Think fast: How to accelerate e-commerce growth

The most critical tools in successful e-commerce expansion are customer-centricity and a test-and-learn mindset.

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November 2020

It's been more than six months since the onset of the pandemic. Most companies have completed at least a partial shift to digital in response to overwhelming customer demand. To make that shift sustainable, they now need to carefully examine technology, physical infrastructure, talent recruitment and deployment, and other systems—and this needs to happen at speed. Digital leaders, in fact, run four times faster than their peers in terms of performing key managerial functions, such as engaging with data and sharing results of test-and-learn activities, particularly as they relate to customer service.

To enable speed in e-commerce, companies need to get a bewildering number of things right. But we've found that three elements are particularly important: a test-and-learn culture, operations to support rapid reaction, and a customer-first commitment.

Testing and learning

Our research shows that more than 50 percent of companies whose revenue growth is in the top 10 percent are more effective than their industry peers at testing ideas, measuring results, and executing changes to products, services, and ways of working. A prerequisite of successful testing and learning is an acceptance of failure as the cost of uncovering new knowledge. Recent McKinsey research shows, in fact, that respondents at successful organizations are more than twice as likely as their peers elsewhere to strongly agree that employees are rewarded for taking an appropriate level of risk.[1] Digital natives have this mindset as part of their DNA and support it in three ways:

— *Embed learning.* A culture of learning has to extend to every corner of an organization, but it starts with leadership. At top-performing companies, senior leaders continuously scan for new tools and practices that can accelerate performance, taking the time to learn a new solution at least monthly, compared with quarterly at slower-moving companies. They also take steps to spread knowledge. When Procter & Gamble set about building a digital

culture, the consumer-packaged-goods (CPG) giant, founded in the 19th century, started with learning. It created an array of platforms, programs, and training modules to broadcast knowledge and extend training throughout the organization. Its Digital Genius Academy, for example, aimed to upskill everyone in the company in online sales and marketing fundamentals. Another program paired middle and senior managers with digital-subject-matter experts, who were usually junior, to ensure knowledge traveled both up and down the hierarchy.

— *Reward experimentation, even when it fails.* A cornerstone of digital culture is the ability to continuously improve and innovate. Teams are empowered to test, learn, and improve without the need for a cumbersome approval process, allowing them to test new go-to-market approaches, improve the e-commerce platform, or even get new products to market first. Incentives need to be in place to support this approach. At ShopRunner, for example, executives are asked in their reviews to describe recent failures. If the failures hadn't cost the company money, the executives didn't get their bonuses.[2] Incentives include providing employees with ownership and decision rights. Atlassian, an Australian enterprise-software company, hosts quarterly ShipIt Days, in which employees have 24 hours to work on anything innovative they want, provided it relates to an Atlassian product, and then present the work to the company. The company also allows employees to spend 20 percent of their time developing their own innovative ideas.

— *Build learning skills.* The best companies approach learning with the same focus and discipline as they do e-commerce. As top-performing companies set goals for new growth strategies or sales channels, they create a deliberate program to anticipate the needed skills and capabilities and a strategy for developing them. In practice, that comes down to a comprehensive learning program

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[1] Arun Arora, Peter Dahlstrom, Klemens Hjartar, and Florian Wunderlich, Fast Times: How Digital Winners Set Direction, Learn, and Adapt, Seattle: Amazon Publishing, 2020.
[2] McKenna Moore, "The king of online dating's three innovation tips," Fortune, September 25, 2018, fortune.com.

tailored to individual needs, such as just-in-time e-learning modules and company-wide academy programs, as well as targeted hiring. New hires who can bring new skills and mindsets can be instrumental in embedding learning as well as jump-starting the development of new capabilities.

Rapid-reaction operations

Truly digital players have fully integrated e-commerce and digital sales with the rest of the value chain. This allows them to quickly react to new customer demand, adapt existing offerings, introduce new products and services, and deliver them to customers fast.

Doing this well starts with being able to spot opportunities quickly. That requires good data and a commitment to using it. Nearly half of the best-performing companies in a recent McKinsey survey, in fact, collect and analyze customer data at least weekly, compared with just 16 percent on average. Companies then need to have the operational flexibility to move quickly to go after those opportunities. Take Vistaprint, a global e-commerce company that produces customized marketing materials for small businesses. Driven by the COVID-19 pandemic, in late March, Vistaprint supported a local fire department in Ontario, Canada, in developing face shields for frontline workers. By early April, after this successful run, it had reconfigured its Ontario manufacturing site and produced its first 3,000 shields for the Ontario health system.[3] Learning from the experience, it has now scaled its mask-making operations, offering customized, stylish face masks globally.

Agility in operations and supply chain has a cumulative strategic advantage. By the time a competitor shows up with a me-too product, the first mover will have rolled out scores of improved versions and already established a solid go-to-market approach. We found that during the crisis, many companies were able to make changes to their e-commerce front-end capabilities but

struggled to adapt their logistics to support the surge in demand.

Walmart, known for its ubiquitous big-box stores, has invested heavily in digital operations over the past decade. Its digital process has been put to the test during the COVID-19 crisis. When its 45 online fulfillment centers were pushed beyond capacity, the retailer turned its physical stores into mini warehouses, which allowed the company to expand its "ship from store" offer to 2,500 retail locations.

These tasks are never "done." It's important to continually monitor and measure results and push for improvements.

Action focused on delighting customers

One reason that focusing on the customer accelerates a business's pace is that it helps to provide clarity and focus about what is needed and cuts down on doing things that don't add value.

Successful digital innovators treat customer satisfaction as a primary business goal. In practice, that means investing heavily in analyzing and mitigating any customer friction points and embracing a zero-defects mentality. How do they do that? The best companies intimately understand their customers' experience, focus on the details of what their customers really want, and layer in data to fill out the picture. To drive this focus, they use data and analytics to synchronize the e-commerce experience with physical stores, social media, inside sales, customer care, and other customer-facing channels, making it seamless for the customer to shift among them.

A good example of this focus on what the customer wants is Best Buy, a US consumer-electronics retailer. When COVID-19 hit, customers could no longer come to Best Buy stores, but they were still shopping online and wanted their products quickly. So, in just 48

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[3] "Vistaprint adapts technology to manufacture face shields, donates thousands to Ontario healthcare," Vistaprint, April 9, 2020, news. vistaprint.com.

hours in March, Best Buy built and rolled out a contactless curbside pickup service that has since been extended to 1,000 stores. The effort included everything from new staging areas in the stores to new roles for sales associates. Best Buy's US online sales increased more than 250 percent, and about 50 percent were fulfilled via curbside pickup.[4]

For businesses today (both B2C and B2B), omnichannel has become a cornerstone of great customer experience. According to McKinsey's COVID-19 US consumer-sentiment survey, 40 to 65 percent of consumers intend to continue using contactless services, such as buy online and pick up in store and curbside pickup, even after the crisis is over.

How to make the change

Becoming a fast-moving e-commerce company requires a lot of things to happen at most large companies. However, we have found that executives should focus on getting three things right:

— *Understand what good looks like.* As simple as this may seem, many executives have real trouble knowing what excellence is in the digital realm. Even for the most experienced executives, it is crucial to step out of the day-to-day, look outside the organization, and reimagine the business. That can happen in many ways, from setting up an internal group of experts, or "tiger team," to review the business independently to visiting top-performing companies to see how it's done. One large consulting firm decided it needed to move away from using a cost-plus pricing model to becoming a digital-enabled solutions provider. This involved a hard look at what other forward-thinking firms were doing to serve their customers and what actions the company would need to take in order to carry out the internal shift.

— *Be comfortable testing your way to the answer.* Even when a company has a vision of where it wants to go and what good looks like, leadership may find it difficult, even impossible, to chart a direct path to get there. In digital, so much is unknown that traditional planning—sizing up a potential opportunity and developing the capabilities to seize it—isn't possible. This is where a test-and-learn mindset is most valuable. By creating a safe place for line leaders to "test the ground" through small pilot programs and learning from their success or failure, leaders can course-correct until the best path forward becomes clear. When done well, this begets an iterative cycle of testing, learning, and planning—for example, developing a series of A/B tests or testing minimum viable products in the marketplace.

Because executives are uncomfortable with uncertainty and unfamiliar with the idea of testing their way to a plan, however, they often either starve the effort of the necessary resources or recklessly throw money and time at it without any guardrails. The test-and-learn approach is most effective when it has some basic disciplines combined with the appropriate investment and freedom to fail and succeed.

— *Walk in your customer's shoes.* Most executives will say that their companies are customer-centric, but often the reality is that business pressures, stakeholder demands, and market forces are top of mind. Even when leaders do commit to trying to better understand the customer (think *Undercover Boss*), they generally just end up experiencing the employee's perspective, not the customer's. For example, visits to the front line to listen to customer complaints or serve customers in stores may provide a window into employee–customer interactions, but they fall short of developing deep customer insights.

Instead, we've found it's much more eye opening to analyze individual customer journeys in depth for one to two hours with six to eight company leaders. This allows

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[4] Quarter to date, as of April 15, 2020.

executives to really question each step of the process and understand what the customer is experiencing. At one company, executives listened to a single interactive-voice-response (IVR) experience and learned that it wasn't until 45 seconds into the call that the customer was able to make the first choice. That simple example with a single customer drove home the nature of the pain point. The team prioritized streamlining the IVR process so that the first interaction could happen within ten seconds.

Any effort to quickly scale e-commerce requires significant resources, from new kinds of talent to data analytics to IT infrastructure. While those resources are critical, we continue to believe that a learning mindset that values speed over perfection, embraces failure as much as success, and empowers team members is even more critical, and you can start the change today. Without that mindset, all the resources in the world will not result in a truly digital organization.

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