

CONSULTING MARKET PROGRAMME

The financial services consulting market in 2013

Including a focus on the US, major European markets, GCC, Eastern Europe and Russia, India, Africa, Australia, China and Brazil



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About this report

This report draws together all the data we have collected from the financial services sector in the course of researching our *Consulting Market Programme* and *Strategic Planning Programme* for 2013. Some of the data, most notably in the geographic market focus section, is contained within other reports which have already been published, but much (if not most) is material that is new to this report. This, for example, is the only place to find client-side information exclusively from the financial services sector (and, as a result, which compares financial services with elsewhere), and it's the only place to find detailed global forecasts for consulting within the sector.

Methodology

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

Clients

We surveyed and interviewed 155 senior (typically C-suite) end users of consulting services in the financial services sector from Europe, the Middle East, and the US between October 2012 and February 2013. 90% of respondents work in organisations with more than 1,000 employees and over 56% of respondents work in organisations with more than 5,000 employees. Respondents are distributed across operations, general management, sales and marketing, IT, finance and HR.

Consulting firms

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.

The quantitative data contained in this report focuses on consulting done by mid-sized 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. It therefore reflects the 'addressable' market for the majority of mid- and large-sized consulting firms, as most would not seek or be able to compete with very small firms and/or freelance consultants.

We should emphasize 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.

We interviewed 401 very senior (typically the most senior person either in the region or in their country) consultants from most of the leading consulting firms and many smaller national and local specialists for the regions featured within this report. Our model (which we use to size the industry and its growth rates) is based on the data for approximately 1235 firms (and please note that some firms will obviously be included in more than one region, but only regional revenues are included).

Introduction

When the financial services sector sneezes, the consulting industry catches a cold, and the darling of the consulting industry has been doing a lot of sneezing recently.

But there are pressures and counter-pressures: on one hand this is a sector that's just starting to emerge from one of the most torrid periods in its long history. It has been shaken to its core and is getting back to its feet under the watchful eye of regulators who, themselves, copped a fair amount of flak in recent years and are keen not to do so again. So the freewheeling days of the past are gone and prudence is now the order of the day. However right that may be for the long-term health of the sector (and those, like consultants, who serve it) it doesn't make life easy for consultants in the short term. Nor does the sector's attitude to the use of consultants, which is markedly more negative than it is across the consulting market as a whole.

In part that negative attitude is informed by a belief, on the part of financial services clients, that consulting firms just can't offer them anything they can't do themselves. There's a latent (and occasionally very clearly expressed) opinion within the sector that its people are better than consultants, which means that when consultants *are* invited in, they're often put in a seat and told what to do.

The flip side of that is that they're asked to sit in a lot of seats: this is a sector which has seen brutal reductions in headcount over the last few years and which no longer has the resources at its disposal internally to do everything it needs to do.

But there's more to it than that: pressure from regulators is placing demands on financial services companies that require bodies *and* brains. New strategies are required, new operating models are required. More immediately, or perhaps just from a closer viewpoint, growth remains top of most clients' agendas, ahead of issues like managing risk, reducing cost and improving technology, none of which is to say that those last aren't immensely important, too.

Indeed, it's the skills to wholly transform an organisation which are ultimately required, and, plainly, those are skills that the sector has struggled to find within its own ranks. That, combined with improving economic conditions in the West and continued high levels of growth in many emerging markets, is contributing to the sense that the worst is over: our forecast is for growth in financial services consulting of between five and ten percent over the coming 12 months.

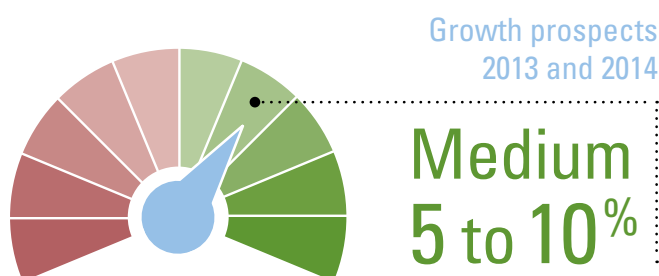
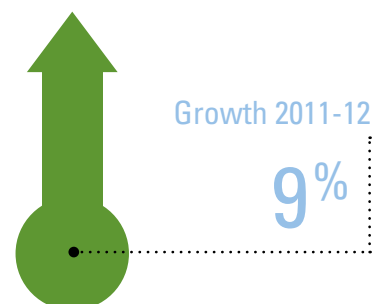
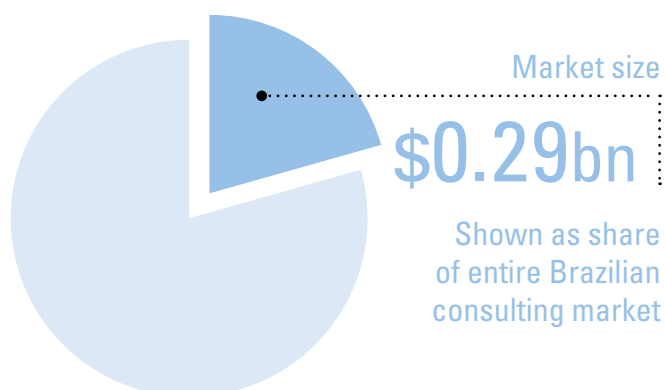
But to convince clients that they can help with anything more than the provision of bodies, consulting firms need to convince clients in the financial services sector (perhaps more than anywhere else) that they know the sector. "Banking has entered its nuclear winter", one client we spoke to told us. As it sits by the fireside, trying to warm itself back to health, it needs to know that the people charged with helping it do so really know what they're talking about. It needs them to feel its pain.

Seen in that context, catching the financial services sector's cold may be exactly what consultants need to do: if they're close enough to get unwell, they're close enough to know what it'll take to get well again.

Brazil

Highlights

- A vibrant sector in Brazil, financial services underwent a significant modernisation (and substantial regulatory upgrade) following the Brazil financial crisis of the 1990s – a fact that might be partially responsible for the country's admirable weathering of the 2008 global meltdown.
- Widely viewed as modern and successful, the sector is the target of a lot of international investment and acquisition.
- Brazilian banks are among the largest in the world, and they have a high degree of sophistication driven in part by a growing middle class who are demanding easier access to both banking and insurance products.
- Regulation, as in other markets, is also a prominent driver of change.
- The economic slowdown has caused a modest slowing of consulting demand in this sector, as well as an uptick in the relative amount of work focused on cost cutting and efficiency; banks are scrutinising spending very closely.
- Looking forward, the need to keep up with regulation and embrace the opportunities of digital mean that this is likely to continue to be a strong sector.



About Source

Source Information Services Limited (Source) 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*](#). Joy Burnford was Marketing and Operations Director at the UK Management Consultancies Association between 2003 and 2010, and prior to that worked for PA Consulting Group and has extensive experience of marketing consulting services.

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