

Marketing & Sales Practice

# Rapid revenue recovery after the crisis: Strategies for success

The COVID-19 pandemic has upended norms about retail, brand loyalty, and consumer behavior. That's creating both a massive challenge and a rare opportunity for bold players to accelerate growth.



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**In this episode of the *McKinsey Podcast*,** Diane Brady speaks with senior partners Brian Gregg and Aimee Kim about the strategies that retailers and brands are deploying to not only survive the pandemic but also emerge ahead of the competition. An edited transcript of their conversation follows.

**Diane Brady:** Hello and welcome to the *McKinsey Podcast*. I'm Diane Brady. Is it really possible to grow your business in a global pandemic? We'll find out when we talk to two of McKinsey's growth gurus, as I call them. Brian Gregg is a senior partner in San Francisco, who coleads McKinsey's Marketing & Sales practice in North America. And Aimee Kim is a senior partner in Seoul, who leads the Marketing & Sales practice in Asia. Brian and Aimee, welcome.

**Brian Gregg:** Thank you, Diane.

**Aimee Kim:** Thank you, Diane.

**Diane Brady:** So back in May, you cowrote a piece on rapid revenue recovery. Let's start with you, Brian. Rapid revenue recovery—those are not three words that I've heard put together very often during this pandemic.

**Brian Gregg:** You're right, Diane. It's a bit of a mouthful, isn't it? But rapid revenue recovery is exactly the kind of phrase we've found many executives—and frankly, our clients—coming to us with as the pandemic emerged and as it has persisted. Rapid meaning as fast as humanly possible. Revenue meaning the top line—sales and how to get that engine going again. And then recovery because, let's face it, a lot of the uncertainty out there has forced a lot of companies to be in recovery-and-crisis mode. So that's why they all come together.

In terms of what's changed since we published our article a couple of months back, the answer is, a lot. This is where, Aimee, I'd love to hear your perspective coming at it from Asia. In North America, we've learned quite a bit. For one, since this whole pandemic began, we've seen consumers have drastically changed. Talk about an epic human

experiment, right? Putting aside for a moment the crisis itself and the humanitarian loss that we're all witnessing—if you just look at this from a true behavioral change shift, it's quite extraordinary. What we're seeing with consumers right now is they're not just trading down.

**Diane Brady:** Going to generic versions of what we used to buy from big brands?

**Brian Gregg:** Going to generic versions, looking for the lower price points—essentially, consumers looking to only buy what they needed for the lowest price possible.

What we're seeing now—in this particular, very unique situation—is consumers trading, period. Not just trading down but also trading from offline physical shopping to online. Trading from brands that they used to know and trust to new brands that they might either see and discover online or ones that are offering different propositions around safety and hygiene. So it's really a moment to just step back and recognize what's happened in the last 90 days: something that has really never been seen before on a consumer front. And we've learned quite a bit from that human experiment.

## Accelerating growth in e-commerce

**Diane Brady:** So Aimee, given those changes, it would seem that growth is potentially more difficult now than it was when you wrote the article.

**Aimee Kim:** I think the answer will be quite different by geography. Even within Asia, we have some markets where the lockdown is pretty much still in full force, whereas we also have markets like China where the average Chinese consumer would argue that business is pretty much as usual, setting aside the travel restrictions.

So I do think that, slowly but surely, a lot of companies have figured out how to crack the code and really reengage this very changed consumer, as Brian just described. So growth is not only possible,

**“The [companies] that are taking a slower time to pivot and regroup themselves in a digital-first world are, of course, having a much harder time.”**

—Brian Gregg

it is happening. I do want to emphasize that the traits that Brian described are absolutely true for Asian consumers as well.

If anything, if we tie that with the growth question that you just raised, Diane, the companies that are able to capture the imagination, engage the consumer—the new consumer, who has completely different expectations about what hygiene means in physical retail, what delivery speeds mean—on the e-commerce side, those are the companies that will really win.

One more thing I would add is that this pandemic has been probably the biggest onboarding exercise for e-commerce. In Asia, we're seeing the last consumer segments who were holding off in embracing e-commerce have really been forced to buy online. I'm referring to people who are typically older: mid-50s and above. They had their favorite shop in the neighborhood that they would frequent and were really resistant about buying online. The e-retailers that have been able to deliver a good experience are able to retain these consumers. The channel mix in the landscape going forward has completely changed.

**Diane Brady:** I think of that Shakespeare quote, Brian, “Some are born great, and some have greatness thrust upon them.” It seems like digital would be a good analogy here, where everybody went digital, but some seemed to do it a little better than others.

**Brian Gregg:** Oh, for sure, Diane. What we're talking about now is a K-shaped recovery.

**Diane Brady:** K-shaped? I've never heard of a K-shaped recovery.

**Brian Gregg:** Well, let me try and paint the vision here and see how clear it becomes. If you think of the two legs of a “K,” there's one that points up and one that goes in the opposite direction. And to your Shakespearean quote, those who are either already positioned well in a digital world or those who have been able to quickly rapidly pivot there, those are the ones on the good side of the K, meaning going up.

The ones that are taking a slower time to pivot and regroup themselves in a digital-first world are, of course, having a much harder time with this. This is going to be a moment that separates, more so than ever, the winners and the others. And it's this digital shift that Aimee's talking about that's the biggest separator.

**Aimee Kim:** We refer to it as really exposing the winners versus the losers. And it's really become a situation where there's nowhere to hide. The companies that have been investing in digital capabilities, that have been thinking about how to connect online and offline, those are the ones that are really emerging. And [they are] actually accelerating growth amid this pandemic, whereas the companies who have been a bit less aggressive or proactive on that front are really feeling the pain in many cases.

## Five markers of successful companies

**Diane Brady:** What are the aspects that really have made a big difference? Is it that last mile of how quickly they get my stuff to me or is it other factors that are causing that separation? Brian?

**Brian Gregg:** We looked at this very question because so many of our own clients and executives and boards are asking similar questions. And while this is still new, and the cement is certainly still wet, what our research is starting to show is that there are five markers of what companies who are on the upshift here are doing versus those who aren't.

The first one we already talked about—those who are able to truly embrace this digital surge. That's absolutely marker number one.

The second one is one we're referring to as the granularity of recovery, which is essentially companies that are able to get much more granular about how they capture demand when it's there; that's a winning trait. Here in the United States, as an example, I had one client the other day say, "This isn't one virus, this is 50 viruses." And if you actually break it down, it's 500 viruses. Because the way consumers are ready to buy and shop is a very localized decision right now.

**Diane Brady:** So it's customization and data? Is that the differentiator in that category?

**Brian Gregg:** It is. The ability to get granular, to personalize and customize at a local level, is the differentiator there. That's a second example, or a second marker.

The third one we found is this element we're calling virtual agility. Many workforces have been forced to go virtual, as many know. But the ability to stay fast, rapid, and be able to respond in the moment—and I'm not talking about quarterly business reviews; I'm talking about daily, hourly shifts and pivots in which

you focus your resources—that's the third marker of what we're really seeing successful companies do.

The fourth one, we're calling business model reimagination; this idea that, while you have to manage the crisis in front of you, [it's also important to have] the ability to step back from that and imagine that when we do emerge out of this current pandemic, what will be the business model shifts that are going to be there, and how do you take advantage or participate in those now?

And then, we call the fifth and final marker self-funded growth, which is basically saying, how do you use this moment to truly rewrite the entire P&L [profit and loss] and places where you've always wanted to make shifts as a company? Now's a great moment. Rip the Band-Aid off and save money that maybe wasn't being directed in the right places. And use those dollars to invest in growth. So self-fund your own growth curve.

## 'Digital breadcrumbs' drive personalized marketing

**Diane Brady:** How are those markers playing out in Asia, Aimee? There doesn't seem to be a lot of money around, but there's certainly a lot of pain.

**Aimee Kim:** There is a lot of pain, Diane. I think some players in Asia have still been able to weather the storm and are really doing well. I'll just talk about a few of the five markers that Brian alluded to; for instance, granularity. In China, there are digital agencies that will be able to pinpoint a consumer's physical location within two meters. So they literally are able to track a consumer who's roaming in a department store [and see] which beauty counter she is in front of. And coupling that type of geolocation data with the consumer's spend data, with other data like these digital breadcrumbs that brands are collecting about their individual

consumers, allows certain companies to really do personalized marketing like never before.

And so it really is super granular. Virtual agility is also the name of the game. Again, I'll give you an example [from China] during the lockdown, and we're talking about literally one or two weeks after the initial situation in Wuhan occurred: a Chinese mobility player was able to run thousands of campaigns in a super agile way in order to pinpoint what really worked for different consumers. And it was able to protect 90 percent of the revenues during the lockdown, whereas the average Chinese business was looking at 10 percent, if they were lucky.

**Diane Brady:** Wow. How are they doing now? Did they continue on that trajectory?

**Aimee Kim:** Oh, absolutely. They're doing very, very well. And eating their competitors up day by day. One common theme, if we step back and look at these winning players, is the fact that they actually were sitting on a lot of consumer data, and they really understood their consumer.

If you ask me, [the one factor] underpinning the requirement to really excel on these five markers of future success is definitely understanding your consumer. Earlier you asked, is it about the last mile? Is it about having a good fulfillment system? All of

those are extremely important, but it all starts from understanding what the consumer wants.

For instance, we know from our research that despite all the talk about fast delivery, many more consumers are far more interested in and demanding about transparency or visibility. So it's much more important to be able to track where their parcel is as opposed to getting it immediately. And so really understanding what the consumer values and quickly pivoting your business model and your services to cater to that is how you weather the storm and continue to grow in this situation.

### **How consumer values have shifted amid COVID-19**

**Diane Brady:** It feels like the consumer mindset around data has changed a bit. We're more willing to do track and trace. We're more interested in personalization. Brian, have you found that to be the case, and is that an opportunity that brands need to explore?

**Brian Gregg:** Well, the truth on the data acceptance and the privacy concerns that consumers have had is that there was always a threshold for which consumers would be willing to give their data, right? And as long as the value exchange is

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—Aimee Kim



there, consumers will be willing to give more and more. What this pandemic has brought upon many segments and cohorts of consumers is a different set of values that they're looking for—for instance, guarantees of safety and wanting to know how much contact is going to have to happen in order to have a transaction completed.

These are all things that weren't even on the hierarchy of needs less than a year ago and now, all of a sudden, have catapulted to the top. And so in that world, what is new and what is different is consumers' willingness to give information about themselves, where they live, and who they are for guarantees on some of these new needs.

**Diane Brady:** It does feel like that is an area where we see a geographic divide. Aimee, what do you find, in terms of the different markets you look at?

**Aimee Kim:** I think there's a general acceptance that sharing your personal data is really required at times in order to protect the broader social health and welfare. So in most Asian markets during the pandemic, I think the government, private companies, and individual consumers are all beginning to stack hands and are much more open to doing this.

And it's because, as Brian just mentioned, there's this fundamental belief that there's value—there's something coming back to me individually—in doing that. I think what's interesting is that it's not a one-way street. Consumers obviously are a bit more open in providing their information, whether it's in return for a personalized marketing campaign that is really valuable to them or it's because it's extremely convenient for them, and so forth. But retailers are also much more proactive in some instances in sharing their information. For example, the other day, I was chuckling because one of our team members had ordered lunch, and the online delivery system had stapled a piece of paper on the lunch box, and it literally had the body temperature of all the employees that had touched the box. It doesn't get better than that.

## What CEOs are saying

**Diane Brady:** Yes, that's good lunchtime reading. Tell me a bit, Brian, about the conversations you're hearing from CEOs—and even about that category of reimagination. It feels aspirational at this point. Are people still in crisis mode?

**Brian Gregg:** It does depend. But this pandemic has been with us now for—depending on what country or what city you're in—five, six, seven months. And at a certain point, there's just fatigue that starts to set in. I was speaking to a CEO of a retailer just this past week who was commenting on how to reach an element of sustainability with the maniacal focus that the crisis forces upon a retailer. This is a retailer that had to shut all their stores just three months ago. What he was saying to me was, “We did all the scenario planning you'd ever hope for, but in not one scenario did I ever plan for all our stores to be shut and for every shopper to have to stay home for almost a year.”

And he said, “The one thing I'm betting on right now is our ability to not only manage through the crisis today, tomorrow, or the next day but also pull our heads up and to think, ‘What's this going to look like next year and the year after?’” He added, “Brian, what I've got to think through is what if stores never open? Or what if this vaccine doesn't happen for two, three years? I hope it's not true, but I have to plan for that.”

And that's where his business-model-reimagination insight started to come in: “Where will I, therefore, be able to engage my consumer, and where will I actually earn operating profit? How does that look completely different if stores never do open?” So he's asked his team to spend the time on all the things that take real time, even though today they're managing through door openings and getting employees back in. He's asked them to reserve resources for imagining 2022 to 2023: “How do we shift our business model accordingly?”

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—Aimee Kim

### Reimagining the store

**Diane Brady:** Wow, I picture myself sitting in my living room for two years. Doesn't sound like an opportunity for me to buy, but Aimee, what are some of the more innovative models? It's not simply just e-commerce continuing, is it?

**Aimee Kim:** It isn't. A lot of brands are thinking about how to engage the consumer other than through e-commerce because that's not the only way consumers in their natural element want to engage and experience the brand. There is a role for the physical store. So how does that store have to change?

A lot of discussions we're having these days is about rethinking the format of the store. Does it have to be a big store, which typically draws in a lot of crowds? Will consumers be comfortable in that setting? Or do you want to reduce the number of large formats and actually have smaller stores that are much more in the neighborhood so that the customer doesn't have to travel long distances, or take a subway, or go through mass transport and again be exposed to the crowds?

So there's a lot of thinking not only about pivoting completely to online but also about how you change your existing store format to make it much more comfortable and convenient for the customer to visit. One Japanese shopping mall operator, for example, is taking this opportunity to completely rethink their tenant strategy. And they're using advanced analytics to forecast what type of product categories will still be sought in the offline environment because the product is something that consumers will want to touch and feel before making a purchase. They're deciding, "Maybe we should increase our tenant mix in those categories." [They're also asking:] "What type of tenants do we probably think will go predominantly online? And we should probably reduce that tenant mix."

Going back to managing operating profits, a lot of mall operators are thinking up much more flexible and dynamic schemes in how they will charge their rents. Because they understand that everyone is under pain. So sticking to a very classic, rigid rental scheme probably does not work. We're seeing a lot of experimentation and imagination among retailers who are trying to get ahead of the curve.

## Brand switching and a shock to consumer loyalty

**Diane Brady:** I am intrigued even by the notion, Brian, that loyalty appears to be dead. First, is it dead? How are people rebuilding it?

**Brian Gregg:** I wouldn't go as far as saying it's dead. I think it's been shocked. It's been jolted. All of the assumptions that guided predictive models on which brands were going to win have really been thrown out. Just think about it. We're finding in our consumer research that 75 percent of consumers report changing either a brand, a retailer they shop, or a place they start their journey. The amount of human routine and behavioral change that's happened in the last 90 days is just unprecedented.

Think about the grocery sector. Grocery is as tried and true as retail gets. Everybody has their go-to. It's either three blocks away or three miles away. They know their cash register person. They know other folks. We found that 25 percent of consumers are reporting they've changed their grocer in the last 60 days. This is what I mean by a time of true routine shift and behavioral change. And so inside of that—your question about consumer loyalty—we're finding that a significant proportion of consumer shifting is sticking.

The game board is up for grabs. You could argue that 20 percent of customers in any individual category are going to shift and stick. What I think what that means, and the implication for management teams, is setting your aspiration high. Ask yourself, "How do I get on the right side of that K-shaped recovery?" This isn't about incrementalism. [Ask yourself:] "How do I maintain my momentum or maybe add one or two share points. How do we truly change the game?" How do you go from a number three player to a number one, or add 20 points of market share in the next, call it, 12 months? Those aren't crazy conversations to have, and we're finding a number of management teams, likely those on the offense, having those discussions.

## Setting investment priorities

**Diane Brady:** Well, what if I'm a little late to the game, Aimee, and I perhaps was not as quick or as deep in my investments? Tactically, I now have to set priorities. What are the areas that really move the needle right now?

**Aimee Kim:** I think anything that has a direct interface with the consumer is where you want to start. As Brian mentioned, a lot of consumers are going through a fundamental shift. And the stickiness is determined on how good the experience was.

So instead of trying to do heavy lifting on completely redesigning your global supply-chain network, I would start with the interface between you and the consumer, and go back from that point. Because if you try to do too much within these very challenging times, you may end up not really delivering on any one dimension above and beyond the competition. The rule of the game is to really focus sharply and start where it is a noticeable change to the end consumer.

**Diane Brady:** We hear a lot about how Gen Z engages. Are there surprises along the line as to what perhaps we thought baby boomers, Gen X, millennials, or others have done that may be changing right now? Brian?

**Brian Gregg:** We are seeing a couple things across the board with some of the cohorts you mention. We are seeing Gen Zers spending even more time on digital media than the other cohorts. We're also seeing baby boomers and some of the older generations actually being the ones to almost discover digital and its capabilities and sticking with it more so than the other generations. What surprised us is we're finding that two cohorts in particular are the most promiscuous, if I can use that word, on where they're spending their time and what brands they're sticking with. We're finding that both the Gen Z cohort as well as the higher-income cohort are the two that are most likely to change brands or retailers.



If you think about brands who are always pursuing that next generation, the younger generation, of consumers or those with higher income, those are really the two battlegrounds that perhaps are the most challenging, given the environment that this pandemic has caused.

**Diane Brady:** What are the battlegrounds you're watching in Asia, Aimee?

**Aimee Kim:** I think those are similar to what Brian just mentioned. One thing that's quite pronounced in Asia is video streaming. So even, surprisingly, with baby boomers and the older generation who, through this pandemic, have been onboarded into e-commerce, even with that segment, the way they want to absorb information online to make a purchase is really skewed toward video streaming. It's come to a point where the brands have, during this pandemic, very aggressively reallocated their digital marketing spend to try to excel in platforms where video streaming is the norm.

## Reflecting on the crisis

**Diane Brady:** Because I am the daughter of a salesman, I do think that all of life is marketing and sales, which is, of course, not technically true. But on an individual level, are there lessons that we can take from even how the two of you are behaving differently? Brian, I'm going to start with you. What are you doing differently in terms of your own consumption?

**Brian Gregg:** It's a great question of reflection. If you'd asked me this six months ago, the answer would have been different from three months ago, would have been different from now. But I do think there's a real resilience that's forced all of us to really reflect on this crisis.

And to really think about how you reframe it into an opportunity—for self-growth, for resilience, or for, in my case, not getting on an airplane as much. So how

do I redeploy the time to ensure that I'm with family a little bit more or spending time with my client base to help them through this time?

So the first thing is just reframing what might be given to you as lemons and really trying to squeeze the lemonade. I think the second thing that at least I'm trying to apply to my daily life is just the sustainability point, because boy, this—to me—came a little bit out of nowhere.

**Diane Brady:** Well, you're in California. Of course there's still wildfires, and that might have been a factor.

**Brian Gregg:** I'm now recognizing the importance of just simple things like clean oxygen but also of being able to get to a point where you force a different operating model, just as at the enterprise level. Many management teams are trying to hit a new speed and a new agility in their own ways of working. But [you should also be] thinking about your own operating model, setting barriers for when and when not to be working, and thinking about operating at multiple speeds.

It's a very valuable lesson of how to manage the here and now but also to think a year or two years ahead in a world scenario where nothing's clear. And then maybe the last thing I'll just say is, since you mentioned the wildfires, I personally have just realized how important it is to embrace gratitude for every moment. And I joke because just a month ago, I was sitting around, complaining about the pandemic—how long's it going to be, how many lives are really at risk, and how it's really a detrimental situation—and then the fires come.

Walking around San Francisco, I see so many people out and smiling. And why? It's because there's clean oxygen. The sun actually rose in the morning. We had blue skies. So it shows you the power of really being thankful for what you do have— and in a time where that's really an important thing.

**Diane Brady:** Climate awareness is changing consumer patterns, as well. You certainly hear companies talk about that. Aimee, what about yourself?

**Aimee Kim:** Brian's points resonate with me personally. On a practical dimension, it's really managing against churn and fatigue. Initially, when we were caught by the pandemic—you know, by surprise, even internally—as a firm, we had, and Brian knows this, countless webinars, with good intentions, to try to hold the hands of our clients, many of whom were really getting anxious, for good reason, and also [had webinars] among ourselves.

We were all just so surprised. Sitting here in Asia, quite frequently I would be doing webinars and podcasts in the wee hours of the evening. And these things take their toll. I think we have to pay attention to the advice that we give our clients, which is not to go into overdrive or panic mode but to step back and really rethink: What does this mean, in the short term and the long term, in terms of my operating model? And what boundaries between professional life and personal life am I going to set? Otherwise, things quickly become unsustainable. So on a practical level, I think it's really protecting against fatigue and churn.

The second component would be perhaps changing the first “r” in rapid revenue recovery to reimagining revenue recovery. Because I think this is all about reimagining a new future, a new way of life. And so it's a very precious opportunity for us to all look back and embrace change and do things differently.

## Moving beyond crisis mode to shape future growth

**Diane Brady:** In terms of just tying the loop a little bit back to that growth question, it feels a little like we're in a winner-take-all society at times when it comes to e-commerce. How optimistic are your clients about the opportunities they see going forward? Brian?

**Brian Gregg:** I think it would be unfair to say everybody's optimistic. It really depends on the individual company and the individual management team. But I will tell you this: I have been impressed with the amount of resilience that I've seen across the board—in all kinds of sectors and in all kinds of management teams—and with the basic humanity, and frankly, teamwork that has been exhibited in the last six to nine months, the willingness to do whatever it takes, both to keep the business alive

**“I will tell you this: I have been impressed with the amount of resilience that I've seen across the board.”**

—Brian Gregg

but also to serve consumers—to do what’s right in their local communities and to really serve the broader good.

It’s been a very touching moment in our history, not only from a business perspective, but also from an overall humanity perspective. I’m quite proud of the way the private sector and businesses in general have responded to that. From that standpoint, stepping back and looking at the entire community, I’m very optimistic about what lies ahead.

**Diane Brady:** Great. Help us look around the corner. I’ll go to you first, Brian, and then Aimee. What’s intriguing that’s on your radar?

**Brian Gregg:** I always am having conversations with executives about looking around the corner. One thing is to recognize the potential in what this moment represents, both for the company and for your brand, or for your enterprise and the market. This is a moment we’ll look back on historically and say, “Remember when...?” And what you want to make sure you’re doing is saying, “I as a leader and we as a team used this time to do X.”

The second thing is that there’s no time like the present, right? I think this is a pretty obvious point in many cases. But it is a time to act now—and with purpose and with ambition and with boldness. And what is exciting about these kinds of moments is not only do they not come very often but also it’s a time when teams come together and really make bold moves.

So that’d be the second thing to look around the corner and say, “Are we being bold enough?” And

asking yourself, “Have we accomplished everything we’d like to accomplish, given this is a once-in-100-year type of event?” And then the final thing I’ll say would be looking around the corner, this is a time to really reflect on what the future of the company is going to look like and not just be in crisis mode, as Aimee and I have said, but to be able to really shape the future of the organization you’re leading.

**Diane Brady:** Aimee, as you look around the corner, what do you see?

**Aimee Kim:** The discussions that I’m having with my clients about what the future is and how the future can be different is really about do you want to be a responding company or a reacting company, or do you want to be a shaper? And I think the more we can encourage our clients to be bold [the better]. It’s a scary time, but it is an opportunity. And in a certain sense, how they spend time and how they reshape their strategy for the next six to 12 months will have really long-lasting consequences in what type of company or brand emerges in the future. So again, the question is, are you reacting or are you shaping?

**Diane Brady:** Great advice. Brian, Aimee, thank you very much for your thoughts.

**Brian Gregg:** Thank you, Diane.

**Aimee Kim:** Thank you.

**Diane Brady:** That was Brian Gregg in San Francisco and Aimee Kim in Seoul. If you’d like to read more about their work on revenue recovery that is rapid, reimagined, and resilient, please go to [McKinsey.com](https://www.mckinsey.com). Until next time, I’m Diane Brady. Thank you.

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