

October 2019

The Financial Services Consulting Market in 2019

Market Trends Programme



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

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About this report

Our report draws on four 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 in-depth desk research on the market

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

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Financial services overview

GROWTH CUSTOMER DATA FINTECH RISK TRANSFORMATION REGULATION EFFICIENCY DISRUPTION

The huge financial services consulting market continues to be a highly attractive one for consulting firms—the 9.3% increase in revenues achieved in 2018 upped the overall market size to US\$42,912m, and outshone even 2017’s impressive performance. To put this growth rate into context, in a market of this size, which accounts for almost 30% of all global consulting work, the increase in demand was worth just under US\$4bn—not too far short of the value of the entire Canada consulting market.

Consultants serving the insurance industry had a stellar year, seeing their revenues increase by 9.8%, thanks to a whole range of demand drivers including ongoing digitisation, regulation, and business model change. Growth in consulting to banking and private equity clients exceeded 9% in both cases. In fact, the whole spectrum of markets performed well, with even the slowest growing—capital markets—achieving just over 8% growth.

“All markets are enjoying good growth right now.”
Simon Kent, A.T. Kearney

“We’ve seen strong performance in all our major markets—the Americas, EMEA, and Asia-Pac.”
Patrick Scott, Protiviti

“We have seen pretty robust expenditure across all the markets.”
Sudeep Mukherjee, Publicis Sapient

Taking a regional view, growth rates were more varied. The dominant US market—accounting for over 40% of financial services spend on consultants globally—grew by almost 10%, though President Trump’s much-vaunted disdain for regulation has helped to shift some work away from remediation and towards transformation and digitisation. It was a less happy story in the UK, another of the largest markets, where Brexit continues to cast a shadow. With Brexit-related preparations in the financial services sector largely complete, clients have tended to be reluctant to commit to multi-year projects—or at least those where different flavours of Brexit could have a bearing on their value—and this has resulted in a disappointing growth rate of just over 5% in 2018. However, the general view is that this situation has, broadly, improved during 2019 thanks to clients’ need to upgrade and transform in order to keep pace with customer demands and global competition.

“The US remains a robust market for us, although the nature of demand is shifting: It's no longer all about risk and regulation as it was three to four years ago. There's a shift instead towards digital transformation. This could be in the shape of digital labour to automate the back and middle office, improving the customer experience through the application of new technology, or data & analytics.”

John Garvey, PwC

“Brexit is dampening the economy. A no-deal Brexit is likely to create a short-term burst of activity but it's more than just the short-term issues driving agendas. There are a lot of issues driving new business.”

Dai Bedford, EY

One of the most rewarding regions to be a financial services consultant is Asia-Pac, where there have been some very attractive growth rates on offer. Financial services work in India grew by an incredible 21.8% in 2018, thanks to enthusiastic digital take-up. Technology-driven change is a similarly strong driver in China, where interest in mobile banking has really taken off. Growth rates also hit double digits in Australia, where the Royal Commission has had a huge ripple effect across the financial services sector and beyond, forcing clients to get their respective houses in order to avoid further censure and reputational damage.

“There has been significant growth in Asia where the industry has somewhat bypassed the natural development of financial services that has happened in Western economies. There has been a jump from a cash-based, branch-based banking infrastructure to one dominated by large fintechs bringing innovative capabilities to customers.”

Simon Kent, A.T. Kearney

“Clients in financial services see China as the only inspirational market—they feel that they're ahead of the game compared to Western competitors.

Saumitra Sehgal, Roland Berger, India

“We are seeing the rise of China driven by a rising Chinese middle class that is on the move. This is a huge country with a rising middle class that has money to spend and a highly developed mobile and payments technology infrastructure.

Simon Kent, A.T. Kearney

“In Australia the banking sector is booming thanks to the findings of the Royal Commission. There's a whole lot of regulatory and remediation work—contrary to the US. Banks are spending on this, and they have to digitise at the same time—it's quite a challenge.

John Garvey, PwC

Looking ahead, given the general easing of the regulatory and remediation agenda, financial services clients now have some breathing space that many are using to fundamentally review their current positioning and strategy. Many are taking the opportunity to consider how best to grow market share, deal with intense competitive threats, and meet the needs of an ever more demanding customer base.

“Our whole consulting ethos has moved from large-scale remediation projects to how do we help companies transform and succeed in all things digital.

James Liddy, KPMG

About this report

Methodology

Sources

Our report is based on quantitative and qualitative research of consulting firms in financial services. 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 financial services 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 622 senior clients of consulting firms across the financial services sector. All of them work for private sector organisations, many of which are multinationals. 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 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 16

Respondents by organisation size

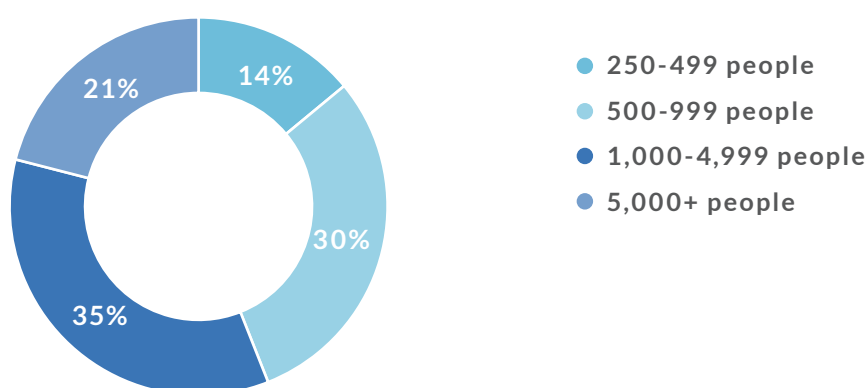
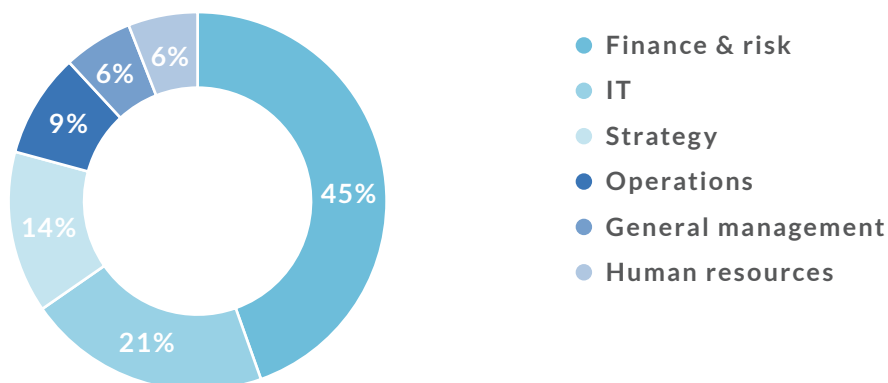


Figure 17

Respondents by function



Interviews with senior consultants

In addition to our quantitative research, we interviewed 76 very senior consultants (typically the most senior person in their country) from most of the leading consulting firms in the sector and many smaller 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 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 |
|----------------------|--|------------------|
| Sarah Adam-Gedge | Managing Director | Publicis Sapient |
| Sanjeev Agarwal | CEO & Managing Director | Protiviti |
| Gustav Baldinger | Managing Partner | PwC |
| Bertrand Baret | Senior Partner, Deputy Leader for WEM Region | EY |
| Nicholas Bayley | Managing Director, Accenture Strategy | Accenture |
| Hans Henrik Beck | Founder and Managing Partner | QVARTZ |
| Dai Bedford | Global Banking and Capital Markets Advisory Leader | EY |
| Vincent Le Bellac | Partner, France & Francophone Africa | PwC |
| Jan Bellens | Global Banking & Capital Markets Sector Leader | EY |
| Adrian Bettridge | Managing Partner | Baringa Partners |
| Anne Bioulac | Co-Managing Partner Paris | Roland Berger |
| Michael Brauneis | Managing Director and US Financial Services Industry Leader | Protiviti |
| Tony Clark | Managing Director | Synechron |
| Jeremy Cole | Executive Vice President, ON, QC & Atlantic Canada | MNP LLP |
| Sean Cory | Market Leader Nordics | Oliver Wyman |
| Olivier de Decker | Partner | Capco |
| Laurent Degabriel | Vice President | Cognizant |
| Adam Dixon | Partner, Global Practice Leader, Advantage Transformation Services | A.T. Kearney |
| Bernard Drui | Country Market Leader, France | Protiviti |
| Steffen Elsaesser | CEO DACH, Central Europe | Capgemini Invent |
| Frithjof Frederiksen | Commercial Director | Bekk Consulting |
| Sjur Gaaseide | Managing Partner | Deloitte |
| John Garvey | Global Financial Services Leader | PwC |
| Nuno Gomes | Principal, Career Business Leader MENAT | Mercer |
| Mark A. Goodburn | Global Head of Advisory | KPMG |
| Cory Gunderson | Executive Vice President | Protiviti |
| Ian Hancock | Head of Management Consulting, Australia | KPMG |

The Financial Services Consulting Market in 2019

| | | |
|-------------------------|--|---------------------------|
| Wim Van Hennekeler | Head of Cognizant Consulting for Benelux and Germany, and Head of Digital Strategy | Cognizant |
| Ulf Holmgren | Managing Director of Sweden and Finland | Capgemini Invent |
| Marcus Hulshoff | Managing Director | impacore GmbH |
| Ken Hutt | Principal, CSO, US Consulting | Deloitte |
| Wayne Ingram | Country Managing Director, Canada | Slalom |
| Jill Jacques | Financial Services Lead and Vice President | North Highland |
| Bjornar Jensen | Managing Partner, Switzerland | Deloitte |
| Vincent Kasbi | Head of Asia | Sia Partners |
| Wei Ke | Managing Partner | Simon-Kucher & Partners |
| Simon Kent | Partner | A.T. Kearney |
| Sandeep Kumar | Managing Director New York | Synechron |
| Marco Lehmann | Partner | KPMG |
| David Levi | Head of Accenture Strategy, Australia and New Zealand | Accenture |
| James Liddy | Chairman, Global Financial Services | KPMG |
| Alexander Lippner | Head of Management Consulting, Austria | KPMG |
| Reynold Liu | Head of Management Consulting, China | KPMG |
| Xuong Liu | Managing Director & Asia Practice Leader – Transaction Advisory Group | Alvarez & Marsal |
| Michael Lyman | Senior Managing Director, Accenture Strategy, North America Strategy Leader, Global Insurance Leader | Accenture |
| Francois Marchessaux | Partner, Deputy Managing Director | Sopra Steria |
| Pierre Dominique Martin | Senior Vice President | CGI |
| Thomas Mataconis | SVP, FSI Business Consulting | NTT Data Consulting, Inc. |
| Daniel Meere | Managing Director | Axis Corporate |
| Hanna Moukanas | Partner | Oliver Wyman |
| Sudeepto Mukherjee | Senior VP EMEA & APAC Banking & Insurance Lead | Publicis Sapient |
| Kimmo Nieminen | Consulting Leader | PwC |
| Eva Borgert Palm | Senior Partner | 4Focus |
| Hank Prybylski | Americas Go To Market | EY |
| Dr. Ingo Rauser | Partner | Capco |
| Karl Thomas Reinertsen | CEO Norway | Capgemini Invent |
| David Rowlands | Head of Consulting KPMG UK | KPMG |

| | | |
|----------------------|---|--------------------------------------|
| Stanislas de Roys | Executive Vice President, Managing Director of FS | Capgemini Invent |
| Kjell Rusti | CEO Nordics | Sopra Steria |
| Visar Sala | Managing Director of Accenture Strategy | Accenture |
| Deepankar Sanwalka | Partner, India Advisory Leader | PwC |
| Stefan Schaible | CEO Germany & Central Europe | Roland Berger |
| Oliver Schlicht | Partner, FS | Baringa Partners |
| Markus Schmid | Managing Director, Germany | goetzpartners |
| Patrick Scott | Executive Vice President | Protiviti |
| Saumitra Sehgal | Partner | Roland Berger |
| Arnaud Sergent | Co-Head of European Healthcare Services Practice & Vice President | L.E.K. Consulting |
| Federico A. Servideo | Consulting Leader | PwC |
| Mihir Shah | Head of APAC | Synechron |
| Poul Skadhede | Group CEO | Valcon |
| Sigurd Skjæveland | Managing Director | A-2 Norge AS |
| Lee Spierer | EVP, Global Business Leader | Navigant |
| Peter Stenbrink | Managing Director, Nordics | Resources Global Professionals (RGP) |
| Scott Vincent | Managing Partner | Parker Fitzgerald |
| Shirley Xie | South China Markets Leader | PwC |
| Ellen Zimiles | Financial Services Advisory and Compliance Segment Leader | Navigant |

About the author

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





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 | | |
| July | South America Australia | Perceptions of Audit Firms Perceptions of Risk Firms Perceptions of Tax Firms | |
| August | Africa Risk | | The Make-Buy Decision |
| September | India Energy & Resources Planning for Growth in 2020 | Talent Attractiveness in 2019 | |
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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

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