

Kennedy Research Reports

2024 Consulting Industry Monitor

Market Size & Growth Forecast
M&A and Investments

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Welcome to Kennedy Research Reports' annual update on the state of the global consulting industry and 2024 outlook. KRR and its principals have been analyzing the global consulting industry for more than 30 years. Our research focuses on both supply and demand; measuring consulting providers by buyer preferences and quantifying consulting growth opportunities to determine actual spend on consulting services.

We believe 2023 will be considered a turning point for the industry. Since the early 1990s, management consulting has flourished during a period defined by cheap capital and relative stability. Covid abruptly ended this era of "Great Moderation." We now see a dramatically new dawn emerging.

Consulting Market Growth Reverts to Trend

- Covid unleashed two years of double-digit consulting market growth, fueled by deep disruption and talent shortages.
- Total market growth halved in 2023 versus 2022 as reactive spending dried up and macro uncertainty and tight capital markets constrained new investments. Growth is expected to pick up marginally over the forecast period, with 2025 growth roughly in line with 2018.

But Spending Not Back to Normal

- Consumer, Manufacturing, and Resources sectors, along with the emerging market regions of Southern APAC, Latin America, and Eastern Europe, will drive growth in the new context of activist industrial and trade policies, geopolitical uncertainty, and AI opportunities.

- A rather surprising trio of protection-oriented Risk and optimization-focused Marketing & Sales and Service Operations, will account for an increasing share of growth in this environment.

Investments Decrease though Deals Bigger

- Consulting M&A deal count dropped precipitously in 2023; the largest one-year decline over the past decade. The median Enterprise Value (EV) of acquisitions jumped to its highest level over the past decade as acquirers targeted fewer, bigger deals.
- Coming out of Covid in 2022 and continuing into 2023, consulting acquirers dialed back the earnings multiples they were willing to pay for assets and prioritized targets with higher profitability in the current low growth environment.
- North America led the decline in consulting M&A deals, massively accelerating the pullback that started in 2022.
- PE cut back acquisitions of consultancies by much less than did strategic buyers, pushing its share of global consulting M&A deals to just under half in 2023. This despite the broader private equity pullback brought on by tight capital markets and lower valuations.
- The overall downshifting of investment activity from Covid's artificial highs masked an important shift in the kind of assets consultancies targeted as they reacted to a wholly new set of megatrends shaping client needs.

The next decade is likely to be the most consequential in the history of consulting. And 2024 is just the start. We look forward to working with you to help with your planning and decision-making needs.

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