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Bank spending on consultants rises globally 8.4% to US\$13.6billion

Threat from fintech and challengers helps drive up use of consultants in banking and insurance...

Banking, the largest consulting market within the global financial services industry, grew 8.4% to US\$13.6billion in 2016.

The global financial services industry also continued to be a very good market for consultants, growing 8.3% in 2016. While the US, DACH and UK remained the industry's three largest markets, the markets in China and India grew even more strongly.

These findings are in a new report (The Financial Services Consulting Market 2017) from Source Global Research, the leading research and strategy firm for the global management consulting industry. The report says that even the uncertainty associated with Brexit and the US elections couldn't deter clients from investing in consulting support to help deliver a range of projects from compliance and cost-reduction to higher value, digital transformation.

Using the biggest and most sophisticated [model](#) of the global consulting industry, Source also identified that investment in widescale digital transformation was greatest in insurance and banking, with even greater emergence of fintech prompting immediate action. Source says that this the main reason consulting revenues grew fastest in the insurance and banking sectors in 2016.

Zoë Stumpf, Head Analyst at Source Global Research, said:

"One of the key drivers of demand for banks globally in 2016 was the continued emergence of non-traditional competitors, ranging from fintech's to challenger banks to niche lenders. With these challengers working in a more agile manner, and with customer propositions much more suited to the digital age, they represent both a threat and an opportunity for banks."

Colin Preston, Consulting Partner—Financial Services, Baringa Partners, added:

"Larger banks know they need to replicate some of the cultural aspects of challenger banks, so they are trying to speed up the way they work."

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Regulation remains a strong driver of consulting demand

The Source report also highlights that regulation remains a strong driver of consulting demand in financial services, particularly in Europe where implementation deadlines loom for regulations such as MiFID II, Basel III, and GDPR. The US is an exception in this regard, with a fear that consulting revenue growth around regulation is starting to plateau as the regulatory focus shifts from the largest players to mid-tiered organisations. But the report adds that there remains growing interest from clients across the world regarding innovative regtech solutions, as well as reporting-as-a-service—a potentially lucrative and long-term play for consultants.

Brexit office relocation could drive a flurry of activity for consultants in 2018

Despite the invoking of Article 50, and the added pressures of a clock that has started to tick very loudly, the financial services industry is no clearer about what Brexit will mean. Where there has been Brexit-related demand for consultants, many of the projects have focused on scenario planning. However, this could be set to change with the possibility of a “hard” Brexit, or no Brexit at all, becoming increasingly real, and driving clients to act, with scenario planning and location strategy turned into a key focus for clients in the past few months. Source believes this is likely to indicate the onrush of a flurry of activity for clients and consultants in 2018.

Steven Culp, Senior Managing Director at Accenture added:

“The impetus for significant change because of Brexit isn’t there yet because none of the detail is clear. It’ll be really interesting as we hit 2018, as banks and entities are likely to have made some decisions to move things in one direction or the other.”

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About Source Global Research

Source Global Research (Source) is a leading provider of information about the market for management consulting. Set up in 2007 and with offices in London and Dubai, Source serves both consulting firms and its clients with expert analysis, research and reporting. Source draws not only on its extensive in-house experience, but also on the breadth of its relationships with both suppliers and buyers.

The Source [global consulting data model](#) is the biggest and most sophisticated model of the consulting industry ever created, and the model on which many of the world's leading consulting firms now base their understanding of the size and shape of the consulting industry. It provides data on market size, growth rates, and forecasts across 29 sectors, six service lines, 84 countries and five firm types.

Source was founded by Fiona Czerniawska. Fiona is one of the world's leading experts on the consulting industry. She has written [numerous books](#) on the industry including: [The Intelligent Client](#) and [The Economist](#) books, [Business Consulting: A Guide to How it Works and How to Make it Work](#) and [Buying Professional Services](#).

All of Source's work is underpinned by its core values of intelligence, integrity, efficiency and transparency. For further information, please visit: www.sourceglobalresearch.com

The Source report:

This Source Global Research report is based on two major sources of primary data:

Clients of consulting firms:

Source interviews senior end users of consulting globally to help it build up a rich picture of how trends in the consulting market are playing out within clients' organisations.

Source also carry out client surveys. It surveyed 478 senior clients of consulting firms globally. All of these work for private sector organisations, many of which are multinationals. All have over 250 employees.

Consulting firms:

The quantitative data contained in the report referenced in this press release focuses on consulting done by mid- and large-sized consulting firms (those with more than 50 consultants) and typically includes work they have carried out for mid- and large-sized clients—what Source calls “big consulting”. It therefore reflects the “addressable” market for the majority of mid- and large-sized consulting firms; Source doesn't try to track the long, thin tail of work done by very small firms for very small clients, nor the contractor market, as most readers of this report would not seek or be able to compete with this part of the market. Source analysts work out the addressable size of the market through desk research, identifying the number of firms that meet its criteria, and extrapolating from that to reach a figure for the market as a whole.

Using this definition, Source has built a bottom-up model of the global consulting market from the information it gets from consulting firms and its own research, and uses it to size the industry and its growth rates. This is based on the Source global model which contains detailed data about almost 1,600 firms, plus higher-level estimates about a further 400,000 firms, all with more than 50 consultants apiece, in addition to primary research carried out by Source analysts.

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 \$1 = £0.74**
- **US dollar to euro \$1 = €0.90**

In addition to quantitative research, Source interviewed 35 very senior consultants (typically the most senior person in their country) from most of the leading consulting firms globally, and many smaller local specialists to understand more about how the consulting market is performing, and what the major trends, changes, and challenges are.

Throughout the year, Source analysts remain plugged into the global consulting market through its bespoke research and consulting projects, adding further depth to its understanding of the consulting industry.