



PWC PRODUCTS: NOT YOUR FATHER'S PWC

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► “US DISRUPTING OURSELVES” — PWC DIGITAL’S JOURNEY TO 2020

*“In contrast to peers such as EY, which held an entire analyst conference focused on, and organized around, its technology consulting capabilities, PwC structured each of its client stories around the central business challenge, with the technology solution presented as only part of the successful outcome. **PwC placed considerably more emphasis on how it worked with clients’ C-Suite and line employees to identify and resolve key pain points and organizational issues, rather than leading with silver-bullet technology solutions that addressed clients’ specific RFPs.**” *TBR analysis, October 2018**

While PwC Products fully coalesced into being over the last 12 to 18 months, the firm’s technology evolution started at least 10 years ago, with the Hallandale Experience Center perhaps the most critical catalyst in changing the firm’s overall approach to embedding technology into every engagement. Importantly, embedding technology did not mean, as noted above, focusing first on technology, even as the firm developed fully formed solutions. As PwC leaders reminded TBR, the firm developed the DoubleJump Health platform more than three years ago, building experience with a subscription-based software business model. In the last year, PwC enhanced collaboration among the eight digital factories and labs across the firm and took careful stock of the assets the firm had already developed and deployed with clients. While previously PwC developed bespoke solutions within an industry or service line, with little collaboration across the firm, the recent shift included consolidation of the independent assets that had potential and a scrubbing of these old assets through a digital process pipeline. By

PROFOUND CHANGE, BUILT SLOWLY, CULMINATING NOW

A long-established professional services firm that has a reputation as a traditional, white-shoe partnership, has been built through careful mergers and acquisitions and is entrusted with the financial secrets of countless companies around the globe, PwC has quietly undergone a profound change. Over the last few years, as the firm embraced digital transformation, globalized the BXT (Business, Experience, Technology) approach, and embedded emerging technologies into nearly every consulting engagement, PwC put into place — by strategic foresight or happenstance — the building blocks needed to evolve from a traditional consultancy into a business solutions provider, in its own terms. To get a better handle on all this, TBR spoke with three PwC leaders — Global Digital and BXT Leader Tom Puthiyamadam, Chief Experience Officer Dave Clarke, and PwC Digital Managed Services Leader Jeff Baker — to understand how the firm evolved, what “PwC Products” means in practice currently, and what the firm expects to be in the near future. Based on years of analyzing PwC and the firm’s role in the IT services and professional services market, TBR believes this current evolution has substantial implications for the firm itself, for clients and technology partners, and for competitors beyond the traditional Big Four.



putting the solutions through a rigorous vetting process with the goal, as explained by PwC, of determining which assets would meet consistency and quality standards as well as “make an impact,” the firm created a model for product innovation that could be implemented across all of PwC. As one PwC leader noted, “The assets were there. PwC Digital’s job was to put them together.” In addition to process, the firm also needed creativity and a willingness to disrupt itself, something TBR [commented on](#) in April 2019: “A PwC leader once challenged TBR to explain why the consulting business model seemed immune to the disruptions changing every other industry. The answer, and the disruption, are within his own building, and consultancies and IT services vendors not seeing it risk falling substantially behind.”

➤ PWC PRODUCTS: THE \$500M BUSINESS BUILT ON BXT

*“Is PwC now a software company or a **technology-enabled consultancy with a global distribution channel** for assets and managed services? We’re watching and waiting to see.” [TBR analysis](#), October 2018*

We have our answer. PwC is a business solution provider, and some of those solutions include products — tangible, defined assets that allow the firm to be, as the PwC leaders noted, “better, faster, and cheaper for clients.” Some of those assets will remain within the firm, scalable but deployed only to increase speed or efficiency in certain engagements. Some assets will remain with the client, paid for in full, through licensing or by subscription. For all of the solutions, PwC’s approach will start with a business problem in mind, rather than employing a systems integrator mindset of plugging technology into a business. In briefing TBR on these changes, PwC leaders described a few key elements:

- The firm estimates the PwC Products business will generate upward of \$500 million in annual revenue within a few years, building from \$200 million in 2020 and aiming for the middle ground between the software giants (such as SAP [NYSE: SAP] and Salesforce [NYSE: CRM]) and the startups focused on niche offerings. PwC has a track record of investing in industry-specific or otherwise highly customized solutions with expected revenues of \$50 million to \$70 million — too small to be attractive to Oracle (NYSE: ORCL), too large for a startup to take on — and will now scale that approach beyond just the consulting engagements and into a complete PwC Products practice.
- While the firm will develop new solutions, the goal is not to create new services but to improve client outcomes and the firm’s own financial performance. PwC leaders noted to TBR the firm would not be creating net-new business, but “building for where we already are,” where the firm has established brand and permission.
- The US member firm has led on PwC Products, in close cooperation with PwC Australia, PwC UK, PwC Japan and PwC China. In 2020 PwC Products solutions will become more widely available, with some currently being licensed globally (e.g., Digital Fitness App). To reach that \$500 million target, PwC Products must be global and must take advantage of what one PwC leader called the firm’s “massive distribution channel,” with reach far beyond that of typical software companies.

To accelerate the PwC Products business, the firm has pivoted internally and actively recruited from software vendors, including leading giants such as Google (Nasdaq: GOOGL) and Amazon (Nasdaq: AMZN). Questioned on why software engineers, data scientists and technology architects would want to leave prestigious tech companies for a consultancy, PwC leaders said PwC Products provides context that does not typically come with working on a horizontal, massively scaled software solution. PwC has recruited and retained this new talent by showing “the applicability of the app, the direct linkage to the impact on clients’ problems.” Pressed on this point, PwC leaders said the challenges now are not around talent but around efficiently tapping the distribution channel. In TBR’s view, if the firm can attract top digital talent and successfully leverage its global member firm partnership as a prebuilt



distribution channel, PwC Products will accelerate at least as fast as the firm expects.

With ideas generated by client engagements and partners actively seeking out clients' business problems, PwC currently has more than 500 professionals dedicated to vetting more than 100 ideas, taking potential solutions through compliance, regulatory, legal and technology reviews, as well as considerations of pricing, prototyping and even marketing. PwC leaders stressed that "life cycle commitment is a must" to ensure sales and executive teams are on board and the result is a legitimate business outcome, not innovation for its own sake. For truly net-new technology ideas, PwC has moved from idea to market in six months. When adopting existing technology and solutions, the turnaround has been far quicker (see TBR's [special report](#) on PwC's workforce productivity solution created in response to COVID-19).

PwC leaders acknowledged that bringing clients' business problems into a digital solutions innovation process has not been a simple shift within the firm. Over the last year, PwC coached teams across the country on how to develop new ideas, with the critical change coming from PwC Digital creating "a good funnel" to put those ideas into. Because the ideas come from interactions with clients, PwC's leadership expects proposed solutions will be relevant. And with rigorous scrutiny and a process designed to solicit input from every part of the firm, including Tax and Risk, PwC believes the solutions can be consistently high quality and marketable. Cementing this approach in a solid framework, PwC has created specific Strategy, Build and Operations teams to take these ideas from client problems to business solutions. In TBR's view, the explicit and rigorous process and the structured teams provide PwC Products with the foundation to become a substantial business — this is not rearranging roles or marketing the latest good idea; this is a substantial shift in PwC's organization and business.

Understanding PwC's technology evolution requires appreciating that multiple decisions made over the last 10 years fed into the current state, but PwC did not necessarily make those decisions with today's outcome in mind. For example, the firm invested heavily in upskilling its entire workforce around digital, launching a Digital Fitness App and essentially mandating senior partners lead in adopting a digital mindset. When the firm began the move to PwC Products, partners across Audit, Tax, Risk and Consulting already thought about problems with a "digital-first mindset," according to PwC leaders. Similarly, PwC's sustained push to make the BXT framework how the firm approached every engagement has made this evolution to PwC Products easier, even if that benefit was not anticipated by the advocates for BXT over the last few years. Two years ago, TBR noted, "Scott Likens, Emerging Tech Leader, U.S., China and Japan, perfectly captured what BXT means for the firm: 'BXT is the only way we will be able to work in the future.'"

BUILD UP THE PEOPLE, AND THEY WILL PUSH THROUGH THE CHANGE ON THEIR OWN

*"PwC's position can best be summed up by noting what a Strategy& partner said about the future of the Internet of Things. The partner suggested that if the Internet of Things brings connected networks to everything, differentiators become the **accompanying applications, analytics and services**. For PwC a joint business relationship with Google, investing in PwC Digital and committing to the one-firm professional services model tackle all three differentiating elements." [TBR analysis](#), October 2014*

Applications, analytics and services may be a too-narrow summary of PwC Products, but these categories serve well as a guide to how PwC has evolved as a technology company over the last five years. In discussing PwC Products with TBR, PwC leaders stressed that the firm had experience selling solutions and operating within the subscription or licensing business models and that lessons learned from DoubleJump and Trade Spend Optimization solutions, for example, would help guide the firm as it moves away from a time-and-materials mindset. In TBR's view, many vendors across the consulting and IT services space have been and will be experimenting with new business models



over the next few years. PwC may have started early enough and is building on enough experience to transform more quickly and more successfully. If that happens, TBR sees impacts for the firm itself, PwC's clients, and the larger competitive and partner ecosystem.

At \$500 million annually, PwC Products would contribute around 3.5% of the firm's management consulting revenues, in TBR's estimates, but would have an outsized impact:

- For PwC's professionals, having a fully integrated software and solutions practice would add diversity and opportunity. Highly creative enterprises and leading technology vendors have staffs with varied backgrounds and skills, allowing them to innovate, in part by bringing together different talents and mindsets. For PwC professionals, working on diverse prospects and having access to emerging ideas and new technologies would enhance the appeal of every service line, even Audit. A digital, creative and business solutions mindset pervasive across the entire firm and supported by investments in people, technology and process would allow professionals at every level to see PwC as more than just a Big Four legacy white-shoe partnership.
- With solutions developed specifically to address known client needs, at scale, but not within the confines of the large software platforms, PwC clients would see additional reasons to work with the firm, beyond existing consulting or other services engagements. While not fully end-to-end, PwC could more easily expand its footprint, increasingly taking software and solution sales from traditional vendors and limiting the need for niche providers. Clients already trusting PwC would find long-term managed services arrangements or software subscriptions appealing, even if they had not previously used PwC's technology offerings.
- And if clients gravitate toward more of PwC's solutions, the firm's technology partners and nearest competitors will be pressed to retain market share, potentially through accelerating their own investments in consulting capabilities or product offerings.

The best case scenario for PwC depends on a few key variables: leadership, sustained investment and culture. The PwC leaders we spoke to acknowledged this all came together fortuitously, crediting the broad span of partners and less-experienced professionals who adopted and advocated for BXT and highlighting the firm's efforts to intentionally stay within the confines of what PwC does well. In TBR's view, the transformation indicates the firm's leadership is well positioned for 2020 and beyond. Maintaining an investment in PwC Products in the near-term macroeconomic maelstrom will challenge the firm's commitment, but may be manageable with increased efforts around automation and well-executed talent management to ensure the people needed to execute on the vision stay with the firm for the long term. In a September 2019 special report on a PwC event in India, TBR noted that Stephen Anderson, a partner based in Dubai, United Arab Emirates, described PwC's approach as an accelerant to decisions around and implementations of digital transformation: Build up the people, and they will push through the change on their own. If that culture holds, PwC Products will succeed.

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