TBR

PWC UNLEASHED: A PROFESSIONAL SERVICES FIRM ADOPTS NETFLIX-LIKE BUSINESS MODELS

Authors: Patrick M. Heffernan
(patrick.heffernan@tbri.com), Principal Analyst; Kelly
Lesiczka (kelly.lesiczka@tbri.com), Analyst; Boz Hristov
(bozhidar.hristov@tbri.com), Principal Analyst
Elitsa Bakalova (elitsa.bakalova@tbri.com), Senior Analyst

March 11, 2021

OVERVIEW

On Feb. 18 and 19, 2021, TBR spoke with several PwC leaders: Michelle Wilkes, partner, PwC Labs; Jeff Lower, US Automation leader; Suneet Dua, chief product officer, PwC US; Darren Lee, partner, PwC Consulting; Mike Mendola, senior associate, PwC Labs; and Maria D'Alessandro, strategy director, PwC Products. This special report includes information and analysis drawn from these discussions and looks at how much the firm has changed and where the future of consulting lies for PwC and its peers.

⅀ FROM PRODUCTS TO DIGITAL ON DEMAND AND PROEDGE

We reported this time last year that PwC Products completely shifted from being an old-school, white-shoe, tax- and audit-focused professional services firm from the previous age of the Big Eight to being a business solutions provider, with those "solutions" including SaaS, managed services and platforms. Now the firm has taken another large leap forward, adopting elements of business models most notably deployed by Netflix to bring its software and solutions into clients' environments in a completely new way, while simultaneously reorienting the firm's professionals around the skills and capabilities needed to serve their clients in a new world. We understand that assessment sounds over the top in a market already swamped by exaggerated claims around digital transformation.

⅀ SUSTAINED INVESTMENT AND COMMITTED LEADERSHIP — IT IS THAT SIMPLE

PwC launched PwC Products in early 2020, as covered in our special report, in which we noted: "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."

Building on PwC Products, perhaps on a timeline accelerated by the remote-working realities of the pandemic, PwC rolled out Digital on Demand and ProEdge in late 2020, bringing to clients two distinct offerings made possible by years of sustained investment in digital capabilities, including software and the firm's own IP, as well as a leadership commitment to adjusting the firm's business model to fully accommodate subscription-based pricing and software-centric engagement models. In TBR's view, the first element — investing in technology — does not differentiate PwC from peers, except

perhaps in the firm's early start in some areas and sustained commitment to an organizing framework. The second element — leadership and adjusting the business model — marks a critical difference for PwC. Even though peers have made some similar changes, PwC has aggressively gone all-in and adopted multiple changes to its business models.

Digital on Demand: All the apps you want for one low monthly price (Netflix model 1)

In essence, Digital on Demand is PwC's version of Apple's (Nasdaq: AAPL) App Store, but with a client experience more akin to Netflix (Nasdaq: NFLX), where every option is available immediately without separate pricing or technical concerns. Similar to how everyone can watch their Netflix shows on their own device, PwC's Digital on Demand solutions can be downloaded into the client environment, where they can be configured. Led by PwC Labs Partner Michelle Wilkes, from the firm's Consulting practice, and US Automation Leader Jeff Lower, from Tax, Digital on Demand belongs within the larger PwC Labs practice and carries through a relatively basic premise: Take the automation PwC incorporated internally, curate the solutions and refine the automations, and then make them available for PwC's clients to deploy into their own environments. According to Wilkes, PwC built the foundational 6,500 automations across its own back office and for client engagement and saved 8.6 million hours of staff time across the firm. Starting with finance functions, where PwC has legacy strengths and strong brand permission, the firm has partnered with Microsoft (Nasdaq: MSFT), UiPath, Alteryx (NYSE: AYX) and others to provide clients a menu of downloadable automations (access to cloud-based AI models via information extraction using natural language processing and machine learning), deemed by PwC's Wilkes as "proven and relevant" because the automations had been designed by people who are deeply familiar with the finance functions and have experience in the finance environment. In short, Digital on Demand is readily deployable software built by finance process people for finance process people. Wilkes said the firm has 393 downloadable automations today, with plans to reach 500 by May 1.

An app store for automations does not sound revolutionary or unleash massive potential, but the rest of the picture explains how, as Wilkes put it, PwC is "arming our clients to accelerate time to value." Digital on Demand includes a few other critical elements:

- Everything within Digital on Demand has been designed to be audited (which should come as no surprise), with "heavy documentation, discipline and hygiene," according to Wilkes. In addition to providing assurance to clients' risk and compliance officers, Wilkes said the PwC certification "helps give IT and others comfort" that automations downloaded from Digital on Demand will not upset the clients' enterprise IT.

- By helping to generate an immediate return on investment, PwC assists in overcoming clients' resistance to extending digital transformation efforts across an entire enterprise, conveniently also extending PwC itself into other areas of a client's organization.

- To accelerate and enable smooth adoption, PwC continually analyzes how clients have been using the platform and provides the necessary training and customer support. As demonstrated to TBR, Digital on Demand looks, feels and operates like a professional and robust offering, with a substantial foundational structure of tested software, evolving analytics and provable value to clients.

PwC's offering still feels new in the market, and the firm described three kinds of clients, categorized by how they are using Digital on Demand and their digitally maturity: initiating, growing and digitally advanced (not surprisingly, the latter category applies primarily to clients in the technology space). The firm has also structured the onboarding (90 days of free access to the library) and the pricing (four tiers based on client size) in a manner that reflects PwC's willingness to experiment with business models beyond traditional consulting and professional services.

PwC ProEdge: All the best professional development, tailored individually (Netflix model 2)

Suneet Dua, chief product officer, PwC US, made a compelling case to TBR that every professional today must develop digital acumen and should expect their employer to help them be an "infinite learner" and "digital citizen." PwC's investment in its Digital Fitness App (DFA) gave the firm a digital score for every employee and showed where middle management and others needed to be upskilled, particularly around data visualization and data management. After a few years of testing, refining and scaling the firm's approach to professional digitally focused education, in late 2020 the firm rolled out a commercial offering, ProEdge, to provide an end-to-end professional development platform for its clients. PwC took lessons learned from its own DFA as well as other digital learning platforms, certification programs, content platforms and workflow tools to create a single solution, incorporating a learning management system (the underlying infrastructure), a learning experience platform (the UX/CX [user experience/customer experience] components), and curated content. With ProEdge alive and kicking now for three months, PwC has conducted 300-plus demonstrations and signed more than 20 contracts, typically selling directly to clients' CEOs, who connect with Dua's exhortation that every employee be a lifelong learner.

While TBR has spoken with multiple IT services vendors and consultancies that have embraced digital upskilling and the imperative to help professionals stay current with emerging technologies, PwC ProEdge has a few distinct characteristics:

- PwC starts at the planning stage, asking clients to determine who within the organization needs to be reskilled/ upskilled and where the organization's learning gaps are. By comparing clients' data to public data sources of comparable companies with similar roles, ProEdge allows clients to benchmark themselves and develop an enterprisewide training plan, what Dua described as a "control tower for learning" and "an administrative tool for ensuring [a company] is getting valuable and relevant learning."

- PwC built APIs for the major human resources platforms to ingest employee information, automatically reviewing skills by role and checking for gaps. Training content can then be mapped to the skills to create personalized training and courses could be expanded across topics.

- Understanding that not everyone needs to be trained to the same level, PwC built flexibility into the content and courses, with the deepest level of training leading to credentials, described by Dua as the "intersection between digital skill and technologies and the applicability of it." The firm emphasized that credentials earned during a course do not involve a passive course evaluation, but rather include a capstone project completed by the participant and reviewed by PwC virtual instructors.

- ProEdge includes multifaceted learning experiences, including typical digital coursework, videos and podcasts, and a variety of social tools to encourage sharing, challenging and collaborating, all of which PwC can track, analyze and use to improve the platform. PwC curates all the content for the learners, who can review recommendations for their position and search for different skills and acquire them. Dua stressed that PwC leaders understood incenting people to continue a learning journey starts with framing it within a career progression.

- PwC offers the planning module described above for free initially. Once individual learning plans go into effect, clients are charged for content courses through a per-user, per-month subscription model.

In addition to continuing the recalibration of PwC as a multifaceted services and software firm, ProEdge allows the firm to better understand its clients, in much the way that Netflix deploys algorithms to mine individual user data to continually improve the user experience — and keep them tethered to their Netflix subscription. As a means of increasing stickiness and customer loyalty, as well as developing digital awareness and skills in clients increasingly buying digital transformation engagements, ProEdge can serve PwC, particularly if, as Dua said, 2022 to 2024 will be pivotal years in the market in terms of shifting skills and the importance of taking lifelong learners and digital citizens to scale.

⟩ WHERE TO NEXT? DEEPER, BROADER, MORE TRUSTED

Automations for the finance function and professional learning and development platforms seemingly have little in common; PwC made an affirmative decision to launch Digital on Demand and ProEdge together because they share a common DNA: trust. Everything in PwC's world revolves around trust. The firm grew from being a trusted auditor and adviser on taxes to a trusted adviser on operations, organization, strategy and even technology. With PwC Products in early 2020 and now Digital on Demand and ProEdge, PwC takes that trust and further embeds itself in clients, becoming a more integral part of the client's own operations, strategy and even culture. As these pieces continue to scale, PwC will be challenged to keep the content and functional quality high and the experience worth paying for, year after year. And TBR appreciates that while PwC unleashes a new consulting model, the firm also sets the stage for the long tail of managed services. If scaled, managed services create a back door to critical intelligence — a feedback loop for product development — further strengthening the quality of these products.

PwC is starting significantly ahead of peers, in TBR's view, because the firm invested heavily and early, sustained its commitment to evolving its software offerings, and tested everything internally before bringing anything to clients. On the whole, PwC should be moving more deeply into clients' operations and evolution, accessing and advising across a broader spectrum of the clients' businesses, while concurrently becoming better at delivering every aspect of PwC's portfolio in more tailored and trusted ways. For most people, other than health (especially during a pandemic), what matters more than money and education? PwC will be able to treat clients like family members, helping with their top concerns, understanding at a deep cultural level, and, as an added bonus, unleashing a new consulting and professional services business model on the rest of the market.

TBR's ongoing coverage of PwC includes a semiannual *Management Consulting Benchmark* and profile; inclusion, when appropriate, in the monthly Digital Transformation reports; and frequent special reports, such as this one. TBR also covers PwC's Big Four peers; management consulting competitors, such as Boston Consulting Group (BCG) and McKinsey & Co.; and IT services competitors, such as Accenture (NYSE: ACN) and Atos (Nasdaq: ATOS).