

## Dataquest Insight: Top 10 Consulting Providers' Market Share, Worldwide and Regional, 2008

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This research analyzes and examines the top 10 consulting service providers' market share, both worldwide and regionally: North America; Latin America; Western Europe; Eastern Europe; the Middle East and Africa; Asia/Pacific; and Japan.

### Key Findings

- Despite 2008's dramatic global economies slowing, challenging financial distress and immediate preparations required to adequately protect a buyer's organization from an uncertain and worsening corporate future, 146 external consulting service providers in Gartner's market share database exceeded the market average growth rate of 8.8% in U.S. dollars.
- Since 2008, there is evidence for an "increased relevance" of the Big Four (Deloitte, Ernst & Young, KPMG and PricewaterhouseCoopers) and management consultancies among the top 10 ranked consulting service providers in this market, expressed by their presence among the top 10 lists and their revenue growth rates in 2008.
- None of the top 10 consulting service providers showed a decline in U.S. dollars in 2008. To shed some light on currency effects, we reported provider results for Western Europe in euros and Japan in yen; consequently, some consulting vendors had marginal or negative revenue growth in these regions.
- The global consulting market's competitive landscape continues to change, influenced by the expansion potential of management consultancies, the existing range and depth of consulting service offerings among the Big Four, and the broadening geographical presence of large software and technology service providers and their consulting arms.
- In 2008, the top 10 lists in consulting continue to reflect a mixture of companies with auditing, accounting and business management background and other providers with a strong technology advisory heritage.

### Recommendations

- Business consulting service providers: Enhance your competitive differentiation by communicating client-side business-outcome-led value promises. Express your full understanding of the client's complex business issues and how you can assist in rapidly fixing these issues. Further, show how the immediate design, simulation and implementation of an appropriate solution, which may entail new technologies, provide substantial qualitative and quantitative impact on the buyer's organization.

- IT consulting service providers: Enhance your competitive differentiation on rate card prices or for fixed-price projects proposed to potential buyers. Demonstrate proven deep competencies in consulting methodologies, maturity assessment (for example, business intelligence [BI], IT sourcing and enterprise risk management) and frameworks (Capability Maturity Model [CMM], Control Objectives for Information and Related Technology [CobiT] and Information Technology Infrastructure Library [ITIL]). These competencies clearly differentiate your assistance and enables rapid return on investment (ROI) for buyers through, for example, immediate cost leverage from standardized, industrialized and automated service delivery. In particular for consulting projects, address mature enterprise application technologies, for example, by making minor modifications to an existing ERP architecture, or address mature improvement approaches, such as applying Lean Sigma or Six Sigma to an enterprise's IT process.
- Business and IT consulting service providers: Split your activities in front-end and back-end work of an engagement. Source the back-end work from your global knowledge pool or from your network of membership firms. Thereby, you can balance the cost of consulting service delivery with both service excellence and rapid IT services innovation, all of which are requirements of increasingly cost-conscious consulting service clients.
- Large, global business and IT consulting service providers: Consider the opportunity to improve differentiation by financially committing to value that is generated as an outcome from your engagement (for example, improving business process efficiencies in the supply chain leads to immediate measurable cost containments for the organization).

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## ANALYSIS

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Organizations allocate substantial funds toward consulting services and often reap the benefits of these investments for their corporate future. Business and IT consulting engagements are frequently concerned with improving, for example, distribution, logistics, product manufacturing and IT services delivery or procurement and R&D. Consulting services, when governed correctly, enable the successful management of day-to-day challenges and issues within the business or IT operations for the enterprise. The 2008 market results lead us to conclude that many organizations hired consulting service providers simply to ensure corporate survival and as a clear private and public response to challenging business conditions around the world. However, early signs in 2009 reveal that some slowing in spending on consulting services are evident unless those services can help deliver almost immediate payback or bottom-line impact.

### **The Top 10 Delivered Business and IT Consulting Services**

In context of this document, we use Gartner's terminology for consulting services, which is an aggregate for business and IT consulting advisory services.

Business consulting services include business operations consulting services that typically preface, enable or influence the adoption of IT. These business consulting services include business process transformation, business process redesign or re-engineering, business performance improvement, corporate compliance, finance transformation, human capital management, risk management, governance and sourcing advisory. Business consulting is different from IT consulting, which is composed of advisory services that help clients assess different technology strategies and, in so doing, align their technology strategies with their business or process strategies (see "Dataquest Guide: IT Services Market Research Methodology and Definitions").

Examples of these types of services include transformational change management after a merger, acquisition and/or divestiture (see "The Gartner IT Services Provider Guide for Transformational Initiatives"); compliance issues; cost reduction; innovation initiatives in product marketing; IT improvements; organizational design; process improvement; productivity improvement; or functional advice for finance management, human resources, supply chain, marketing or customer care.

### **Evolution of the Consulting Market**

Consulting service providers had eight months of "business as usual" in 2008, but then in September 2008, they began to feel the effects of the global economic downturn that included widespread cost restrictions and cost reductions. The decline in consulting spending is often aligned with emerging global economic uncertainty. Consulting is typically seen as among the first and/or worst-affected business services when discrete spending or contracts are cut. However, the combined 2008 business and IT consulting market of \$73.6 billion — a market equal in size to Home Depot's entire 2008 revenue or Slovakia's gross domestic product (GDP) — did not head into a significant downturn in late 2008. In fact, the worldwide consulting market that Gartner covers in its forecast and market share analysis completed the year with a strong performance: It grew 8.8% from 2007 to 2008, reported in U.S. dollars. To put this growth rate in perspective, the world economy grew at a reduced rate of approximately 4.8% in 2008, according to the Organisation for Economic Co-operation and Development (OECD). The consulting market, however, demonstrated a strong growth performance, even compared with previous years (for example, 2007 growth was 10.7% compared with 2006; for more information, see "Dataquest Insight: Top 10 Consulting Providers' Market Share in Computing, Worldwide and Regional,

2007"). And for individual provider performance, we noticed that eight of the top 10 worldwide consulting service providers grew revenue above the market rate of 8.8%, with the exceptions being CSC (7.8%) and HP (1.7%).

The business and IT consulting market, although demonstrating resilience to the economic situation in 2008, is declining in 2009. This market likely will remain challenging in the near term, with a compound annual growth rate (CAGR) of 2.8% forecast from 2007 through 2012. While organizations are still using consulting services for projects that are of key strategic importance to them, cuts are occurring in less-strategic areas, projects are taking longer, and more decision cycles are occurring before they receive final business management and/or CFO approval. Furthermore, it turns out that in many cases, even if skilled internal resources are available to the organization or are underutilized because of reduced demand levels, financial investments are still delayed, project scopes are reduced, or projects currently in execution are terminated.

Gartner forecasts the market for consulting services to decline 5.3% (in U.S. dollars) in 2009 because clients' IT budgets are shrinking, which will put more competitive pressure on providers to win less-available project dollar spending. However, consulting service buyers in this competitive market still require specialist skills, such as enterprise architectural competencies or service-oriented architecture (SOA) capabilities, application development and integration skills and global scale, business management experiences, information management skills in BI or enterprise performance management, innovation in business and IT, or other services that create economic value or differentiation for the enterprise.

## **Attributes of Successful Consulting Service Provider**

In the context of this evolving market, the list of the global top 10 consulting service providers changed in 2008, and we anticipate that this new list will likely remain the same in 2009 (short of an acquisition that removes one of these leaders). Changes in 2008 indicate that management consulting has been acquiring IT-led projects beyond strategic advice. Furthermore, please note that Gartner added Ernst & Young, McKinsey & Co., and Boston Consulting Group (BCG) as new members to its 2008 worldwide provider list for business and IT consulting services.

Deloitte, KPMG and PricewaterhouseCoopers were able to capture further market share in 2008, at the expense of some of their immediate competitors. Logica and Fujitsu Services were displaced from Gartner's 2008 worldwide top 10 global consulting service provider list, while six among these 10 providers successfully maintained their market share positions in 2008.

In this changing competitive landscape, we found attributes of the successful providers in the consulting market to include:

- **Scale** — Global business and IT consulting service providers have scale to deliver across several geographical regions and domains.
- **Scope** — Advisors operating initiatives for buyers on a global scale have the ability to offer a broad array of consulting services addressing these initiatives; scope is critically important.
- **Skills** — Consultancies need the right mix of skills in areas such as multicultural and multidomain change management, while at the same time offering a deep business process understanding for a large number of industries.
- **Stability** — Solid balance sheet and financial stability of the business and IT consulting service provider are critical because buying organizations must mitigate their risk of failing to complete a project or initiative (for example, a major transformational 18-month global finance function project).

- Strategy — Consulting service providers continually evolve their business strategy through reorganizing, "reskilling" of their resources and redefining service outcome.

## Worldwide: Top 10 Consulting Service Providers' Market Share

The global top 10 providers held 31.3% of business and IT consulting service market share, but no one single competitor is able to clearly dominate the market. The provider landscape remains fragmented below the top 10 list, with literally tens of thousands of consulting service providers operating in a highly heterogeneous consulting market. For providers competing among the top 10, it is important to know that some regional differences continue to exist that require local competitive differentiation strategies. For example, the consulting market in Japan is the most consolidated among all regional consulting markets, and Fujitsu holds 12.9% market share. Further, the top 10 providers combined hold 67.2% share of the Japanese market; competing in this market — in terms of brand awareness, brand acceptance and account relationship — is different than competing in, for example, the consulting market in North America, which is less consolidated, and no single provider holds more than 6% market share.

The likelihood of any new consulting service provider breaking into the global top 10 through organic growth is slim. However, the opportunity exists to enter the top 10 list through acquisitions, which would be necessary to achieve the growth and scale needed — a revenue of \$1 billion or more must be maintained to enter or displace vendors in the top 10 list. Despite the financial risk in financing these deals in 2009, less than \$60 million each is all that the next three providers — Fujitsu, Oracle and Logica — would require to stand at par with McKinsey & Co., which captured the 10th spot in 2008 in consulting service revenue. Acquisitions of consulting brands or clients are undertaken not only as part of a strong growth strategy but also for geographical and capability reasons to remain competitive and move forward in the consulting market. There is also strong growth of providers further down the list. India-centric consulting service providers, such as Infosys Technologies, Cognizant and Wipro Technologies, continued to outgrow the market. However, none of the India-centric consulting service providers have exceeded \$320 million of business and IT consulting service revenue in 2008.

The 2008 market share data shows that the top 10 providers in the worldwide consulting service market accounted for 31.3% of the total consulting market (see Table 1) on computing and connectivity platforms — the market of a few large global players. This market share concentration, 31.3%, among the global top 10 consulting service providers is higher if compared with all of IT services, for which the top 10 providers accounted for 26.9% market share. Therefore, the competitive battle for large consulting service budgets exceeding \$2 million is high, and enhanced competitive differentiation is required to retain clients and grow revenue in 2009. The global top 10 accumulated as much consulting service market share as the next 48 providers competing for the same spending. In 2008, the declining U.S. dollar contributed to some growth rates, because revenue growth generated in other regions is, in most cases, higher in U.S. dollars than in local currencies.

**Table 1. Worldwide: Top 10 Consulting Service Providers' Revenue, Growth and Market Share, 2007-2008 (Millions of Dollars)**

Rank	Vendor	2007	2008	Growth (%) 2007-2008	Market Share (%) 2008
1	IBM	3,907	4,302	10.1	5.8
2	Deloitte	3,078	3,562	15.7	4.8
3	Accenture	2,687	3,037	13.0	4.1
4	PricewaterhouseCoopers	2,388	2,612	9.4	3.6

Rank	Vendor	2007	2008	Growth (%) 2007-2008	Market Share (%) 2008
5	CSC	1,748	1,884	7.8	2.6
6	Ernst & Young	1,620	1,800	11.1	2.4
7	Capgemini	1,420	1,566	10.3	2.1
8	HP	1,500	1,525	1.7	2.1
9	KPMG	1,267	1,402	10.7	1.9
10	McKinsey & Co.	1,154	1,379	19.6	1.9
	Other Service Vendors	46,881	50,514	7.7	68.7
	<b>Total Market</b>	<b>67,649</b>	<b>73,584</b>	<b>8.8</b>	<b>100.0</b>

Source: Gartner (June 2009)

The average growth rate for the entire consulting market in 2008 was 8.8%, in U.S. dollars, compared with 10.9% in 2007. We believe that HP, with the lowest revenue growth rate of 1.7%, continues to work on the full integration of EDS, which it acquired in August 2008, and is in the process of realigning its consulting capabilities and competencies.

McKinsey & Co. achieved the highest, revenue growth rate, 19.6%, which was attributable mainly to its growth in businesses in Western Europe, Asia/Pacific and Japan. McKinsey & Co. has been gaining from the benefit of its early involvement by clients in prestigious strategic and often transformational business model change projects. Some business challenges existed for management consultancies in 2008, and these challenges, such as emerging new and disruptive technologies that are changing business strategies, are expected to accelerate in 2009. We do expect management consultancies to bid more frequently for technology-led projects, which require technology-savvy advisors; furthermore, management consultancies need to respond to the requirements of large buyers for immediate, cost-led tactical initiatives and implementation of proven and applicable IT-enabled solutions dealing with real business issues. However, in 2008, initial revenue opportunities started to materialize for strategy-led consultancies — as a result of the consulting buyers' need for measurable, immediate business value contribution from IT and business-outcome-based engagements; this finding is evidenced by the consulting service providers' growth rates reported in this document. As a result, management consultancies are competing more strongly for global IT-led business consulting projects than in previous years, but they have not yet achieved deep levels of IT implementation.

Firms such as McKinsey & Co., Deloitte, Ernst & Young, KPMG and PricewaterhouseCoopers represent a network of literally hundreds of membership firms (for example, KPMG is made up of 144 member firms under the KPMG branding umbrella in approximately 140 countries). The ownership of these member firms is represented by their partners. Such partnership-based organizational models lead, in some instances, to aggressive revenue and profitability-focused growth strategies and account planning, compared with other traditional models, and explains elements of the business performance highlighted in Table 1.

IBM remains No. 1 worldwide with 5.8% market share, and it has a globally integrated business model, including new and emerging geographical markets continuing to invest in IT, which is used to leverage the scale and skills it has to expand and grow market share.

## Regional: Top 10 Consulting Service Providers

Several providers have a worldwide presence and populate the top 10 lists in multiple regions, and a number of regional providers appear in the top 10 lists as well. This situation gives a

distinct local flavor to the regions and demonstrates that the ability to deliver consulting services in proximity remains a key evaluation and selection criteria for buyers.

We believe that despite all "nearshore" and offshore IT and even business consulting services delivered to clients in North America and specifically, Europe, business consulting clients will continue to prefer a local provider's presence and on-premises service delivery also beyond 2009.

## North America: Top 10 Consulting Service Providers

The 2008 market share data, in U.S. dollars, shows that the top 10 providers in North America (that is, the United States and Canada) in the consulting service market accounted for 37.7% of the total consulting market (see Table 2).

**Table 2. North America: Top 10 Consulting Service Providers' Revenue, Growth and Market Share, 2007-2008 (Millions of Dollars)**

Rank	Vendor	2007	2008	Growth (%) 2007-2008	Market Share (%) 2008
1	Deloitte	1,401	1,566	11.8	5.7
2	IBM	1,380	1,430	3.6	5.2
3	CSC	1,205	1,269	5.3	4.6
4	SAIC	1,079	1,193	10.6	4.3
5	Northrop Grumman	1,125	1,188	5.6	4.3
6	Accenture	896	1,003	11.9	3.6
7	PricewaterhouseCoopers	872	902	3.4	3.3
8	Ernst & Young	604	656	8.6	2.4
9	Oracle	577	610	5.7	2.2
10	McKinsey & Co.	479	569	18.8	2.1
	Other Service Vendors	16,262	17,096	5.1	62.3
	<b>Total Market</b>	<b>25,881</b>	<b>27,482</b>	<b>6.2</b>	<b>100.0</b>

Source: Gartner (June 2009)

Eight of the top 10 providers in North America kept their presence in the business and IT consulting market share list in 2008, with two exceptions: SAP and Booz Allen Hamilton, which exited the list. The exit of SAP signaled a change in some buyers' requirements — this change shifted from 2008 short-term business-objective-led projects toward more urgent business process advisory services to increase business process efficiencies immediately. SAP dropped to the 14th position with market share of 1.4% in 2008 and revenue of \$393 million. Booz Allen Hamilton sold its advisory service part of the organization, which did originally focus on commercial clients; Booz Allen Hamilton kept the noncommercial consulting business. This has led to a decline in revenue that is recognized by Gartner as business and IT consulting for the provider, and hence, it dropped out of the top 10 list to a 13th position, with revenue of \$410 million for 2008 and market share of 1.5%.

The average growth in the consulting market in North America was 6.2% in 2008, down from 8.4% in 2007. This is still a solid performance compared with the economy of the United States, which had a real GDP growth of 1.1% for 2008 over 2007 and is expected to decline 3.5% in 2009, according to IHS Global Insight's economic data of April 2009.

North America's business and IT consulting market growth rate in 2008 was the lowest of all regions we reported in U.S. dollars, and the average growth rate, 6.2%, was met, or exceeded by, five providers: Accenture, Deloitte, Ernst & Young, McKinsey & Co. and SAIC. Such results highlight that some consultancies were capable of resisting the significant economic slowing in this regional market. None of the top 10 providers of 2008 had negative growth rates, and PricewaterhouseCoopers had the lowest consulting service revenue growth rate, at 3.4% for 2008, still exceeding real GDP growth at 1.1% for 2008.

Providers with strong public-sector capabilities of transformational consulting services, such as for the federal government sector or for the financial sector, demonstrated clear advantage in obtaining a higher ranking in the top 10 list for North America. The financial sector, at \$5.8 billion, and the national and international government, at \$5.1 billion, were the two largest consumers of business and IT consulting services in North America in 2008.

### Latin America: Top 10 Consulting Service Providers

The 2008 market share data shows that the top 10 providers in the Latin American consulting service market accounted for 34.2% of the total Latin American consulting market (see Table 3).

**Table 3. Latin America: Top 10 Consulting Service Providers' Revenue, Growth and Market Share, 2007-2008 (Millions of Dollars)**

Rank	Vendor	2007	2008	Growth (%) 2007-2008	Market Share (%) 2008
1	Deloitte	269	334	24.3	10.6
2	PricewaterhouseCoopers	161	177	9.4	5.6
3	IBM	127	146	14.9	4.6
4	Ernst & Young	65	72	11.1	2.3
5	HP	63	66	4.9	2.1
6	SAP	54	65	19.5	2.1
7	Oracle	55	61	11.2	1.9
8	Accenture	47	57	21.4	1.8
9	McKinsey & Co.	44	52	17.3	1.7
10	Ericsson	39	46	18.7	1.5
	Other Service Vendors	1,822	2,077	14.0	65.8
	<b>Total Market</b>	<b>2,746</b>	<b>3,154</b>	<b>14.8</b>	<b>100.0</b>

Source: Gartner (June 2009)

All of the 2007 top 10 providers in Latin America kept their 2008 presence in the business and IT consulting market share list. The business and IT consulting market in the region experienced a growth of 14.8% for 2008, slightly down from the 18.6% in 2007, and reflecting economic volatilities in this regional market. Concentration of market share among the top 10 remained at 34.2% for 2008, close to the 2007 level of 33.9%.

Since the second half of 2008, the macroeconomy of Latin America has signaled challenging conditions, with commodity prices falling, credit markets shrinking, foreign investment disappearing, trading partners experiencing tough times and local currencies weakening. Real GDP growth in Latin America, with its 20 countries, was 4.4%, and countries such as Argentina, Venezuela and Peru are experiencing notable economic challenges, according to the LatinFocus

Consensus. Generally, macroeconomic conditions were to blame for the contraction in business and IT consulting service revenue market growth rate for 2008.

The United States and China, two of Latin America's biggest trading partners, have also added to the situation, with fewer imports from the region a further economic challenge, and this situation not expected to abate soon, according to IHS Global Insight, the source for macroeconomic data that revised the U.S. GDP in 2009 to negative 1.8%. The United States and China compose the bulk of exports from Latin American countries Brazil and Mexico. The less that foreign countries import from Latin America, the more potential consulting service buyers in Latin America feel the pinch. Discrete consulting service investments are often among the first budgets to be cut in economic hard times. And as economic challenges continue in 2009, the consulting service provider landscape is believed to represent further market share aggregation in 2009 from consulting brand acquisitions, reducing the number of market participants, in particular once the project backlog of a number of providers dry out.

Despite such a challenging macroeconomic environment throughout Latin America, the top 10 business and IT consulting service providers in this region are positioned for long-term growth. These providers may actually benefit from the downturn, because they can rely on their global consulting scale, thereby balancing the cost of consulting service delivery and eventually offering aggressive price cuts to some of their clients and potential buyers in Latin America. Some providers can, as far as current business results are concerned, also demonstrate their financial stability. Scale and financial stability are among the criteria that consulting service buyers frequently consider when they choose providers for complex, multinational and transformational engagements.

## Western Europe: Top 10 Consulting Service Providers

For this document, Europe, the Middle East and Africa (EMEA), as a geographical region, is divided into Western Europe, Eastern Europe, and the Middle East and Africa (MEA), and we have provided top 10 lists for each of these geographical subregions. The 2008 market share data, in euros, shows that the top 10 providers in Western Europe in the consulting service market accounted for 36.3% of the Western European consulting market (see Table 4).

**Table 4. Western Europe: Top 10 Consulting Service Providers' Revenue, Growth and Market Share, 2007-2008 (Millions of Euros)**

Rank	Vendor	2007	2008	Growth (%) 2007-2008	Market Share (%) 2008
1	Accenture	879	934	6.2	5.2
2	Logica	971	873	-10.1	4.8
3	Capgemini	805	835	3.7	4.6
4	Deloitte	729	783	7.4	4.3
5	IBM	729	753	3.2	4.2
6	PricewaterhouseCoopers	642	663	3.3	3.7
7	Ernst & Young	441	450	2.0	2.5
8	HP	453	443	-2.2	2.4
9	KPMG	416	426	2.5	2.4
10	SAP	367	407	10.9	2.2
	Other Service Vendors	3,617	3,677	1.7	63.7

Rank	Vendor	2007	2008	Growth (%) 2007-2008	Market Share (%) 2008
	<b>Total Market</b>	<b>17,842</b>	<b>18,116</b>	<b>1.5</b>	<b>100.0</b>

Source: Gartner (June 2009)

Consulting service buyers faced a volatile economic situation in Western Europe in 2008. The region showed company failures, consumer confidence declining since March 2008 in the eurozone and a clear downward trend of all major economies, expressed by many negative GDP growth rates for the fourth quarter of 2008 that were measured against the same quarter of the previous year. Prospects for improvements in consulting spending for the later part of 2008 partly depended on the impact of government stimulus plans, as well as on buyers hoping for a rapid global economy recovery to raise international demand for Western European goods and services.

The 2008 consulting market in Western Europe experienced an average growth rate of 1.5%, in euros, despite challenging market conditions. This growth rate was met or exceeded by eight providers, while Logica's and HP's growth declined because of negative performance in their business and IT consulting business in the region. Logica faced some relevant declines in its consulting business, in particular in Belgium, the Netherlands and Germany. HP's business declined 11.9% in euros in the United Kingdom, from €162 million to €143 million; however, in British pounds, it showed a growth of 2.8% (from £111 million to £114 million). Fujitsu Services left the Western European 2008 top 10 list because of a decline of 8.2% in its business and IT consulting service revenue, from €396 million in 2007 to €363 million in 2008, and is now replaced by SAP, at the 10th position. However, Fujitsu's consulting business in the United Kingdom grew 2.8% in British pounds, from £174 million to £179 million. Therefore, it must be noted that currency exchange rates had a significant impact on an individual provider's performance.

Global providers, such as Accenture, Deloitte, IBM, PricewaterhouseCoopers and others, are present in the Western European top 10 list; however, consulting service providers headquartered in Western Europe, such as Logica and Capgemini, remain in the list. Nine of the top 10 providers, in terms of market share in Western Europe, derived more than 17% of its Western European consulting business from the United Kingdom, making the United Kingdom the primary source country for consulting revenue for providers in this 2008 top 10 list and also for the regional consulting market as a whole.

When reviewing the vertical contribution to the top 10 providers' revenue, we found two main vertical sectors providing the source for revenue: Financial services is a key vertical sector for consulting providers, followed by the government sector. The top 10 consulting service providers hold 37.7% of the combined financial services industries and 34.3% of the governmental consulting service spending. The United Kingdom, in particular, along with the business performance of the financial services industry, has a strong impact on this regional top 10 list because the United Kingdom was the largest IT consulting service market in Western Europe in 2008. Therefore, Western European consulting service providers compete heavily in the United Kingdom and the financial services sector for buyers' discrete project investments.

## Eastern Europe: Top 10 Consulting Service Providers

Eastern Europe started in late 2008 to suffer from its steepest fall in real GDP since the collapse of the Communist economic system in the early 1990s, reflecting the severity of the trade and financial shocks that have hit membership countries of the European Union (EU), such as Estonia, Latvia, Lithuania, Poland, Slovenia, Slovakia and non-EU-members, such as Russia. The significant divergence in GDP growth results for 2008 underlines the need to differentiate

these business and IT consulting markets between single countries rather than treat Eastern Europe as a homogeneous block for further assessments expanding beyond this research.

While global providers (for example, Accenture, Deloitte and IBM) have a presence across the region, local business and IT consulting service providers also represent a viable option for buyers and make it in the top 10 list in Eastern Europe. Eastern Europe represents 5.8% of the EMEA consulting service markets.

Table 5 shows the 2008 market share data of the top 10 providers in Eastern Europe in the consulting service market.

**Table 5. Eastern Europe: Top 10 Consulting Service Providers' Revenue, Growth and Market Share, 2007-2008 (Millions of Dollars)**

Rank	Vendor	2007	2008	Growth (%) 2007-2008	Market Share (%) 2008
1	S&T	146	150	3.0	9.2
2	Deloitte	102	128	25.3	7.9
3	IBM	82	93	14.1	5.7
4	Ernst & Young	66	75	14.6	4.6
5	Accenture	61	74	21.5	4.5
6	Alcatel-Lucent	53	66	25.5	4.1
7	PricewaterhouseCoopers	52	61	16.1	3.7
8	SAP	39	50	29.1	3.1
9	KPMG	34	41	19.5	2.5
10	Oracle	34	39	14.0	2.4
	Other Service Vendors	717	853	18.9	52.3
	<b>Total Market</b>	<b>1,385</b>	<b>1,630</b>	<b>17.7</b>	<b>100.0</b>

Source: Gartner (June 2009)

Local consulting service providers and those regional or global providers in close proximity to their Eastern European clients change the appearance of the competitive landscape. The Eastern European top 10 list includes S&T, headquartered in Austria, purporting to be present in 21 countries, including many Eastern and Central European countries. The top 10 providers in Eastern Europe together held market share of 48.2% in 2007 and a concentrated 47.7% share in 2008, which represents a major difference in market distribution from the its neighboring region, Western Europe.

### **Middle East and Africa: Top 10 Consulting Service Providers**

The Middle East region continued to experience strong GDP growth in 2008, outpacing global growth. Therefore, business and IT consulting service providers to the banking sectors in the region have generally maintained sound business from initiatives, strengthening, for example, banking supervision in this geographical region, which proved to be somewhat resilient to the global economic decline in 2008. Notably, providers focused on industries such as process manufacturing, energy and utilities in the region saw 2008 demand for consulting services triggered by increases in oil output and production in countries such as Oman, United Arab Emirates (UAE), Kingdom of Saudi Arabia, Qatar, Kuwait and Bahrain.

In 2008, the global financial crisis hit demand for commodities, and Africans working abroad sent less money back home, which affected African economies, according to the African Development Bank (AfDB); thus, economies were weakened, and, to some degree, so too was consulting service spending, for example, in the banking and retail industries. Consulting service providers across the region delivering to industries that were impacted by credit refinancing issues, falling demand for products such as oil and minerals, and even shrinking demand for coffee and cocoa were also affected. However, for global business and IT consulting service providers, the African continent represents a small share, generally below 1.5% of their global revenue.

Table 6 shows the 2008 market share data of the top 10 providers in the Middle East and Africa in the consulting service market.

**Table 6. Middle East and Africa: Top 10 Consulting Service Providers' Revenue, Growth and Market Share, 2007-2008 (Millions of Dollars)**

Rank	Vendor	2007	2008	Growth (%) 2007-2008	Market Share (%) 2008
1	Dimension Data	106	132	24.1	8.2
2	PricewaterhouseCoopers	83	105	26.9	6.6
3	IBM	89	99	11.4	6.2
4	Accenture	51	63	23.3	3.9
5	Ericsson	50	60	20.0	3.7
6	Ernst & Young	56	58	3.7	3.6
7	KPMG	41	48	17.2	3.0
8	Oracle	39	44	14.0	2.8
9	Business Connexion	45	42	-7.7	2.6
10	SAP	24	31	28.2	1.9
	Other Service Vendors	816	923	13.2	57.5
	<b>Total Market</b>	<b>1,400</b>	<b>1,605</b>	<b>14.7</b>	<b>100.0</b>

Source: Gartner (June 2009)

Local or regional consulting service brands are present in the top 10 in the Middle Eastern and African competitive market landscape, with Dimension Data ranked No. 1, which is a South African company. Also, Business Connexion is ranked ninth — another South African company. Providers in the Middle East and Africa together held 42.5% in 2008, which represents a sharp difference in market share distribution in comparison to its neighboring regions, such as Asia/Pacific or Central and Eastern Europe.

### Asia/Pacific: Top 10 Consulting Service Providers

Business and IT consulting service provider clients in the Asia/Pacific region were exposed to the combination of weakening export growth and reduced levels of investment and consumption in 2008. Therefore, GDP growth weakened in the region, in particular toward the end of 2008, according to reports from the World Bank. As the global financial crisis has spread, Asian countries have felt the storm, but eventually early governmental interventions have averted the worst impacts of the global crisis and led to further advisory service spending.

The 2008 market share data shows that the top 10 providers in Asia/Pacific in the consulting service market accounted for 45.2% of the total Asia/Pacific consulting market (see Table 7).

**Table 7. Asia/Pacific: Top 10 Consulting Service Providers' Revenue, Growth and Market Share, 2007-2008 (Millions of Dollars)**

Rank	Vendor	2006	2007	Growth (%) 2006-2007	Market Share (%) 2008
1	IBM	723	887	22.7	11.7
2	Samsung SDS	495	503	1.5	6.6
3	Accenture	375	408	8.9	5.4
4	PricewaterhouseCoopers	330	385	16.6	5.1
5	Deloitte	191	247	29.2	3.3
6	KPMG	191	229	20.2	3.0
7	CSC	194	224	15.6	3.0
8	Ernst & Young	161	204	26.9	2.7
9	UXC	188	199	5.9	2.6
10	LG CNS	153	143	-6.7	1.9
	Other Service Vendors	3,915	4,150	6.0	54.7
	<b>Total Market</b>	<b>6,915</b>	<b>7,579</b>	<b>9.6</b>	<b>100.0</b>

Source: Gartner (June 2009)

The Asia/Pacific market is consolidated, with the top 10 holding 45.3% of the business and IT consulting market, and IBM holding 11.7% share.

The average growth in this market declined from 21.5% in 2007 to 9.6% in 2008. This rate was met or exceeded by IBM, PricewaterhouseCoopers, Deloitte, KPMG, CSC and Ernst & Young. Deloitte had very strong growth in this region that mainly came from the country markets of China and Singapore.

The high growth in Asia/Pacific is still caused by the fast development of emerging markets in the regions and, therefore, demand for some business and IT consulting services, and it should be noted the growth stems from a small base.

LG CNS had negative revenue growth, with negative 6.7% in 2008, in Asia/Pacific. New entrants in the 2008 top 10 list in Asia/Pacific are CSC and Ernst & Young, both growing well above the market average and capturing their spots.

### Japan: Top 10 Consulting Service Providers

Buyers of business and IT consulting services in Japan saw the country's GDP shrink 0.68% in 2008 and exports, which have been the main drivers of the Japanese economy during the past few decades, deteriorated because of a weakening global demand and a strong yen. Shrinking industrial production hit Japanese corporate profits and business investments, leading to job cuts and an increase in corporate bankruptcies because banks were more reluctant to lend. Japan is a mature consulting service market with established providers, and because of the traditional Japanese business climate, in which strong relationships exist between providers and clients, it is harder for new entrants to do well in this market against the providers that already have substantial market share. Despite challenging macroeconomic market conditions and high entry barriers to win new consulting clients, the market grew 14.9%, and seven of the top 10 providers outgrew even this strong performance in 2008, if measured in U.S. dollars. However, this may leave a too rosy picture of this local market. Taking local currency into account, the Japanese consulting market grew 0.9% in 2008, and most of the top 10 providers increased revenue only

by about 1% to 2% in consulting. The strong need for business and IT consulting services during the first half of 2008 was driven by financial service providers and manufacturers in the country.

The 2008 market share data shows that the top 10 providers in Japan in the consulting service market accounted for 67.2% of the total Japanese consulting market (see Table 8).

**Table 8. Japan: Top 10 Consulting Service Providers' Revenue, Growth and Market Share, 2007-2008 (Millions of Yen)**

Rank	Vendor	2007	2008	Growth (%) 2007-2008	Market Share (%) 2008
1	Fujitsu	73,377	75,087	2.3	12.9
2	Hitachi	60,164	61,472	2.2	10.6
3	NEC	57,405	58,113	1.2	10.0
4	IBM	59,792	56,247	-5.9	9.7
5	NTT Data	53,348	54,037	1.3	9.3
6	IT Holdings	-	21,316		3.7
7	Nomura Research	19,871	20,864	5.0	3.6
8	Mitsubishi Electric	15,498	15,618	0.8	2.7
9	Nihon Unisys	14,153	14,374	1.6	2.5
10	Toshiba	12,878	13,008	1.0	2.2
	Other Service Vendors	210,097	191,398	-8.9	32.8
	<b>Total Market</b>	<b>576,582</b>	<b>581,533</b>	<b>0.9</b>	<b>100.0</b>

Source: Gartner (June 2009)

The consulting service market in Japan is among the most consolidated of all the mature regions, in which more than half of the market share is held by the top 10 providers. The top three providers on their own hold 33.5% of this local market. The Japanese IT services market has historically been dominated by domestic platform vendors, such as Fujitsu, Hitachi and NEC. Those vendors continue to have strong relationship with their clients, and among the business and IT consulting market in the country, they are ranked as the top three.

IT Holdings, which is a provider formed by a merger between TIS and Intec in 2008, entered the top 10 list for Japan in 2008. The average growth for the Japanese consulting service market in terms of U.S. dollars was above the global market growth rate of 8.8%.

## BACKGROUND AND CONTEXT

This document examines the consulting service market on a computing platform as defined by Gartner (see "Dataquest Guide: IT Services Market Research Methodology and Definitions" for further detail on our methodologies and definitions for consulting services, and which countries/regions and vertical markets are covered by the database).

Business consulting services include business operations consulting services that typically preface, enable or influence the adoption of IT. These business consulting services include business process transformation, business process redesign or re-engineering, business performance improvement, corporate compliance, risk management, governance and sourcing advisory. Business consulting is different from IT consulting, which is defined as: IT consulting services are advisory services that help clients assess different technology strategies and, in so

doing, align their technology strategies with their business or process strategies. These services support customers' IT initiatives by providing strategic, architectural, operational and implementation planning. Strategic planning includes advisory services that help clients assess their IT needs and formulate system implementation plans. Architecture planning includes advisory services that combine strategic plans with knowledge of emerging technologies to create the logical design of the system and the supporting infrastructure to meet customer requirements. Operational assessment/benchmarking includes services that assess the operating efficiency and capacity of a client's IT environment. Implementation planning includes services aimed at advising customers on the rollout and testing of new solution deployments.

## **THE IMPACT**

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The in-depth analysis into why the top 10 providers across regions have reached their positions enables a useful insight into the dynamics of the consulting service market. Certain factors, such as vertical expertise, the creation of strong revenue streams and regional strength, push providers toward the top of the market and strengthen offerings in contracting, for example, with clients in the public sector, which is a large IT service spender.

## **CONCLUSION**

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Contrary to the experiences of past business cycles and expectations that economic uncertainties and crisis in some industries would have negative implications on the 2008 market, many providers' growth rates were minimally affected, if at all. Our outlook for the immediate future remains more positive than expected, despite the uncertainties for a rapid recovery of the leading global markets, such as the United States, China and India, and the many Western European countries.

The top 10 lists for each region and the overall worldwide market share did vary, to the extent that management consultancies and the Big Four firms were able to hold onto their positions or expand in the business and IT consulting market. However, some competitors will take the challenging economic conditions of 2009 and start to close the gap — through consulting brand acquisitions, as well as by observing what has enabled these top 10 providers to not only expand their portfolio of services, in many cases, but also hold on to their strong places in the market.

However, while there is some movement among the top 10, there is growth and upward movement of providers further down the list; such as from the India-centric providers with global delivery models.

## **RECOMMENDED READING**

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"Dataquest Guide: IT Services Market Research Methodology and Definitions"

"The Gartner IT Services Provider Guide for Transformational Initiatives"

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