

July 2019

The South America Consulting Market in 2019

Market Trends Programme

Contents

1 South America summary

Provides an at-a-glance view of the main trends in the market alongside key statistics.

| | |
|-------------------------------|-----------|
| Executive summary | 3 |
| South America overview | 5 |
| Explore the data | 15 |

2 The South America market—what you need to know

Explores the key trends and topics that are front of mind for consulting firms in this market right now.

| | |
|-----------------------------------|-----------|
| A challenging market | 16 |
| Digital ways of working | 20 |
| An evolving business model | 23 |

3 Market data

Looks at growth, sizing, and forecast data split by sector, service, and consulting firm type, together with analyst insight about what's happening in the market.

| | |
|-------------------------|-----------|
| Sectors | 32 |
| Services | 65 |
| Consulting firms | 87 |

4 Forecast

A consultant and client view of what's likely to happen in the market in 2019 alongside a summary of forecast growth figures for 2019 by sector, service, and consulting firm type.

| | |
|-----------------------------|------------|
| The consultant view | 94 |
| The client view | 95 |
| Projections for 2019 | 99 |
| Forecasts for 2020 | 103 |

5 About this report

Our report draws on five main sources:

- Our global data model with 9.7 million data points
- Our annual global client perception survey of senior end-users of consulting firms
- Our interviews with senior management consultants from a range of consulting firms
- Our interviews with senior clients of consulting firms across a range of sectors and functions
- Our in-depth desk research on the market

A detailed view of our methodology and more information about Source can be found below.

| | |
|--|------------|
| Methodology | 107 |
| Definitions of sectors and services | 111 |
| Contributors | 113 |
| About the authors | 114 |
| Programme schedule for 2019 | 115 |
| Our custom work | 116 |
| About us | 117 |

Client profiles

| | |
|--|-----------|
| Digital transformation leader, banking industry | 38 |
| Digital executive, manufacturing sector | 42 |
| Head of sales, leisure industry | 80 |

South America overview

DIGITAL RECESSION UNCERTAINTY SCANDAL AUSTERITY CORRUPTION TRANSFORMATION ECONOMY AUTOMATION CUSTOMER SERVICE

The South America consulting market grew 4.7% in 2018 to reach a total value of US\$2,688m. How any given consultant feels about those numbers will depend greatly on the lens through which they are viewing them.

A consultant who considers that 4.7% growth in the context of the traditional expectations for emerging markets will likely find it disappointing. It's often the possibility of skyrocketing growth that lures big, international firms to developing economies—which can be challenging places to do business—and anything short of blockbuster numbers can seem like a let-down. After all, as recently as 2012, we clocked consulting market growth in Brazil at a whopping 8%: In hindsight, it may seem foolish to have thought this might last, but there were plenty of consultants who were optimistic that this was the start of something big rather than the high point of the decade.

On the other hand, consultants who consider South America's market in its own right—and in the context of its trying recent history, replete with slowing economies and snowballing scandals—may very well be elated. 2018's growth is, after all, a solid improvement on 2017's 3.6% growth rate, and with growth of 5%, the dominant Brazil market put in one of its best performances since the highs of 2012. Even better, the fact that consulting growth persists even in the context of comparatively modest GDP growth (and, in the case of Argentina, rather significant negative growth) across parts of the region further suggests the increasing entrenchment of consulting here: South America's consultants are winning a hard-won battle to be a “must-have” rather than a “nice-to-have”—establishing consulting as a vital resource that clients will turn to in both good times and bad.

In 2019, this growth story is continuing, with consultants reporting that clients are feeling a bit more confident as economies appear

on the upswing and stability gradually improves. While we expect that anyone looking to South America for blockbuster numbers will continue to be frustrated for some time to come, we're confident that those taking the longer view will continue to enjoy a quieter kind of satisfaction as consulting continues to become a bigger and more critical part of the South American landscape.

“ *The Latin America consulting market grew slowly in line with GDP growth in 2018.*

Antonio Bernardo, Roland Berger

“ *One of the challenges with South America is that there are different challenges in each market. Every country has different things that influence the market, which means every market has its own personality and its own needs from consultants. I wouldn't say there was a single challenge that cuts across all the region. Instead, you have to dig down to the country and sector to understand what is going on. It can make it very challenging to be active across different countries and different markets.*

Hugo Ribeiro Almeida, Integration Consulting

Explore the data

All of the market size data in this report is available to explore online through our global 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 data model is the biggest and most sophisticated model of the professional services industry available. It provides data on market size, growth rates, and forecasts across 29 industries, six service lines, 84 countries, and five firm types. It's the platform on which a growing number of professional services firms are basing their understanding of the market and their performance within it.

Consulting firms

Our analysis focuses on Types S, A, T, and P. The detailed analysis of Type M is not included in this report because the number of firms within this segment is too great, and it is therefore difficult to provide analysis that can be applied to this segment as a whole.

Segmentation classification of consulting firms

Type M: Management consulting only

Type S: Consulting on strategic decisions and operations alongside M&A-related work

Type A: Consulting alongside audit, tax, and corporate finance services






Type P: Consulting on people-related issues, but also investment advice, risk management, and in some cases, HR outsourcing and HR package implementation

Type T: Firms that either specialise in technology or combine technology, outsourcing, and consulting

Figure 8

Breakdown of the South America consulting market in 2018, 2019 (projection), and 2020 (forecast), by firm type

Note: If you're reading this report as a PDF, clicking on a firm type in the table below will take you directly to the relevant page.

| EXPLORE THE DATA | | US\$m | 2018 | 2019 (p.) | 2020 (f.) |
|---|--------|-------|-------|-----------|-----------|
|  | Type T | 1,056 | 3.5% | 5% | 5% |
|  | Type A | 790 | 6.6% | 7% | 7% |
|  | Type S | 475 | 7.2% | 6% | 7% |
|  | Type M | 285 | 1.5% | 1% | 2% |
|  | Type P | 82 | -1.8% | -1% | 1% |

The competitive landscape

After several difficult years for South America's consultants, the turnaround in market conditions that started in 2017 continued through 2018. While there were still plenty of issues affecting business confidence, including recession, political upheaval, and ongoing corruption scandals, consultants were certainly seeing more opportunities and talking about the market with a greater sense of optimism than in previous years.

One of the consequences of this rise in opportunities, however, is that it also generated its own set of challenges for consultants in South America. As we noted in last year's report, the slump in demand in previous years resulted in many small and medium-sized firms shuttering some of their operations, or in some cases shutting up shop altogether, with larger firms taking a bigger chunk of the market. That changed in 2018, with larger firms of all types seeing a rise in competition from local small and medium-sized firms and from companies from other markets moving into the consulting space. And while smaller firms may not have the scale or the scope to target the largest transformation projects, access to scalable technologies, an ability to undercut on price, and a willingness to emphasise local expertise meant small and medium-sized players were once again making waves—and gaining market share—in South America.

“In the last few years, because of the crisis, there have been few new entrants, but that has changed recently, and we are seeing new competitors such as investment banks and private equity houses keen to take advantage of privatisation initiatives.”

Federico A. Servizio, PwC

“I think we'll see more competition in the future from smaller firms that are able to scale up technologies to compete with larger firms.”

Fernando Fleider, ICTS

In addition to the resurgence of local small and medium-sized firms, the ongoing convergence of the consulting market also increased competition in South America. In a trend we see across most major markets, as digitisation takes hold and clients become more demanding of the consultants they work with, firms are under pressure to expand their capabilities to offer a wide-ranging and holistic suite of services. As a result, firms are increasingly stepping outside their traditional service areas and encroaching on areas they would have previously ceded to firms of other types.

“There is no longer room for generalist firms. Specialist expertise is very important, so large firms must be able to assemble the pieces of the puzzle and serve clients through their ecosystems.

Mauricio Saad, EY

Whether it is strategy firms investing in their technology services, technology firms bolstering their strategic offerings, or Type A firms expanding their capabilities into both areas, firms are finding themselves butting heads on a much more regular basis than in previous years. And with little sign of this trend reversing any time soon, the competitive landscape in South America is likely to become even tougher through to the end of 2020 as convergence continues and local small and medium-sized firms become even more adept at catching clients' eyes.

“Many of our competitors are converging on technology services and doing things they didn't do before. I think this change is caused by client demand, as they want to be shown the solution rather than told. Proofs of concepts are becoming much more important. PowerPoints are now just entertainment and are not enough.

Senior management consultant, South America

“I think we'll see increased competition from technology companies providing more and more consulting services. Some companies will develop tools that automate aspects of the consulting process.

Fernando Fleider, ICTS

About this report

Methodology

Sources

Our report is based on quantitative and qualitative research of consulting firms in South America. This includes the following:

Megamodel: our global data model

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, we’ve 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 comprehensive primary research carried out by Source analysts.

Please note that our 2017 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 who bought last year’s report with a restated set of 2017 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.

Please note that we have refined and implemented improvements to our research methods for digital data, taking a bottom-up approach to firm-level data this year.

All figures given in this report are in US dollars. For reference, Source is using the following exchange rates in its reports this year:

| | |
|----------------------------|---------------|
| US dollar to British pound | US\$1 = £0.75 |
| US dollar to euro | US\$1 = €0.85 |

Client view

We interview senior end-users of consulting in South America 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:

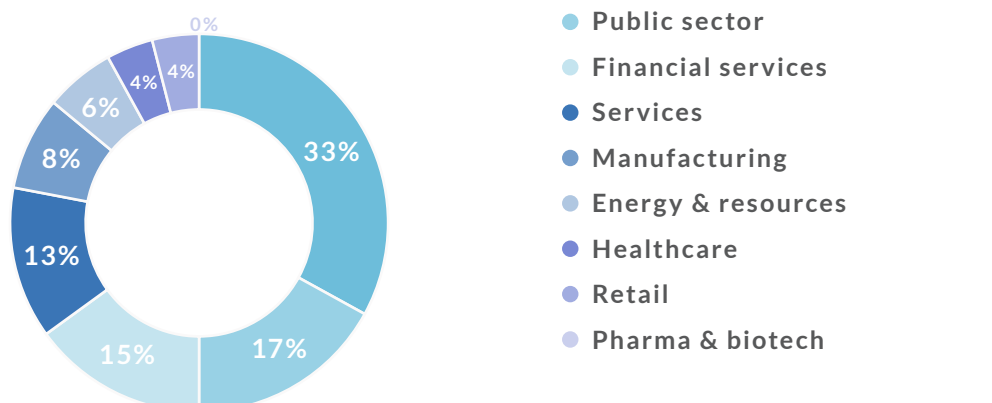
- What's driving change in their organisation
- How they are using consultants
- Factors that affect the way clients work with consulting firms
- What they value the most—and least—about working with consultants

We also carry out client surveys. We surveyed 48 senior clients of consulting firms across South America. The majority (83%) work for private sector organisations, many of which are multinationals. The remaining 17% work in various public sector organisations. All work in organisations with over 250 employees.

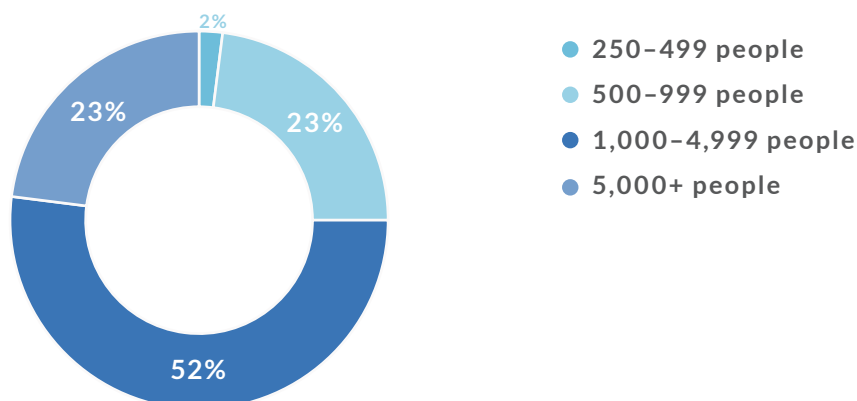
Our survey asks clients similar questions about how they buy consulting services. In particular, this report draws on how they expect their expenditure on consulting services to change over 2019 and into 2020, what initiatives they'll be working on, and how likely it is that those initiatives will drive consulting work. Their responses are just one of the factors that we take into account when forecasting future growth rates.

Figure 19

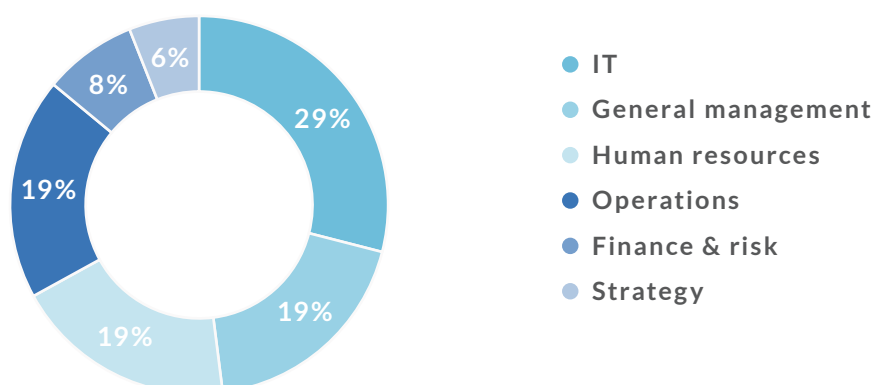
Respondents by sector


Figure 20

Respondents by organisation size


Figure 21

Respondents by function



Interviews with senior consultants

In addition to our quantitative research, we interviewed 11 very senior consultants (typically the most senior person in their country) from most of the leading consulting firms in the region 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.

In-depth desk research

We also conducted a thorough PEST analysis in South America that drills down into finer macroeconomic details on a holistic and sector-by-sector basis and allows us to fit our research into a wider macroeconomic picture.

Definitions of sectors and services

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
- 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 sectors, please see “Definitions of sectors and services”.

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 |
|-------------------------|---|-----------------------------------|
| Hugo Ribeiro Almeida | Partner | Integration Consulting |
| Antonio Bernardo | Managing Partner responsible for Latin America, Portugal and Angola | Roland Berger |
| Oscar Caipo | Senior Managing Partner, Peru | KPMG |
| Victor Hugo Ferreira Jr | Partner | Actavox |
| Fernando Fleider | Partner / Managing Director | ICTS |
| Ariadne Garotti | Managing Director | EFESO |
| Alessandro Laudares | Partner | ADVISIA OC&C Strategy Consultants |
| Mauricio Saad | Partner | EY |
| Federico A. Servideo | Consulting Leader | PwC |
| Juliana Sotero | Consultant | Aquila Institute |
| Dominique Virchaux | SAM President (Advisory and Talent Acquisition) | Korn Ferry |

About the authors

Zoë Stumpf

Zoë is Head of Market Trends at Source and is responsible for all reports published as part of the Market Trends Programme. A world-leading expert on consulting trends, she is the driver behind Source's bespoke analysis of consulting's biggest geographical and industry markets. She is an active member of the Source research team and spends much of her time interviewing consultants and their clients all over the world, collecting their first-hand accounts of what is happening in the consulting world. She also brings extensive experience as an analyst and writer to her post.

Prior to joining Source, Zoë spent more than 12 years working as a management consultant in a variety of roles with KPMG and Atos Consulting. She has also worked as an independent marketing consultant.

Zoë Stumpf

✉ zoe.stumpf@sourceglobalresearch.com

B.J. Richards

B.J. is the senior editor at Source and is responsible for ensuring consistency in quality, content, and tone across the core programme. She also writes a number of our core reports and participates in Source's market research. An accomplished writer and editor, B.J. has provided strategic communications for senior executives ranging from a US senator to presidents of Harvard University. She earned her juris doctorate from the University of Georgia and is a member of the Georgia bar.

B.J. Richards

✉ bj.richards@sourceglobalresearch.com

Ashok Patel

Ashok is a writer and editor at Source, contributing to our Market Trends Programme and Client Perception Programme reports. Prior to joining Source, he was an editor and a consultant in the commodities market, and he also brings experience from the UK automotive sector.

Ashok Patel

✉ ashok.patel@sourceglobalresearch.com





Programme schedule for 2019

| Reports 2019 | Market Data and Analysis | Client and Brand Insights | Emerging Trends |
|--------------|--|--|------------------------|
| January | Forecasts for 2019 | | |
| February | UK | UK Nordics GCC | |
| March | GCC Benelux Nordics | France Germany US | The Future of Pricing |
| April | France DACH Southern Europe | Energy & Resources Financial Services Healthcare Technology, Media & Telecoms | |
| May | US Eastern Europe & Russia | | The Value Problem |
| June | Canada | Global Perceptions of Audit Firms Global Perceptions of Risk Firms Global Perceptions of Tax Firms | |
| July | South America Australia | | |
| August | Africa Risk | | The Make-Buy Decision |
| September | India Energy & Resources Planning for Growth in 2020 | Talent Attractiveness in 2019 | |
| October | Financial Services China South East Asia | | |
| November | Japan Healthcare Technology, Media & Telecoms | | The Future of Delivery |
| December | Tax | | |

White Space

A powerful research tool that allows subscribers to keep up to date with the latest content being produced and maximise their return on investment. A series of reports that analyse the quality and effectiveness of thought leadership are published throughout the year.

Our custom work

We provide advice and custom research services to the world's most successful professional services firms, helping them to identify, and develop strategic responses to, their most pressing opportunities and challenges.

Among other things, our work includes:

- Deep market and competitor analysis
- Acquisition strategy
- Proposition strategy and development
- Brand and client sentiment analysis
- Thought leadership strategy, development, and review

For more information about any of these, please visit our website or get in touch.

Source Global Research is a leading provider of information about the market for professional services.

Set up in 2007, Source serves the professional services industry 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 Information Services Ltd
20 Little Britain | London | EC1A 7DH
UK +44 (0)20 3478 1207
US +1 800 767 8058
info@sourceglobalresearch.com
www.sourceglobalresearch.com

© Source Information Services Ltd 2019

Source Information Services Ltd and its agents have used their best efforts in collecting the information published in this report. Source Information Services Ltd does not assume, and hereby disclaims, any liability for any loss or damage caused by errors or omissions in this report, whether such errors or omissions result from negligence, accident, or other causes.