

Emerging Trends

EXTRACT



EMERGING

**Pricing:
Expectations vs. Reality**

Report

Jan 2025

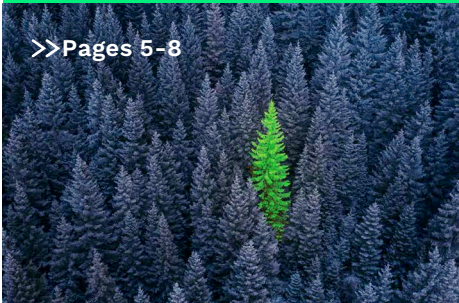
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What really matters

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

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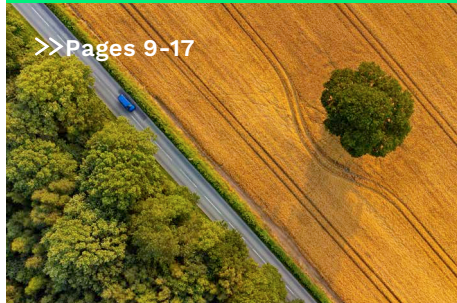


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How do clients feel about the pricing of a recent project?

We look at how and when clients estimate costs, and the factors that can drive this estimate upwards.

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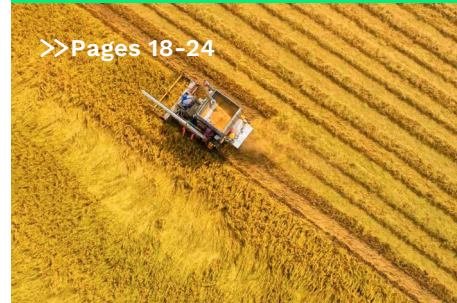


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How are payment models changing?

Exploring how client preferences have moved away from traditional payment models, and the role of discounts.

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Clients say they expect fees to fall, but will this actually happen?

Here we consider how client expectations match up to the reality.

>> Pages 25-29



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Introduction

Pricing needs little introduction. It can be complex and often lacks transparency. And it's one of the most common gripes among clients, who consistently tell us they want to see lower prices from firms. Economic factors are increasing pressures on prices, negotiation of contracts is taking longer, and clients are looking for innovation not just in solutions but also payment terms.

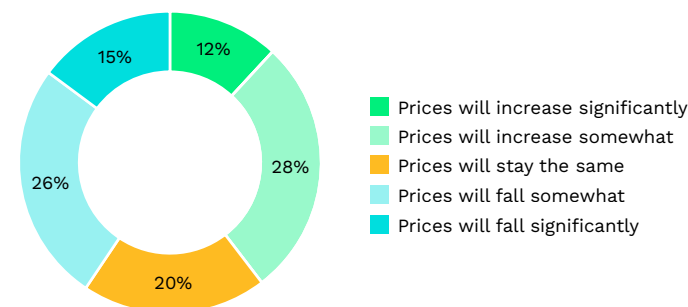
Our 2024 Market Trends survey asked clients whether they expected the prices consulting firms charge them to increase or decrease. It may give firms cause for concern to see that a large proportion (41%) expect fees to decrease, with the main reasons being that they think a lot of work could be offshored and many firms could do the work. But we think this may be more a case of clients' wishful thinking, rather than what will actually happen in reality. Time and again, clients set tight budgets before realising that they need more support from firms than they originally thought. Over the past few years, many firms have offered significant discounts to clients. Originally, this was to win work during the initial difficult months of the pandemic. More recently, it was to encourage spending from clients struggling with high costs and to keep firms front-of-mind as demand growth in consulting started to fall. But this has set in motion a vicious cycle, where clients continue to expect discounts upon discounts. And despite these discounted rates, our 2024 Client Perceptions survey found that clients think that they are getting less value for money from firms' work compared to in previous years. A race to the bottom in terms of cost doesn't do anyone any favours, so can firms navigate pricing to their advantage in today's world of instant results and intense focus on value for money?

Clients are still very much buying consulting services, and while demand growth might have slowed since the post-pandemic rebound, the market is still very much growing. This report sets out to explore how clients' expectations around pricing will match up to the reality, and how firms can position themselves to keep winning high-revenue work.

We'll also look back at how pricing has changed since we last looked at the topic in 2022, and what firms should be focusing on.

Figure 1

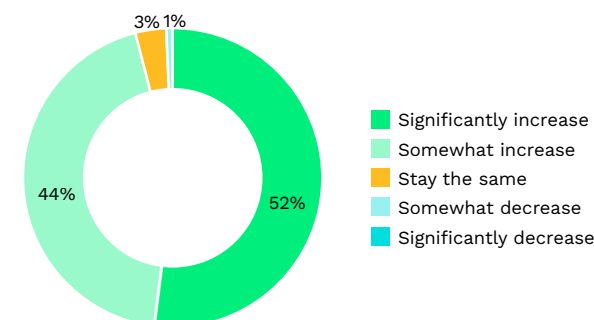
To what extent do you think that the prices consulting firms charge you will increase or decrease over the next 12 months?



Data source: Market Trends survey 2024 | E52 [Global data], sample size 2400

Figure 2

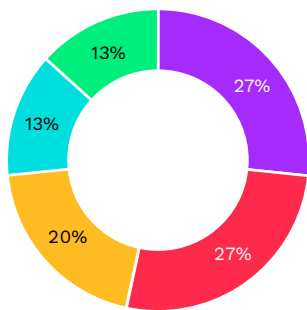
How do you anticipate your organisation's total spend on consulting will change over the next three years?



Methodology

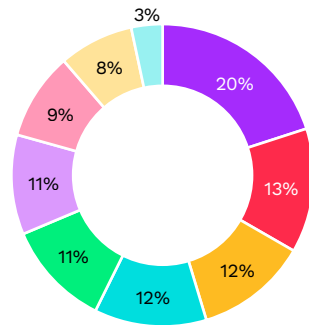
We surveyed 150 senior executives in December 2024, all of whom are responsible for buying consulting services. Respondents worked in five geographies, all of which are important in terms of scale and/or growth potential—the UK, US, Germany, France, and the GCC. They were also drawn from a representative mix of sectors and functions. Three fifths came from organisations with more than 5,000 people. All figures given in this report are in US dollars.

Respondents by geography



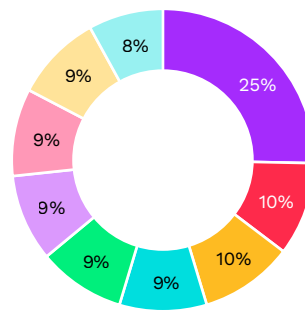
- UK
- US
- GCC
- France
- Germany

Respondents by sector



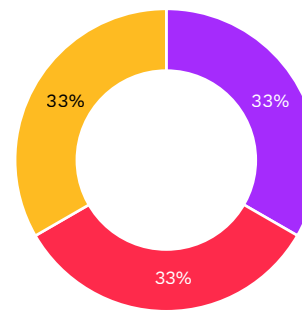
- Retail
- Manufacturing
- Energy & resources
- Financial services
- Public sector
- Services
- TMT
- Healthcare
- Pharma & life sciences

Respondents by function



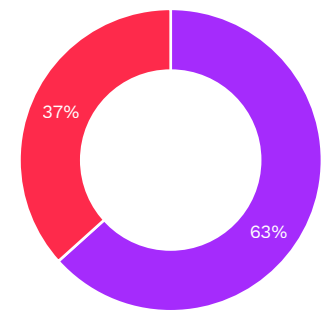
- Procurement
- Finance
- Marketing & sales
- Human resources
- IT, data & analytics
- Operations
- Risk/compliance
- Strategy
- General management

Respondents by responsibility



- CxO/board-level management
- Direct report into CxO/board-level management
- Head of department

Respondents by headcount



- 5,000+ employees
- 1,000-4,999 employees

1



“I think the industry in general has become much more demanding of consulting companies to deliver value for money.”

COO, manufacturing

What really matters

Clients may say they are going to spend less, but they almost always accept higher prices6

Outcome-based pricing has finally come of age7

Firms may be offering discounts, but clients aren’t always getting more for their money8

2

How do clients feel about the pricing of a recent project?

“I’d rather pay more for someone who has a very deep and broad knowledge of the topic that we’re trying to solve, I always think this is money well invested.”

Chief strategy officer, services

Project sizes haven’t changed much, but there are fewer mega projects around 10

The economic environment means clients are thinking about costs long before they decide to embark on work..... 11

Clients estimate costs based on their own internal discussions, rather than quotes from firms 12

But that cost estimate is clearly open to change when firms become involved 13

Clients ultimately end up paying more than they had originally estimated..... 14

Why are clients paying more than they originally estimated?..... 15

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“I’m a big fan of value-based pricing. But you have to be careful you don’t create an industry of people saying, ‘Hey, we need this answer to be this, from a value perspective, because it related to the price,’ as opposed to really driving the outcome for the client.”

Head of procurement, TMT

How are payment models changing?

Time & materials and fixed price are falling out of favour, and subscription models are on the rise 19

Procurement professionals are more likely to push for outcome-based pricing models 20

Clients think that outcome-based models lead to better results, as firms have more skin in the game 21

No contract type is significantly better than others when it comes to the value delivered by firms22

If a firm is offering a discount, it’s going to be a significant one23

Discounts have become a much more significant factor in choice of firm24

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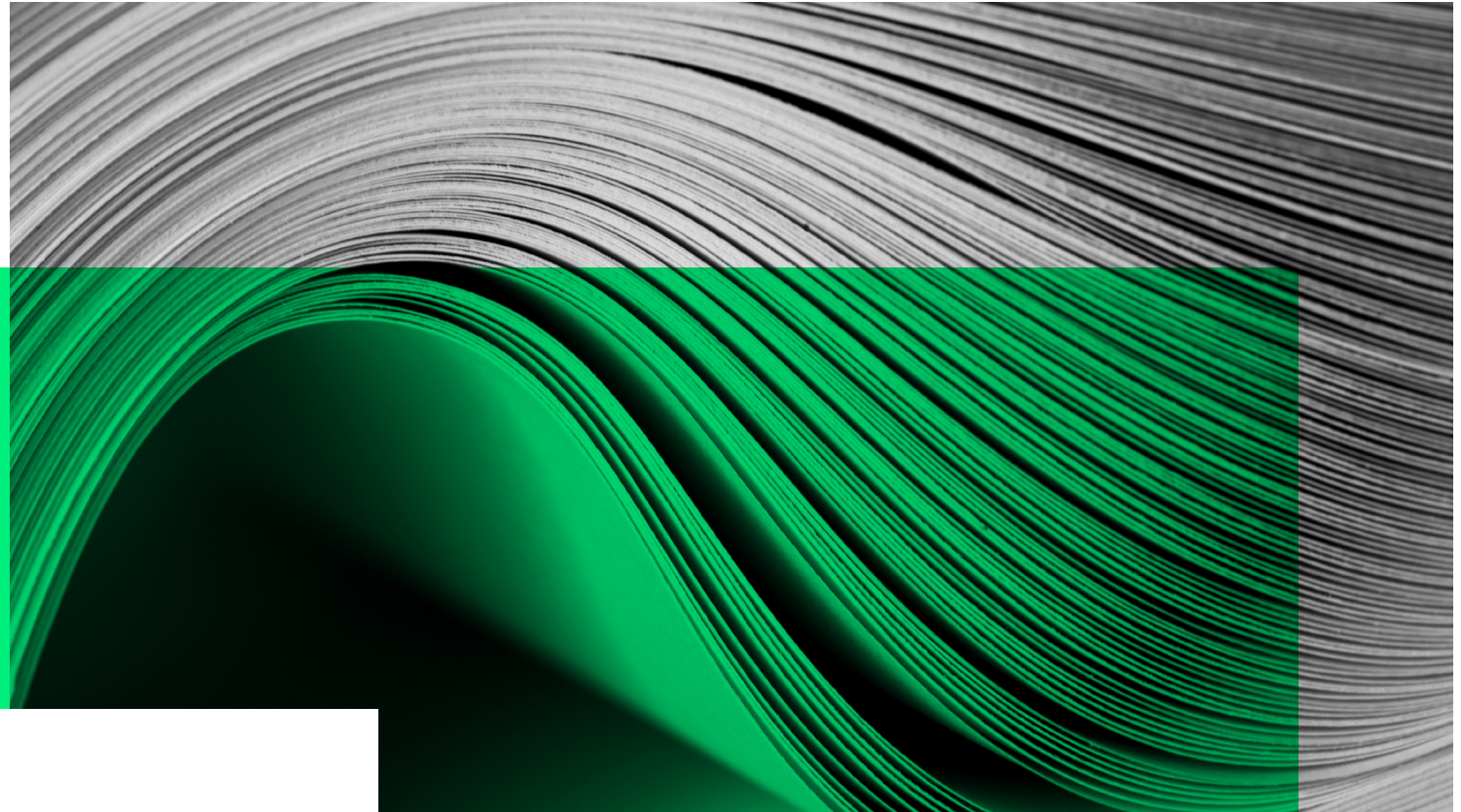
“We’re seeing significant upper pressure [...] I think last year across the board, we probably had 10% inflation on fee rates. And in a way that was almost seen as a good outcome.”

COO, healthcare

Clients say they expect fees to fall, but will this actually happen?

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Cyber and AI are the areas where clients are willing to pay more	28
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“The top reason we work with a firm would be competency, and the next would be price.”

CTO, energy & resources

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Meet the expert

Catherine Anderson

Catherine is Director of Market Trends & Analysis. She turns qualitative and quantitative data into meaningful, strategic insights on topics across the professional services market, from sustainability to managed services.

Catherine Anderson

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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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Publication schedule for 2025

2025		Market Trends Reports	Market Trends Briefings	Client Perceptions Studies	Emerging Trends Programme	White Space Reports	White Space Insights
Q1	January	Forecasts for 2025 UK US GCC France		UK US GCC France			Featured thought leadership (monthly) Quarterly webinar series
	February				ET1		
	March					Quality Ratings Report (QRR)	
Q2	April	Nordics DACH Australia East Asia South East Asia Africa	India South America	Germany Australia China Japan Retail Energy & Resources Financial Services Technology, Media & Telecoms	ET2		Featured thought leadership (monthly) Quarterly webinar series
	May						
	June				ET3	Client Perceptions of Thought Leadership	
Q3	July	Energy & Resources Financial Services Technology, Media & Telecoms Sustainability	Healthcare & Pharma	Risk Tax			Featured thought leadership (monthly) Quarterly webinar series
	August				ET4		
	September					Thought Leadership Innovation	
Q4	October	Tax Risk Technology Planning for Growth in 2026	Public Sector	Audit Technology	ET5		Featured thought leadership (monthly) Quarterly webinar series
	November						
	December				ET6	Hot Topic Report	