SURVEY RESULTS & ANALYSIS

2020 Professional Services Industry Trends

The Importance of Speed and Agility in the Digital Age
# Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Welcome</td>
<td>3</td>
</tr>
<tr>
<td>Key Findings &amp; Methodology</td>
<td>4</td>
</tr>
<tr>
<td>Demographics of Respondents</td>
<td>5</td>
</tr>
<tr>
<td>Survey Questions, Responses, &amp; Analysis</td>
<td>6</td>
</tr>
<tr>
<td>Conclusions</td>
<td>26</td>
</tr>
</tbody>
</table>
The professional services industry has experienced exponential growth. Since 2014, the industry has experienced an annual compounded growth rate of 7.4%, reaching a value of $5,700.2B in 2018. And by 2022, this market is expected to grow at a compounded growth rate of 9.1%.

Yet increasing customer demand, new technologies like AI, and emerging competitors pose a threat to this continued growth. As we head into the new decade, more and more organizations are turning to technology in a bid to increase speed and agility in an increasingly competitive marketplace.

It is with these thoughts in mind that we have launched our first professional industry survey. We wanted to dig deep into the challenges and opportunities present in the industry and understand what service professionals are doing to navigate 2020 and beyond.

Our hope is that our findings can shed light on the forces shaping the future of professional services. The intent? To help organizations develop a roadmap of success by benchmarking where they stand in comparison to their peers. If you have any questions or would like additional resources on professional services trends, please let us know.

Sincerely,
Alithya
Key Findings

- 75% of professional services expect their growth rate to be in line with or higher than the industry projected growth rate of 5.4%

- When questioned on their top growth strategies of 2020, participants cited the growth of existing clients and new product/solution launches as the most important.

- Only 34% of respondents intend to be involved in a merger or acquisition (M&A) in the future, which is surprising when compared to industry trends.

- Almost half of professional services are not fully aware of changes in client usage and purchasing.

- The top three technological priorities for professional services companies in 2020 are:
  - CRM
  - Analytics and Business Intelligence
  - Collaboration

Methodology

We conducted a 22-question survey to dig deep into the top challenges and opportunities present in the professional services industry. Over 70 professionals across various sectors participated in the study. After collecting and analyzing the raw data, we developed a robust report that summarizes their responses with key findings and insightful takeaways. The goal? To help those in the professional services industry gain better insight into the forces shaping their industry so that they can better plan for 2020 and beyond.
Demographics of Respondents

Professional services cut a swath across a wide variety of occupations. The largest percentage of participants were professionals in consulting followed by technology and engineering. Over one-third of respondents are managers/senior managers, which may account for less visibility into corporate priorities. And more than half of them are from organizations with annual revenues over $50M.
Survey Questions, Responses, & Analytics
Question 1

In 2019, leading indicators predict the professional industry growth rate at 5.4%. How does your organization’s expected growth rate compare to this average?

Answer & Key Finding

The general outlook for professional services is optimistic, with 75% of respondents expecting their growth rate to be in line with or higher than the industry average.

Takeaway

Professional services has experienced exponential growth, reaching nearly $5,700.2 billion in 2018 according to The Business Research Company. Since 2014, the compounded growth rate has been 7.4%. And by 2022, the market is expected to grow at a compounded annual growth rate of 9.1%, reaching $8,082.4 billion in the next two years. It’s no wonder that respondents are optimistic about their growth rates heading into the new year.
Question 2
Which of the following are a part of your organization’s growth strategy?

Answer & Key Finding
The top concerns across the board for professional services include growth of existing clients and new product/solution challenges. Surprisingly, the acquisition of new logos (or new clients) was ranked the lowest.

Takeaway
Most companies focus generating revenue through the acquisition of new customers. Yet this approach is more costly and time-consuming in the long run. According to an article featured on Business2Community, acquiring new customers can cost five times more than satisfying and retaining current customers. In fact, growing your customer base can increase company profits by 25% to 135%. It’s no wonder that professional services have taken note and are opting for a more cost-effective way to increase revenue.
Question 3

Which of the following best describes how much mergers and acquisitions (M&A) are a part of your business?

- We have not been involved with M&A in the past and do not intend to be in the future (40%)
- We have not been involved with M&A in the past, but do intend to be in the future (16%)
- We have been involved with M&A in the past, but do not intend to be in the future (27%)
- We have been involved with M&A in the past and do intend to be in the future (18%)

Answer & Key Finding

Only 34% of respondents intend to be involved in an M&A in the future, which is surprising when compared to industry trends.

Takeaway

Results from Deloitte’s study on the state of M&A in 2019 paint a different picture when compared to our survey results, with 89% of respondents expecting the number of deals to increase in the next 12 months, up 70% when compared to the previous year. When asked what was driving their decisions, respondents cited expanding their current customer base, growing and diversifying their products and services, and technology. By doing an M&A, companies can acquire service providers that help them deliver a full-suite, end-to-end service. In turn, it makes their offerings more attractive to customers who would rather work with one provider.
Question 4

In general, how aware are you of changes and patterns in client usage and purchasing?

Answer & Key Finding

A surprising 48% of respondents are not aware or only somewhat aware of changes in client usage. This presents a huge opportunity for professional services to leverage a client relationship management (CRM) tool for data and communications as it pertains to enhancing customer engagements with prospects and growing existing relationships.

Takeaway

It’s no secret that a CRM can help companies leverage data better to increase customer engagement and grow existing relationships. According to Nucleus Research, the average return on investment for CRM is $8.71 for every dollar spent. And as stated by Destination CRM, a 2% increase in customer retention has the same effect on profits as cutting costs by 10%. Yet a surprising 40% of CRM customers report having an adoption rate less than 90% as referenced in a study by CSO Insights.

Companies that want to leverage the benefits of a CRM to enhance the customer experience and lifecycle must also create a robust training program. Only then can organizations ensure a successful adoption of a CRM to experience its benefits.
Question 5

Thinking about the challenges that directly impact your business, please rank the following in order of how they impact your organization.

Answer & Key Finding

Optimizing the client experience, better utilization of skills and managing skill shortages, capacity planning, and effectively using data are considered the top four challenges for all respondents.

Takeaway

According to Deloitte, the adoption of a knowledge management platform, like a CRM, can solve all four challenges by:

- Improving business decisions by facilitated the exchange of information amongst peers
- Increasing efficiencies and productivity by working “smarter not harder”
- Improving innovation though interdepartmental collaboration
- Reducing loss of know-how by capturing explicit and tacit knowledge
- Speeding productivity with on-boarding trainings and timely access to knowledge
- Increasing client satisfaction by delivering value insights
- Enhancing quality and ability to collaborate through standardization and facilitating discussion with leading experts
Question 6

Which of the following best describes your company’s primary focus?

- Overall growth is our top priority: 52%
- Profitability is our top priority: 43%
- Neither: 5%

Answer & Key Finding

More than half of professional services cite profitability over growth as the primary focus for 2020. However, to accomplish profitability in the new decade, companies will have to dig deep into the data to unlock customer insights that drive revenue growth.

Takeaway

Knowledge-as-a-service (KaaS) is quickly becoming a vital component for driving profitability for professional services. This shift, according to a study conducted by Zion Market, is a result of two factors – increased competition and the need for loyal customers.

As a result, organizations are turning to knowledge management systems to improve the knowledge of their staff by giving them the data they need to better engage with customers – across various channels and throughout the buying journey. It’s no wonder that the KaaS market will reach $1.121M by 2025.
Question 7

Which of the following best describes your primary focus with respect to profitability?

- Total revenue: 16%
- Profit margin: 19%
- Profit by unit of measure: 8%
- Both total revenue AND profit margin: 51%
- Neither total revenue NOR profit margin: 3%
- Don’t know/ Not sure: 3%

Answer & Key Finding

When it comes to profitability, 51% of respondents revealed that both revenue and profit are of equal importance.

Takeaway

Companies that want to attain both revenue and profit will do well by investing in a KaaS system. According to a global Deloitte survey, over 80% of Deloitte knowledge users indicate that sharing knowledge leads to competitive advantage and adds real client value. Why? Because the collection of data allows for the personalization of interactions with the customer and makes them feel like an individual and not just another sales quota. In fact, 81% of customers want brands to get to know them and understand when to approach them and when not to. Without data it’s not possible to do this as effectively – much less at scale.
Question 8

Thinking about the majority of your client base, which of the following best describes their industry?

Answer & Key Finding

More than half of professional services say their clients are businesses, and almost one-quarter say their clients are consumers.

Takeaway

As referenced in an AMA article, B2B professional services dominate over their B2C peers. The contribution to U.S. GDP in 2000 jumped from 73% to 77% in 2016. And many more companies are shifting their business models as a result, forgoing a product-centric approach for a service one. Why? Because changing their approach allows them to build stronger relationships with their customers.
Question 9

Are you aware of which customers are most profitable to your company?

Answer & Key Finding

Interestingly enough, 78% of participants report knowing who their most profitable customers are despite saying that they are not aware of changes in client usage and purchasing. In turn, this causes sales organizations to continually sell the same product and services. Leveraging a CRM tool would help sales professionals identify opportunities for growth, either by upselling or cross-selling with other departments.

Takeaway

Companies that leverage a knowledge management system, or CRM, are more likely to outperform their peers who don’t. This statement is confirmed by Accenture, which found that high-performing companies are five times likely to use customer data compared to their counterparts.

How? First, a CRM tool allows better segmentation of customer profiles to present an accurate read on an organization's most profitable customers. Second, it provides customer insights that facilitate identifying opportunities to upset/cross sell to existing customers at the right time, with the right message, on the right channel.
Question 10

Thinking about your organization’s priorities overall, please rank the following in order of importance (1 being the most important and 4 being the least important)?

Answer & Key Finding

Increased project effectiveness, improved planning and forecasting, and optimizing utilization of people were considered the top three priorities, with optimizing property resource utilization and improving project visibility not far behind.

Takeaway

Implementing a CRM tool would help professional services achieve these goals. But to be successful, companies must understand that technology is a tool, not a strategy. It’s one of the reasons why 63% of CRM initiatives end in failure, as referenced by SuperOffice. To ensure the successful adoption of CRM at the organizational level, professional services should focus on:

- Obtaining leadership buy-in at the onset of the project
- Creating a robust training program that reinforces adoption
- Understanding that the initiative is not one and done once implemented but an ongoing project that requires revaluation
Thinking about your organization’s technology priorities, please rank the following in order of importance (1 being the most important and 9 being the least important)?

### Question 11

The top technology priorities for professional services are client/relationship management, analytics and business intelligence, and collaboration. Interestingly enough, AI ranked the lowest. Part of the reason for low AI interest can be attributed to the fear of being replaced, as AI threatens the unique opportunities that their expertise offers. However, this fear is unfounded.

### Answer & Key Finding

The top technology priorities for professional services are client/relationship management, analytics and business intelligence, and collaboration. Interestingly enough, AI ranked the lowest. Part of the reason for low AI interest can be attributed to the fear of being replaced, as AI threatens the unique opportunities that their expertise offers. However, this fear is unfounded.

### Takeaway

Despite the fact that AI can unlock exponential growth for companies, many professional services are struggling to understand how to leverage this technology. This sentiment is reinforced by Deloitte which mentions that concerns around the ethics, cyber risk, and replacement of their jobs hold many companies back from investing. However, research shows that early adopters of AI have already seen a significant impact, with 80% reporting an ROI of 10% or more. And 51% of those surveyed expect to increase their investments in AI.
**Question 12**

Thinking about your organization’s sales pipeline priorities, please rank the following in order of importance (1 being the most important and 8 being the least important)?

![Bar chart showing the ranking of sales pipeline priorities]

**Answer & Key Finding**

Respondents ranked improving sales processes as the top priority, followed by visibility, resource allocation, accuracy, and actionability. Getting better visibility would help sales reps drive efficiency through the sales funnel and better identify opportunities to grow both prospective and current relationships. However, many sales reps might be wary of working in a new tool, like a CRM for example, because they don’t want to disrupt the way they have traditionally worked.

**Takeaway**

According to statistics pulled by Nomalys, less than 37% of sales reps actually use their CRM and a surprising 22% do not know which platform their organizations currently use. While many professional services cite people issues as the reason for poor adoption, the problem usually lies in a lack of communication, buy-in, and reinforcement.
Question 13

Which of the following best describes how much your organization will invest in hardware and/or software in 2020?

Answer & Key Finding

About 83% of professional services are preparing for upgrades to their hardware/software investment in 2020, indicating that their organization will invest at least the same or more in 2020 than in 2019. It also highlights their willingness to spend on growth.

Takeaway

According to McKinsey, a shift to a true customer-centric model requires companies to revamp their digital infrastructure. For example, operational and IT upgrades focused on improving the customer experience can yield a 10% to 20% uplift in customer satisfaction and 20% to 50% in economic gains.
Question 14

Which of the following best describes the executive team’s view on technology within your organization?

- They have trouble seeing the value in technology within our organization and are resistant to it: 7%
- They are uncertain about technology, but view it as necessary: 22%
- They value technology and are open to incorporating it into our organization: 71%

Answer & Key Finding

Almost three-quarters of participants say that their executive team is open to incorporating technology into the organization.

Takeaway

As professional services continue to be pushed into a value-oriented revenue model, technology will help them gain a competitive advantage. Why? Because a value-based revenue model is predicated on what the customer is willing to pay for a product or service. Customers will be using their experience to determine the value of the goods and services sold. Using a CRM tool helps ensure that companies deliver on their value promise by leveraging data collected across the customer’s buying journey.
Question 15

Project automation software helps organizations efficiently track, manage, and deliver project-based services from initial sale all the way to invoicing. Does your organization use Project Service Automation Software? What is the name of the Project Service Automation Software your organization currently uses?

![Pie chart showing survey responses]

Answer & Key Finding

Only 40% of survey respondents report having a project automation tool (many use a variety of systems with a focus on Microsoft Dynamics 365), with almost half saying they do not. Project automation software usage may be low because it often requires organizations to think about its long-term use. There is an opportunity for professional services to leverage a CRM tool that connects multiple data-streams to give the team more visibility across the customer lifecycle.

Takeaway

Implementing a project automation platform streamlines business processes and increases productivity gains. Project automation software does this by automating repetitive tasks and improves accuracy by reducing the element of human error from the equation.
Question 16

In your opinion, which of the following best describes your organization’s way of handling client support and engagements?

- We make client support our highest priority; our goal is to delight our clients every day
- Client support is a priority for our organization, but there are still areas for improvement
- Our organization needs to improve client support, but we aren’t sure where to start
- Our organization has a purely reactive client support model

Answer & Key Finding

Over half of participants say that client support is a priority, but there are still areas for improvement. This prioritization aligns with the goals of most professional services as they seek new technology that will help them deliver better customer support and enhance their engagements.

Takeaway

Companies that are considered leaders in customer experience outperform their counterparts both on stock price growth and total returns, according to Forrester. And according to Gartner, 89% of businesses today expect to compete on client experience compared to 36% four years ago. Now is the time to invest in technology that will enhance the customer experience; otherwise, professional services can expect to see a drop in client retention rate as they head into 2020 and beyond.
Question 17

Thinking about your organization and their digital communications (emails, portals, e-commerce, and websites), how effective is your communication with your clients and suppliers?

Answer & Key Finding

When it comes to the effectiveness of their digital communications, about 79% of respondents feel that it is at least somewhat effective. Understanding how to leverage emails, portals, and the like will not only make professional services more effective in building relationships with current and future customers, but it can ultimately lead to an increase in revenue growth.

Takeaway

According to McKinsey, social technology is highly underused by most organizations. In turn, they miss out on the 20% to 25% boost in knowledge worker productivity by not leveraging its use.
Which of the following best describes how easy or difficult it is to find qualified resources to help conduct your business, compared to the past?

![Bar chart](chart.png)

**Answer & Key Finding**

Despite the fact that 57% of respondents believe it is about the same or less difficult to find qualified resources to conduct business than in the past, it is significant that 43% are finding it more difficult.

**Takeaway**

The competition for quality talent plus the lack of proper training has created a skills shortage for the professional services industry. And according to research from Korn Ferry Institute, the global talent shortage will reach 85.2M people by 2030. If not corrected, we can see the impact of the skills shortage in $8.452T of missed revenues. The U.S., for example, can see the impact in a loss of $1.748T in revenue, about 6% of its entire economy.

To get around this, organizations will have to double down on training to bring workers up to par with the skills required to operate in the digital age. Leading companies have already take steps in this direction. IBM, for example, has invested more than $1B to implement a new education model. By blending high school, higher education, and business, IBM is ensuring that future employees are properly trained. In turn, students can graduate from college knowing that they will have a job at that company.
Conclusions
Gearing up for Success

For professional services, 2020 is looking bright. As the industry continues its momentum, many organizations understand that if they want to drive growth in the upcoming year, they will need to adopt a customer-centric approach and leverage technology to accomplish this goal, as indicated in our survey results:

• Growing existing clients was considered the top growth strategy among service professionals.
• Over 83% of respondents are preparing to upgrade their hardware and software investments and are willing to invest the same or more in digital initiatives.
• Optimizing the client experience was considered the top concern across all participants in 2020, with more than half citing customer support as the main area of focus.

Yet technology is not the only way to drive growth. According to our research, many service professionals are looking to increase market penetration by launching new products and services and partaking in mergers and acquisitions. But to be successful in either approach requires the use of a client relationship management system (CRM).

It’s therefore no surprise that respondents rated CRM as the top technology priority for 2020.

Adopting a CRM gives organizations the customer insight to identify opportunities to up-sell or cross-sell to its existing customer base. It also allows companies to streamline the sales process, gain visibility into the deal cycle, and accelerate revenue via pipeline more effectively.

However, pairing CRM with artificial intelligence (AI) will make companies more productive by eliminating manual processes and reducing human error. It will give companies cleaner and more accurate data and enhance business decisions. But our findings indicate that many professional services feel threatened by AI.

The fear that AI will replace the expertise that makes professional services companies so profitable is unfounded. AI will actually help companies become better able to navigate the marketplace by making them more productive and efficient. In the near future, it will even give them the capability to better engage customers at scale.

And that’s what is at the heart of generating profitability and growth in the professional services industry today – the customer experience. Today’s clients demand faster, more personalized experiences, and companies that can deliver on that front will be rewarded with loyal brand advocates.

The customer experience is at the heart of generating profitability and growth.
In turn, this shift in customer behavior has also changed the way professional services model their pricing. Here’s how. In the past, companies based their pricing on billable hours. However, the increase in competition and the democratization of information has shifted the way clients perceive the value of professional service provided.

By moving towards a value-based model, the cost of a service is based on the customer’s perception of value. However, moving upstream toward a value-based revenue model can put downward pressure on a company’s bottom line, especially in light of the rampant skills shortage in the industry.

About 43% of the respondents in our survey support this sentiment, stating that it has been challenging to find qualified resources that will help them conduct business. Again, the use of a CRM would help in this area by capturing knowledge and helping staff share information with one another more easily.

A CRM will help companies gain a better view of where to optimize revenue, allocate resources to project manage better, and upskill future and current employees. Given that professional services are in a state of flux, organizations need to understand how to leverage technologies like CRM to obtain the speed and agility they need to compete in 2020.

Have questions regarding the findings of this report? Get in touch for more information.

CONTACT US

About Alithya

ALITHYA GROUP INC. IS A LEADER IN STRATEGY AND DIGITAL TRANSFORMATION IN NORTH AMERICA. Founded in 1992, the Company counts on 2,000 professionals in Canada, the United States and Europe. Alithya’s integrated offering is based on four pillars of expertise: strategy services, application services, enterprise solutions and data and analytics. Alithya’s Microsoft practice covers a wide array of capabilities, including Dynamics, Azure, IoT, AI, business and advanced analytics, digital solutions, application development and architecture.

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