

THE FINANCIAL SERVICES CONSULTING MARKET IN 2016



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

EXECUTIVE SUMMARY



- Consulting to the financial services industry saw growth of 8.4% in 2015. The US and Asia Pacific were particularly strong markets, with much of western Europe (with the exception of the UK, which had a very good 2015) lagging behind. The need for greater efficiency, regulation, and the need to adopt new technology were the principal drivers behind the continuing growth of this market, leading to ever-increasing numbers of major transformation programmes across the industry.
- Brexit is proving to be far from just a UK issue; concerns about the potential impact have created widespread volatility, even in the US. Some consulting work has already been delayed due to uncertainty about what Brexit will actually mean in practice. Having said that, consulting firms are already picking up work around scenario planning and many, particularly larger firms, have built Brexit teams to enhance their positioning with worried clients. Whatever the final shape of Brexit, the disruption created will doubtless generate significant volumes of consulting work, at least in the short to medium term.
- Regulation continues to be a significant and solid source of work, though one where margins are being threatened by increasing commoditisation. While this fits well with the profile of some firms, others are finding it hard to make money and are increasingly working with clients to leverage regulation as a driver of wider and more lucrative transformation work. Cyber-risk, very much on the rise in terms of priorities for financial services clients, is one area of work clients are less likely to see as a commodity, and is proving an important area for consulting firms to demonstrate their credentials.
- There is much excitement about RegTech and the potential for this innovative use of technology to provide a “virtual compliance officer” capability to fundamentally change the way in which banks deal with requirements such as regulatory reporting. It’s a relatively new but potentially very large area of growth for consulting firms, and one they’re keen to exploit before commoditisation sets in.
- Digital remains a hot topic, and is starting to play a much greater role in supporting a cost and efficiency agenda. Artificial intelligence and robotics are coming to the fore here too, and not just in terms of how they can be applied to regulation. It’s a trend that will clearly gain momentum as organisations move forward with the digitisation of their infrastructure.
- A sharper focus on customer experience has been a big driver of consulting work, as financial services organisations find they need to raise their game thanks to advances in industries such as retail. A much more emotional connection with consumers plays a role here, and the ability of consulting firms to support the development and testing of new approaches at speed, and bring an innovative and challenging approach, is vital.
- Although the financial services consulting market is currently in robust health, there are, a number of concerns that could affect the continued growth of this major consulting market. Concerns about the stability of some huge banks, worries about the state of the global economy, and disquiet about Brexit, could derail growth, though we continue to remain positive about the short-term future of the market.

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METHODOLOGY

Sources

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

Clients of consulting firms:

We interview senior end users of consulting globally 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
- How they are using consultants
- Factors that affect the way clients work with consulting firms
- What they value the most—and least—about working with consultants

We also carry out client surveys. We surveyed 460 senior clients of consulting firms globally. One-hundred percent of these work for private sector organisations, many of which are multinationals. Eighty-eight percent of these work in organisations with revenues in excess of \$500m, and all have over 100 employees.

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 organisation size

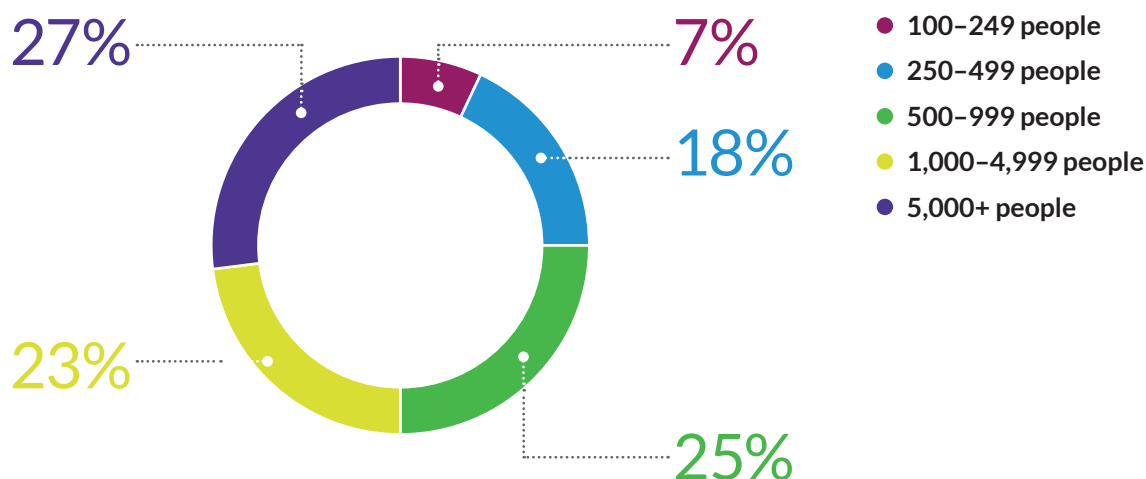
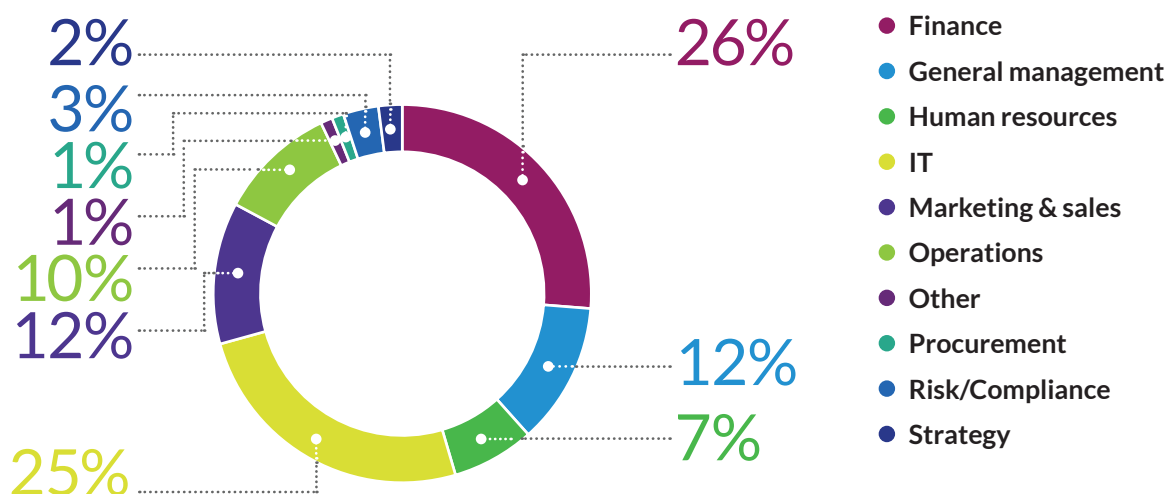


Figure 2

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. 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 2015 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 2015 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 US dollars. 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 29 very senior consultants (typically the most senior person in their country) from most of the leading consulting firms globally 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.

At the time of publication, Source had not yet completed its analysis of the financial services consulting markets in South East Asia for 2015. If you would like to receive our market size numbers, growth rates, forecasts, and commentaries for these geographies, please contact ella-sian.jolley@sourceglobalresearch.com, and we will be in touch as soon as they have been prepared.

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).

Name	Job title	Firm
Jeremy Anderson	Chairman, Global Financial Services	KPMG
Christophe Angoulvant	Senior Partner	Roland Berger Strategy Consultants
Dai Bedford	Global Banking and Capital Markets Advisory leader	EY
Brandon Bichler	Partner	Elixirr
Graham Busby	Partner	Elixirr
Christine Ciriani	Partner—Head of Switzerland	Capco
Jean Coumaros	Senior Vice President and Global Head of Financial Services	Capgemini Consulting
Olivier Dupin	Partner co-founder	Ares & Co
Michael Fröhlich	CEO Germany and Austria	Capco
Bruce Gordon	Partner	Capco
Jill Jacques	Financial Services Lead and Vice President	North Highland
Simon Kent	Partner	A.T. Kearney
Bertrand Lavayssiere	Partner	Ares & Co
Barry Lewis	Partner	Elixirr
Reza Maghsoudnia	Strategic Development Director	Wavestone
Francois Marchessaux	Partner	Colombus Consulting
Daniel Meere	Managing Director	Axis Corporate
Gil Mermelstein	Managing Director	West Monroe
Ingo Rauser	Partner	Capco
Nicolas Richard	Head of Consulting, France	KPMG
Peter Richardson	Head of FS Consulting Practice (Europe)	Protiviti
Richard Squire	Managing Partner	Crossbridge
Didier Taupin	Managing Partner, Consulting, France	Deloitte
Scott Vincent	Managing Partner	Parker Fitzgerald
Stephen Vinnicombe	CEO, UK	Capco
Robert Wagner	Firm-wide Industry Leader Financial Services	BearingPoint
Peter Ward	Partner and Financial Services Sector Co-Lead	L.E.K. Consulting
John Weisel	Global Financial Services, Advisory Leader	EY
Ellen Zimiles	Global Head of Investigations and Compliance	Navigant

ABOUT THE AUTHORS

Zoë Stumpf

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.



Zoë Stumpf

✉ zoe.stumpf@sourceglobalresearch.com

Polly Williamson

Polly joined the team at the end of 2015, bringing a professional background in financial services which includes Barclays (commercial and retail banking), Barclays Capital (where she ran the organisational design workstream of an Accenture-led project), and the Association for Payment Clearing Services (interbank payments). Her specialisms within financial services include organisational design, strategy, and transformation. In addition to her professional life, Polly has studied environmental decision-making and has applied these skills—pro bono—within several environmental contexts.



Polly Williamson

✉ polly.williamson@sourceglobalresearch.com



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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
	DACH		Healthcare
June	Eastern Europe	November	South East Asia
	Russia		Technology, media & telecoms (TMT)
July	Spain		
	Italy		
	Australia		

For information about the products or services available from Source, please contact:

UK, EUROPE, AND US

Alice Noyelle

+44 (0)20 3795 2662

alice.noyelle@sourceglobalresearch.com

MIDDLE EAST

Jodi Davies

+971 52 989 5224

jodi.davies@sourceglobalresearch.com

www.sourceglobalresearch.com

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](#).

For further information please visit www.sourceglobalresearch.com

UK AND EUROPE

Source Information Services Ltd

📍 20 St Dunstons Hill • London • EC3R 8HL

☎ +44 (0)20 3795 2668

MIDDLE EAST

📍 PO Box 340505 • Dubai • United Arab Emirates

☎ +971 (0)52 989 5224

✉ info@sourceglobalresearch.com

🌐 www.sourceglobalresearch.com

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