

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
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US dollar to euro	US\$1 = €0.85
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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

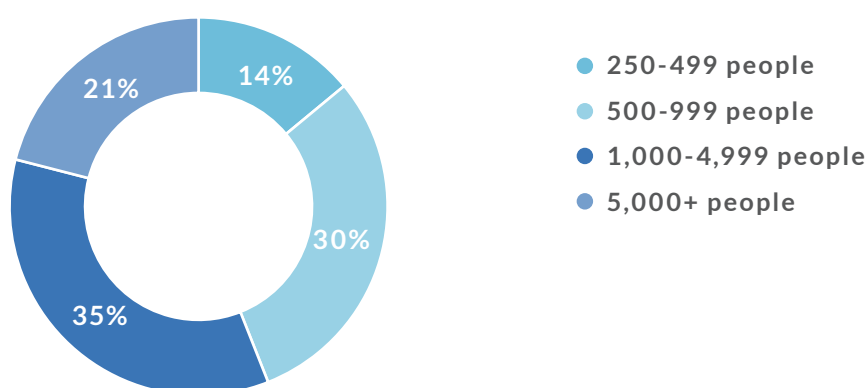
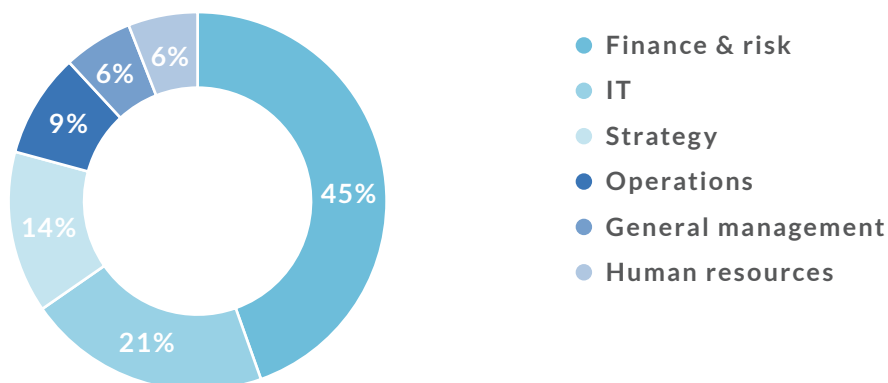


Figure 17

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).

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The Financial Services Consulting Market in 2019

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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.

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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	
October	Financial Services China South East Asia		
November	Japan Healthcare Technology, Media & Telecoms		The Future of Delivery
December	Tax		

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