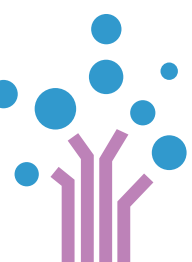




INDUSTRY INSIGHTS

in Professional Scientific and
Technical Activities





INDUSTRY INSIGHTS

in PROFESSIONAL SCIENTIFIC AND TECHNICAL ACTIVITIES

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MARKET DEFINITION

1.1 Scope of the Market

The professional, scientific and technical (professional services) require a high degree of training and make specialised knowledge and skills available to users. The activities under this industry can be sub-divided into seven separate divisions as follows:

- Legal and Accounting activities
- Activities of head offices; management consultancy activities
- Architectural and engineering activities; technical testing and analysis
- Scientific research and development
- Advertising and market research
- Other professional, scientific and technical activities
- Veterinary activities

(ONS, 2016)

1.1.1 Legal and Accounting Activities

Legal Activities

This industry includes firms that provide legal services, including solicitors, barristers, patent agents, notaries and bailiffs. Lawyers provide advocacy and advice on a range of topics, such as commercial, property, private, criminal and family law. Law courts are not covered in the industry.

(Ibis World, 2020)

Accounting & Auditing

Operators in this industry prepare and examine financial accounts and are responsible for the certification of their accuracy. The industry does not include bookkeeping activities or budgetary control activities.

(Ibis World, 2019)

Bookkeeping

Firms in the Bookkeeping industry record commercial transactions for businesses and other organisations.

(Ibis World, 2020)

Tax Consultants

Firms in the Tax Consultancy industry prepare personal and business income tax returns and offer tax advisory services and non-legal representation before tax authorities. However, industry services exclude management consultancy on accounting systems, budgetary control procedures and bill collection.

(Ibis World, 2020)

1.1.2 Activities of head offices; management consultancy activities

Financial Management

Operators in the Financial Management industry provide advice, guidance and operational assistance to businesses and public-sector organisations on accounting system design, financial risk management, budgetary control procedures, cost-reduction strategies, compensation and other financial issues. The industry excludes the design of accounting systems software and accounting and auditing services.

(Ibis World, 2020)

Management Consultants

Management consultants provide advice, guidance and operational assistance to businesses and other organisations on management issues. Principal areas of consultation include corporate strategic and organisational planning, marketing, human resources and operational management. The industry excludes the provision of consulting advice on legal, engineering and educational matters. Consulting relating to financial management is also excluded.

(Ibis World, 2020)

Public Relations & Communication Activities

In this industry, operators provide public relations and communication advice, guidance, and operational assistance, including lobbying activities. The advice is offered to businesses, non-profit organisations and official institutions.

(Ibis World, 2020)

1.1.3 Architectural and engineering activities; technical testing and analysis

Architectural Activities

Architects in this industry design and draft plans for buildings, plan urban areas and carry out landscape architecture. They also supervise the construction of buildings. Architectural firms provide information on design and construction procedures, zoning regulations, building codes and building materials. Interior decorating services are not included in the industry.

(Ibis World, 2020)

Consultant Engineering Services

Firms in this industry apply engineering principles to the design, development and use of machines, materials, instruments, structures, processes and systems. This includes designing industrial processes, surveying and mapping services, designing, managing, and consulting on building buildings and infrastructure.

(Ibis World, 2020)

1.1.4 Scientific research and development

Biotechnology

Biotechnology uses scientific principles to create technological applications that use biological systems, living organisms, or derivatives to make or modify products or processes. The industry focuses on medicinal, industrial and agricultural biotechnology applications.

(Ibis World, 2019)

1.1.5 Advertising and Market Research

Advertising Agencies

Advertising agencies produce, place and provide advice about advertising material across a range of media, including TV, print, radio and the internet. They also advertise at the point of sale, on billboards and using direct mail promotional campaigns. The industry excludes public relations agencies, media sales representatives and market researchers.

(Ibis World, 2020)

1.1.6 Other professional, scientific and technical activities

Photographic Activities

The industry includes professional photographers and photographic processing services. Services provided by industry operators include portrait and aerial photography, specialist photography, photojournalism and the video recording of special events. The industry excludes the processing of motion pictures for the TV industries.

(Ibis World, 2020)

Specialised Design Activities

Operators in this industry design clothing, fashion accessories and other goods. Graphic designing and interior decorating activities are also included within the industry. However, industry operators are not responsible for website design and programming, architectural design or engineering design.

(Ibis World, 2020)

1.1.7 Veterinary activities

Veterinary Services

This industry provides health-care and control activities primarily for farm animals and pets. Activities are carried out by qualified veterinary surgeons in veterinary hospitals, on farms or in surgeries. The industry also includes animal ambulance activities. Animal boarding activities and artificial insemination are not included in the industry.

(Ibis World, 2020)

1.2 Major Players

Due to various and diverse activities included in the Industry, Major Players are to be listed per subsector, so that a more precise Market Outlook will be provided.

1.2.1 Legal and Accounting Activities

Legal Activities-Biggest Companies

- Linklaters LLP
- Allen & Overy LLP
- Clifford Chance LLP
- Slaughter and May Ltd
- Freshfields Bruckhaus Deringer LLP
- DLA Piper International LLP

(Ibis World, 2020)

Accounting & Auditing-Biggest Companies

- PricewaterhouseCoopers LLP
- Ernst & Young LLP
- Deloitte LLP
- KPMG LLP
- BDO LLP
- Grant Thornton UK LLP

(Ibis World, 2019)

Bookkeeping-Biggest Companies

- Cloud Bookkeeping Ltd
- Integra Global Solutions UK Ltd
- Menzies LLP
- The Financial Management Centre UK Ltd

This industry has no major players with a market share of greater than 5%.

(Ibis World, 2020)

Tax Consultants-Biggest Companies

- PricewaterhouseCoopers LLP
- Deloitte LLP
- Ernst & Young LLP
- KPMG LLP
- BDO LLP
- Grant Thornton UK LLP

(Ibis World, 2020)

1.2.2 Activities of head offices; management consultancy activities

Financial Management-Biggest Companies

- PricewaterhouseCoopers LLP
- Deloitte LLP
- KPMG LLP
- Accenture (UK) Ltd
- Ernst & Young LLP
- Grant Thornton UK LLP

(Ibis World, 2020)

Management Consultants-Biggest Companies

- Accenture (UK) Ltd
- PricewaterhouseCoopers LLP
- Deloitte LLP
- KPMG LLP

(Ibis World, 2020)

Public Relations & Communication Activities-Biggest Companies

- WPP plc
- Omnicom Group Inc
- Daniel J. Edelman Ltd
- CMGRP UK Ltd
- Bell Pottinger Private Ltd

(Ibis World, 2020)

1.2.3 Architectural and engineering activities; technical testing and analysis

Architectural Activities-Biggest Companies

- Foster + Partners Ltd
- Building Design Partnership Ltd
- Allford Hall Monaghan Morris Ltd
- AHR Group Ltd

This industry has no major players with a market share of greater than 5%.

(Ibis World, 2020)

Consultant Engineering Services-Biggest Companies

- SNC-Lavalin Group Inc
- WSP UK Ltd
- Mott MacDonald Group Ltd
- Jacobs UK Ltd

This industry has no major players with a market share of greater than 5%.

(Ibis World, 2020)

1.2.4 Scientific research and development

Biotechnology-Biggest Companies

- Amgen Ltd
- BTG plc
- Shire Pharmaceuticals Ltd

This industry has no major players with a market share of greater than 5%.

(Ibis World, 2019)

1.2.5 Advertising and Market Research

Advertising Agencies-Biggest Companies

- WPP plc
- Publicis Groupe SA
- Omnicom Group Inc
- Interpublic Group of Companies Inc
- Dentsu Aegis Network Ltd
- Havas SA

(Ibis World, 2020)

1.2.6 Other professional, scientific and technical activities

Photographic Activities-Biggest Companies

- H Tempest Ltd
- Picsolve International Ltd
- Concept Photography Ltd
- Willow Photography Ltd

This industry has no major players with a market share of greater than 5%.

(Ibis World, 2020)

Specialised Design Activities-Biggest Companies

- WPP plc
- Claremont Group Interiors Ltd
- Dentsu Aegis Network Ltd
- Writtle Holdings Ltd

(Ibis World, 2020)

1.2.7 Veterinary activities

Veterinary Services-Biggest Companies

- CVS Group plc
- Medivet Group Ltd
- Pets at Home Group plc
- Animal and Plant Health Agency
- Boehringer Ingelheim Animal Health UK Ltd
- Idexx Laboratories Ltd

(Ibis World, 2020)

2 | MARKET INSIGHTS

2.1 Current Market Scenario

The Professional, Scientific and Technical Activities industry is characterised as a sector of multiple speeds due to the qualitative differences among its subcategories. Whilst some areas of services have grown strongly, some professions are closer to a mature, albeit still expanding state. As a result, neither growth has not been uniformed across the industry, nor its operators' behaviour towards large scale phenomena such as the Global Digitisation trends or the Coronavirus Pandemic.

Legal and Accounting Activities

Legal Activities

Solicitors, barristers, patent agents, notaries and bailiffs carry out legal activities on behalf of private and corporate clients. Over the five years through 2019-20, industry revenue is expected to expand at a compound annual rate of 1.4%. Widespread business uncertainty following the EU referendum, a decline in merger and acquisition (M&A) activity and falling residential property transactions are expected to have limited industry revenue growth during the period. However, in the current year, revenue is forecast to rise by 1.4% to £35.7 billion. An increasingly large number of client firms have required legal support to comply with changing laws and regulations in a post-EU environment.

(Ibis World, 2020)

Key Sector Statistics:



Market Size:

£3bn



Number of Businesses:

37,410



Industry Employment:

349,861



Average industry growth 2015–2020:

1.4%

(Ibis World, 2020)

Accounting & Auditing

The industry is comprised of two distinct service segments. Accounting services include the preparation of financial accounts and the generation of financial statements. Auditing services mainly involve externally reviewing a company's financial statements in order to guarantee their accuracy. External audits account for approximately 58.5% of industry revenue. Industry participants also provide internal auditing services, which are mainly carried out for the benefit of management. Over the five years through 2019-20, industry revenue is expected to grow at a compound annual rate of 2.2% to reach £5.7 billion. Growth has been supported by generally strong levels of business capital expenditure throughout the period 2014-2019.

(Ibis World, 2019)

Key Sector Statistics:



Market Size:

£6bn



Number of Businesses:

7,670



Industry Employment:

49,041



Average industry
growth 2014–2019

3.7%

(Ibis World, 2019)

Tax Consultants

The Tax Consultants industry includes operators that provide personal and business income tax returns, offer tax advisory services and non-legal representation before tax authorities. The industry has a medium level of concentration, with the four largest players having a combined market share of 61.2%, due to the Big Four accounting firms' dominance in the United Kingdom. Over the five years through 2019-20, industry revenue is expected to grow at a compound annual rate of 3.1%, reaching £4.7 billion. This is the result of generally favourable operating conditions that include a fall in the unemployment rate, a rise in the number of businesses operating in the United Kingdom and rising business capital expenditure.

(Ibis World, 2020)

Key Sector Statistics:



Market Size:

£5bn



Number of Businesses:

8,717



Industry Employment:

31,115



Average industry
growth 2015–2020

3.1%

(Ibis World, 2020)

Bookkeeping

Firms in the Bookkeeping industry record commercial transactions on behalf of companies and other organisations. Small and medium-sized firms are vital markets for the industry, accounting for over 50% of revenue. Over the past five years (2015-2020), declining business confidence and falling profitability across UK businesses have had an adverse effect on the industry. The client base for industry operators has contracted, with many businesses increasingly seeking to conduct bookkeeping activities in-house. Industry revenue is expected to fall at a compound annual rate of 1.1% over the five years through 2020-21, to approximately £3 billion.

(Ibis World, 2020)

Key Sector Statistics:



Market Size:

£3bn



Number of Businesses:

4,989



Industry Employment:

31,840



Average industry
growth 2015–2020

1.1%

(Ibis World, 2020)

Activities of head offices; management consultancy activities

Financial Management

The industry includes operators that provide advice on accounting systems and financial strategy. Major demand markets for the industry include the financial services, manufacturing and public sectors. Over the five years through 2019-20, industry revenue is estimated to decrease at a compound annual rate of 0.5% due to uncertainty since the EU referendum, regulatory change and technological advancements. Uncertainty stemming from the EU referendum resulted in subdued business confidence and consolidation activity. This uncertainty provided some opportunities as some services are countercyclical. This contributed to a 6.1% growth in revenue in 2016-17, as businesses required advice from financial management firms.

(Ibis World, 2020)

Key Sector Statistics:



Market Size:

£6bn



Number of Businesses:

10,170



Industry Employment:

22,947



Average industry
growth 2015–2020

0.5%

(Ibis World, 2020)

Management Consultants

The Management Consultants industry covers a broad range of consulting services, including strategic and organisational planning, marketing, IT, human resource consulting and business process management. Over the five years through 2019-20, industry revenue is expected to grow at a compound annual rate of 2.8%, including growth of 4.5% in 2020, to reach £55.5 billion. This growth is anticipated to be largely driven by the rising demand for IT consulting services.

(Ibis World, 2020)

Key Sector Statistics:



Market Size:

£55bn



Number of Businesses:

170,076



Industry Employment:

439,874



Average industry
growth 2015–2020

2.8%

(Ibis World, 2020)

Public Relations & Communication Activities

The Public Relations and Communication Activities industry has performed well over the past five years (2015-2020). Operators in the industry provide public relations and communications advice, advice on reputation management, advice on branding and marketing, and campaigning. Demand for public relations (PR) and communication services depends on a company's marketing budget, which is affected by business confidence. Industry revenue has been affected by fluctuating business confidence levels and government capital expenditure over the period 2015-2020 and is expected to grow at an average compound annual rate of 3.8% over the five years through 2019-20.

(Ibis World, 2020)

Key Sector Statistics:



Market Size:

£3bn



Number of Businesses:

5,445



Industry Employment:

29,467



Average industry
growth 2015–2020

3.8%

Architectural and engineering activities; technical testing and analysis

Architectural Activities

The Architectural Activities industry involves designing and planning for buildings, urban areas and landscape. Architects also supervise the construction of buildings. Industry revenue is expected to increase at a compound annual rate of 1.1% over the five years through 2019-20 to £7.7 billion. Demand is heavily affected by trends in construction activity. Residential construction activity has been resilient over the period, aided by government initiatives introduced to stimulate the housing market and resilient consumer spending, particularly over 2017-18 when the industry recorded 10% growth.

(Ibis World, 2020)

Key Sector Statistics:



Market Size:

£8bn



Number of Businesses:

17,225



Industry Employment:

98,699



Average industry
growth 2015–2020

1.1%

(Ibis World, 2020)

Consultant Engineering Services

The Consultant Engineering Services industry's revenue is expected to decline at a compound annual rate of 0.2% over the five years through 2020-21 to £53.9 billion. However, this decline is mainly the result of a 9% fall in revenue in the current year. Depressed business investment and subdued construction activity following the outbreak of COVID-19 (coronavirus) have threatened demand for industry services. Nevertheless, strong infrastructure construction activity, such as electricity and telecommunications infrastructure construction, has supported industry revenue over the period of the pandemic.

(Ibis World, 2020)

Key Sector Statistics:



Market Size:

£59bn



Number of Businesses:

80,325



Industry Employment:

392,415



Average industry
growth 2015–2020

3.0%

(Ibis World, 2020)

Scientific research and development

Biotechnology

The Biotechnology industry investigates, develops and capitalises on the commercial applications of biological manipulation. It is fast becoming a prominent part of the UK life science sector, alongside pharmaceutical and medical technology firms. The convergence of these three technologies is making it increasingly difficult to identify the boundaries between them. The industry is heavily reliant on funding from investors. Still, the government also offers significant assistance, as it sees great prospects for growth that other sectors in the economy could greatly benefit from. Industry revenue is expected to increase at a compound annual rate of 6.7% over the five years through 2019-20 to £12.6 billion.

(Ibis World, 2020)

Key Sector Statistics:



Market Size:

£12bn



Number of Businesses:

932



Industry Employment:

56,982



Average industry
growth 2014–2019

6.7%

(Ibis World, 2019)

Advertising and Market Research

Advertising Agencies

The Advertising Agencies industry's revenue is expected to fall at a compound annual rate of 0.7% over the five years through 2020-21, due largely to the significant influence of the COVID-19 (coronavirus) pandemic. Over most of the period 2015-2020, rising advertising budgets aided demand for industry services. Growth eased somewhat from 2016-17 onwards as economic concerns associated with the EU referendum forced businesses to become cautious when considering marketing budgets. High inflationary pressures also constrained household incomes, although consumer spending remained resilient to the industry's benefit. Major events like the 2016 Olympic and Paralympic Games and the 2018 FIFA World Cup continued to raise demand.

(Ibis World, 2020)

Key Sector Statistics:



Market Size:

£25bn



Number of Businesses:

16,560



Industry Employment:

109,200



Average industry
growth 2015–2020

4.2%

(Ibis World, 2020)

Other professional, scientific and technical activities

Photographic Activities

The Photographic Activities industry offers professional photography services, including video recording, to private consumers and businesses. Revenue is expected to rise at a compound annual rate of 1.2% over the five years through 2019-20 to almost £1.7 billion. Growth has been supported by the rising marriage rate, partly due to the same-sex marriage legislation that came into force in England and Wales in March 2014. Rising advertising activity also propelled demand. Major events such as the three general elections during the period and the 2016 EU referendum further enhanced demand. However, revenue expansion slowed from 2016-17, as economic turbulence following the EU referendum hampered business demand.

(Ibis World, 2020)

Key Sector Statistics:



Market Size:

£2bn



Number of Businesses:

8,474



Industry Employment:

18,013



Average industry
growth 2015–2020

1.2%

(Ibis World, 2020)

Specialised Design Activities

The industry is segmented into four distinct areas: graphic design, interior design, industrial design and fashion design. Industry revenue is anticipated to rise at a compound annual rate of 0.9% over the five years through 2020-21 to reach £7.2 billion. Revenue grew strongly during 2015-16, thanks to robust advertising spending propelling demand for interior and industrial design services. Strong growth in online expenditure continued to drive demand during most of the period. However, revenue growth eased in 2016-17, as economic uncertainty following the EU referendum forced businesses to tighten their spending budgets, limiting advertising activity and threatening the graphic design market.

(Ibis World, 2020)

Key Sector Statistics:



Market Size:

£8bn



Number of Businesses:

23,098



Industry Employment:

57,123



Average industry
growth 2015–2020

4.5%

(Ibis World, 2020)

Veterinary activities

The Veterinary Services industry provides medical advice and treatment for farm animals and pets. Rising pet ownership over the past five-year period has boosted demand for industry services. An expansion in the range of services and the growing popularity of pet insurance has also supported growth. Additionally, the law making the microchipping of dogs compulsory in 2016 is expected to have contributed to growth. However, demand from farms has remained restricted, and the cattle population has declined slightly over the period. Nevertheless, tightening health and safety regulations relating to meat products have supported the industry.

(Ibis World, 2020)

Key Sector Statistics:



Market Size:

£4bn



Number of Businesses:

7,063



Industry Employment:

70,394



Average industry
growth 2015–2020

4.6%

(Ibis World, 2020)

2.2 Technological Innovations

Technology is evolving at a faster pace than ever, and this is changing not only the services clients offer but also the way they use professional services.

Digitisation & Automation

Digital technologies may be the biggest disruptor of all. Advancements across platforms, including social media, mobile devices, cloud, big data and AI, are collectively progressing the industry through automation, speed of delivery and enhanced customer services.

There are mixed views on whether technology advancements create opportunity or threat for professional services, with concern emerging that AI could replace employment opportunities in the future.

It will be important for firms in the industry to embrace these changes to ensure their future in the market of 2020 and beyond. Traditional services models are becoming a thing of the past. The demands of more complex clients are forcing the traditional consultancies to expand—creating new opportunities for smaller, more nimble players.

Technology will continue to play a huge part in the way the market looks and feels and could create huge opportunities for those who can adapt quickly or even get ahead of the curve.

(TEK Systems, 2019)

2.3 Government Regulations & Initiatives

UK Business Support Mechanisms

The UK government and devolved administrations have been developing and announcing a range of measures to support the economy, businesses and workers through the COVID-19 crisis.

(Pinsent Masons, 2020)

The list of Business Support Mechanisms is cited below:

- COVID-19 Corporate Financing Facility (CCFF)
- Coronavirus Business Interruption Loan Scheme (CBILS)
- Coronavirus Large Business Interruption Loan Scheme (CLBILS)
- Coronavirus job retention scheme
- Term Funding Scheme with additional incentives for SMEs (TFSME)

- Small Business Grant Fund (SBGF)
- Coronavirus Business Support Grants (Scottish Scheme)
- Future Fund
- ESFA post-16 provider relief scheme
- Bounce Back Loans scheme
- Trade Credit Insurance
- Statutory Sick Pay
- General Taxation - Time to Pay
- Insurance
- Companies House
- Mortgage Holidays
- Deferred VAT payments
- Self Employed Income Support Scheme
- Reform of Insolvency law



3

MARKET DYNAMICS: DRIVERS & INDUSTRY CHALLENGE

Legal and Accounting Activities

Legal Activities

While in the short term the M&A market is expected to be subdued in an environment of depressed business activity, contingent upon a gradual economic recovery from the current pandemic crisis, a pick-up in business sentiment and M&A deal-making is expected to support demand for legal services in future. A rise in property transactions is also expected to contribute to revenue. However, during the coronavirus reality, the Crown Prosecution Service has announced that only high-priority cases will be heard in the short term. Closures of law offices because of the outbreak have affected all industry operators.

(Ibis World, 2020)

Accounting & Auditing

Growth in the number of UK businesses, rising business capital expenditure and higher volumes of corporate transactions are expected to drive industry expansion. Particularly, there is more clarity regarding trade arrangements once the United Kingdom leaves the European Union. On the other hand, temporary tax deferment, regulatory changes, and government support packages for businesses amid coronavirus have resulted in significant challenges for preparers of financial statements, audit committees and auditors. Despite auditors and accounting firms being exposed to greater risk, due to the difficulties of obtaining evidence, performing audit testing and reviews, and making judgements on inventory and tax payments, the FRC emphasised on 16 March 2020 that it is 'concerned that the current situation should not undermine the delivery of high-quality audits.

(Ibis World, 2019)

Bookkeeping

As the economic crisis triggered by the coronavirus forces many businesses to close permanently, the industry's client base is expected to shrink, negatively affecting revenue and profitability.

Business profit is expected to plunge during 2020, deterring new businesses from entering the industry. On top of that, the coronavirus crisis has accelerated the trend of businesses moving towards online bookkeeping.

While in the short term, the number of UK enterprises is anticipated to fall due to weak business confidence. As the economy tentatively returns to growth in the medium term, an improvement in business profit levels may slowly start to reduce business closures and increase business formations. This will boost the potential number of businesses that industry participants can market their services, expanding the industry's client base.

(Ibis World, 2020)

Tax Consultants

A report published by Consultancy.org, an online platform for the global advisory and consulting industry, on 15 April 2020, stated that the coronavirus outbreak has resulted in clients in the consultancy market scaling back spending, and consultants' order books have suffered as a result.

Demand for industry services is expected to be affected by changes to tax regulation and rates. Over the next five years (2020-2025), the number of businesses in the UK is anticipated to increase, resulting in a larger potential client base for the industry.

However, due to businesses seeking to limit risk in the face of post-referendum and trade negotiations uncertainty, a projected decline in business capital expenditure is expected to constrain industry revenue growth.

(Ibis World, 2020)

Activities of head offices; management consultancy activities

Financial Management

Demand for cash flow and cost management services are anticipated to increase as firms seek to lower-cost bases amid the pandemic.

Demand for accounting system design and financing and investment strategy from the financial sector is anticipated to fall over 2020 as M&A activity stagnates.

Demand from the public sector is expected to rise sharply as the government attempts to allocate health workers and resources as efficiently and effectively as possible.

Regulatory changes resulting from the UK's exit from the European Union, and thus its legal system, are likely to support demand for financial management consultants. Growing competition from software that can manage finances is expected to lead to more companies setting up in-house financial management divisions.

(Ibis World, 2020)

Management Consultants

Demand for management consultancy is expected to drop in the short term due to the closure of the majority of non-essential businesses across the United Kingdom in the context of the COVID-19 crisis.

UK consultants have reported a significant reduction in fees, with many sectors reducing their consulting expenditure in the short term. However, some firms could benefit from restructuring services as firms adjust to new operating conditions.

Several downstream sectors, such as financial services, manufacturing, health care and energy, have been significantly affected by the pandemic. There is now a greater opportunity for the industry to provide services to clients to help them understand the pandemic's economic impact and plan their strategies going forward.

The industry is expected to continue growing over the period 2020-2025. Once the terms of the future trading relationship between the United Kingdom and the European Union become clearer, businesses will have more clarity over trade arrangements and legislation. A rising number of companies are anticipated to seek industry services in order to adapt to a post-EU regulatory environment. Demand for IT consulting is anticipated to rise over the period and remain highly important to revenue generation.

(Ibis World, 2020)

Public Relations & Communication Activities

Demand for industry services from several sectors has fallen due to reduced budgets. The majority of clients have cancelled events due to the stay-at-home order. Demand from the consumer goods sector has been worst affected.

Industry operators have reported increased demand for events in the future after the coronavirus health crisis, with many large firms focused on recovery in the coming months.

Although there is some uncertainty with regards to the state of the economy and the future trade relationship between the United Kingdom and the European Union, a return to stability once negotiations are finalised is expected to benefit the industry. The increasingly fragmented nature of the media landscape, the proliferation of social media networks, and the importance of new technology are expected to shape the industry over 2020-2025.

(Ibis World, 2020)

Architectural and engineering activities; technical testing and analysis

Architectural Activities

Over the next five years, the industry is expected to grow at a quicker pace. Institutional building construction activity is expected to rise, supported by investment in health-care facilities and educational buildings, which is likely to improve demand for industry services. Furthermore, once the economy is more certain after the UK's exit from the European Union, investment and confidence are likely to improve, aiding construction activity and spending and thus supporting industry services. However, if the outcome of the UK's exit negotiations is unfavourable, the economy, and in turn, the industry could suffer greatly, limiting growth.

(Ibis World, 2020)

Consultant Engineering Services

Following the UK lockdown announcement, a large number of construction companies closed sites to review their operating procedures and protect the health of their workers. This is expected to negatively affect demand for industry services.

The public sector is one of the largest downstream markets for the industry. Disruptions brought about by the coronavirus outbreak are anticipated to delay important decisions surrounding the implementation of nationally significant infrastructure projects. The government's highest priority remains the everyday management of the coronavirus crisis.

Nonetheless, ongoing government commitments to fund the development of education and health-care facilities via long-term capital procurement frameworks should counterbalance falling demand from private real estate market clients.

(Ibis World, 2020)

Scientific research and development

Biotechnology

On 4 February 2020, £20 million of funding was made available for COVID-19 research by the UK Research Institute and the Department for Health and Social Care. Projects will contribute to the understanding, diagnosis, prevention and management of the virus. The funding was in addition to the £20 million awarded to the Coalition for Epidemic Preparedness Innovations. Funding and grants are expected to boost research initiatives in 2020.

Demand for human health products is expected to boom over 2020 as companies rapidly research and develop antibody testing kits and search for a vaccine for COVID-19.

Following a virtual G20 summit in March 2020, the UK government pledged an additional £210 million of funding, bringing in the total to £544 million, to find a vaccine. The new funding was also announced to accelerate the production of rapid tests and treatments for the virus, supporting industry demand and revenue.

(Ibis World, 2019)

Advertising and Market Research

Advertising Agencies

Industry operators have indicated a decrease in business prospects during the crisis. Several sectors have reported reduced advertising spend as firms restructure their operations, greatly reducing budgets and spending.

Demand from fast-moving consumer goods industries has exhibited a steep decline, with many firms reducing their advertising budgets. Revenue from the automotive and electronic goods markets has also been adversely affected.

(Ibis World, 2020)

Other professional, scientific and technical activities

Photographic Activities

Industry activity is expected to have come to a halt in March 2020, as social distancing and lockdown measures introduced to tackle the coronavirus pandemic froze the UK economy.

Numerous events that would normally require the services of professional photographers have been cancelled. For instance, many UK universities have announced that spring graduation ceremonies will be cancelled, and many weddings are being postponed. This will deprive industry enterprises of a major source of revenue.

As the coronavirus outbreak causes massive disruptions across all sectors of the economy, business confidence is expected to plummet in the short term, negatively affecting demand for industry services.

(Ibis World, 2020)

Specialised Design Activities

Demand from advertising agencies, which typically employ specialised designers on a freelance or per-job basis, is expected to dive, as many business clients and other organisations put advertising projects on hold in response to the coronavirus.

Revenue in the interior design services segment, which is largely dependent on trends in the housing market, is anticipated to fall markedly in 2020, as market disruption caused by the pandemic has seen construction activity fall and property developers scale back plans for new real estate ventures.

Falling industry revenue during 2020 may in part be mitigated by higher demand from online-based retailers, which have benefited from high website traffic during the lockdown. Operators in the fashion design segment are expected to experience lower revenue declines compared to those in other industry segments.

(Ibis World, 2020)

Veterinary activities

Revenue is anticipated to decline marginally over 2020 as veterinary practices only remain open for emergency care and maintain food supply chains. According to an April 2020 survey by the Royal College of Veterinary Surgeons, weekly turnover reduced by 75% for 25% of practices and halved 66% of practices.

Despite remaining open to provide essential care and treatment for pets and production animals, veterinary practices **are not eligible for business rates relief or other financial support offered by the government for businesses affected by COVID-19**. The British Veterinary Association has warned that numerous practices may not survive unless the government grants them access to funding and assistance.

(Ibis World, 2020)

4

COMPETITIVE LANDSCAPE

Clients need more flexible service models.

The professional services market is changing, from what clients expect good service to look like to how they engage with services companies.

Against a backdrop of rapid digitisation and a shift toward cloud-based technologies and Agile methodologies, clients today expect ‘more value, a higher quality of work, and a faster delivery of solutions and services’, according to a survey of 576 executives by Deltek (a global provider of software and information solutions). This demands that clients own strategic change rather than be driven by tactical change. These heightened demands are emphasised in the survey, with 89% of services executives stating that “they had expanded services offerings significantly for clients [in recent years]”.

Graeme Adams, delivery manager for TEKsystems, suggests that some notable client changes in the U.K. services market include:

Partnership working

Shared outcomes are agreed upon between clients and third-party service suppliers with joint accountability in place to help both sides achieve successful delivery. These partnership models replace rigid in-house or fully outsourced service models.

Service customisation

These are increased tailored and flexible service models to suit agile ways of working and evolving project requirements better than traditional, inflexible linear service contracts. This blended and flexible service approach is required to navigate the fast pace of change in modern service delivery, equipping clients to scale or switch technical capabilities across their project life cycles on demand.

SME thought leadership

More clients expect professional services companies to bring SME industry expert leadership that helps build their overall technology strategy and positively influences technology communities.

Strategic partnerships are the future

These changing behaviours challenge traditional packaged service models and encourage companies to move toward a value-orientated, solutions-based approach underpinned by a strategic partnership.

Many companies still rely on their people’s expertise as a key differentiator. However, because of the pace of change and the fact that consultants tend to move jobs more regularly, it is more critical than ever for companies to put client outcomes at the heart of their strategies to stay ahead.

A competitive challenge to traditional consultancies

The level of competition in certain markets is also becoming more increasingly intense overtime each year. According to a survey by Nubik, “80% of [executives] said they had noticed [this increase in] competition in the last 12 months (from 2018 to 2019)”.

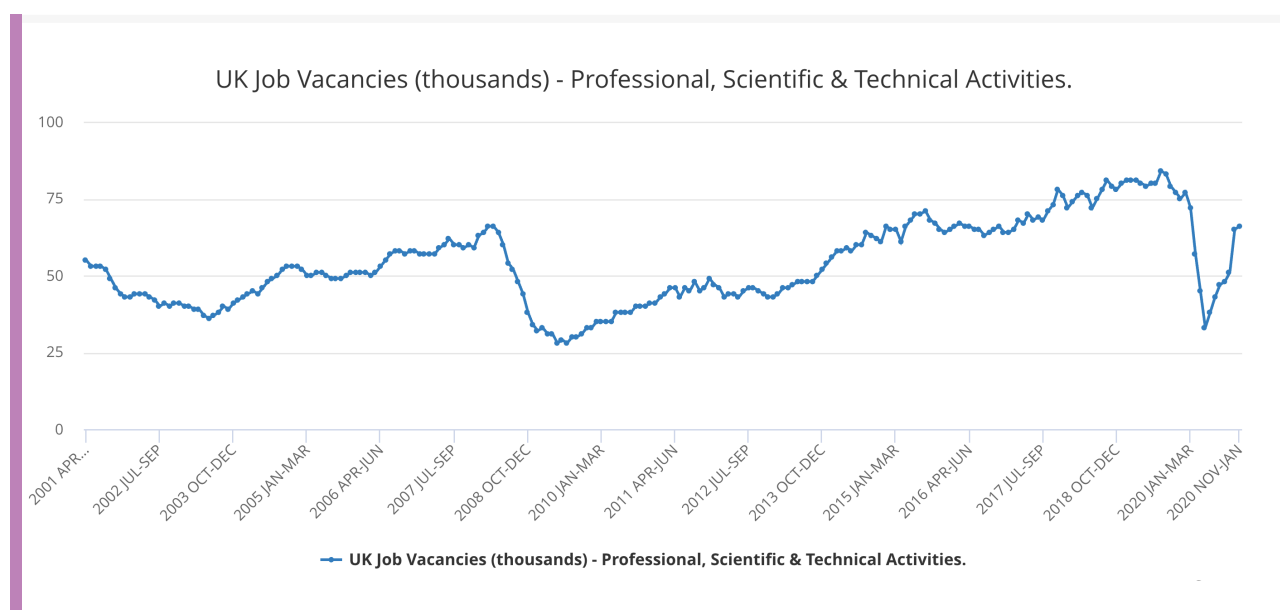
Although the big four—PwC, Deloitte, EY and KPMG—still hold a sizeable market share, these firms are no longer enjoying the monopoly they once had and are increasingly challenged by smaller competitors who offer unique alternatives to traditional consultancies. These smaller firms also offer considerable price advantages resulting from lower operating costs and practice agility. A client can choose ‘a la carte’ services from a selection of these smaller consultancies, which also offer considerable price advantages from lower operating costs and agility in their practices.

(TEK Systems, 2019)

5 RECRUITMENT CHALLENGES & FACTS

Industry Employment Data

UK Job Vacancies (thousands) - Professional, Scientific & Technical Activities
(ONS, 2020)



Challenges for Professional Services Organisations:

Human capital management and employee profitability

One of the most important KPIs for professional services organisations is **billable utilisation**—usually calculated as an employee's hours spent on billable client work divided by the number of hours in the workweek. While 75% utilisation is considered a minimum target, the best performing services firms can average 80% or higher, according to SPI's professional services sector maturity research. Maintaining high utilisation of employees drives higher billings, revenue and profits. Yet tracking and measuring billable utilisation poses challenges for many professional services organisations.

Another challenge around utilisation is how fast professional services organisations can take an employee from being a new hire to becoming a profitable and productive resource. Shortening that timeframe is key to boosting revenue and profitability.

(Oracle & Netsuite, 2019)

Inefficient Resource Management

Mission-critical staffing decisions need to be made with accurate, up-to-date resource utilisation and skills data. Unfortunately, many professional services organisations still manage their resources using spreadsheets. Spreadsheets are used to determine who is available to be staffed to which projects and pick among the available resources. While the spreadsheet may seem efficient, it is not effective. The issues inherent in the spreadsheet approach become even more evident as an organisation grows. While you might be able to manage the staffing process challenges for a ten-person professional services organisation using spreadsheets, it quickly becomes unwieldy when the organisation doubles or triples in size.

A more effective way to do this is by using PSA software and the following resource management best practices and processes.

With a modern cloud-based PSA solution, project managers and the staffing team all have access to the same real-time data on resource availability so that everyone will know who is available and who is not.

(Oracle & Netsuite, 2019)



6

KEY FINDINGS SUMMARY

The activities under the Professional Scientific & Technical activities industry is divided into seven divisions:

- Legal, Accounting Bookkeeping & Auditing
- Management Consultancy & activities of Head Offices
- Architectural and Engineering,
- Scientific Research & Development
- Advertising and Market Research,
- Other Professional Scientific & technical activities
- Veterinary Activities

(ONS, 2016)

Competition

The level of competition in certain markets is also becoming more increasingly intense overtime each year. Although the big four—PwC, Deloitte, EY and KPMG—still hold a sizeable market share, these firms are no longer enjoying the monopoly they once had and are increasingly challenged by smaller competitors who offer unique alternatives to traditional consultancies. These smaller firms also offer considerable price advantages resulting from lower operating costs and practice agility.

(TEK Systems, 2019)

Recruitment Challenges

- Human capital management and employee profitability
- Inefficient Resource Management

(Oracle & Netsuite, 2019)

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INDUSTRY
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