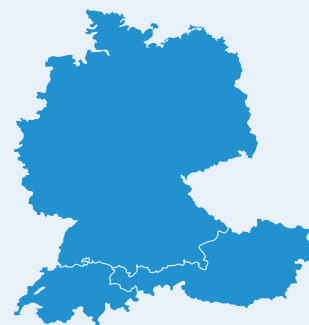


# THE DACH CONSULTING MARKET IN 2016



Including market sizing data, growth rates,  
current market trends, and forecasts

# EXECUTIVE SUMMARY



- Despite a growing sense of disquiet about the broader political and economic environment, the DACH consulting market performed well in 2015, growing by 6.3%—just 0.1% less than it grew in 2014—to reach a value of almost €8.7bn.
- Growth was highest—at 6.5%—in Germany, with Industry 4.0 driving strong demand in manufacturing. Switzerland was just behind at 5.7%, but down against its 7% rate in 2014 largely because of the removal of a cap on the franc. Austria was the comparative laggard of the group, with just 2.9% growth, impacted by slow decision making and a considerable degree of nervousness.
- For the time being, uncertainty is no longer the beast it once was for the consulting market, with consultants appearing relatively sanguine about the potential impact of a whole host of macroeconomic factors, including the migrant crisis, the polarisation of politics across Europe, the threat of Brexit and the subsequent impact on the concept of a functioning European Union, not to mention a Chinese economy that's really feeling the strain.
- Nearshoring (especially to Eastern Europe) is becoming an increasingly important mechanism for DACH consultants in their attempts to ward off the worst effects of commoditisation. Indeed, it's often seen as a much more attractive proposition than offshoring to the likes of India—thanks to geographical proximity, linguistic capabilities, and the availability of relevant sector and functional experience.
- Digitisation, much discussed for a number of years, is beginning to move into its next phase now—clients are now looking to get the ball rolling on projects they were previously only discussing, so things are finally moving from the discovery phase and towards implementation. While this certainly doesn't apply to all industries—the likes of the public sector and energy clients are somewhat slower on the uptake—most organisations are eyeing up digital not just in the front office, as a means of improving customer interaction, but also as an enabler of back office efficiency and full business model revolution, notably in the form of Industry 4.0.
- Convergence was also a big factor in the DACH market in 2015, with firms increasingly wanting to convince clients they can do everything in order to win large, much sought-after transformation projects. However, despite their desire for simplicity and accountability in working with consultants, clients remain sceptical about the idea of a one-stop shop. Consulting firms are responding to this by forming partnerships with other firms as a way of bringing together different capabilities to create the best of both worlds.
- While all industries saw growth in 2015, some industries clearly stood out from the rest. Bearing in mind that financial services and manufacturing make up more than 60% of the market, the strong growth in these areas (7.1% and 8.9% respectively)—driven by considerable change, as well as some momentum from Industry 4.0 in manufacturing—is a clear plus for the market as a whole. On the flipside, energy & resources had a comparatively slow year—not surprising given low commodity prices in 2015.
- Strategy continued to be the largest service in DACH, although technology is catching up fast with solid growth of 8.2%. But it's risk & regulation that was the fastest growing of all services (8.9%), driven by intensifying regulatory pressure and ever-growing concerns around cybersecurity.
- Although strategy firms still dominate in terms of size (representing 35% of the market, but only growing at 4.9%), the fastest growth came from the Big Four (which grew by 9.7%) and technology firms (7.8%).

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# METHODOLOGY

## Definitions

Our definition of management consulting includes a broad range of business advisory services, but excludes: tax advisory; audit; the implementation of IT systems; the delivery of outsourced/offshored services; and HR compensation/benefits administration and technology. Where mergers and acquisitions work is concerned, consulting on deals is included (under strategy), but corporate finance fees on deals themselves are generally not included although it is not always straightforward to separate the two.

For more information about how we classify consulting services and industries, please see “Definitions of industries and services”.

## Sources

Our report is based on two major sources of primary data:

### Clients of consulting firms:

We interview senior end users of consulting in DACH to help us to build up a rich picture of how trends in the consulting market are playing out within clients’ organisations. Our conversations focus on the following areas:

- **What’s driving change in their organisation**

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- **How they are using consultants**

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- **Factors that affect the way clients work with consulting firms**

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- **What they value the most—and least—about working with consultants**

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We also carry out client surveys. We surveyed 488 senior clients of consulting firms across DACH. The majority work for private sector organisations, many of which are multinationals.

Our survey asks clients similar questions about how they buy consulting services. In particular, this report draws on how they expect their expenditure on consulting services to change over 2016 and into 2017, and what initiatives they’ll be working on and how likely that is to drive consulting work. Their responses are just one of the factors that we take into account when forecasting future growth rates.

Figure 1

## Survey respondents by industry

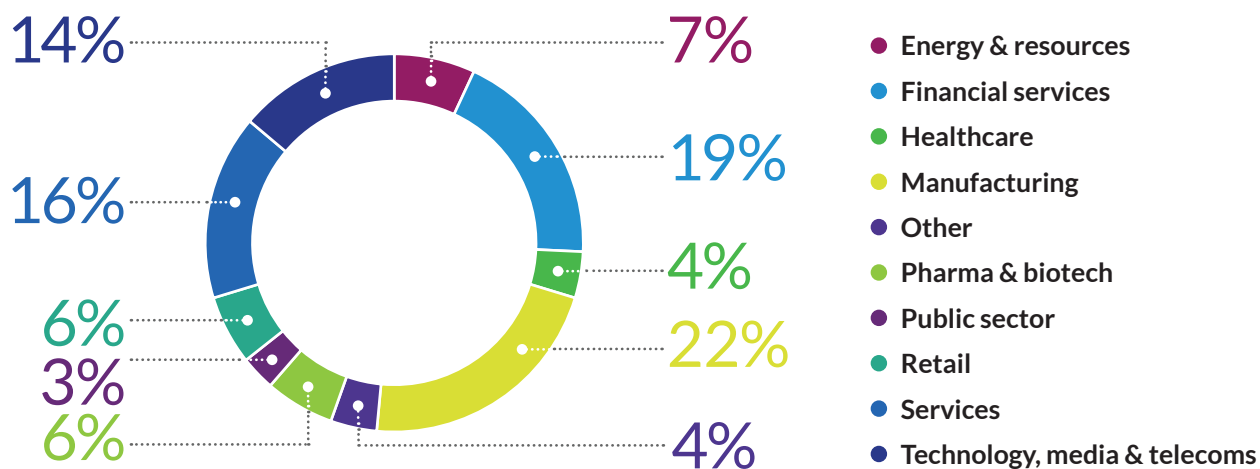


Figure 2

## Survey respondents by organisation size (revenues)

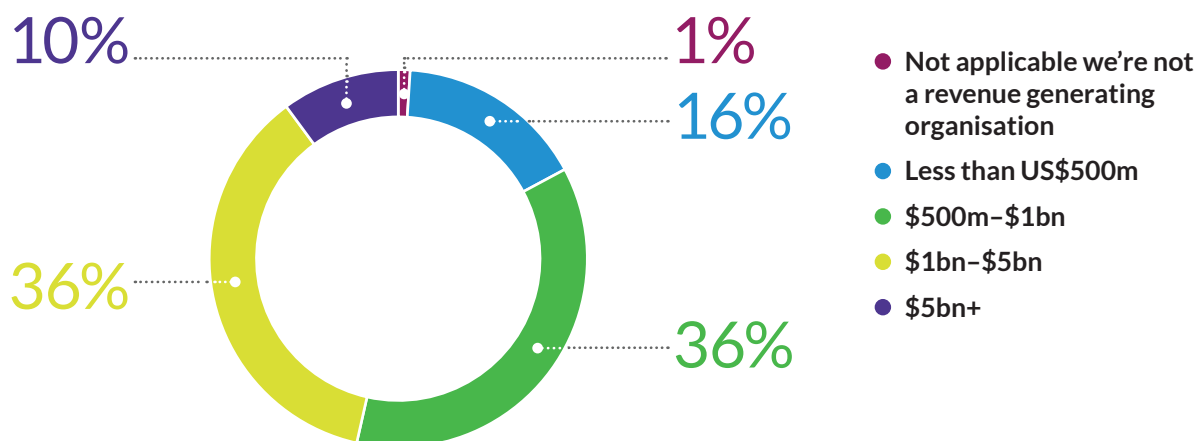
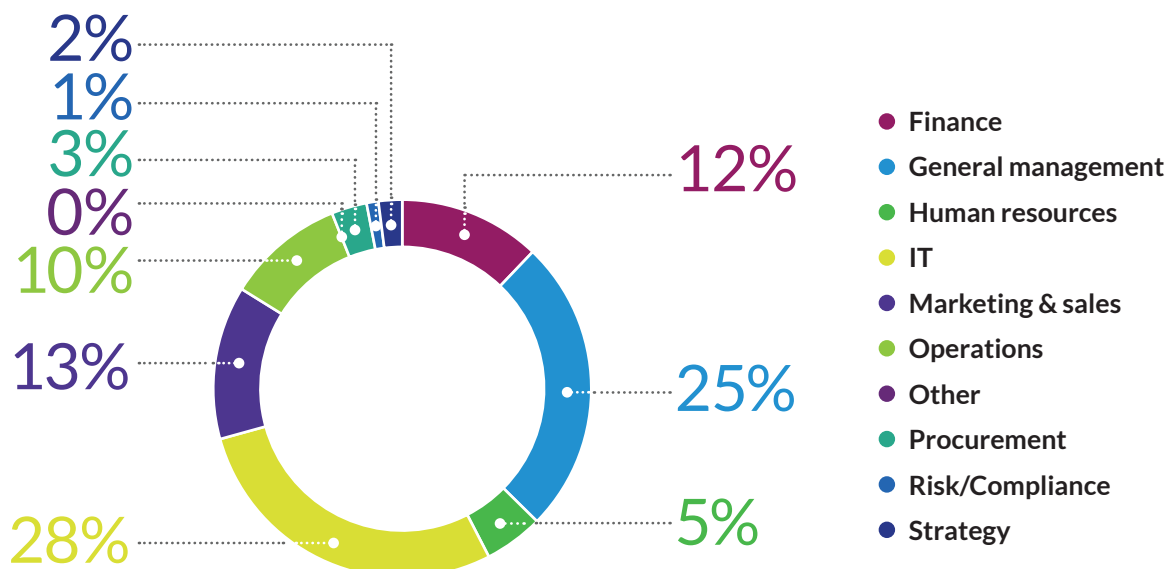


Figure 3

## Survey respondents by function



## Consulting firms:

The quantitative data contained in this report focuses on consulting done by mid- and large-sized consulting firms (those with more than 50 consultants) and typically includes work they have carried out for mid- and large-sized clients—what we at Source call “big consulting”. It therefore reflects the “addressable” market for the majority of mid- and large-sized consulting firms; we don’t try to track the long, thin tail of work done by very small firms for very small clients, nor the contractor market, as most readers of this report would not seek or be able to compete with this part of the market.

Using this definition, Source has built a bottom-up model of the global consulting market from the information we get from consulting firms and our own research, and we use it to size the industry and its growth rates. This is based on our global model which contains detailed data about almost 1,600 firms, plus higher level estimates about a further 400,000 firms, all with more than 50 consultants apiece, in addition to primary research carried out by Source analysts.

Please note that our 2014 baseline figures have changed a little since last year, as we have refined and implemented improvements to our research methods. Specifically, we slightly understated the size of the manufacturing industry due to these changes in our research methodology. We are happy to provide subscribers with a restated set of 2014 baseline figures should this be of interest.

We should emphasise that there are no standard sources of definitions of data within geographies let alone between them. We are, however, confident that the richness of our qualitative data, combined with Source’s unparalleled industry expertise, means that our analysis fairly and accurately reflects the state of the market.

All figures given in this report are in euros. For reference Source is using the following exchange rates in our reports this year:

- |                              |             |
|------------------------------|-------------|
| • US dollar to British pound | \$1 = £0.66 |
| • US dollar to euro          | \$1 = €0.88 |

In addition to our quantitative research, we interviewed 24 very senior consultants (typically the most senior person in their country) from most of the leading consulting firms in the country and many smaller local specialists to understand more about how the consulting market is performing, and what the major trends, changes, and challenges are. Throughout the year Source analysts remain plugged into the global consulting market through our bespoke research and consulting projects, adding further depth to our understanding of the consulting industry.

# Definitions of industries and services

## Industries



### Energy & resources

#### Energy

*Includes the exploration and production of energy, including oil, gas, coal, and renewables.*

#### Utilities

*Includes the delivery of electricity, gas, water, sanitation, and other related services.*

#### Primary resources

*Includes agriculture, chemicals and chemical products, commodities, forestry, fishing, metals, mining, and plastics.*



### Financial services

#### Banking

*Includes retail banking, commercial banking, and lending.*

#### Insurance

*Includes general insurance (e.g., motor, home, pets, health—anything on an annual contract), life insurance, pension products, retirement planning.*

#### Private equity

*Includes both consulting work for private equity firms and consulting work with private equity portfolio businesses.*

#### Capital markets

*Includes investment banking, trading of stocks and financial products, corporate finance, and broking.*

#### Investment and wealth management

*Includes private banking, high net-worth banking, investment management, trust funds, the management of pension funds, and asset management.*



### Manufacturing

#### Aerospace

*Includes space research and technology, the manufacture of aircraft, aircraft parts, rockets and other space equipment, and tanks and ammunition.*

#### Automotive

*Includes the manufacture of motor vehicles, industrial vehicles, and vehicle supplies and parts.*

#### Construction

*Includes surveying, architectural, and engineering services, heavy construction, house building, and the building of infrastructure.*

#### Consumer packaged goods

*Includes the manufacture of clothes, foods, alcohol, tobacco, furniture, home furnishings, cleaning products, small arms, children's toys, and sports equipment.*

#### Consumer and industrial electronics

*Includes electrical components, household and industrial appliances, commercial and professional equipment.*

#### Industrial products

*Includes industrial machinery, steel and metal products, and plastic products.*



### Pharma & biotech

*Includes research into and the production of drugs, biological products, medicinal chemicals, and life sciences.*



### Healthcare

*Includes private and publicly-funded healthcare, hospitals, laboratories, and medical equipment.*



### Public sector

#### Government

*Includes federal/national, state/regional, local government, emergency services, justice, social services, public transport, and conservation.*

#### Education

*Includes public and private schools, universities, and libraries.*

#### Defence

*Includes national security and consulting around defence issues.*



### Retail

*Includes the selling of clothes, food, consumer goods, and automobiles.*



### Services

#### Logistics

*Includes warehousing, storage, packing and crating, and distribution including cargo, freight, and haulage.*

#### Business services

*Includes services relating to law, accountancy, IT maintenance, security systems, advertising, employment agencies, and vehicle leasing.*

#### Leisure

*Includes museums, art galleries, theatre, golf courses, hotels, hospitality, travel agencies, restaurants, and bars.*

#### Real estate

*Includes estate agencies and operators of residential and commercial buildings.*

#### Transportation

*Includes private and people-related transportation, including airlines, airport management, train operators, rail infrastructure management, water transportation, courier services, and private bus services.*



### Technology, media & telecoms

#### Telecoms

*Includes telephone, mobile, digital, and other communication services.*

#### High-tech

*Includes IT related devices, computer and computer related devices, audio and video equipment, broadcasting and communication equipment.*

#### Media

*Includes radio, television and digital broadcasting stations and services as well as printing and the publishing of newspapers, periodicals, and books.*

## Services



### Financial management

*Includes finance function and budgeting/financial planning process.*



### Risk & regulatory

*Includes responding to regulation, technology and security risk services, operational risk, financial risk, programme risk.*



### HR & change management

*Includes HR strategy and effectiveness, benefits, compensation and pensions, change management, internal communications, organisational design and culture, stakeholder management, team effectiveness and collaboration, leadership and governance, performance management, talent management/training and development.*



### Operational improvement

*Includes business continuity and recovery, knowledge management, Lean and Six Sigma, property and estate management, quality and performance management, supply chain management, cost-cutting, innovation, M&A integration, managing quality, post-M&A integration, process design and re-engineering, procurement/purchasing, research and development, benchmarking, distribution strategy, environmental, sustainability and CSR, and operational review.*



### Strategy

*Includes business and financial modelling, corporate re-structuring, corporate recovery and turnaround, corporate strategy, market analysis and strategy, market research, policy formulation, strategic sourcing/offshoring strategy, due diligence and valuation, infrastructure/asset financing and management, PFI, mergers and acquisitions, customer service, new product development, branding, marketing and channel management, customer relationship management, pricing, sales force effectiveness, category management, sales and distribution planning.*



### Technology

*Includes ERP consulting, IT training, application of new technology, hardware/software selection, IT design and build, IT strategy, planning and review, IT testing and integration, management information and business intelligence, requirements definition, mobile and internet consulting, project and programme management (e.g., where consulting firm has been engaged to run a specific project that it is otherwise not involved in).*



# CONTRIBUTORS

We are extremely grateful to all the people we spoke to for making this report possible. Below is a list of the individuals who have contributed from consulting firms (some consultants choose to remain anonymous).

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Zoë leads Source's Consulting Market Programme. She has been with us since the beginning of 2012, and prior to this had more than 12 years working as a Management Consultant, firstly with KPMG where she led a number of operational improvement and post-merger integration projects, before moving on to be Head of Marketing and Internal Communications at Atos Consulting. She has also worked as an Independent Marketing Consultant at the UK Management Consultancies Association and at Xantus Consulting.





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  - Regional report: by industry, service, and firm type
  - Industry report: by sector, service, and geography
- High-level breakdown:
  - Regional report: by geography within region
  - Industry report: by sector within industry
- Discussion about the current state of, and prospects for, the consulting market:
  - Regional report: by industry, service, and firm type
  - Industry report: by sector, service, and firm type
- Analysis of the key challenges and opportunities in the market
- Feedback from clients in selected regions
- Growth forecasts

Please note that this content is subject to slight changes and amendments

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February	UK	August	India
March	Nordics	September	Brazil
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April	GCC		Energy & resources
	Benelux	October	China
May	US		Financial services
June	DACH		Healthcare
	Eastern Europe	November	South East Asia
	Russia		Technology, media & telecoms (TMT)
July	Spain		
	Italy		
	Australia		

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## About Source

Source Global Research is a leading provider of information about the market for management consulting. Set up in 2007 with offices in London and Dubai, Source serves both consulting firms and their clients with expert analysis, research, and reporting. We draw not only on our extensive in-house experience but also on the breadth of our relationships with both suppliers and buyers. All of our work is underpinned by our core values of intelligence, integrity, efficiency, and transparency.

Source was founded by Fiona Czerniawska and Joy Burnford. Fiona is one of the world's leading experts on the consulting industry. She has written [numerous books](#) on the industry including [The Intelligent Client](#) and *The Economist* books [Business Consulting: A Guide to How it Works and How to Make it Work](#) and [Buying Professional Services](#).

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