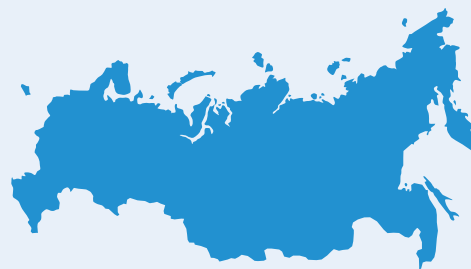


THE RUSSIA CONSULTING MARKET IN 2016



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

EXECUTIVE SUMMARY



- Thanks to the dire economic situation, with low oil prices, Western sanctions, and a collapse in the value of the rouble creating a contraction in GDP in 2015, the consulting market had another bad year. The market shrank by a further 13.7% to a mere €450m. This was on the back of a very poor 2014.
- These issues with the economy were the biggest areas of concern for consultants. The price of oil, in particular, is being tracked avidly, with the hope that a significant rise could provide a much-needed boost to the economy. However, this isn't the only issue, and even casting aside the additional impact of Western sanctions and the resulting fall in the rouble, there are deep-rooted structural problems with the economy stemming from a lack of competition and an overly dominant state.
- Client caution is inevitably a feature of this market. But reduced budgets have had the positive effect of making clients more considered in their approach to consulting spend and the way they work best with consultants. One result is a rise in more innovative pricing approaches, such as risk/reward.
- Russia's currently troubled relationship with the West, particularly in relation to sanctions, has led to tensions in the consulting market with Western firms losing out on some particularly sensitive state-sponsored work. But Western firms are certainly not alone in their suffering, as all firms are finding it hard going in this generally cautious climate. One bright spot, however, can be found in growing work around import substitution—a necessary government initiative thanks to the difficulty of importing many formerly much-relied upon Western goods.
- While all industries contracted in 2015, some industries fared worse than others. Given that financial services makes up almost 40% of the market, its 13% drop—largely owing to sanctions reducing access to capital—was particularly hard felt. Perhaps unsurprisingly, energy & resources was the worst-performing industry, mainly due to low oil prices, but the small number of players and the effect of sanctions played a part, too.
- Operational improvement and risk work, together accounting for over a third of the market, fared the best among all the service lines in Russia, as clients focused on cost cutting and meeting unavoidable regulatory requirements. Even so, these two service lines still contracted, just by less than the rest. Strategy had a particularly dreadful year, shrinking by around 16% as clients focused much more on the here and now.
- Although strategy firms still dominate in terms of size, (representing 41% of the market), the best performance came from the Big Four (which still contracted by more than 10%).
- The hope is that the bottom of the downward cycle was reached during 2015 and that 2016 might start to look a bit better. Our view is that there will still be some contraction in the market, though not of the order seen in 2015.

CONTENTS

Executive summary	2	Services	25
Methodology	4	Analyst view	26
Definitions	4	Strategy global view	28
Sources	4	Technology global view	28
Definitions of industries and services	5	Operational improvement global view	28
Contributors	7	Risk & regulatory global view	29
Russia summary	8	HR & change management global view	29
Market overview	10	Financial management global view	29
What everyone's talking about	11	Consulting firms	30
Economic woes	11	The competitive landscape	31
Oil	11	Forecast	32
Structural issues	11	A word on methodology	32
Sanctions	11	Forecasts for 2016	33
The rouble	12	Growth prospects 2016 Russia	33
The cautious (or mature?) client	12	Industries—prospects for growth 2016	33
The impact on consulting firms	13	Services—prospects for growth 2016	34
Talent	13	Firm types—prospects for growth 2016	34
Russia vs the West	14	About the author	35
The impact of sanctions	14	Consulting market programme	36
Russians, doing it for themselves	14	About Source	37
Market data	15		
Industries	15		
Analyst view	16		
Financial services global view	18		
Manufacturing global view	19		
Energy & resources global view	20		
Services global view	21		
Retail global view	22		
Technology, media & telecoms global view	22		
Public sector global view	23		
Pharma & biotech global view	24		
Healthcare global view	24		

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 quantitative and qualitative research of consulting firms in Russia. 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. Our analysts work out the addressable size of the market through desk research, identifying the number of firms that meet our criteria and extrapolating from that to reach a figure for the market as a whole.

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. 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 9 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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Mikhail Grigoryev	Partner	Strategy Partners Group
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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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Reports for different regions vary in length but the content includes:

- Overall description of the market in the region/industry
- Data for the consulting market:
 - 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

2016 Consulting Market Programme research schedule

February	UK	August	India
March	Nordics	September	Brazil
	France		Africa
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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