

Report
October 2023

EXTRACT



MARKET

The Financial Services Consulting
Market in 2023



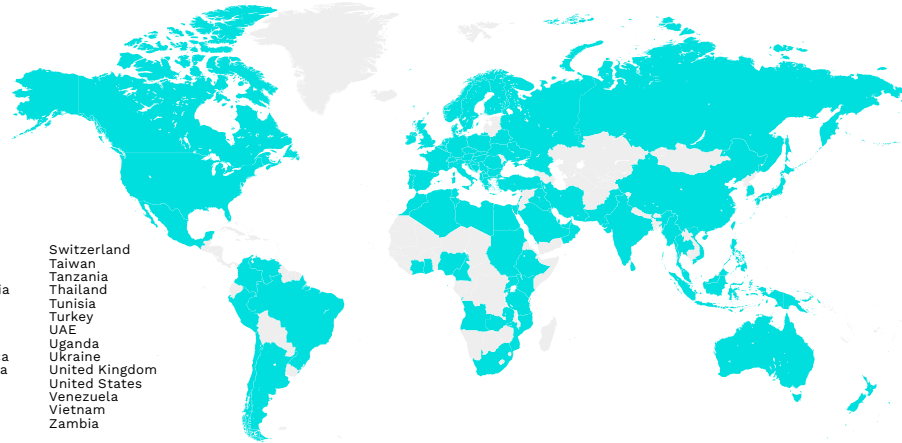
What's included in this report

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

● Countries covered

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



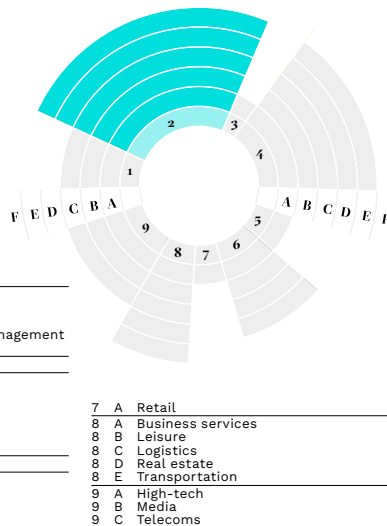
Sector model

Sectors

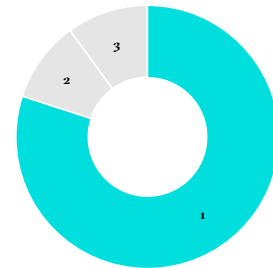
- 1 Energy & resources
- 2 Financial services
- 3 Healthcare
- 4 Manufacturing
- 5 Pharma & biotech
- 6 Public sector
- 7 Retail
- 8 Services
- 9 Technology, media & telecoms

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



The revenue-earning model



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

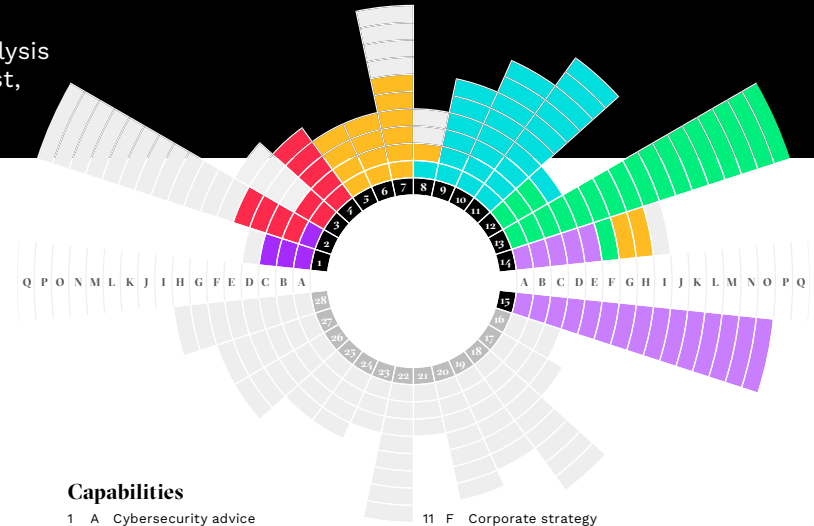
Line of business model

Services

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

Line of business

- 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 advisory
- 4 E 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
- 11 A Public-private partnerships
- 11 B Technology due diligence
- 11 C Business & financial modelling
- 11 D Category management
- 11 E Channel management
- 11 F Corporate recovery & turnaround
- 11 G Corporate restructuring
- 12 A Benchmarking
- 12 B Business continuity & recovery
- 12 C Cost cutting
- 12 D Customer service
- 12 E DevOps
- 12 F Distribution strategy
- 12 G Lean & Six Sigma
- 12 H Operational review
- 12 I Outsourcing advice
- 12 J Post-M&A integration
- 12 K Process design, re-engineering & automation
- 12 L Procurement/purchasing
- 12 M Property & estate management
- 12 N Sales & distribution planning
- 12 O Sales force effectiveness
- 13 A Purpose-led strategy & change
- 13 B Resource-efficiency implementation
- 13 C Resource-efficiency strategy
- 13 D Social impact & trust
- 13 E Sustainable workforce
- 13 F Sustainable supply chain
- 13 G Clean technology
- 13 H Green IT
- 14 A Benefits, compensation & pensions, excluding actuarial & investment advice
- 14 B Change management
- 14 C Diversity & inclusion
- 14 D Employee engagement
- 14 E Governance & board effectiveness
- 14 F HR strategy & effectiveness
- 14 G Leadership
- 14 H Organisational design & culture
- 14 I Organisational training & development
- 14 J Outplacement
- 14 K Pension fund evaluation & advice
- 14 L Performance management
- 14 M Stakeholder management
- 14 N Talent management
- 14 O Team effectiveness & collaboration

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What **really** **matters**

Three things for firms to act on

1

As the market rumbles from crisis to crisis, client nervousness is translating into downward pressure on consulting spend. Expertise will be the differentiator between who wins and who loses in the market.

In our last edition of the Financial Services Consulting report, in 2022, clients told us of their eagerness to invest heavily in consulting as a means of overcoming the sequential, overlapping crises compounding the financial services market. They recognised the scale of the challenges and were willing to invest in digital transformation as a lever to improve productivity while the future remained uncertain.

Clients were initially resilient. However, the continuation and exacerbation of macroeconomic and geopolitical pressures appears to have stripped away a lot of the certainties determining how and where they should be acting. The collapse of major banks in the US and in Europe sparked nervousness, as it exposed some deep-seated and structural issues in the way financial services companies operated. While some clients remained confident of their place in the market (as we will see later in the report), consulting spend was stripped back by all clients as this nervousness evolved into hesitancy to spend on external help until clarity emerges.

This point may be coming sooner than we think, and by and large clients told us of their intentions to increase consulting spend to some extent over the next year. But it's clear there's no consensus on the best course of action while uncertainty continues.

However, there is consensus on the need for expertise. Clients don't seek to use consultants for the day-to-day running of their organisations but instead look to procure expert advice to assist them in navigating the risks and opportunities of the tumultuous market. With clients unsure whether that expertise comes in the form of a consulting firm they've worked with before, or whether they should select a new firm with new ideas in these unprecedented times, consulting firms must ensure that their expertise shines through at all touchpoints in client engagement—from marketing, to pitch, to execution. This will determine the scale and scope of client engagement with consultants over the next 12 months.

Client perspective



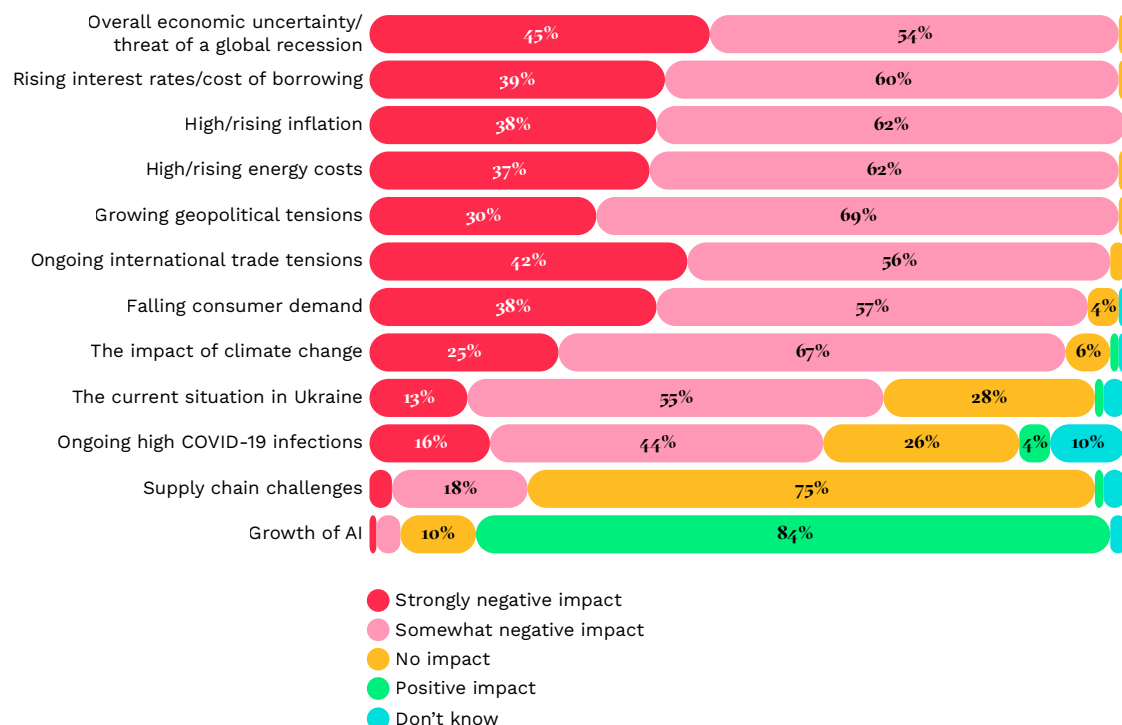
The state of play

Given the scale of macroeconomic challenges, sentiment among financial services clients is almost entirely negative. However, there is a nascent sense of optimism about the opportunities associated with AI

- Coming out of the immediate post-pandemic period, clients across financial services had every reason to feel optimistic. They had taken the time to reinvent their relationships with customers while interactions became increasingly digitised, and new and exciting opportunities had emerged from some of the pandemic's most hotly contested industry segments and services.
- However, the crystallisation of new economic pressures meant that any optimism was short-lived, and clients were forced to look inwards once again as the world lurched from one crisis to the next.
- When we asked clients about the factors impacting their organisation at present, the results were stark. Economic and political headwinds have severely weakened their market position, and these issues are being compounded by international trade tensions. The pressure this places on consumption is leading to a steep reduction in overall confidence.
- However, clients are optimistic about one aspect new to the market: artificial intelligence. Eighty-four percent of clients told us they see this as a positive factor and are open to the exploration and potential adoption of new technologies to relieve some of the pressures created by heightened economic and political pressures.

Figure 7

To what extent have the following factors already had an impact on your organisation and/or are likely to do so in the next six months?



Implications for firms



Consultants are being brought in to help clients with a combination of strategy and technology, with the Big Four competing against heritage firms across all areas of consulting demand

- Overall, the financial services sector is dominated by demand for the Big Four and technology firms. However, there are a number of trends at play that suggest a market converging more in the Big Four's favour, as they've come to occupy and compete in a range of areas beyond their heritage service portfolio.
- The strongest demand driver for clients in the sector over the past year was business strategy, with 43% of clients in our survey using a consultancy firm for a strategy engagement in the past year. When reviewing which firms were used most in this space, almost half used a Big Four firm versus around a quarter who used a strategy house.
- Similarly, when firms used a consulting firm for data & analytics work, there was a split between the Big Four and technology firms; however, technology firms were clear winners for technology implementation.
- All this leads to a high level of convergence in the market between the Big Four, strategy houses, and technology firms in service areas beyond their historic areas of expertise, with the Big Four now competing comprehensively for market share in traditional strategy and technology heartlands.

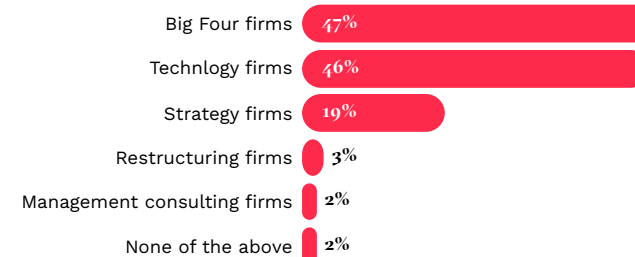
Figure 41

When your organisation used a firm in the past 12 months, what type of services were they used for?



Figure 42

Which of the following global consulting firms did your organisation use over the past 12 months?



Alex Birkin, Managing Partner and EMEA Financial Services Consulting Leader, EY

“AI has moved beyond conversations, and we see a significant increase in demand from our clients.”

“The industry is still focused on transformation to maintain competitiveness, and this will drive demand for professional services.”

“There is lots of excitement around new products, technologies, and geographies.”

How did you see the market perform in 2022, and what were some of the key issues?

It was a difficult year due to the impact of higher inflation on central banks and tightening monetary policies. There were also geopolitical tensions around the Ukraine crisis. Players exposed to financial markets—asset managers, wealth managers, life companies, etc—found it challenging. Banks with exposure to retail deposits experienced net interest income, but those focused on M&A saw activity fall dramatically.

How have you seen consulting demand differ by sector or geography?

At the start of 2022, companies were still focused on delivering an enhanced digital experience, looking at where they could add value and what they could outsource. Moving into 2023, there's more nervousness. The demand profile has been more focused on banks, a capital treasury liquidity mandate, etc. People are being more conservative with their consulting spend.

The UK has a different position in financial services and inflation relative to Europe. The US has gone through this same shift, with professional services firms reducing volume in the US quite quickly. COVID impacted Asia differently. India is doing very well, and the level of investment going into Japan is increasing too.

What about demand for ESG and AI?

Last year, in the US, we saw a significant push back against ESG—particularly in asset management—by some of the governors around the balance of attaining sustainable finance relative to their primary objective of allocating capital for a financial return. This has created a change in momentum and mood in the US. I think this

will delay demand in the US. We've not had the same political event in Europe, but we have seen some issues with greenwashing and regulatory intervention. This has made financial institutions look more deeply into their sustainable finance strategies.

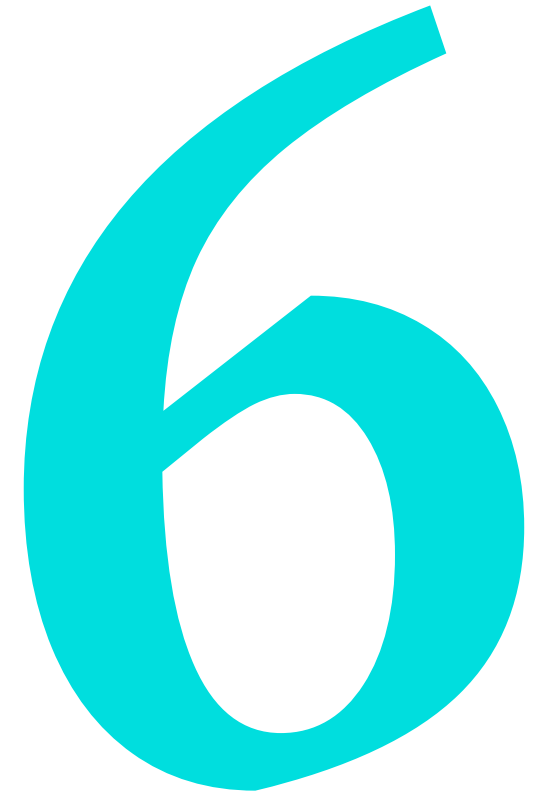
AI has moved beyond conversations, and we see a significant increase in demand from our clients. We've been on this journey for a while with machine learning, natural language processing, optical character recognition, etc. The industry is excited by the opportunity and wants to explore this more. It could transform the financial services industry much faster.

How do you see the market evolving throughout the rest of 2023?

I think it will return to normal growth levels. In 2023, financial markets have performed better. Maybe this year will reach the peak of inflation and interest rates. There are concerns about the risk of future credit losses. The industry is still focused on transformation to maintain competitiveness, and this will drive demand for professional services. There will be more caution of what might come, influencing growth levels.

There is lots of excitement around new products, technologies, and geographies. The focus of the industry on profitable growth will still drive the need for professional services.

About this report



Methodology—The MegaModel

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, capability, and market segment.

For the purposes of this report, we've focused on types of firm and market segments that broadly equate to traditional definitions of consulting. 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 = £0.80

US dollar to euro US\$1 = €0.94

The data in all charts has been rounded to the nearest whole number. This may result in some totals that do not equal 100%.

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”.

Client perspective

We carry out a client survey to help us build a rich picture of how different trends in the financial services sector are affecting clients' organisations and their use of consulting. Our survey focuses on trends in the financial services sector, providing detailed insights into the nuances of the market. For this, we surveyed 100 senior clients of consulting firms from across the financial services sector, all of whom work in organisations with 1,000 or more employees. This survey focuses on the following areas:

- How they expect to use consultants during 2023 and the first half of 2024
- Factors that affect the way clients work with consulting firms
- The ways consulting firms market themselves to clients and the impact this has on client decision making.

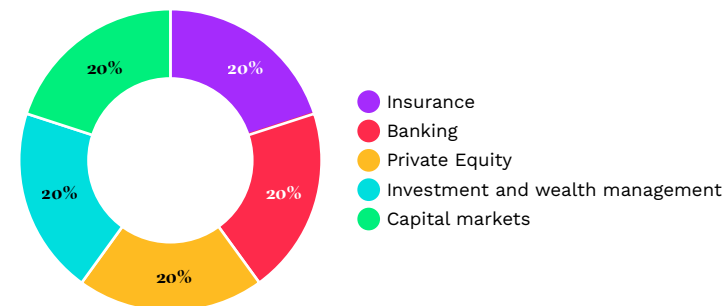
Insights from consultants

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.

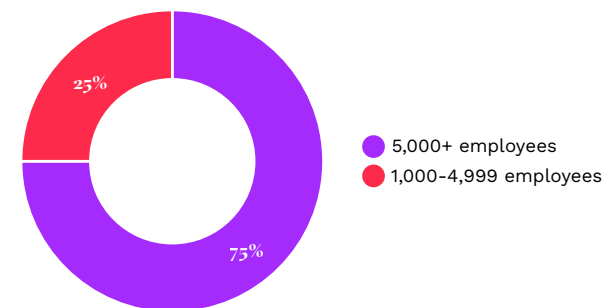
In-depth desk research

We also conducted a thorough PEST analysis in the financial services sector 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.

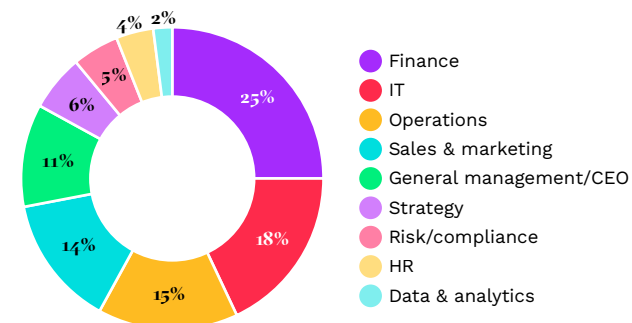
Respondents by sub-sector



Respondents by organisation size



Respondents by function



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
Alex Birkin	Managing Partner and EMEA Financial Services Consulting Leader	EY
Michael Brauneis	Managing Director and Global Financial Services Industry Leader	Protiviti
Judd Caplain	Global Head of Financial Services	KPMG
Simon Kent	Partner & Global Head of Financial Services	Kearney
Jim McKeighan	Global Managing Partner	Tata Consultancy Services
Scott Mullen	Principal	North Highland
Erik Raper	Portfolio Executive	North Highland
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Srinivasa Kumar Yerchuru	Vice President and Global Head of BFSI Industry Advisory	Tata Consultancy Services

Meet the expert

James Beeby

James is Research Lead at Source, producing research and analysis into firms, countries, sectors, and markets to understand the key trends impacting the professional services industry. James also plays a leading role in our internal research programme, tracking macroeconomic, political, and social changes to understand the risks and opportunities for client firms across a range of regions, sectors, and markets.

James Beeby

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About us

We help professional services firms understand what really matters when facing decisions of vital importance.

The best decisions are based on evidence, objectivity, and a willingness to change. That's why, at Source, we tell you what you need to hear, rather than what you want to hear.

We draw upon our deep roots within the professional services sector to provide firms with a clear picture of their clients' worlds. Through comprehensive research and meticulous analysis, we pinpoint what truly matters and deliver actionable insights that help firms map out the right way forward.

We believe in thriving individually and succeeding together. And we would love to help your firm crack its latest conundrum.

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