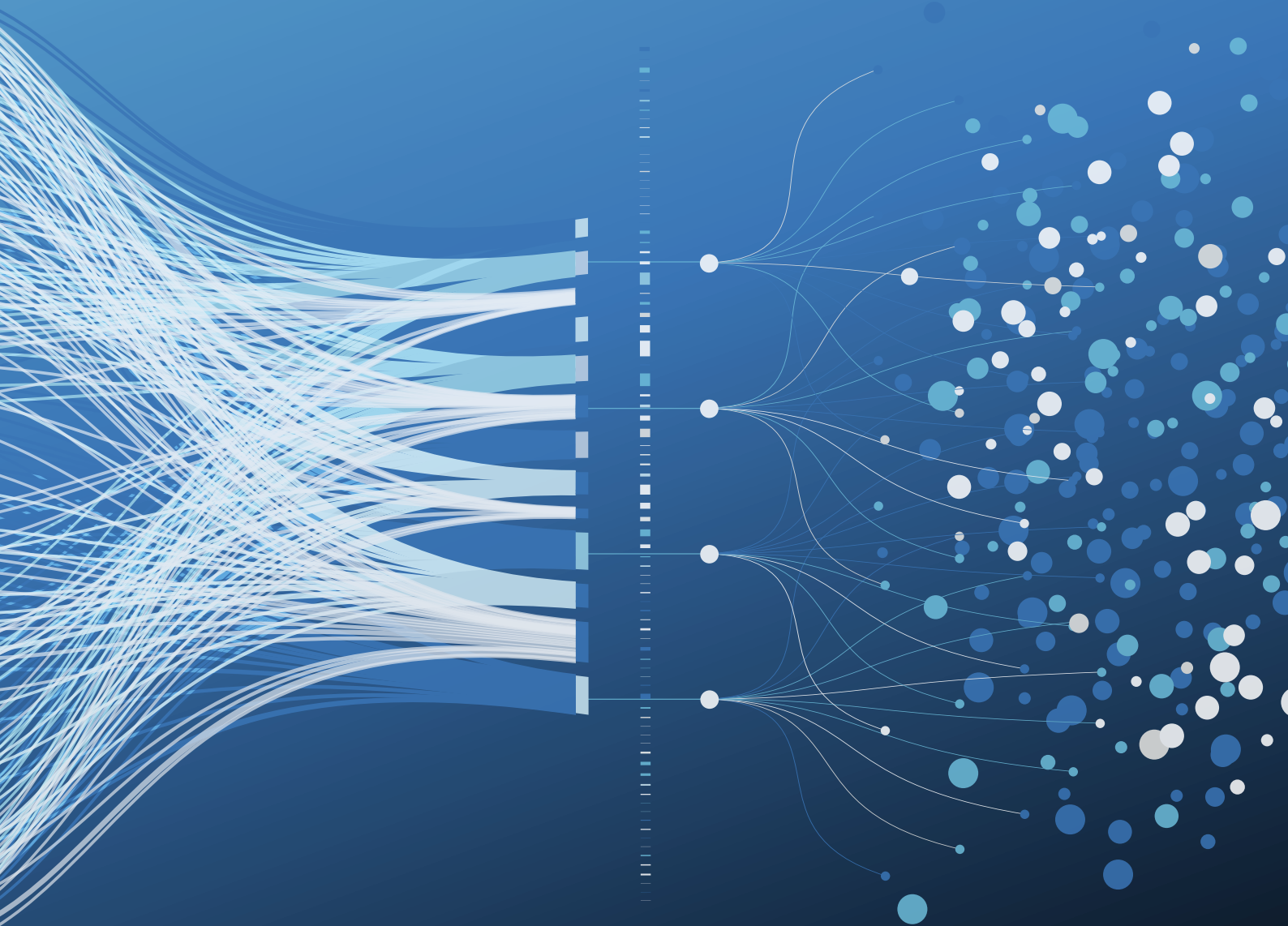


February 2021

EXTRACT

# Forecasts for 2021

Market Trends Programme





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A high-level look at what consultants can expect from 2021.

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## About this report

Our report draws on three main sources:

- Our global data model covering the professional services market
- 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:

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# Introduction

The impact of the pandemic was profound—as it has been in all aspects of life—and consultants faced unprecedented challenges both in terms of internal operations and in their dealings with clients and the wider world.

We at Source spend a lot of time talking to consultants, and for much of last year, those conversations were often quite tough. The impact of the pandemic was profound—as it has been in all aspects of life—and consultants faced unprecedented challenges both in terms of internal operations and in their dealings with clients and the wider world. But while there was a lot of angst and uncertainty in the early days of the pandemic, one thing did start to become clear as the year progressed: While 2020 was a year of unparalleled challenges, the latter half of the year started to present new opportunities—a trend that has continued into 2021.

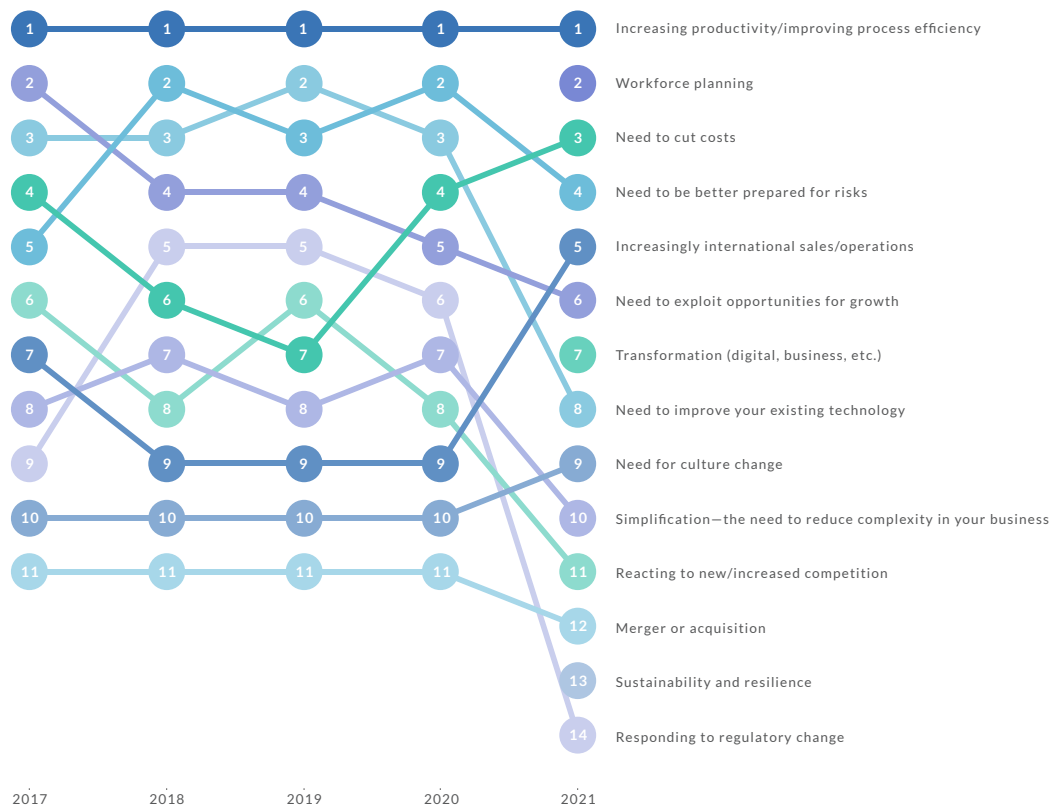
Of course, there is still a note of caution in the market as consultants of all stripes look to every new COVID-19 development with a sense of trepidation. But overall, the mood is buoyant, and it's not hard to see why. After enduring a dramatic decline in consulting revenues last year as COVID-19 swept across the globe, the ongoing roll-out of vaccines around the world is giving people hope that the end of the pandemic, or at least this phase of the pandemic is finally in sight, and we will get back to “normal” in the not-too-distant future. Things are certainly looking on the up in 2021.

And that positivity is reflected in what clients are telling us too. At the start of last year, clients were very positive about their plans, with an emphasis on being more nimble, more digital, and more prepared for whatever the future held. Of course, when we surveyed them in December 2019, no one expected the following year to turn out the way it did, but despite a dramatically changed world, clients are still eager to pursue these priorities at the start of 2021. Indeed, clients tell us that over the next 18 months, they'll be investing in their back offices with workforce planning projects, cost-cutting initiatives, and as part of broader efficiency programmes. Unsurprisingly, being better prepared for risks is also high on clients' agendas. And clients are also planning to invest in opportunities for growth and increasing their international sales—the latter of which is the highest climber in clients' priorities for the next 18 months, up to their fifth biggest priority having only been ninth last year.



Figure 1

What clients say is impacting their business over the next 18 months



So, with clients planning investments in both the back and front offices this year, it would appear that the head of steam the market started to build towards the end of last year is set to continue. And for those who help companies and organisations meet the challenges they face, 2021 looks set to be a good year.



# About this report

## Methodology

### Sources

#### Megamodel: our global data model

The quantitative market data in this report comes from our unique model of the global professional services market.

Rather than making high-level assumptions, this model has been built from the bottom up, sizing the market capability by capability—assessing how much work a firm earns delivering each professional capability within each sector and country. This results in a robust view of the size of the supply-side market, which can then be broken down to view the size of the market by country, sector, line of business, and capability.

This year's model has been expanded, with a new capability taxonomy and a much broader range of professional services firms included—all of which reflects convergence and other changes we see in the industry. For the purposes of this report we've focused on types of firm and lines of business that broadly equate to traditional definitions of consulting. As a result of these changes to our methodology, there are changes to our market sizing data, which take into account that conventional consulting firms now compete in many non-consulting markets—in essence that their addressable market is larger. Historic data has been restated to match our new definitions, but the inclusion of new types of firm and additional services may also have an impact on growth rates.

Alongside this market segmentation, we also limit our market sizing and analysis to what we at Source call “big consulting”—work done by mid- and large-sized firms (those with more than 50 people). Please note that we don't track the long, thin tail of work done by contractors and very

small firms, as most readers of this report would not seek or be able to compete in this part of the market.

All of the data in the model is calibrated through extensive interviews with, and surveys of, professional services firms and their clients, allowing us to discuss broader trends in the market alongside detailed dimensions such as headcount. These interviews and surveys are supplemented with desk research, which allows us to assess the impact of wider macroeconomic trends on professional services. This, combined with our detailed modelling, results in a long-term view of the market that is able to support both historic and forecast data.

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 = £0.78

US dollar to euro US\$1 = €0.87

#### Interviews with senior consultants

In addition to our quantitative research, we interviewed several very senior consultants representing some of the leading consulting firms to understand more about how the consulting market is performing and the major trends, changes, and challenges consultants and their clients face. 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 lines of business**

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 lines of business”.



## Definitions of sectors and lines of business

### Sectors



#### 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.



## Lines of business

We've taken the lines of business and capabilities from our taxonomy that broadly align with traditional definitions of consulting, which include the following. Please note that for some lines of business, for example, forensics, we've taken a subset of the relevant capabilities and excluded others.



### Cybersecurity

Includes cybersecurity advice, cybersecurity incident response, penetration testing & wargaming.



### Data & analytics

Includes advanced analytics, data visualisation, business intelligence & semantic layer.



### Deals

Includes capital allocation strategy, commercial due diligence & valuation, financial due diligence, operational due diligence, technology due diligence, M&A transaction strategy, portfolio & investment strategy, public-private partnerships.



### Design & UX

Includes corporate identity, Graphic & UI design, UX & service design, Design & UX.



### Financial management

Includes budgeting/financial planning process, debt advisory, finance function, financial advisory, financial restructuring & insolvency.



### Forensics

Includes eDiscovery, forensic accounting.



### HR & change management

Includes benefits, compensation & pensions, excluding actuarial & investment advice, change management, diversity & inclusion, employee engagement, governance & board effectiveness, HR strategy & effectiveness, leadership, organisational design & culture, organisational training & development, outplacement, pension fund evaluation & advice, performance management, stakeholder management, talent management, team effectiveness & collaboration.



### Innovation

Includes Ideation, innovation management, innovation strategy, strategies for growth from innovation.



### Operations

Includes benchmarking, business continuity & recovery, cost-cutting, customer service, DevOps, distribution strategy, Lean & Six Sigma, operational review, outsourcing advice, post-M&A integration, process design, re-engineering & automation, procurement/purchasing, property & estate management, sales & distribution planning, sales force effectiveness, supply chain management, target operating model.



### Real estate

Includes corporate, occupier services & facilities management, integrated real estate developer services, real estate deal/transaction services, real estate strategy.



### Research

Includes customer feedback, customer segmentation, employee feedback, environmental & social impact research, macro/microeconomic research, market research.



### Risk

Includes operational risk, programme risk, responding to regulation, risk management, risk.



### Strategy

Includes business & financial modelling, category management, channel management, corporate recovery & turnaround, corporate restructuring, corporate strategy, market analysis & strategy, policy formulation, pricing, strategic sourcing/offshoring services.



### Sustainability

Includes clean technology, purpose-led strategy & change, resource-efficiency implementation, resource-efficiency strategy, social impact & trust, sustainable investment, sustainable supply chain, green IT.



### Technology

Includes cloud advice, ERP consulting, IT strategy, planning & review, IT training, programme management, vendor selection.





## About the author

### Ashok Patel

Ashok is a writer and editor at Source in our Market Trends team. He is an experienced writer, editor, and analyst, providing insights into the latest trends and developments across the professional services market. He has been quoted by a variety of trade publications and has previous experience in Source's Client Perception Programme. Prior to joining Source, Ashok was an editor and consultant in the commodities market, as well as working in the UK automotive industry.

Ashok Patel

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## Programme schedule for 2021

Reports 2021		Market Trends Programme	Client Perception Studies	Emerging Trends Programme
Q1	January	Forecasts for 2021 US	UK US	
	February	GCC UK Nordics DACH	Germany Financial Services	Buying and Selling
	March	Canada France	Healthcare & Pharma GCC France	
Q2	April	South America Australia China Japan	Nordics Energy & Resources Technology, Media & Telecoms	
	May	South East Asia Benelux India	China Japan	Beyond Digital
	June	Southern Europe Eastern Europe & Russia		
Q3	July			
	August	Africa Energy & Resources Financial Services	Perceptions of Risk Firms Perceptions of Tax Firms	Investing for Growth
	September		Perceptions of Audit Firms	
Q4	October	The Global Tax Advisory Market The Global Risk & Cybersecurity Services Market		Building a Trusted Brand
	November	Healthcare & Pharma Technology, Media & Telecoms Consumer Products & Retail		
	December	Planning for Growth in 2022		

Please note that with the purchase of all Market Trends reports in 2021, you will also gain access to a monthly video summary on the global market, presented by Fiona Czerniawska.

### 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.

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## Our custom work

In addition to our report programmes, we also provide custom advice and research-led consulting services to the world's biggest and most successful professional services firms, helping them identify the best areas for investment and plan their strategic responses.

Among other things, our work includes:

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

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