

Forecast Analysis: Digital Business Consulting Services, Worldwide

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Initiatives: [Technology Market Essentials](#)

The market for digital business consulting services is forecast to grow at a five-year CAGR of 13.0%, reaching \$157 billion in 2025. Growth is being driven by organizations' need to accelerate the shift to digital business, while the talent crunch increases their reliance on consulting providers.

Overview

Forecast Assumptions

- Through 2025, 75% of enterprises will accelerate digital business transformation plans, resulting in demand for all digital business consulting service (DBCS) lines, up from 25% in 2019.
- From 2021, buyers will increasingly seek a broader set of business outcomes in their operations, turning to digital technologies not just to deliver efficiency and cost improvements, but also to enable greater agility, sustainability and resiliency.
- Through 2025, organizations will continue to increase their reliance on external consultants, as the talent crunch compounds their struggles to achieve their accelerated digital business ambitions with internal resources and capabilities.

Market Impacts

- Spending on digital product and service innovation will continue to accelerate, leading to a 14.6% CAGR through 2025 as organizations increasingly turn to digital innovation to be the engine that powers their growth ambitions.
- Services dedicated specifically to helping clients achieve greater sustainability in their operations will account for 36% of the digital operations improvement service line by 2025, up from less than 3% in 2020, as digital business increasingly intersects with sustainability.
- Growth in the digital employee experience service line will rebound significantly from a low of –5.3% in 2020 to register double-digit rates from 2023 onward, as organizations compete to recruit and retain scarce talent.

Notable Changes

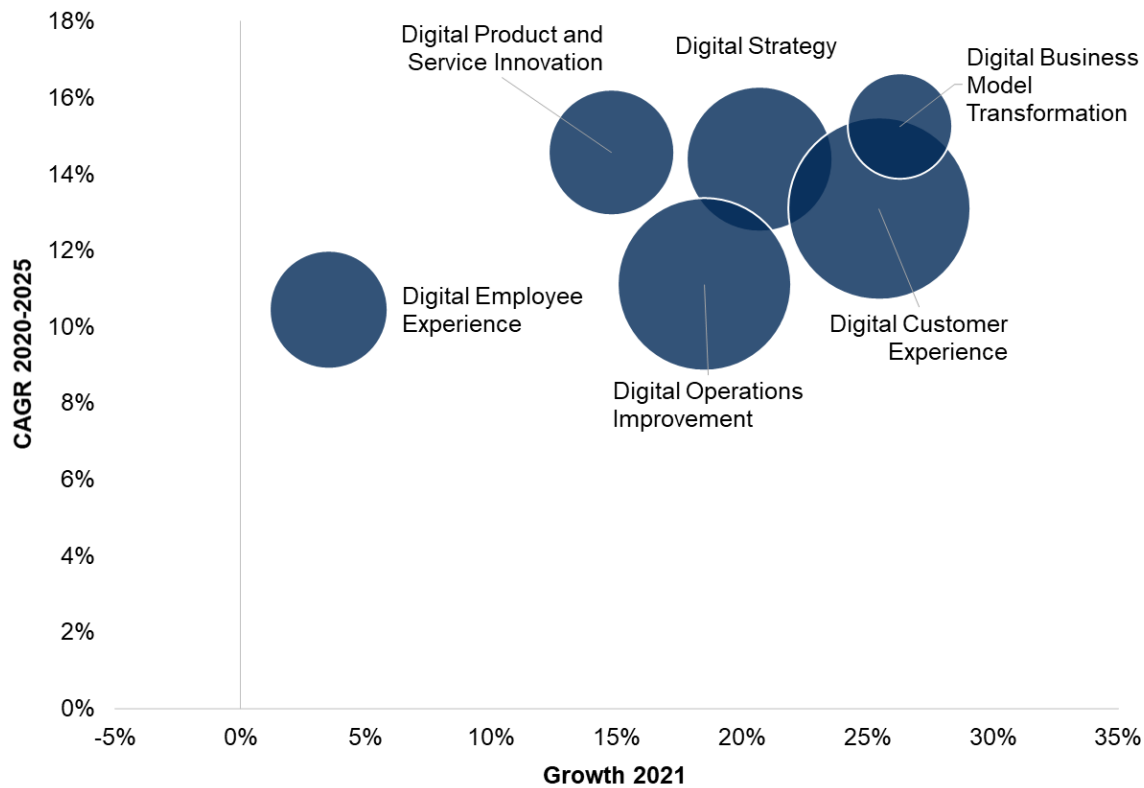
Revenue estimates for the first two years of the forecast period have been revised upward moderately to reflect a stronger rebound from the pandemic than predicted in the previous forecast.

Forecast Data Summary

See Figure 1 for a summary of forecast data and Note 1 for definitions of the service lines in the DBCS market.

Figure 1: DBCS End-User Spending by Service Line, Worldwide

Digital Business Consulting Services End-User Spending by Service Line, Worldwide



Note: The size of each bubble represents 2020 end-user spending by DBCS service line in current U.S. dollars.
Source: Gartner (March 2022)
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Table 1 shows the worldwide DBCS market forecast by subsegment.

Table 1: Worldwide DBCS Market Forecast by Subsegment (Millions of Dollars)

(Enlarged table in Appendix)

DBCS Lines	2020	2021	2022	2023	2024	2025	2020-2025 CAGR
Digital Strategy	14,419	17,404	20,815	23,812	25,693	28,237	14.4%
Digital Operations Improvement	20,433	24,213	26,901	29,564	31,634	34,595	11.1%
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Digital Business Model Transformation	7,508	9,483	11,029	12,528	13,680	15,267	15.3%
Total	85,317	101,747	115,850	131,111	141,817	156,927	13.0%

Source: Gartner (March 2022)

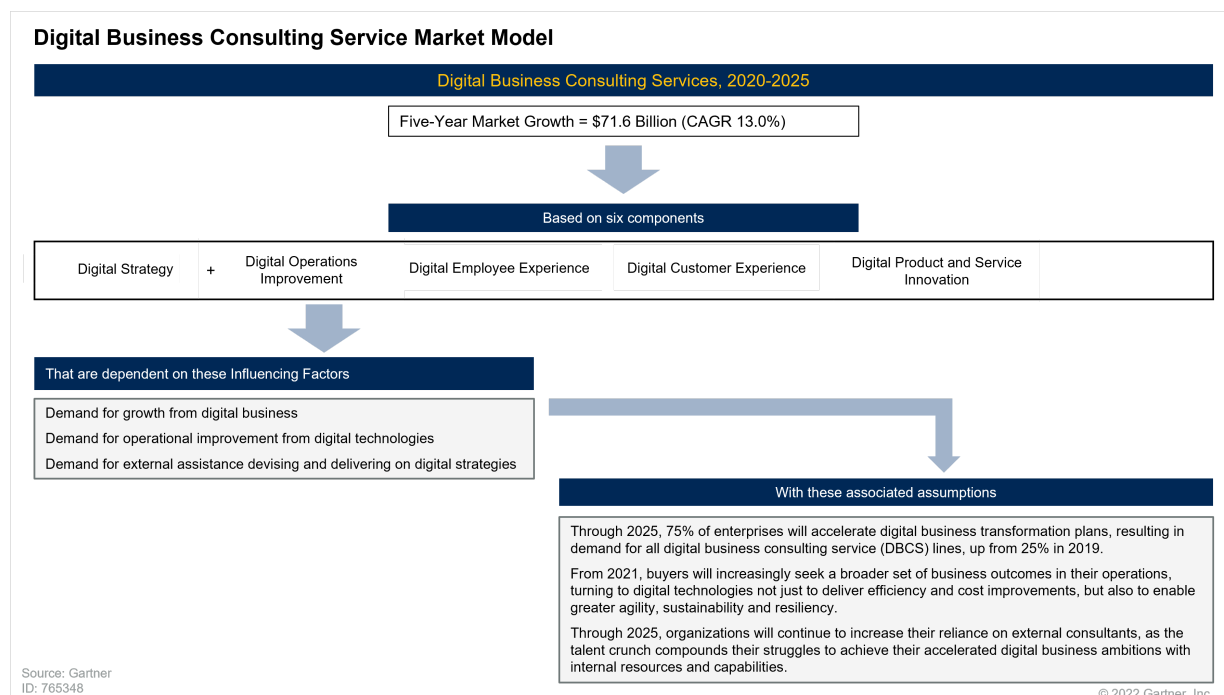
Forecast Model Summary

DBCS market dynamics are primarily driven by demand-side factors. It is a highly competitive market with relatively low barriers to entry, meaning that, at a macroeconomic level, supply responds quickly and efficiently to changes in the level or nature of demand. The most important drivers in the DBCS market can be grouped into three main influencing factors, all of which are demand-side market trends.

- Demand for growth from digital business
- Demand for operational improvement from digital technologies
- Demand for external assistance devising and delivering on digital strategies

See Figure 2 for a summary of the forecast model.

Figure 2: Digital Business Consulting Services Forecast Market Model



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Influencing Factors and Assumptions

Influencing Factor: Demand for Growth From Digital Business

According to the 2022 Gartner CIO and Technology Executive Survey, IT budgets are expected to grow at the fastest rate in over 10 years as survey respondents reported an average increase of 3.6% in the overall IT budget for 2022, up from 2.0% in 2021.

Demand for growth from digital business is an important driver of that increase, with 38% of respondents reporting intentions to increase their investment in digital business transformation.

Forecast Assumption: Through 2025, 75% of enterprises will accelerate digital business transformation plans, resulting in demand for all DBCS lines, up from 25% in 2019.

Updated – Digital business acceleration is a positive trend contributing to growth across all six DBCS lines. However, the impact is particularly strong on the digital business model transformation and digital product and service innovation service lines, which have the highest CAGRs over the forecast period (15.3% and 14.6%, respectively).




Innovation plays an outsized role in digital business transformation, as executives recognize that growth will increasingly need to come from digital business. The digital product and service innovation service line is growing rapidly because clients have a pressing need for innovative digital products and services, yet they lack the necessary resources, and in some cases the capabilities, to innovate successfully without external assistance.

The COVID-19 crisis has only served to reinforce this trend. Rapidly shifting customer behavior and the continued impact of pandemic restrictions have forced many organizations to accelerate and expand their investments in digital business. According to the 2021 Gartner Digital Business Acceleration Survey, 84% of organizations plan to increase funding for digital innovation through 2021 and 2022 by at least a small amount, with 38% planning a significant increase. Similar numbers plan to increase the rate of new digital product or service introduction.

Demand for digital product and service innovation services varies by industry, region, and enterprise size, as Figure 3 shows below.

Figure 3: Digital Product and Service Innovation Market Opportunities — Combined View

Digital Product and Service Innovation Market Opportunities — Combined View

	 Region	 Enterprise Size	 Industry
Priority 1 (Above-average increase in both investment and reliance on providers)	<ul style="list-style-type: none"> • Mature Asia/Pacific • Emerging Asia/Pacific 	<ul style="list-style-type: none"> • Large 	<ul style="list-style-type: none"> • Manufacturing and Natural Resources • Retail • Utilities
Priority 2 (Above-average increase in either investment or reliance on providers)	<ul style="list-style-type: none"> • Northern Europe 	<ul style="list-style-type: none"> • Global 	<ul style="list-style-type: none"> • Banking and Securities • Communications, Media and Services • Education • Healthcare Providers • Transportation
Priority 3 (Below-average increase in both investment and reliance on providers)	<ul style="list-style-type: none"> • North America • Southern Europe • Japan 	<ul style="list-style-type: none"> • Midsize • Small 	<ul style="list-style-type: none"> • Government • Insurance • High Tech • Wholesale Trade

Source: 2020 Gartner End-User IT Services Study
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Demand is particularly strong in the manufacturing and natural resources, retail, and utilities sectors, from large buyers, and in the mature and emerging Asia/Pacific regions. For a more detailed assessment of the relative attractiveness of these growth opportunities, see [Quick Answer: What Are the Most Attractive Opportunities in Digital Product and Service Innovation Services?](#)

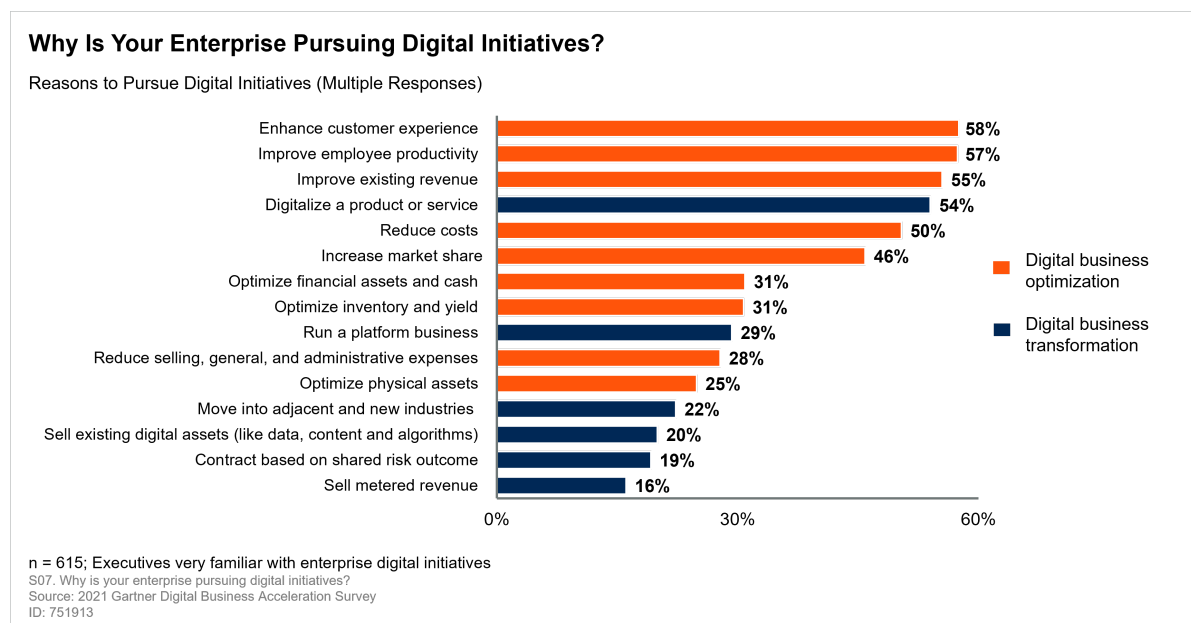
Influencing Factor: Demand for Operational Improvement From Digital Technologies

The digital operations improvement service line is a bedrock of the DBCS market that appeals to a broad set of buyers across different industries and functional areas. Business leaders turning to digital technologies to enable operational improvements have long been a primary factor driving client demand for DBCSs. Digital operations improvement grew at over 20% in 2020 due to the urgent need by many organizations to digitally transform their operations. However, it is expected to grow moderately slower than the DBCS average for the remainder of the forecast period, since it is one of the largest and most mature DBCS lines.

Forecast Assumption: From 2021, buyers will increasingly seek a broader set of business outcomes in their operations, turning to digital technologies not just to deliver efficiency and cost improvements, but also to enable greater agility, sustainability and resiliency.

Updated – Most organizations pursue a mix of digital business transformation and digital business optimization goals at the same time, though on average there is a greater focus on optimization. Respondents to the 2021 Gartner Digital Business Acceleration Survey were more likely to mention optimization goals than more transformative goals when asked why their organizations are pursuing digital initiatives (see Figure 4). The emphasis on improved performance, increased efficiency and reduced costs evident in these priorities is a central part of the digital operations improvement value proposition.

Figure 4: Why Is Your Enterprise Pursuing Digital Initiatives?



Respondents to the 2022 Gartner CIO and Technology Executive Survey estimate on average that 36% of their enterprises' processes have been optimized through digital means. This represents slower progress than many CIOs expected (in the previous year's survey, on average respondents expected 56% of processes to have been digitally optimized by 2022). However, it is still notably higher than the progress made on the more transformative end of digital business, at least as measured by the percentage of revenue attributed to digital sales, which survey participants estimate at 20% on average.

Influencing Factor: Demand for External Assistance Devising and Delivering on Digital Strategies

The willingness of potential buyers to engage external advisors (an inverse function of their internal capacity to do the work themselves) will continue to increase over the forecast period. In the 2020 Gartner End-User IT Services Survey, Gartner asked buyers of digital business consulting services whether they expected to become more or less reliant on providers. Averaging across all six DBCS lines, about 60% of buyers surveyed said that they expected their reliance on providers to increase over the next two years, versus only about 10% who expected it to decrease. Roughly two-thirds of those buyers who expected their reliance on DBCS providers to increase expected that to be a long-term change, lasting more than two or three years.

Forecast Assumption: Through 2025, organizations will continue to increase their reliance on external consultants, as the talent crunch compounds their struggles to achieve their accelerated digital business ambitions with internal resources and capabilities.

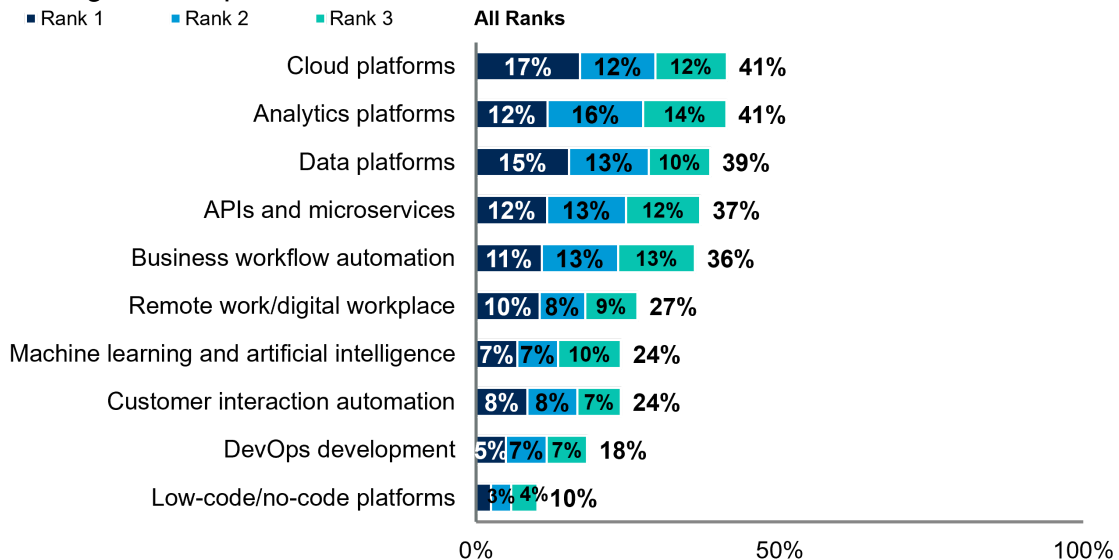
Updated — As with all advisory services, one of the most important substitutes for DBCS that potential clients evaluate is the possibility of doing the work in question themselves instead of turning to an external consultant. The following two primary factors drive the continued increase in potential buyers seeking external assistance:

- **An increase in the degree and pace of strategic change.** Already evident before the pandemic, this trend has only accelerated in the wake of the disruption wrought by COVID-19. Many clients choose to work with consultants not only because they bring needed strategic advice, but also because they enable the client to move faster.
- **Frustration with a lack of the internal organizational competencies required to execute a digital business growth strategy.** This manifests itself most visibly in an ongoing shortage of talent. The impact of the “talent crunch” is being widely felt, but clients are struggling in particular to hire and retain the in-house talent with the necessary digital skill sets to deliver on their growth ambitions.

As Figure 5 shows, CIOs believe that digital technology skills — in particular those related to cloud, analytics and data platforms — will be crucial to their organizations' ability to achieve their near-term objectives.

Figure 5: Most Important Technology Skills for Achieving Critical Priorities — CIOs

Most Important Technology Skills for Achieving Critical Priorities Percentage of Respondents



n = 2,358 CIOs and technology executives answering

Q. Rank the top three technology skills that will be most important to achieving your enterprise's crucial priorities over the next 12 months.

Source: 2022 Gartner CIO and Technology Executive Survey

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The talent crunch is also directly related to the sharp turnaround predicted in the growth rate of the digital employee experience service line. This is expected to hit a high of 16.1% in 2023, after having dipped into negative territory in 2020. Spending on digital employee experience suffered early on in the pandemic, as organizations prioritized cost cutting and rapid digitization of channels and operations over investment in employees. Many are now rapidly reversing course, as persistent supply imbalances in the labor market and rapidly changing worker expectations reveal the shortsightedness of underinvesting in the employee experience.

Evidence

The 2022 Gartner CIO and Technology Executive Survey. This survey was conducted to help CIOs and technology executives adopt business composability as a means to thrive during periods of volatility and uncertainty. It was conducted online from 3 May 2021 through 19 July 2021 among Gartner Executive Programs members and other technology executives. Qualified respondents are each the most senior IT leader (CIO) for their overall organization or a part of their organization (for example, a business unit or region). The total sample is 2,387, with representation from all geographies and industry sectors (public and private). The survey was developed collaboratively by a team of Gartner analysts and Gartner's Research Data, Analytics and Tools team. *Disclaimer: Results do not represent global findings or the market as a whole, but reflect sentiment of the respondents and companies surveyed.*

The 2021 Gartner Digital Business Acceleration Survey. This survey was conducted to learn about organization-specific digital business acceleration actions and outcomes. The research was conducted online from 1 April through 2 May 2021 among 615 respondents from North America (n = 311), Western Europe (n = 202) and Asia/Pacific (n = 101). Respondents were screened for function, job category (directors and higher) and involvement in their enterprises' digital initiatives. The survey was developed collaboratively by a team of Gartner analysts and Gartner's Research Data, Analytics and Tools team. *Disclaimer: Results of this survey do not represent global findings or the market as a whole, but reflect the sentiments of the respondents and companies surveyed.*

The 2020 Gartner End-User IT Services Survey. This study was conducted to understand changes in the buying patterns for IT services after the onset of the COVID-19 pandemic. This research was conducted online with an external partner from October through December 2020, among 732 respondents from organizations with annual revenue of over \$50 million in North America (the U.S. and Canada), Western Europe (the U.K., France and Germany), Southern Europe (Spain and Italy) and Asia/Pacific (Australia, Hong Kong, India, Singapore and Japan). Industries surveyed include banking, manufacturing, communications, media, government, retail, wholesale, insurance, utilities, transportation, healthcare providers and education. Respondents are director level or higher decision makers or decision influencers in the selection of consulting or outsourcing services for their organization with involvement in the selection, evaluation or day-to-day management of at least one of the following consulting or outsourcing services in the past two years: business advisory consulting, technology advisory consulting, staff augmentation, software engineering, IT managed services and BPO. The survey was developed collaboratively by a team of Gartner analysts and was reviewed, tested, and administered by Gartner's Research Data and Analytics (RDA) team. *Disclaimer: Results of this survey do not represent global findings or the market as a whole, but reflect the sentiments of the respondents and companies surveyed.*

Note 1: DBCS Market Definition

Digital business consulting services (DBCSs) are consulting services contractually engaged by clients with the objective of generating increased business value by using digital technologies to optimize clients' operating models and/or transform their business models. DBCSs are a subset of the larger market for digital business services. DBCSs are distinct from other related digital business services, such as implementation services and managed services. DBCSs are concerned with either the ambition or the design phases of the digital life cycle, whereas implementation services are focused on the "deliver and scale" phase, and managed services on the operate phase.

The DBCS market is segmented into six key service lines:

1. **Digital strategy:** Consulting services that help clients understand and address the risks and opportunities that digital technologies are creating for their businesses. Primary objectives of the digital strategy consulting engagement include building consensus around a high-level strategic vision and developing a detailed strategic roadmap.

2. **Digital operations improvement:** Consulting services that help clients use digital technologies and approaches to reduce costs and increase efficiency and quality in their internal operations.
3. **Digital employee experience:** Consulting services that help clients use digital technologies and approaches to improve employee-focused performance metrics and processes, such as recruitment, engagement and retention.
4. **Digital customer experience:** Consulting services that help clients use digital technologies and approaches to improve customer-focused performance metrics and processes, such as customer satisfaction, customer journeys, the user experience and Net Promoter Score.
5. **Digital product and service innovation:** Consulting services that help clients use digital technologies and approaches to develop new (digital or physical) products and/or services, improve their internal innovation capabilities, and develop a culture of innovation.
6. **Digital business model transformation:** Consulting services that help clients use digital technologies and approaches to enable a fundamental change in their business models (e.g., shifting from selling products to selling services).

The six key DBCS lines are defined in terms of client business outcomes, not specific technologies. Although digital technologies are a crucial element that underpin DBCSs, they are a means of achieving the end, which is helping clients achieve their business objectives. These business objectives typically fall within one of three high-level categories: growth (e.g., in revenue, profits or market share); competitive advantage; or performance improvement in a given area (e.g., efficiency, customer satisfaction and employee retention). Any given technology (e.g., the Internet of Things) can be applied to achieve various ends, from optimization through transformation.

Document Revision History

[Forecast Analysis: Digital Business Consulting Services, Worldwide - 7 December 2020](#)

[Forecast Analysis: Digital Business Consulting Services, Worldwide - 25 October 2019](#)

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