



2014 Strategy Consulting Compensation Study
January 31, 2014



Charles Aris, Inc. Strategy Practice

Charles Aris, Inc. is a boutique executive search firm that was founded in 1969. The Strategy division at Charles Aris is led by Chad Oakley, a former Bain & Company consultant and Wharton MBA. Since its inception in 2003 the Strategy & Business Development division has placed over two-hundred and fifty candidates, at multiple levels, including Vice President, Director, Manager and Analyst.

The division's client base falls into three categories: the Corporate Strategy teams of industry leading Fortune 500 companies, the investment and portfolio management teams of leading Private Equity firms, and professional services firms, including consultancies and the like. The candidates that we place typically work for top tier strategy consulting firms and possess undergraduate and graduate degrees from the world's leading educational institutions.

For more information about the Charles Aris Strategy practice please visit <http://www.charlesaris.com/strategy> or contact any of our team members below:

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Compensation Data Key Facts

Charles Aris, Inc. is pleased to present our 2014 Strategy Consulting Compensation Study. Key facts about the data compiled for the study are as follows:

- ◆ All compensation data points for this study were collected between January 1, 2013 and December 31, 2013. It's important to note that most firms raise the base salary of their consultants in the December-January timeframe, meaning that 2014 raises will NOT be reflected in this study.
- ◆ Most firms pay year-end bonuses in the December-January timeframe as well. The average bonus targets indicated at the top of each bar in slide seven reflect what consultants *expected* to receive at year end and are NOT verified after the fact.
- ◆ Compensation data points are self-reported by consultants and are NOT verified through any other means. While this implies that consultants have the opportunity to be less than honest about their compensation, we feel extremely confident that the data is accurate given the consistency in responses we received across consultants and firms.
- ◆ We eliminated a small percentage of outlier data points that would have adversely skewed the data.
- ◆ We also excluded Partner compensation data points from this study. During the course of 2013 we spoke with many Partners with graduation dates in the range of our study, but their higher compensation dramatically skewed the data to a point where it would no longer be useful for our clients.



Compensation Data Key Facts – Continued

- ◆ During the course of 2013, Charles Aris recruiters spoke with over 3,200 strategy candidates. Over 99% of these individuals were actively employed with industry leading consulting firms, corporations and private equity firms. As you might imagine, detailed discussions around compensation happen only on an as needed basis (once a candidate expresses interest in an opportunity and moves forward in the qualifying process). For the purpose of this study, we have distilled only those compensation data points from candidates that were actively employed by leading consulting firms (see slide 6 for a breakdown of data points by firm). **The total number of data points for this study equals 366.**
- ◆ 2013 was another strong year for consulting. Most top firms experienced growth in terms of total revenues. As such, retaining talent continued to be a top priority for consulting firms, and thus annual increases in consultant compensation were strong (although not quite as strong as in years past for post-MBA consultants):
 - ◆ For MBA years 2006-2010, the average increase in consultant compensation from 2012 to 2013 (base salary plus target annual bonus only) was **9.23%**, as compared to 10.37% the year prior and 17.96% the year before that. The most likely reason for the smaller increase in year over year compensation for post-MBA consultants is consulting firms better aligning their volume of campus hires with demand. Due to the recession in 2009 and 2010, consulting firms hired relatively small classes of MBA graduates during those years. When the market rebounded most firms did not have enough staff to fulfill demand, and thus had to pay more to retain talent in 2011 as compared to 2012 and 2013.
 - ◆ For undergraduates, the average increase in consultant compensation (base salary plus target annual bonus) was **23.92%**, as compared to 24.09% last year and 17.89% the year prior.



Compensation Trends in 2013

During the course of 2013 Charles Aris, Inc. noticed the continuation of a trend in the marketplace: consultants are expecting slightly more in total compensation from Corporate America than what they are currently making in consulting (although expectations are slightly less than those seen in 2011).

	<u>in 2009</u>	<u>in 2010</u>	<u>in 2011</u>	<u>in 2012</u>	<u>in 2013</u>
Consultant compensation expectations when joining Corporate America*:	10-20% LESS than consulting	Breakeven with consulting	10-20% MORE than consulting	5-10% MORE than consulting	5-10% MORE than consulting

The continuation of multiple factors are behind this trend:

- ◆ Most consulting firms remain effectively “at capacity” and therefore are paying strong salaries and bonuses to retain talent.
- ◆ Knowing that they are stepping off the steep compensation curve that consulting provides, consultants strive to “get out ahead of the curve” so as not to lose their strong compensation position after only one year of service in Corporate America.
- ◆ With so many Corporate America opportunities competing for their services, consultants know that they have the luxury of saying “no” to any one opportunity with the expectation that another, higher paying opportunity is right around the corner.

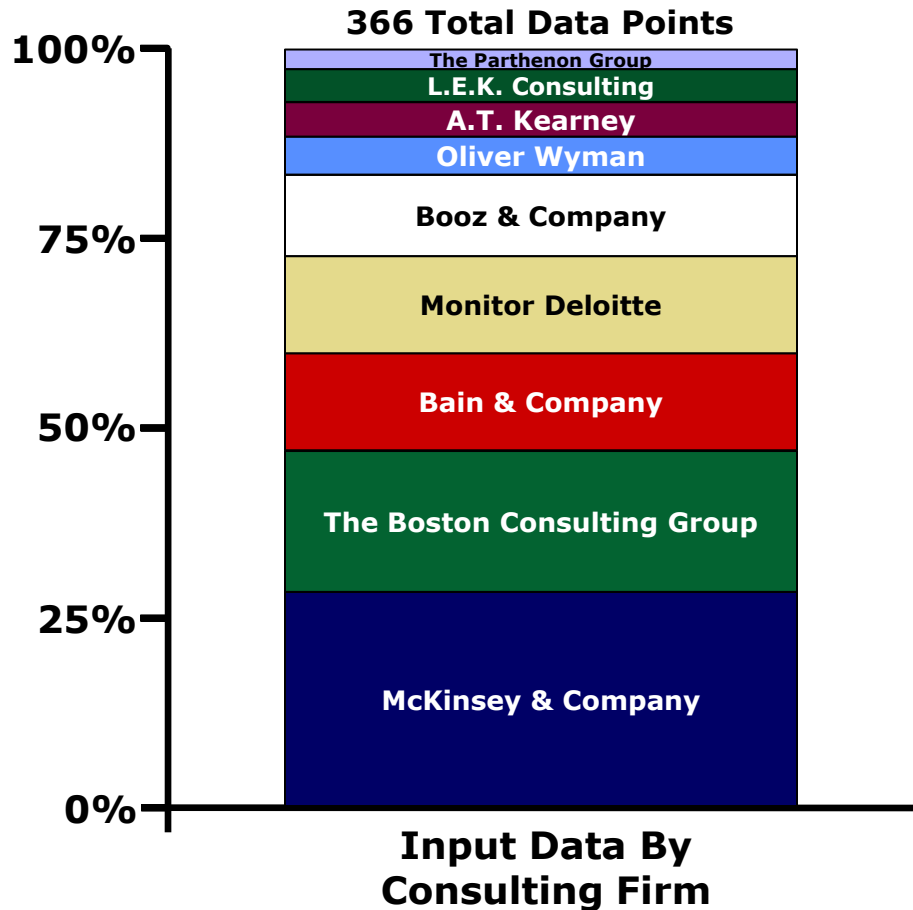
Potential solutions for Corporate America include the following:

- ◆ When recruiting consultants who have formally made the decision to leave consulting, recognize that your competition for these individuals is NOT the consulting firms themselves, but is in fact other corporations (i.e. “work/life balance” is a benefit that all corporations provide).
- ◆ Lower your expectations for how much consulting experience you can attract given your budget constraints.
- ◆ Get creative with offers. Perhaps augment your offer with a multi-year sign-on bonus or a strong equity program to make up the difference in base salary and annual bonus.

*Source: Charles Aris, Inc. anecdotal data.



Input Data by Consulting Firm



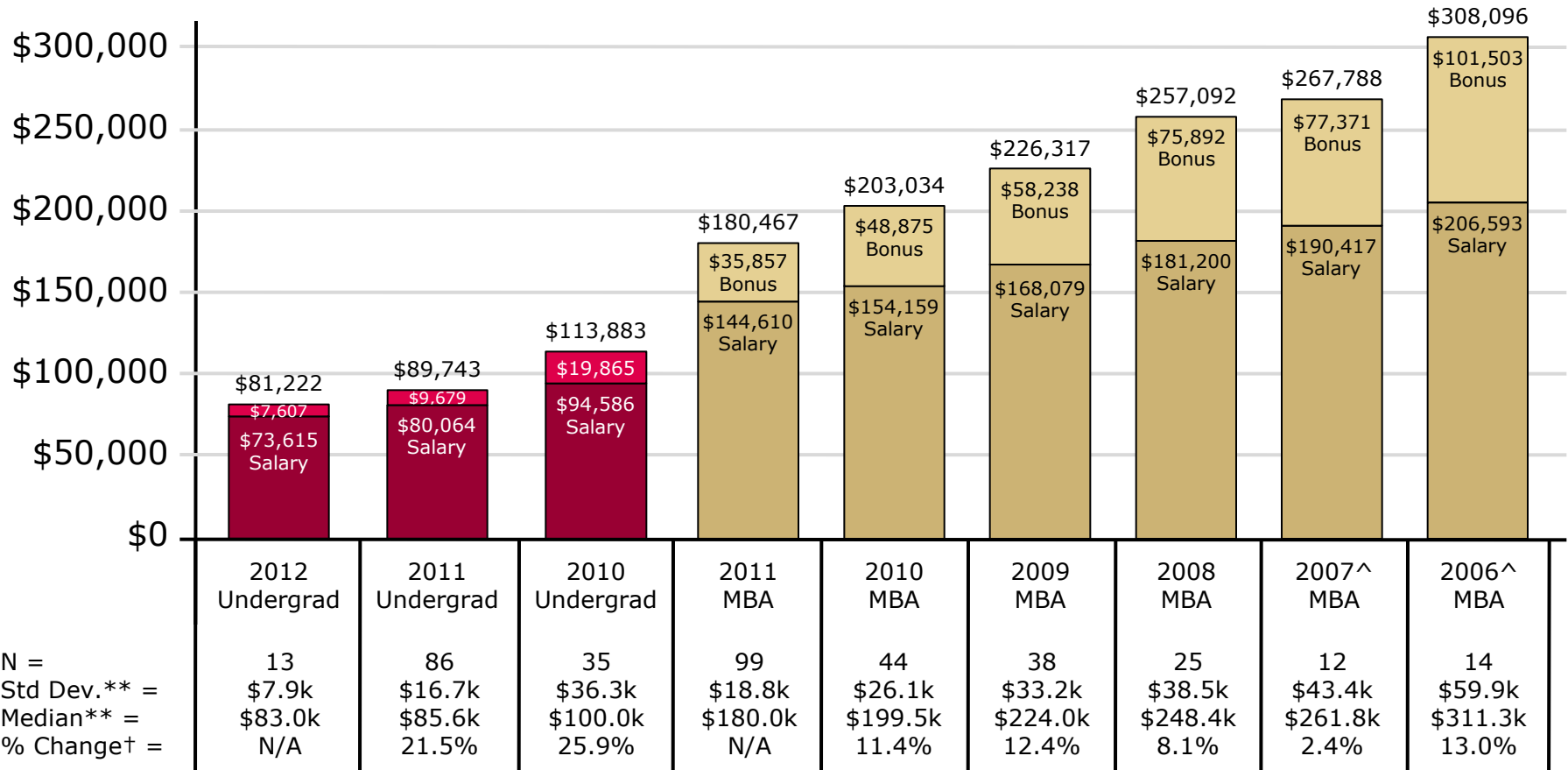
- ◆ Our 2014 Strategy Consulting Compensation Study is driven by 366 data points from consultants across nine firms.
- ◆ 60.1% of the data points come from “The Big Three” firms: McKinsey & Company, The Boston Consulting Group and Bain & Company.
- ◆ Of the 366 total data points, 232 come from post-MBA consultants and 134 come from pre-MBA/undergraduate consultants.



Average Compensation by Graduation Year

Average Total Compensation* for Strategy Consultants by Graduation Year

- The number at the top of each column = base salary plus target annual bonus*



*Base salary plus target annual bonus only. Does not include retirement contribution, profit sharing, sign-on, car allowance or other such cash equivalents.

**Standard Deviation and Median numbers are calculated for base salary plus target annual bonus, i.e. the number at the top of each column

^Pre-Partner data points only, i.e. we excluded compensation data points from anyone at Partner level or equivalent as it skewed the data significantly.

†% Change equals the percentage change in total annual compensation (base salary plus target annual bonus only), from 2012 to 2013, for that graduation year.



2013 Sample Industry Offers

Below you will find a subset of 2013 accepted offers for Charles Aris, Inc. candidates from Tier 1 Strategy Firms.

	Education	Consulting Firm	Consulting \$\$ (Base + Bonus%)	Industry Offer*	Offer Title	Company Description
Pre MBA ↑	B.S. 2011	Big 3	\$91k + 0%	\$110k+75%	Associate	Private Equity
	B.S. 2011	Top 9	\$75k + 6%	\$90k+7.5%+\$5kS	Analyst	Online Media
	B.S. 2010	Top 9	\$74k + 0%	\$85k+14%	Analyst	Industrial Products
	B.S. 2010	Big 3	\$90k + 25%	\$115k+74%	Associate	Private Equity
Post MBA ↓	MBA 2011	Top 9	\$145k+17%+\$5kE	\$145k+20%+\$10kS	Sr. Manager	Large Media Firm
	MBA 2011	Big 3	\$145k + 27%	\$150k+20%+\$20kS	Manager	Industrial Products
	MBA 2011	Big 3	\$145k + 27%	\$150k+20%+\$20kS+\$15kE	Sr. Manager	Fortune 500 CPG
	MBA 2011	Top 9	\$145k + 25%	\$170k+15%+\$20kS	Manager	Healthcare Payer
	MBA 2010	Top 9	\$145k + 25%	\$145k+15%+\$40kS	Sr. Manager	Fortune 100 CPG
	MBA 2010	Big 3	\$165k + 30%	\$155k+20%+\$20kS+\$20kE	Sr. Manager	Fortune 500 CPG
	MBA 2010	Big 3	\$170k + 40%	\$160k+25%+\$40kS+\$25kE	Director	Fortune 100 CPG
	MBA 2009	Big 3	\$150k + 30%	\$155k+35%+\$25kS	Director	Industrial Products
	MBA 2008	Top 9	\$210k + 100%	\$210k+40%+\$105kE	Vice President	Industrial Products
	MBA 2007	Top 9	\$210k + 19%	\$160k+25%+\$15kS+\$40kE	Director	Fortune 100 Retail
	MBA 2006	Top 9	\$222k + 54%	\$250k+40%+\$150kE	Vice President	Fortune 500 CPG

*First two numbers equal base salary plus target annual bonus (%). S=Sign-On bonus. E=Annual Equity Grant. Does not include other cash equivalents.
 EXAMPLE: "\$160k+25%+\$15kS+\$40kE" = Base Salary of \$160k, Target Annual Bonus of 25%, Sign-On of \$15k, Annual Equity Grant of \$40k



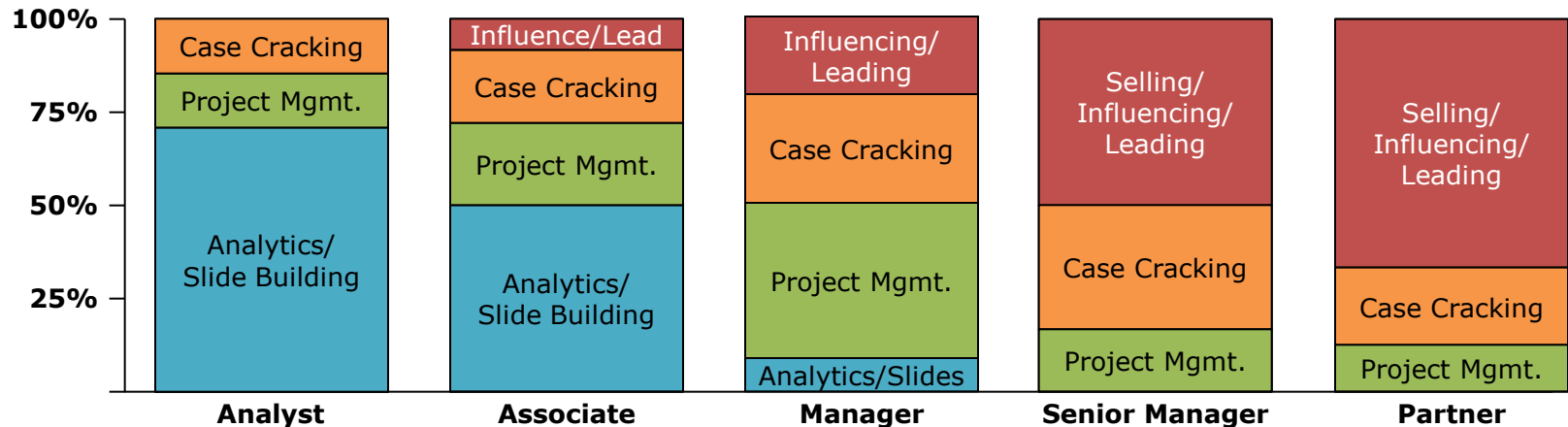
Consultant Competencies

The matrix below defines the expected competencies for consultants at each level for the **2013** recruiting year

Title at Consulting Firm*	Analyst	Associate	Manager	Senior Manager	Partner
Years of Experience	1-3 yrs Pre-MBA	1-2 yrs Post-MBA	3-4 yrs Post-MBA	5-7 yrs Post-MBA	8+ yrs Post-MBA
Current Education	2010-2012 undergraduate degree	2012-2013 MBA	2010-2011 MBA	2007-2009 MBA	2006 and earlier MBA
Current Base Salary Range†	\$70k - \$95k Base Salary	\$130 - \$150k Base Salary	\$150 - \$175k Base Salary	\$175 - \$250k Base Salary	\$250k+ Base Salary

Consultant Competencies Breakdown by Position

(The competencies, by percentage, that you should expect at each level – see definitions on next slide)



*Note that titles differ significantly by firm. These are meant to serve as generic titles that work across all firms.

†“Current” = in consulting. Outliers always exist. Feel free to call us to discuss the most common outlier scenarios.



Consultant Competency Definitions

