

Market Trends

EXTRACT



MARKET

Forecasts for 2024

Report

Feb 2024

Contents

Underpinned by our MegaModel, our reports deliver an independent and objective understanding of the markets that matter most; including everything from key trends and growth opportunities to the latest views of consulting leaders and a detailed analysis of the buyer's voice.

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What really matters

We identify the things that really matter to firms—a snapshot of the most important dynamics in the market.

The big answers

We ask Source's expert to forecast the growth opportunities in 2024.

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Market overview

Bringing together our market data, forecasts, and analysis, we provide a comprehensive picture of the state of play from a geographical and line of business perspective.

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Which will be the growth sectors in 2024?

Using data from our survey of senior buyers of consulting and our MegaModel, we take a sector-by-sector view of the most important opportunities for firms.

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What really matters

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Three things for a firm to act on

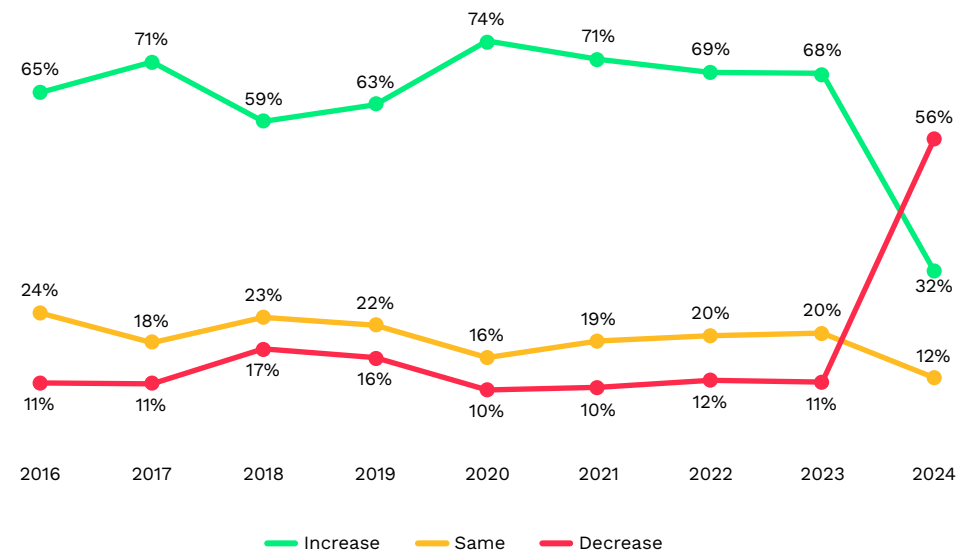
1 2024 will bring with it pressures that haven't been seen for nearly a decade, but consultants are up for the challenge.

2024 looks set to be a very difficult year for professional services firms. For the best part of the last decade, the majority (at least 60%) of clients expected to increase their spend on professional services. However, for 2024, just under a third (32%) of clients anticipate spending more on professional services, while more than half (56%) of clients instead expect to decrease their spend. Although a recession never really materialised, it is on clients' minds and most clients are exercising fiscal caution.

However, we believe that when the situation plays out, consulting firms will be able to demonstrate the value they can offer, whether that is expertise client organisations do not have, or the ability to deliver projects faster to help clients achieve their goals more quickly. In 2024, we expect to see stronger growth than in 2023. Overall, we remain bullish on the consulting industry and we expect it to grow by around 6-8%, surpassing \$260bn.

Figure 1

Proportion of clients expecting to increase, decrease, or keep their consulting spend the same (2016-2024)



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Which will be the growth sectors in 2024?

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Financial services

Financial services clients will turn to consultants to help them grow their international operations

- 2023 was a disappointing year for financial services. Growth in spend on consulting in this sector grew by just 1.3%, which was the second-lowest growth of any sector.
- This slowdown affected all sub-sectors to varying degrees. Insurance (the second largest sub-sector) experienced steady growth (5.1%), while investment & wealth management and banking grew by around 2% (2.2% and 1.5% respectively). Private equity was the only sub-sector to see a decline in consulting spend, shrinking by 3.6%, largely due to less deal activity.
- We expect 2024 to be a bounce-back year for consulting in financial services. With this sector growing by 6-8%—more than four times the rate in 2023—and surpassing \$80bn (up from \$75.8bn).
- Private equity services are set to see a resurgence in 2024 when deals and other previously delayed investments pick up again, as the macroeconomic uncertainty eases enough for private equity clients to start investing again. We expect that the private equity consulting sector will grow by over 10% in 2024, while all other sub-sectors will grow by around 6-8%.

The financial services sector has shifted significantly, with the majority (56%) of clients surveyed expecting to decrease their consulting expenditure in 2024. Last year, the same figure stood at just 11%. Even the clients that do expect to increase their spend only expect to do so by 10% at most. Firms are likely to face a lot of pressure from clients about day rates, and they will need to tangibly demonstrate the value they provide to justify any increase they are hoping to realise.

Market size and growth



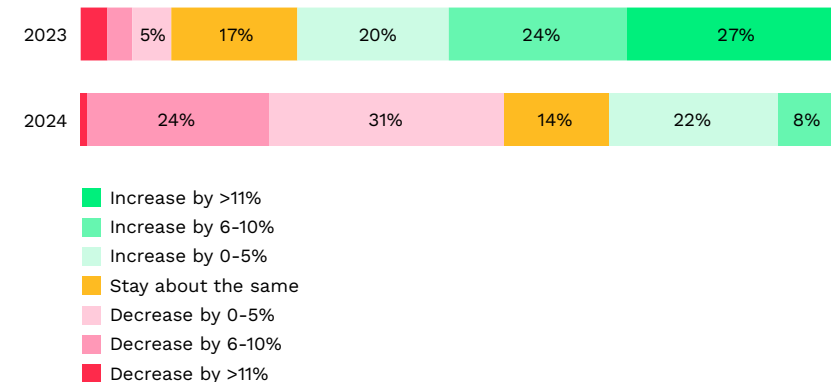
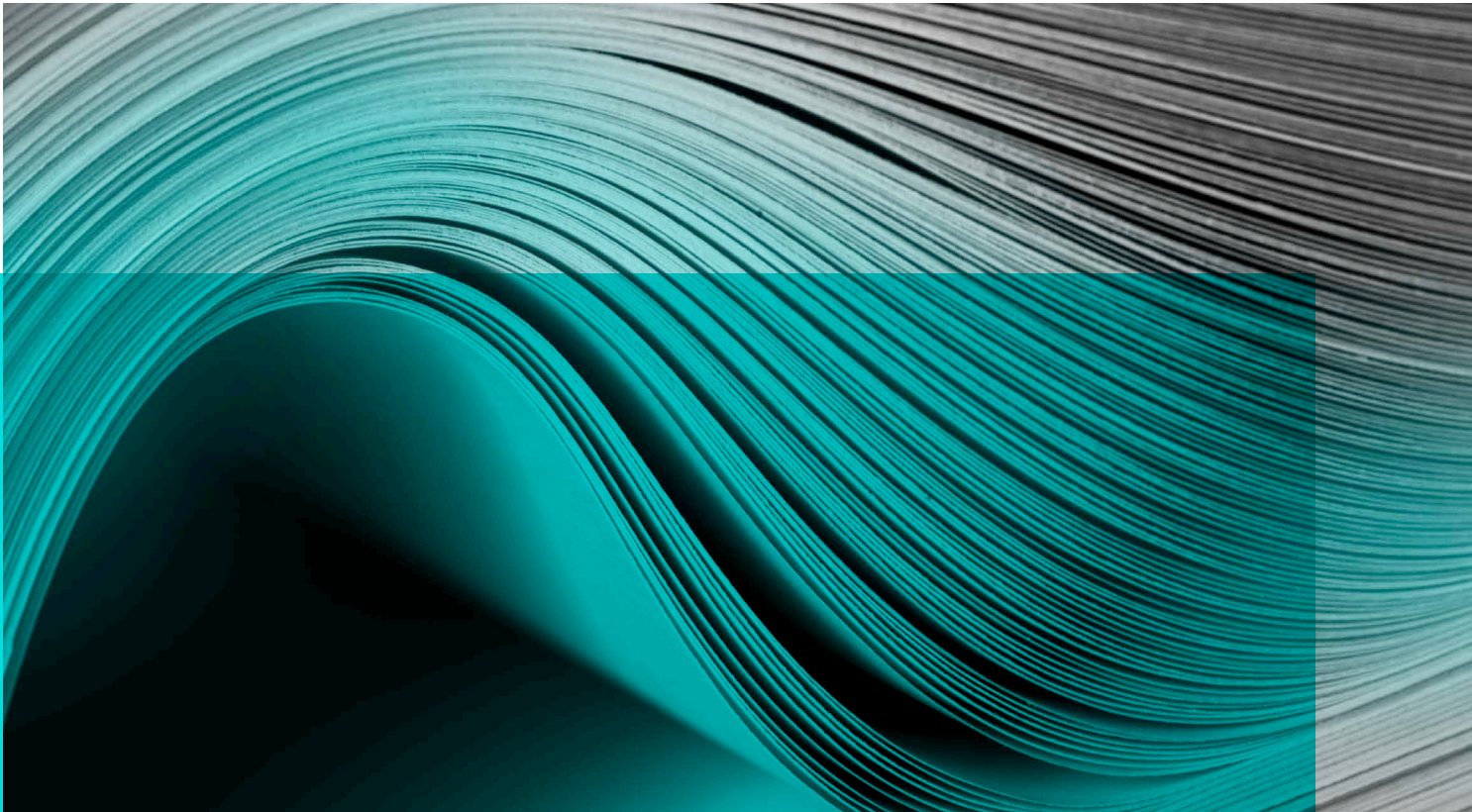
	2023	2024 (forecast)
 Overall size	\$75.8bn	\$80-\$83bn
 Growth	1.3%	6-8%

Figure 7

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





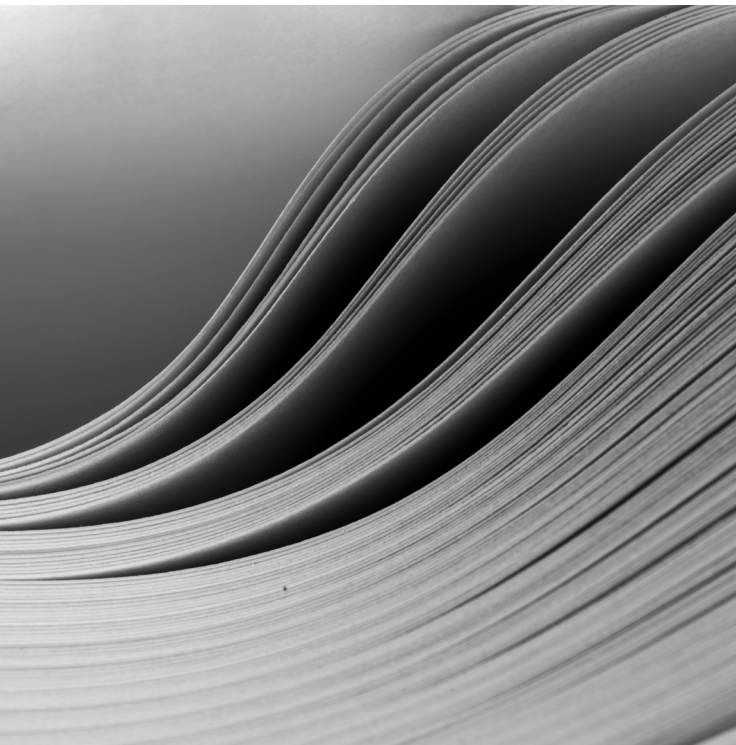
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Our approach to gathering data

The market for professional services is vast and highly dynamic, with deep roots spread out across the business world. The Source MegaModel helps you get to grips with the facts.

The MegaModel is the largest and most comprehensive database of its kind, anywhere in the world. It's used by the world's leading firms to identify where growth is coming from, which markets to invest in, and which sectors are driving demand.



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, capabilities, and service.

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.

US dollar to British pound US\$1 = £0.80

US dollar to euro US\$1 = €0.92

The data in this report is rounded to the nearest whole number or stated decimal place. As a result, totals may display small discrepancies.

Meet the expert

Tony Maroulis

Tony is a Principal Consultant in the Market Trends team. He joined Source in September 2022 and works on a range of regular and custom reports. Prior to joining Source, Tony spent a decade as an industry analyst at Ampere Analysis, leading a team of 15 analysts to market size the TMT sector. This included maintaining syndicated products, leading and delivering custom projects, speaking to journalists and presenting at industry events.

Tony Maroulis

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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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