



THE FINANCIAL SERVICES CONSULTING MARKET IN 2017

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

EXECUTIVE SUMMARY



- The financial services industry continued to be a very good market for consultants in 2016, growing 8.3% to reach a total value of more than US\$36bn. The US, UK, and DACH—the industry’s three largest markets—enjoyed high single-digit growth, driven by strong demand for a varying combination of digitisation, risk & regulation, and cost and efficiency projects. Growth was even more impressive in China, where there was increased appetite for consulting in the fast-maturing domestic market, and in India, where disruption combined with an equally fast-maturing market to generate strong demand for consulting support. News was less positive for consultants in the industry’s smallest market, Russia, where cost pressures on banks continued to restrict expenditure, albeit much less so than in 2015.
- With financial services organisations facing an ever-pressing and ever-expanding digital agenda that cannot be ignored, no matter the political or economic forces facing them, digitisation is driving greater opportunities for consulting. Digital is transforming financial services organisations’ ways of working, prompting them to seek guidance from consultants in terms of their approach to, and their application of, digital technologies.
- Regulation also remains a strong driver of consulting demand, particularly in Europe where implementation deadlines loom for regulations such as MiFID II, Basel III, and GDPR. The US is an exception in this regard, with consulting revenue growth around regulation starting to plateau as the regulatory focus shifts from the largest players to mid-tiered organisations. There is, however, growing interest from clients across the world regarding innovative regtech solutions, as well as reporting-as-a-service—a potentially lucrative and long-term play for consultants.
- Investment in widescale digital transformation was greatest in insurance and banking, with even greater emergence of fintech prompting immediate action. This is the main reason why consulting revenues grew fastest in the insurance and banking sectors in 2016. In private equity, meanwhile, demand for consulting was driven in large part by due diligence and a desire to improve the bottom line. Operational improvement continued to be the main driver for clients in capital markets and investment & wealth management, although even here clients were demonstrating increased appetite for digital transformation initiatives.
- The changes in the marketplace, particularly concerning digital transformation, don’t just impact what firms take to market. Indeed, clients are looking to firms to be able to innovate and blend technology and business propositions, forcing firms to adapt internally in order to remain in the vanguard of the market. Ecosystems are becoming a good way of sidestepping the challenges associated with this, with firms increasingly up for working in partnership with other firms, providers, and even clients to offer the best solutions. Clients are also putting more pressure on outcomes and the speed at which they’re delivered, which is leading to the development of assets and pre-packaged solutions that can be deployed very quickly and effectively. As a result of this increasing commoditisation, pressure is, inevitably, building on pricing models, too.
- Despite the invoking of Article 50, and the added pressures of a clock that has started to tick very loudly, the financial services industry is not a whole lot clearer about what Brexit will actually mean. Where there has been Brexit-related demand, many of the projects have focused on scenario planning, with clients looking to consultants to work out the potential impact and scenarios of how Brexit will play out. This could, however, be set to change: The possibility of a “hard” Brexit, or no Brexit at all, is becoming more and more real, driving clients to act, with passporting and office relocation turning into a key focus for clients in the past few months. This, we believe, likely indicates the onrush of a flurry of activity for clients and consultants in 2018, particularly in Europe.
- All in all, we project a similarly strong rate of growth for consultants in financial services in 2017—driven by the same key areas of digital transformation, risk & regulation, and cost & efficiency. We do think this rate could be slightly lower, though still impressive, in 2018, partly tied to the uncertainty of macroeconomic and political factors in large markets like the US and Europe, and partly because of a cyclical pressure on client budgets.

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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 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 478 senior clients of consulting firms globally. All of these work for private sector organisations, many of which are multinationals. All have over 250 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 2017 and into 2018, 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

Respondents by organisation size

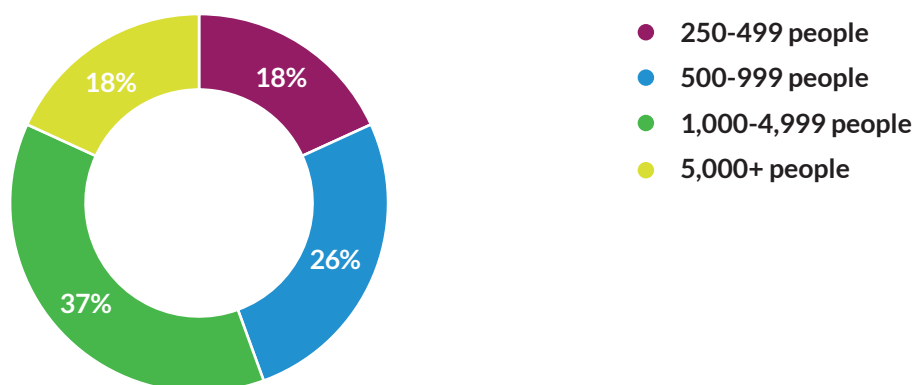
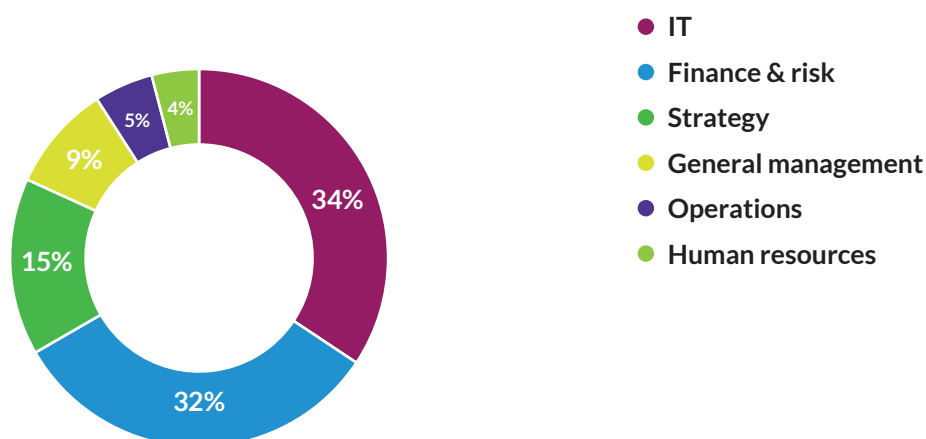


Figure 2

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

In addition to our quantitative research, we interviewed 35 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.

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.

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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- 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.
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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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