

PRESS RELEASE

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French consulting market grows three times faster than the economy

Growth boosted by high demand from the financial services sector...

The French consulting market grew three times faster than the economy in 2015 - up 3.6 per cent to €4.1billion, making it the best year of growth since the start of the global financial crisis. However, despite this positive growth, consultants acknowledge that the consulting market in France is still fragile.

The report from leading global consulting market analysts Source Global Research (Source) also reveals that much of the industry's growth can be attributed to the financial services sector, which makes up more than a quarter of the entire French consulting market and grew 6.4 per cent to €1.2billion in 2015. Regulation was a big driver of demand, but the real game-changer was that many organisations embarked upon far-reaching transformation, requiring the support of armies of consultants. Bernard Desprez, Managing Director at Kurt Salmon agreed, telling Source: *"We have seen a lot of major transformation programmes starting up. They had gone off the radar as a result of the financial crisis and are now starting to reappear."*

The report found that several other industries also had a good year. Consulting to the manufacturing (€694million), healthcare (€122million), and retail (€322million) industries all grew more than 5 per cent. But the public sector struggled, registering just 0.1 per cent growth to €374million. Looking forward, things are unlikely to improve in the public sector: With presidential elections scheduled for 2017, many clients are putting off decisions about major programmes until the results are in, so very little growth in the use of consulting is expected during 2016.

Alison Huntington, Senior Analyst from Source Global Research, said:

"After years of cost cutting and redundancies, many French organisations began to invest in projects that required consultants. While there were reasons to be cheerful, equally there are many concerns lurking that could raise their ugly heads to shatter confidence once more. There's a worry that the mild economic recovery is built on shaky foundations - that it wouldn't take much to shatter consumer confidence - and that the bigger, structural issues within the French economy haven't been addressed and are unlikely to be fixed any time soon."

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Risk, regulation and cyber security work in demand

Risk and regulatory services were the fastest growing consulting service line in 2015 (up 5.9 per cent), driven by a surge of interest in risk and cybersecurity, as well as increasing regulatory burdens on many industries. Technology, the largest consulting service in France, also grew a healthy 4 per cent, driven by demand for services around new technology and existing core systems.

International boost

Although the market grew overall, some firms did much better than others. One of the reasons is the increasing internationalisation of French consulting. Domestic demand did pick up somewhat during the year, but consulting to multinational clients on internationally-focused projects is where the growth and excitement are happening. Global firms such as the Big Four find themselves natural partners for these clients, able to match clients' international footprint while also providing a broad range of skills. But other firms, particularly mid-sized firms, are finding it harder to get in on the action.

Mid-market firms under pressure

The fortunes of these mid-sized firms—many considered too big to be specialist but not big enough to compete with global firms—were a major talking point. As a result, many have had to reassess strategies to keep afloat. Some have merged with other firms, while others are targeting smaller clients and looking to partner with other consulting providers to generate new opportunities. Some firms see the sharks circling but simply don't want to merge, preferring to adopt a survivalist strategy in the hope that it'll see them through the dark days and that better times are soon to come. Didier Taupin, Managing Partner Consulting, Deloitte, added: *"Lots of mid-sized firms are trying to protect themselves by refusing to grow, refusing to take any risks, and even downsizing."*

Digital revolution... not yet in France!

Unlike the US and UK consulting markets, it seems that the digital revolution still hasn't delivered a windfall for consultants in France. Clients are still mostly talking about what to do rather than actually kicking off projects, but consulting firms seem confident that talk must turn into action soon. Nicolas Richard, Head of Consulting, KPMG France, added: *"We are now at the stage where our discussions with clients about digital and transformation have reached a point of maturity where they are ready to launch programmes."*

Alison Huntington, Senior Analyst from Source, concluded:

"Generally, the larger global firms and those with in-demand specialisms are bullish, while those in the middle talk of hoping for a stable market. There certainly is a hope that 2016 will be brighter because digital transformation may finally get into full stride; from what we're hearing it's a pretty safe bet to assume digital demand will continue to grow in 2016."

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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. We 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 and Joy Burnford. 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](#). Joy Burnford was Marketing and Operations Director at the UK Management Consultancies Association between 2003 and 2010, and prior to that worked for PA Consulting Group and has extensive experience of marketing consulting services. For further information, please visit: www.sourceglobalresearch.com

About the report

This Source Global Research (Source) report is based on two major sources of primary data.

Clients of consulting firms:

Source interviewed senior end users of consulting in France to build up a rich picture of how trends in the consulting market are playing out within clients' organisations. Source's conversations focus on the following areas:

- What's driving change in their organisation
- How they are using consultants
- Factors that affect the way clients work with consulting firms
- What they value the most - and least - about working with consultants

Source also carry out client surveys. They surveyed 480 senior clients of consulting firms across France. The majority (94 per cent) work for private sector organisations, many of which are multinationals. The remaining 6 per cent work in various public sector organisations. The majority work in organisations with revenues in excess of \$500m, and have over 250 employees. The survey asks clients similar questions about how they buy consulting services. In particular, this Source report draws on how they expect their expenditure on consulting services to change over 2016 and into 2017, 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 Source takes into account when forecasting future growth rates.