

Report
Q2 2023

EXTRACT



MARKET

The DACH Consulting Market
in 2023



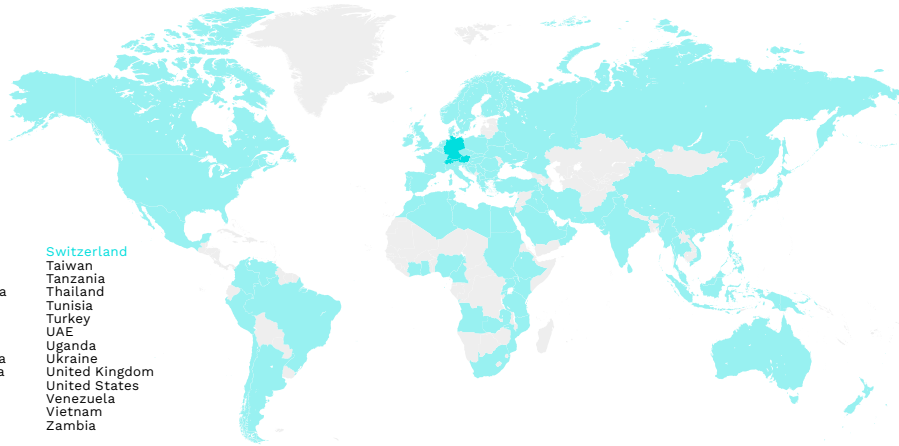
What's included in this report

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

● Regions covered

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

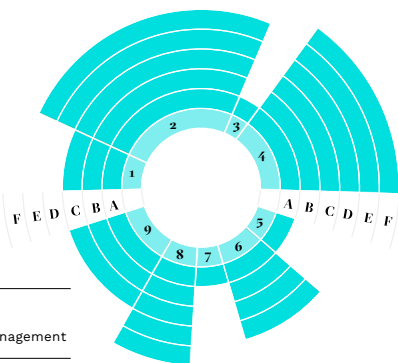


Sector model

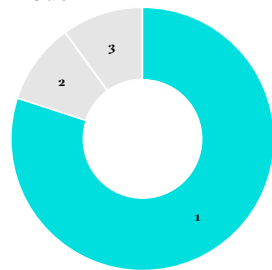
- Energy & resources
- Financial services
- Healthcare
- Manufacturing
- Pharma & biotech
- Public sector
- Retail
- Services
- Technology, media & telecoms

Sub-sectors

- | | |
|--------------------------------------|-----------------------|
| 1 A Energy | 7 A Retail |
| 1 B Primary resources | 8 A Business services |
| 1 C Utilities | 8 B Leisure |
| 2 A Banking | 8 C Logistics |
| 2 B Capital markets | 8 D Real estate |
| 2 C Insurance | 9 A High-tech |
| 2 D Investment and wealth management | 9 B Media |
| 2 E Private equity | 9 C Telecoms |
| 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 | |



The revenue-earning model



- Consulting
- Managed service
- Other (contingent fees, software licensing, associate networks)

Line of business model

Services

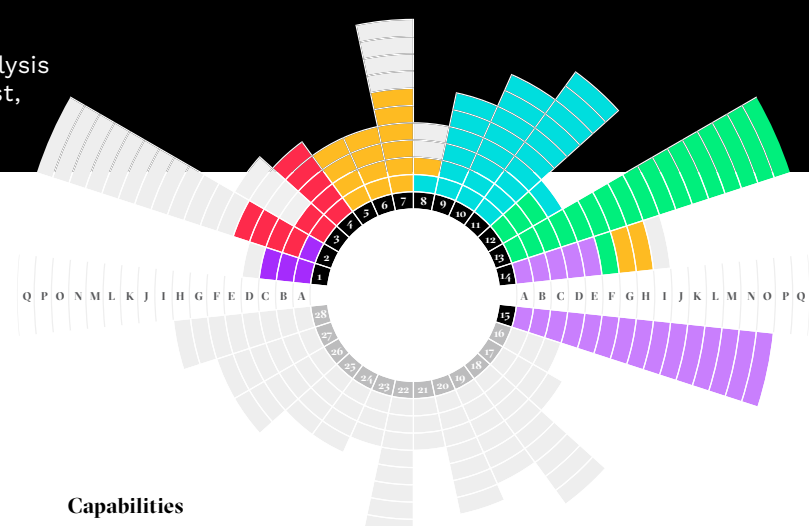
- Cybersecurity consulting
- Risk & financial management
- HR, change & people strategy
- Operations
- Strategy
- Technology & innovation

Line of business

- Cybersecurity
- Risk
- Forensic
- Financial management
- Design & UX
- Innovation
- Technology
- Data & analytics
- Research
- Deals
- Strategy
- Real estate
- Operations
- Sustainability
- HR & change
- Architecture
- Audit & assurance
- Business process outsourcing
- Civil engineering
- Legal
- Litigation
- Marketing & creative
- Network engineering
- Product engineering & R&D
- Recruitment
- Software engineering
- System integration
- Tax

Capabilities

- | | |
|--|---|
| 1 A Cybersecurity advice | 11 F Corporate strategy |
| 1 B Cybersecurity incident response | 11 G Market analysis & strategy |
| 1 C Penetration testing & wargaming | 11 H Policy formulation |
| 2 A Technology & security risk services | 11 I Pricing |
| 2 B Operational risk | 11 J Strategic sourcing/offshoring services |
| 2 C Programme risk | 12 A Corporate, occupier services & facilities management |
| 2 D Responding to regulation | 12 B Integrated real estate developer services |
| 2 E Risk management | 12 C Real estate deal/transaction services |
| 3 A eDiscovery | 12 D Real estate strategy |
| 3 B Forensic accounting | 13 A Benchmarking |
| 4 A Budgeting/financial planning process | 13 B Business continuity & recovery |
| 4 B Debt advisory | 13 C Cost cutting |
| 4 C Finance function | 13 D Customer service |
| 4 D Financial advisory | 13 E DevOps |
| 4 E Financial restructuring & insolvency | 13 F Distribution strategy |
| 5 A Corporate identity | 13 G Lean & Six Sigma |
| 5 B Customer journey & UX benchmarking | 13 H Operational review |
| 5 C Graphic & UI design | 13 I Outsourcing advice |
| 5 D UX & service design | 13 J Post-M&A integration |
| 6 A Ideation | 14 A Purpose-led strategy & change |
| 6 B Innovation management | 14 B Resource-efficiency implementation |
| 6 C Innovation strategy | 14 C Resource-efficiency strategy |
| 6 D Strategies for growth from innovation | 14 D Social impact & trust |
| 7 A Cloud advice | 14 E Sustainable workforce |
| 7 B ERP consulting | 14 F Sustainable supply chain |
| 7 C IT strategy, planning & review | 14 G Clean technology |
| 7 D IT training | 14 H Green IT |
| 7 E Programme management | 15 A Benefits, compensation & pensions, excluding actuarial & investment advice |
| 7 F Vendor selection | 15 B Change management |
| 8 A Advanced analytics | 15 C Diversity & inclusion |
| 8 B Data visualisation, business intelligence & semantic layer | 15 D Employee engagement |
| 9 A Customer feedback | 15 E Governance & board effectiveness |
| 9 B Customer segmentation | 15 F HR strategy & effectiveness |
| 9 C Employee feedback | 15 G Leadership |
| 9 D Environmental & social impact research | 15 H Organisational design & culture |
| 9 E Macro/microeconomic research | 15 I Organisational training & development |
| 9 F Market research | 15 J Outplacement |
| 10 A Capital allocation strategy | 15 K Pension fund evaluation & advice |
| 10 B Commercial due diligence & valuation | 15 L Performance management |
| 10 C Financial due diligence | 15 M Stakeholder management |
| 10 D M&A transaction strategy | 15 N Talent management |
| 10 E Operational due diligence | 15 O Team effectiveness & collaboration |
| 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 | |



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Implications for firms

Clients are interested in different ways of working with consultants, seeking faster solutions and a more flexible workforce

Innovation sets consulting firms apart and helps clients choose who to work with

Over half of clients expect prices to increase because of complex projects and proprietary tools

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Insights from consultants

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What **really** matters

Two things for firms to act on

1

Technology is a key client priority, and that's not likely to change anytime soon.

Both clients' current investments and future plans centre around technology. Why? To improve efficiency in their internal processes and customer interfaces, and to maintain a competitive advantage. And tech is not just a "nice to have": Almost all clients believe technology investment within the next three years is necessary in order for their business to survive.

A perfect storm of high demand for technology capabilities and a shortage of relevant skills, particularly in data & analytics and cybersecurity, is good news for consultants in the region. What's more, demand for support in this space isn't going anywhere. Clients anticipate spending in this area to continue for the next 18 months.

However, clients are not just focusing on new emerging technologies and large-scale digital transformations. Those with reduced business confidence in a turbulent macroeconomic climate are also seeking help to boost the productivity of their existing digital infrastructures. There is an opportunity for firms here if they can be flexible and tailor their offerings to clients' specific needs.

It's also worth noting that those needs don't just differ from company to company, but also, within a client organisation, from executive to executive. The IT function emerges as having distinct tech priorities, meaning it is key for consulting firms to have a variety of people in the room to meet each perspective.

Client perspective



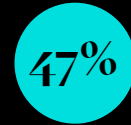
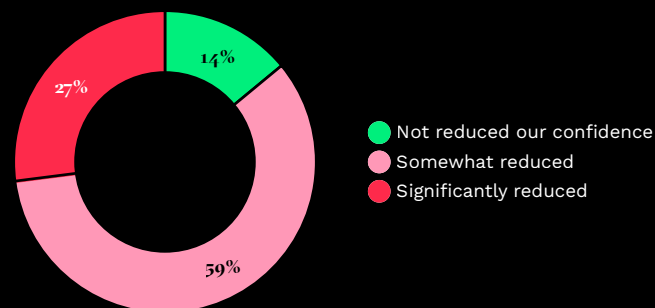
State of play

Client confidence in the DACH region is being undermined by global events, with international exposure and a lack of information causing concern

- With the continuation of the conflict in Ukraine, high energy costs, and inflation, it is no surprise that 86% of clients tell us their confidence about the future of their organisation has been dented—over a quarter (27%) significantly so. Switzerland stands out, however, with more clients here reporting a significant reduction in confidence, most likely as a result of the difficulties surrounding the banking sector at the time of this survey.
- The reasons for reduced confidence in the region centre around exposure to risk from clients’ international operations and a lack of information about both the market and their operations. Despite finding solutions to international exposure being a long-term project, clients can gain greater market and operational knowledge as a first step, helping them better understand where their main risks are and how to mitigate them.
- Although somewhat more bullish than clients in Switzerland, it is also important to note that a quarter and a fifth of respondents in Austria and Germany, respectively, are still seeing significantly reduced confidence as an impact of the macroeconomic and political climate.

Figure 5

To what extent have the macroeconomic situation and political tensions impacted your confidence when thinking about the future of your organisation?



of clients from Switzerland experience significantly reduced confidence



of clients have reduced confidence because they don't have the right information to know how best to respond



of clients have reduced confidence because they have extensive international operations

Insights from consultants

5

Volker Darius, Chief Client Officer, Global Leadership Team, Capgemini Invent

“From a purely economic perspective, the Ukraine conflict has probably had as harsh an effect on the economy as the chip crisis did.”

“ESG is gaining importance from both intrinsic motivation and regulatory pushes.”

“Overall, we’re seeing a slowdown in consulting demand and investment.”

How did the consulting market perform in 2022? Were there any key drivers?

2022 was a strong year overall. We saw the first signs of a recession in industries but not in their spending behaviour. Post-COVID, there were some supply chain interventions in 2022. We also had discussions with clients about how to deal with Ukraine, Russia, and China. These issues didn’t impact the consulting market very much, but they did impact our clients’ markets. From a purely economic perspective, the Ukraine conflict has probably had as harsh an effect on the economy as the chip crisis did. COVID did influence part of the year, but in H2, companies moved out of a purely reactive, perma-crisis mode and were more able to focus on strategy planning and execution. This shift required a different kind of consulting project.

Have you seen a strong push in ESG consulting?

ESG is gaining importance from both intrinsic motivation and regulatory pushes. At the end of 2022 and into 2023, we saw investments being made to fundamentally transform businesses and operations in line with ESG. We’re still at the starting point of this, but ESG will feature more prominently in the coming years.

Have you seen inflation and the cost-of-living crisis have an impact on the consulting market?

These topics affect our clients, so they affect us. High inflation brings strong pressure on wages and the cost-of-living, which significantly impact consumer behaviour. As a result, we’re seeing our clients make a new push for efficiency to compensate for costs.

Do you think this will continue to indirectly impact the consulting market in 2023?

Yes. Overall, we’re seeing a slowdown in consulting demand and investment. This doesn’t amount to a cut because we’re still growing, but growth is at a slower pace than in 2022.

Are there any specific services or sectors you foresee growing or suffering the most over the next 12 months?

Changes in consumer behaviour due to the cost-of-living crisis will lead to continued pressure on the consumer products, retail, and life sciences industries. Industries like manufacturing are continuing to invest, despite strong cost pressures. Pharma in particular is also thinking about how to invest smartly.

Would you say the recent turmoil with banks has unsettled the industry?

It occupies our minds because it occupies our clients’ minds, but I don’t see many big risks in terms of balance sheets in the DACH region. However, I do see a general risk for the industry in terms of technological disruptions, such as the rise of fintech/digital currencies, shifting consumer needs—e.g., rightfully demanding more socially conscious products/services which can lead to loss in reputation and market share if not met—and fraudulent consumer behavior leading to structural problems plus additional investment needs.

Is it relatively easy to hire the staff you need?

It’s easier now than it was in 2022. We’re also seeing candidate profiles that are stronger than ever.

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 |
|---------------------|--|------------------|
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| Damir Maras | Europe Advisory Leader, Germany and EMEA Consulting Leader | PwC |
| Nikolaus Schmidt | Co-Founder & Managing Partner | Klaiton |
| Christoph Treichler | Managing Partner | Cardea |

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| Reports 2023 | Market Trends Reports | Market Trends Presentations | Client Perception Studies | Emerging Trends Programme |
|--|--|--------------------------------------|---|--|
| January <hr/> February <hr/> March | Forecasts for 2023 UK GCC France | India | UK US Germany Financial Services GCC France Retail | Where in the World: Has hybrid working changed how clients think about the location of their consulting teams? |
| April <hr/> May <hr/> June | Nordics US DACH Sustainability Australia East Asia South East Asia | | Australia Energy & Resources Technology, Media & Telecoms China Japan | Crisis Fatigue: How Much More Can Clients Take? |
| July <hr/> August <hr/> September | Africa Energy & Resources Financial Services Technology, Media & Telecoms | South America Healthcare & Pharma | Risk Tax Audit Technology | Staff Augmentation: Focusing on the Opportunity The Rise of the Technology Challenger |
| October <hr/> November <hr/> December | Tax Risk Planning for Growth in 2024 | | | Account Management Revisited |

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