At the source: Though competition is high, growth will return as business activity picks up
About this Industry

Industry firms provide advice and assistance to businesses and other organizations for structuring human resource and personnel policies, employee benefits, compensation systems, wage and salary administration, recruitment and retention. This industry does not include companies that provide professional and management development training or those that list employment vacancies and place applicants in employment.

Main Activities

The primary activities of this industry are:
- Providing compensation-planning services
- Providing personnel management assessment
- Providing actuarial consulting services
- Structuring employee benefits
- Assessing organization development
- Providing employee assessments
- Providing advice for recruitment and retention

The major products and services in this industry are:
- Actuarial consulting
- Compensation and benefits consulting
- Human resources management consulting
- Other

Similar Industries

54161 Management Consulting in the US
These operators provide advice and assistance to businesses on management issues, such as organizational planning, financial planning and budgeting and marketing objectives.

54162 Environmental Consulting in the US
These operators provide advice and assistance to businesses on environmental issues, such as controlling pollution, toxic substances and hazardous materials.

54169 Scientific & Economic Consulting in the US
These operators provide advice and assistance to businesses on scientific and technical issues, such as agricultural consulting, chemical consulting and safety consulting services.

Additional Resources

For additional information on this industry:
www.humanresources.org
National Human Resources Association

www.shrm.org
Society for Human Resource Management

www.workforce.com
Workforce Management
Industry at a Glance
HR Consulting in 2013

Key Statistics
Snapshot
Revenue $26.0bn
Annual Growth 08-13 0.8%
Annual Growth 13-18 3.3%
Profit $2.5bn
Wages $16.8bn
Businesses 82,527

Market Share
Aon Corporation 8.7%
Marsh & McLennan Companies Inc. 4.8%
Towers Watson 4.0%

Key External Drivers
Number of employees
Corporate profit
External competition
Demand from health and medical insurance

Products and services segmentation (2013)
49.1% Human resources management consulting
29.2% Compensation and benefits consulting
17.3% Other
4.4% Actuarial consulting

Industry Structure
Life Cycle Stage Mature
Revenue Volatility Medium
Capital Intensity Low
Industry Assistance None
Concentration Level Low
Regulation Level Light
Technology Change Low
Barriers to Entry Low
Industry Globalization Medium
Competition Level High

FOR ADDITIONAL STATISTICS AND TIME SERIES SEE THE APPENDIX ON PAGE 29
Industry Performance

Executive Summary

In the five years to 2012, revenue for the HR Consulting industry is expected to increase at an annualized 0.3%, totaling $24.8 billion. Human resource (HR) management has become more important as the US economy becomes more service oriented, putting emphasis on employee relations and benefits. Recent industry growth has been stifled by the recession, though, which limited corporate profit and clients' ability to pay for consulting services. Furthermore, high unemployment has reduced the demand for some industry services, including advice on recruitment and retention and on employee relations and communication. In light of recent improvements in the economy, rising corporate profit and a strengthening labor market are expected to increase industry revenue 2.1% in 2012.

In addition to weakened demand in 2009 and 2010, the industry has faced increased competition from other industries over the past five years. Consulting firms that have traditionally served finance and accounting clients are beginning to offer more HR-related services. As a result, the industry has experienced a period of consolidation as firms join forces or acquire other players to be more competitive. For example, two high-profile mergers took place in 2010: Aon Consulting Worldwide merged with Hewitt Associates to form Aon Hewitt, and Towers Perrin and Watson Wyatt merged to form Towers Watson. As a result of consolidation, the number of firms operating in the industry is projected to decline 0.7% annually on average to an estimated 81,784 in the five years to 2012.

In the five years to 2017, industry revenue is forecast to increase at an average 3.5% per year to $29.5 billion. As corporate profit and the labor market continue to recover, more companies will return to HR consultants for advice on recruitment and retention; employee relations and communication; and determining optimal workplace hours, attendance, pay and benefits. Over the next five years, large industry operators will turn to overseas markets and expand their service offerings to encourage growth. Continued competition with other industries, however, will likely limit profitability. Nonetheless, in 2017, profit margins are forecast to represent 9.9% of industry revenue, up from 9.7% in 2012.

Key External Drivers

**Number of employees**
Growth in the number of people US businesses employ will increase the demand for services related to health and benefits, retirement and compensation issues. This driver is expected to increase slowly over 2013 and is a potential opportunity for the industry.

**Corporate profit**
A rise in corporate profit will increase the number of businesses that can afford consulting services. This driver is expected to increase over 2013.

**External competition**
This industry faces competition from other industries, such as the Human Resources and Benefits Administration industry (IBISWorld report 56111). An increase in competition will weigh on industry revenue and profit. This driver is expected to increase over 2013 and represents a potential threat for the industry.
Industry Performance

Key External Drivers continued

Demand from health and medical insurance
A rise in demand for health and medical insurance will increase industry revenue. As firms hire more employees that seek health and medical insurance, companies will seek HR consulting guidance on employee benefits planning. This driver is expected to increase over 2013.

Current Performance
Companies seek the aid of human resource (HR) consultants for a variety of services, from employee relations to compensation and benefits consulting. Over the past decade, the business community has increasingly embraced the added value that HR consultants provide, boosting industry revenue. During 2012, HR management has become more important to businesses, as corporate profit grows and the number of employees rises due to improvements in the US economy. Other factors, such as an increase in demand for health and medical insurance, have made HR consultants increasingly relevant to the corporate sector. Consequently, IBISWorld estimates that revenue for the HR Consulting industry has increased at an average annual 0.3% to $24.8 billion in the five years to 2012.

The recession’s effect
The need to effectively manage staff, strategies, processes, administration and organization rarely wanes, regardless of economic conditions. However, industry growth slowed during the recession as corporate profit fell, and many businesses were forced to cut back on professional services, including HR consulting. Consequently, industry revenue growth slowed in 2008, declined in 2009 and remained relatively flat in 2010.

Keeping the industry afloat, regulatory issues related to employee benefit plans has continued to stimulate demand for industry services. Furthermore, the industry provides some countercyclical services, including those related to large-scale corporate layoffs. Industry firms have helped companies reduce labor costs by offering consultation in regard to the type and size of layoffs. Growth in this market has had a
Industry Performance

The recession’s effect continued

mitigating effect on declines over the past five years, with more corporations seeking the advice of HR consultants in regard to the layoff process.

An increase in corporate profit and improvement in the labor market are expected to boost revenue 2.1% in 2012. Growth in corporate profit will equip businesses with more money to spend on professional services. Meanwhile, an increase in the number of employees in the United States will bolster demand for general HR consulting services, which include benefits consulting and human capital management. The industry also benefits from its large client base; nearly all US industries use HR consultants. In particular, the financial services sector, insurance companies, government entities and healthcare companies provide a major market for industry services and contribute to a large portion of revenue. These industries have enjoyed a strong recovery since the recession, which has increased their demand for HR consultants.

Consolidation and profit

This industry is primarily composed of a large number of small players, with many firms operating on a local basis. IBISWorld estimates that more than three-fourths of firms operating in this industry are self-employed individuals. Other nonindustry consulting firms, including financial service consulting firms and consulting firms associated with accounting, technology and IT, have increasingly expanded their services to include HR services over the past five years, often by merging with or acquiring HR consulting firms. Consequently, the HR Consulting industry has recently consolidated, a factor evidenced by two major mergers in 2010. In January 2010, major players Towers Perrin and Watson Wyatt merged to form Towers Watson. Then, in October 2010, major players Aon Consulting Worldwide and Hewitt Associates merged to form Aon Hewitt. Such acquisitions have caused the number of firms operating in the industry to decline at an annualized rate of 0.7% to 81,784 in the five years to 2012.

Overall, this consolidation has caused an increase in industry profitability over the past five years as operators take advantage of economies of scale. IBISWorld estimates that industry profit will represent about 9.7% of industry revenue in 2012, up from 9.2% in 2011. Despite overall profit growth, many firms faced reduced margins in 2009 and 2010 due to an increase in price competition. Furthermore, external competition from similar industries, such as the Human Resources and Benefits Administration industry (IBISWorld report 56111), has persisted over the past five years, further reducing industry demand and profitability. Many businesses have opted to use these competitors because they generally operate as an outsourced HR department and provide a range of services, including payroll.
## Industry Performance

### Limited profit growth

As the economy slowed and companies’ revenue dried up, many consulting firms reduced staff numbers. Because of decreased demand for services in 2009, HR consulting firms were able to operate with fewer employees. As a result, employment has declined marginally from 201,554 in 2007 to 201,188 in 2012. Recent growth in demand for HR consulting services, however, has encouraged firms to begin hiring again. Wages have decreased as a proportion of industry revenue over the past five years, falling from 65.9% in 2007 to an estimated 65.0% in 2012. The decline in wages is largely attributable to the industry’s reduced number of employees. As demand for consulting services decreased, average employee salaries increased because the number of employees declined at a faster rate than wages. The average wage for a consultant in the industry is estimated at $80,069, which is considerably higher than the average US salary.

### Employment and wage growth slow

In the five years to 2017, IBISWorld estimates that revenue for the HR Consulting industry will increase at an annualized rate of 3.5% to $29.5 billion. As the economy improves and more employees return to the workforce, more companies will return to HR consultants for advice on recruitment and retention; employee relations and communication; and determining optimal workplace hours, attendance, pay and benefits. During the five years to 2017, the largest firms in this industry are expected to increasingly turn to overseas markets for expansion as the economy becomes more globalized, further increasing domestic industry revenue. Similarly, HR consultants will increasingly provide their services to growing industries, including healthcare providers. Firms will also market their ability to handle complex labor issues, highlighting economic risk and volatility as a reason for using their services. Furthermore, rising corporate profit will give clients additional flexibility in choosing whether or not to use the industry’s services. In 2013, corporate profit is expected to rise 3.3%. IBISWorld estimates that this increase will contribute to industry revenue growth of 4.7% to $26.0 billion during the same year.

## Industry Outlook

In the short term, profit margins are expected to improve as demand increases. Industry profit will also rise as companies that consolidated over the past five years continue to take advantage of economies of scale. A greater number of industries competing for outsourced HR work, however, will limit industry profit growth in the five years to 2017. Competition with the Human Resources and Benefits Administration industry (IBISWorld report 56111) is expected to increase, along with the threat from traditional consulting firms branching out into HR-specific services. This trend, which has occurred over the past five years, is expected to continue as more consulting firms associated with finance, accounting, technology and IT consulting expand their services to include HR consulting.
Industry Performance

Limited profit growth continued

Over the next five years, another factor that will limit profit growth is clients’ expectations. Clients are expected to demand increasing value for the funds spent on all types of consulting services. This factor is expected to weigh on prices while increasing the costs of services provided.

Competition revs up

In order to compete with multiservice consulting firms, industry operators will continue to merge and acquire other HR consulting firms. Consequently, the number of firms operating in the industry is expected to decline marginally, decreasing at an annualized rate of 0.6% to 79,312 in the five years to 2017. Large firms will purchase smaller firms as a means of growth and to offer a one-stop shop for their clients, a trend that has accelerated in the services sector in recent years. This trend will likely result in a growing overlap of HR, management and IT consulting firms and the services they offer.

To gain new clients and retain existing ones, firms will need to pay higher salaries as the rising expectations of clients will require longer work hours. In addition, as the industry grows, operators will look to hire more educated, high-skill workers to provide the best services possible. IBISWorld estimates that industry employment will increase at an annualized rate of 1.9% to 221,398 in the five years to 2017. During the same period, industry wages are expected to increase 3.2% annually on average to $18.9 billion. Consequently, the average industry salary is expected to rise from $80,069 in 2012 to $85,237 in 2017.
Industry Performance

**Life Cycle Stage**

The industry is growing roughly in line with the overall economy.

The industry is facing increased competition from other industries.

The industry is experiencing consolidation, with the number of firms decreasing over the last five years.

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**Key Features of a Mature Industry**

- Revenue grows at same pace as economy
- Company numbers stabilize; M&A stage
- Established technology & processes
- Total market acceptance of product & brand
- Rationalization of low margin products & brands

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**Quality Growth**

High growth in economic importance; weaker companies close down; developed technology and markets.

**Maturity**

Company consolidation; level of economic importance stable.

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**Quantity Growth**

Many new companies; minor growth in economic importance; substantial technology change.

**Decline**

Shrinking economic importance.

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**HR Consulting**

Office Supply Stores

Management Consulting

Computer Stores

Scientific & Economic Consulting

Environmental Consulting

SOURCE: WWW.IBISWORLD.COM
Industry Performance

Industry Life Cycle

This industry is Mature

The HR Consulting industry is in the mature phase of its industry life cycle. In the 10 years to 2017, the industry is forecast to grow roughly in line with the overall economy. During the period, IBISWorld estimates that the industry’s contribution to GDP, measured by industry value added (IVA), will increase at an annualized rate of 1.6%, compared with GDP annualized growth of 1.8% during the same period. While the industry has benefitted from an overall increase in business outsourcing, the recession caused many businesses to reduce spending on professional services. This factor has slowed industry growth in recent years; however, stronger growth is expected in the next five years as the number of people employed by US businesses rises, causing an increase in the demand for services related to health and benefits, retirement and compensation issues. Also, as corporate profit increases, companies will be able to spend more on HR-related services.

While the demand for HR consulting has increased in recent years, the number of competing services has minimized the industry’s growth. Industry operators have increasingly competed with operators in the Management Consulting industry (IBISWorld 54161) and the Human Resources and Benefits Administration industry (IBISWorld 56111). This additional competition has limited the profitability of firms. In order to compete, many firms have started to offer additional services, which has been a common trend across the service sector of the economy.

The industry has recently faced a period of consolidation. In the five years to 2012, the number of firms operating in this industry has declined at an annualized rate of 0.7% to 81,784, evidenced by two major mergers in 2010: Aon Consulting Worldwide and Hewitt Associates merged to form Aon Hewitt in October 2010. The move came on the heels of the January 2010 merger of Towers Perrin and Watson Wyatt, which now operate as Towers Watson. The period of consolidation is the result of the market approaching saturation, in which firms must compete for additional market share.
Products & Markets

Supply Chain | Products & Services | Demand Determinants
Major Markets | International Trade | Business Locations

**Products & Services**

Human resources (HR) management consulting
The largest service segment is human resources (HR) management consulting, which accounts for an estimated 49.1% of industry revenue in 2012. HR management consulting entails providing advice on subjects like recruitment and retention strategies. It also includes providing guidance on employee relations and communication services; industry operators may conduct attitude surveys, community outreach programs and focus on ways...
to improve management and employee communication. Consultants in this segment may give advice on personnel policies and procedures, such as determining optimal workplace hours, attendance, pay, benefits and the level of supervision. Services also include organizational development, which may entail conducting staff training and career development, succession planning, performance management and employee assessments. With increased restructuring activity during the recession, demand for HR management consulting rose in the past five years. In 2007, the segment accounted for 48.2% of industry revenue.

**Compensation and benefits consulting**

Compensation and benefits consulting generates about 29.2% of industry revenue. This type of consulting work entails providing advice and guidelines on determining base salary or hourly wages, fringe benefits and incentive compensation. This also includes revenue from designing executive compensation, incentive and bonus plans, as well as determining termination packages. Additionally, as part of compensation and benefits consulting, industry operators will often compare the effect of wage and salary versus pay-for-performance programs. This segment also includes providing advice on profit-sharing and savings plans, early retirement proposals, evaluation, performance appraisals and rating systems. Demand for compensation and benefits consulting has increased over the past five years due to increased employee layoffs and company reorganization. In 2007, this segment accounted for an estimated 28.6% of the industry’s revenue.

**Actuarial consulting**

Actuarial consulting accounts for only about 4.4% of revenue, according to IBISWorld estimates. Actuarial consulting is assessing the risk of certain events occurring and helping to create policies for businesses and clients to minimize the cost of the risk. Actuaries analyze the probability and likely cost to a company in the event of an employee disability, sickness, injury, death or loss of company property. Actuaries will also address financial matters, such as how a company should invest resources to maximize its return on investment. Demand for actuarial consulting has risen over the past five years as companies in corporate finance, investment banking, business management and healthcare have increasingly began using their services. Actuarial consulting accounted for about 4.2% of industry revenue in 2007.

**Other**

Other services provided by the industry include advising on long-term business strategies and designing custom computer applications. This segment also includes retained executive search services and advising on corporate restructuring. Corporate restructuring services have declined as a share of industry revenue in 2012 due to a decrease in the number of business bankruptcies. This countercyclical service thrived in 2008 when business bankruptcies grew 58.3% during the year, as firms sought guidance on the type and size of corporate layoffs in an attempt to reduce labor costs.
Products & Markets

Demand Determinants

The demand for HR Consulting is primarily linked to budgetary resources for business and government clients. Budget resources are affected by corporate profit, business confidence and government investment. A rise in corporate profit is expected to increase the number of companies that can afford consulting services. As such, demand for this industry’s services is linked to the level of economic activity in the United States. With reduced business confidence and corporate profit, businesses will typically reduce their spending levels. Since a portion of the industry’s services may be considered discretionary, demand for these services is adversely affected by economic slowdown.

Government investment in HR consulting partly depends on the level of government investment in consultant services. Proposed cuts in government spending at the federal and state levels have resulted in increased scrutiny concerning the amount spent on HR consulting. As a result of government concerns about budget deficits, industry operators must prove that the value of their services is worth the money spent on them.

Additionally, demand for HR consulting is positively correlated with employment levels in the United States. Since revenue from clients typically depends on their respective level of employment, reduced employment levels will likely cause lessened demand for services related to structuring compensation, benefit plans and healthcare and retirement packages. In some instances, however, HR consulting can be slightly countercyclical to the effect that consultants are hired to improve a company’s profitability by restructuring employee compensation packages to improve worker productivity.

Major Markets

Companies across all sectors of the United States use HR consultant services; however, the primary users tend to be professional businesses, such as insurance companies, financial firms, healthcare practices, technology companies and other professional service industries. The industry also provides services to governmental agencies and nonprofit institutions. According to the Society for Human Resource Management, about 83.0% of companies
Outsource HR services; these are generally small to medium-size firms.

**Financial service & insurance**
One of the industry’s largest markets is financial service providers, generating about 18.0% of the industry’s revenue. According to Consulting Times, the share of revenue spent by firms in the financial services sector on outsourced consulting services increased significantly from the mid-1990s to the mid-2000s. Demand from this market was strong prior to the recession because this market has also undergone a significant amount of restructuring, which mitigated losses for many operators. Another large financial market for industry services is insurance companies, which are estimated to account for about 14.0% of industry revenue in 2012. Insurance companies had relatively stable growth during the recession because they provide largely nondiscretionary services.

**Healthcare**
Healthcare practices are a growing source of revenue for the industry. Revenue generated from healthcare practices accounts for an estimated 10.0% of revenue. The healthcare market is primarily composed of hospital management and pharmaceutical companies. Healthcare science and technology are rapidly expanding frontiers, even as economic and financial pressures reduce profit margins, intensify competition and constrain the funds available for investment. This changing environment is encouraging healthcare companies to hire HR consultants to aid in restructuring employee compensation and benefits packages.

**Government**
Public-sector clients generate an estimated 12.0% of the industry’s revenue. Industry operators provide compensation analysis and review employee recruitment and retention strategies. Due to proposed federal and state budget cuts, demand from this sector is expected to decrease during the next five years as discretionary spending from this sector comes under increased scrutiny.

**Other**
Firms in the HR Consulting industry serve nearly every other industry in one way or another. Many consultants specialize in serving very specific segments of the market in order to differentiate their services. Consequently, a significant portion of industry revenue is generated from other industries. IBISWorld estimates that other markets generate 29.0% of industry revenue.

Given that the HR Consulting industry is a service-based industry, there is no international trade within the industry. Globalization has been on the rise, however, due to demand from clients with international operations. (For more information, please refer to the Industry Globalization section).
Products & Markets

Business Locations 2013

Additional States (as marked on map)
1. VT 0.1
2. NH 0.2
3. MA 4.9
4. RI 0.2
5. CT 2.6
6. NJ 4.7
7. DE 0.2
8. MD 2.7
9. DC 2.2

Revenue (%)
- Less than 3%
- 3% to less than 10%
- 10% to less than 20%
- 20% or more

SOURCE: WWW.IBISWORLD.COM
The distribution of HR consultants in the United States is primarily related to population levels. Additionally, industry operators are more likely to be located in regions that have large urban areas where there is a greater level of business activity and, thus, a higher demand for consulting services.

The majority of industry revenue is generated in the Mid-Atlantic region, with 19.3% of the industry’s establishments located in the region and accounting for 22.9% of revenue. The Mid-Atlantic has about 15.6% of the nation’s population, making it an attractive destination. Furthermore, consultants establish their operations in this region in order to capitalize on a close proximity to businesses and the clients from the federal government. Many HR consultants reside in Washington DC for these reasons, and New York is a major hub for the financial sector, so relative industry operators choose to locate near these major finance clients. New York alone accounts for an estimated 8.5% of the nation’s revenue.

The Southeast accounts for the second-highest share of industry revenue. In 2012, industry operators located in the region produced an estimated 20.3% of revenue for the HR Consulting industry; however, the region’s share of industry operators exceeds the amount of revenue that it generates. The Southeast has the highest share of industry establishments, estimated at 24.1% in 2012. The primary reason for this disparity is the greater number of operators with smaller operations that, hence, generate a smaller share of revenue.

The Great Lakes is another major hub; the region generates 16.7% of the industry’s revenue. Operators are most likely to locate in Illinois, which generates about half of the region’s revenue alone. Chicago is a major financial center and, thus, a major destination for industry operators. Furthermore, the Great Lakes region has about 15.1% of the nation’s population.

The West is another major region for the industry. In 2012, the region...
Business Locations continued

accounts for 15.6% of revenue and has 15.9% of industry establishments. California alone produces 12.8% of revenue, which is the highest for any state in the nation. Industry operators are most likely to locate in large urban centers in Los Angeles, San Francisco and the Silicon Valley.
In 2012, IBISWorld estimates that the four largest firms in the HR Consulting industry will generate less than 20.0% of industry revenue. The industry is primarily composed of a large number of small players, with nearly three-fourths of firms employing fewer than 5 people.

Over the past five years, the industry has faced increasing competition from general management consulting firms, many of which have acquired or started HR consulting branches, which increased market share. For example, Aon Consulting Worldwide and Hewitt Associates merged to form Aon Hewitt in October 2010. Similarly, Towers Perrin and Watson Wyatt merged in January 2010 to form Towers Watson.

As a result of such acquisitions, the number of firms operating in this industry has declined at an annualized rate of 0.7% to 81,784 companies in the five years to 2012.

Enterprises by employment size (2013*)

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<th>No. of employees</th>
<th>Share (%)</th>
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<tr>
<td>5 to 9</td>
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<td>7.0</td>
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<tr>
<td>20 to 99</td>
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<tr>
<td>Total</td>
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*Estimate

SOURCE: US CENSUS BUREAU AND IBISWORLD

The cost structures of firms in this industry vary depending on a variety of factors, including the types of services offered, the types of clients served and the size of an organization. Firms that offer a wider variety of services can generally serve larger clients because many corporations prefer to work with one service organization rather than multiple companies. Similarly, the size of an organization can limit a firm’s ability to serve the larger high-value clients from which operators typically derive significant profit.

Profit

IBISWorld estimates that industry profit, measured by earnings before interest and taxes, will represent about 9.7% of industry revenue in 2012, up from 8.4%...
in 2007. Although many firms experienced lower margins in 2009 and 2010 due to increased price competition, margins have increased overall due to industry consolidation. Over the five years to 2017, however, competition from similar industries, such as the Human Resources and Benefits Administration industry (IBISWorld 56111), is expected to limit profit growth.

**Wages**
Representing about 65.0% of industry revenue, wages are the industry’s largest cost. HR consulting firms employ highly educated individuals who command high salaries. In 2012, the industry’s average wage is estimated at more than $80,000. In spite of this factor, wages have declined as a proportion of revenue over the past five years; in 2007, wages represented 65.9% of industry revenue. This fall is largely due to declining demand during 2009 and 2010, which resulted in layoffs among some industry operators.

**Other**
HR consulting firms also have costs associated with rent, utilities, depreciation and purchases. These costs are relatively small and tend to fluctuate little over time. Industry operators also incur a variety of other costs, which represent about 11.8% of industry revenue. These costs include travel, telecommunications and other professional services, such as accounting and legal services.
Competitive Landscape

Basis of Competition

The HR Consulting industry has a high level of competition, with about 81,784 companies competing in the industry in 2012. Competition within the industry is primarily based on a company’s knowledge, skills and expertise and its ability to meet clients’ budget and expectations.

Internal competition
Firms within the industry face a degree of price-based competition. When economic activity declines and corporate profit margins decrease, companies have less revenue for HR consulting services. As a result, price competition typically intensifies during recessions. The large number of operators in the industry leads to a greater degree of price-based competition.

Competitors in the industry also compete on the basis of reputation. Over time, a company will develop a reputation for the effectiveness of its compensation and benefits structuring for employees. The company’s reputation is the biggest selling point for HR consultants, particularly for larger players in the industry.

External competition
In addition to competing with other HR consultants, the industry has also faced rising competition from accounting, information systems, technology and financial services firms. Some of these industries provide HR consulting as an adjunct to other primary services. Because these companies can offer HR consulting as part of a package deal, the industry has faced rising external competition, which has increased the degree of price competition for the industry.

Additionally, industry operators face competition from similar industries, such as the Human Resources and Benefits Administration industry (IBISWorld 56111). These competitors operate as an outsourced HR department and provide a wide range of services, including payroll.

Barriers to Entry

The HR Consulting industry has low barriers to entry. There are low start-up costs to opening a HR consulting firm and there is little regulation of the industry. Furthermore, the industry is highly fragmented, and although there are a significant number of operators, there is a low level of market share concentration. The top four companies in the industry generate less than 20.0% of the industry’s revenue.

The most significant barrier to entry is the specialized knowledge required for industry operators. There is relatively little capital investment required to enter the industry as it is service industry. Because the industry is labor intensive, hiring employees with a high degree of specialized knowledge is one of the primary barriers to entry.

The operations of smaller firms tend to be focused on a geographic region or niche specialty. On the other hand, larger firms have a greater capacity due to a worldwide network of offices that can provide services on a global basis. Also, larger HR consulting firms that have global operations can service companies with international offices, giving them a competitive advantage.

Reputation is an important consideration for clients when choosing a human resources consulting firm, thus new entrants will have a difficult time attracting clients without name brand recognition and a history of success. In general, firms entering the industry cannot expect to compete with large-scale operators, particularly for high-value clients.
Competitive Landscape

Barriers to Entry continued

Once a firm enters the industry, barriers to success are much higher. Developing a client list that can provide a regular workflow can present a significant challenge for new industry operators, given the high degree of competition within the industry. As such, companies may require a preexisting reputation or relationship with a stable client base.

Barriers to Entry checklist

<table>
<thead>
<tr>
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<th>Level</th>
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<tbody>
<tr>
<td>Competition</td>
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<tr>
<td>Concentration</td>
<td>Low</td>
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<tr>
<td>Life Cycle Stage</td>
<td>Mature</td>
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<tr>
<td>Capital Intensity</td>
<td>Low</td>
</tr>
<tr>
<td>Technology Change</td>
<td>Low</td>
</tr>
<tr>
<td>Regulation &amp; Policy</td>
<td>Light</td>
</tr>
<tr>
<td>Industry Assistance</td>
<td>None</td>
</tr>
</tbody>
</table>

SOURCE: WWW.IBISWORLD.COM

Industry Globalization

The HR Consulting industry has a medium level of globalization. Since HR Consulting is a service industry, there is no international trade within the industry. However, the majority of the larger companies in the industry have international operations in order to provide a higher level of service to clients with global operations. Aon Corporation, the largest player in the industry, has operations in 120 countries throughout Europe, Latin America and the Asia-Pacific region. Another major player, Marsh & McLennan, operates in the Americas, Europe and Asia and has 52,000 employees across over 100 countries.

Level & Trend

Globalization in this industry is Medium and the trend is Increasing.
Started in 1940, Hewitt Associates provides outsourced HR and consulting services to businesses around the world. In October 2010, Aon Consulting Worldwide acquired Hewitt, and the merged company became Aon Corporation. Headquartered in Chicago, the company has 59,000 employees in more than 500 offices across 120 countries. It provides human capital and management consulting services. In 2013, the share of total revenue derived from operations within the US market is about 34.0%. The remainder came from operations in Europe, Canada, Latin America and the Asia-Pacific region.

Aon Corporation’s HR Solutions segment advises clients on health and benefits, retirement, compensation and strategic human capital issues. As a result of Hewitt’s recent acquisition, recent financial performance is not directly comparable with previous years. The company’s US HR solutions segment grew 107.5% in 2010 as a result of the acquisition and is expected to grow an additional 25.1% in 2013.

Hewitt initially started as an actuary services provider. Prior to its acquisition, the company had three business segments: benefits outsourcing, HR business process outsourcing and consulting. Relating to the Human Resources and Benefits Administration industry (IBISWorld 56111), the benefits outsourcing segment allowed clients to outsource the management and administration functions of HR. It also provided a variety of services, including those related to benefits, retirement and health insurance administration. While the company still offers these services, they have been merged with Aon’s consulting operations. Prior to the merger with Hewitt, Aon’s primary businesses were risk and insurance brokerage services and HR consulting.

**Aon Hewitt (US HR Solutions) – financial performance**

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue ($ million)</th>
<th>(% change)</th>
<th>Operating Income ($ million)</th>
<th>(% change)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>611</td>
<td>0.5</td>
<td>94</td>
<td>-2.1</td>
</tr>
<tr>
<td>2009</td>
<td>570</td>
<td>-6.7</td>
<td>91</td>
<td>-3.2</td>
</tr>
<tr>
<td>2010</td>
<td>1,183</td>
<td>107.5</td>
<td>41.1</td>
<td>-54.8</td>
</tr>
<tr>
<td>2011</td>
<td>1,786</td>
<td>51.0</td>
<td>114.2</td>
<td>177.9</td>
</tr>
<tr>
<td>2012</td>
<td>1,860</td>
<td>4.1</td>
<td>98.3</td>
<td>-13.9</td>
</tr>
<tr>
<td>2013*</td>
<td>2,326</td>
<td>25.1</td>
<td>98.8</td>
<td>0.5</td>
</tr>
</tbody>
</table>

*Estimate
Major Companies

Player Performance

Aon was also already the leading intermediary of primary risk insurance and reinsurance. After the merger between Aon and Hewitt, Aon Hewitt became the largest HR consulting and outsourcing firm in the United States.

Financial performance
In the five years to 2013, revenue from Aon’s US HR solutions is expected to increase at an annualized rate of 30.7% to about $2.3 billion; the majority of this growth has been the result of the Hewitt acquisition in October 2010. Organic growth, on the other hand, has not been so robust. Despite an increase in the number of clients, Hewitt’s organic revenue growth was stifled by a decline in the amount of actual volume of work that it completed.

Marsh & McLennan

Marsh & McLennan is a global professional services firm, providing advice and solutions in the areas of risk, strategy and human capital. The company has 52,000 employees throughout 100 countries across the Americas, Europe and Asia. The US market accounts for about 45.0% of total revenue.

Marsh & McLennan primarily operates in the HR Consulting industry through its wholly owned subsidiary, Mercer Consulting. Mercer Consulting was founded as a consulting group that specialized in leadership and design of organizational change. The company now provides consulting for retirement, health benefits, rewards, talent and communications, outsourcing and investment consulting and management.

Some of its largest clients include Bristol-Myers Squibb, Corning Inc. and The New York Times Company.

Financial performance
IBISWorld estimates that the segment’s HR-related revenue will increase at an average annual 0.3% in the five years to 2013 to reach $1.2 billion. In spite of this growth, Mercer experienced a decline in operating income. In 2010, the segment’s operating income declined about 68.5% due to a litigation settlement with the Alaska Retirement Management Board for work performed between 1992 and 2004. In 2011, revenue and operating income recovered, growing 360.7% to $129.0 million, largely due to improved performance in the health and benefits segment. Because the company is widely

Mercer Consulting (US HR segment) – financial performance*

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue ($ million)</th>
<th>Operating Income ($ million)</th>
<th>% change</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>1,184</td>
<td>122</td>
<td>8.9</td>
<td>-8.3</td>
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<tr>
<td>2009</td>
<td>1,082</td>
<td>89</td>
<td>-8.6</td>
<td>-27.0</td>
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<tr>
<td>2010</td>
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<td>28</td>
<td>1.5</td>
<td>-68.5</td>
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<tr>
<td>2011</td>
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<td>129</td>
<td>6.0</td>
<td>360.7</td>
</tr>
<tr>
<td>2012</td>
<td>1,180</td>
<td>134</td>
<td>1.4</td>
<td>3.9</td>
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<tr>
<td>2013</td>
<td>1,200</td>
<td>135</td>
<td>1.7</td>
<td>0.7</td>
</tr>
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</table>

*Estimates

SOURCE: ANNUAL REPORT AND IBISWORLD
Towers Watson is a global services firm that provides HR-related consulting. The firm offers services related to employee benefits, talent management, rewards, and risk and capital management. The company is headquartered in New York and has about 14,000 employees across 38 countries, with operations in the Americas, Europe, Africa, the Middle East and the Asia Pacific. The Americas market accounts for about 49.0% of the company’s global revenue for HR-related services.

Towers Watson was created in January 2010 from a merger between Watson Wyatt and Towers Perrin. Prior to the merger, the two firms had been leaders in the field of HR consulting. Towers Watson’s HR-related operations include the benefits segment and the talent and rewards segment. These two operating segments together accounted for 76.0% of the total revenue in 2011. The company also offers a risk and financial services segment that provides services for risk and consulting software, investment consulting and insurance brokerage.

Towers Watson primarily operates in this industry through the benefits segment, which represented 59.0% of the company’s 2011 revenue. The benefits segment has four lines of business: retirement; health and group benefits; technology and administration solutions; and international consulting group. The company also operates in this industry through its talent and rewards segment, which includes executive compensation; rewards, talent and communication; and data, surveys and technology. This segment accounted for 17.0% of the company’s revenue in 2011.

**Financial performance**

In the five years to fiscal 2013, revenue from Towers Watson’s US-specific HR segment is expected to increase at an annualized rate of 21.0% to $1.17 billion. Towers Watson has grown at an accelerated rate over the past five years, mostly due to the merger between Watson Wyatt and Towers Perrin. This fast growth was particularly evident in fiscal 2010, when the company’s segment revenue grew 117.9%. The

### Towers Watson (US HR-related segment) – financial performance

<table>
<thead>
<tr>
<th>Year*</th>
<th>Revenue ($ million)</th>
<th>% change</th>
<th>Net Income ($ million)</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-08</td>
<td>531</td>
<td>18.3</td>
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<tr>
<td>2008-09</td>
<td>452</td>
<td>-14.9</td>
<td>52</td>
<td>-16.1</td>
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<tr>
<td>2009-10</td>
<td>985</td>
<td>117.9</td>
<td>77</td>
<td>48.1</td>
</tr>
<tr>
<td>2010-11</td>
<td>915</td>
<td>-7.1</td>
<td>72</td>
<td>-6.5</td>
</tr>
<tr>
<td>2011-12</td>
<td>994</td>
<td>8.6</td>
<td>84</td>
<td>16.7</td>
</tr>
<tr>
<td>2012-13</td>
<td>1,165</td>
<td>17.2</td>
<td>95</td>
<td>13.1</td>
</tr>
</tbody>
</table>

*Year-end June; **Estimate Source: Annual Report
There is a large number of nonemployer firms in the industry, many of which operate on a local or regional basis. IBISWorld estimates that 80.9% of all enterprises accounted for in this industry are nonemployer firms. Similarly, an increasing number of firms in the Management Consulting industry (IBISWorld 54161) have started offering HR consulting services over the past decade. Other management consulting firms that offer financial and business strategy consulting are now offering HR consulting services, making it convenient for firms to sell these additional HR consulting services to their current clients.

Proportion of revenue generated by HR-related work, however, declined in 2011. This decline was largely the result of rising demand for the company’s risk and financial services products during the year.
Operating Conditions

Capital Intensity

The HR Consulting industry has a low level of capital intensity. In 2012, for every dollar spent on wages, the industry is estimated to invest $0.03 on capital. Capital intensity has increased very slightly over the past five years. In 2007, the average industry operator spent $0.029 on capital for every dollar spent on labor. This is largely because during the recession demand for industry services declined and, consequently, many consulting firms reduced their staff numbers. Between 2007 and 2012, industry employment decreased at an average annual rate of 0.04%. Although employment declined slightly, the industry is still highly labor intensive. Wages as a share of revenue amount to 65.0%. Labor costs are representative of the high level of education and experience required for HR consultants. The consultation

Tools of the Trade: Growth Strategies for Success

New Age Economy
Recreation, Personal Services, Health and Education. Firms benefit from personal wealth so stable macroeconomic conditions are imperative. Brand awareness and niche labor skills are key to product differentiation.

Investment Economy
Information, Communications, Mining, Finance and Real Estate. To increase revenue firms need superior debt management, a stable macroeconomic environment and a sound investment plan.

Old Economy
Agriculture and Manufacturing. Traded goods can be produced using cheap labor abroad. To expand firms must merge or acquire others to exploit economies of scale, or specialize in niche, high-value products.

Change in Share of the Economy

SOURCE: WWW.IBISWORLD.COM

Capital Intensity

Level
The level of capital intensity is Low

Capital intensity
Capital units per labor unit
0.5
0.4
0.3
0.2
0.1
0.0

Economy Professional, Scientific and Technical Services HR Consulting

Dotted line shows a high level of capital intensity
SOURCE: WWW.IBISWORLD.COM
Operating Conditions

Capital Intensity continued

The HR Consulting industry has a moderate level of revenue volatility. Demand for this industry’s services is primarily linked to employment levels in the United States as well as corporate profit. When there is work, which may be of use to employees in similar circumstances on the web. Web design is a burgeoning area and consultants’ sites are increasingly sophisticated, often used as a forum for delivering content to clients and potential clients as a free service. Another area of technological change has been improved software to protect industry operators from internet security threats. Given that HR consultants have access to sensitive client information, industry operators have increasingly invested in advanced security software to mitigate the risk of these security breaches.

Technology & Systems

Level

The level of Technology Change is Low

There has been a low level of technological change in the Human Resources Consulting industry over the past ten years. The industry is highly labor-intensive and, as a result, depends primarily on the professional and technical expertise of its employees rather than on technological innovation. The majority of technological change has centered on improving speed and connectivity between human resource consulting firms and their clients. Furthermore, some major firms have invested in a global intranet system that places reports, techniques and knowledge gained from consultancy work, which may be of use to employees in similar circumstances on the web. Web design is a burgeoning area and consultants’ sites are increasingly sophisticated, often used as a forum for delivering content to clients and potential clients as a free service. Another area of technological change has been improved software to protect industry operators from internet security threats. Given that HR consultants have access to sensitive client information, industry operators have increasingly invested in advanced security software to mitigate the risk of these security breaches.

Revenue Volatility

Level

The level of Volatility is Medium

The HR Consulting industry has a moderate level of revenue volatility. Over the five years to 2012, year-on-year revenue changes averaged 3.1% annually. Demand for this industry’s services is primarily linked to employment levels in the United States as well as corporate profit. When there is

A higher level of revenue volatility implies greater industry risk. Volatility can negatively affect long-term strategic decisions, such as the time frame for capital investment. When a firm makes poor investment decisions it may face underutilized capacity if demand suddenly falls, or capacity constraints if it rises quickly.

* Axis is in logarithmic scale
### Revenue Volatility

Robust economic activity and employment and corporate profit are rising there is typically a higher level of demand for industry services. Therefore, demand for this industry’s services is linked to the economic cycle. However, there is some counter-cyclical growth during recessionary periods, as there is a higher number of layoffs and restructuring activity which can increase the demand for this industry’s services. The price of industry services has risen at an average annual rate of 1.0% over the five-year period. However, the majority of price increases occurred prior to the recession. Within the last two years, the price of industry services fell 0.05% per year on average due to heightened price-based competition among industry operators.

### Regulation & Policy

The HR Consulting industry has a low level of regulation. There is no federal regulation specifically aimed at the industry, instead the industry is largely self-regulated. Furthermore, there are no specific licensing requirements for industry operators or their employees. However, there are a number of certification programs available for employees in the field to become certified human resource consultants. The Society for Human Resource Management offers two levels of certification including the Professional in Human Resources and the Senior Professional in Human Resources. In addition, human resource consultants have obligations to maintain the security and privacy of client information with legal repercussions should the information be disclosed.

### Industry Assistance

The industry receives no specific industry assistance in the form of subsidies or government protection. However, there are a number of industry associations that promote the industry and provide useful research and networking opportunities for companies in the industry. One of the most prominent is the Human Resources Consultants Association.
## Key Statistics

### Industry Data

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue ($m)</th>
<th>Industry Value Added ($m)</th>
<th>Establishments</th>
<th>Enterprises</th>
<th>Employment</th>
<th>Exports</th>
<th>Imports</th>
<th>Wages ($m)</th>
<th>Domestic Demand</th>
<th>Number of Businesses With Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>21,855.7</td>
<td>18,072.6</td>
<td>86,286</td>
<td>84,922</td>
<td>198,572</td>
<td>-</td>
<td>-</td>
<td>15,690.4</td>
<td>N/A</td>
<td>7,390,000</td>
</tr>
<tr>
<td>2005</td>
<td>22,248.6</td>
<td>18,652.3</td>
<td>85,637</td>
<td>84,752</td>
<td>200,684</td>
<td>-</td>
<td>-</td>
<td>15,893.5</td>
<td>N/A</td>
<td>7,500,000</td>
</tr>
<tr>
<td>2006</td>
<td>23,230.0</td>
<td>18,807.9</td>
<td>85,577</td>
<td>84,101</td>
<td>205,916</td>
<td>-</td>
<td>-</td>
<td>15,836.5</td>
<td>N/A</td>
<td>7,600,000</td>
</tr>
<tr>
<td>2007</td>
<td>24,436.9</td>
<td>18,781.8</td>
<td>86,336</td>
<td>84,575</td>
<td>201,554</td>
<td>-</td>
<td>-</td>
<td>16,093.7</td>
<td>N/A</td>
<td>7,700,000</td>
</tr>
<tr>
<td>2008</td>
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<td>18,956.8</td>
<td>85,078</td>
<td>83,410</td>
<td>203,521</td>
<td>-</td>
<td>-</td>
<td>16,387.6</td>
<td>N/A</td>
<td>7,600,000</td>
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<td>18,244.6</td>
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<td>-</td>
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<td>81,351</td>
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</tr>
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<td>18,621.8</td>
<td>81,890</td>
<td>80,624</td>
<td>197,529</td>
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<td>-</td>
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<td>-</td>
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<td>N/A</td>
<td>7,730,000</td>
</tr>
</tbody>
</table>

### Annual Change

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue ($m)</th>
<th>Industry Value Added ($m)</th>
<th>Establishments</th>
<th>Enterprises</th>
<th>Employment</th>
<th>Exports</th>
<th>Imports</th>
<th>Wages ($m)</th>
<th>Domestic Demand</th>
<th>Number of Businesses With Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>1.9</td>
<td>-0.8</td>
<td>-0.2</td>
<td>1.0</td>
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<td>N/A</td>
<td>1.3</td>
<td>N/A</td>
<td>1.6</td>
</tr>
<tr>
<td>2006</td>
<td>4.6</td>
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<td>-0.1</td>
<td>0.8</td>
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<td>N/A</td>
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<td>N/A</td>
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</tr>
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<td>N/A</td>
<td>1.6</td>
<td>N/A</td>
<td>1.3</td>
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<td>-1.4</td>
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<td>N/A</td>
<td>1.8</td>
<td>N/A</td>
<td>-1.3</td>
</tr>
<tr>
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<td>-0.1</td>
<td>-3.8</td>
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<td>1.6</td>
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<td>0.7</td>
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<td>1.9</td>
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<td>N/A</td>
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<td>1.7</td>
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<tr>
<td>2013</td>
<td>4.7</td>
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### Key Ratios

<table>
<thead>
<tr>
<th>IVA/Revenue (%)</th>
<th>Imports/Demand (%)</th>
<th>Exports/Revenue (%)</th>
<th>Revenue per Employee ($'000)</th>
<th>Wages/Revenue (%)</th>
<th>Employees per Est.</th>
<th>Average Wage ($)</th>
<th>Share of the Economy (%)</th>
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</thead>
<tbody>
<tr>
<td>2004</td>
<td>82.69</td>
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<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>71.79</td>
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<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>65.70</td>
<td>2.39</td>
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<td>65.70</td>
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<td>N/A</td>
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<td>2.44</td>
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<tr>
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<td>N/A</td>
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<tr>
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<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
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<td>2.67</td>
</tr>
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<td>2017</td>
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<td>64.01</td>
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</table>

**Figures are inflation-adjusted 2013 dollars. Rank refers to 2013 data.**

SOURCE: WWW.IBISWORLD.COM
Jargon & Glossary

Industry Jargon

**ACTUARY** A person who analyzes the probability and likely cost to a company in the event of an employee disability, sickness, injury, death or loss of company property.

**HUMAN CAPITAL MANAGEMENT** The development of all labor-related issues, such as employment, employee assessment, compensation and improving labor relations.

**BARRIERS TO ENTRY** High barriers to entry mean that new companies struggle to enter an industry, while low barriers mean it is easy for new companies to enter an industry.

**CAPITAL INTENSITY** Compares the amount of money spent on capital (plant, machinery and equipment) with that spent on labor. IBISWorld uses the ratio of depreciation to wages as a proxy for capital intensity. High capital intensity is more than $0.333 of capital to $1 of labor; medium is $0.125 to $0.333 of capital to $1 of labor; low is less than $0.125 of capital for every $1 of labor.

**CONSTANT PRICES** The dollar figures in the Key Statistics table, including forecasts, are adjusted for inflation using the current year (i.e. year published) as the base year. This removes the impact of changes in the purchasing power of the dollar, leaving only the "real" growth or decline in industry metrics. The inflation adjustments in IBISWorld's reports are made using the US Bureau of Economic Analysis' implicit GDP price deflator.

**DOMESTIC DEMAND** Spending on industry goods and services within the United States, regardless of their country of origin. It is derived by adding imports to industry revenue, and then subtracting exports.

**EMPLOYMENT** The number of permanent, part-time, temporary and seasonal employees, working proprietors, partners, managers and executives within the industry.

**ENTERPRISE** A division that is separately managed and keeps management accounts. Each enterprise consists of one or more establishments that are under common ownership or control.

**ESTABLISHMENT** The smallest type of accounting unit within an enterprise, an establishment is a single physical location where business is conducted or where services or industrial operations are performed. Multiple establishments under common control make up an enterprise.

**EXPORTS** Total value of industry goods and services sold by US companies to customers abroad.

**IMPORTS** Total value of industry goods and services brought in from foreign countries to be sold in the United States.

**INDUSTRY CONCENTRATION** An indicator of the dominance of the top four players in an industry. Concentration is considered high if the top players account for more than 70% of industry revenue. Medium is 40% to 70% of industry revenue. Low is less than 40%.

**PERSONNEL POLICIES** A set of statements for employees that include comprehensive information about workplace rule; such as hours, attendance, pay, benefits, supervision and discipline.

**INDUSTRY REVENUE** The total sales of industry goods and services (exclusive of excise and sales tax); subsidies on production; all other operating income from outside the firm (such as commission income, repair and service income, and rent, leasing and hiring income); and capital work done by rental or lease. Receipts from interest royalties, dividends and the sale of fixed tangible assets are excluded.

**INDUSTRY VALUE ADDED (IVA)** The market value of goods and services produced by the industry minus the cost of goods and services used in production. IVA is also described as the industry’s contribution to GDP, or profit plus wages and depreciation.

**INTERNATIONAL TRADE** The level of international trade is determined by ratios of exports to revenue and imports to domestic demand. For exports/revenue: low is less than 5%, medium is 5% to 20%, and high is more than 20%. Imports/domestic demand: low is less than 5%, medium is 5% to 35%, and high is more than 35%.

**LIFE CYCLE** All industries go through periods of growth, maturity and decline. IBISWorld determines an industry’s life cycle by considering its growth rate (measured by IVA) compared with GDP; the growth rate of the number of establishments; the amount of change the industry’s products are undergoing; the rate of technological change; and the level of customer acceptance of industry products and services.

**NONEMPLOYING ESTABLISHMENT** Businesses with no paid employment or payroll, also known as nonemployers. These are mostly set up by self-employed individuals.

**PROFIT** IBISWorld uses earnings before interest and tax (EBIT) as an indicator of a company’s profitability. It is calculated as revenue minus expenses, excluding interest and tax.

**VOLATILITY** The level of volatility is determined by averaging the absolute change in revenue in each of the past five years. Volatility levels: very high is more than ±20%; high volatility is ±10% to ±20%; moderate volatility is ±3% to ±10%; and low volatility is less than ±3%.

**WAGES** The gross total wages and salaries of all employees in the industry. The cost of benefits is also included in this figure.
At IBISWorld we know that industry intelligence is more than assembling facts
It is combining data with analysis to answer the questions that successful businesses ask

Identify high growth, emerging & shrinking markets
Arm yourself with the latest industry intelligence
Assess competitive threats from existing & new entrants
Benchmark your performance against the competition
Make speedy market-ready, profit-maximizing decisions

Who is IBISWorld?
We are strategists, analysts, researchers, and marketers. We provide answers to information-hungry, time-poor businesses. Our goal is to provide real world answers that matter to your business in our 700 US industry reports. When tough strategic, budget, sales and marketing decisions need to be made, our suite of Industry and Risk intelligence products give you deeply-researched answers quickly.

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