

MARKET PERSPECTIVE

PwC EMEA Analyst Day: May 2023

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EXECUTIVE SNAPSHOT

FIGURE 1

Executive Snapshot: PwC EMEA Analyst Day 2023

This IDC Market Note provides a summary of the PwC EMEA Analyst Day, held in London in May 2023. This in-person event was organized to share PwC's innovation strategy with the community of analysts covering several industries. PwC presented some success stories, and their customers and partners shared their experiences regarding their project implementations. PwC is taking "a human-led, tech-powered approach" to address customers' key challenges and to foster innovation.

Key Takeaways

- PwC Analyst Day case studies highlighted that to support customers' innovation strategies and transformational projects, trust and collaboration among stakeholders are key elements to success.
- PwC is offering managed services across several operations centers and proposes multiple operating arrangements onshore, nearshore, and offshore to customers that want to externalize some of their platforms, while addressing risk and compliance requirements.
- PwC built strategic alliances with technology partners so that customers benefit from pre-architecture solutions.
- PwC is making significant investments in generative AI and is paving the way to a wider adoption of generative AI through research and development, widespread testing and experimentation, and significant partnerships in this domain.

Source: IDC, 2023

NEW MARKET DEVELOPMENTS AND DYNAMICS

This IDC Market Perspective highlights key takeaways from the EMEA Analyst Day 2023, organized by PwC in London, on May 18, 2023. This in-person event was organized to share PwC's innovation strategy with the community of analysts covering several industries. The event featured the PwC leadership team as well as some PwC customers and partners regarding their success stories and project implementation experiences. The event was an opportunity to exchange views with PwC executives and experts on the industry's hot topics.

IDC'S POINT OF VIEW

The purpose of the Analyst Day was to share with the community the strategic services that PwC is prioritizing and to illustrate PwC's vision and developments regarding emerging themes in the market. PwC is taking a human-led, tech-powered approach to address customers' key challenges. Looking across different industries, customer priorities include talent attraction, retention, and transformation; customer-centricity with enhanced customer experience; and sustainability and compliance to fulfill environmental, social, and governance (ESG) regulatory requirements and meet social value and sensibility toward sustainable growth. The Analyst Day agenda covered PwC's innovation strategy, and how innovation can be supported through execution, technology alliances, and transformational partnerships. The analyst day was an opportunity to engage in open discussion regarding PwC's views and experiences on generative AI and its application in the financial industry.

PwC's Innovation Strategy

PwC identified key market priorities related to four key elements: transformation, risk and regulation, ESG, and deals. Transformation is a multifaceted theme that deals with evolution linked to exogenous and endogenous elements. Therefore, companies must address customers and workforce transformation with their emerging needs, expectations, and evolving values. Another important element across all industries is the role of the ecosystem and its interactions; everyone is interconnected with their ecosystems and must streamline, optimize, and remain in control of opportunities and threats, such as those related to cybersecurity, deriving from tight interdependencies in their augmented spaces. The endogenous element of transformation is related to the opportunity to leverage modern technologies to transform the company infrastructure and architecture, to migrate to cloud, and eventually to decide if it is appropriate to externalize some platforms, IT solutions, or business services. Thanks to the wide range of available technological options, the first step for each company is to identify the most suitable options in relation to its own strategy, improve efficiency, reduce total cost of ownership, and enhance its ability to satisfy its customers. There is no single answer applicable to all, which is why PwC's business expertise is relevant to customers and is the underlying concept highlighted in PwC's philosophy of a human-led, tech-powered approach to help customers choose the most suitable ones for their business objectives.

Innovating Through Execution: PwC Managed Services

PwC delivers managed services out of the UK Operate asset located in Belfast and in other operations centers in Germany, Portugal, and other Central & Eastern European (CEE) locations. PwC has onshore, nearshore, and offshore operation centers across Europe, Africa, and Asia. For the financial industry, the availability of multiple operations centers across different regions is major element in light of regulatory requirements related to data protection and operational resilience, and considering the debate around sovereignty. For example, in the EU, being able to offer the services out of Europe is relevant also to fulfil upcoming requirements under the Digital Operation Resilience Act (DORA), with similar regulatory evolution expected in other jurisdictions.

Therefore, PwC managed services is combining the solution for technological needs to foster innovation and cost optimization as well as compliance needs. The choice to go for managed services is generally related to improving financial performance and implementing go-to-market strategies that embrace customer centricity and digital innovation while bridging some technological and expertise gaps at speed.

The selection of managed service providers in the financial industry is not only related to the technological capabilities of solution providers – it requires a strong consideration of reliability and trustworthiness. The financial industry is highly regulated and is constantly looking at regulatory evolution. Furthermore, financial entities must take into account fragmentation and lack of consistency when they operate under multiple jurisdictions. This regulatory perspective, which also applies to operators of essential and important services in other industries, leads to a careful selection of technological partners to improve profitability, enhance operations and digital transformation, and ensure services can be provided that fulfil not only company security and procurement policies, but also compliance and risk management regulatory requirements. During the EMEA Analyst Day, a case study on managed services for motor vehicle manufacturing was presented, illustrating the process of collaborating effectively with customers to attain business objectives related to providing the manufacturer's retail customers with enhanced phygital experiences. This implementation necessitated a strong partnership approach to define priorities, identify obligations and constraints, and monitor progress with continuous co-steering to facilitate the project deployment and verify advancements against predefined KPIs. The partnership approach and tight collaboration throughout the phases of the project and operation management afterward are of paramount importance when a company chooses to leverage managed services, and this is an even more important element in the highly regulated financial industry.

Innovating With Technology Alliances: Industry Cloud Solutions – Tysl for a U.K. Banking Group and Mambu

PwC invested in technology alliances to offer its customers a sound basis for fast and smooth delivery of innovative solutions, built on an established suite of ecosystem partners and an extensive knowledge of cloud-related matters, leveraging tools and best practices that span from industry-specific customer needs to IT security and data protection, from implementation to maintenance and change management. Furthermore, the industry's cloud solutions offering is always enriched with industry-specific knowledge and is already addressing the banking ecosystem and banking use cases.

During the analyst day, PwC presented Tysl (PwC's digital banking industry cloud platform), designed and developed with PwC's expertise in the banking industry domain. The solution was designed to meet the needs of banks, provide a connected banking experience, and support banks in enhancing their customer experience, shortening the time needed to process operations and get real-time updates. Tysl helps banks in providing their customers with prompt feedback on data-driven decision making such as requests for loans, leveraging user-friendly self-service onboarding, reducing paper overload, and enabling straight-through processing. In designing and deploying Tysl, PwC collaborated with Mambu to foster the banking ecosystem; the two companies addressed the needs of retail and small business customers and configured cloud-native technological components integrating Mambu's core banking platform to support new products and to foster innovation in the banking space. The client, a bank based in the U.K., focuses on customers that are facing difficulties with their credit profiles, accompanying them toward reinforcing their financial health. It offers payments instruments with credit offerings by providing its customers with an app based on PwC's Tysl. PwC is supporting the client with the Tysl solution offered in the cloud. The bank benefits from the flexibility of the solution and its rapid deployment based on configuration and API integration, facilitating integration with the ecosystem. Thanks to PwC's technological alliances, the bank could experience fast time-to-market and reduced total cost of ownership, with the agility and scalability needed to support its growth strategy over time.

With its strategic alliances, PwC can guarantee its customers all resilience features from architectural and operational perspectives to fulfil regulatory requirements and meet business objectives related to customer experience.

Innovating Clients as a Transformation Partners - Energy Client

During the PwC Analyst Day, PwC showcased the case study of a U.K.-based company that provides energy to millions of people and aims to provide sustainable, clean, and affordable energy. While this utility provider is outside the banking space, the kind of transformational project undertaken would also be applicable in the financial sector. Furthermore, the customer is a provider of essential services, thus it plays a significant role in enabling consumer access to all kinds of services. PwC supported this client in its transformation journey to implement the finance solution using SAP S/4HANA. This digital finance implementation was undertaken to create effective digitalized processes, entailing the modernization of ERP and its integration with the companywide business data distribution and availability. Moreover, the client wanted to embed single-view financial information, enabling improved decision making underpinned by simpler, more automated, and more standardized processes to support net-zero objectives and regulatory requirements. The other objectives of this project were to improve business practices, simplify governance, streamline operations and define clear accountabilities, optimize quality data accessibility, improve performance, and enable better risk management. The scope of the project was impressive since it impacted more than 1,700 business processes, 22 business functions, and more than 7,000 staff. The lessons learned were also applicable to the financial sector – thoughtful partner selection is required for large projects that have a wide impact across the organization and that entail the modernization of centralized systems, representing the single source of data truth while feeding several other systems with their data. Technological and business expertise are key elements to ensure transformational projects can achieve technological modernization and operational enhancement, leading to more automated and efficient operations, while fulfilling compliance and governance requirements.

Innovating Wit Clients as Cloud Transformation Partners - Global B2B Telco

The customer of this success story is a global B2B telco offering mobile satellite communication and high-speed data and voice services to businesses, nonprofit organizations, and governments. This PwC client – after several years of growth through mergers and acquisitions – had a fragmented architecture and a mix of IT platforms, thus it needed to completely review and harmonize its global platform. The growth strategy was clear and the customer base was expanding, but business growth capabilities were hindered because of legacy management systems, and many applications were reaching end-of-life. There was a need to improve the platform to gain operational efficiency and faster value to market deployments. It was time for reconsidering its platform, and the client told PwC support that it would be appropriate to leverage a more flexible cloud-based architecture to achieve agility and speed in offering new solution to customers, better control on the core IT platform, and smoother migration processes. PwC supported this telco customer along its journey with technological expertise and close cooperation, enabling the client to develop the new operating model and to see possible evolutions with show-and-tell sessions with company stakeholders, and progressing at its speed. While the client is not a financial entity, this success story involves a common challenge: how can a customer leverage technology modernization to rethink and reinvent new operational business paradigms? A good cloud transformation partner should help not only in migrating applications, but also in designing new business models required in the current fast-evolving market. This case study shows us that the key elements to succeed in a challenging transformation are the ability to support the customer from a technological standpoint, the willingness to share the cultural shift and roll it out across the organization, and last but not least, the ability to imagine how to approach the business-as-usual in new ways, adopting a more customer-centric and digital approach.

Generative AI

During the analyst day, there was a very interesting debate with some PwC experts around the adoption of generative AI in the financial industry. PwC is heavily investing in AI and generative AI. In April 2023, PwC U.S. announced plans to invest \$1 billion in AI offerings over three years. PwC Middle East developed a platform in partnership with Microsoft for an AI-powered chatbot for government services. To realize value in a trusted way from generative AI, organizations will need to partner, and PwC announced significant partnerships with Microsoft, OpenAI, Harvey AI, and Icertis. AI investments will enrich the offering, leveraging Open AI's GPT4/ChatGPT and Microsoft's Azure OpenAI Service. PwC has created a secure environment in which to explore uses cases that can generate value through AI and generative AI. Delivering human-led and tech-powered solutions is the cornerstone of this approach, enabling progress from experimentation to market rollout.

There are many use cases for the adoption of AI in the banking industry. For example, there is extensive use of AI and ML in fraud prevention, but there are concerns related to ethics, compliance, and risk management. Issues are mainly linked to data accuracy, confidentiality, and truthfulness, along with the extremely important explainability and transparency. According to *IDC Financial Insights' Consumer Survey, 2023* (n = 526) in the banking space, 48% of end customers have great expectations in the adoption of AI in terms of frictionless customer experience regarding fraud protection. The banks are considered gatekeepers of trust, and they must be responsible for everything that is generated within their systems even when leveraging AI, thus the innovation introduced with generative AI is creating mixed feelings in the financial industry. In April 2021, the European Commission submitted a regulation proposal for the deployment of AI, known as the AI Act, to lay down harmonized rules on AI adoption.

Research and development activities, with wide testing and experimentation leveraging regulatory sandboxes, pave the way to the adoption of the fast-growing generative AI domain, while enabling the financial industry to gain trust in the tools and identify the best options to mitigate associated risks. Meanwhile, the legislative landscape will evolve and clarify the regulatory framework to ensure AI and generative AI can deliver value in the safest way possible. Banks that want to be at the forefront of innovation should identify low- or minimal-risk use cases for generative AI adoption (always under human oversight) to progress on the experimentation phase.

LEARN MORE

Related Research

- *AI and ML in Fraud Management: Key Trends, Perspectives, and Challenges* (IDC #US47800721, March 2023)
- *PwC EMEA Financial Services Analyst Day 2022* (IDC #EUR249827722, November 2022)
- *PwC EMEA Analyst Day 2021: What the New Equation Strategy Means for Organizations Moving to Hybrid Business Models* (IDC #EUR148588521, December 2021)

Synopsis

This IDC Market Perspective provides a perspective on PwC's EMEA Financial Services Analyst Day, held in person in May 2023. IDC's European Financial Insights analysts attended the event, which featured several PwC partners and clients' success stories.

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