EXTRACT

CONSULTING MARKET PROGRAMME 2017



THE BRAZIL CONSULTING MARKET IN 2017

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

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EXECUTIVE SUMMARY



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- 2016 was another difficult year for the consulting market in Brazil, which grew by only 0.1% to reach a value of US$1,189m. It was a year of two halves, with the first half of the year dominated by the political and economic crisis that had dogged 2015. Things improved towards the end of the year, with the impeachment of Dilma Rousseff providing an inflection point. Beneath the flat market lay performances by individual firms that varied quite widely, but even so, few are likely to look back on 2016 with particularly fond memories.
- With Brazil continuing to experience what many describe as the worst economic crisis in the country's history, it's little wonder that this, and the political scandals that have blighted the country's recent history, are the main topics of conversation for consultants in Brazil. With clients in Brazil still very much absorbed in the issue of keeping afloat, those firms able to offer operational improvement and cost reduction services were the ones that performed the best. Price pressure remained a significant feature of the market, and firms were forced to cut costs internally in order to be able to cope with a widespread reduction in fees.
- Despite all the issues affecting Brazil, consulting firms continue to recognise that it remains the most important market in Latin America, and that it is vital to have a presence here. Its geographical position at the heart of the region also makes it a useful jumping off point from which to tackle surrounding countries. The last year or so has seen an increased focus on the wider Latin American opportunity, not just as a counterweight to the poor domestic economy, but because client demand in countries such as Colombia, Argentina and Peru has started to make these interesting prospects for expansion.
- 2016 was the year when interest in digital really started to take off in Brazil, as clients recognised its potential to improve their businesses. With investment in digital being made in the context of a market that is struggling, one of the biggest areas of interest in digital take-up is in its potential to cut costs and improve efficiency, with significant interest in data & analytics. However, interest in digital is, in the main, more about talk than action, though consulting firms are working hard to ready themselves for expected growth in this market, by ensuring that they have the knowledge and propositions they need, and by creating partnerships with firms with complementary skills.
- Had it not been for the large and relatively fast-growing financial services industry—together with the much smaller healthcare and pharma & biotech markets—the year would have looked a lot worse for the consulting market. Economic and political issues made for difficult market conditions in many industries. That said, even the worst performers—energy & resources, and manufacturing—declined at a slower rate than in 2015, and the volume of work in most other industries stabilised as clients struggled to balance the need for consulting help against highly pressured budgets.
- Given the challenging economic and political conditions, it's no surprise that performance across many service lines was sluggish. 2016 saw most clients concentrate on getting on with the here and now, with a good proportion of demand stemming from initiatives focused on improving productivity, ensuring slightly higher than average performance in the operational improvement service line. But it was risk & regulatory work that really stood out, thanks to moves on the part of clients to ensure corruption free and compliant operations in the wake of the various scandals that have hit the headlines.
- Larger firms, able to offer in-demand services, deep expertise, and global reach and knowledge, were the best-placed to succeed in 2016. Boutique firms offering deep specialism also fared well, but the mid-sized generalists had the worst of it. The Big Four firms were the most successful thanks to their credentials in the areas of the market that grew the most—namely financial services, risk, and back-office improvement.
- Things started to look up for the Brazilian economy during the course of 2017, and despite being somewhat battered by their experience of the last two years, most consulting firms are cautiously optimistic about their prospects for growth. Increased digital take-up is likely to help with this, though there are some concerns that the election in 2018 could be a destabilising factor.

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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 Brazil. 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 15 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.

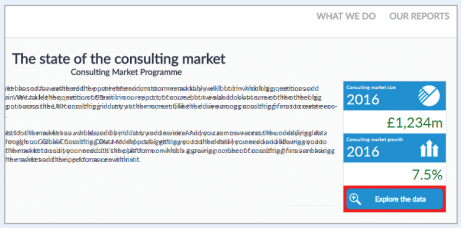
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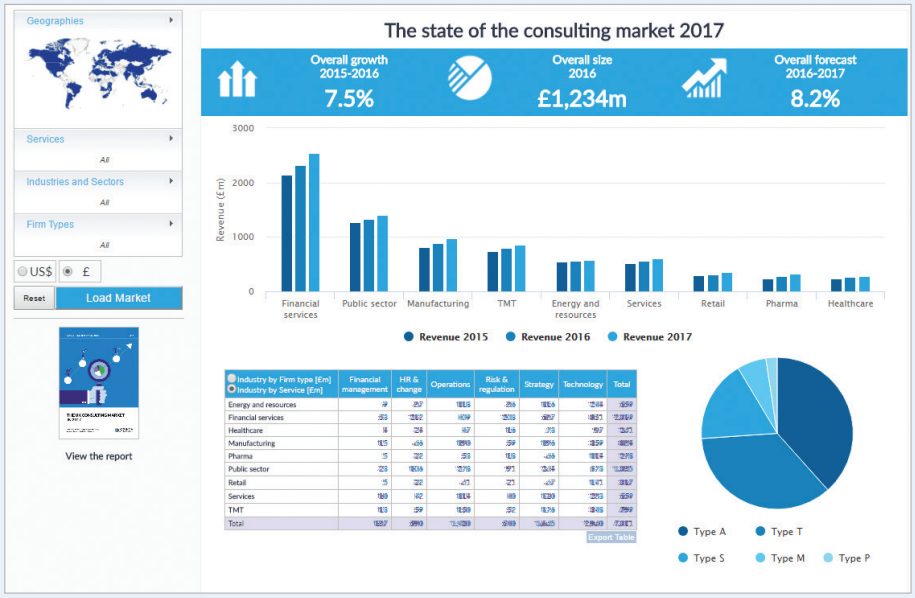
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EXPLORE THE DATA

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.

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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.

Not for profit
Includes non-commercial research organisations, religious, political and professional membership organisations, trusts, labour unions, and business associations.

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 publishing of newspapers, periodicals, and books.

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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).

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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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SOURCE REPORT PROGRAMMES

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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.

WHITE SPACE

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2017	CONSULTING MARKET PROGRAMME	STRATEGIC PLANNING PROGRAMME	CLIENT PERCEPTION PROGRAMME	WHITE SPACE
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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