Sarbanes-Oxley Act of 2002, created in response to the scandal, further impacted the industry by mandating the separation of the accounting and consulting practices. The competitive landscape changed overnight as the remaining firms: Pricewaterhousecoopers, Ernst and Young, Deloitte and Touche and KMPG, struggled to adhere to a new set of regulations.

All major accounting firms except Deloitte and Touche divested their consulting practice.

- PCW Consulting, Pricewaterhousecoopers consulting arm become one of IBM Global's fastest growing divisions.
- KPMG's consulting firm was spun-off to a stand alone unit with a new name of Bearingpoint.
- Accenture, the consulting portion of Arthur Anderson, was far removed from its parent and has since experienced steady growth with revenues in excess of \$11 billion.
- Ernst and Young created Gap Gemini Ernst and Young (CGEY) which now employs over 50,000 people worldwide.
- Deloitte and Touche considered divesting its consulting firm under the name Braxton but that decision was reversed as of mid-2003 (2003 Plunkett Research Ltd.). In 2004, the Costa Mesa consulting unit was divested in an effort to respond to increased client demand for outsourcing services, which could be offered under the same umbrella due to government regulations . The new firm, EPS will focus on the growing outsourcing market as well as management consulting, healthcare and telecommunications. (Orange Country Business Journal).

**Big Five Consulting firms
Change of ownership as a result of Sarbanes Oxley**

<i>original company name/ownership</i>	<i>currently known as/owned by</i>
KMPG	Bearingpoint
Pricewaterhousecooper	IBM Corporation
Arthur Anderson consulting division	Accenture
Ernst and young	Capgemini
Deloitte and Touche	Deloitte Consulting (divested Costa Mesa division)

Another driving force effecting top tier consulting firms is the overall reduction in corporate profits. Armed with a new conservatism, corporations are more results driven with an intense focus on bottom line profitability. Tom Rodenhouser, a consulting industry analyst, notes a change in contract tenure from the six to eighteen month agreement of the past to the current contract averaging about three months. Quick turnaround, achievement of specified results and appropriately aligned cost are now demanded by corporate executives. The open-ended contract with an undefined goal has been replaced by a timed agreement to achieve a specified result. The "coffee cup" consultant who merely directs has been replaced by consultants who have experience at implementation. Case histories exemplifying proven results are a necessity and firms that can demonstrate strong implementation capabilities hold a competitive advantage.

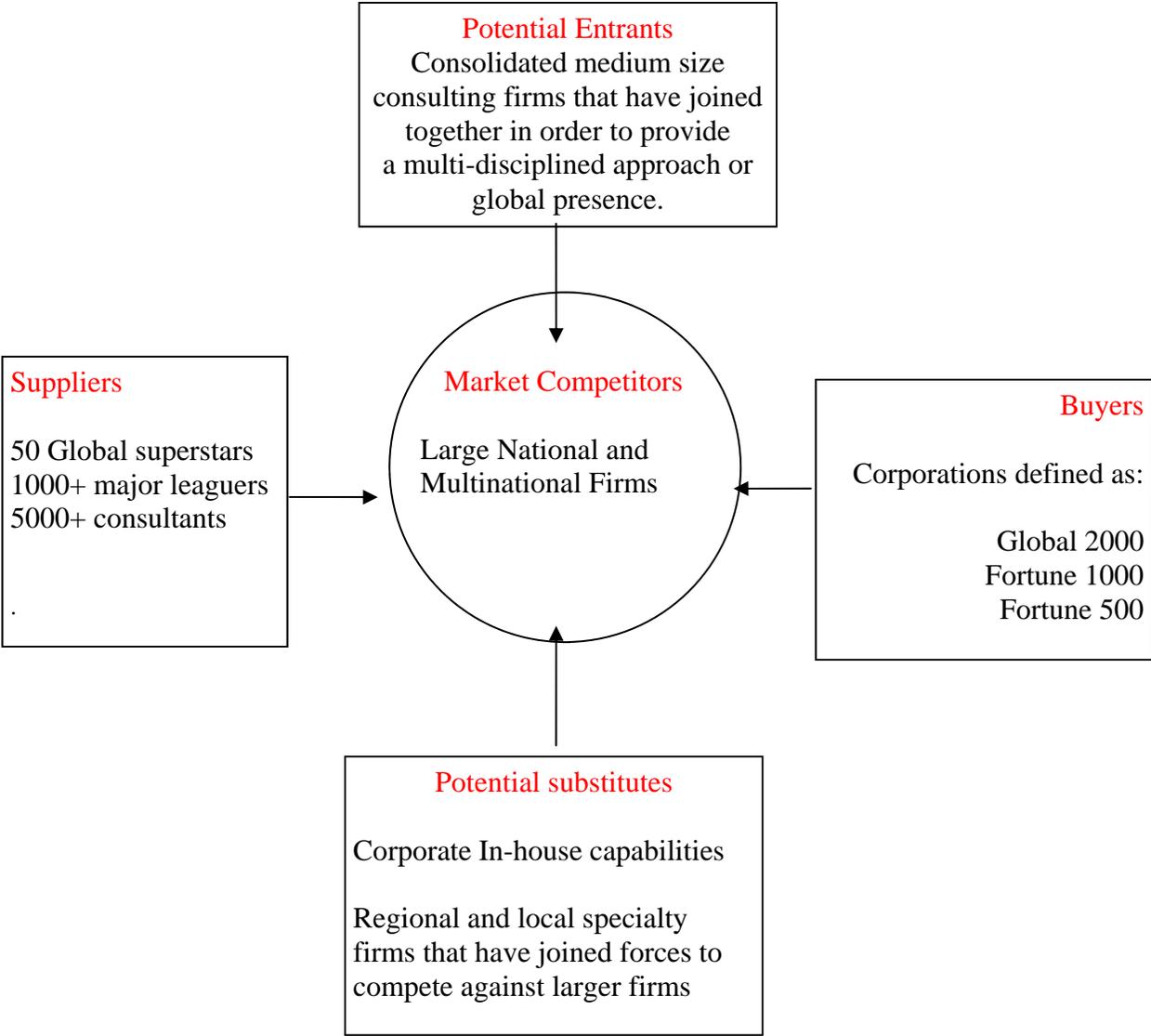
The amount of potential buyers has also been reduced as corporations add in-house capabilities in an attempt to further reduce cost. This is especially true in the area of IT consulting where corporations have aggressively increased staff capabilities. Corporations have also added strategy and planning departments to their organizational charts. While the driving force may be a desire to decrease expenditures the additional gain has been the creation of an internal consulting force that understands the culture and procedures of the organization. The following chart provides an overview of the economic characteristics of top tier consulting firms as discussed above.

Competitive and Economic Forces Affecting Top Tier Consulting Firms

Market size	Recessionary factors-Tough economic conditions led to fewer consulting dollars available. This caused rapid consolidation within the industry.
Number of buyers	Trend towards developing in-house capabilities. The companies sought to lower cost and build internal expertise, especially in the area of information technology.
Size of rivalry	There was an increase in competition as new companies emerged and existing companies formed new alliances.
Pace of technological change	Technological advances caused new consulting firms to emerge and existing traditional firms added technology consulting capabilities. Companies offering hardware and software product sales added consulting services and thereby increased the number of competitors.
Product differentiation	Government regulations changed the structure of the accounting firms as Sarbanes Oxley required separation of practices and transformed the accounting industry. As a competitive strategy, firms adopted a multi-disciplined approach combining such disciplines as management and technology consulting.
Experience curve-Ease of entry	As companies became more global in nature they hired consulting firms with a global presence. This increased the barriers to entry since new firms entering the market are required to maintain operations and expertise in several areas throughout the world.

The following chart illustrates the five competitive forces of top tier consulting firms as discussed above.

**FIVE COMPETITIVE FORCES
TOP TIER CONSULTING FIRMS**



Competitive Forces and Economic Characteristics Affecting Regional and Local Specialty Boutiques

The regional and local firms target the small to mid-sized businesses. They offer a variety of consulting services aimed at helping company owners grow their business. The small business has become the key driving force of the American economy, offering an increasing amount of potential buyers and a continuous stream of opportunity for the consulting firms.

This is especially true in the state of California where over 1 million small businesses employ over 7.8 million people, which comprises 82% of the private sector jobs (The California Association of Independent Business, Inc.). Even though these companies are small, 98% of all businesses average 5.8 employees and over 2 million small businesses have no employees, they produce 75% of the gross state product (The Technology Trade and Commerce Agency).

The proliferation of the smaller sized companies, as opposed to the past growth of the large corporate entity, has negatively impacted the larger consulting firms. In contrary, it has created a wealth of opportunity for the regional and local consulting firms.

An article in the *economist* magazine published on March of 1997 recognizes this growing trend:

“Whereas size has triumphed at the top of the consulting business, at the bottom the number of small consultancies has surged. For much of the 1990s, two kinds of small operators have been conspicuously successful. The first are boutiques with specialized techniques or services to sell. The 2nd, and more important, kind is guru consultants who sell their own management ideas.”

It is also important to note the different characteristics between today’s entrepreneurial company and those formed a decade ago. Most notably they have greater access to financial resources. This is partly due to the fact that many of the new entrepreneurs are senior executives who left their corporate position to venture out on their own. They are in a better position to apply for funding and often begin with the support of a venture capital firm or angel seed money.

Given the depth of their experience their business models are more elaborate and incorporate a significant amount of preplanning. Many have a well written business plan with growth strategies in place. They have established aggressive growth goals with the intent of competing directly with the larger companies in their industry.

Technological advances have greatly advantaged the small businesses allowing them to have a global sales reach overnight. Through the internet a small manufacturing plant in rural Kansas can conduct international sales. Society’s acceptance of technology has provided the leverage needed to capitalize on the new technologies offered. The busy executive can return calls and emails while ordering a latte’ at Starbucks. Whereas in the past the small company had to create a “perceived image” of size mirroring their large corporate counterpart, today’s company can proudly flaunt its leanness as this is seen as cost effective. Even the real estate industry has responded to this trend offering virtual office space with rented conference rooms at a per day rate. Through the use of technology a company billing millions in revenues can maintain a tiny footprint.

Outsourcing has also helped to level the playing field. The companies can grow without increasing overhead and thereby remain agile in case of an economic downturn. Moreover, it has allowed them to tap into expertise previously available to only the larger firms. The senior executive who previously sold his expertise to the corporation now provides his expertise to his fellow business owners. There are a myriad of small consulting firms and service related businesses available to solve problems and offer advisory services. For a considerably low price a company can tap into expertise on how to develop international presence, lower cost through a global call center and implement a cost efficient supply chain. The business environment for the small and mid-sized company has changed significantly from that experienced by the young entrepreneurial companies starting out of a garage.

The consulting industry as seen through the eyes of smaller regional and local boutiques has also responded to these growing trends. Mirroring the growth within the small business sector, consultancy firms have increase in size and number. The increase in the amount of smaller consulting firms can be directly related to an ease of entry and the increase of potential buyers. These consulting firms are advantaged by the same trends affecting the companies they serve. Through technology they have increased capabilities and low overhead, outsourcing provides them with an ability to add expertise as needed and funding sources from senior partners provide an adequate supply of growth capital.

Additionally, the level of experience and expertise required by the small to mid-sized company is less than that expected of a larger consulting firm. As expressed earlier, the owners are often seeking advice to supplement the areas that they are not proficient in. Therefore the average age and experience of the consultant has decreased from years past. A thorough understanding of new technologies, as demonstrated by the making of dot-com millions, allows a younger consultant to become in high demand.

The following data exemplifies this trend.

From 1999 to 2002 the overall number of consulting firms increased by 30%, **smaller firms (0-19 employees) increased by 31%**, mid-sized firms (20-99) employees increasing only by 9%, and the larger firms with 100 or more employees increased as little as 14%.

Chart detailing changes in the amount of competitors.

Year	Number of employees	Total payroll (\$1,000)	Number of firms	0-19 employees	20-99 employees	100 and above
2002	79,263	4,972,724	11,509	10,873	522	114
2001	80,570	5,160,262	9,918	9,190	610	118
2000	71,577	4,825,760	8,867	8,228	534	105
1999	62,001	3,968,854	8,000	7,430	472	98

Trends in the management consulting industry (based on NACIS code 54161 Management Consulting Services)

The regional and local specialty firms remain in a growth stage similar to the small businesses they target. The firms employing 0-19 experienced the greatest percentage of growth: 31%. Although competition has increased, product differentiation has allowed a large number of firms to coexist.

Competitive forces have had a greater impact on the specialty firms that provide IT or financial services. Competition has squeezed profit margins and their services have become a commodity. However, the landscape remains lucrative for consulting firms that offer customized solutions to business growth problems.

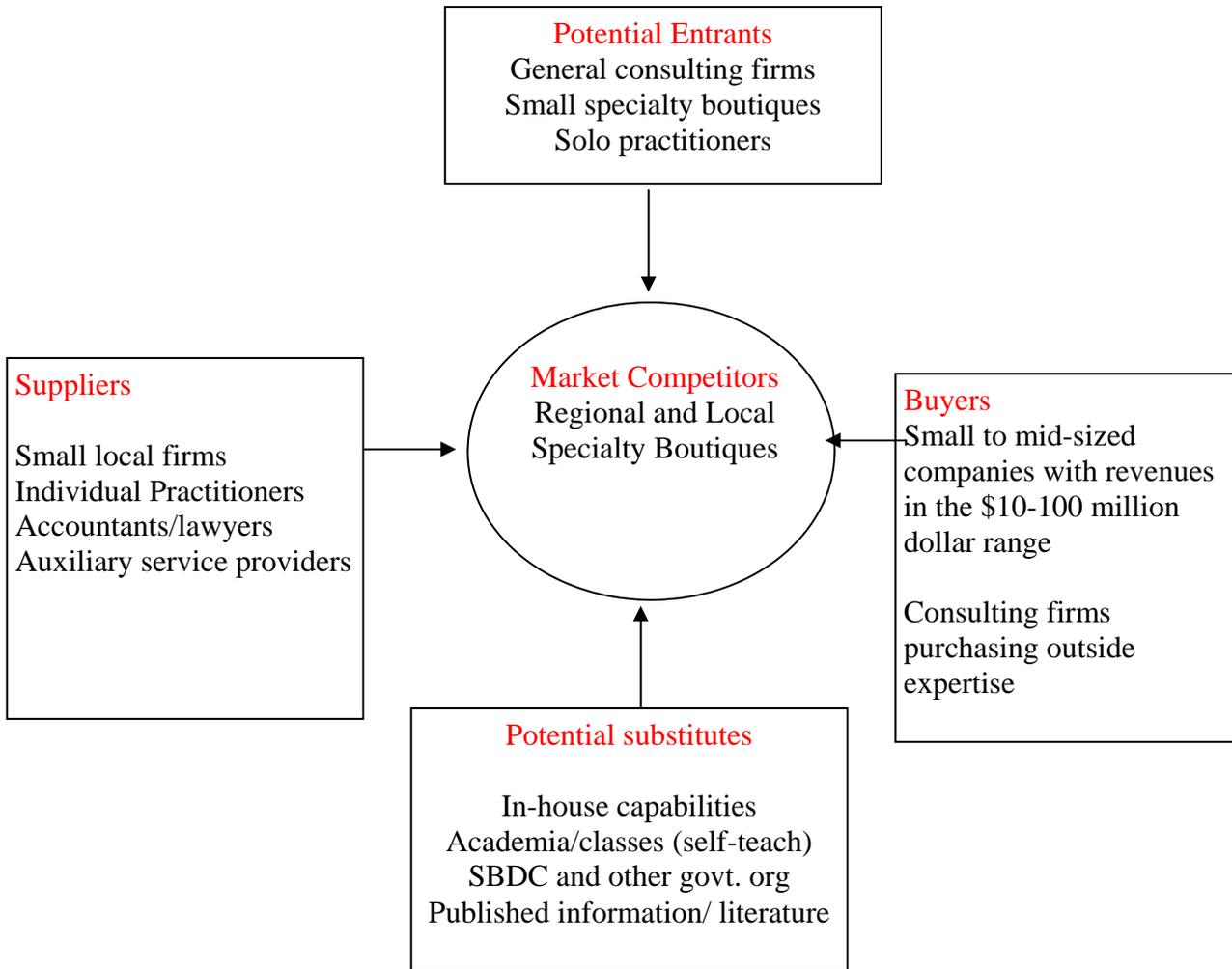
The following chart provides an overview of the economic characteristics of regional and local specialty boutiques as discussed above.

Chart illustrating the economic characteristics of regional and local consulting firms

Market size	The number of consulting firms entering the market is increasing in response to the proliferation of the smaller sized businesses. Signs of overcapacity is beginning to show for those firms involved in the IT and financial sector. The general and management services sector remains strong.
Number of buyers	The small businesses are growing in number and seek expertise in order to grow their businesses. This trend appears to be strong with no immediate signs of contraction.
Size of rivalry	Competition exist in all shapes and sizes from small firms to individual practitioners. Due to low barriers of entry and an increase in market opportunities new firms continue to enter the market.
Pace of technological change	Technology has allowed the smaller firms to enter the market overnight and compete on a global basis. Society's acceptance of technology as "a way of doing business" allows the smaller firms to function without administrative and fixed asset overhead.
Product differentiation	The smaller sized specialty boutiques often use independent practitioners as a way to increase their offerings. Unlike the larger consulting firms the disciplines have not fully integrated and remain distinct; such as strategic planning and marketing services, finance and technology. The key product differentiator is the background, expertise and personalities of the consultants.
Experience curve-Ease of entry	The smaller firms require less business experience since the clients (small companies) are less experienced buyers and seek basic foundational advice. The overhead of a small consulting firm is low and therefore enables a firm become established almost overnight. Technology supports the smaller firms in this endeavor.

The following chart illustrating the five competitive forces of regional and local consulting firms as discussed in the copy above.

FIVE COMPETITIVE FORCES Regional and Local Consulting Firms



Strategic Group Analysis Diagram

Consulting Industry

Size of the
consulting
firm

Large

Regional Specialty
Boutiques

Multi National Firms

Small

Local Specialty Boutiques

Individual Practitioners

Large Regional Firms

Targeted market:
Company size

Small

Large

Future Industry Outlook

The industry is cited for a 6% annual global growth in 2006 according to Brad Smith Vice President of research at Kennedy consulting, a firm that tracks industry trends (2005, Lang). Forward looking, many of the trends that have occurred over the last five years will continue to impact the industry. The IT sector will continue to expand and competition will grow fierce as traditional firms, new emerging companies and vendors of equipment/software all compete for the same space. Many believe continued consolidation amongst the top tier firms will be imminent. Data security will be a major concern for clients and this demand will create firms that further specialize in the area of expertise. Companies will continue to expand in-house capabilities. However, due to the proliferation of new technologies the outside consulting services will always be in need.

Technology will continue to be a key component for managing customer relationships. Firms specializing in CRM, e-marketplace and ERP will see added growth. Strategy and change management firms that offer cross-over consulting will be advantaged by this IT trend.

Sarbanes Oxley will continue to create consulting opportunity as companies struggle to follow the new government regulations. In fact, there has been recent conversation regarding the transfer of Sarbanes Oxley guidelines into the private sector, especially for any company receiving investment money. Depending on the course of action taken in the legislation, additional opportunities may become available if the desire for transparency trickles down into the private sector.

Globalization and outsourcing will continue to change the dynamics of the business environment. The United States currently represents 55% to 60% of all the global outsourcing revenue, according to Brad Smith of Kennedy Research. He believes this component of consulting will experience a 10-11% increase (2005, Lang). Companies will require assistance in this area and will seek out firms with experience in this vital area of change. The need for international experience and expertise will become a prerequisite and small consulting firms will need to gain access to this knowledge. Eventually any consulting firm that desires to grow to a certain size will require this expertise.

Economic signs suggest that the trends toward small business growth will continue and with it the proliferation of small consulting firms. The smaller sized companies will be concerned about the same issues as the Fortune 500: increased global competition, need for technological advancement, the need for supply chain efficiency. Growth opportunities should continue for the regional specialty and smaller sized firms. However, these firms will need to have full service capabilities either through internal relationships or strategic alliances.

Collaboration is the big word looking forward. Most firms will have some sort of technology alliances. The clients of the regional and local consulting firms will need to maintain an arsenal of expertise in many areas.

PROFILES OF SELECTED COMPANIES

Top Tier Consulting Firms-Company Overview

A.T. Kearney

5400 Legacy Dr. Plano, TX 75201 Phone: 972-543-7500

Website: www.atkearney.com Ticker Symbol: parent company symbol is EDS

Key Facts

- Organized into both industry and business practice groups.
- The EDS merger added information systems expertise to the firm's strategy and operations base.

Key Financial Facts

2003 revenue: \$846 million

1-yr. growth rate: -15.8 percent

Personnel Highlights

Number of employees: 4,000

1-yr. growth rate: -20

Company Overview

Founded in 1926, A.T. Kearney shares its Chicago roots with McKinsey & Company and ranks now as one of the top players in the industry. The firm offers strategy, organizational change, operations, and information technology consulting services. Its nearly 3,000 consultants work out of more than 60 offices in 37 countries.

A.T. Kearney is an independent business line of Electronic Data Services (EDS), which provides the firm's information technology expertise. The consulting firm has a history of getting down and dirty inside the client's organization, and its working style is highly collaborative.

Booz Allen Hamilton

8283 Greensboro Dr. McLean, VA 22102 Phone: 703-902-5000

Website: www.boozallen.com Ticker Symbol: privately owned

Key Facts

- One of the proud, old firms of the industry.
- Named one of the top 10 best consultancies to work for, in a 2003 *Consulting Magazine* poll.
- Strong reputation in strategy, operations, and information technology.

Key Financial Facts

2004 revenue: \$2,700 million

1-yr. growth rate: 22.7 percent

Personnel Highlights

Number of employees: 14,800

1-yr. growth rate: 17.5 percent

Company Overview

Booz Allen Hamilton, one of the oldest and best-established firms in the consulting industry, is a major force both domestically and internationally, with more than 12,500 employees in some 100 offices on six continents. Ed Booz, one of the early pioneers in management consulting, founded Booz Allen in 1914.

The firm divides its consulting divisions into two business sectors, Worldwide Commercial Business (WCB) and Worldwide Technology Business (WTB), extending Booz Allen's expertise to both government and commercial organizations. WTB has more than twice as many employees as WCB and works mostly with government organizations. WCB competes with top-tier consulting firms and specializes in private-sector management consulting, focusing on strategy, information technology, and operations.

Bain & Co.

2 Copley Place Boston, MA 02116 Phone: 617-572-2000
Website: www.bain.com Ticker Symbol: privately owned

Key Facts

- Strong culture: There is definitely a Bain way of doing things.
- The best consultancy to work for, according to a 2003 *Consulting Magazine* poll of current consultants.

Key Financial Facts

2002 revenue (most recent available): \$761 million
1-yr. growth rate: -5 percent

Personnel Highlights

Number of employees: 2,800
1-yr. growth rate: 0 percent

Company Overview

While smaller than its top-tier brethren, Bain & Company holds its own as one of the leading strategy consulting firms, providing strategic advice and recommendations on business problems to leading companies in virtually every economic sector. The firm's capabilities include strategy, e-business, customer relationship management, organizational and change management, M&A, and private equity.

Bain was founded in 1973 by Bill Bain, a former VP at The Boston Consulting Group, and several others. In the beginning Bain distinguished itself by forging long-term relationships with clients by agreeing not to work with their competitors in exchange for reciprocal fidelity. Recent clients include DeBeers, Dell, and Ford.

Although smaller and younger than many of its competitors, blue-chip strategy house Bain & Co. is comfortably settled within the top tiers of the consulting *crème de la crème*. It is one of the leading strategy consulting firms with 30 offices around the world.

Marakon Associates

245 Park Ave., 44th Flr. New York, NY 10167 Phone: 212-377-5000
Website: www.marakon.com Ticker Symbol: privately owned

Key Facts

- One of the top-tier management consulting firms.
- Distinctive approach combining strategy and capability building.
- Consultants get 200 hours of formal training in their first 15 months.

Key Financial Facts

2002 revenue: \$133 million
1-yr. growth rate: 15 percent

Personnel Highlights

Number of employees: 333 worldwide; 227 consultants
1-yr. growth rate: Not available

Company Overview

Outside of boardrooms and CEO suites, Marakon Associates is perhaps the least well known of the elite consulting firms. Among the Olympians of the corporate world, however, the firm has earned a respect and renown that few consultancies can match.

Marakon specializes in advising top executives on growing the long-term value of their companies. The firm is widely recognized for its distinctive practice of combining the disciplines of strategy, organization, leadership, and finance into an integrated approach. Because Marakon tends to work directly with CEOs and top executives, it vies for clients with much larger firms such as McKinsey, Bain, and The Boston Consulting Group.

The firm is based in New York and London, with additional offices in Chicago, San Francisco, and Singapore.

McKinsey & Co.

55 E. 52nd St., 21st Flr. New York, NY 10022 Phone: 212-446-7000

Website: www.mckinsey.com Ticker Symbol: privately owned

Key Facts

- Named the second best consulting firm to work for in a 2003 survey by *Consulting Magazine*.
- Famous for its strong network and strong culture.

Key Financial Facts

2002 revenue: \$3,000 million (est.)

1-yr. growth rate: -11.8 percent (est.)

Personnel Highlights

Number of consultants: 12,000

1-yr. growth rate: -7.7 percent

Company Overview

McKinsey & Co. is perhaps the most famous consulting firm in the world. It has a long history of providing strategic advice to the top management of the world's largest corporations, and has extended its services to include foundations, foreign governments, and family-owned businesses. The company also operates McKinsey Global Institute, an independent group that develops original research on social, economic, and geopolitical issues. Known as "The Firm," McKinsey employs some 7,000 consultants in 84 offices in 44 countries.

McKinsey was founded in 1926 when James O. McKinsey teamed up with partner Andrew T. Kearney to form a business advisory service. They were later joined by Harvard MBA Marvin Bower, who would go on to actively manage the firm for more than 30 years. The Firm is renowned for its strict business standards and the breadth and depth of its experience base.

*Company information has been gathered from hoovers on-line.

Regional and Local Specialty Boutiques

LW and associates (www.lwandassoc.com)

LW and associates is a fundamentally innovative consulting agency, providing businesses with growth strategies designed to increase revenues, profitability and productivity. LW and associates consults with middle market companies on issues directly relating to strategic planning, sales/marketing and change management. Through strategic relationship LW and associates can offer finance, operations and technology consulting. The structural advantages of these relationships allow LW and associates to offer auxiliary services while receiving fee income to supplement revenues.

Company Mission

LW and associates is committed to providing middle market companies with the resources which in the past have only been available to large corporate entities. LW and associates believes the implementation process is as, if not more,

important than the planning, and works with its clients to see the company's goals actualized.

Vision

To create a company that has the intellectual capital to respond to marketplace demand while being flexible and able to adjust to economic conditions.

Cerius Consulting (ceriusconsulting.com)

Cerius consulting is a management consulting firm of over 60 hands-on senior level executives averaging 20 to 30 years of business experience. We offer single-project and ongoing consulting services to top management in a wide range of industries.

Our experts have executive line experience in the following functional specialties:

- Executive Management
- Operations
- Marketing/Sales
- Information Systems and Technology
- Human Resources
- Finance/Accounting

Our Specialty Practice Groups provide a full complement of resources to deal with any issue or challenge. Groups include:

- Change Management
- Emerging Growth
- Interim Executive Management
- Marketing
- Organizational Development
- Sales

With offices in Orange, Los Angeles and San Diego counties and experience throughout the Southern California business scene, Cerius Consulting can provide both the functional expertise and the local contacts that you need. Our low overhead business model, consisting of a consortium of independent consultants, provides top-of-the-line services at surprisingly affordable prices.

Map Management Consulting (MAP) (mapconsulting.com)

MAP management works with small, medium and large organizations. Through our intensive workshops and consulting services, we can help you become a more effective manager and leader, and help you get your management team focused on the things that really matter – the vital factors critical to your company's success. Our unique process helps clients accelerate performance and increase profits.

- ◆ The basic MAP management process was conceived in 1960 by Eric Gillberg, founder of Management Action Programs, Inc. (MAP) in collaboration with UCLA. Since then, more than 12,000 organizations and more than 150,000 individuals have taken advantage of the MAP program and MAP Consulting Services.
- ◆ Our consultants and facilitators are former CEOs, presidents, business owners and business leaders whose objective is long-term success. They serve as coach, mentor and educator as our clients work to develop, establish and achieve their individual and professional goals.
- ◆ MAP has offices in Sherman Oaks, Newport Beach and San Francisco, California; and Phoenix, Arizona. Satellite offices are located in San Diego, California; Seattle, Washington; and Las Vegas, Nevada.

Integrated Management Services Inc. (IMS) (imsi-pm.com)

IMS is a technology consulting firm that assists companies in leveraging their IT investments with the objective to improve their business performance and enhance profitability. This is accomplished through developing and implementing solutions-driven strategies utilizing sound business management and information technology tools. We service clients across the country from our offices in Westport, Connecticut and Newport Beach, California. We have served over 100 clients, mainly in the Consumer Goods, Direct Selling, Financial, Healthcare, and Manufacturing sectors.

We normally report to a senior executive and, occasionally, the board of directors. Our clients include global giants, national chains, major brands, and mid-size companies. We are also long-time members of the Direct Selling Association (DSA) and maintain close relationships with providers of complementary products and services to the industry.

Dechert-Hampe & Company (DHC)

Dechert-Hampe & Company (DHC) is a "Marketplace Management" consulting firm, unique in its ability to offer an integrated set of sales, marketing and logistics solutions across the full spectrum of the supply chain. The depth of DHC capabilities range from strategic planning to implementation and execution - all focused on delivering tangible results for consumer products and service marketers.

Founded more than 50 years ago, Dechert-Hampe was one of the first consulting agencies in the country. It has evolved through the years by consistently meeting the challenging needs of its clients, and has grown to be a full-service firm consisting of experts in sales, marketing and logistics.

Our integrated services combine multiple disciplines relating to Supply Chain Management, Customer Development, and Market Development. These core practice areas are further augmented by our capabilities in Communications, Organization Development and Effectiveness, and Systems Integration and Solutions. This comprehensive approach to Marketplace Management ensures that there are no gaps in our solutions. Dechert-Hampe & Company (DHC) has four offices California, Connecticut, Illinois, Missouri.

*Company information has been gathered from the respective websites.

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Associated SIC Codes

7379 Computer related services, necs
7389 Business services, nec
8742 Management consulting services
8748 Business consulting, nec
8999 Services, nec

Associated NAICS Codes

54161 Management Consulting Services
541611 Administrative Management and General Management Consulting Services
541612 Human Resources and Executive Search Consulting Services
541613 Marketing Consulting Services
541614 Process, Physical Distribution, and Logistics Consulting Services
541618 Other Management Consulting Services
541620 Environmental Consulting Services
541690 Other Scientific and Technical Consulting Services
561499 All Other Business Support Services

MANAGEMENT AND TECHNICAL CONSULTING SERVICES
(NAICS 5418)

Global Insight Code: 5418

	..History						Forecast..					
	2003Q1	2003Q2	2003Q3	2003Q4	2004Q1	2004Q2	2004Q3	2004Q4	2005Q1	2005Q2	2005Q3	2005Q4
Quarterly												
REVENUE & PRICE												
Revenue, Billion \$	138.8	141.3	144.3	147.6	151.3	154.5	157.6	161.8	165.0	170.1	174.0	178.0
% SAAR	3.8	8.2	8.9	9.3	10.8	8.6	8.4	10.9	11.0	10.1	9.8	9.8
% Year Ago	2.8	4.2	5.8	7.5	9.2	9.3	9.2	9.6	9.7	10.1	10.4	10.1
Revenue, Billion 1998\$	114.8	116.3	118.0	119.8	121.7	123.1	124.9	128.7	129.0	131.1	133.0	135.1
% SAAR	2.4	5.2	5.9	6.5	6.6	4.6	6.0	6.9	7.3	6.7	6.1	6.2
% Year Ago	1.7	2.6	3.7	5.0	6.1	5.9	5.9	5.8	6.0	6.5	6.5	6.8
Industry Price, 1999=100	129.7	121.8	122.4	123.2	124.3	125.5	126.2	127.6	128.7	129.8	130.8	131.8
% SAAR	1.0	2.8	2.8	2.6	3.7	3.9	2.3	4.7	3.5	3.2	3.3	3.2
% Year Ago	1.1	1.6	1.9	2.3	3.0	3.2	3.1	3.6	3.6	3.4	3.7	3.3
INPUT COSTS												
Materials & Services, Billion \$	64.0	65.4	66.7	68.4	70.5	71.3	72.4	73.8	75.9	78.0	80.0	81.9
% SAAR	3.8	8.8	8.4	10.6	12.9	4.6	6.5	8.1	11.7	11.7	10.4	10.2
% Year Ago	2.4	4.0	5.5	7.9	10.1	9.1	8.6	8.0	7.7	9.5	10.4	11.0
Labor, Billion \$	51.3	50.8	50.9	52.7	52.6	55.4	56.6	58.0	58.4	58.9	58.4	59.9
% SAAR	6.8	-5.8	2.8	15.2	-1.3	23.8	8.6	10.7	2.9	3.8	3.3	3.3
% Year Ago	9.7	5.4	2.0	2.9	2.8	9.6	11.1	10.0	11.1	6.4	5.1	3.3
GROSS OPERATING PROFIT												
Gross Operating Profit, Billion \$	23.3	25.4	26.8	26.5	28.3	27.6	28.7	29.9	31.7	33.1	34.7	36.2
Ratio Gross Profit / Sales (%)	16.8	18.0	18.5	17.9	18.7	18.0	18.2	18.5	19.1	19.5	19.9	20.3
Annual												
REVENUE & PRICE												
Revenue, Billion \$	66.2	68.5	106.1	119.5	132.8	138.0	143.0	158.3	172.1	183.9	217.4	238.2
% Year Ago	11.3	14.3	9.7	10.6	10.9	2.7	5.1	9.3	10.1	12.7	12.1	8.8
Revenue, Billion 1998\$	83.7	92.0	97.0	102.9	111.9	113.5	117.2	124.1	132.0	144.6	158.7	170.2
% Year Ago	8.1	9.9	5.4	6.1	8.8	1.4	3.3	5.9	6.4	9.5	9.7	7.2
Industry Price, 1999=100	103.0	107.1	111.4	116.2	118.4	119.9	122.0	125.9	130.3	134.0	138.9	140.0
% Year Ago	3.0	4.0	4.1	4.2	2.0	1.2	1.7	3.2	3.5	2.9	2.1	2.2
INPUT COSTS												
Materials & Services, Billion \$	49.7	48.8	49.8	55.4	61.5	63.0	65.1	72.0	79.0	88.5	93.8	101.7
% Year Ago	9.0	12.3	8.9	11.2	11.0	2.4	5.0	8.9	9.7	9.6	8.4	8.4
Labor, Billion \$	29.9	34.5	38.6	42.8	46.9	49.0	51.4	55.6	59.2	61.0	62.8	64.6
% Year Ago	15.5	15.8	11.8	11.0	9.5	4.4	4.9	8.3	6.4	3.1	2.9	2.9
GROSS OPERATING PROFIT												
Gross Operating Profit, Billion \$	15.8	18.2	19.6	21.3	24.2	24.1	25.5	28.7	33.9	48.4	60.8	72.0
Ratio Gross Profit / Sales (%)	18.1	18.5	18.2	17.8	18.2	17.7	17.8	18.3	19.7	23.9	28.0	30.2

Fourth-Quarter 2004