

PRESS RELEASE

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U.S. financial institutions spend \$14.8bn on consultants as attention switches to regtech and robotics

- **U.S. consulting market grows 7.1 per cent to \$58.7bn¹ in 2016**
- **Cyber-attacks force U.S. companies to ramp up spending on cybersecurity consultants to \$7bn**
- **Federal procurement keeps a tight grip on consulting spending**

As the strain of regulation lessened across the U.S. financial services industry, financial institutions nevertheless increased their consulting spending by more than \$1bn in 2016—a 8.3 per cent increase to a total value of \$14.8bn—as they sought to implement new technologies, such as regtech, AI, cognitive computing, and robotics. Financial services outperformed the wider U.S. consulting market, which grew 7.1 per cent to \$58.7bn in 2016.

Robotics provided consulting firms in the U.S. financial services industry with the most tangible opportunities, with the automation of simple processes forming the bedrock of this work.

These findings are published today (23rd May 2017) in a new report from the leading research and strategy firm for the global management consulting industry, Source Global Research. The report also revealed that an explosive digital transformation market played a big role in wider consulting market growth, as did a hot demand for cybersecurity work (up 30 per cent to over \$7bn), as clients made steps to safeguard their digital empires.

Fiona Czerniawska, Director of Source Global Research said:

“2016 was a strong year for the U.S. consulting market, with a direct link between digital transformation and the best performing industries, as clients’ desire to get ahead of their competition fueled demand in financial services, retail, and TMT. A tougher year was had by those consulting to the public sector, where a challenging procurement landscape put pressure on fees and made winning work difficult.”

Other key findings from the 2017 Source U.S. Consulting Market report include:

- **The pharma market was the fastest growing for consultants**—up 11.9 per cent to almost \$2bn (\$1.92bn) in 2016.
- **Federal procurement keeps a tight grip on consulting spending**—the public sector market for U.S. consultants grew just 0.9 per cent to just over \$6bn in 2016.
- **The Affordable Care Act continued to drive work for healthcare industry consultants**—up 7.9 per cent to \$6.75bn.
- **The consulting arms of accounting firms—a group dominated by the Big Four—dominate U.S. consulting**—growing by 10.2 per cent² to \$21.5bn in 2016.
- **Technology was consulting’s biggest and fastest-growing service line in 2016**—worth \$14.78bn, up 10 per cent in 2016.

¹ This figure refers to what Source calls the “big consulting” market only (consulting done by firms with more than 50 consultants globally and for clients with revenues in excess of about \$500m). This represents around 75 per cent of the U.S. market, making the entire U.S. consulting market worth \$78.2bn.

² This figure refers to what Source calls Type A firms—firms that do audit alongside consulting—which includes firms other than the Big Four, although in reality the Big Four account for the overwhelming majority of this part of the market.

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Commenting on the increasing interest in robotics in financial services, Thomas Puthiyamadam, U.S. Management Consulting Leader, Global Digital Services Leader, PwC, added:

“Robotic Process Automation (RPA) in finance is taking off like a rocket. Clients are aiming to completely transform how the finance function works. The potential was there a year ago, but now they’re looking at how to make it a reality.”

Government procurement feared by consultants

The Source report found that rigorous procurement departments in government are feared by consultants, and the Obama administration’s preference for firms owned by under-represented groups made it tough going for some consulting firms. The report says that these challenges were compounded by intense price pressure and the drip-feed release of funds for consulting.

Fiona Czerniawska, Director of Source Global Research said:

“While it’s very early to say definitively how the Trump administration will use consulting firms across the public sector, the hiring freeze put in place for the first 90 days has already created additional opportunities.”

The Big Four dominate U.S. consulting

A combination of organic and inorganic growth made the consulting arms of accounting firms—a group dominated by the Big Four—the fastest growing firm type in the market in 2016. The report says that part of this growth is related to a backdrop of M&A activity, the most notable of which was Deloitte’s acquisition of Heat—another indicator of their intention to build a strong position across the digital spectrum. This intent was shared by the rest of the Big Four.

U.S. consulting clients more enthusiastic than clients globally

U.S. clients are not only more enthusiastic than they were last year but are more enthusiastic than their peers across other geographies. The majority (82 per cent) of U.S. clients expect to increase their consulting spending in the 18 months running from January 2017 through June 2018. Last year, just 67 per cent said their consulting budgets were going up. Globally, just 70 per cent of clients say their consulting spending will increase over the next 18 months while 12 per cent anticipate a drop.

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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 their clients with expert analysis, research and reporting. Source draw not only on our extensive in-house experience, but also on the breadth of our relationships with both suppliers and buyers. All of our work is underpinned by our core values of intelligence, integrity, efficiency and transparency.

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](#). For further information, please visit: www.sourceglobalresearch.com

The Source Global Research U.S. Report

The report is based on two major sources of primary data:

Clients of consulting firms:

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

Source also surveyed 635 senior clients of consulting firms across the US. The majority (97%) work for private sector organisations, many of which are multinationals. The remaining 3% work in various public sector organisations. All respondents work in organisations with over 250 employees. This survey asks clients similar questions about how they buy consulting services. In particular, this report draws on how they expect their expenditure on consulting services to change over 2017 and into 2018, and what initiatives they'll be working on and how likely that is to drive consulting work. Their responses are just one of the factors that we take into account when forecasting future growth rates.

Consulting firms:

The quantitative data contained in this report 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 call “big consulting”. It therefore reflects the “addressable” market for the majority of mid- and large-sized consulting firms; Source don'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 our 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 Source research, and this is used 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.

In addition to quantitative research, Source interviewed 30 very senior consultants (typically the most senior person in their country) from most of the leading consulting firms in the country 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.