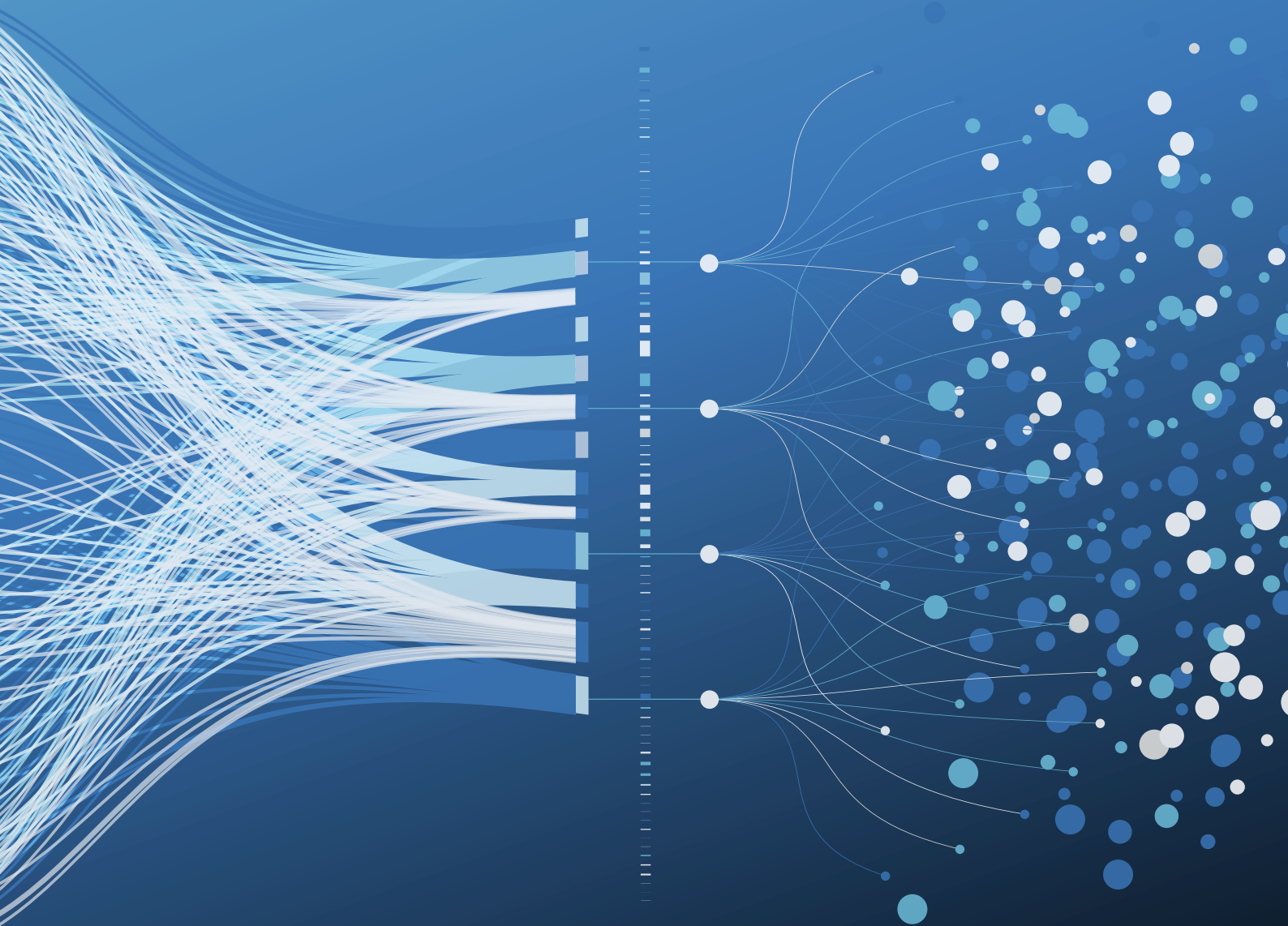


The Southern Europe Consulting Market in 2021

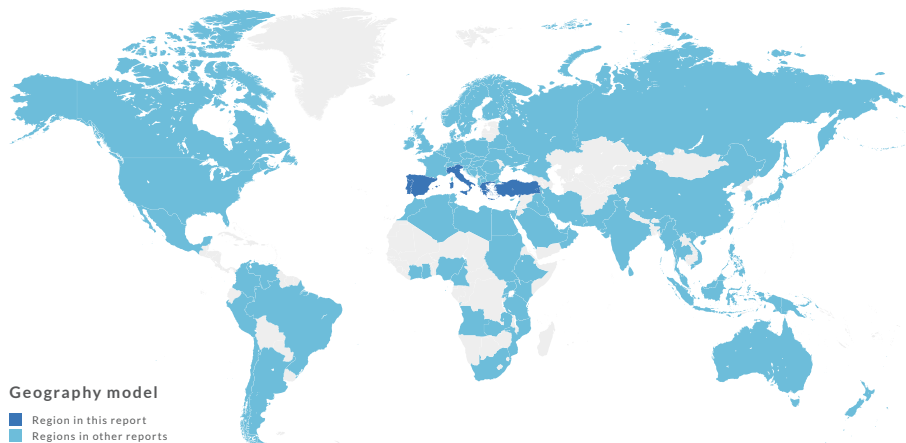
Market Trends Programme





What's included in this report

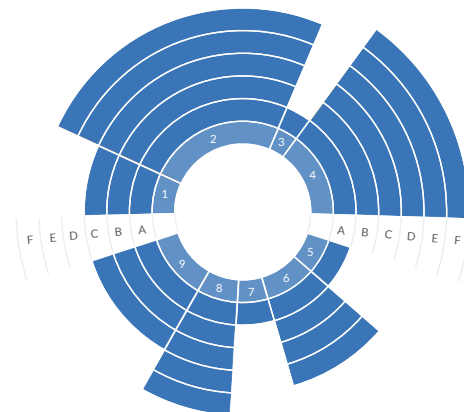
Our reports offer a wealth of market sizing, growth, and forecast data alongside engaging, in-depth analysis of the trends that matter. Using our highly flexible, multidimensional model we provide firms with robust, trusted data to make informed decisions about strategic investments and plan for the future.



Geography model

■ Region in this report
■ Regions in other reports

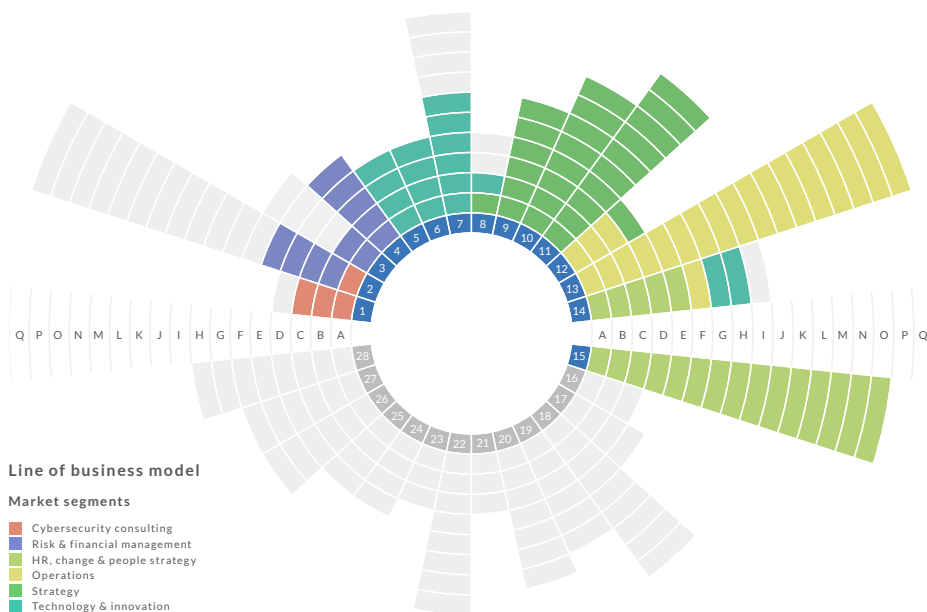
Albania	Canada	Germany	Kenya	North Macedonia	Saudi Arabia	Tanzania
Algeria	Chile	Ghana	Kuwait	Norway	Serbia	Thailand
Angola	China	Greece	Lebanon	Oman	Singapore	Tunisia
Argentina	Colombia	Libya	Pakistan	Papua New Guinea	Slovakia	Turkey
Australia	Côte d'Ivoire	Hungary	Luxembourg	Peru	Slovenia	UAE
Austria	Croatia	India	Malaysia	Philippines	South Africa	Uganda
Bahrain	Cyprus	Indonesia	Mexico	Poland	South Korea	Ukraine
Belarus	Czech Republic	Iran	Morocco	Portugal	Spain	United Kingdom
Belgium	Denmark	Iraq	Mozambique	Qatar	Sri Lanka	United States
Bosnia	Egypt	Ireland	Myanmar	Romania	Sudan	Venezuela
Brazil	Ethiopia	Israel	Netherlands	Russia	Sweden	Vietnam
Bulgaria	Finland	Italy	New Zealand	Rwanda	Switzerland	Zambia
Cameroun	France	Japan	Nigeria		Taiwan	



Sector model

Sectors
1 Energy & resources
2 Financial services
3 Healthcare
4 Manufacturing
5 Pharma & biotech
6 Public sector
7 Retail
8 Services
9 Technology, media & telecoms

Sub-sectors
1 A Energy
1 B Primary resources
1 C Utilities
2 A Banking
2 B Capital markets
2 C Insurance
2 D Investment and wealth management
2 E Private equity
3 A Healthcare
4 A Aerospace
4 B Automotive
4 C Construction
4 D Consumer electronics
4 E Consumer packaged goods
4 F Industrial products
5 A Pharma
6 A Defence
6 B Education
6 C Not-for-profit
6 D Public sector
7 A Retail
8 A Business services
8 B Leisure
8 C Logistics
8 D Real estate
8 E Transportation
9 A High-tech
9 B Media
9 C Telecoms



Line of business model

Market segments

■ Cybersecurity consulting
■ Risk & financial management
■ HR, change & people strategy
■ Operations
■ Strategy
■ Technology & innovation

Line of business

1 Cybersecurity
2 Risk
3 Forensic
4 Financial management
5 Design & UX
6 Innovation
7 Technology
8 Data & analytics
9 Research
10 Deals
11 Strategy
12 Real estate
13 Operations
14 Sustainability
15 HR & change
16 Architecture
17 Audit & assurance
18 Business process outsourcing
19 Civil engineering
20 Legal
21 Litigation
22 Marketing & creative
23 Network engineering
24 Product engineering & R&D
25 Recruitment
26 Software engineering
27 System integration
28 Tax

Capabilities

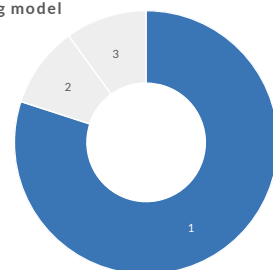
1 A Cybersecurity advice
1 B Cybersecurity incident response
1 C Penetration testing & wargaming
2 A Technology & security risk services
2 B Operational risk
2 C Programme risk
2 D Responding to regulation
2 E Risk management
3 A eDiscovery
3 B Forensic accounting
4 A Budgeting/financial planning process
4 B Debt advisory
4 C Finance function
4 D Financial restructuring & insolvency
5 A Corporate identity
5 B Customer journey & UX benchmarking
5 C Graphic & UI design
5 D UX & service design
6 A Ideation
6 B Innovation management
6 C Innovation strategy
6 D Strategies for growth from innovation
7 A Cloud advice
7 B ERP consulting
7 C IT strategy, planning & review

7 D IT training
7 E Programme management
7 F Vendor selection
8 A Advanced analytics
8 B Data visualisation, business intelligence & semantic layer
9 A Customer feedback
9 B Customer segmentation
9 C Employee feedback
9 D Environmental & social impact research
9 E Macro/microeconomic research
9 F Market research
10 A Capital allocation strategy
10 B Commercial due diligence & valuation
10 C Financial due diligence
10 D M&A transaction strategy
10 E Operational due diligence
10 F Portfolio & investment strategy
10 G Public-private partnerships
10 H Technology due diligence
11 A Business & financial modelling
11 B Category management
11 C Channel management
11 D Corporate recovery & turnaround
11 E Corporate restructuring
11 F Corporate strategy

11 G Market analysis & strategy
11 H Policy formulation
11 I Pricing
11 J Strategic sourcing/offshoring services
12 A Corporate, occupier services & facilities management
12 B Integrated real estate developer services
12 C Real estate deal/transaction services
12 D Real estate strategy
13 A Benchmarking
13 B Business continuity & recovery
13 C Cost cutting
13 D Customer service
13 E DevOps
13 F Distribution strategy
13 G Lean & Six Sigma
13 H Operational review
13 I Outsourcing advice
13 J Post-M&A integration
13 K Process design, re-engineering & automation
13 L Procurement/purchasing
13 M Property & estate management
13 N Sales & distribution planning
13 O Sales force effectiveness
13 P Supply chain management
13 Q Target operating model

The revenue-earning model

1 Consulting
2 Managed service
3 Other (contingent fees, software licensing, associate networks)





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Forecast for 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 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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The Southern Europe consulting market in 2020

Overall, 2020 was a very challenging year for those in Southern Europe, including consultants. Not only did the lack of travel decimate economies reliant on tourism, but the region's two biggest markets, Italy and Spain, were among the first in Europe to be ravaged by COVID-19. As a result, Southern Europe's consultants suffered more than those in many other European markets with revenues falling 12.3% in 2020.

From a country perspective, Spain—the region's largest market—suffered more than most, from both a pandemic and a consulting perspective. After enjoying the region's fastest growth (6.9%) in 2019, the consulting market contracted 13.7%, with a decline of more than 15% in four of the nine sectors we cover in this report. Spain's services sector, which accounts for 10% of total consulting revenues—nearly double the proportion in most other major European markets—took a real beating last year, with revenues falling nearly 25% as transportation, leisure, and business services clients slashed budgets and shifted into survival mode. Energy & resources consulting revenues were also down considerably as a combination of the pandemic and low commodity prices forced clients to delay digitisation and transformation initiatives. There was, however, better news for consultants in Spain's small pharma & biotech sector with revenues only contracting 1.6%. This resilience was largely owed to ongoing work to digitise R&D and new initiatives aimed at revamping a sales model heavily reliant on in-person meetings and conferences and thus incompatible with lockdowns. Consultants in the public sector also had a better pandemic than most, with revenues slipping just 4.3% as public services invested to boost digital offerings and demand from defence clients continued to grow.

It was a very similar, though slightly worse, picture in Italy, the region's other big consulting market. Accounting for nearly a third of Southern Europe's consulting revenues going into 2020, Italy's market contracted 14.2%—the largest decline of any major market in Europe. Manufacturing accounts for a higher proportion of consulting revenues in Italy than in other markets in the region, so the early and prolonged lockdown had a big impact on overall demand. Unable to operate for much of the year, manufacturers were left scrambling to survive, forcing them to slash consulting budgets. Italy's firms were also hit by the region's steepest contraction in financial services demand. Consulting to the sector fell 11.3% last year as clients abandoned high-cost transformation initiatives in an effort to trim spending.

From a country perspective, Spain—the region's largest market—suffered more than most, from both a pandemic and a consulting perspective.



— Insights from consultants

Interviews with consulting leaders

At Source, we have always believed that the only way to truly understand a consulting market is to have real conversations with the consultants who are on the ground working in that market, serving their clients day in and day out. Below, you'll find condensed versions of our most recent discussions with Southern Europe's consultants, as they reflect on 2020, tell us how the previously unimaginable events of 2020 are reshaping the market, and in the case of a few brave souls, venture a guess as to what comes next.



Andrea Montermini, Vice President, EFESO

How did the market perform in 2020?

The market saw a drop-in activity of 20% or 30% in 2020. From an Italian perspective, it's been a stable year, and we've been able to manage the same level of activity but for EFESO group overall, Q2 and Q3 were particularly difficult.

The main drops were in consumer goods and B2C companies, while B2B industrial goods and energy maintained a good level. There was a drop in the automotive market, but we were lucky because we're largely involved with premium carmakers who didn't feel the impact of the pandemic as much.

What services were in particular demand from clients?

There have been a few. The first was around restructuring operational management systems to be able to run in the pandemic. We also saw demand for end-to-end cost reduction and efficiency activities. Industry and operational due diligence services did fairly well and continue to be in demand. Finally, digital operations saw a good level of activity. We have seen an acceleration of interest in incorporating digital into most assignments, whether they are operational or aimed at new business models. We've also seen an acceleration of everything under the sustainability umbrella, which is moving beyond boardroom CSR and into operations and further along the value chain. That started in 2020 and has continued.

To what extent is your delivery model changing as a result of increased remote delivery?

As with all professional services firms, remote working has been a major step forward. We were well prepared for the switch, and any constraints we felt tended to be on the client side. On the one hand, we're seeing the pitfalls with regard to work-life balance—the boundaries are much more liquid, and we're carrying out more work in parallel at once. But on the other hand, the productivity gains have been significant. Client side, we're able to pull together people from different corners of the world without a major intrusion on anyone's time.

Once the pandemic is over, we're going to have to find a new balance between remote and in-person delivery. We're definitely going to continue with remote collaboration for analysis and reporting, and onsite activities will be limited to particular situations.

How has your approach to the market changed over the past year?

In Q2 and Q3, we invested more in digital connections, webinars, and anything to do with digital CRM. I got the impression that by Q4, everyone had kind of had enough, so we started focusing more on interacting directly with clients and using that time to talk through pandemic topics and specific problems. The acceleration of digital interaction has been a good opportunity for a company like ours to improve our ways of working, but it was almost impossible to build new relationships remotely. I think it's becoming easier now, partly because behaviours are changing but also because things are moving more in Southern Europe now.

We're also seeing large, global companies putting a more standardised consulting procurement process in place due to compliance concerns. This is leading to more opportunities, even where personal relationships are not as well developed. We need to be better organised for formal sourcing processes and RFQs and allocate enough resources and time to this phase of sales.

How has the competitive landscape changed over the last 12 months?

We are seeing the MBB firms do less pure strategy work and accelerate their drift towards operational improvement. On the other end of the spectrum, smaller competitors are struggling to compete with bigger firms when it comes to scale and investment in capabilities. So, I would say that we now have more competition in our area from top brands and less from smaller and specialised firms.

We have also seen a 'refresh' of interest from smaller companies wanting join our group and our platform, which is spurring M&A activity for us.

Which services do you expect to see growing the most in 2021?

Everything we do for private equity is growing at the moment, because there is a strong demand for M&A. Sustainability is really moving from coffee machine conversations to real projects, and they are more business orientated now, rather than being just about compliance. Operational improvement has a lot of traction across the whole value chain, with a sophisticated approach to end-to-end synchronisation. And finally, everything that includes



digital and change management is seeing strong demand.

What kind of impact is the relatively slow vaccine rollout having on the market?

We are already back to a good level of activity and aren't seeing any carry-over effect from the pandemic anymore. I don't want to be too optimistic, but I feel confident based on the number of projects we are getting and the number of solicitations we're seeing. The problem we're having now is in hiring. We have a bottleneck across talent management and attracting talent. The profile we're looking for is evolving, and the acceleration of this integration of capabilities, sectorial expertise, and digital—as well as the new way of working and remote collaboration—requires something different from our consultants and has forced a change in what we're looking for.



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, capabilities, and market segments.

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 market segments 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 euros. 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 nine very senior consultants in Southern Europe, representing most of the leading consulting firms in the geography and many smaller local specialists 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 in to 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 Southern Europe 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 market segments

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 market segments”.



Definitions of sectors and market segments

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.



Market segments

We've taken the lines of business and capabilities from our taxonomy that broadly align with traditional definitions of consulting and divided them into market segments that 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.



Technology & innovation

Ideation, Innovation management, Innovation strategy, Strategies for growth from innovation, Cloud advice, ERP consulting, IT strategy, planning & review, IT training, Programme management, Vendor selection, Clean technology, Green IT, Corporate identity, Graphic & UI design, UX & service design, Customer journey & UX benchmarking, Data visualisation, business intelligence & semantic layer.



Strategy

Capital allocation strategy, Commercial due diligence & valuation, Financial due diligence, M&A transaction strategy, Operational due diligence, Portfolio & investment strategy, Public-private partnerships, Technology due diligence, Business & financial modelling, Category management, Channel management, Corporate recovery & turnaround, Corporate restructuring, Corporate strategy, Market analysis & strategy, Policy formulation, Pricing, Strategic sourcing/offshoring services, Real estate strategy, Environmental & social impact research, Macro/microeconomic research, Market research, Customer feedback, Customer segmentation, Employee feedback, Advanced analytics, Sustainable investment.



Cybersecurity consulting

Cybersecurity advice, Cybersecurity incident response, Penetration testing & wargaming, Technology & security risk services.



HR, change & people strategy

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, Resource-efficiency strategy, Purpose-led strategy & change, Resource-efficiency implementation, Social impact & trust.



Operations

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, Sustainable supply chain, Corporate, occupier services & facilities management, Integrated real estate developer services, Real estate deal/transaction services.



Risk & financial management

Operational risk, Programme risk, Responding to regulation, Risk management, Budgeting/financial planning process, Debt advisory, Finance function, Financial advisory, Financial restructuring & insolvency, eDiscovery, Forensic accounting.



Contributors

We are extremely grateful to all the people we spoke to for making this report possible. Below is a list of individuals who have contributed (excluding those consultants who wished to remain anonymous).

Name	Job title	Organisation
Paolo Coacci	Management Consulting Lead, Italy	KPMG
Andrea Montermini	Vice President	EFESO
Fabiano Quadrelli	Partner	PwC
Nasser Sattar	Head of Advisory, Portugal	KPMG
Fabio Troiani	Co-Founder and CEO	Business Integration Partners
Antonio Crespo Ybáñez	Partner	Deloitte
Jordi Zaragoza	CEO	Alfa Consulting



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.

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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 GCC UK Nordics Canada	UK US	
	February		Germany Financial Services	
	March		Healthcare & Pharma GCC France	Buying and Selling
Q2	April	France DACH Australia China Southern Europe Benelux	Nordics Energy & Resources Technology, Media & Telecoms	
	May		China Japan	Digital, Transformed?
	June			
Q3	July	South America South East Asia India Japan Eastern Europe & Russia Africa Energy & Resources Financial Services		
	August		Perceptions of Risk Firms Perceptions of Tax Firms	Consulting's New Talent Crisis
	September		Perceptions of Audit Firms	
Q4	October	The Global Tax Advisory Market The Global Risk & Cybersecurity Services Market Healthcare & Pharma Technology, Media & Telecoms Consumer Products & Retail Planning for Growth in 2022		Building a Trusted Brand
	November			
	December			

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.

About us

Source analyses the way in which economic, business, behavioural, and technology change drives how organisations use professional services, and the implications that has for professional services firms.

Since its inception in 2007, Source has invested in sophisticated, proprietary research techniques that not only provide unique insights on current and future trends in the market, but also provide a better and faster solution than you would be able to reach yourself.

Our analysis and recommendations are derived from data and experience, and we use our team's extensive knowledge of the industry to provide actionable and clear conclusions on the best course of action for you and your firm. Our insights have underpinned some of the biggest strategic investment decisions made by professional services firms around the world.

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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.