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TBR EVENT PERSPECTIVE

Capabilities, quality and trust: Critical elements echoed throughout PwC's Experience Centers

PwC: Frankfurt Analyst Day

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Highly capable, top quality and completely dependable — three attributes frequently used to describe German firms, and the exact three reasons PwC Global Advisory Markets Leader Randy Browning gave for why clients choose to work with his firm, echoing sentiments many PwC clients shared with TBR over two days at the firm's analyst event in Germany. At the opening of the full-day, on-site Analyst Day, PwC leaders shared their vision on where the firm is heading: shifting from back-office transformation to a front-office emphasis on customer experience, as well as designing and implementing business road maps aligned with the firm's "fit for growth" concept. They also acknowledged how the firm continues to improve its ability to work and deliver across an integrated organization, citing its Business-Experience-Technology (BXT) approach and how tuck-in acquisitions have been absorbed to fill portfolio gaps and support member firms across geographies. Throughout the day, clients shared their stories of working with the firm across emerging areas such as blockchain and Internet of Things, as well as PwC's core competencies of M&A, tax and strategy consulting. The clients' experiences substantially reinforced the assertion that PwC's capabilities, quality and dependability underpin the firm's sustained success.

Event overview

Over the course of two days at PwC's newest Experience Center (EC) in Frankfurt, Germany, TBR had the opportunity to speak with PwC partners and teams alongside their clients as well as leaders from one of PwC's newly formed alliances. Discussions included a mix of engagements from European and global commercial clients as well as public sector clients, showcasing how the firm is working across service lines (such as tax, audit and advisory) to bring multi-dimensional teams to tackle multi-dimensional problems.

TBR has attended three analyst events over the course of the past 18 months in PwC's original EC in Hallandale Beach, Fla. While there are organizational variations between the Hallandale Beach and Frankfurt locations, we believe the underlying objective is the same: use these ECs to apply the firm's BXT approach to client engagements and evolve how the firm approaches client work. (For more details on TBR's analysis on PwC's BXT approach, see our event perspective from June.) As the Frankfurt center is the newest in the network, PwC and client breakout

sessions showcased a mix of projects that had been completed in nearby ECs, such as in Paris, and on client sites, which we believe highlighted how the firm varies each element in its BXT approach by client need, mirroring what we have seen in Hallandale Beach.

Business: Strategy&-led, infused with the firm's 'fit for growth' concept

During the event, several client engagements, led by Strategy& partners, stood out to TBR as demonstrating PwC's ability to deliver strategy through execution by placing business consulting at the core. One client was a German-based steel conglomerate, and another was a family-owned pharmaceutical company. In both instances, PwC had long-standing relationships with the clients' executive leaders and tapped expertise across the firm, spanning operations, M&A, IT, finance, HR and legal services, to transform the clients' businesses for the future — a concept PwC calls "fit for growth." We believe the firm's emphasis on building and maintaining client trust cements PwC as the go-to adviser for work traditionally considered beyond a Big Four firm's brand. Often out-hyped by interest in digital and transformation (aka experience and technology), core strategy consulting and the ability to seamlessly orchestrate across multiple service lines should continue to provide PwC will loyal clients, even as the firm introduces new capabilities and offerings.

Experience: Build creative talent to help clients transform the front office

We believe PwC is realistic in that it cannot solely grow the creative, content manager and/or web designer talent, thereby looking to acquisitions to fill portfolio gaps. Most recently, the firm acquired Stockholm-based design agency Pond, and at the event "Pond PwC" leadership said joining the global firm helped legacy Pond professionals accelerate transformational work with a multi-year client, including designing a road map for continually evolving the customer experience. PwC leaders repeatedly emphasized customer experience as an area in which the firm is looking to continue to build its capabilities, transitioning from back-office work, such as improving operational efficiencies, to front-office transformation, such as applying emerging technologies to analyze real-time data from customer narratives to allow leaders to quickly make business decisions to meet customer demand. Through discussions with clients, we learned how challenges such as a large growth in customer volume for a nationally owned museum and increased competition for a nationally owned railway, both in Europe, placed further pressure on each respective business and highlighted the need to improve the customer experience. Purchasing tuck-in acquisitions has been a way to quickly expand PwC's network of ECs (e.g., Hong Kong, Paris) and advance client projects that can support the firm's efforts to gain brand recognition in newer areas. However, we believe these acquisitions will be most beneficial in expanding PwC's talent resources and altering the way the firm approaches client engagement with multi-dimensional teams versus gaining client accounts to cross-sell and/or upsell services.

Technology: PwC — the business integrator adviser

In line with PwC's role of positioning as a business integrator, technology did not appear at the forefront of the Frankfurt client stories, but was woven in as a critical element to solving business problems. Discussions included how the firm helped both a European ministry manage a growing base of state employees and a border security organization concerned with an increasing volume of global travelers use technologies such as cloud, blockchain and cybersecurity to improve the management of business processes while keeping "fit for purpose" in mind. In addition, PwC also highlighted its recently formed alliance with DXC Technology (NYSE: DXC), explaining that the two organizations will deliver across the spectrum of services: strategy, execution, run and maintenance. The relatively new alliance, spawned from work PwC performed for DXC Technology, has already won new logos and business with existing clients; TBR will continue to observe how this partnership fits within the competitive strategy-through-digital-transformation landscape. Notably, PwC leaders directly confirmed to TBR that PwC will continue to grow talent in areas such as analytics and security, but technology discussions will remain heavily tied to the business case.

Scaling ECs in Europe helps PwC meet local market demand

In TBR's *Management Consulting Benchmark*, published in May, we noted that consultancies in Europe continue to build their local market capabilities via M&A, recruitment, and opening offices and centers, as clients prefer to work with local consultants who are knowledgeable in country-specific business culture and regulations. PwC's most recent EC in Frankfurt joins European counterparts in London; Stockholm; Paris; Rome; Brussels; Belfast, Northern Ireland; Amsterdam; Prague; Warsaw, Poland; Zurich; and Helsinki, among others, highlighting the firm's heavy investments in meeting the future consulting needs of its clients. While the firm's commitment and direction are clear, we believe the PwC's ability to rotate EC talent to newly established centers as well as use these spaces for internal collaboration within the broader firm, will help accelerate and sync its ability to change the way it is engaging with clients and showcase its added portfolio capabilities in areas such as customer experience and emerging technologies.

TBR perspective

PwC is moving toward engagements that are tied to more measurable outcomes, which further demonstrates commitment and trust to clients, as well as focusing on four key areas: deals, risk, transformation and digital. These two messages wove their way into discussions with TBR at the Frankfurt Analyst Day and echo what we have heard at PwC analyst events in Singapore and the U.S. earlier this year. Not surprisingly, having spent time with PwC in Hallandale Beach and with PwC's peers in other similar centers, we did note that the EC in Frankfurt has more work ahead, leading to some questions: Despite a thoughtfully designed center that is placed in close proximity to existing clients, will this EC help to accelerate the firm's BXT way of working given the center's eccentricity compared to the rest of the building, where traditional tax and audit work is done? How long will it take to develop the staff and client workshops to mirror the type of work that is done in Hallandale Beach? Will this center attract and retain top talent? Will this center work with the local startup community and/or bring legacy technology partners into the space to codevelop solutions? If a client asks to cohabit the center for a period of time, will there be space?

Given the jump-start Hallandale Beach received from the BGT Partners acquisition, we recognize starting from scratch in Frankfurt, albeit given a framework and role model, comes with some additional challenges. Moving beyond the Frankfurt EC to the EC network and member firms, TBR will observe how PwC pivots from solving business problems in the back office to meeting the needs of the front office.

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