Digital Disruption for Professional Services

March 2019
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Introduction
The cloud is now disrupting every industry it touches

Greg Stell
Forbes Magazine
The world’s largest taxi company owns no vehicles

The world’s largest accommodation provider owns no real estate

The world’s most popular media owner creates no content

The world’s largest movie house owns no cinemas
The five stages of disruption

The Kodak moment
Kodak was fatally slow in recognising the camera market’s rapid switch to digital. This killing blow was the rapid destruction of its consumables business - film.

Internet Infrastructure
From the late 90’s huge sums of money poured into building internet infrastructure but by the late noughties, the market was left wondering where the revenues were.

Disruptive Business Models
Uber’s technology is not particularly innovative. However, the company’s ‘zero marginal cost’ benefit allows a ‘delivery for everything model’ with no noticeable incremental costs for itself.

IOT & Artificial Intelligence
IOT will soon provide an end-to-end view of a product, from manufacture and distribution through to retail and use. This'll save costs by matching production to consumption and reducing needless transport.

The Adoption Curve
Adoption curves are becoming steeper. Ten years ago, VR had no users before Oculus Rift interest people in the technology but not its $300 price tag. Spotting the opportunity, Google launched Google Cardboard, a $5 box that turns a smartphone into a VR headset.
Fear of cannibalisation just prolongs the inevitable

2000
Turned down option to buy Netflix for $50m

2004
Blockbuster peaked at 9,000 stores and 60,000 employees
Launched an expensive hybrid online/mail order service

2010
 Tried to convert stores into kiosks
Filed for bankruptcy with $1b debt
“It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change.”

Charles Darwin
What does this mean for professional services?
What is happening to our clients?

Clients are increasingly demanding a seamless and mobile digitally-enabled relationship
It happens in all other aspects of their life - banking, entertainment, social media and telecommunications - and they expect the same of their advisors.

Cloud accounting and its ever-growing Eco-system is redefining business
Traditional accounting and tax compliance is becoming a highly efficient automated process and demand is decreasing.
The demand for value-add strategic and commercial skills is increasing.

We must be market relevant and respond to changing client needs
Today’s clients expect us to bring new ideas, proactive thinking and a higher level of customer service.
We need to deliver a more in-depth analysis of our client’s business so they can quickly respond to market trends.
Benefits

- Automation and reduced processing
- Efficient staffing
- Mobility
- Real-time data and reporting
- Data mining possibilities
- Reduced infrastructure and costs
- Collaborative environment
- Scalability
Today’s reality: businesses using the cloud

Westpac Business Insights Report, September 2018

- Ease of access
- Security / Safety
- Ease of use
- Improved organisation
- Save on costs
- Increased accuracy
- Remote working
- Other
- Customer support
- Less paperwork

2018

PwC
PwC’s response: A Case Study
The problem

- 45% Financial or money matters/challenges
- 20% My job
- 15% Health concerns
- 15% Relationships
- 6% Other
The journey

Net equity - long term view

Net equity (NZ$ in 000's)

- 38 41 44 47 50 53 56 59 62 65 68 71 74 77 80 83 86 89

- Net equity until retirement
- Net equity after retirement
- Liabilities
PwC's Wealth Coach

Analyses key personal metrics to provide a long term financial plan

Responds to changes in the economy, legislative environment and personal situations

Provides an answer to the question, “when can I retire and what will that look like”
<table>
<thead>
<tr>
<th>Percentage</th>
<th>Description</th>
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<tbody>
<tr>
<td>49%</td>
<td>49% of AU, NZ and UK businesses are cash flow positive.</td>
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<tr>
<td>36+</td>
<td>Average days for a SME to have their invoices paid.</td>
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<tr>
<td>1 in 4</td>
<td>1 in 4 American small business went into overdraft in 2017.</td>
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<td>38%</td>
<td>38% SME’s say late customer payments delayed their own supplier payments.</td>
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<tr>
<td>32%</td>
<td>32% SME’s dip into personal bank accounts for short term finance.</td>
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Business are failing because of bad cash flow management.
“A digital tool that uses machine learning technology to automatically predict how much cash a business will likely have in its bank account over the next six weeks.”

See the ‘Welcome Tour’ video here.
Our clients are demanding a digital relationship with us - how do we provide it?

How do we share our knowledge and digital services nationally and globally?
PwC’s Next Hub & Platform

“A digital tool that gives business owners seamless access to the information that matters anywhere, any time, on any device. The anchor of the digital relationship for private clients.”

“Platform for others (locally or globally) to build applications upon and share across borders”
What we’ve done

- Enhanced our service offerings using technology
- Developed digital relationships with our clients
- Leveraged the global network
- Adopted an agile approach
- Focussed on advisory experience rather than compliance, i.e. proactive rather than reactive
- Built products to digitise our service offerings
What we learnt

- Value in digitising our service offerings
- The growing need to become more product-focused
- It all starts from an idea and / or a problem
- Timing is everything - there is no time to wait!

- Products vs. services “Making money while you sleep”
- Internal disruption is key for success in the future - we will keep reinventing ourselves!
- Rome wasn’t built in a day
“You can’t do today’s job with yesterday’s methods and be in business tomorrow"
“In the new world, it is not the big fish which eats the small fish, it’s the fast fish which eats the slow fish”

Klaus Schwab
Founder and Executive Chairman
World Economic Forum
Thank you