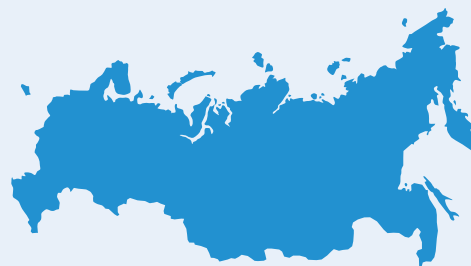




# THE RUSSIA CONSULTING MARKET IN 2017

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

# EXECUTIVE SUMMARY



- Despite being an improvement on the lows of 2015, 2016 was another year of negative growth for the consulting market in Russia. The market contracted 1.7% last year, falling to a value of €435m. Rising oil prices and better economic performance (GDP contracted a mere 0.6% in 2016) contributed to the improving picture. Still, much shakiness remained, with oil prices still fluctuating, sanctions still in place, and business confidence still relatively low. As a result, consultants were noticeably cautious, and we can hardly blame them after such a punishing past three years.
- As everyone well knows, oil plays a fundamental role in the Russian economy. As such, as the oil price recovered from a record low in early 2016, so too did the economy and the strength of the rouble. This, in turn, started to benefit some consulting firms, noticeably those that price in local currency. However, it wasn't all good economic news, with sanctions seemingly now the new normal. While there are arguably many positives linked to this—including the demand encouraged by import substitution in manufacturing—some big Western consulting firms are finding it more difficult to access opportunities in sensitive industries, such as the public sector.
- Digital—despite its impressive impact on consulting demand globally—is yet to have a significant impact on consulting in Russia. While some firms are starting to push a greater digital agenda, it's undeniable that, in 2016, cost pressures and general caution prevented a large surge in digital demand. Likewise, companies in Russia continue to be very pragmatic, only willing to allocate budgets to guaranteed outcomes, not speculative, untested technologies. As a result, it's clear that although the potential for digital is there, the market in Russia has a long way to go.
- One thing Russia's market is not immune to, however, is the evolution of consulting models. Talent—for multiple reasons—is an issue in Russia, which has led to ecosystems playing a more important role. As a result, it is becoming more common to see traditional consulting firms partnering with agencies, technology providers, or even other consulting firms. These partnerships are enabling firms to offer clients expertise that they don't have in-house, delivering better and more joined-up solutions to clients. On top of this, the provision of managed services is beginning to play a larger role in the market, helping firms to profit from projects through a longer lifecycle.
- Whatever way you look at it, it's undeniable that the consulting market in Russia is still going through a tough time. However, it wasn't all doom and gloom; in fact, while consulting in all industries contracted in 2015, consulting to a few industries actually returned to growth in 2016. Manufacturing, pharma & biotech, and healthcare all offered consultants positive rates of growth last year, albeit very low ones. Beyond these three, the overall picture was less rosy, with retail the best of a bad bunch and energy & resources, understandably given the impact of low oil prices, the industry that saw the largest contraction of consulting demand.
- While risk consulting had a better year in 2016, operational improvement was, for the third year running, the best performing service line in Russia. A continued shift towards cost reduction and optimisation initiatives encouraged growth in the service line in 2016, partly because clients in Russia want to see a tangible outcome tied to their investments and partly owing to the ongoing recession. This, however, was to the detriment of the strategy service line, which contracted yet again, albeit with encouraging pockets of demand. Technology, too, was a difficult market, with few significant budgets available for large-scale technology transformations.
- There were some clear winners and losers in the consulting landscape in Russia in 2016. Type A firms actually returned to growth—benefiting from scale and expertise—and strategy firms performed relatively well, too, partly because of their presence and scale, but also because of growing demand from strategic digital initiatives in some areas. Technology firms, however, continued to struggle, with the low appetite for large IT projects striking at the heart of what these firms do best. The toughest year was, however, experienced by type P and type M firms, neither of which have the scale or financial backing to cope with continued high levels of client caution damaging demand in the market.
- While things look to be on the up in Russia—at least compared to the tough economic conditions experienced in the past three years—consultants we recently spoke with are still very cautious, with the majority expecting nothing more than flat-to-low growth in 2017. Despite some citing 2018's election as a potential dampener of demand in 2017, many firms would argue that flat-to-low growth actually represents a positive story for the consulting market in Russia. Moreover, we expect to see more demand from a digital perspective in the second half of 2017 and for cybersecurity—increasingly unavoidable for many companies owing to recent, global cyberattacks—to be an even stronger driver of growth, especially across the risk, strategy, and technology service lines.

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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 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 2015 baseline figures have changed a little since last year, as we have refined and implemented improvements to our research methods. We adjust the metrics in our model to try and counter the effect of currency fluctuation in order to get a sense of true consulting growth, with as much noise from external sources filtered out. 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 euros. For reference, Source is using the following exchange rates in our reports this year:

- **US dollar to British pound**      **\$1 = £0.74**
- **US dollar to euro**                      **\$1 = €0.90**

In addition to our quantitative research, we interviewed 13 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.

# EXPLORE THE DATA

All of the market size data in this report is available to explore online through our Global Consulting Data Model portal. You are able to interact with the data in more detail and create custom views of the market to suit your needs.

You can access the data via our reports page, as seen below:



Our Global Consulting Data Model is the biggest and most sophisticated model of the consulting industry available. It provides data on market size, growth rates, and forecasts across 29 sectors, six service lines, 84 countries, and five firm types. It's the platform on which a growing number of consulting firms are basing their understanding of the market and their performance within it.

Click [here](#) to access the data.

# 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, web 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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## CONSULTING MARKET PROGRAMME

- A series of detailed reports that contain the most accurate view available about the consulting market in an extensive list of countries and regions. These explore key themes, provide market sizing data, growth forecasts, and deep analysis, all backed up by extensive quantitative and qualitative research amongst consulting firms and clients.
- As well as our country reports, we also produce a global view of four different industries. These reports contain industry analysis, market sizing data, and growth forecasts at a global level, as well as breakdowns by sub-sector, service, and geography.

## STRATEGIC PLANNING PROGRAMME

- A series of reports that take a detailed look at the big trends in the global consulting industry, interpreting them in terms of what they mean for consulting firms and who is best placed to exploit them.

## CLIENT PERCEPTION PROGRAMME

- A series of reports based on our huge client survey, that reveal what clients think about the leading consulting firms in a number of regions and industries. We rank the leading consulting firms in terms of clients' perceptions of things like quality and value.
- As part of this programme, we also publish brand perception summaries. These give an in-depth and unique view of the world's leading consulting firms. Available on request.

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	CONSULTING MARKET PROGRAMME	STRATEGIC PLANNING PROGRAMME	CLIENT PERCEPTION PROGRAMME	WHITE SPACE
2017				
January				Hot topics in thought leadership
February	UK	Forecasts for 2017	GCC	Quality ratings of thought leadership for the second half of 2016
March	France GCC	Mega trend #1: Digital transformation	US UK	Analysis of recent thought leadership
April	Benelux Nordics		Energy & Resources	
May	US Canada	Mega trend #2: Cognitive computing, robotics, AI	Nordics Financial Services	Analysis of recent thought leadership
June	DACH Eastern Europe Russia		Trends in procurement	
July	Italy Spain Australia	Mega trend #3: Assets and productisation		Maximising the impact of thought leadership
August	India		Healthcare TMT Germany	
September	Africa Brazil Energy & Resources	Planning for growth in 2018	France	Quality ratings of thought leadership for the first half of 2017
October	Financial Services China Healthcare			
November	TMT	Mega trend #4: Brand and business models		

## 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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