

February 2020

Forecasts for 2020

Market Trends Programme





Contents

Introduction

A high-level look at what consultants can expect from 2020.

| | |
|--|---|
| How will the consulting market fare in 2020? | 3 |
| Clients' views about 2020 | 5 |
| The view by organisation size | 8 |

The why and the who of growth in 2020

What clients tell us about their plans for the year—and where they'll be asking consultants for help.

| | |
|---|----|
| The why: What's on clients' agendas in 2020? | 9 |
| The who: Will clients turn to consultants for help? | 12 |
| The very biggest clients | 15 |

Which will be the growth services in 2020?

The services for which consulting clients are most eager to increase investments—and where they're hoping to make cuts.

| | |
|------------------------------------|----|
| Technology consulting | 54 |
| Operational improvement consulting | 57 |
| Risk & regulatory consulting | 60 |
| Strategy consulting | 63 |
| HR & change management consulting | 66 |
| Financial management consulting | 69 |

Which will be the growth sectors in 2020?

What clients in different sectors told us about their consulting spending and use plans for 2020.

| | |
|------------------------------|----|
| Financial services | 17 |
| Manufacturing | 21 |
| Energy & resources | 25 |
| Public sector | 29 |
| Technology, media & telecoms | 33 |
| Services | 37 |
| Healthcare | 41 |
| Retail | 45 |
| Pharma & biotech | 49 |

Growth forecasts

Our forecasts for growth through the end of 2020.

| | |
|-----------------------------|----|
| Growth forecasts by sector | 72 |
| Growth forecasts by service | 77 |

About this report

Our report draws on three 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

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

| | |
|-------------------------------------|----|
| Methodology | 79 |
| Definitions of sectors and services | 80 |
| About the author | 83 |
| Programme schedule for 2020 | 84 |
| Our custom work | 85 |
| About us | 86 |



Introduction

At Source, we spend a lot of time talking to consultants and, frankly, some of those conversations have been real downers lately. All over the world, we're finding consultants who are more than a little anxious about 2020. And why wouldn't they be? A global recession is rumoured to be around the corner and, related to that, no one knows what's going on with international trade any more. There's a highly consequential election brewing in the US that could see clients assuming a wait-and-see position well beyond American borders. And while it looks like Brexit is finally (finally!) going to happen, it's by no means clear what it actually means—not for the UK, not for Europe, and not for the world. Also, the planet is on fire. Actual fire! Except for the parts that aren't on fire, many of which are flooding. It's a bleak picture, and we certainly wouldn't fault anyone for taking a look and deciding it's not going to be a good year.

Yet we believe that consultants should not despair. This report reveals that clients all over the world are resilient; far from surrendering, they are fortifying the barricades and getting ready for battle. Even better for consultants, clients are more often than not inviting their trusted advisors along for the ride.

Yes, after two years of relatively low client activity levels as everyone waited for the world to make a little more sense, clients seem to have given up on the very possibility, instead rolling up their sleeves to make sure they stay quick, competitive, and fit for whatever the future may hold. They tell us that over the next 18 months, they'll be taking on more efficiency programmes and focusing on simplification in order to be able to run lean in the event of lean times. They're going after mergers and acquisitions (M&As) with a vigour not seen in years in order to build new scale and new capabilities that will serve them well in the future. They're doing more of everything, actually, and they're eager to increase their consulting budgets in order to make it happen.

While consultants are perfectly entitled to carry on feeling lousy about the state of the world, we don't see any reason why they should feel lousy about the state of consulting. For those who make a living helping organisations meet whatever challenges they face, it's going to be a very good year.

How will the consulting market fare in 2020?

Regardless of the anxieties clients may be feeling, 2020 finds them with ambitious agendas and ready to invest in consulting to achieve their goals. For consultants, this eagerness will no doubt be refreshing. During the last two years, our survey found a relatively ambivalent client base: Global consulting growth stayed strong, but clients were showing some reluctance to expand their budgets. In last year's survey, only 59% of clients said they were looking to spend more on consulting in the 18 months to follow. Even that, however, was an improvement on the share who said the same in our 2018 report, when just over half of clients (54%) were planning budget hikes.

In contrast, this year's survey finds a whopping 81% of clients telling us they're looking to increase their consulting budgets over the next 18 months—the highest share we've seen since we first published global client spending predictions back in 2013 (when 49% were looking to increase consulting spend). Perhaps even better news for consultants is

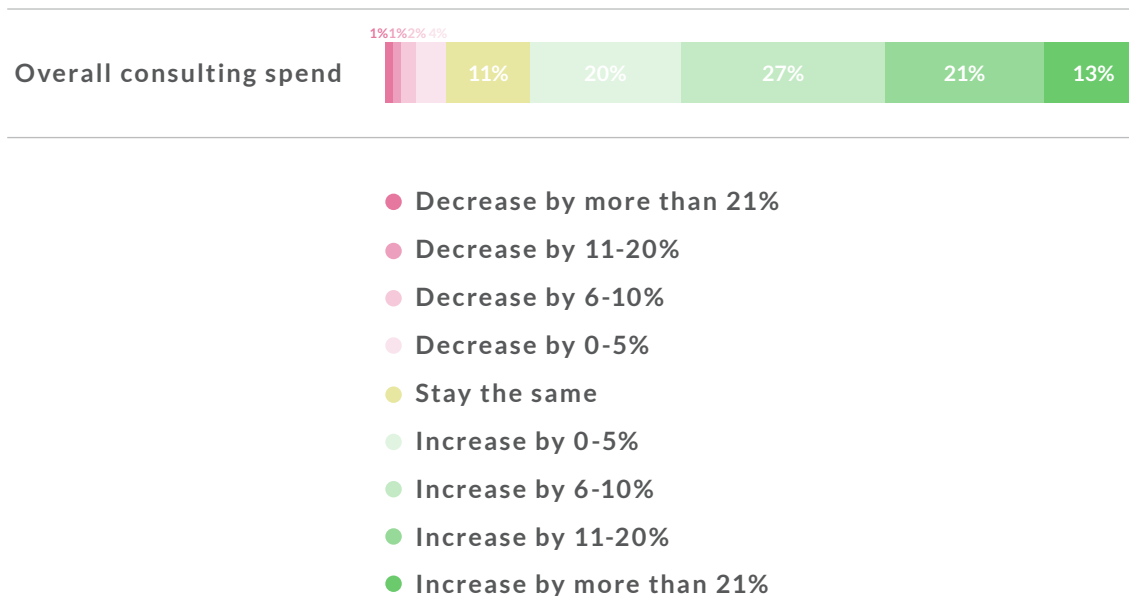


that those planning budget increases are thinking big: Roughly a third (34%) of clients say their spending is going up more than 10% over the next 18 months—more than double the portion who said the same at the close of 2018 (16%).

As the share of clients planning to spend more goes up, the share planning to cut their budgets has gone down. This year, just 8% tell us their consulting budgets will shrink over the next 18 months—a 12-point drop from the 20% who said the same last year. Furthermore, the planned cuts look modest, with just 2% of clients expecting to slash budgets by 11% or more. Whatever the global economy has in store for the next 18 months, consulting clients are determined to face it head-on with their trusted advisors at their side.

Figure 1

How clients expect their consulting expenditure to change over the next 18 months





About this report

Methodology

Sources

Our report is based on quantitative and qualitative research of consulting firms.

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 2018 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 2018 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 its reports this year:

| | |
|----------------------------|---------------|
| US dollar to British pound | US\$1 = £0.79 |
| US dollar to euro | US\$1 = €0.89 |



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 & 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”.



Definitions of sectors and services



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, and 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 restructuring, 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).



About the author

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.

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Programme schedule for 2020

| Reports 2020 | Market Data & Analysis | Client & Brand Insights | Emerging Trends |
|--------------|--|--|-----------------------------------|
| January | Forecasts for 2020 | | |
| February | UK | UK | |
| March | GCC Benelux Nordics | GCC Nordics | The Future of Account Management |
| April | Southern Europe DACH France | Germany | |
| May | US Eastern Europe & Russia Global Tax Advisory | US France | The Consultant of Tomorrow |
| June | Canada South America | Financial Services Technology, Media & Telecoms | |
| July | Mexico Australia Global Risk Services | Energy & Resources Healthcare | |
| August | India China Africa | Perceptions of Audit Firms Perceptions of Tax Firms | A Climate Transformed |
| September | Energy & Resources Planning for Growth in 2021 | Perceptions of Risk Firms | |
| October | Financial Services South East Asia Japan | | |
| November | Healthcare Technology, Media & Telecoms | | Is There a Reputational Timebomb? |
| December | | | |

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

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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.

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