

## MARKET NOTE

# PwC Targets the Managed Services Opportunity

Josh Budd

## EXECUTIVE SNAPSHOT

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### FIGURE 1

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#### Executive Snapshot: PwC's Strategic Priorities

This IDC Market Note explores PwC's strategic priorities. PwC's U.K. and EMEA executives explained how managed services represents a significant market opportunity in its positioning as a "digital business partner to customers."

#### Key Takeaways

- Managed services represent a significant opportunity for PwC in targeting a wider customer market and positioning itself as a digital business partner to customers.
- Offering a range of services across managed services, professional services, and consulting services enables PwC to engage with more stakeholders among customers and grow its influence as a trusted partner.
- Its intention to invest \$1 billion in AI offerings over the next three years with Microsoft underscores the role of global systems integrators (GSIs) around generative AI.
- PwC is positioned as an ecosystem orchestrator through its alliances business, which brings ISV solutions together around its Industry Cloud solutions.
- Joint planning with vendors and aligning on target customer segments leads to greater customer success for PwC.

Source: IDC, 2023

## IN THIS MARKET NOTE

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## IDC'S POINT OF VIEW

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### Managed Services Investment

PwC sees a significant market opportunity in managed services. It claims customers are not only using managed services to achieve cost savings, but are also looking to gain a competitive advantage or to close capability gaps through outsourcing managed services functions to third-party providers.

According to a PwC survey, more than two-thirds of the top performing organizations are using managed services to achieve these outcomes, whereas only 20% are using them for cost savings.

PwC boasts an interconnected services delivery ecosystem in EMEA using onshore, nearshore, and offshore locations across the U.K., Germany, Portugal, South Africa, Egypt, Central & Eastern Europe, and India.

Customer demand for as-a-service offerings is driving the need for managed services to enhance productivity through end-to-end solutions. PwC's symbiotic relationship between its consulting, implementation, and managed services offerings positions it as a digital business partner to customers, fulfilling multiple functions from advising on best-in-class solutions to running their end-to-end IT stacks.

Being active across this broad range of IT service functions will help PwC to engage with a diverse range of stakeholders across multiple departments among end customers and to influence buying behavior within those organizations.

Meanwhile, building a scalable and repeatable managed services offering will enable PwC to cater to a wider customer market, add another layer to its existing capabilities, and become a true digital business partner to customers.

### AI Partnership With Microsoft

PwC U.S. recently announced its intention to invest \$1 billion over the next three years to expand and scale its AI offerings and help its clients achieve business outcomes through generative AI.

The partnership will mean PwC will create scalable offerings using OpenAI's ChatGPT and Microsoft's Azure OpenAI Service.

Generative AI is expected to drive significant cloud consumption growth as customers begin to implement the technology across their businesses. PwC will play a role in advising customers on how best to optimize their cloud consumption and to what extent using generative AI will impact their existing consumption expectations.

IDC's *Future Enterprise Resiliency & Spending Survey* – Wave 2, March 2023, found that 55% of organizations are currently exploring potential use cases for AI, while 21% are actively investing in generative AI this year.

During IDC's latest Partner Advisory Board meeting, partners discussed how they are already exploring opportunities around generative AI, with one partner representative claiming AI exists as part of a wider need for customers to automate processes to drive efficiency.

While some said certain organizations are cautious about granting free use of generative AI across the business, partners agreed that effective use of generative AI could be a key competitive differentiator over the next three to five years.

## Alliances Drives Growth for PwC

PwC claims to have a symbiotic relationship with its technology vendors that form its alliances business. Together with its alliance partners, PwC's solution strategy puts industry-specific needs at the forefront of its alliance strategy.

Its alliance organization focuses on nine core partnerships: Google Cloud, AWS, Adobe, SAP, Oracle, Workday, Guidewire, Salesforce, and Microsoft. Core alliances are complemented by more than 40 micro-alliances with various vendors in its ecosystem.

Year on year, PwC's alliance organization achieved 200% pipeline increase in EMEA, 35% growth in alliances wins, and 17% increase in average deal size. The alliance organization's headcount has increased by 25% year on year to 8,000.

Its ISV ecosystem is positioned to enable its Industry Cloud solutions that caters to key verticals including retail and consumer, public sector, industrial manufacturing, and financial services. These leverage preconfigured digital partner capabilities to create industry-relevant packaged business and technical capabilities as a modular offering.

Through its alliance organization, PwC works closely with alliance partners and streamlines its go-to-market strategy to develop customer-centric solutions and jointly drive value out of transformation.

PwC will then pull in micro-alliances to bring an industry-specific angle to the solution. PwC acts as an orchestrator to build an ecosystem of vendor solutions around the customer solution.

It is common practice for a single PwC representative to stay with the same client for the majority of their careers. This enables them to build a deep understanding of the clients' business and to build a continuous relationship with all of the key stakeholders and decision makers within the customer. This deep level of engagement across multiple stakeholders gives PwC significant influence over the buying behavior of the customer.

"A lot of the time we end up being the glue to their organization because our people stay the same even while our clients' management and executives keep changing," said Oz Ozturk, partner, head of technology alliances at PwC U.K.

## LEARN MORE

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- *Which Major Vendors Have the Highest Strategic Commitment Coefficient from Partners in EMEA?* (IDC #EUR149559422, February 2023)
- *EMEA's Evolving Partner Landscape: Transformation Trends and New Business Drivers for Partners in EMEA* (IDC #EUR149749622, October 2022)

## Synopsis

This IDC Market Note explores PwC's strategic priorities. PwC's U.K. and EMEA executives explained how managed services represents a significant market opportunity in its positioning as a digital business partner to customers and how its alliances strategy enables growth for its industry cloud solutions.

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## IDC U.K.

IDC UK  
5th Floor, Ealing Cross,  
85 Uxbridge Road  
London  
W5 5TH, United Kingdom  
44.208.987.7100  
Twitter: @IDC  
blogs.idc.com  
www.idc.com

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