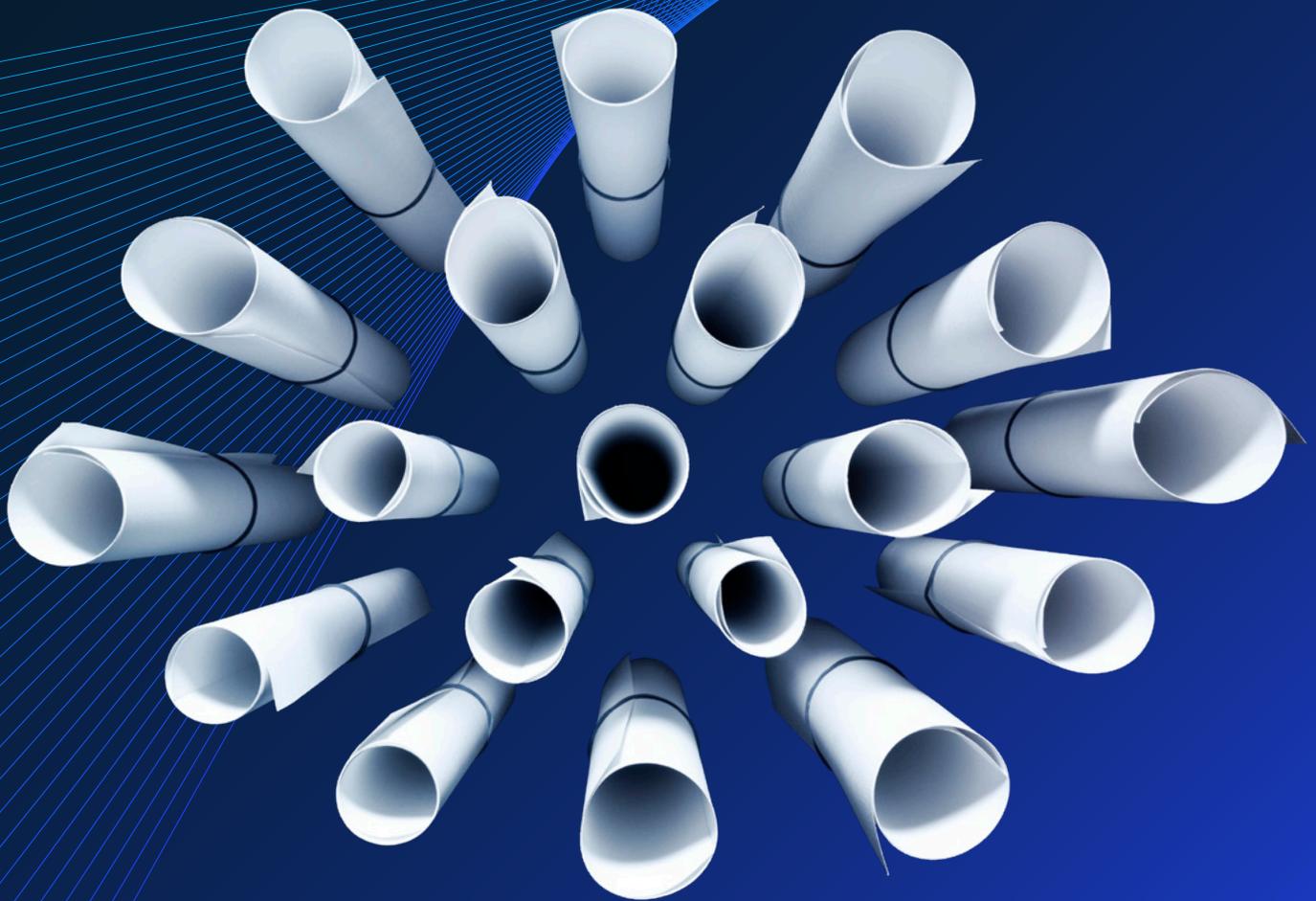


McKinsey
& Company

Marketing & Sales

2020 top picks: Our most popular articles

December 2020



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Introduction

The events of 2020 have changed so many aspects of our lives, including how we work, how we shop, how we socialize, and how we learn.

Some of the biggest changes were driven by consumers voting with their wallets from home, accelerating digital and e-commerce by ten years in just 90 days, and delivering an unforeseen shock to brand loyalty.

In a show of resilience, businesses quickly responded by embracing remote and digital models to serve their customers in new and engaging ways. The question now is how companies can build on the sudden shift, with their newfound knowledge and experience from doing the impossible in the face of the previously unthinkable.

As we look ahead, 2021 will be a year of transition. With vaccines being distributed, we can start to imagine a world after the pandemic. While many behaviors will return, new ones will emerge—consumers' expectations will continue to increase, customer experiences will become even more of a business imperative, and how companies sell will take on yet new meaning.

To help you prepare for what's ahead, we put together a collection of rich insights and articles across three key areas of recent research: the new face of consumers, how to win the recovery, and reimagining the future. From the entire M&S team, please stay safe and healthy—we look forward to bringing you the best of our insights in 2021.



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1. The new face of consumers

Marketing & Sales Practice

Consumer sentiment and behavior continue to reflect the uncertainty of the COVID-19 crisis

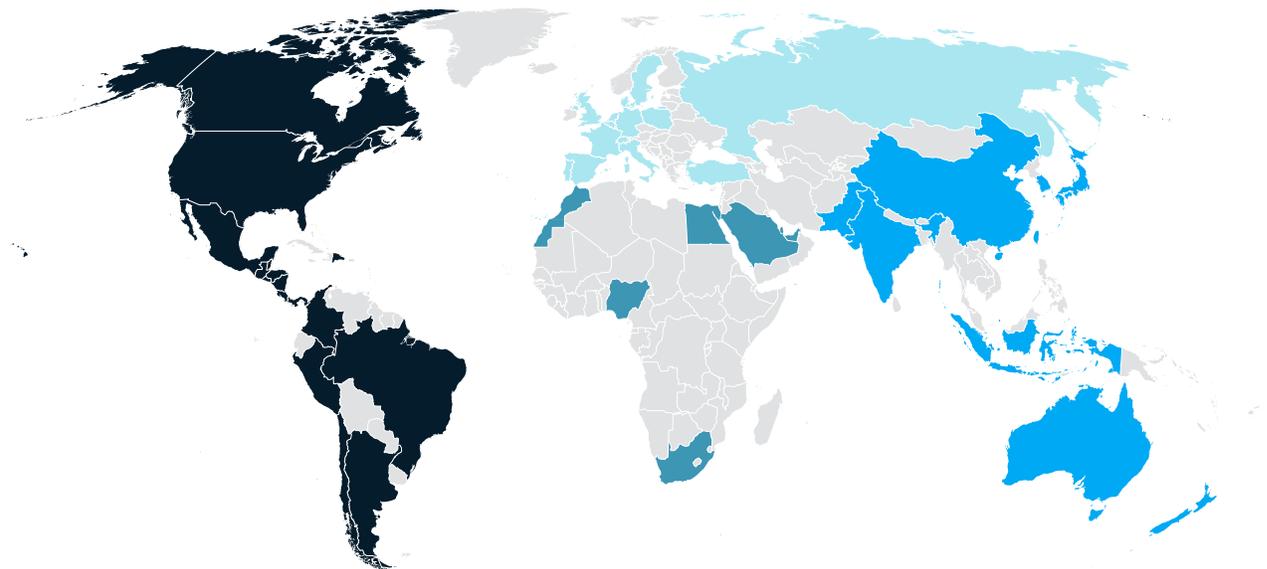
As consumers around the globe adjust to the next normal, there is significant variance in consumer sentiment and behaviors across countries.



Heading into the fall season, there is a renewed sense of caution as coronavirus cases soar in parts of the world. While the uncertainty from COVID-19 persists throughout the globe, its impact is felt differently across countries. As a result, there is significant variance in how consumers respond to the crisis and adapt to the next normal.

While these themes hold true across the 45 countries we have tracked through the crisis (see sidebar, “About our surveys”), the following exhibits focus on a subset of 13 core countries, selected because of their economic significance and the impact that COVID-19 has had on their populations.

We are tracking consumer sentiment across 45 countries.



AMERICAS

- Argentina
- Belize
- Brazil
- Canada
- Chile
- Colombia
- Costa Rica
- Dominican Republic
- El Salvador
- Guatemala
- Honduras
- Mexico
- Nicaragua
- Panama
- Peru
- USA

ASIA-PACIFIC

- Australia
- China
- India
- Indonesia
- Japan
- New Zealand
- Pakistan
- South Korea

EUROPE

- Belgium
- Denmark
- France
- Germany
- Italy
- Netherlands
- Poland
- Portugal
- Russia
- Spain
- Sweden
- Switzerland
- Turkey
- UK

AFRICA AND MIDDLE EAST

- Egypt
- Morocco
- Nigeria
- Saudi Arabia
- South Africa
- Qatar
- United Arab Emirates

The boundaries and names shown on this map do not imply official endorsement or acceptance by McKinsey & Company. Source: McKinsey/United Nations (disputed boundaries).

1. Shift to value and essentials

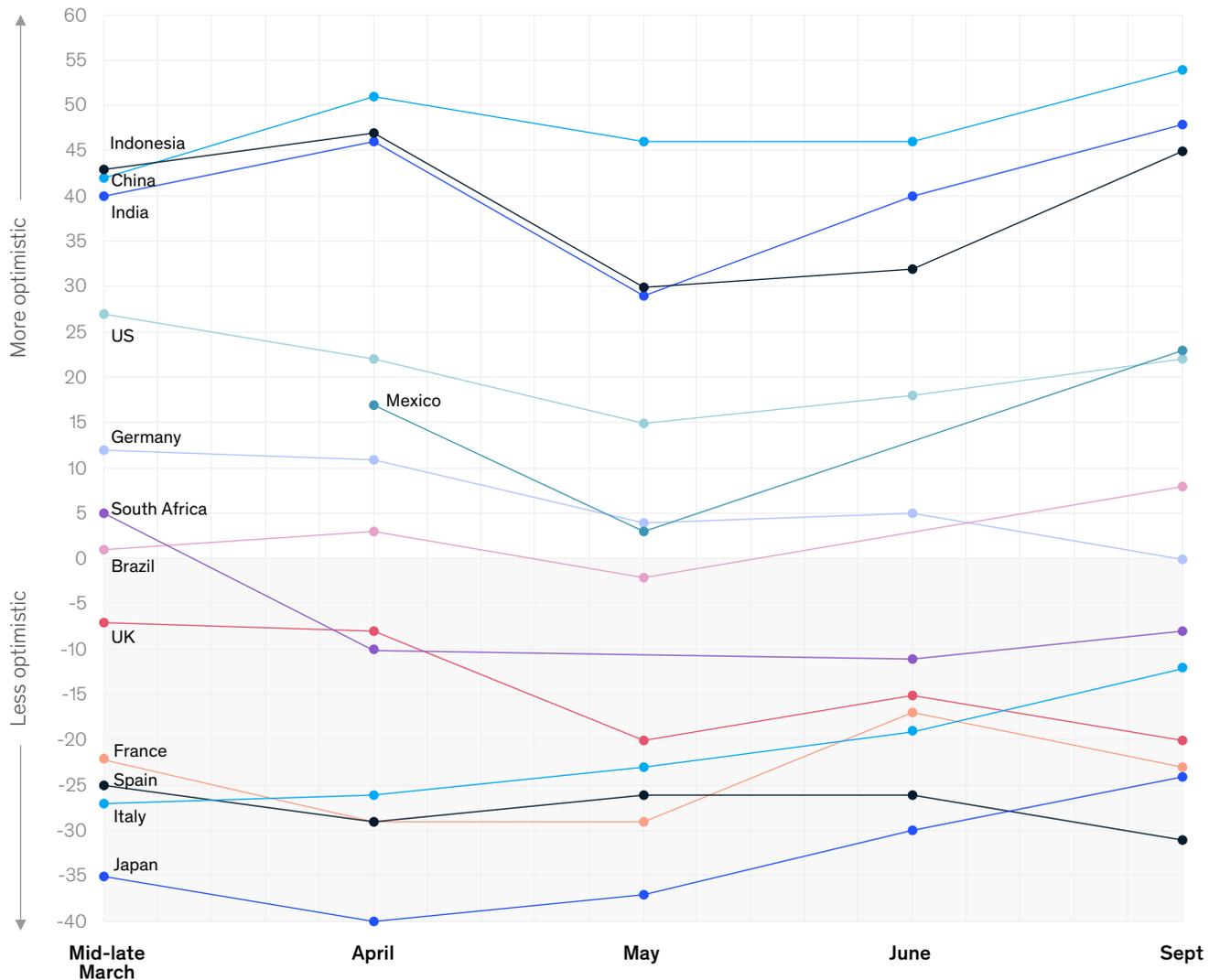
Consumer sentiment varies greatly across countries impacted by COVID-19. Consumers in China, India, and Indonesia consistently report higher optimism than the rest of the world, while those in Europe and Japan remain less optimistic about their countries’ economic conditions after COVID-19. Except for Italy, optimism has declined throughout European countries, in line with the rise in confirmed cases since late July.

Exhibit 1

Consumer sentiment varies greatly across countries impacted by COVID-19.

Optimism about country's economic recovery after COVID-19¹

Net optimism %²



¹Q: "How is your overall confidence level on economic conditions after the COVID-19 situation?" Rated from 1 "very optimistic" to 6 "very pessimistic."

²Net optimism is calculated by subtracting the percent of respondents who answered 5 "pessimistic" & 6 "very pessimistic" from the percent of respondents who answered 1 "very optimistic" & 2 "optimistic."

Source: McKinsey & Company COVID-19 Consumer Pulse Surveys, conducted globally between March 15–September 30, 2020

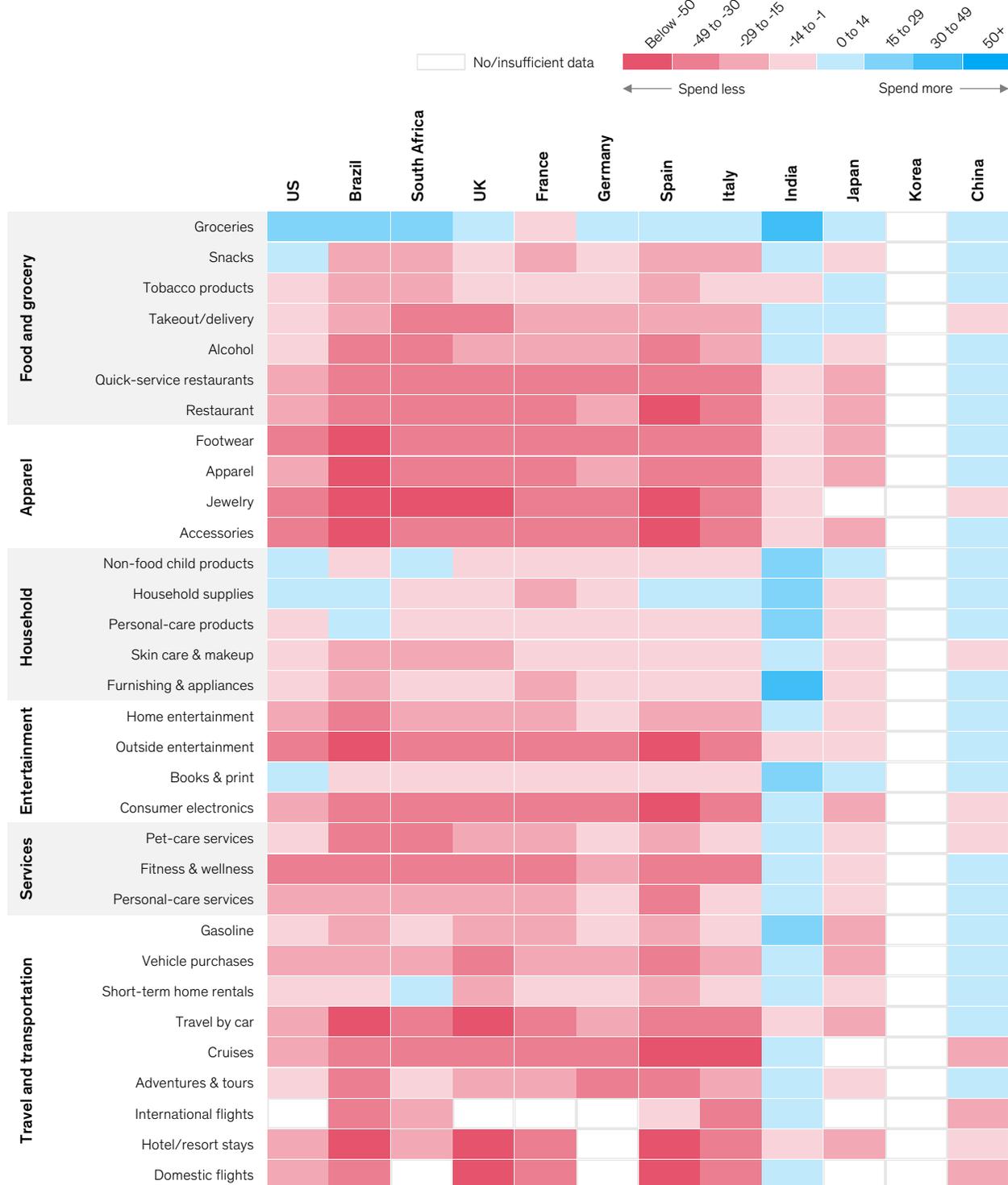
Divergent sentiment is also reflected in spending intent across categories. In most countries, consumers intend to continue shifting their spending to essentials, while cutting back on most discretionary categories. However, in China and India, spending is bouncing back beyond grocery and household supplies. Chinese consumers plan to increase spending on discretionary categories such as travel and apparel, suggesting that the country is further along the path to recovery than other countries. In India, consumers report a higher intent to spend across categories as they prepare for upcoming festivals (Diwali, for example) and the wedding season, which runs from October to December.

Exhibit 2

Global consumer anticipate pulling back on spending across categories.

Expected spending per category over the next two weeks compared to usual¹

Net intent %²



¹Q: "Over the next two weeks, do you expect that you will spend more, about the same, or less money on these categories than usual?"

²Net intent is calculated by subtracting the percent of respondents stating they expect to decrease spending from the percent of respondents stating they expect to increase spending.

Source: McKinsey & Company COVID-19 Consumer Pulse surveys, conducted globally September 18 – 30, 2020

2. Shock to loyalty

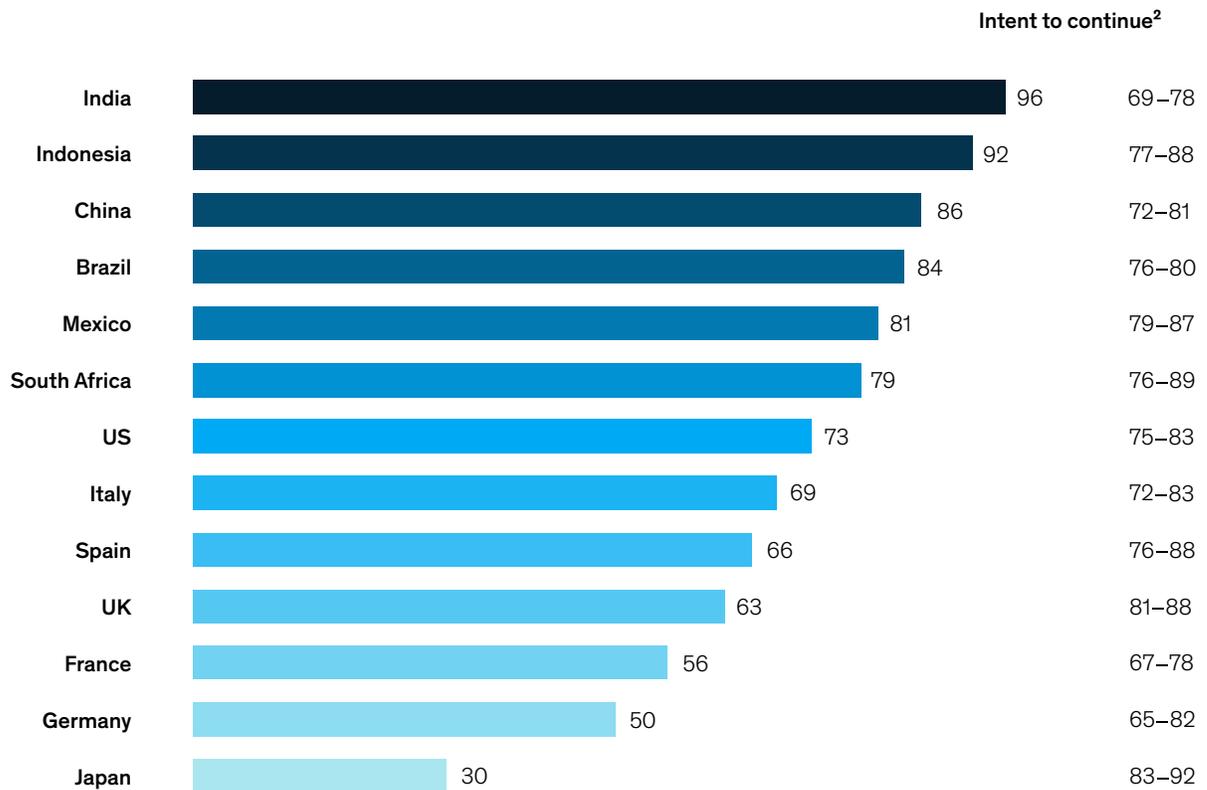
Consumers across the globe have responded to the crisis and its associated disruption to normal consumer behaviors by trying different shopping behaviors and expressing a high intent (65 percent or more) to incorporate these behaviors going forward. However, the change has been less pronounced in countries with a moderate degree of economic shock, such as Germany and Japan.

Exhibit 3

There's a spectrum of purchasing loyalty exhibited by consumers around the world.

Customers who have tried new shopping behaviors since COVID-19¹

% of respondents



¹Q: "Since the coronavirus (COVID-19) situation started (i.e., in the past ~3 months), which of the following have you done?" The chart excludes % of consumers selected "none of these."

²Q: "Which best describes whether or not you plan to continue with these shopping changes once the coronavirus (COVID-19) situation has subsided?" Possible answers: "will go back to what I did before coronavirus"; "will keep doing both this and what I did before coronavirus"; "will keep doing this and NOT go back to what I did before coronavirus." Intent to continue includes respondents who selected "will keep doing both this and that I did before coronavirus" and "will keep doing this and NOT go back to what I did before coronavirus."

Source: McKinsey & Company COVID-19 Consumer Pulse Surveys, conducted globally September 18–30, 2020

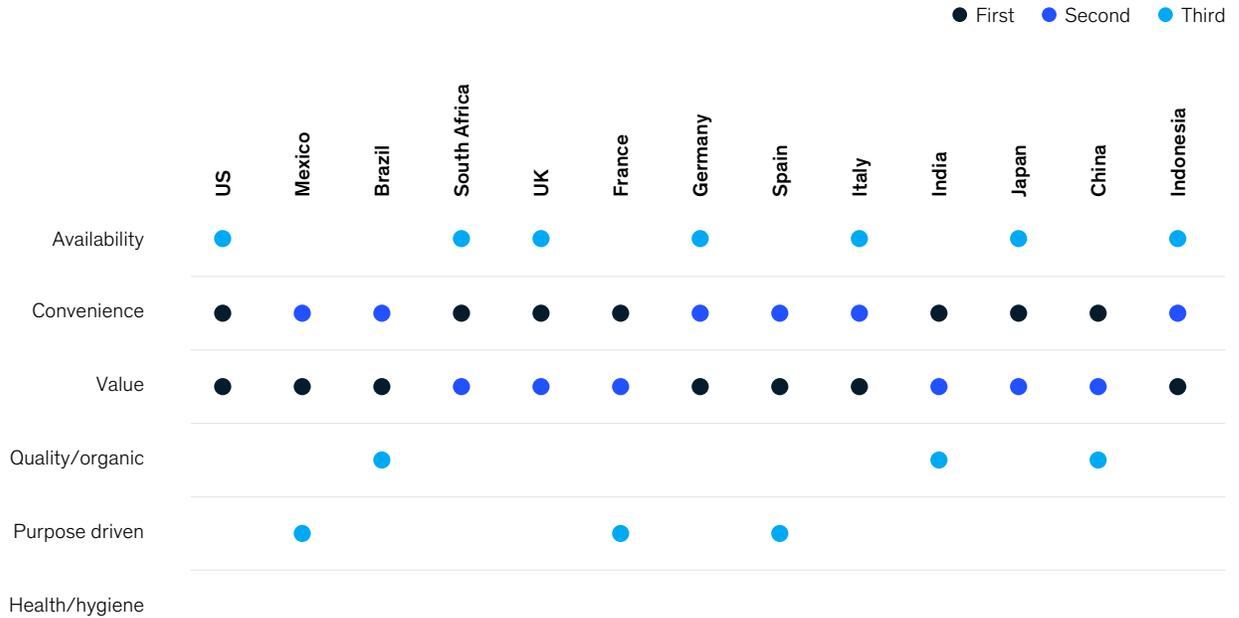
Given consumers' price sensitivity, value remains the primary reason for consumers to try new brands as well as new places to shop. Aside from value, convenience and availability are most often cited as top drivers of consumers' decisions about where to shop, while quality and purpose (desire to support local businesses, for example) are the more important considerations when choosing new brands.

Exhibit 4

Convenience, value, and availability are most often cited as top reasons for shopping at a new retailer across countries.

Reason for shopping at a new retailer/store/website in the past three months¹

% of respondents selecting reason in top three

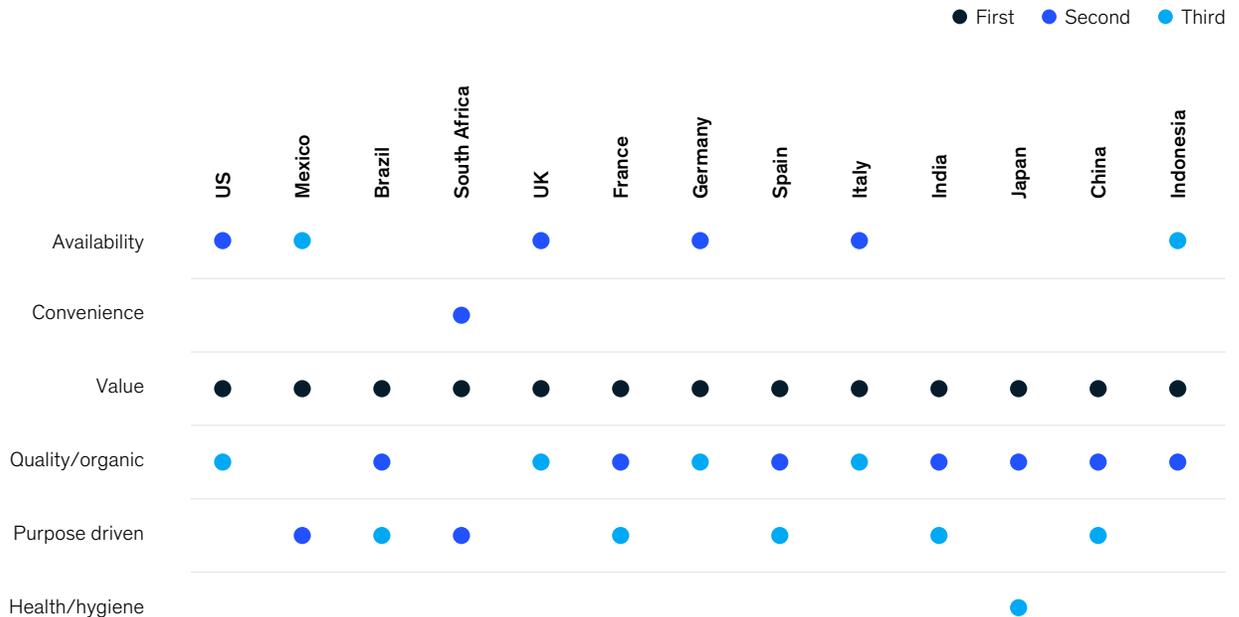


¹Q: "You mentioned you shopped from a new retailer/store/website since the coronavirus (COVID-19) situation started. What was the main reason you decided to try this new retailer/store/website?"

Value, quality, and brand purpose are most often cited as top reasons for trying a new brand across countries.

Reason for trying a new brand in the past three months¹

% of respondents



¹Q: "You mentioned you tried a new/different brand than what you normally buy. What was the main reason that drove this decision? Select up to 3." "Brand" includes different brand, new private label/store brand.

Source: McKinsey & Company COVID-19 Consumer Pulse Surveys, conducted globally September 18–30, 2020

3. Homebody economy

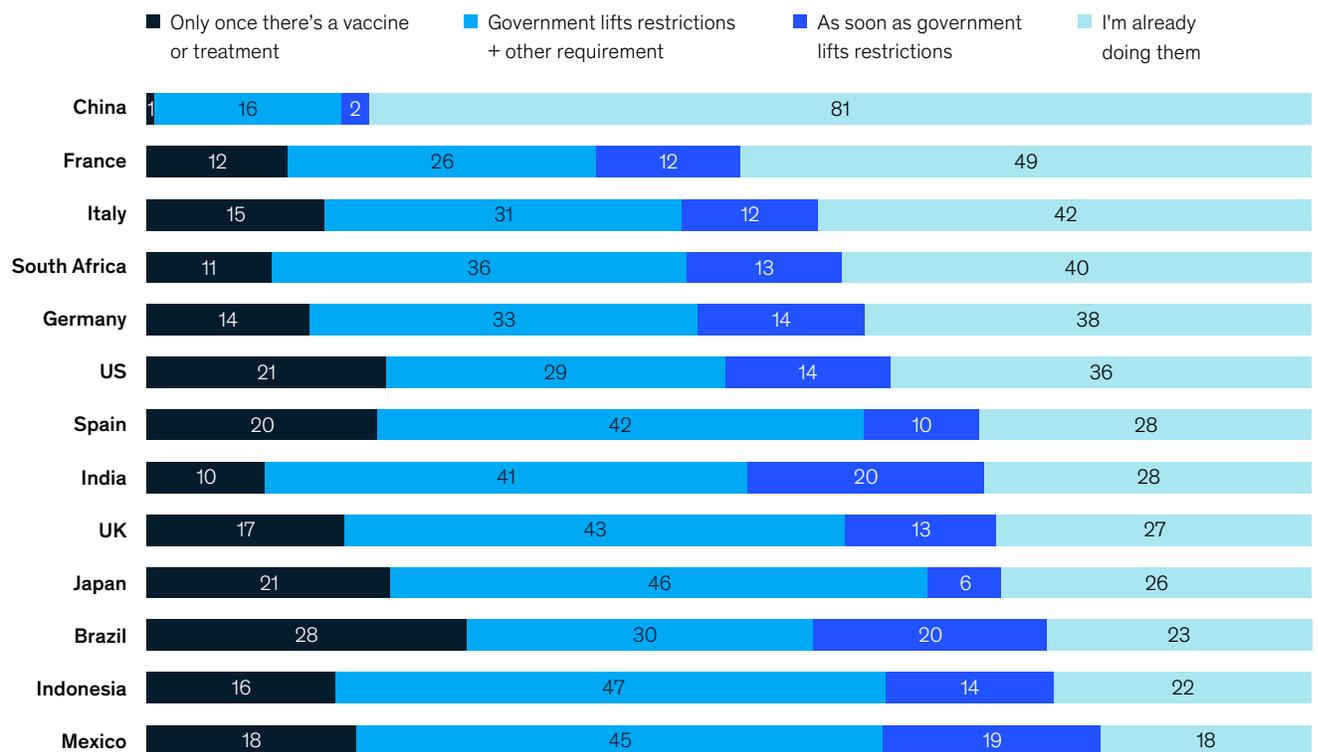
Consumers around the globe are at vastly different stages of resuming out-of-home activities. In China, more than 80 percent of consumers report engaging regularly with out-of-home activities. Countries with stricter government lockdown measures, such as Mexico and Brazil, have the lowest percentage of consumers reporting they have resumed “normal” activities.

Exhibit 5

Consumers around the globe are at vastly different stages of returning to “normal” activities.

Milestones for population not yet engaging with out-of-home activities¹

% of respondents awaiting each milestone before engaging



¹Q: “Which best describes when you will regularly return to stores, restaurants, and other out-of-home activities?”
Source: McKinsey & Company COVID-19 Consumer Pulse Surveys, conducted globally September 18–30, 2020

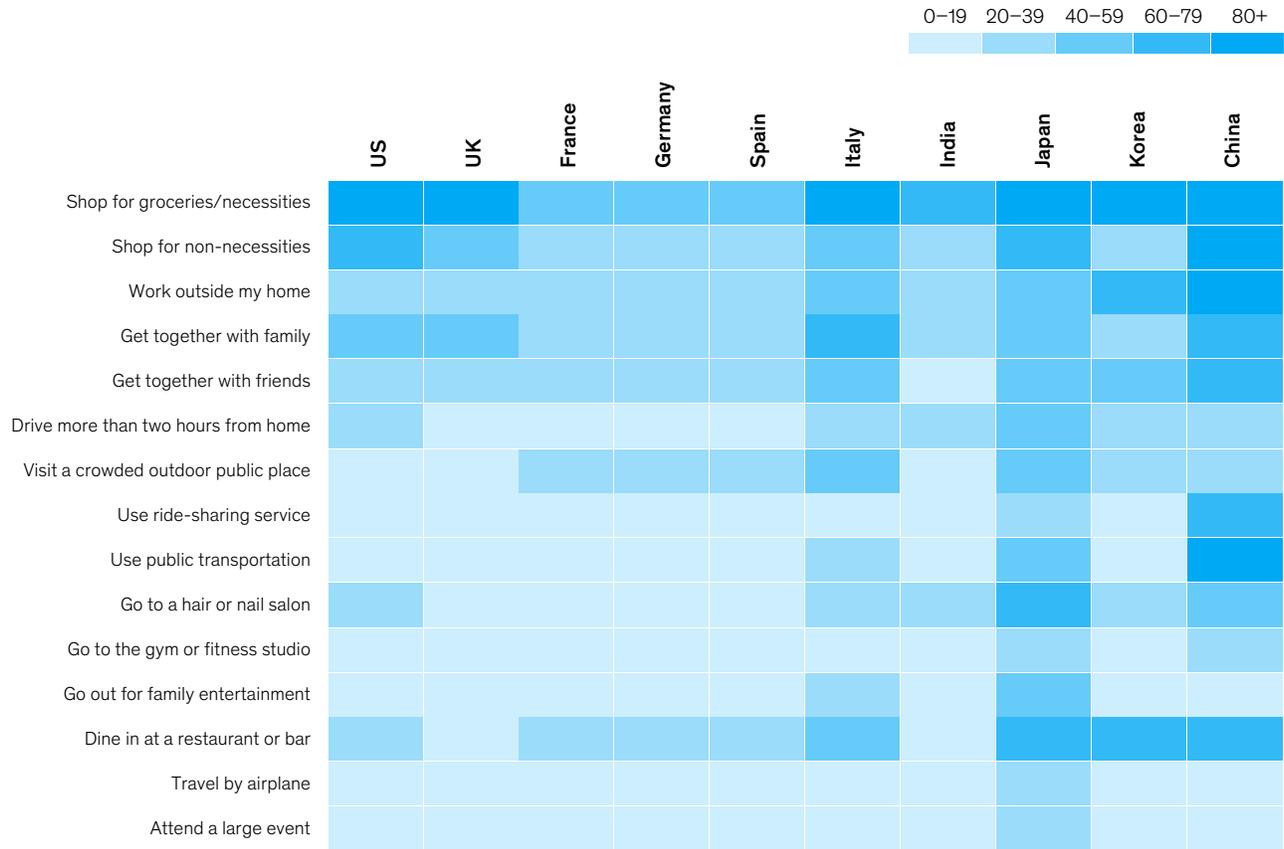
Consumers’ intent to engage with out-of-home activities varies by category and country. Most intend to leave home to shop for necessities but maintain low engagement in shared services. Consistent with other indicators of recovery, China is again an outlier with most consumers intending to engage in more than half of the activities tracked.

Exhibit 6

Intent to pursue out-of-home activities varies by category and country.

Intended engagement with activities outside home for the next two weeks¹

% of respondents²



¹Q: "For which of the following activities do you intend to leave your home to do in the next two weeks?"
²Chart represents percent of respondents who intend to leave their home to do this activity during the next two weeks.
 Source: McKinsey & Company COVID-19 Consumer Pulse surveys, conducted globally June 15 – 21, 2020

About our survey

Since mid-March, McKinsey has fielded consumer surveys, now in 45 countries around the globe, to understand the impact of COVID-19 on consumer sentiment and stated behavior. Surveys are conducted online in local languages and are repeated weekly, bi-weekly, or monthly depending on the region. Results are sampled on a country basis for a representative balance of the consuming class, based on variables including age and socioeconomic status.¹

¹ In India, the survey was conducted in English and primarily fielded in Tier 1 cities.

4. Flight to digital

The shift to digital persists across countries and categories as consumers in most parts of the world keep low out-of-home engagement. Food and household categories have seen an average of over 30 percent growth in online customer base across countries. Online growth for China seems more moderate, as the country had a high level of online penetration prior to the pandemic.

Exhibit 7

More people expect to make a portion of their purchases online post-COVID-19 than before.

Customers purchasing category online^{1,2,3}

% growth⁴



¹Q: "Before the coronavirus (COVID-19) situation started, what proportion of your purchases in this category were online vs from a physical store/in person?"

²Q: "Once the coronavirus (COVID-19) situation has subsided, tell us what proportion of your purchases in this category you think will be online vs from a physical store/in person?"

³Includes respondents who chose "some online," "most online," and "all online." Respondents who indicated that they have not bought the category online and do not intend to do so in the next two weeks are classified as not purchasing online.

⁴Percent growth is calculated by subtracting the pre-COVID-19 percentages from post-COVID-19 percentages and dividing by pre-COVID-19 percentages of respondents selecting "Some online"; "Most online"; "All online".

Source: McKinsey & Company COVID-19 Consumer Pulse surveys, conducted globally June 15 – 21, 2020

5. Holiday outlook

Compared to last year, consumers across the globe plan to reduce holiday spending, even in countries that have exhibited signs of recovery in spending intent in the next few weeks. China stands out as the only exception, with more consumers reporting increased spending than decreased spending.

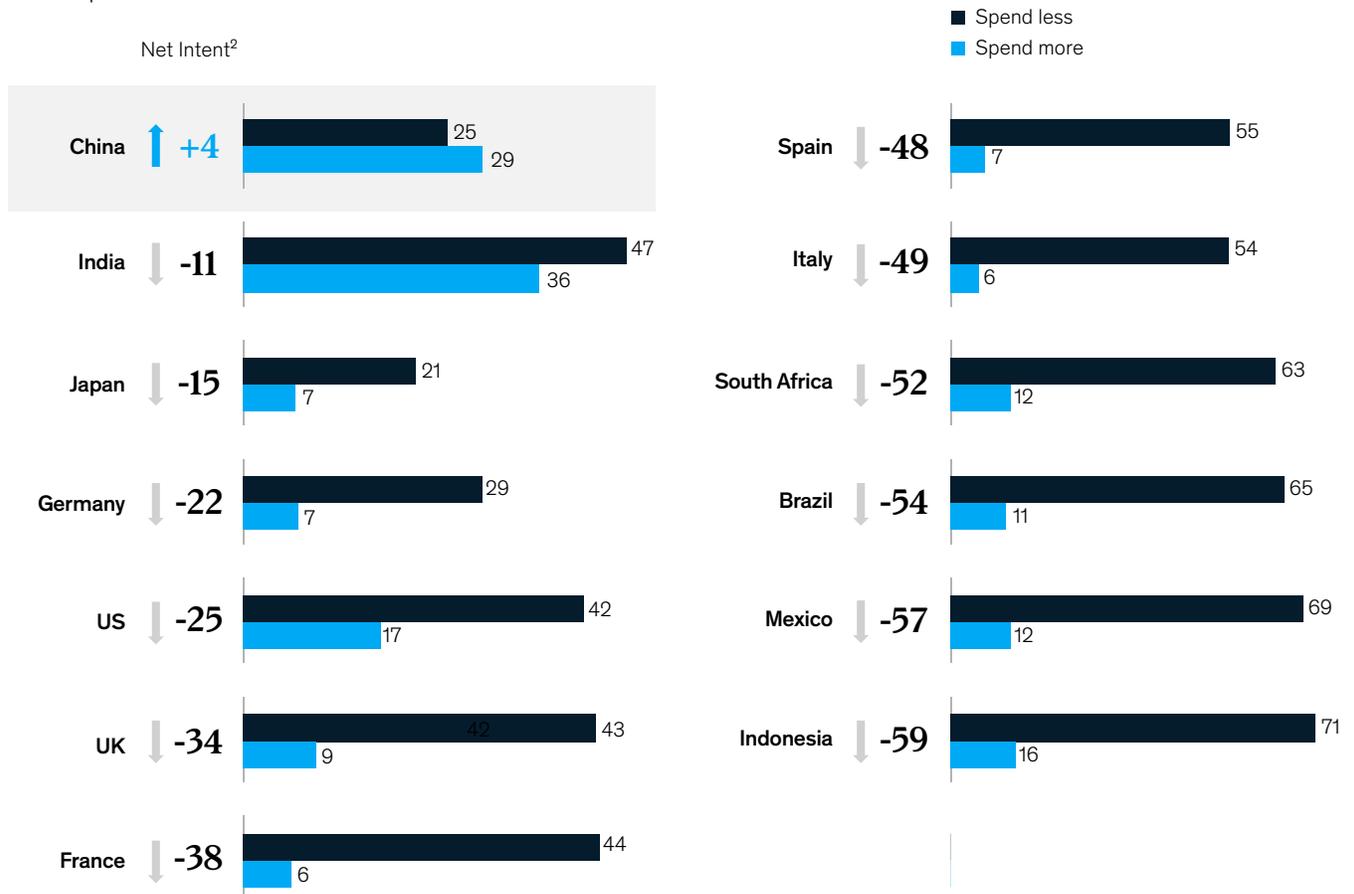
The flight to digital and omnichannel will be prevalent during the holiday season, with 30 to 60 percent of consumers across countries reporting an intent to shift online for holiday shopping.

Exhibit 8

Consumers in most countries plan to reduce holiday spending except in China.

Holiday shopping spending intent¹

% of respondents



¹Q: "How do you think your spending for the upcoming seasonal holidays (e.g., Single's Day, Black Friday, Christmas) may change compared with last year?" Rated from "significantly decrease" to "significantly increase".

²Net intent is calculated by subtracting the % of respondents stating they expect to decrease spending from the % of respondents stating they expect to increase spending.

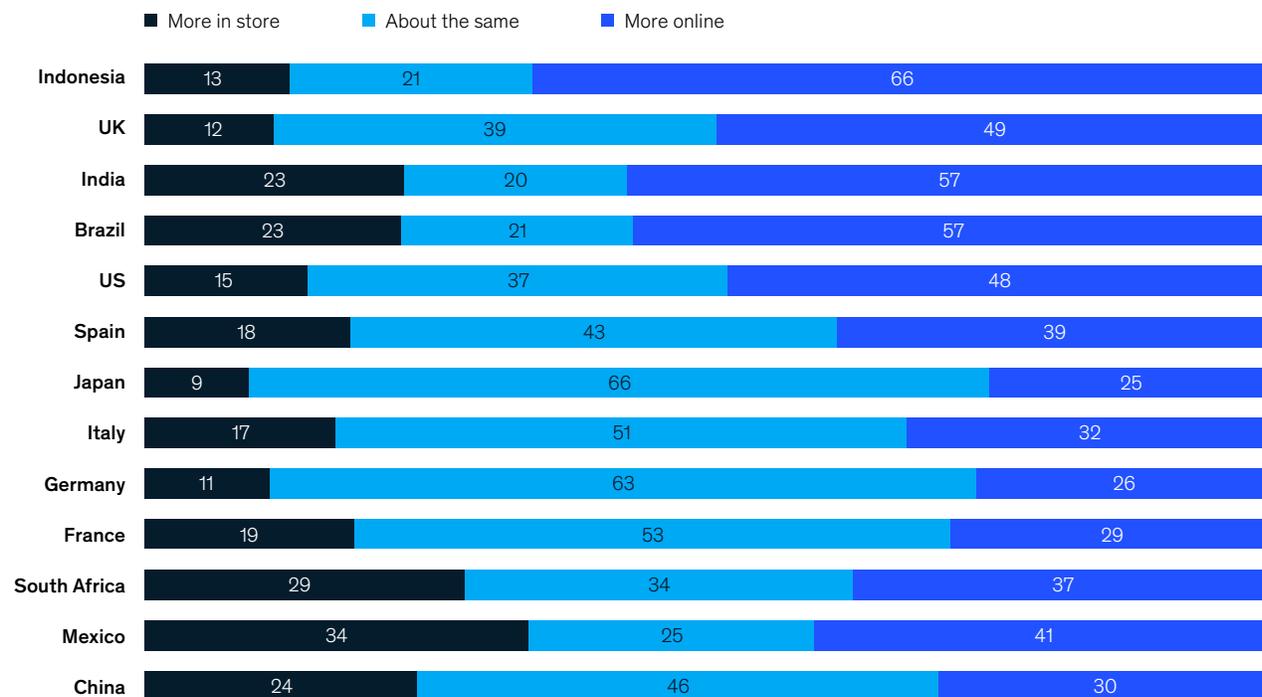
Source: McKinsey & Company COVID-19 Consumer Pulse Surveys, conducted globally September 18 – 30

Exhibit 9

Between thirty and sixty percent of consumers expect to shift online for holiday shopping.

Holiday shopping channel preference¹

% of respondents



¹Q: "How do you think the way you shop for the upcoming seasonal holidays (e.g., Singles Day, Black Friday, Christmas) may change compared with last year?" Rated from "shop significantly more in-store/person" to "shop significantly more online."

Source: McKinsey & Company COVID-19 Consumer Pulse Surveys, conducted globally September 18–30, 2020

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The authors wish to thank Reinhold Barchet, Shruti Bhargava, Marco Catena, Jeremy Carlson, Resil Das, Gizem Gunday, Karina Huerta, Julia Katharina Schmidt, Elaine Lo, Emily Lu, John-Michael Maas, Jorge Omeñaca, Sebastian Pflumm, Denny Praseco, Sidhika Ramlakan, Roberta Romeo, Peter Saffert, Claudia Zaroni, and Cherie Zhang for their contributions to this article.

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Marketing & Sales Practice

These eight charts show how COVID-19 has changed B2B sales forever

New analysis makes it clear: For B2B sales, digital is the wave of the future.

by Arnau Bages-Amat, Liz Harrison, Dennis Spillecke, and Jennifer Stanley



The COVID-19 pandemic forced B2B buyers and sellers to go digital in a massive way. What started out as a crisis response has now become the next normal, with big implications for how buyers and sellers will do business in the future.

Recent McKinsey research on decision makers' behavior globally across industries since the crisis began reveals that the big digital shift is here to stay.

Both B2B buyers and sellers prefer the new digital reality

More than three quarters of buyers and sellers say they now prefer digital self-serve and remote human engagement over face-to-face interactions—a sentiment that has steadily intensified even after lockdowns have ended.

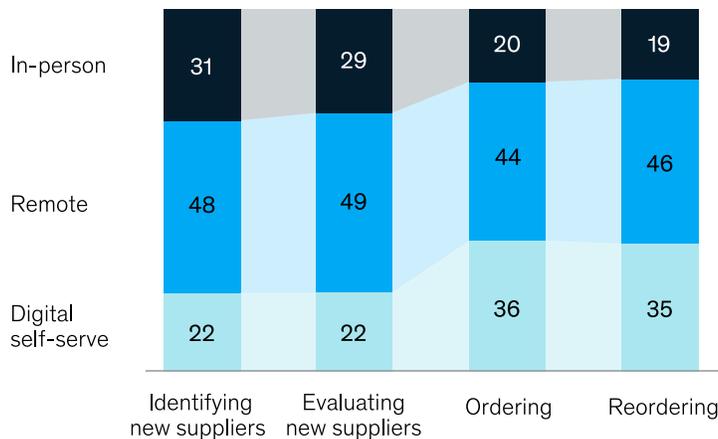
Safety is one reason, of course. But self-serve and remote interactions have made it easier for buyers to get information, place orders, and arrange service, and customers have enjoyed that speed and convenience. Only about 20 percent of B2B buyers say they hope to return to in-person sales, even in sectors where field-sales models have traditionally dominated, such as pharma and medical products.

Exhibit 1

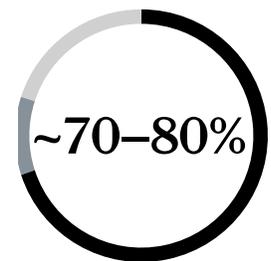
Most B2B seller interactions have moved to remote or digital ...

Current way of interacting with suppliers' sales reps during different stages^{1,3}

% of respondents



... and that's exactly what customers want.



of B2B decision makers prefer remote human interactions or digital self-service^{2,3}

Why?

- Ease of scheduling
- Savings on travel expenses
- Safety

¹Q: "How would you currently interact with sales reps from your company's suppliers during the following stages of interactions?"

²Q: "How would you prefer to interact with sales reps from your company's suppliers during the following stages of interactions?"

³Figures may not sum to 100% because of rounding.



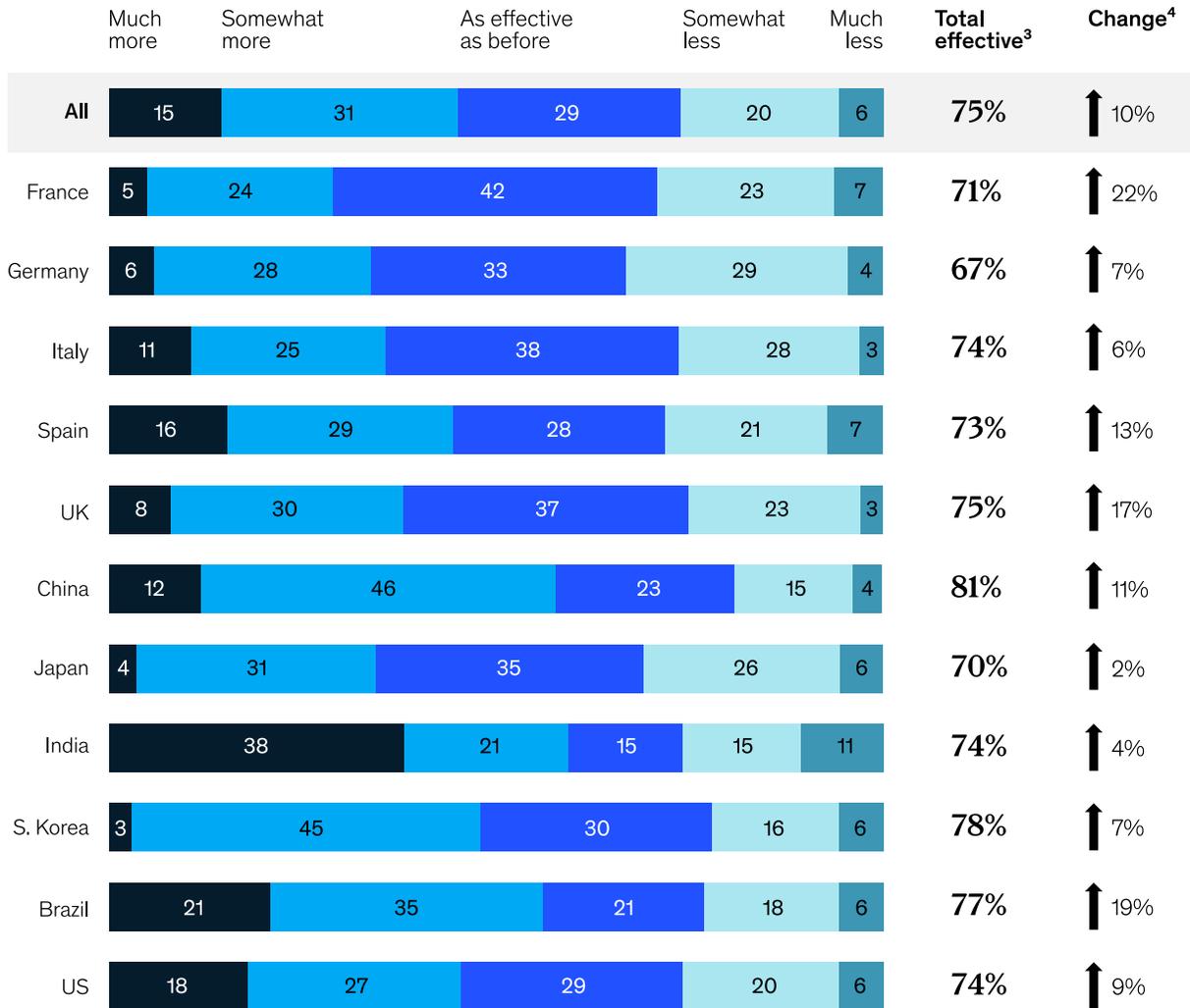
Far from a local phenomenon, the shift to digital and remote engagement has been embraced by decision makers in all countries surveyed worldwide. B2B sales leaders have moved from being “forced” to adopt digital in reaction to the widespread shutdowns in the early stages of COVID-19 to a growing conviction that digital is the way to go.

Exhibit 2

Belief in the efficacy of digital continues to grow.

Effectiveness of new sales model in reaching and serving customers^{1,2}

% of respondents



¹Q: "How effective is your company's new sales model at reaching and serving customers?"

²Figures may not sum to 100% because of rounding.

³Percent of respondents choosing "as effective" or more so compared with prior to COVID-19.

⁴Percentage-point change in respondents choosing "as effective" or more so compared with April.

Source: McKinsey COVID-19 B2B Decision-Maker Pulse #3 7/27-8/11/2020, (US n = 602), (France n = 206), (Spain n = 200), (Italy n = 401), (UK n = 206), (Germany n = 401), (China n = 408), (S. Korea n = 200), (Japan n = 200), (India n = 400), (Brazil n = 402)

Customers are buying big online ...

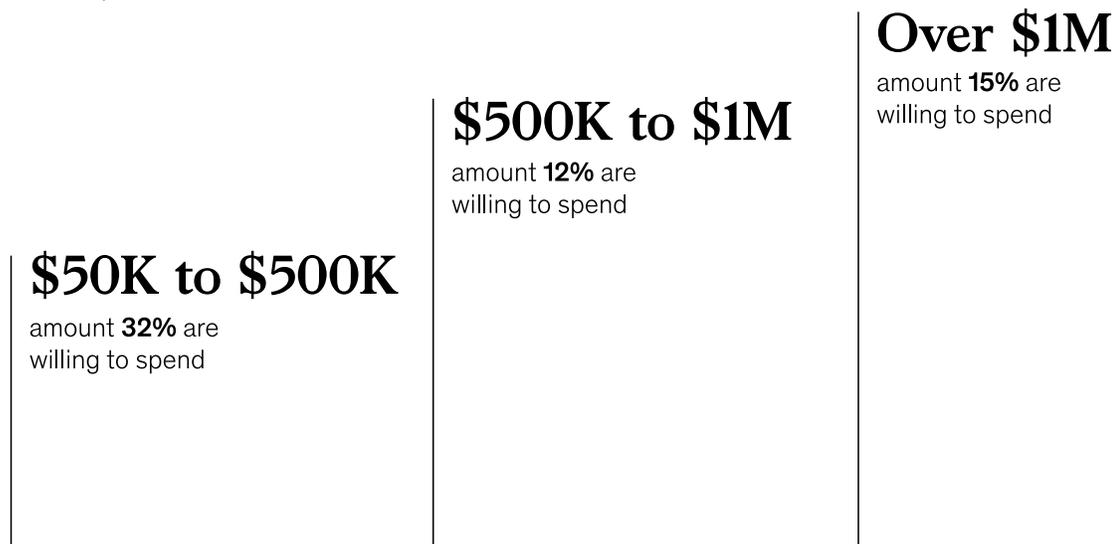
The most notable sign that digital sales have come of age is the comfort B2B buyers display in making large new purchases and reorders online. The prevailing wisdom used to be that e-commerce was mainly for smaller-ticket items and fast-moving parts. Not so anymore. Notably, 70 percent of B2B decision makers say they are open to making new, fully self-serve or remote purchases in excess of \$50,000, and 27 percent would spend more than \$500,000.

Exhibit 3

Buyers are willing to spend big using remote or self-service.

Maximum order value you would purchase through end-to-end digital self-service and remote human interactions for a new product or service category^{1,2}

% of respondents



¹Q: "What is the maximum order value that you would purchase through end-to-end digital self-serve and remote human interactions for a new product or service category?"

²Numbers do not add to 100% because "I don't know" option offered was not included for analysis.

Source: McKinsey COVID-19 B2B Decision-Maker Pulse #3 7/27-8/11/2020 (n = 3,626)

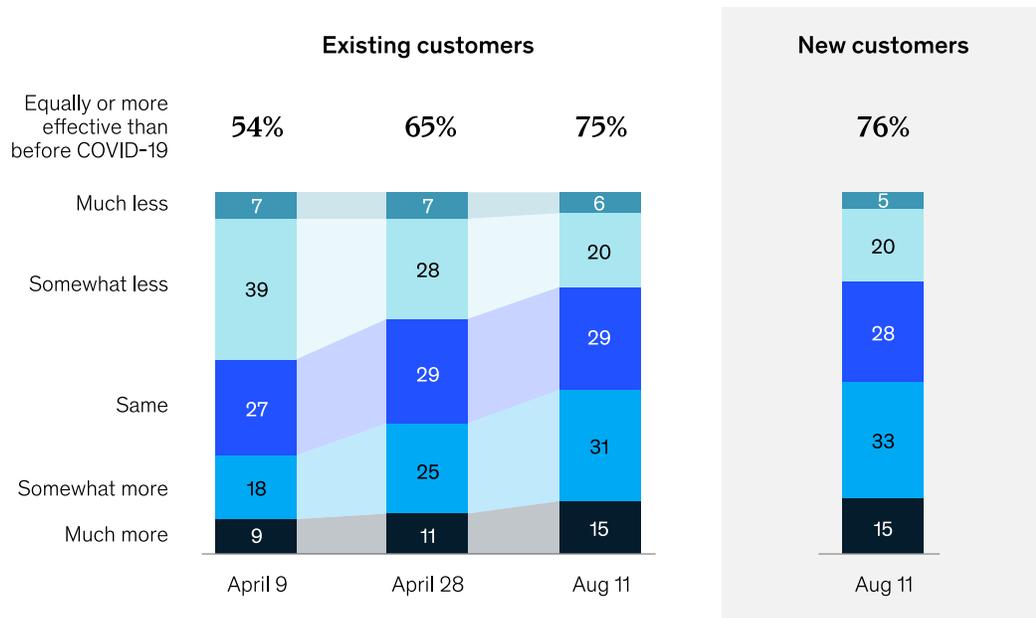
... and remote is working for prospecting too

B2B decision makers globally say that online and remote selling is as effective as in-person engagement, or even more so—and they're not just talking about selling to warm leads. Sellers also believe digital prospecting is as effective as in-person meetings to connect with existing customers.

Exhibit 4

Remote engagement successfully supports both selling and prospecting.

Effectiveness of new sales model in reaching and serving customers^{1,2,3}
 % of respondents



¹Q: "How effective is your company's new sales model at reaching and serving customers?"

²Q: "How effective is the new sales model in acquiring new customers (eg, those that have never purchased from your organization before)?"

³Figures may not sum to 100% because of rounding.

Source: McKinsey COVID-19 B2B Decision-Maker Pulse #1 3/30–4/9/2020 (n = 3,619), McKinsey COVID-19 B2B Decision-Maker Pulse #2 4/20–4/28/2020 (n = 3,755), McKinsey COVID-19 B2B Decision-Maker Pulse #3 7/27–8/11/2020 (n = 3626)

Two breakout stars: Video and live chat

With the massive shift to digital resulting from COVID-19, video and live chat have emerged as the predominant channels for interacting and closing sales with B2B customers, while in-person meetings and related sales activities have dropped precipitously.

Exhibit 5

The majority of B2B companies have shifted their go-to-market model from traditional ...

... to digital, with heavy reliance on video and online chat.

Go-to-market sales model during COVID-19^{1,2,3}
% of respondents

Traditional/In-person



From **61% to 29%**
since COVID-19

Digital interaction with sales rep

Videoconference

Online chat



From **38% to 53%**
since COVID-19



From **40% to 49%**
since COVID-19

¹Q: "In what ways was your company's product or service sold before COVID-19?"

²Q: "Now today, in what ways is your company's product or service sold during COVID-19?"

³Figures may not sum to 100% because responses under "other" option offered were not included in analysis, and because of rounding.
Source: McKinsey COVID-19 B2B Decision-Maker Pulse #3 7/27-8/11/2020 (n = 3,626)

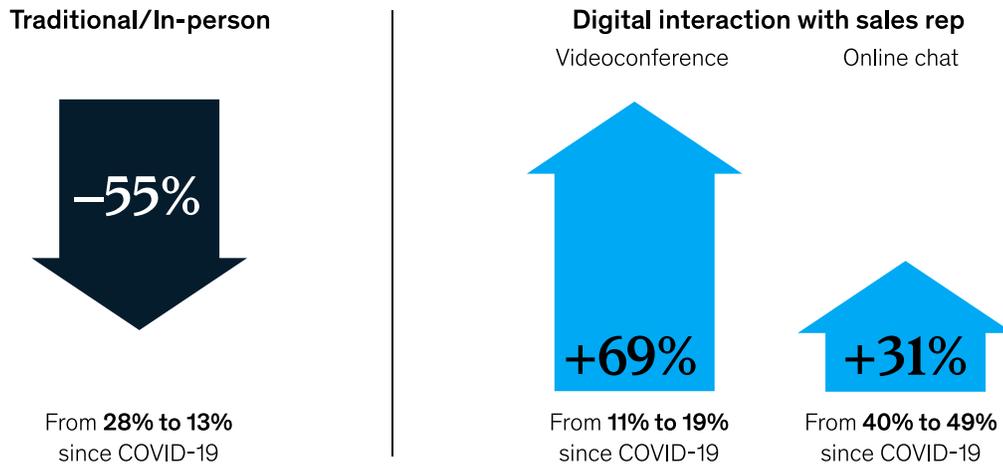
The amount of revenue generated from video-related interactions has jumped by 69 percent since April 2020. Together, e-commerce and videoconferencing now account for 43 percent of all B2B revenue, more than any other channel. Customers also made it clear that, given the choice, they prefer video to phone.

Exhibit 6

Nontraditional channels, particularly video, drive the lion's share of revenue ...

Go-to-market sales model during COVID-19^{1,2}

% of respondents

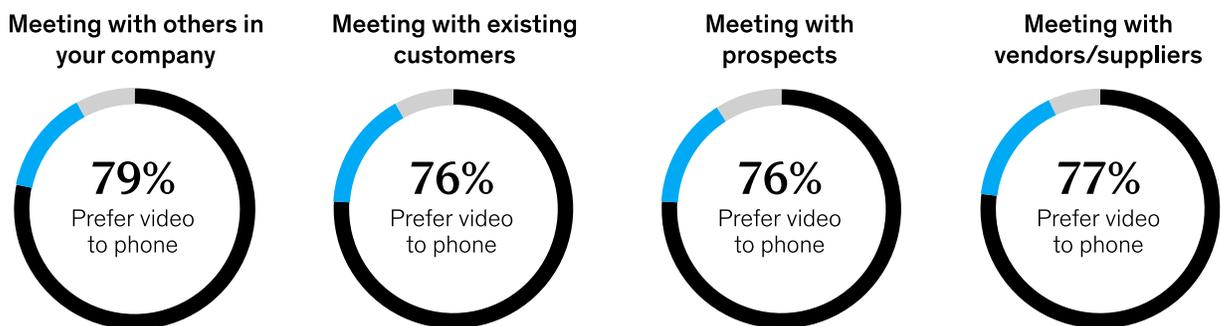


... and are preferred over the phone in all cases.³

Preference for video (eg, Zoom, WebEx, Teams) over phone in different situations¹

% of respondents

■ More helpful ■ Neutral ■ Less helpful



¹Q: "Approximately what percentage of your company's revenue before COVID-19 was driven by.../during COVID-19 is now driven by..."

²Figures may not sum to 100% because responses under "other" option offered were not included in analysis, and because of rounding.

³Q: "How much more or less helpful is it to use video (eg, Zoom, WebEx, Teams) vs phone only in the following situations?"

Source: McKinsey COVID-19 B2B Decision-Maker Pulse #3 7/27-8/11/2020 (n = 3,626)

The future is digital—and optimistic ...

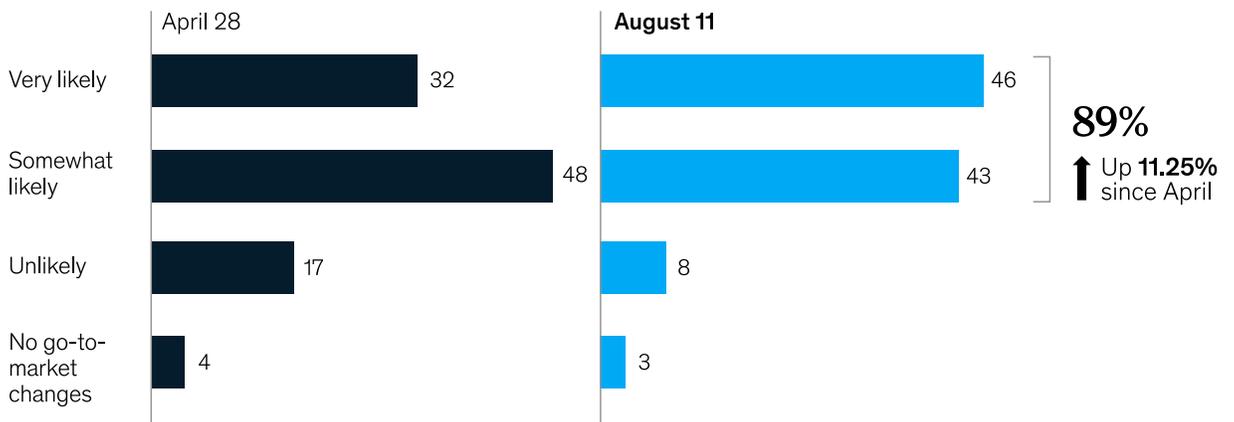
According to survey respondents, these pandemic-induced patterns are likely to become permanent. Close to nine in ten decision makers say that new commercial and go-to-market sales practices will be a fixture throughout 2021 and possibly beyond.

Exhibit 7

Companies expect the changes to stick.

Likelihood of sustaining new go-to-market models for 12+ months^{1,2}

% of respondents



¹Q: "Which of the following statements best describe the changes your company has made to its commercial and go-to-market model during COVID-19?"

²Figures may not sum to 100% because of rounding.

Source: McKinsey COVID-19 B2B Decision-Maker Pulse #2 4/20–4/28/2020 (n = 3,755), McKinsey COVID-19 B2B Decision-Maker Pulse #3 7/27–8/11/2020 (n = 3,626)

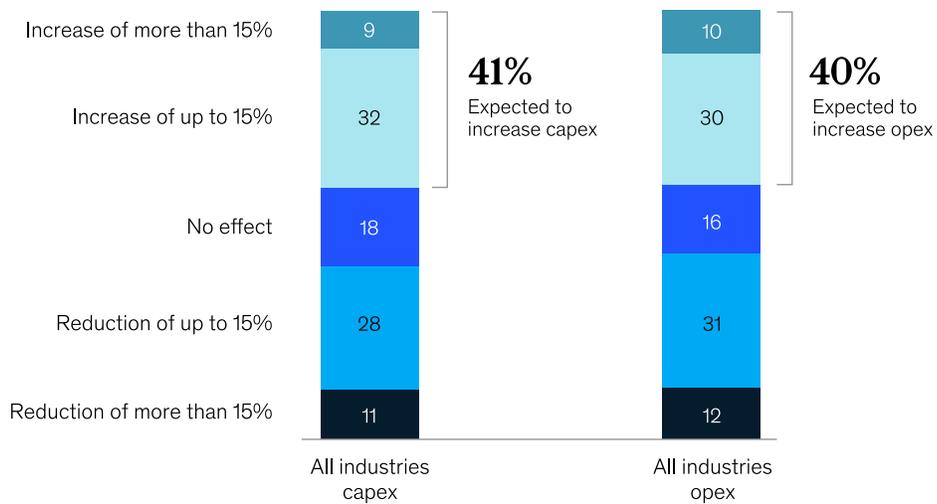
... with B2B spend increasing

Sentiment also remains upbeat for a significant percentage of decision makers. That optimism is reflected in a majority citing multiyear plans for increased spending or maintenance on opex and capex.

Exhibit 8

A significant number of decision makers across industries expects capex and opex to rise.

Expected change in capex and opex investments in industry over the next 5 years due to COVID-19^{1,2}
% of respondents



¹Q: "Over the next 5 years, how do you think will COVID-19 affect your industry's costs and investments in each of the following areas?"

²Figures may not sum to 100% because responses under "prefer not to answer" option not included in analysis, and because of rounding.

Source: McKinsey COVID-19 B2B Decision-Maker Pulse #3 7/27-8/11/2020 (n = 3,626)

The dramatic increase in digital adoption presents a seminal opportunity for B2B organizations. The shift to virtual sales can help sales organizations lower their cost per visit, extend their reach, and significantly improve sales effectiveness—while delighting customers who are demanding these new ways of interacting stick long term and who are likely to reward suppliers that do it well.¹ But while the opportunity is significant, so is the pressure to capitalize on it. B2B leaders that commit to further digitizing their go-to-market models should derive competitive advantage in the form of more—and more loyal—customers than their slower-moving peers.

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The authors would like to thank Ishita Anil, Sudeep Arora, Adriano Canela, David Greenawalt, Arshiya Nagi, Kate Piwonski, and Linda Van Bouwel for their contributions to this article.

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¹ McKinsey's 2018–19 Omnichannel Sales Insights Survey revealed that companies offering customers "outstanding digital experiences" alongside "traditional sales experiences" are 1.5–2x more likely to become primary suppliers.

2. How to win the recovery



Marketing & Sales Practice

Rapid Revenue Recovery: A road map for post- COVID-19 growth

Speed, agility, and a new understanding of customer values are the keys to navigating the next normal.

by Brian Gregg, Eric Hazan, Aimee Kim, Rock Khanna, Jesko Perrey, and Dennis Spillecke



COVID-19 continues to have a far-reaching effect on people's lives, families, and communities as well as on the global economy. Amid the bleak economic reality, companies in response are focused on driving a dual agenda: protecting lives and livelihoods. As the crisis continues to upend lives, companies are struggling to understand its full impact on their businesses and how best to respond. According to our recent B2B Decision Maker Pulse survey, about a quarter of companies surveyed say they are redirecting and increasing spend toward emerging opportunities.

As we outlined in our article *Leading with purpose*, marketing and sales leaders need to operate simultaneously across three horizons: navigating the crisis now, planning for the recovery, and leading the next normal. This article will focus on the second horizon and how companies can accelerate what they do and how they work to capture revenue quickly for the recovery (Exhibit 1).

That element of speed and agility in particular is crucial because this once-in-a-generation challenge is likely to have a profound impact on

who is left standing when the crisis finally abates. During the downturn, for example, consumers and customers are likely to “trade down,” that is, buy less expensive products, resulting in big changes at both the high and low ends of the market. Brands will be repositioning themselves and shifting to digital channels, products, and services, opening up another front in the battle for new and existing customers.

In this context, it's not enough to capture revenue; it has to happen quickly. We're already seeing first movers reap significant rewards.

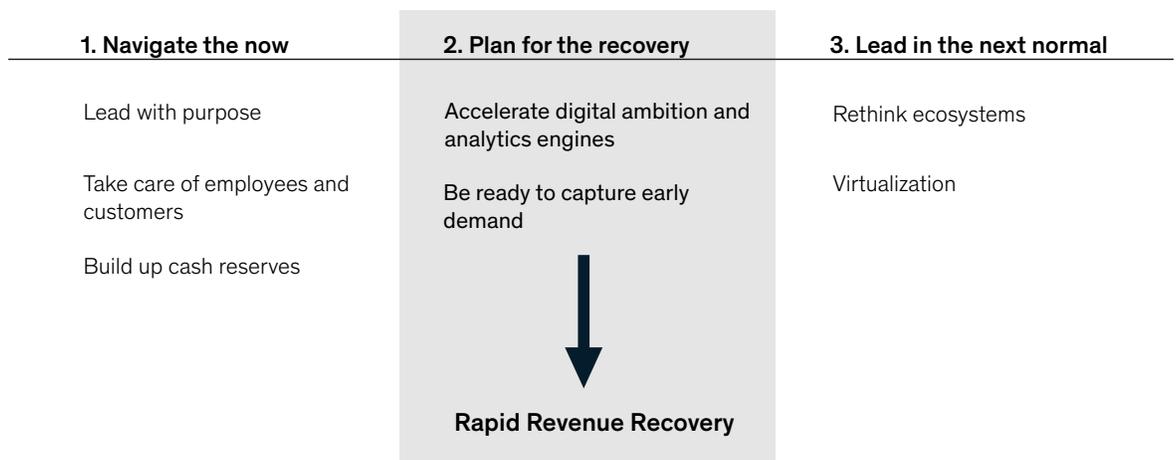
A mental model to enable Rapid Revenue Recovery

What really stands out is how leaders approach the activities needed to drive revenue at a scale that makes a difference. The most effective leaders have a mental model built around SHAPE, an approach with five core elements:

- **Start-up mindset.** The start-up mindset biases action over research and testing over analysis.

Exhibit 1

Three horizons for effective marketing-and-sales responses to the COVID-19 crisis.



We've seen companies, for example, make sizable allocations of marketing budget in days and even hours, and launch new ecommerce businesses in a matter of weeks. Start-up leaders establish an agile cadence through daily team check-ins, weekly 30-minute CEO reviews, and biweekly hourlong sprint reviews.

- **Human at the core.** To drive rapid action, companies will need to rethink their operating model, building it around how their people work best. Our B2B Decision Maker Pulse survey research has shown that more than 50 percent of businesses find a new remote sales model to be of equal or greater effectiveness than the old one. Enabling people will clearly require a new set of skills and capabilities, from facility with tech to working remotely. Successful pivots to a remote sales model, for example, will require an entirely new level of collaboration and coaching between front-line sales reps and leadership in order to meet consumer expectations.
- **Accelerate digital, tech, and analytics.** It's almost become a cliché to say that the crisis has become an inflection point in the shift to digital, but the best companies are moving quickly to enhance and expand their digital channels. They're successfully using advanced analytics to combine new and innovative sources of data, such as satellite imaging, with their own insights to derive "recovery signals."
- **Purpose-driven customer playbook.** Putting customers at the center of the business is a long-established principle, but post-coronavirus businesses will need a deep recalibration of how customers make decisions. Companies will need to rethink decision journeys to understand what customers now value and design new use cases and customer experiences based on those insights. That means a more nuanced approach to segmenting customers.

- **Ecosystems to drive adaptability.** The disruptions in supply chains and offline buying channels have made adaptability crucial not just to survival but to accessing opportunities quickly. In the short term, adaptability may mean how companies work with agencies and partners, but in the long-term, it will require new partnerships and non-traditional collaborations, including strategic M&A.

Three steps to get started on Rapid Revenue Recovery

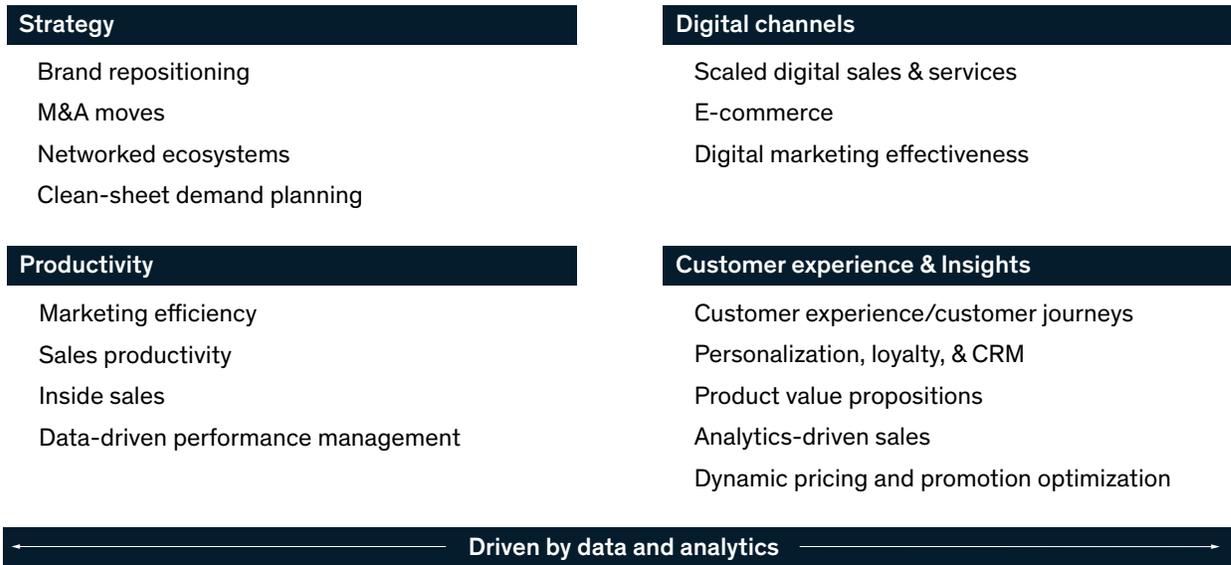
Capturing revenue rapidly requires taking a combination of actions. What those are will depend on each company's situation. Top performers, however, take three steps with rigor and discipline:

1. Identify and prioritize

Commercial leaders will need to plan for recovery based on a clear understanding of their starting point and insights into demand patterns ahead of and during the recovery. This is crucial for knowing what to do and when. We have identified more than a dozen marketing and sales activities that can capture revenue quickly (Exhibit 2). Some are more relevant to B2C companies, while others make more sense for B2Bs.

Once identified, these measures need to be rigorously assessed by their impact on EBIT and the company's ability to execute quickly. That starts with a clear view of the market and thoughtful forecasting of demand across channels, based on granular views of the customer and of the possible economic scenarios. These will require a more sophisticated approach than those used traditionally to develop deeply granular insights. Leading organizations are using advanced analytic models with multiple sources of insights (for example, point-of-sale data, primary consumer research, social listening,

Rapid Revenue Recovery is based on taking a core set of commercial actions.



and online search trends) to forecast growth scenarios at a granular level. This dashboard of opportunities needs to be continuously updated (Exhibit 3).

Against this view, analysis is needed of how well developed the available commercial capabilities are. A company in the advanced-industries sector, with low maturity in price and margin management, for example, may want to reinforce measures to avoid margin leakage, such as a shift to manual price approval to avoid low-margin sales. Commercial leaders should then overlay growth forecasts on their marketing and distribution capabilities, product and service portfolio, and competitive activity.

Within these calculations, commercial leaders should consider “now or never” moves—actions that may have been too difficult to undertake during normal times but are now essential for moving forward. These could include making significant reallocations of resources or ratcheting back popular but underperforming programs.

In our experience, companies can develop clear targets for growth and profitability in just a week.

2. Act with urgency

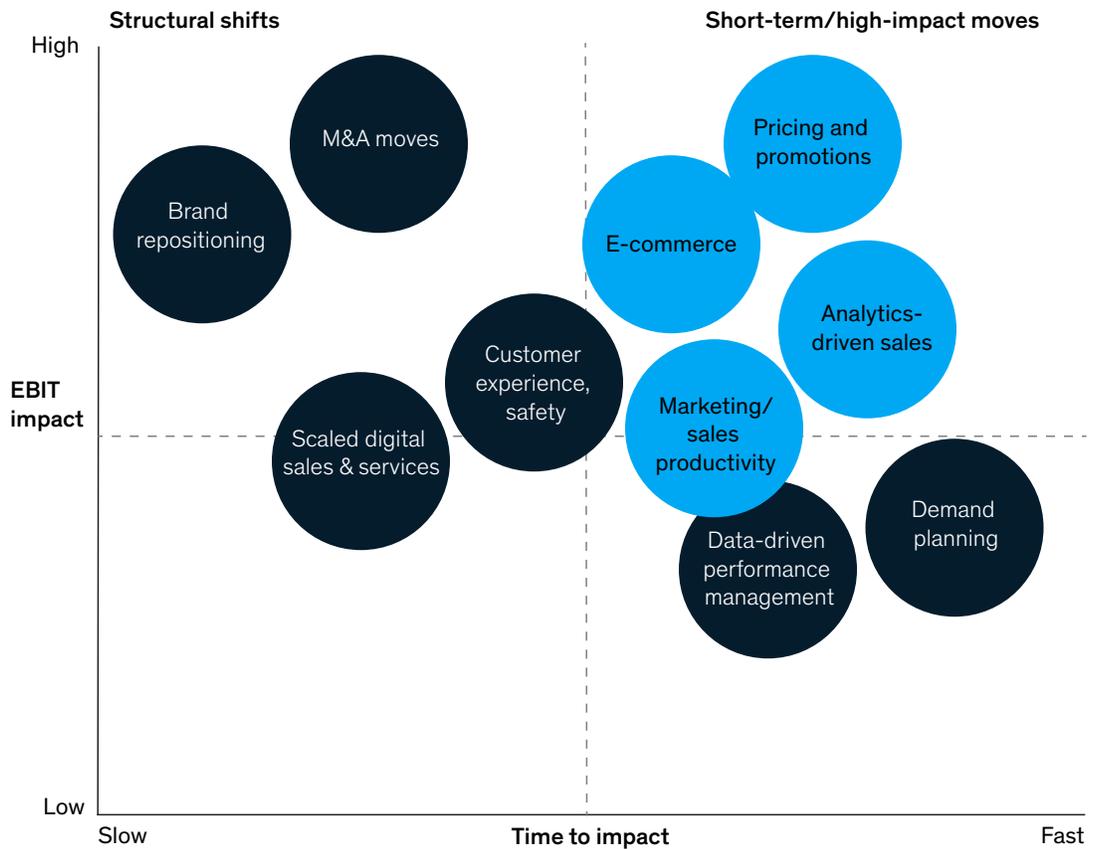
Once there is a granular map of prioritized activities, companies need to quickly and decisively reallocate resources accordingly to capture growth. The focus should be on launching the biggest and readiest initiatives, whether by adjusting sales-coverage models, tailoring product features to specific customer use cases, or shifting marketing spend to high-performing channels. The necessity of acting with urgency has allowed businesses to accomplish incredible things in short periods of time that would have seemed impossible just six months earlier. They have demonstrated the agility of start-ups, an ability to look at their customers in new ways, a commitment to data-driven decisions, and a relentless focus on iterative execution to continually improve.

Take one leading car-rental company with more than 5,000 locations in China. Like its competitors, the business saw its momentum come to a

Exhibit 3

Prioritized measures for Rapid Revenue Recovery.

ILLUSTRATIVE



screeching halt and order volume collapse by 95 percent in February, as the coronavirus surged. In response, the company invested in microlevel customer segmentation to guide personalization and in social listening to track the latest shifts in consumer sentiment. This led them to develop new use cases. They discovered, for example, that many tech companies in southern China, in response to the virus, were telling employees not to use public transportation. The company used this insight to send targeted campaigns to promote car rentals. They tested two campaigns—rent for two days and get one free versus rent for five days and get two free—and learned that the second offer was more attractive because customers could rent five days for work purposes and get reimbursed, but

could then use the car for two more days on the weekend.

The company also called first-time customers who had cancelled orders because of health concerns to reassure them of the various safety steps it was taking, such as “no-touch” contactless car pickup. They also used geolocation analytics to identify customers most likely to need a car and their destination. To help manage the program, they pulled together three agile teams with cross-functional skills and designed a recovery dashboard so the senior executive team could track progress in real time. This approach helped them streamline their working process so they could launch a new campaign in two to three days

as opposed to the normal two to three weeks it took before the crisis. Within only seven weeks, the company had recovered about 90 percent of their business compared with 2019 level—almost twice the rate of recovery of the number-one company in the market. Campaign conversion rates were five times the normal amount.

That focus on the customer also provided clear insights for a number of technology companies with overseas manufacturing. After fielding surveys of customers, they learned that “supply-chain assurance” had become a top buying factor. Their sales teams used this insight to communicate the latest supply-chain status, thus alleviating customer concerns, and provided some customers with supply guarantees after consulting with their newly established pricing war room. There are enterprise-software companies that have created three-month promotional offers of virtually unlimited product use for a minimal start-up fee. This has helped the companies gain market share, preserve the long-term price points of its value proposition, and assist customers in a critical time of need. This approach helped solve a business problem and address customer cash-flow concerns.

The start-up mindset provides the impetus for significant growth, often through the thoughtful use of digital channels. One company, for example, was able to launch an entirely new e-commerce business in just 13 weeks by focusing closely on what customers cared about most, standardizing features, and building on what they already had. This resulted in twice as many orders as anticipated, a tripling of basket size compared with in-store purchases, and 2 to 3 percent revenue growth.

In another example, one furniture retailer was able to drive a 60 percent improvement in sales in digital channels over just four weeks. It took a portfolio approach to campaigns, launching multiple versions to test and learn along the way. Through their analysis, they discovered demand for baby beds and tailored campaigns to that customer segment, even offering free child beds for those who had babies born during the COVID-19 pandemic.

Marketing return-on-investment (ROI) approaches that use data to make rapid spend reallocations can often yield great returns in the shortest amount of time. One large retailer freed up millions by eliminating distribution of circulars after granular response data showed that 40 percent of customers didn’t change their behaviors because of the circulars. The company reinvested the funds into more successful digital targeting practices. There are also pockets of opportunity in shifting the product mix to more productive stock-keeping units (SKUs), pausing or eliminating promotions known to be inefficient, and reinforcing performance-based trade relationships. As consumers increasingly try new brands, companies should consider shifting promotional spend to defend share in categories with surging demand and where there is a risk of switching.

3. Develop a rapid-fire agile operating model

One important way to speed up decision making is to give agile teams highly focused tasks and clear key performance indicators (KPIs), such as click-throughs or open rates. Instead of waiting for approvals and input, these agile squads, which should include agency partners, have the ability to make their own decisions. In our current remote world, we’ve found people more able and willing to embrace agile methods, sometimes by necessity but also because they are becoming acclimated to jumping on videoconferences to solve problems or make decisions quickly.

The various squads are then assigned to specific areas of focus, from consumer/customer insights to digital marketing. The sales squad could steward large and strategic deals and oversee execution, speeding deal review for impacted segments and maintaining discipline. Another squad could focus on developing a long-term view to avoid panic reactions and develop clear guidelines and objectives for the commercial team (Exhibit 4). These cross-functional teams or squads bring together people with key skills such as data analytics, sales operations, and design, tailored to the specific area and supplemented with additional experts in legal, finance, risk, HR, as needed. A scrum master oversees the squads, allocating and coordinating resources to initiatives

An agile-squad model can raise a company's metabolic rate.



Consumer- and market- insights squad

Central hub for monitoring changes in consumer sentiment/behavior, market and regulations
Feeds information to other squads and enables quick response to market changes



Marketing cash-liberation squad

Prioritizes immediate review of cost base and budget
Contributes to company stability & other marketing efforts (eg, communications)



Growth squad

Shares in-market learnings hub
Identifies and prioritizes sales green shoots
Optimizes channel management (eg, actions to be taken with offline retailers, inventory / stock management)



Digital marketing and sales squad

Adapts current digital M&S activities to new reality (eg, digital marketing)
Builds / evolves digital selling platforms (D2C or through partners)



Post-COVID-19 growth squad

Develops clear plan for next normal
Balances resourcing with short-term squad

with the highest value through weekly sprint-progress reviews.

“Agile” does not just mean putting in place iterative, test-and-learn working practices. It means putting in place a new operating model, built around the customer and supported by the right processes and governance. Agile sales organizations, for example, continuously prioritize accounts and deals and decide quickly where to invest. But this is effective only if there is a clear, granular growth plan developed by a cross-functional team that collectively understands how to win each type

of customer. Similarly, fast decision making between local sales and global business units and the rapid reallocation of resources among them require a stable sales-pipeline management process that they both use.

Rapid Revenue Response isn't just a way to survive the crisis. What companies do today to capture revenue quickly lays the foundation for future growth.

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Marketing & Sales Practice

The domino effect: How sales leaders are reinventing go-to-market in the next normal

Top sales innovators are embedding data and technology throughout their organizations to reimagine sales. Here's how they do it.

by Bertil Chappuis, Gui Cruz, Ben Ellenweig, Maria Valdivieso, and Michael Viertler



Sales has always been a “sensing” organization, attuned to changes in customer sentiment, shifts in demand, and the requirements of different buying stages. But those senses are being flooded as customers shift to digital engagement, leaving sellers with more channels to cover and more interactions to manage.

The pandemic has amplified these challenges, exposing weaknesses in existing sales models and gaps in digital readiness. In many ways, this data revolution in sales matches what happened to marketing departments three to five years ago, when they were forced to reorient their functions to be more analytically driven. With more data flowing in from nontraditional sources such as video calls and webinars—few of which are captured by current sales processes—understanding which customers to focus on, what they care about, and how they want to engage can often feel like a guessing game.

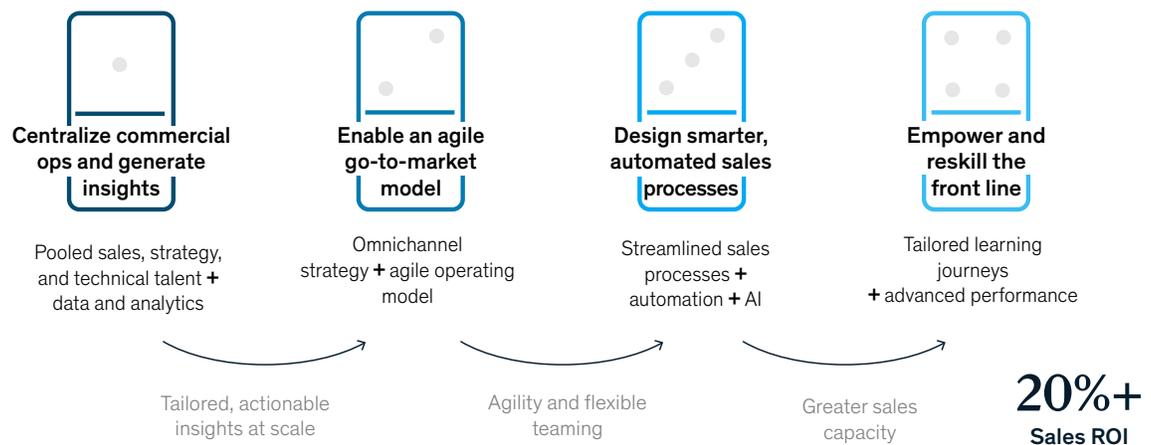
However, some sales organizations have reduced that guesswork. They are bringing science to sales and are harnessing data in ways that deliver double-digit gains in return-on-investment (ROI). These

organizations start with centralizing commercial operations and generating insights from internal and external data sources, including web and email scrapes, information from virtual calls and pitches, and other analyses. These improved insights allow sales organizations to be more agile in aligning their resources and adapting their operating models. To hardwire these capabilities, smarter automated processes are built into a new operating model. Performance metrics and coaching are then tailored to the needs of the company and the requirements of the individual salesperson. The result is a domino effect: one event triggers the next, and the impact grows cumulatively (Exhibit 1).

At present, only a handful of companies have lined up their sales functions to deliver these capabilities at scale, most of them big tech players. But gaining this level of data mastery and dexterity doesn't need to be the preserve of digital natives. Instead, sales organizations that prioritize the following four steps can trigger greater sales productivity and performance in the next normal.

Exhibit 1

Four dominos trigger a chain reaction that can radically improve sales ROI.



1. Centralize commercial ops and generate actionable insights

Many sales organizations face significant challenges in guiding teams dispersed across large territories. This limits the ability of sales reps to share best practices, access valuable customer insights, and expedite sales processes that can make a meaningful difference to their bookings. To make the most of the abundance of data and draw the right insights, forward-thinking sales leaders have centralized commercial operations functions and created “commercial hubs” that distribute better and more targeted insights as well as drive more agility in the organization.

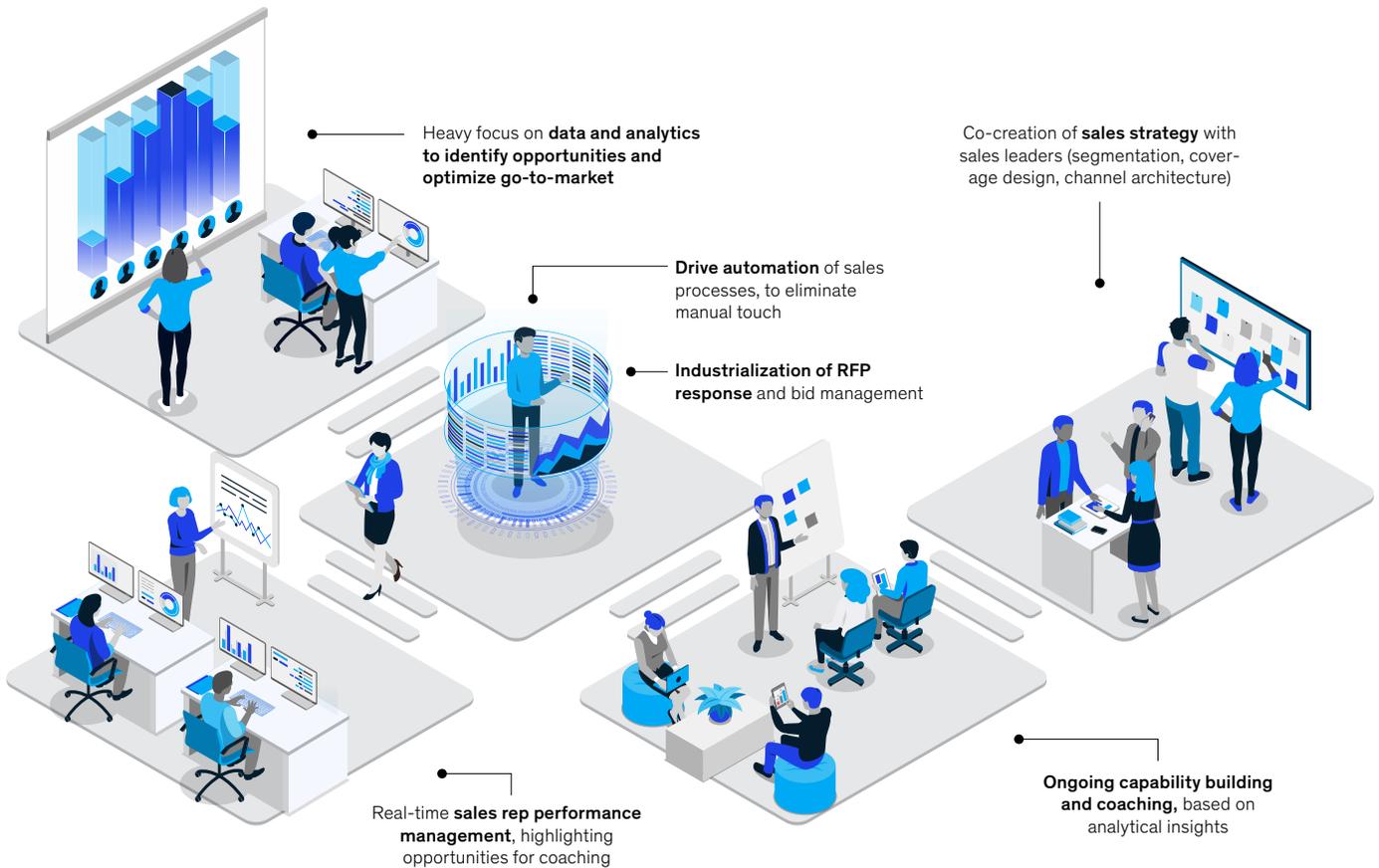
Commercial hubs bring together three elements: the right talent with deep experience in sales, analytics

and data science, and product; an operating model capable of interacting seamlessly with the reps (including the ability to tailor those interactions); and access to a data and analytics infrastructure optimized to the hub’s needs. This kind of hub can develop and scale the delivery of tailored insights and sales plays to reps, track and manage performance, provide coaching based on what’s working in the field, and enable day-to-day efficiencies that eliminate waste and drive bookings (Exhibit 2).

For example, a software company had almost a dozen sales forces scattered across the United States, each with its own way of gathering customer inputs and managing sales. The company’s

Exhibit 2

The centralized commercial hub is the next-gen intelligence unit driving the sales organization.



customer base was equally scattered, consisting of large, global players all the way down to mom-and-pop establishments. Lack of coordination among sales groups made it hard for the company to align coverage, and limited data and knowledge sharing meant reps lacked timely information and insights to inform their sales approaches. To improve sales intelligence and efficiency, the organization knew it needed to centralize its commercial operation and use it to generate and disseminate better insights.

The company appointed a senior executive to lead the effort and brought in sales and technical talent (including engineers and data scientists). This team focused on standardizing and analyzing data and systematically capturing the online and offline interactions between reps and customers. They also brought in outside talent with expertise in analytics to design algorithms that could surface employee performance and customer insights. Centralizing the commercial hub delivered 5 percent more productivity and contributed to greater bookings within the first year. Today, the hub is the heart of the company's sales-insights engine, responsible for capability-building programs, performance and incentive plans, and sales plays to support the sales forces.

2. Enable an agile go-to-market model

With the insights generated by the hub, sales leaders can use advanced intelligence to better align sales reps to the right sales opportunities, pulling the right people in at the right stage of a deal, assembling teams with the necessary skills to innovate and design products and services that customers want, and providing insights that help close opportunities.

For example, instead of simply assigning larger accounts to field reps and smaller ones to inside sales, a global telecommunications company now lets the type of transaction—what is being sold to whom and when—determine the go-to-market approach. Simple transactions are handled by inside sales or digital channels, while field reps (after an initial lead-nurturing stage by the inside

sales team) cover more complex purchasing. In the past, when a prospective customer initiated a query on the company's website, the digital-sales team referred it to an inbound call center that had basic technical and selling capabilities but was unable to convert complex transactions. Data has shown, however, that inside sales can effectively follow up remotely by bringing in experts from a centralized pool in the commercial hub for guidance. The final negotiation and close are then managed by field sales. This new go-to-market approach speeds time to market, raises customer satisfaction, and lowers cost.

Better analytics can also help sales organizations create a more flexible and agile operating model. One software provider used analytics to identify which products and services customers were most likely to want to buy. It then used that information to move from fixed teams in predefined roles to "hunting pods" made up of a mix of the most relevant experts from across the commercial hub. These hunting pods evaluated potential deals, designed solutions, developed the best pitch for each customer, and brought together the right expertise for the most important sales meetings.

Our experience shows that sales organizations that embrace this more agile, data-driven go-to-market approach can improve conversion rates and lower the cost to serve by 5 to 15 percent.

3. Design smarter, automated sales processes

With a centralized commercial hub generating insights and an agile operating model redefining how sellers work, sales organizations can trigger the next level of value by redesigning their core sales processes to make them more "intelligent."

In the average company, for example, reps spend only about 16 percent of their day in front of the customer, virtually or in person. By contrast, reps in the best-performing sales organizations spend 40 to 50 percent of their time in front of

the customer. The difference? The top organizations redesign their sales processes and thoughtfully automate whatever they can. McKinsey's research shows that up to 30 percent of sales activities can be automated.

Automation can be applied across sales processes. Analytics embedded into lead-generation, for example, can identify leads with the best conversion potential. Chatbots reach out to them over text or email, using artificial intelligence to understand the contact's response and assess the conversion potential. This solution allows sales reps to contact only those leads where there is clear buying interest, saving time, reducing cost, and improving conversion rates.

Other common applications leverage AI and robotic process automation to streamline the bid process, reducing the time it takes to analyze and respond to proposals. Instead of completing proposal questions manually, it uses predesigned proposals that are automatically populated with internal data.

Early adopters of sales automation consistently report increases in customer satisfaction, efficiency improvements of 10 to 15 percent, and meaningful sales uplifts.

4. Empower and reskill the front line

In many organizations, capability building and sales training are undifferentiated. Centralized commercial hubs, smart processes, and responsive go-to-market structures can help sales reps significantly improve both their performance and job satisfaction, as long as they understand how best to adapt to the new operating model and leverage the insights to which they have access. To deliver on that opportunity, organizations need to update not just *what* they teach their sales reps but also *how*, by establishing tailored learning journeys.

For example, the software-solutions company mentioned earlier was troubled by high churn rates in its inside sales force, which consisted largely of

younger reps with little experience. After the centralized commercial hub closely examined performance and retention data, they discovered that these sellers' transition moments, such as when they mastered a role or began looking for a new challenge, were different from those of more established reps. Four months into their job, for instance, young sellers typically plateaued. By intervening earlier with fresh training, leaders were able to change their performance trajectory, sharpening their skills in ways that made them more productive and helping them feel more successful. These changes improved performance and retention significantly.

The use of analytics to support reps is particularly important because the shift to virtualized sales models has increased the importance of thoughtful, timely, and relevant coaching and change management. A tech company that moved from a static account model to a more flexible and collaborative method knew it needed more intensive performance management and training to help reps use available tools and insights. The sales organization created personalized digital dashboards that made it easy for reps to access key customer data and pipeline analysis as well as recommended actions. The dashboard's back-end reporting allowed managers to track activity against goals to identify top-performing reps and those who needed more support.

Training was also provided to support mindset and behavioral changes. Sales coaches trained teams on what a "day in the life of a seller" could look like under the new agile design. Role playing allowed sellers to test the multichannel sales approach in different customer scenarios. Salespeople enjoyed the empowerment that came from approaching sales more strategically. They also saw that allowing different channels to take on the deal stages most suited to their experience made the reps' own roles more rewarding. Together, the tools, training, and support drove a 7 percent increase in quarterly revenues.

Key questions to help get started

Any redesign of the sales organization around these “dominos,” however modest, requires thinking through a variety of business and technical considerations to shape the overall vision and outcomes. The following questions can help leaders begin those discussions.

- **How empowered is your commercial hub, and can it deliver critical sales insights?**

The most effective commercial hubs have the institutional authority and clout to set strategy and redesign core knowledge processes. Success requires strong leadership and committed engagement as well as ongoing consultation with the sales force to identify what tools, processes, and analytics can deliver insights in the most useful way.

- **What technology investments should you prioritize?**

Taking inventory of existing data repositories, tools, and systems across the organization can often be eye-opening, revealing hidden gems in the form of underused business and customer data as well as critical gaps. Those insights can help leaders determine where to prioritize tech spend and hiring. Benchmarking capabilities against peer organizations can also be instructive.

- **How quickly can you align resources against attractive customer opportunities?**

Leaders need to make sure they have the data and analytics in place to understand changes in demand and to adapt their operating model. Segment and behavioral analyses can shine a light on shifts in customer buying habits, helping sellers better align their commercial strategy and go-to-market approach.

- **What will the seller profile of the future look like?**

As sales organizations shift to digital models with centralized commercial hubs, smarter processes, and “boundaryless” structures, they need new capabilities. Likewise, new verticals and segments may become more important. Investing time up front in anticipating key postpandemic capabilities can help sales organizations adapt more quickly.

Success in the next normal will require sales organizations to analyze virtual interactions, derive insights in near-real time, embrace digital channels, and adapt their sales reps. By focusing on building and scaling proven capabilities, sales leaders can trigger the domino effect they need to drive the next level of growth and performance.

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Marketing & Sales Practice

Adapting customer experience in the time of coronavirus

Care, creative thinking, and new tools can address customers' acute needs today and forge stronger ties in the post-COVID-19 era.

by Rachel Diebner, Elizabeth Silliman, Kelly Ungerman, and Maxence Vancauwenberghe



In a short period of time, COVID-19 has overwhelmed lives and livelihoods around the globe. For vulnerable individuals and the customer teams that serve them, it has also forced a rethinking of what customer care means. Suddenly, examinations of customer journeys and satisfaction metrics to inform what customers want have given way to an acute urgency to address what they need.

Particularly in times of crisis, a customer's interaction with a company can trigger an immediate and lingering effect on his or her sense of trust and loyalty. As millions are furloughed and retreat into isolation, a primary barometer of their customer experience will be how the businesses they frequent and depend upon deliver experiences and service that meets their new needs with empathy, care and concern. Now is also the time for customer experience (CX) leaders to position themselves at the forefront of the longer-term shifts in consumer behavior that result from this crisis. Keeping a real-time pulse on changing customer preferences and rapidly innovating to redesign journeys that matter to a very different context will be key.

Hand in hand with this perspective, four CX practices can frame short-term responses, build resilience, and prepare customer-forward companies for success in the days after coronavirus. They are: focusing on care and connection; meeting customers where they are today; reimagining CX for a post-COVID-19 world; and building capabilities for a fast-changing environment (Exhibit 1).

1. Focus on fundamentals: Care and connection

Now more than ever, people need extra information, guidance, and support to navigate a novel set of challenges, from keeping their families safe to helping their kids learn when schools are shut down. They want a resource they can trust, that can make them feel safe when everything seems uncertain, and that offers support when so much seems to be overwhelming. A baseline starting point: staying true to company values and purpose. Our research shows that 64 percent of customers choose to buy from socially responsible brands, a figure that has grown significantly in the past two years.¹

Exhibit 1

Four actions can address immediate customer needs and prepare for the future.



Focus on care and concern

- Reach out, but with support, not marketing
- Make a priority of employees and community
- Stay true to company purpose and values



Meet your customers where they are

- Innovate digital models to help customers weather the crisis safely from home
- Expand home delivery options
- Consider contactless operations



Reimagine the post-COVID-19 world

- Economic hard times will force cost cuts
- Migrate customers to digital channels to save money and boost satisfaction
- Brick and mortar stores may look very different post-crisis



Build agile capabilities for fluid times

- Tap social media, not surveys, for quick customer readings
- Solicit employees for ear-to-the-ground insights
- Save time with "test and scale" labs
- Pay attention to "failure modes" indicating that you've missed customer signals

¹ *Earned brand 2019*, Edelman, edelman.com.

The way organizations step up to play this role for their customers, their employees, and the broader community is likely to leave lasting memories in customers' minds.

Care for your customers

The first step in caring is to reach out—not in marketing or overt attempts to gain a competitive edge, but to offer genuine support. Many organizations have already stepped up to care for their customers. For instance, Ford's "Built to Lend a Hand" campaign outlines initiatives including payment relief and credit support. Budweiser redeployed \$5 million usually spent on sports and entertainment marketing to the American Red Cross. When tens of thousands of college students needed to vacate their dormitories unexpectedly, a storage rental company offered 30 days of free self-storage. A credit-card company quickly recognized the pandemic's financial burden and waived one month of interest on credit cards. Government officials have encouraged others to do the same. These experiences are critical for customers in the short term, and the impact will build positive relationships that are bound to last long after the crisis has ended.

Care for employees

In times of crisis, caring for customers starts with thinking first about employees. As any flight attendant would advise during the preflight safety briefing, it's important to put on your own oxygen mask before helping others. Our research shows that 60 percent of Americans are very or extremely concerned about their safety and the safety of their families, while 43 percent are very or extremely concerned about their job or income—and not being able to make ends meet.²

Some companies have led with employees in mind during an unsettling period of uncertainty. In a video prepared for employees, Marriott CEO Arne Sorenson transparently shared statistics on the company's performance and outlook, announced pay cuts for himself and his executive team, and focused

on a sense of hope in the future. Many companies have pledged to continue paying hourly workers at their regular rate, even if they need to remain at home due to illness, while others are still paying hourly workers despite store closures. For those still on the job, employers can provide new tools, training and support to enable employees to deliver superior customer experience in a new environment.

Care for the community

Today's industry leaders have demonstrated that genuine care should extend beyond the immediate customer base. Italian companies have donated hundreds of millions of dollars to local hospitals and the Civil Protection Agency to combat the virus spread. Many are stepping up to the plate to manufacture important supplies. Luxury-goods companies have refitted cosmetics and perfume production to help produce hand sanitizer. Remote conferencing services companies, who are benefiting from the shift to virtual meetings, have provided free videoconferencing for K–12 schools.

2. Meet your customers where they are today

Customers' normal patterns of life have come to a halt. Simple activities like a trip to the grocery store or dining out with friends are now difficult, risky, or even prohibited. Overnight, demand patterns have shifted. Overall online penetration in China increased by 15–20 percent.³ In Italy, e-commerce sales for consumer products rose by 81 percent in a single week, creating significant supply-chain bottlenecks.⁴ Customers need digital, at-home, and low-touch options. Digital-led experiences will continue to grow in popularity once the coronavirus is quelled, and companies that act quickly and innovate in their delivery model to help consumers navigate the pandemic safely and effectively will establish a strong advantage.

Accelerate digital options

Digital delivery has become a necessity for most customers who are confined at home. Adoption

² McKinsey US Consumer Pulse survey of 1,073 US participants, 18 years old and above, between March 20 and 22, 2020.

³ McKinsey survey of 1,249 participants across 46 cities in China, February 2020.

⁴ Chiara Bertoletti, "Coronavirus Nuovi dati sulle vendite della gdo in store e online," GDOWeek, March 6, 2020, gdoweek.it.

The way organizations deal with their customers, their employees, and the broader community in a crisis is likely to leave lasting memories in customers' minds.

has grown strongly, even among the most “digitally resistant” customers. For some companies, the rapid development of digital functionalities is key to ensuring continuity of services. China-based Ping An Bank rolled out new “Do It At Home” functionality and received more than eight million page views and nearly 12 million transactions within half a month. Players in service industries have also accelerated digital value-added services like advice and education. Over 44,000 viewers tuned in to Bank of China’s first three online shows, where leading investment managers shared market insights, discussed the impact of the virus, and gave advice.

Other companies are making select digital services free to help existing customers and broaden their reach to new audiences. Fitness companies are deploying this strategy through extended free trials for their online and app-based classes, where app downloads and new sign ups have grown between 80 percent and more than 250 percent in recent months. It’s likely that many customers who have converted to digital services will stick to them after the immediate health crisis is over: Companies who make this shift to digital and deliver superior experiences have an opportunity to increase adoption and maintain these customer relationships after the crisis.

Bring your business to customers’ homes

Similarly, home delivery has gone from a convenience to a necessity: during this crisis, Italy has seen online grocery home-delivery users

double between February and March.⁵ In China, Meituan, China’s premier food delivery service, reported quadrupled delivery orders in early 2020. Quick-service restaurants and aggregator apps are offering free delivery to capture share in this demand shift. Some fresh meal delivery start-ups have experienced a month-on-month demand boost of 25 percent and are experimenting with bulk versions of their offering. In the United States, home delivery options have expanded beyond food, as pharmacies offer extended free trials on their prescription delivery service, and car dealerships offer to pick up and drop off vehicles repair and maintenance.

Make physical operations touch-free

If part of the customer journey must exist in a physical channel, consider converting to contactless operations. The United States has seen a 20 percent increase in preference for contactless operations, with numerous industries adapting to this change. Meituan, which started as a food- and product-delivery service but evolved into a digital ecosystem player, was the first Chinese company to introduce contactless delivery in Wuhan.⁶ The service quickly became popular among all audiences, enabling Meituan to reach beyond its core millennial customer base—more than two thirds of new users are in their 40s and 50s. In the United States, Walgreens has rolled out a drive-through shopping experience. Customers order from a menu of available items such as household goods, medical supplies, and groceries. Store associates assemble and check out the order—all from the convenience of the drive-through

⁵ Madeline Lenahan, “COVID-19: Impact on food and drink,” Apptopia, March 12, 2020, apptopia.

⁶ In contactless delivery, customers order online or via phone, and the delivery is dropped off at a pre-specified location to minimize interpersonal interaction.

window. Grocery chains have kept their physical stores open to shoppers but are adding touchless measures, including new installations of plexiglass “sneeze guards” at every cash register to protect customers and employees.

3. Reimagine customer experience for a post-COVID-19 world

The COVID-19 crisis will end at some point. We expect changes in consumer preferences and business models to outlast the immediate crisis. This has begun to play out in China, where there has been a 55 percent increase in consumers intending to permanently shift to online grocery shopping, and an increase of three to six percentage points in overall e-commerce penetration in the aftermath of COVID-19.⁷ Some consumers will be trying digital and remote experiences for the first time. In China, the share of consumers over the age of 45 using e-commerce increased by 27 percent from January to February 2020, according to Chinese market-research firm QuestMobile. Once they are acclimated to new digital or remote models, we expect some consumers to switch permanently or increase their usage, accelerating behavior shifts that were already underway before the crisis.

Further, once the public-health crisis has subsided, economic impacts will persist. Leading companies will deliver on the customer experiences that are emerging as most important in the “next normal,” while finding ways to save and self-fund.

Find savings without sacrificing experience

In a downturn, cutting costs is inevitable. But that does not have to come at the expense of a good customer experience, which can create substantial value (Exhibit 2). Often, the best ways to improve experience and efficiency at the same time are to increase digital self-service and to make smarter operational trade-offs, grounded in what matters most to customers. In industries like banking, digital

servicing and sales are less expensive than branch- and phone-based approaches. The problem for many banks is that too few customers reach that point because they find digital channels unfamiliar and intimidating. Migrating customers to digital channels is often a successful way to boost savings and satisfaction. Teams can adopt this customer-centric mindset in any cost-cutting exercise, including migrating customers to self-serve channels, radically simplifying a product portfolio, or optimizing service level agreements.

Reimagine your brick-and-mortar strategy

So far, 60 US retailers—representing \$370 billion in annual sales and over 50,000 physical retail locations—have closed temporarily.⁸ The market capitalization of physical retail space has fallen by more than 35 percent.⁹ When stores reopen, the world of brick and mortar may be fundamentally different. More and more customers will have grown comfortable with digital, remote, and low-touch options, even in rural and older populations.

We expect to see the shuttering of underperforming stores. Retailers and consumer goods companies should plan now to capture this lost volume. Use mobile, online and geospatial data to optimize networks and omnichannel sales. Examine dynamics across digital channels, owned outlet stores, and wholesale partners. Companies should also re-examine the role that physical locations will play. Omnichannel fulfillment options such as buy online, pickup in store will increase. Some locations may be converted to “dark stores” for fulfillment only.

Finally, some existing stores may shift toward experience hubs that offer services and encourage purchase across all channels. Consider Nike’s store in New York’s SoHo neighborhood. There customers, assisted by a personal coach, can try on shoes in various simulated sporting environments—including a basketball half-court, soccer trial field, and outdoor track—to determine their preferred

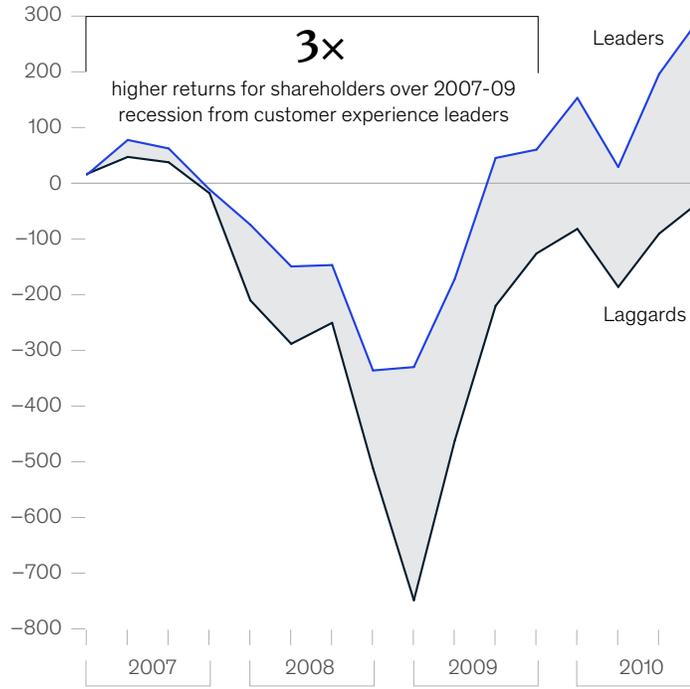
⁷ McKinsey survey of 1,249 participants across 46 cities in China, February 2020.

⁸ “Coronavirus and store closures: Tracking America’s retailers and restaurants,” *Wall Street Journal*, March 26, 2020, [wsj.com](https://www.wsj.com).

⁹ Google Finance, March 6, 2020, finance.google.com.

Focusing on customer experience is a winning strategy in recession.

Total returns to shareholders of customer experience leaders and laggards,¹% by quarter



¹ Comparison of total returns to shareholders for publicly traded companies ranking in the top 10 or bottom 10 of Forrester's Customer Experience Performance Index in 2007–09.

Source: Forrester Customer Experience Performance Index (2007–09); press search

product. As the forced isolation of coronavirus fades from view, this type of outlet may be a template that additional retailers will adopt.

4. Build capabilities for a fast-changing environment

Maintaining a strong customer experience in crisis requires rapid research to understand changing dynamics and new pain points as well as agile innovation to address them. Customer leaders who master that approach will create value for consumers in high priority areas and in an environment of increased competition.

Keep a real-time pulse on changing customer preferences

Traditional customer insights techniques, such as surveys, often have an 18- to 24-day lag between launch and results readout. At a time when conditions can change from hour to hour, that can be far too long to deliver useful perspective. Companies should look to quick and novel ways to keep a pulse on consumer sentiment. In Italy alone, Facebook has seen a 40 to 50 percent increase in usage since the crisis began. A surge in online usage now underway offers opportunity to tap into insights from social media to rapidly understand consumer sentiment and develop new ideas. One Chinese rental car company established a team focused on monitoring social media to identify real-time trends.

In Shenzhen, where employees were asked to avoid using public transit, it rolled out a “rent five days, get one free” offer that allowed people to expense a weekday carpool for work and keep the car on Saturdays to run personal errands safely.

Listen to employees

Frontline employees are a company’s eyes and ears on the ground. Solicit and collect employee feedback: it will prove useful in gauging how customers are feeling and how daily interactions are changing. Sadly, this source of insights often goes largely overlooked—while 78 percent of frontline employees report that their leaders have made customer experience a top priority, nearly 60 percent say they believe that their ideas for improving that experience often go unheard.¹⁰ Tools and technology now exist to rapidly collect and aggregate real-time ideas and feedback from frontline employees. Investing in these can make a critical difference in the rapidly changing current environment.

Adopt agile innovation

The sooner that companies can fulfill new consumer needs during this time, the better off both will be. This often means accelerating time to market for new customer experiences, rapidly prototyping and iterating, and releasing innovations in their “minimum viable” state, rather than waiting to perfect them. Building agility across functions to handle changing customer circumstances is necessary and will have long-lasting benefits. Typically, test-and-scale labs allow companies to build new experiences

with 50 percent reduction in speed to market. In addition to agile approaches, companies should rapidly examine their innovation pipeline to set priorities for new customer experiences that line up with remote, digital, or home delivery trends; these will likely continue to accelerate and differentiate CX providers in the post-COVID-19 world.

Finally, customer leaders shouldn’t take their eyes off of “failure modes” that can hurt if overlooked. When it comes to demonstrating care toward employees, make sure to double down on supporting employees—customers will notice and appreciate this as well. Don’t assume that customers will automatically migrate to existing digital and remote platforms. Rather, actively raise awareness and the internal capabilities needed to support adoption of these experiences. As for securing useful feedback, if the volume of customer insights and feedback from sources like social media and employees has not increased severalfold in an intense crisis environment, take it as a sign that you are missing critical insight needed to adapt experience.

Customer experience has taken on a new definition and dimension in the overwhelming challenge of COVID-19. Customer leaders who care and innovate during this crisis and anticipate how customers will change their habits will build stronger relationships that will endure well beyond the crisis’s passing.

¹⁰ “Finding the way to happy customers through the voice of your employees,” Medallia, medallia.com. Note: McKinsey & Company is a partner with Medallia in conducting research, compiling data, and developing customer analytics.

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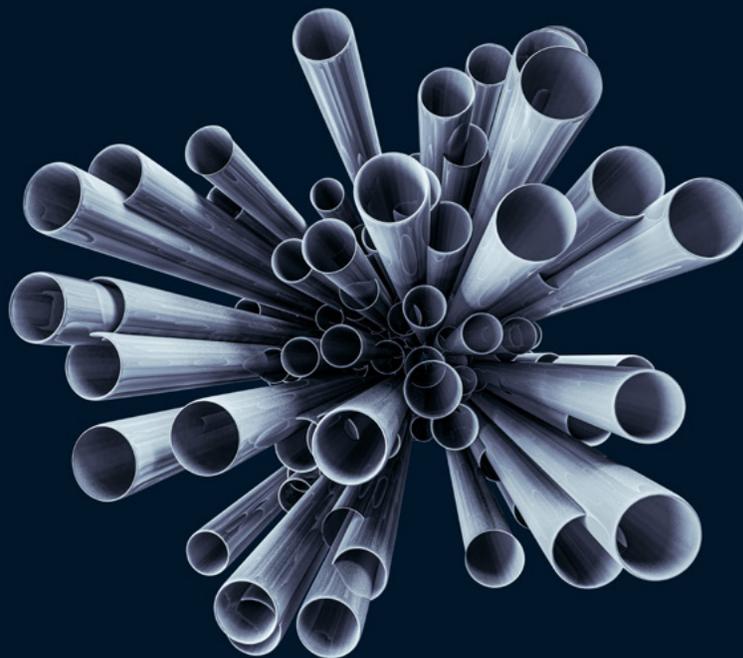
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Think fast: How to accelerate e-commerce growth

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

This article was a collaborative effort by Arun Arora, Julien Boudet, Michael Bucy, Hamza Khan, Rafael Montilla, and Kate Smaje, representing views from McKinsey Digital and McKinsey's Marketing & Sales Practice.



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 Shipt 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

¹Arun Arora, Peter Dahlstrom, Klemens Hjartar, and Florian Wunderlich, *Fast Times: How Digital Winners Set Direction, Learn, and Adapt*, Seattle: Amazon Publishing, 2020.

²McKenna 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

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

⁴Quarter 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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Marketing & Sales

Pricing through the pandemic: Getting ready for recovery

Building new pricing discipline, flexibility, and capabilities now can create long-term competitive advantages.

by Alex Abdelnour, Todd Babbitz, and Stephen Moss



In many industries, radical shifts in costs, demand, and supply availability have snarled previously predictable market pricing mechanisms. The most effective companies are adapting to their customers' immediate and changing needs while they consider longer-term implications.

Based on our research and experience from past economic crises, the most resilient companies put in place practices during the downturn that prepare them to succeed when the recovery comes. While these lessons are clear, they don't take into account the unprecedented nature of the current public-health crisis, which is a complicating factor that needs to be considered.

Pricing is a crucial part of an organization's rapid revenue recovery strategy. For pricing leaders, the three most important areas to focus on are: being creative in meeting customer needs while preserving value, driving strong pricing discipline, and investing boldly in capabilities for the future.

1. Be creative in meeting customer needs

Forward-thinking companies find more creative ways to meet customer needs than simply dropping the price. They preserve value while remaining flexible, and build long-term customer loyalty as a result of short-term concessions and exceptions due to COVID-19. Key actions include:

Adjusting terms and conditions. Flexible terms can make customers more willing to make purchases. For example, a few weeks into the coronavirus outbreak, several manufacturers

with healthy balance sheets extended their customers' payment terms to help them manage cash flow. Companies in many industries can find opportunities like these—including: adding terms to provide protection from volatile costs, reducing behaviors that raise costs or recoup the costs of those behaviors, or improving payment flows. For example, many companies are lowering cost to serve by reducing delivery speed or frequency, or by fulfilling orders through alternate channels.

Providing temporary offers. How companies adjust prices and communicate the changes to customers can impact near-term performance and the prospects for a strong recovery. Many companies reflexively slash *list* prices in a downturn, for example, but flexing discounts while holding list prices constant is often better at stimulating demand. Temporary discounts or promotions can safeguard the perceived value of a company's products and services and may be less likely to stimulate price wars, putting the company in a stronger position when the market recovers. Instead of explicitly raising prices as the recovery takes hold, which may spark customer objections and competitive responses, a company can simply reduce discounts or end promotions.

During the last downturn, for example, some professional-services firms were not disciplined when providing discounts on their hourly billing. On some contracts, they set a "fixed rate" on all matters, with no reopener. Nearly a decade later, many of these contracts were still in place, while overall market rates had accelerated rapidly.

Instead of raising prices as the recovery takes hold, which may spark customer objections and competitive responses, a company can simply reduce discounts.

Aligning payments with customers' business situations. Many companies restructure payments during a downturn to help address specific customer pain points, by helping them preserve cash through deferred payments, for example. Some move to recurring-revenue or subscription models, or lower up-front fees to reduce customers' near-term outflows. Some commercial real estate companies, for example, are currently offering to base at least part of rents on a share of sales to ease the burden on tenants. During past downturns, many customers asked service firms for fixed- or capped-fee arrangements, which provide greater cost certainty. Others sought agreements based partly on performance or outcomes rather than time and materials. Some of the most successful outsourcing firms met customer needs by backloading or amortizing transition-associated fees over the life of the agreement rather than billing as expenses were incurred.

Adjusting products or services to meet changing needs. Many businesses adopt defensive postures during a slowdown, focusing almost exclusively on their existing customers and therefore miss opportunities as other companies double down on their pursuit of new business. The most effective companies evaluate customer preferences and buying patterns to understand how each customer segment will be affected by the downturn, choose prospects more efficiently, and tailor messages and prices accordingly. This can help them to tailor a new offering for new customers. For example, a seller of premium office furniture, which pivoted to the home-office furniture market, now offers a 30 percent discount on work-from-home solutions, free shipping, no-contact delivery, and an "ergonomic consultation" with each purchase.

In other circumstances, it can help to make unbundled or "skinny" offers that give price-sensitive customers only what they truly need. Where research reveals that a customer does not value an additional service, the company can eliminate it or shift to a lower-cost approach, helping sales teams focus more keenly on what customers value most. One form of unbundling is to offer digital or self-service options at lower prices for targeted customer segments. During the current crisis, in fact, customers' preference for digital sales interactions has more than doubled.

2. Drive a strong pricing-discipline mindset

In this era of unprecedented challenges, suppliers that emerge from the crisis in a good position will likely be those that take a "through-cycle" view of their customer interactions and pricing policies. This requires discipline from sales teams to strike the right balance between capturing value through pricing and being sensitive to and meeting customers' changing needs. In a sharp downturn, that discipline may slip.

While every company may need to give on price in certain situations, the most successful organizations build better pricing discipline in a few ways:

Tighten the governance for discounting and approvals. Clear pricing guidelines and escalation processes become more important in challenging market conditions. More companies are now investing in "deal desks" to accelerate quotations, review requests for exceptions, and prioritize strategic investments in the most valuable clients over less-differentiated discounting practices. A cross-functional value council, described in our

Sales teams need to strike the right balance between capturing value through pricing and being sensitive to and meeting customers' changing needs.

previous article, can provide a balanced strategic perspective, think through pricing trade-offs, and understand when and how to shift tactics as market conditions change.

Identify pockets of lost value. The pricing function should actively monitor customer-level profitability and review pricing policies to identify the pockets of lost value that needlessly eat into the bottom line. That includes carefully monitoring volume discounts, rebates, and cash discounts to make sure they're earned and evaluating whether prices and fees account for cost to serve (such as freight and sales support).

Increase support for contract negotiations. During a downturn, the stakes rise for incumbents and challengers alike as they negotiate with large customers. Buyers may be more price sensitive, and newcomers tend to be more aggressive. To hold their position, incumbents need a rich and detailed understanding of their positioning and value compared with competitors. We recommend that they reexamine their own industry's shifting economics and their suppliers as well. With increased volatility in raw-material costs, it can be increasingly important to model supply, demand, and cost dynamics for primary raw materials and lock down beneficial contractual terms and conditions. This is critical to offering sellers protection when their costs change, such as through the incorporation of index-based pricing, pricing formulas that take into account shifting market conditions, and contract reopeners triggered by market changes.

Monitor and actively manage pricing policies and decisions. During a slowdown, companies should review their pricing policies more frequently and adjust them as conditions change. Without this extra attention and quick action, every step in a transaction can destroy profits. For example, some companies have revisited their minimum-order-quantity (MOQ) threshold and adjusted it downward to account for lower demand. At the same time, they have stepped up enforcement of pricing policies such as margin floors, freight charges (by

using system flags added to their quoting system), and stricter exceptions management. Others are monitoring win-loss and renewal rates to evaluate the impacts of tighter policies and separate isolated incidents from trends, reducing the likelihood of misinterpretation leading to overreaction.

Understand the strategic impact of pricing decisions. When contemplating bolder moves, companies engage in "war game" exercises to play through the strategic consequences of pricing decisions. For instance, a smaller player may need to take into account that efforts to win market share could trigger a price war with deep-pocketed rivals. These decisions require careful consideration, planning, communication, fortitude, and in many cases, legal and public relations counsel to minimize risks.

Frequently review sales force incentives and price realization targets. Our B2B decision-makers survey indicates that more than 80 percent of B2B companies have adjusted incentives in response to COVID-19, through changes to quota levels, short-term bonuses, or increases in fixed or variable incentives.¹ Striking the right balance on incentives, however, requires careful analysis and frequent attention. If incentives to realize price targets are not in place, for example, excessive discounting may allow profits to "slip out the door." Introducing incentives around a price-quality metric can help ensure healthy margins.

3. Invest boldly in capabilities

In our experience, some of the most thoughtful pricing leaders take advantage of slowdowns to invest in the future. They build pricing excellence by making cost-effective advances in three main areas:

Build value-selling capabilities. The pandemic is forcing many B2B sales teams to work remotely. Our B2B decision-maker survey indicates that remote selling is now the norm, with 96 percent of B2B companies responding that they have shifted their go-to-market (GTM) model during COVID-19.² Nearly two-thirds believe the new model is just as effective or more so than the previous one, and

¹ Global B2B decision-maker response to COVID-19 crisis," May 2020, McKinsey.com.

² Ibid.

Sales reps need new tools to shape customer conversations to focus more on value and less on price.

many believe that these sales-model changes are here to stay. In this environment, sales reps need new tools and new skills, in particular those that position and articulate value in a virtual environment.

Many companies have accelerated the conversion of in-person value-selling training materials into a combination of online video modules, gamified programs, and testing. They are taking advantage of their stay-at-home sales-rep model to build skills that are often overdue. To help sellers preserve and capture value through price, companies are investing in remote education on the technical features and benefits of their products compared with their competitors, including how to develop a quantified value proposition, value articulation, and selling the value at the right price despite market pressures.

Upgrade advanced analytics for better insights. The current crisis has brought about a significant change in market demand and price sensitivity. Pre-COVID-19 understanding of market dynamics and customer willingness to pay is likely less accurate now. Companies that update their algorithms to develop analytically driven, statistically rigorous, and near-real-time assessments of pricing dynamics, win/loss rate, and customer willingness to pay are much more likely to capture the value from pricing. Coupled with access to good data should be a commitment to using it, a discipline that's crucial these days to avoid making often costly snap decisions based on anxiety or "stories from the field."

Strengthen the pricing talent bench. The leaders of the most resilient firms are now asking how their talent and tools enable pricing excellence and how they can close gaps.

For organizations that have been struggling to add the right resources and capabilities in the midst of globalization and the war for talent, the crisis presents a unique opportunity to bolster the commercial organization with seasoned and sophisticated talent that may otherwise be difficult to obtain.

Beyond external talent, changes to the GTM model of many companies have suddenly freed up a number of internal candidates who have deep market and customer expertise to become agents of change for better pricing discipline and increased adoption of pricing analytics. A global distributor facing a significant drop in revenue decided to digitize a significant portion of its GTM approach. This increased its field sales-territory coverage and allowed a shift in resources toward analytic pricing support for sales reps.

Emerging stronger

More than 20 years of McKinsey research shows that most high-performing companies pursue their strategies consistently through economic cycles—including agile, precise, and disciplined pricing. Top pricing leaders look at the world through "strategic bifocals," keeping a close watch on near-term resilience while pursuing long-term goals in order to emerge stronger when the recovery begins.

By **Alex Abdelnour** is a partner in McKinsey's Atlanta office; **Todd Babbitz** is a specialist in the Chicago office; and **Stephen Moss** is a partner in the Denver office.

3. Reimagining the future



Marketing & Sales Practice

Leading with purpose: How marketing and sales leaders can shape the next normal

Chief marketing and sales officers have a defining role to play in navigating the current crisis—and in steering their companies' success in the world that emerges from it.

by Brian Gregg, Aimee Kim, and Jesko Perrey



This article was written collaboratively by all the global leaders of the McKinsey Marketing & Sales Practice, a group that spans all our regions and includes: Tjark Freundt, Bruno Furtado, Brian Gregg, Damian Hattingh, Eric Hazan, Rock Khanna, Aimee Kim, Jesko Perrey, Brian Ruwadi, and Dennis Spillecke.

“Without empathy, nothing works.”¹ That quote, from José Andrés, a celebrity chef who also founded and runs the nonprofit World Central Kitchen, highlights the reasoning behind the organization’s mission: to feed the world by being the first food responders in devastated areas. In the COVID-19 crisis, he has quickly mobilized field kitchens to provide fresh and nourishing meals to those in need in stricken parts of the world.

As an exemplar of purpose-led leadership, Andrés provides chief marketing and sales officers (CMSOs) as well as growth executives with a reference point for how to lead in the midst of this crisis.

As the pandemic continues to threaten millions of lives around the world, global economic realities are significantly impacting every aspect of our lives, from how we work and communicate, to how and what we buy. In this unprecedented new reality, the massive changes in customer behavior and business outlook have put growth officers and CMSOs on the front lines. To chart a path forward, leaders must anchor on what matters and do multiple things well simultaneously. This means, first and foremost, that they must lead with purpose by taking care of their people, their customers, and their communities. At the same time, they must focus on three horizons to shape the way forward: navigate the now, plan for recovery, and lead in the next normal.

The new reality

Lockdowns have led to near collapse in many business sectors, while also creating significant shifts in both customer and consumer behavior.

While we will continue to see major shifts and swings, we believe the following are already important for marketing and sales leaders to understand:

Digital adoption at breathtaking rates

Our Global Consumer Sentiment Surveys show consumers are turning to online consumption in record numbers (though for many businesses, this boom has not offset the deep losses offline). More than 50 percent of Chinese consumers show a pronounced move to digital, especially on work-related activities. We’re also seeing an uptick in first-time users and in established customers’ usage across several categories, such as entertainment streaming, e-sports, restaurant and grocery delivery, online education, and online fitness. While this trend is not yet as evident in Europe due to limited home-delivery options, confinement is driving significant trialing of new online ways of shopping.

This change is also pronounced in B2B businesses. According to our latest B2B Decision-Maker Pulse Survey, sellers indicated that digitally enabled sales interactions are now more than twice as important as traditional sales interactions, compared with rough equivalency before COVID-19. Nearly four in five B2B sales teams have already shifted to videoconference or phone.

More importantly, many of these behaviors are likely to become permanent. Data shows European consumers’ shift to digital is likely to stick after the crisis abates, especially in countries where online penetration was higher to begin with. Some 55 percent of Chinese consumers have indicated they are likely to permanently shop online for groceries.

Consumers and customers have significant concerns about the economy

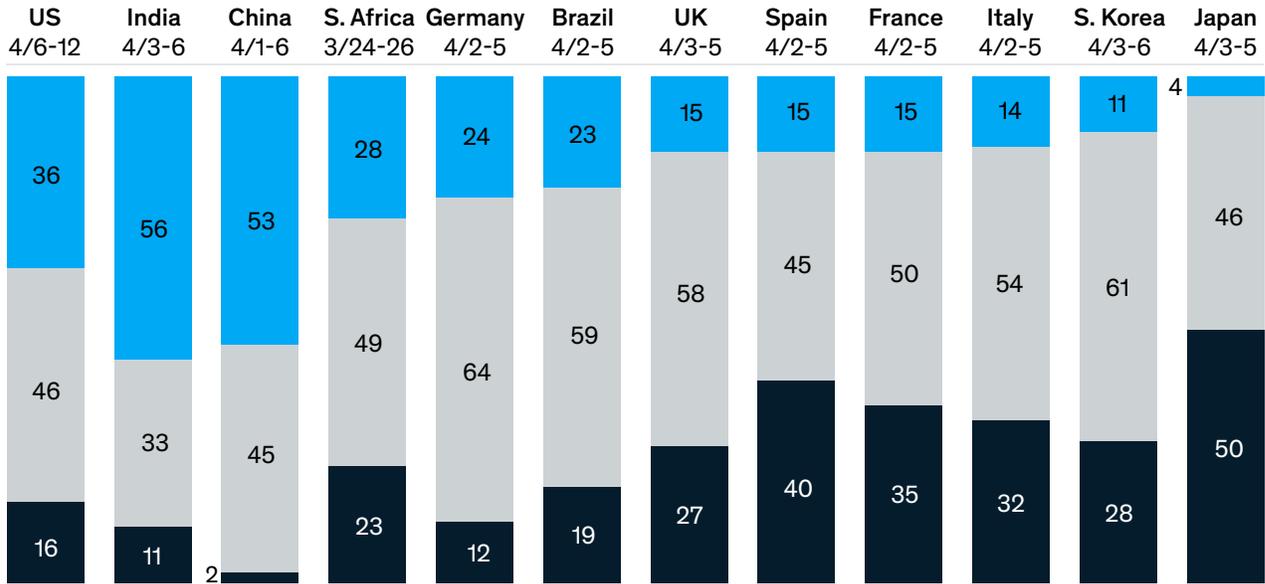
While US consumers, like their Chinese and Indian counterparts, expect the economy to rebound within two to three months, European consumers are less optimistic (ranging from 8 percent in Portugal to 27 percent in Germany) (Exhibit 1).

¹ Sean Gregory, “‘Without empathy, nothing works.’ Chef José Andrés wants to feed the world through the pandemic,” TIME, March 26, 2020.

Exhibit 1

The US is more optimistic than European countries but less optimistic than India or China.

Confidence in own country's economic recovery after COVID-19,¹ % of respondents



Optimistic: The economy will rebound within 2–3 months and grow just as strong as or stronger than it was before COVID-19

Unsure: The economy will be impacted for 6–12 months or longer and will stagnate or show slow growth thereafter

Pessimistic: COVID-19 will have lasting impact on the economy and show regression/fall into lengthy recession

¹ Q: How is your overall confidence level on economic conditions after the COVID-19 situation? Rated from 1 "very optimistic" to 6 "very pessimistic"; figures may not sum to 100%, because of rounding.

Source: McKinsey & Company COVID-19 Consumer Pulse Survey (China n = 1,048 including Hubei province), (South Korea n = 600), (Japan n = 600), (India n = 582), (US n = 1,063), (Brazil n = 1,311), (UK n = 1,000), (Germany n = 1,002), (France n = 1,003), (Spain n = 1,003), (Italy n = 1,005), (Portugal n = 601), (South Africa n = 535)

Consumers with higher incomes (those making more than \$100,000 per year) showed higher levels of optimism.

Those concerns are reflected in lowered expected spend levels. In the US, 44 percent of consumers said they will reduce their spending over the next two weeks, while 43 percent said they are delaying purchases due to the uncertain economic outlook. In South Korea, which has managed to slow the spread of the virus, only 25 percent of consumers said they are confident of a quick rebound, and about half said they expected a decline in their personal financial situations.

Huge market uncertainty

Although several sectors have performed well, many have collapsed. We estimate that consumers might cut back as much as 40 to 50 percent of discretionary spending, which translates to roughly a 10 percent reduction in GDP—and more, if you consider second- and third-order effects. Newspapers are rife with disturbing news about precipitous declines in travel and hospitality, oil, retail, and many other sectors. In B2B, nearly 50 percent of companies have cut their short-term spending in response to the crisis and declining demand, and a similar portion expect to reduce their long-term budgets as well.

The outlook isn't universally dour, however. Some B2B decision makers are relatively optimistic that their companies will be able to stay in business (Exhibit 2).

Given the shifts in economics and the suddenness of the downturn, we expect to see big shifts in marketplace dynamics, from business closures to consolidations, and from new business and partnership models to innovations that address emerging opportunities.

Three main lessons from recent downturns

While this crisis is significantly different from any other disruptions we have experienced in the past 50 years, we believe there are three lessons from recent downturns that leaders can learn from:²

1. Optimize for lean

Resilient companies (resilients) that focused on thoughtfully getting lean before and during the downturns in 2001 and 2008–9 were able to

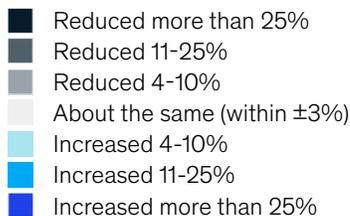
²For more, read Martin Hirt, Kevin Laczkowski, and Mihir Mysore, "Bubbles pop, downturns stop," *McKinsey Quarterly*, May 2019.

Exhibit 2

Impact on spend changes by category: ~40-50% of B2Bs predict spending stability/increases across product and service categories.

How has the coronavirus (COVID-19) situation affected your company's budget for the following areas? % of spending changes¹

Software & telecom	8	17	26	30	12	5	3	50%	50%
Real estate	12	16	23	30	11	5	2	48%	52%
Banking & insurance	8	16	28	28	11	5	4	48%	52%
Capital equipment	10	17	26	29	10	6	2	47%	53%
Specialty inputs	10	17	28	28	10	6	2	46%	54%
Packaging	10	18	26	26	11	6	2	45%	55%
Energy	10	17	28	25	11	6	3	45%	55%
IT hardware	8	19	29	26	11	4	2	44%	56%
Commodity inputs	11	20	27	24	10	5	3	42%	58%
Vehicles	14	19	25	24	10	5	2	41%	59%
Processing supplies	11	20	28	23	12	4	3	41%	59%
Distribution & transport	11	21	27	20	11	6	3	40%	60%
Finished goods	13	19	29	22	11	4	3	40%	60%



A B

A Total % of maintenance/increases²

B Total % decreases³

¹Figures may not sum to 100%, because of rounding

²Sum of % of spending changes in "Increase 11%+" category, "Increase 4–10%" category, and "About the same"

³Sum of % of spending changes in "Reduce 11%+" category and "Reduce 4–10%" category

Source: McKinsey B2B Decision Maker Pulse Survey, April 2020 (n = 3619)

manage the downturn and come out in better shape than their peers. This lean mindset extended to decision making as well. During the 2008–9 financial crisis, organizational “nerve centers,” which brought together top executives and top talent into a single team, were used to accelerate decision making and drive rapid execution.

2. Marshal resources

During the 2008 financial crisis, resilient companies were 27 percent more likely than less resilient companies to divest slow- or no-growth assets. Among other benefits, this approach allowed them to look for strategic investments and advance new market opportunities.

3. Be bold and maintain a through-cycle growth mindset

Our data shows that resilient companies on average increased their selling and general and administrative spend by 1.5 percent (as a percentage of 2007 revenue) during the downturn, while nonresilients remained flat. Winners also continued to reallocate resources thoughtfully by investing in crucial capabilities such as reading demand signals to determine where and how customers would shift their spending.

How leaders can shape the future across three horizons

Given the current crisis, it's crucial that marketing and sales leaders act decisively to help stabilize the business and, in some cases, fight to stay afloat. But it's important to look ahead as well. We have found that the best leaders have the agility to actively shape the future of their organizations across three horizons: the crisis and downturn (now), the recovery, and the next normal.

Navigate the now

We are in uncharted territory, forcing CMSOs to simultaneously address both the immediate COVID-19 crisis and the resulting economic downturn. Among the many levers they need to utilize, we believe they should prioritize the following:

1. Lead with purpose

In a time when people are frightened, unsure, and facing dire economic conditions, brands have an outsized role to play in their communities. This includes corporate social-responsibility initiatives designed to meaningfully support your customers and the community. While any assistance is important, we believe that those contributions that are authentic, brand appropriate, and truly helpful are more likely to not only be appreciated but also to have a positive and lasting impact on customers.

We are inspired by the many examples of companies stepping up to help, from Starbucks providing front-line healthcare workers with free coffee, to LVMH and Estée Lauder repurposing facilities to make hand sanitizer. Other leading brands have worked closely with governments to fast-track regulatory approvals to retool manufacturing assets to make ventilators.

2. Take care of employees and customers

Safeguarding the well-being and safety of employees and customers is a top priority. Companies such as Domino's and DoorDash have invested in employees' safety by creating contactless delivery, while Apple, Bank of America, and Patagonia have committed to a no-layoff policy, despite temporary store closures. One CMO personally flew hand sanitizer and masks to employees to ensure their safety and security.

Great examples of companies that are taking care of their customers include Google, which has pledged \$340 million in ad credits for small and medium businesses (SMBs), while Zoom and Cisco's Webex have massively expanded free access to their videoconferencing technology. Utilities such as Con Ed and telco giants such as Verizon and T-Mobile are reducing or waiving late fees to ensure their customers stay connected.

As lockdowns eventually subside, explicit messaging, including signage and operating procedures, may be needed to signal safety for both employees and customers. In addition

to having staff wear masks and deploying hand sanitizer at high-traffic/touch locations, communicating how often the facility has been sanitized will go a long way. Providing masks for employees and disposable gloves for shoppers using carts is already quite common in Asia.

3. Build up cash reserves

The sharp declines in demand that we're seeing in many sectors may last for an extended period of time. That's why it's important to be strategic in looking for ways to make cuts through, for example, marketing-spend efficiency, optimizing markdowns, and better managing inventory. Managing pricing in particular is crucial to avoiding discounting that destroys value.

At the same time, CMSOs can go beyond making cuts to generate cash by reallocating spending to programs that deliver "stacked wins" in both savings and revenue. Targeted personalization and customer experience initiatives can also fuel growth while improving customer loyalty and building long-term trust. For example, Tesla, relying on its virtual customer-experience capabilities, has *increased* its sales in China by 40 percent during the crisis, demonstrating that online-only can work and drive growth.

Plan for the recovery

Leaders need to be ready to capture mindshare and demand from the old game board when the recovery starts. Our research has shown that forward-thinking leaders in advanced industries and consumer/retail companies will likely increase spend in the long term after short-term budget cuts. Effective spending in marketing and sales, however, means not just pulling out the old playbook, but rethinking how to better use tools and capabilities to connect with customers.

1. Accelerate digital ambition and analytics engines

E-commerce is already proving its importance and will likely retain it through the recovery. For B2B customers, the use of digital channels when

ordering from suppliers has increased in importance from 2019 to 2020 (Exhibit 3).

The rapid shift to digital has served as an unwelcome wake-up call, however, for some businesses. As one CIO recently said, "We're not as digital as we thought we were." In another example, one international consumer packaged-goods (CPG) company was unable to fulfill the massive surge in orders that came through its website.

CMSOs will need to make urgent investments in digital tools and capabilities and upgrade analytics engines. That focus is reflected across B2B categories where spend in software and telecom will likely increase in the long term despite to short-term budget cuts.³ Investing in data and analytics operations, in particular—predictive analytics, virtual sales, pricing and promo thresholds, sales effectiveness—along with raising ambitions for digital, have the potential to substantially improve the ability to personalize offers to customers, prioritize sales pipelines, and improve sales activities. This includes rethinking omnichannel and redesigning frontline sales-force processes for today's remote-work environment.

2. Be ready to capture early demand

We see small indications in some categories of possible demand pickup. For example, in luxury fashion, certain markets, such as China and South Korea, are already demonstrating faster recovery rates than expected. Momentum still varies by luxury brand and store location, but retailers' ability to redirect merchandise to retail sites can make a difference, such as reallocation of inventory between offline locations or between offline and online.

To be ready for demand when it picks up, CMSOs will need to zero-base their marketing and sales strategies and develop a clear view of what their customers value. B2B customers, for example, have indicated that they value the ability to use a mobile app when ordering from suppliers.

³ McKinsey B2B Decision-Maker Pulse Survey, April 2020 (n=622).

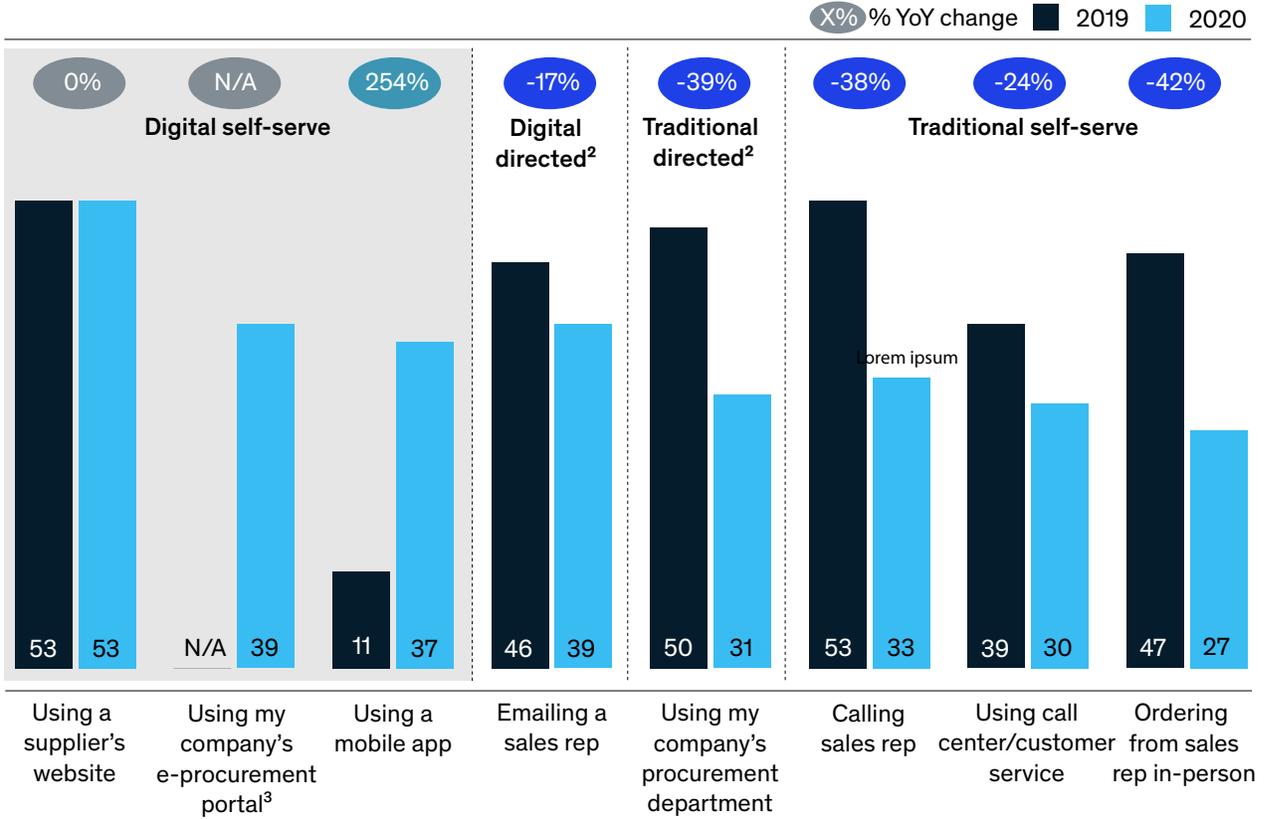
Exhibit 3

When ordering from suppliers, B2B customers highly value digital self-serve.

Which of the following methods do you/would you most prefer to use when submitting your order?

Please rank up to 3 that would be most beneficial.

% of respondents ranking in top 3¹



¹ Results for Top 1 responses are consistent with Top 3. A free-response option was given, but <1% of respondents filled it out.

² Directed interactions engage sales reps.

³ Question not asked in 2019.

Source: McKinsey B2B Decision-Maker Pulse Survey, April 2020 (n = 622); 2019 McKinsey B2B Decision-Maker Survey

Unbundling products and services to tailor them more closely to customer needs or restructuring payments—by moving to a recurring revenue or subscription model, or lowering up-front fees to better reduce customers' near-term outflows—can help win customers. Investing in value-selling capabilities as well as continuous reviews of sales incentives and pricing targets will be crucial to making sure companies are both relevant—and sensitive—to their customers.

Past behaviors and habits won't necessarily be what consumers and customers want when the crisis ends, so developing a clear perspective on which habits will stick, which won't, and for which segments will be crucial. That reality is particularly important to consider with algorithms and advanced analytics that generally rely on past behaviors. Those will need to be retrained on new behaviors and patterns to help give CMOs a more accurate

picture of developing demand. Market price tests can become obsolete after just a few months in volatile markets, for example, so pricing-sensitivity research and tests need to run frequently when setting price points.

The COVID-19 crisis has led to an increased customer propensity for trying new brands. Our latest McKinsey survey shows that about 33 percent of Chinese consumers have switched brands based on convenience and promotions, and 20 percent of that group intend to stick with the new brands they've tried. Because our analysis of consumer decision-journey behaviors has shown that winning the battle for brand awareness is the most important determinant of purchase intent, this development has the potential to significantly open up additional segments. Indeed, we believe such behavior could be even more prevalent, given the scale and nature of this disruption. Marketers should begin revisiting what the brand is and what it means to customers.

Lead in the next normal

No one can predict what the next normal will look like, but the size and speed of the coronavirus disruption hints at big changes ahead. We have seen tantalizing glimpses of the contours of that change in the use of AI to better predict the spread of COVID-19, in the spirit of innovation unleashed to find a cure, and in the remarkable advances in telemedicine. To succeed in this world, CMSOs will need to think through new capabilities, processes, and ways of working.

1. Rethink ecosystems

Connected ecosystems through trusted outsourcing and partnerships can rapidly scale capabilities and ensure more integrated, seamless customer experiences. Leaders must take a wide view of profit pools to re-engineer value chains for flexibility, near- and on-shoring, inventory pooling, and rebalancing across channels. Building a resilient ecosystem with clear visibility into which parts and products will be affected by new behaviors and business

models can minimize risk to your brand as well as disturbances to your customers.

2. Virtualization

As customers have become more comfortable with virtual platforms, from visiting properties to “trialing” cars, their behavior suggests potential new business models. New ways of working, connecting (virtual trial, virtual sales), and accessing and consuming information in connected homes and AI-enabled services will require fundamental business-system redesign.

How growth leaders can SHAPE their strategies

For leaders to effectively manage dynamic and unpredictable challenges, we believe they need to focus on five specific capabilities (Exhibit 4):

- **Start-up mindset.** The current uncertainty favors companies with a start-up mindset, which allows them to embrace change, flexibility, innovation, and purpose. This attitude leads to questioning accepted wisdom, obsessing over cash, driving a test-learn-adapt way of operating, and a bias toward action over research. This resilient spirit can propel a company into the recovery and the next normal with more innovative, agile thinking across new business models centered on analytics, platforms, and changing customer needs.
- **Human at the core.** CMSOs will need to invest in their people and how to support them through the crisis. They will also need the discipline to think ahead about their talent needs. The next normal will clearly require a new set of skills and capabilities, and CMSOs will need to work closely with HR to innovate in finding new talent and keeping what they already have by developing new career paths and creating more flexible relationships with agencies and remote workers. In tandem, companies should look to rapidly upskill front-line work-from-home sales and marketing talent to

SHAPE your response to the post-COVID world.

Leaders need:	Navigate the NOW Lead with purpose	Plan the RECOVERY Capture every demand on old game board	Lead the NEXT NORMAL Accelerate new business models
Start-up, resilient mindset	<ul style="list-style-type: none"> • Obsess over cash • Build scenarios, focus on base-case and no-regrets moves • Create a dashboard and track 	<ul style="list-style-type: none"> • Mine granular data sets to identify opportunities and fine-tune approaches • Focus on capturing early demand quickly 	<ul style="list-style-type: none"> • Inject dynamic decision making to meet changing behaviors • Align investments against new opportunities
Human-centered responses and interactions	<ul style="list-style-type: none"> • Prioritize safety of people and customers, work from home, masks/sanitizer • Do good to do well in communities 	<ul style="list-style-type: none"> • Upskill your employees with next-gen skills • Support virtual work and wellness programs 	<ul style="list-style-type: none"> • Rev up next-gen talent model, eg, new HR processes across recruiting, retention, engagements
Accelerated digital and tech	<ul style="list-style-type: none"> • Maximize digital sales • Enhance digital capabilities to drive core processes, eg, predictive trigger analytics 	<ul style="list-style-type: none"> • Radically accelerate analytics, eg, updated pricing/promo thresholds, triggers • Create digital consumer decision journey and sales journey processes, eg, omnichannel, virtual sales, digital trial 	<ul style="list-style-type: none"> • Integrate data at scale and AI across your entire organization • Leverage digital efficiencies to restructure operations
Purpose-driven customer playbook	<ul style="list-style-type: none"> • Meet the moment with messaging and actions • Tailor messages to new consumer decision journey and near-term needs 	<ul style="list-style-type: none"> • Connect with brand loyalists • Tie community-based messaging to brand • Engage beyond the transaction 	<ul style="list-style-type: none"> • Redesign value propositions for new reality • Power up customer experience in line with purpose • Expand connections with customers, eg, content
Ecosystems to drive resilience	<ul style="list-style-type: none"> • Assess profit pools to optimize value chains 	<ul style="list-style-type: none"> • De-risk supply chain and focus on plans to meet demand, eg, outsourcing, flexible inventory 	<ul style="list-style-type: none"> • Power up innovation engine • Identify opportunities to rethink entire value chain, eg, acquisitions, outsourcing, partnerships

capitalize on new pockets and pools of talent that are suddenly available in a full-remote operating model.

- **Accelerated digital, tech, and analytics.** The crisis represents a permanent inflection point in the shift to digital. This reality demands a tech-based response, with CMOs leading the drive to develop better analytics to understand customers at scale,

a more flexible and scalable tech stack to drive business innovation and channel rollout, and digitized processes to accelerate and improve decision making. Many B2B companies, for example, have found that advanced analytics provide a far more objective and dynamic assessment of the quality of a commercial offering than traditional methods.

— **Purpose-driven customer playbook.** Amidst uncertainty, the power of a brand as a known quantity is a tremendous asset. The current crisis has brought into stark relief the importance of brands meeting the moment with authenticity. Companies will need to revisit what their brands stand for and their value propositions to their customers. The playbook has changed, and leaders will need to build purpose-driven customer decision journeys that create trust, confidence, loyalty, and a differentiated experience wherever they are.

— **Ecosystems to drive adaptability.** The disruptions in supply chains and offline buying channels have made adaptability

crucial not just to survival but to accessing opportunities quickly. This will require new partnerships, new models of “co-opitition,” strategic M&A, and in-house builds.

While there are many unknowns about the full implications of COVID-19, one thing is clear: we are in a generation-shaping moment from which a significantly different world will emerge. CMSOs have a defining role in determining whether their businesses can succeed in it.

Brian Gregg is a senior partner in McKinsey's San Francisco office, **Aimee Kim** is a senior partner in the Seoul office, and **Jesko Perrey** is a senior partner in the Düsseldorf office.

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Modern marketing: What it is, what it isn't, and how to do it

To drive growth in the digital age, marketing needs to modernize a specific set of capabilities and mindsets.

by Sarah Armstrong, Dianne Esber, Jason Heller, and Björn Timelin



What does “modern marketing” mean to you?

We can all probably think of a clever digital campaign, an innovative app, or some inspired creative work shared across multiple channels.

While these examples contain some of the hallmarks of modern marketing, in our view it is much bigger than that. Modern marketing is the ability to harness the full capabilities of the business to provide the best experience for the customer and thereby drive growth. In a recent McKinsey survey, 83 percent of global CEOs said they look to marketing to be a major driver for most or all of a company’s growth agenda.¹

Delivering on this promise requires a whole new way of operating. Marketing departments need to be rewired for speed, collaboration, and customer focus. It’s less about changing *what* marketing

does and more about transforming *how* the work is done. Based on successful cases we’ve seen, we estimate that making this change can unlock 5 to 15 percent of additional growth and trim 10 to 30 percent of marketing costs.

Where to start

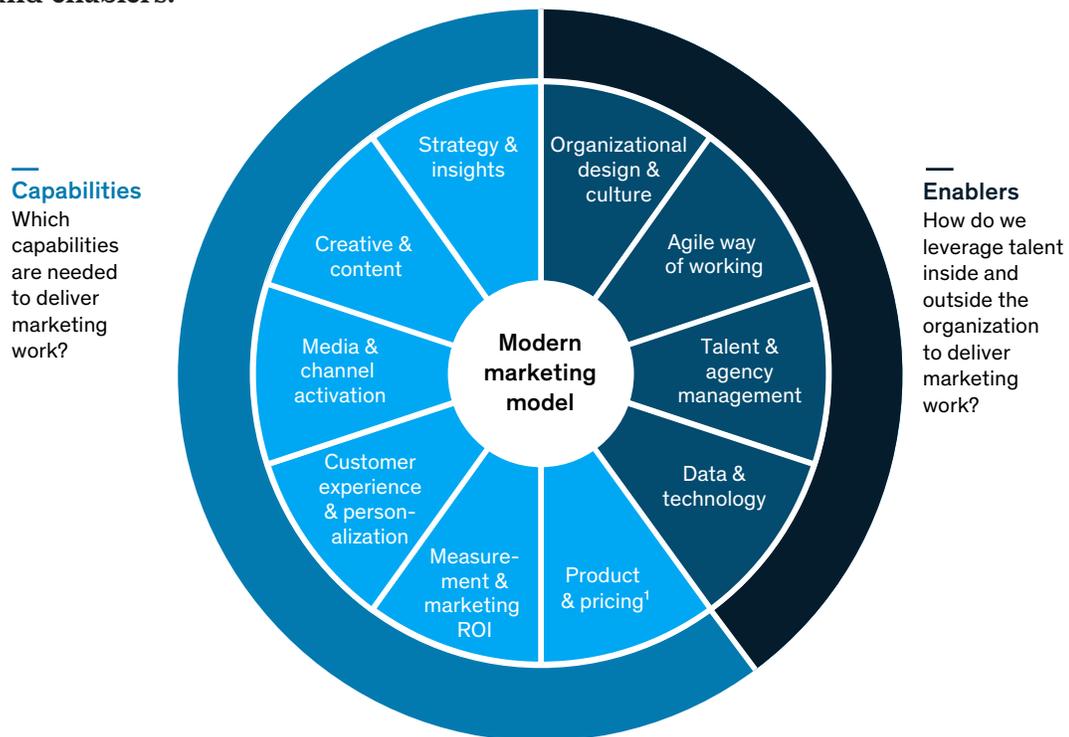
In our experience, most senior leaders understand that marketing has to modernize, but they are less sure what specifically that means. Too often, they focus on a handful of initiatives or capabilities and then grow frustrated when the promised value doesn’t appear.

For this reason, it’s crucial to have a clear view of what constitutes a model for modern marketing (Exhibit 1). While each of these components is familiar, we have found that the clarity of seeing

¹Julien Boudet, Biljana Cvetanovski, Brian Gregg, Jason Heller, and Jesko Perrey, “Marketing’s moment is now: The C-suite partnership to deliver on growth,” June 2019, McKinsey.com.

Exhibit 1

To deliver on growth, modern marketing requires updated capabilities and enablers.



¹ Capability may not fall directly under marketing organization, depending on organizational structure.
Note: Variations to the modern marketing model may exist for consumer-packaged-goods and B2B sectors.

them organized into a cohesive model gives leaders a better sense of how to track all the elements and how they should work together.

That clarity is crucial as leaders develop plans and programs to modernize each of the capabilities and enablers (Exhibit 2). The traditional way to create content, for instance, is to roll out periodic, one-size-fits-all campaigns that can be modified only to a limited extent. On the other hand, a modern

marketing organization has systems that allow for large volumes of messages and content to be constantly created, monitored by performance analytics, and then adjusted as needed. Take personalization. It used to mean broad offerings and experiences across large consumer segments. Today, the goal is to leverage data from all consumer interactions to creatively deliver as much relevant one-to-one marketing as possible.

Exhibit 2

Modern marketing requires revamped capabilities to meet marketing’s new rhythms and demands.

Key elements	From		To	
	Capabilities	Enablers	Capabilities	Enablers
Strategy & insights	Limited insights and lagging indicators		Brand vision and strategy informed by real-time insights that are integrated into operations and the front lines	
Creative & content	Periodic and intuition-driven campaigns		Always-on content driven by analytics and data, dynamically curated, and augmented by AI tools	
Media & channel activation	Channel-activation plans managed in silos and optimized episodically		Rapidly iterated activity utilizing unique attributes of each channel, tied to a 360-degree view of the customer journey	
Customer experience & personalization	Several broad offerings across large customer segments		Customer experience that is data driven and personalized, leveraging unified customer data across all interactions to allow for purposeful communications	
Measurement & marketing ROI	Limited ability to measure impact		Holistic, customer-level ability to measure all or most components of marketing investments	
Product & pricing	Marketing disconnected from product		Working hand-in-hand with product to activate consumers by building a cohesive experience and using analytically driven pricing	
Organizational design & culture	Business- and product-centric		Organization designed around customer-centricity and expanded breadth of marketing’s role in driving growth; advanced operations in place to execute	
Agile way of working	Annual planning and multiple handoffs		Highly empowered, cross-functional agile teams focused on rapid test and learn	
Talent & agency management	Overreliance on agencies and organic talent development		Strategy to attract, retain, train, and upskill talent, and to manage an interconnected agency ecosystem with best-in-class expertise	
Data & technology	Sparse data, and technology and marketing managed separately		360-degree customer data at the absolute core of a seamless customer journey, across which an integrated marketing-technology stack connects “signalized” data	

While most CMOs we know have made progress toward developing modern marketing organizations, many are discouraged by a lack of progress. We have found that the core issues are the absence of a commitment to the full suite of changes necessary and a lack of clarity about dependencies. Without that understanding, we find that teams tend to naturally gravitate to working on things they know best or are most excited about, ignoring other elements. This creates blind spots in the transformation process that lead to delays, frustration, and, ultimately, a loss of value. Modernizing marketing capabilities, for example, requires an upgrade of four key operational enablers. But a successful transformation won't succeed without three mindset shifts that provide a foundation for change.

Mindsets: Thinking like a modern marketer

Before embarking on a modern marketing transformation, there are three mindset shifts that are necessary to enable change.

1. Unifier mindset

To drive growth, marketing leaders must work collaboratively with diverse areas of the company, from sales and product innovation to finance, technology, and HR. In fact, our research has shown that CMOs (or those in a similar role, such as chief growth officer or chief customer officer) who function as “unifiers,” leaders who work with C-suite peers as an equal partner, drive greater growth than those who don't. Unifier CMOs adopt the language and mindset of other C-suite executives, articulate how marketing can help meet their needs, and ensure that they understand marketing's clearly defined role. Moreover, this creation of productive, collaborative relationships doesn't end at the C-suite. Marketing leaders should role model—and set expectations for—how each member of the marketing team should collaborate seamlessly with colleagues in other functions.

2. Customer-centric mindset

Putting customers first is not a new idea, of course. What's different today is that marketers have

unequivocal evidence that meeting customers' needs creates value and delivers competitive advantage. Modern marketers must also be aware of the challenges of complexity and scale they must meet to achieve customer-centricity. They involve commitments to several elements: a design-thinking approach to solving customer pain points and unmet needs; a centralized data platform with a unified view of customers, culled from every possible touchpoint; the continuous generation of insights from customer-journey analytics; the measurement of everything consumers see and engage with; and the hiring and development of talented people who know how to translate insights about customers into experiences that resonate with customers.

The first step is to realize that customer segmentation goes deeper than you think. The best marketers are developing capabilities for efficient engagement across numerous microsegments. By doing this, marketing organizations can better understand the motivations and behaviors of their most valuable customers. They can also organize their efforts around acquiring more of them and creating greater loyalty.

3. Return on investment (ROI) mindset

Digital channels and improvements in analytics and data science now make it both possible and necessary for marketers to be accountable for delivering value across all channels. To operate with an ROI mindset, everyone needs to operate as if the money they are spending is their own. This means closely monitoring investments, putting in place standards to identify those not generating value, and creating a culture of accountability in which underperforming investments are scrapped. Such financial rigor will not only help marketing fulfill its mandate as a growth driver; it will also build credibility with the CFO, unlock additional investment, and demonstrate marketing's value to the entire company. One streaming company, for example, has built into the core of its culture continuous A/B testing of hundreds of variants of its website and apps and measuring their impact on viewing hours and retention. To support this, each product team has its own embedded analytics talent.

To operate with an ROI mindset, everyone needs to operate as if the money they are spending is their own.

Enablers: Operating like a modern marketer

To modernize marketing's capabilities, marketing organizations need to upgrade four key underlying operational enablers.

1. Organizational design and culture: Turning mindsets into behavior

To support modern marketing behavior, companies can take a number of practical actions, including the following:

- **Incentivize group success.** Since delivering value to the company is a cross-functional team sport, marketing organizations need a culture focused not just on individual achievement but on shared goals, team performance, and accountability. This means changing how marketing organizations reward, acknowledge, and evaluate talent, such as the inclusion of cross-functional team key performance indicators (KPIs) tied to individual compensation. Top talent should also feel a sense of purpose and motivation, derived from an environment that delivers energy and enthusiasm. None of this happens by chance.
- **Elevate consumer insights and analytics.** Because customer-centricity and ROI mindsets are critical for modern marketers, customer insights and analytics can't be support functions within marketing. In a modern marketing organization, they will have a prominent and visible role and a leader who reports directly to the CMO. This serves as a reminder that the voice and behavior

of the customer must be at the center of everything and that no marketing activities should be executed without the backing of relevant insights and the ability to measure performance.

- **Turbocharge marketing operations.** Marketing operations is a backbone function, essential for a modern marketing organization to move with speed and flexibility. To make sure that marketing spending, technology, and processes are all managed to deliver maximum impact and efficiency, the best companies have installed a marketing operations lead, also reporting to the CMO. In some cases, marketing operations will exist as a shared service or central function across marketing. In other cases, it will be distributed across numerous operating units to provide autonomous execution capabilities. We've seen marketing operations provide a 15 to 25 percent improvement in marketing effectiveness, as measured by return on investment and customer-engagement metrics.² One global financial-services company, for example, figured out that by accelerating the delivery of IT-dependent functions to marketing, it was able to generate an extra 25 percent of revenue. That was worth \$100 million per year.³

2. Agile marketing at scale: Getting serious about moving beyond pilots

By far the biggest change to marketing's organizational design is the shift to agile.

²David Edelman and Jason Heller, "How digital marketing operations can transform business," July 2015, McKinsey.com.

³Jason Heller and Kelsey Robinson, "Meet your new MOM (Marketing Operating Model)," March 2017, McKinsey.com.

As a decentralized, cross-functional model, agile is critical for operating with speed. Even the most digitally savvy marketing organizations have experienced revenue uplift of 20 to 40 percent by shifting to agile marketing.⁴ Small teams of people, called squads, work in the same place and have decision-making authority to execute highly focused tasks. Organizing squads around specific customer objectives ensures that everyone on the team is connected to the customer. Giving squads clear KPIs, such as a volume of new customers or specific revenue goals, ensures that everything is measured and evaluated. Marketing organizations that adopt agile have moved anywhere between 50 and 70 percent of their work to this more streamlined and accountable approach, quickly cutting loose anything that isn't creating value.

Scaling agile marketing, however, entails more than flattening out an organization chart or establishing cross-functional collaboration. Squads need to have supportive participation from departments such as legal, IT, finance, and often agency partners as well. Without this broader organizational support, agile teams are confined to small pilots with limited impact. At one bank, for instance, the legal department and controller's office were resistant to providing staff to agile marketing teams because of competing priorities. Marketing leadership knew their agile approach wouldn't work without the other functions, so they invested sufficient time with each function's leader to articulate how the agile team would work, what value would be generated, and how it would support the business's overall goals. This effort gave functional leaders enough confidence in the process that they agreed to provide people to the agile squads.

3. Talent and agency management: A constant balancing act

Given the complexity of marketing today and the range of capabilities needed, marketers need a new talent strategy built around three elements:

- *Insource mission-critical roles.* While there is no single model for the functions a marketing organization should handle itself, insourcing usually makes sense when there is a desire for ownership of data and technology; when companies seek strong capabilities in a certain area; or when insourcing will greatly accelerate the speed to market and allow for the constant creation, testing, and revision of campaigns.
- *Hire "whole-brained" talent.* Today's in-house roles require a broader skill set, with a balanced mix of left- and right-brain skills. This means, for instance, content producers and experience designers who are comfortable using data, and data-driven marketers who are willing to think outside the box and move closer to consumers. McKinsey research shows that companies able to successfully integrate data and creativity grow their revenues at twice the average rate of S&P 500 companies.⁵ Most importantly, modern marketing organizations don't need managers to manage people; they need people to manage output and track performance.
- *Foster an ROI-focused management style.* In an environment where autonomous teams are given the ball and asked to run with it, managers need to be comfortable setting KPIs, overseeing output, and tracking the performance of agile teams.

4. Data and technology: An obsession for looking ahead

Marketing metrics have traditionally looked backward to unearth insights about past behavior and measure the effectiveness of current campaigns. Modern marketing organizations use data analytics to look ahead. They anticipate unmet consumer needs, identify opportunities they didn't know existed, and reveal subtle and addressable customer pain points. Data analytics can also predict the next best actions to take, including the right mix of commercial messages (for cross-selling, upselling, or retention) and engagement

⁴David Edelman, Jason Heller, and Steven Spittaels, "Agile marketing: A step-by-step guide," November 2016, McKinsey.com.

⁵Brian Gregg, Jason Heller, Jesko Perrey, and Jenny Tsai, "The most perfect union: Unlocking the next wave of growth by unifying creativity and analytics," June 2018, McKinsey.com.

Where are you on your journey to modern marketing?

Answer options below define the most advanced (Level 5) and least advanced (Level 1) marketing activities.

	Question	Level 1	Level 5
Strategy and insights	What is your approach to brand strategy and customer insights, and how has it changed over the past several years?	We refresh our brand strategy every two to three years. Primary research and focus groups are used to generate insights that are loosely translated by frontline marketers.	We refine our brand strategy at least annually, and all marketers fully understand how to activate traditional approaches plus advanced analytics and real-time sources of insights.
Creative and content	How do you manage creative and content strategy, production, and optimization?	We focus on creating several core campaigns. We do not have extensive variations of creative or content, in part because we have not figured out an efficient way to do so.	We have an effective content supply chain, are able to create versioning and transcreation. We use AI tools to augment our content production and optimization.
Media and channel activation	How are you delivering your messages to customers across paid-, owned-, and earned-media channels?	Each media channel is planned and managed independently by specialized teams, sometimes with little to no interaction.	We plan and execute omnichannel with defined strategies of how channels work together; we also generate and amplify earned media through paid and owned activities.
Customer experience and personalization	How are you delivering relevant and personalized experiences to various customer segments?	We deliver several broad experiences across large customer segments, with limited personalization.	Experiences are customer-centric and personalized across channels and the customer life cycle, steeped in a deep understanding of customer needs and pain points.
Measurement and marketing ROI	How are you measuring and optimizing your marketing activities and media spend?	We don't measure holistically, periodically running media-mix models, and for digital, we measure last-touch attribution and reallocate media dollars approximately quarterly. Each campaign has clearly defined KPIs.	We use customer-level omnichannel MROI analytics, enhanced with third-party data, and we optimize campaign parameters on a weekly basis. We have automated dashboards at various levels of granularity for different stakeholders.

Where are you on your journey to modern marketing?

	Question	Level 1	Level 5
Product & pricing	How have the voice of the customer and advanced analytics influenced product development and pricing strategies?	We are a product-centric organization, and our products and pricing decisions are largely isolated from our key consumer insights and go-to-market capabilities.	Our product portfolio is evolving based on active consumer insights and analytics. Pricing is driven by a combination of research and analytics within operational constraints.
Organizational design & culture	How are the culture and organization model evolving to support the modernization of your marketing capabilities?	Our marketing organization and culture have not changed significantly beyond adding new digital capabilities.	Our culture has changed significantly to nurture modern marketing talent, and our organization model elevates and emphasizes functions such as analytics, consumer insights, and marketing operations.
Agile way of working	How have your day-to-day marketing processes changed to drive speed, experimentation, and measurable results?	Our teams are structured by function with managers who ensure key processes and quality control are followed. It often takes many weeks, sometimes months, to get campaigns out the door.	Our teams employ agile principles to operate cross-functional teams that have relative autonomy and are able to execute and scale tests in weeks or even days.
Talent & agency management	Do you have a clear point of view on which marketing capabilities should be in-house versus outsourced and how they should be managed and incentivized?	We have not reviewed our talent/agency resource model in the past two years and do not match marketing resources to business outcomes (eg, revenue, customer growth, customer lifetime value, etc.).	We have a clearly defined model for which capabilities are insourced, and we reevaluate this often. All resources, internal and agency, are held to the expectation of specific business outcomes.
Data & technology	How are you managing and integrating marketing and advertising technology to drive marketing outcomes?	Marketing technology is owned and managed by IT, and core advertising-technology capabilities are owned and managed by the agency. There are gaps and sometimes a lack of transparency.	Marketing defines the use cases and works closely with IT to architect and manage the martech stack and unified customer-data platform.

actions (content, education, or relationship deepening).

To do this, data must be centralized and easily accessible so that activity in one channel can immediately support real time, or near-real-time, engagement in another. Instead of the traditional approach, where IT takes the lead in data management, marketing leaders should work with IT leaders to develop a shared vision for how data will be accessed and used. This starts with the CMO and CTO/CIO collaborating closely on a business case and road map and then rallying the needed support from across the organization.

Because the pace of change in the marketplace continues to accelerate, becoming a modern marketing organization must be a “now” priority. Leaders unsure about the need to move aggressively toward this new model might bear in mind a character in Ernest Hemingway’s novel *The Sun Also Rises*, who is asked how he went bankrupt. “Two ways,” he answers. “Gradually, then suddenly.”

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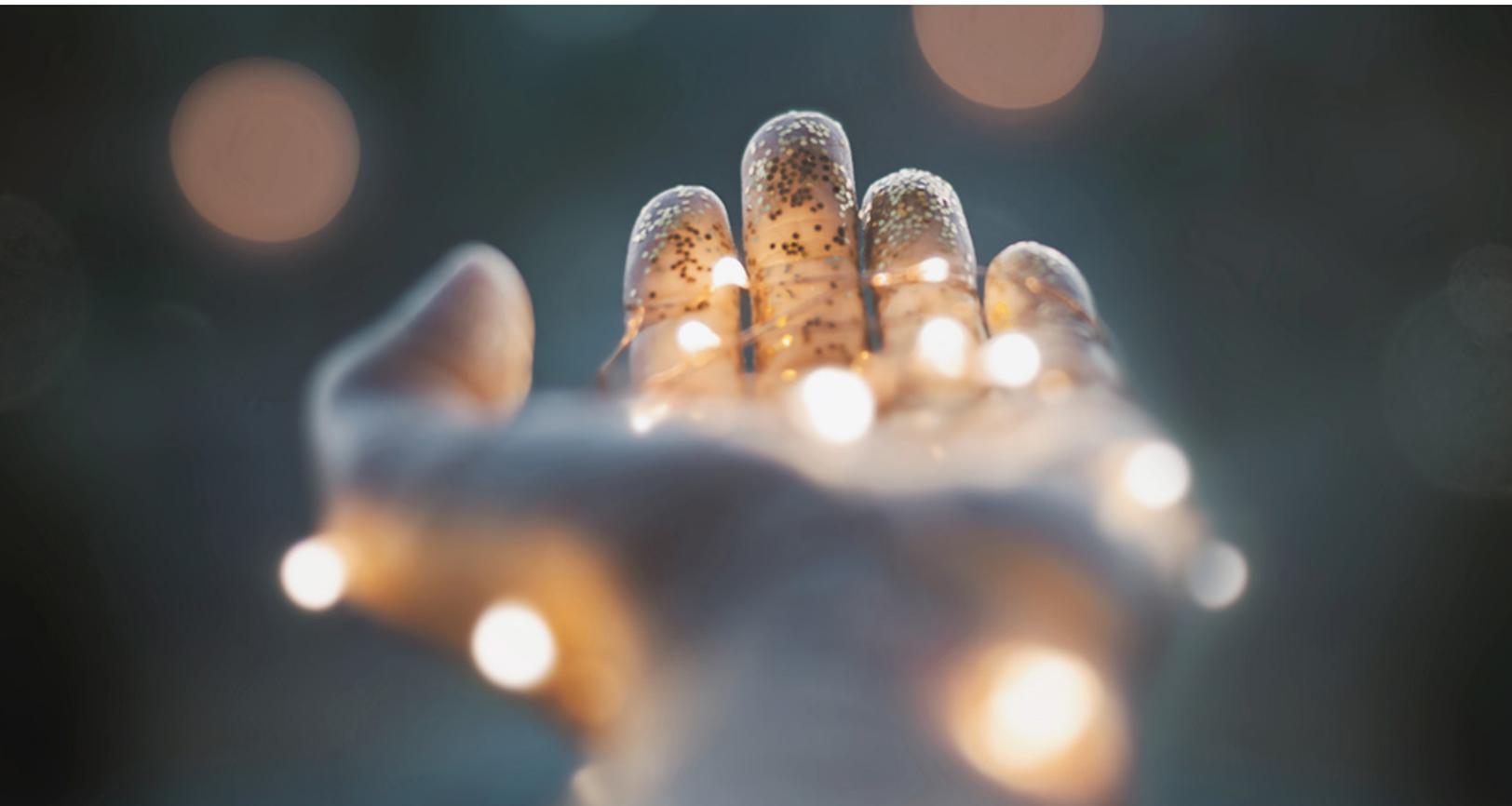
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Marketing & Sales Practice

Reimagining marketing in the next normal

COVID-19 is changing consumer behavior in at least six important ways. Here's how marketing leaders can adapt.

by Arun Arora, Peter Dahlstrom, Eric Hazan, Hamza Khan, and Rock Khanna



As governments gradually remove pandemic-induced restrictions and businesses begin to reopen, there's a sense that we might be on the verge of returning to "normal." That is unlikely. During the months of lockdown and self-isolation, we have been, in fact, writing a new future.

This has important implications for marketers trying to build lasting relationships with customers. Granular monitoring of data and trends in consumer behavior has always been important to planning. Given the unprecedented nature of the pandemic and the profound changes it is causing, we believe that harnessing imagination may be just as critical. Marketers will need to think hard—and differently—about what the consumer in the next normal will think, feel, say, and do.

We have observed six potentially important changes in consumer behavior. Some of them are meaningful accelerations of existing trends, some are only emerging now. What follows are suggestions for how marketers can begin to respond to them. It is not meant to be an exhaustive list, and we do not claim certainty about the duration of these changes. But we think their implications for marketers warrant careful consideration and thoughtful action.

1. Shopping: Catching up to the great digital migration to expand digital borders

Consumers vaulted five years in the adoption of digital in just eight weeks.¹ Significant cohorts of them have been trying digital for the first time. In Latin America, 13 million people made their first-ever e-commerce transaction.² Across all countries measured in our global consumer sentiment surveys, consumers are turning to digital and reduced-contact ways of accessing products and services. As we look more granularly into the US, this digital trend is magnified for Gen Z, millennials, and higher-income consumers in general. Social commerce is on the rise as well: 34 percent of people say they

have shopped on Instagram based on an influencer recommendation.

This shift is likely to stick, to a large extent simply because e-commerce is often more efficient, less expensive, and safer for customers than shopping in physical stores. Moreover, as social distancing and protective measures remain the norm, shopping from our couches will seem even more convenient by comparison. Our ongoing consumer sentiment surveys confirm that customers throughout the world intend to increase their share of online shopping across most categories. Net intent³ to shop in physical stores once the COVID-19 crisis abates has gone down 7 percent in both Italy and the UK and 8 percent in Spain. Amazon reported a 26 percent boom in sales in the first quarter of 2020 compared with the same period in 2019.⁴

For marketers, this means rethinking how to connect with consumers. Clearly a stronger emphasis on e-commerce and digital channels is crucial, including consideration of the role of direct-to-consumer (D2C) e-commerce channels. One European retailer built a functioning e-commerce platform in 13 weeks. This speed to market is one reason that digital has become such a crucial component of rapid revenue recovery for brands navigating an economic downturn.

But marketers will need to think through how to manage today's new wave of data and how to use it to better personalize offers and messages to ever-narrower customer segments. Analytics will need to play a core role not only in tracking consumer preferences and behaviors at increasingly granular levels, but also in enabling rapid response to opportunities or threats. Existing analytics models may not be as accurate when predicting behaviors in the next normal, and they will need to be rapidly "trained" on how to best use new behavioral data. This baseline of data can help brands expand the borders of digital into the physical world to create

¹ Amer Baig, Bryce Hall, Paul Jenkins, Eric Lamarre, and Brian McCarthy, "The COVID-19 recovery will be digital: A plan for the first 90 days," May 2020, McKinsey.com.

² Visa data shows digital acceleration in Latin American and Caribbean as consumers flock to e-commerce and contactless," Visa, May 20, 2020, visa.com.

³ Baig et al., op. cit.

⁴ Dominic Rushe, Michael Sainato, "Amazon posts \$75bn first-quarter revenues but expects to spend \$4bn in Covid-19 costs," *Guardian*, April 30, 2020, theguardian.com.

more convenient and useful shopping experiences wherever the consumer might be.

Another, potentially larger, implication for marketers will be the need to redesign shopper journeys for consumers who may be in a different state of mind. At home, shoppers are comfortable—they want to see loungewear options in their recommended products, they want to spend time browsing through add-ons. They're in no rush—they can "add to cart," then go back for more. They may be shopping at different hours during breaks from their remote-work schedule. They may be shopping for their whole family across multiple product categories.

2. E-services: New 'service platforms' to help consumers take care of business

In past years, we have seen varying degrees of e-service adoption. Banking has had relatively higher penetration, along with media and entertainment. Other services have been behind for reasons that range from limited options to suboptimal customer experience. During COVID-19, people are not only increasingly buying online; they expect to perform other tasks and access services as well.

Telemedicine visits have rapidly increased, with, for example, those going to Teladoc Health, the multinational for-profit virtual healthcare company, reaching 1.7 million in the US in Q1 2020, twice as high as in Q3 2019.⁵ In the UK, 38 percent of telemedicine users surveyed have started using the online service during the COVID-19 pandemic.

For marketers, this increasing consumer confidence in the use of e-services suggests a potential surge in demand and an opportunity to create new connections with people. One area of particular focus should be on developing partner ecosystems—both public and private. As services

proliferate, it will be important for marketers to think through the role of their brands in interconnected service "platforms." For example, food marketers can partner with e-health platforms or online fitness companies to cross-promote the benefits of each to a wider audience. In another example, a "home-buyer platform" could include real estate, mortgage, moving, and bill-forwarding services tied into a single experience.

3. Home: Finding a spot in the new 'command central' for all activities

The crisis has made the home a multifunctional hub, a place where people live, work, learn, shop, and play. This will be especially true as a growing number of global organizations and employees attempt to sustain some of the advantages of working remotely that they have now experienced.

People in the next normal are also likely to continue devouring new home-entertainment options (Exhibit 1). Net consumer intent to spend on at-home entertainment has remained resilient in many countries, even when consumers cut back on other expenditures. Our consumer-sentiment research shows that across Europe there has been a 10 percent increase in new users of online streaming and 13 percent in online gaming, with high intent to continue for both—60 percent and 44 percent, respectively. The popular video game Fortnite recently hosted a concert that was "attended" by 12.3 million users.

For marketers, whether the at-home activity they cater to is digital or physical (for example, cooking at home has picked up as a family activity), they will need to engage with smart devices and interfaces across the home. How can you seamlessly deliver a message to a customer's phone, tablet, and TV screens when they are using those devices simultaneously? How can you market on Alexa or Google Home? How can you start two-way discussions (versus one-way marketing) with people in their homes, without coming across as intrusive?

⁵ Dan Murtagh, Zoe Schneeweiss, Bloomberg Economics, "This is how deeply the coronavirus changed our behavior," Bloomberg, June 1, 2020, bloomberg.com.

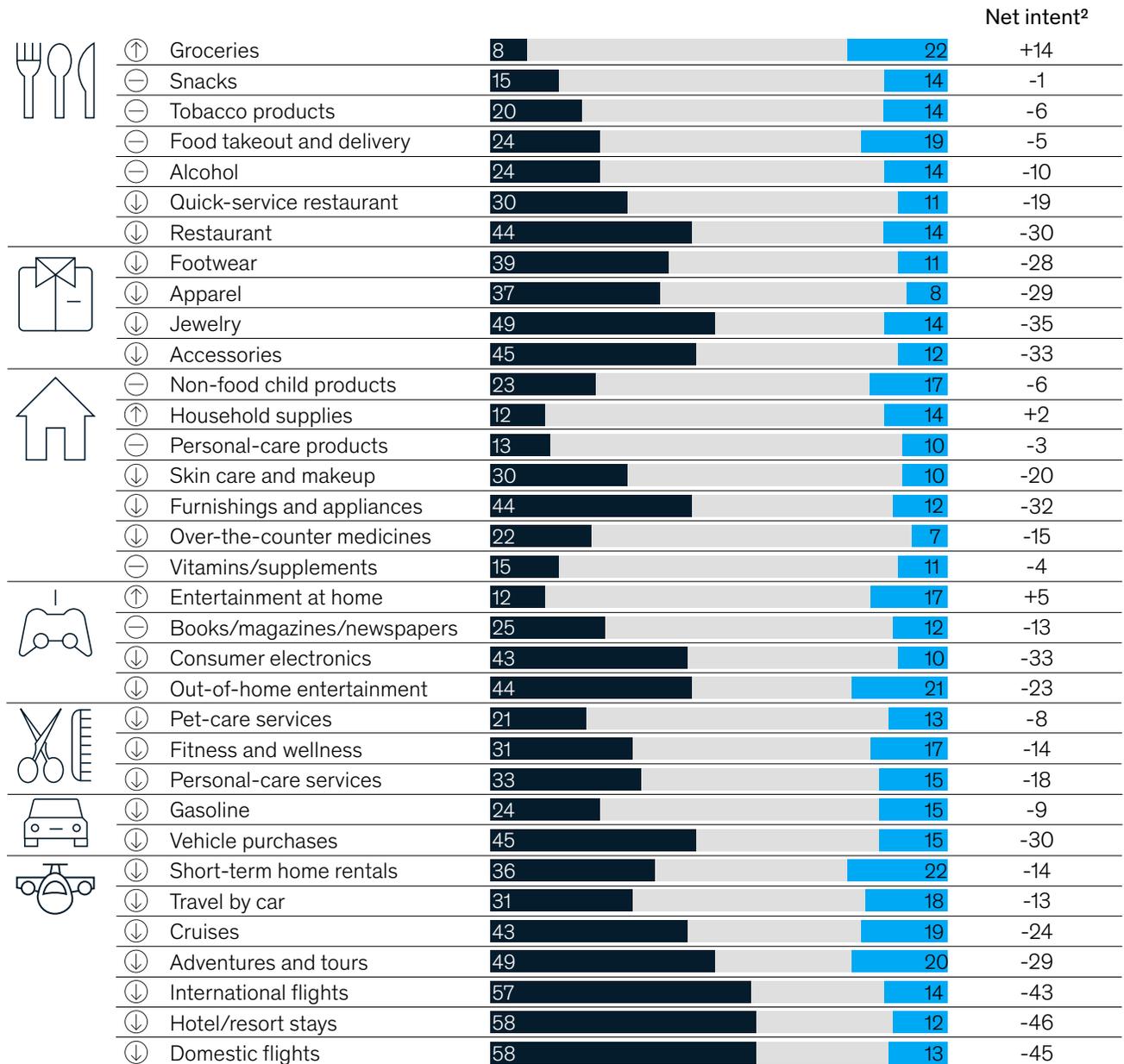
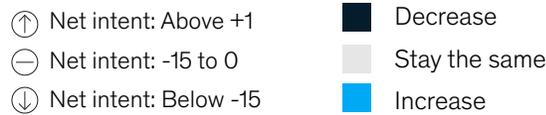
Exhibit 1

Other than groceries and household supplies, at-home entertainment is the only category where net intent to spend has remained resilient during the crisis.

Consumer sentiment pulse survey June 18–21, 2020

Expected spending per category over the next two weeks compared to usual,¹

% of respondents



Note: Question not asked in March Consumer Pulse Survey.

¹Q: Over the next two weeks, do you expect that you will spend more, about the same, or less money on these categories than usual? Figures may not sum to 100% because of rounding.

²Net intent is calculated by subtracting the % of respondents stating they expect to decrease spending from the % of respondents stating they expect to increase spending.

³Not included or insufficient sample (n = < 100) in first survey.

Source: McKinsey & Company COVID-19 US Consumer Pulse Survey 6/15–6/21/2020, n = 2,006; 3/16–3/17/2020, n = 1,042; sampled and weighted to match US general population 18+ years.

In addition, marketers will need to rethink their media mix across a larger set of channels, such as videoconferencing platforms, virtual reality, and—for the right segment—video games. The key issue for marketers in navigating this “homebody economy” is in integrating it into the proliferating service and products anchored in the home. Doing so effectively will require an ecosystem mindset (as discussed in point #2).

4. Community: Localizing the experiences

The near-total shutdown of travel and other current lockdown constraints have made local neighborhoods much more important. Many community social-media pages and forums have been created to connect people with local volunteers and mutual-aid groups.⁶

Businesses seeking to expand their connections with consumers, therefore, can reap benefits by localizing their marketing. This could include messages tailored to different neighborhoods and delivered through the newly established community networks; or using their existing retail footprint to support local businesses, sponsor community centers, and host community events. As our own ongoing ethnographic research shows, supporting familiar, local businesses has become important to many US communities, driven in part by greater confidence in their quality and safety.

Managing this hyperlocal activity and engagement will require marketers to rewire their operating model to provide a more granular presence at scale. This approach will need to build on many of the capabilities developed around personalization (particularly analytics, trigger-based messaging, and agile test-and-learn approaches) and require renewed thinking about how to scale content supply chains and manage performance. One popular online video showcases how COVID-19 advertisements by a wide range of US brands over the past few months look remarkably similar.⁷

Standing out from other brands while blending in with people’s shifting concerns and behaviors will be a challenge.

5. Trust: Creating a space for health and affordability

Not surprisingly, our consumer-sentiment research shows that personal health and economic wellbeing are top-of-mind concerns for people across many countries. And we believe the shared trauma of the pandemic will likely have a lasting impact—especially as new infection hotspots continue to emerge.

Foot traffic in stores—as well as travel and events—will only return when people trust that spaces are safe and virus free. Increased cleaning and disinfecting as well as a mandate that all customers and employees wear masks are the top reasons consumers give for deciding whether or not to go to a store.⁸ On top of this, millennials and Gen Z, in particular, are more widely adopting contactless activities, such as curbside pickup and self-checkout, which all ages indicate they intend to continue.

Marketers will therefore need to think through a much broader range of shopping experiences, which will require greater coordination with sales and operations teams across the business. The preference for self-checkout or scan-and-go behaviors may also change traditional store boundaries and layouts. Consumers may be more willing to shop display walls, for example, where items are shown and can be scanned for delivery.

The pandemic has also generated unprecedented challenge to consumers’ brand loyalty. Our research shows that roughly 20 percent of US consumers have switched to a store brand, and almost half of them intend to stick with their new choices.⁹ As in other downturns, once customers start filling their

⁶ Paul Armstrong, “These are the consumer trends currently energized and paused by coronavirus,” *Forbes*, April 6, 2020, forbes.com.

⁷ Ann-Christine Diaz, “See all the COVID-19 cliches in one big fat supercut,” *AdAge*, April 23, 2020, adage.com.

⁸ McKinsey & Company COVID-19 US Consumer Pulse Survey 5/4–5/10, n = 1,993, sampled and weighted to match US general population 18+ years.

⁹ “Survey: US consumer sentiment during the coronavirus crisis,” McKinsey Consumer Sentiment Survey, June 26, 2020, McKinsey.com.

baskets, thrift is a prominent factor in purchase choices, as value replaces luxury as a desirable attribute. Trust, however, is also a key factor: 55 percent of consumers reported turning to brands they trust during lockdown.¹⁰

The increased use of sensitive health data—from publicly taking temperatures as a condition of entry to wearable devices that transmit health information—has already created privacy concerns and heightened issues around sharing data. Attitudes toward this use of personal data are far from uniform, and there are sharp divisions over the idea of trading privacy for freedom of movement and the opening of the economy. How marketers maintain customer trust on data and privacy concerns can become a point of differentiation and even a source of competitive advantage.

6. Purpose: Holding brands to higher standards

Socially conscious values have been in focus in recent years, and the current crisis will likely accelerate this trend. For example, our recent research on Australian households evidences a growing culture of doing the right things, looking after society, and “being all in this together.”¹¹ And the recent surge of activism is likely to give consumers a greater sense of their power in holding larger organizations to account. Some 61 percent claim that how a brand responds during the crisis will have a large impact on whether they continue buying it when the crisis is over.¹²

This means marketers must communicate a strong sense of their brands’ purpose—a cause that the brand stands up for, or an area where the brand aims to make a real difference. Brands can do this through the projects they choose to be involved in, the partners they choose to work with, the way they treat their employees, and the messages they send to customers.

Most importantly, brands will need to back up bold statements with real action. Some brands that are perceived as taking advantage of a cause or situation have already suffered a backlash. Brands will need to make clear commitments to causes they believe in or risk newly empowered consumers calling them out.

Rethinking the playbook for the next normal

The extent to which these trends stick will need to be systematically monitored. But we believe marketers already have sufficient information and impetus to reimagine and modernize their playbooks (Exhibit 2).

Marketers need a new playbook to succeed in COVID-altered markets. The new playbook should be driven by answers to the questions that matter most:

- How should the brand’s vision and strategy be adapted to emerging trends and customer demands?
- How well do you know your customers at a meaningful segment level?
- What analytics capabilities do you have to not only identify opportunities but to act on them quickly?
- What kind of working relationships will the CMO need to forge with the CEO, CIO, CFO, and the rest of the C-suite so that reimagined marketing drives real growth for the business?
- How can personalization drive the next order of customer experience in an increasingly borderless environment (home, stores, local, global, services)?
- Which channels and messages are most effective in reaching and influencing consumers across their decision journey?

¹⁰“Special Report: Brand Trust and the Coronavirus Pandemic,” Edelman Trust Barometer 2020, Edelman, March 30, 2020; data collected between March 23–26, 2020; n = 1000.

¹¹Jenny Child, Lloyd Colling, Jean-Baptiste Coumau, Rod Farmer, and Dan Feldman, “Emerging from COVID-19: Australians embrace their values,” May 2020, McKinsey.com.

¹²“Special Report: Brand Trust and the Coronavirus Pandemic,” loc.cit.

Marketers need a new playbook to succeed in COVID-altered markets.

Marketing playbook



Strategy and insights

Brand vision and strategy informed by real-time insights, then integrated into operations
Walk the talk on brand purpose



Creatives and content

Always-on content driven by analytics and data in a shorter cycle of test and learn, with empathy for consumer sentiments



Media and channel activation

Rapidly iterated activity tied to 360-degree view of customer journey, taking into short-term and long-term channel shift post-pandemic



Customer experience and personalization

Personalized experience across interactions and touchpoints that utilize appropriate data harnessed



Measurement and MROI

Holistic, customer-level ability to measure most, if not all, marketing investments



Product and pricing

Relevant and timely innovations with appropriate pricing, properly adjusted and customized when necessary

Key enablers

Organization design and culture

Customer-centricity

Marketing roles expanded to growth, with advanced operations engine to execute

Agile way of working

Highly empowered, cross-functional agile team focused on rapidly refreshing learning agenda

Talent and agency management

Strategy to attract, retain, train, and upskill talent and to manage interconnected agency ecosystem with best-in-class expertise

Data and technology

Integrated marketing tech stack connecting all “signalized data,” including 360-degree customer data, to enable seamless customer journey

- How can prices, products, and services be customized to changing needs?
- How will your organizational and operating model need to change to be quick and flexible enough to meet consumers where they are going to be?

While no one knows what the exact contours of the next normal will look like, we do know that things will not go back to the way they were. Marketers will need to systematically monitor trends and indicators, commit to bold changes in marketing strategy and investments, and build agility into the organization for the world that emerges.

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The authors would like to thank Earth Chariyawattananut, Arshiya Nagi, and Hai-Ly Nguyen for their contributions to this article.

Retail reimaged: The new era for customer experience

August 2020



Executive Summary

The COVID-19 pandemic is first and foremost a global humanitarian crisis that has overstretched health systems, challenged governments, and upended lives and livelihoods.

As the response and recovery to the pandemic continues, it has become clear that the crisis has also ushered in a new reality for consumers and retailers. The blow has been swift and vast, upending lives and livelihoods and upsetting economies. Some of the most dramatic effects have been to consumer behavior—how people buy, what they buy, and where they buy it.



**In a matter of 90 days,
we have vaulted forward**

10 years

**in consumer and business
digital adoption**

In a matter of 90 days, we have vaulted forward ten years in US e-commerce penetration.¹ Immersed almost exclusively in the immediacy, convenience, availability, and safety of digital experiences for those twelve weeks, consumers reset their expectations and preferences, and forced retailers to change their trajectory, priorities, and operating model.

Yet even as an economic downturn has put increased pressure on retailers, this generation-shaping event has opened up entirely new fronts in the competition for customers. McKinsey research² has shown that in past recessions, companies that invest in and deliver superior customer experience during a downturn emerge far stronger than their peers once the economy rebounds, producing shareholder returns three times larger than average.

To help retailers prioritize these efforts, [Periscope by McKinsey](#) surveyed more than 2,500 consumers in the US, the UK, France, and Germany to understand how consumer behavior is changing. We compiled this research both prior to and during the shutdowns, looking at what changed and what trends will likely stick in the next two months. Several core themes have become evident among consumers: a flight to online and omnichannel, a shock to loyalty, and convenience redefined with technology.

The key highlights of our findings appear in the following pages.

¹ Aamer Baig, Bryce Hall, Paul Jenkins, Eric Lamarre, and Brian McCarthy, "The COVID-19 recovery will be digital: A plan for the first 90 days," May 2020, McKinsey.com.

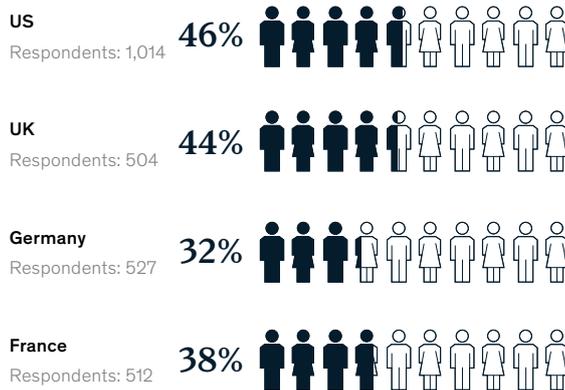
² Richard Dobbs, Tomas Karakolev, and Rishi Raj, "Preparing for the next downturn," April 2007, McKinsey.com.

An end to 'normal' shopping decisions

During the shutdown, with normal habits and routines knocked off course, consumers changed the way they made purchasing decisions. In the four countries we surveyed, 40 percent of respondents said they tried new brands or made purchases with a new retailer. This was especially prevalent in the US, where 46 percent of consumers made a switch.

40%
of respondents said they tried new brands or made purchases with a new retailer

Switching behavior



During the last 2 months, when shopping for a specific category or product, have you switched from brands or retailers where you previously shopped?

In a moment of great uncertainty, rather than sticking to familiarity and brands they had used, consumers did the opposite. This had a lot to do with competitive pricing, what was in stock, and how brands responded during this big moment. For instance, one of the biggest drivers for abandoning loyalty during the shutdown was items being out of stock. Shoppers were also drawn to brands or retailers that supported their employees during the pandemic, such as by increasing their wages, giving extra sick leave, or paying employees for lost wages. In Germany and the US, consumers also switched to brands and retailers that repurposed

their facilities to help slow the spread of the virus as well as those that led socially responsible COVID-19 initiatives. The North American apparel company Lululemon, for instance, responded to the crisis by setting up a \$2 million financial assistance fund for brand ambassadors who own a fitness studio. In the US, the Midwestern grocer Hy-Vee partnered with DoorDash to offer free grocery deliveries to senior citizens, expectant mothers, and those considered at high risk for COVID-19. We see such [purpose and branding fundamentals](#) as an increasingly important element for driving future growth.

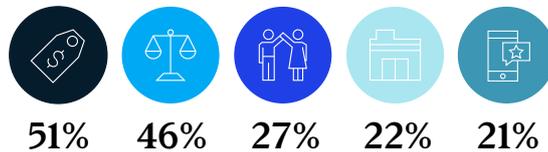
Reasons for switching brands/retailers during shutdown

While switching, you have shopped more from retailers/brands that...

- Offer lower prices
- Offer better price/value ratio
- Support employees
- Repurposing facilities
- Offer relevant promotions and messaging
- Offers ways to maintain social connections
- Donates to COVID-19 relief efforts
- Communicates in preferred channel

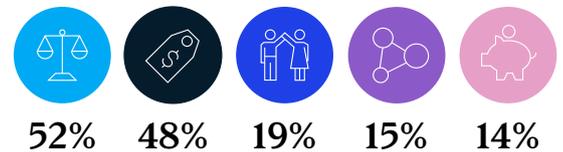
US

Respondents: 619



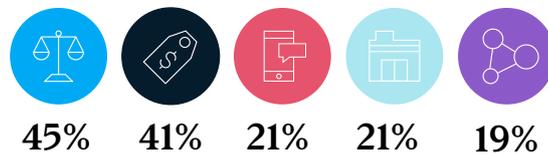
UK

Respondents: 314



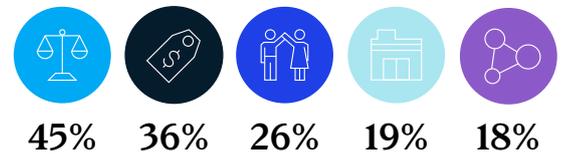
Germany

Respondents: 292



France

Respondents: 317



Other answer choices included: special hours for high-risk groups. The importance of this choice remained below 20% across regions.

New e-commerce experience expectations

As expected, e-commerce spending experienced a major boost during the shutdowns even as overall spending went down. In the US, it was up more than 30 percent from the beginning of March through mid-April, compared to the same period the previous year.³ In all four countries surveyed, we observed higher shopping activity in several categories during shutdown. Categories with the biggest uptick were apparel (in the US and UK), children's products (US, UK, Germany), beauty (US), and grocery (US).

Some pre-crisis shopping features continued to be important, such as free delivery and returns as well as fast delivery (one or two days). But a number of other attributes skyrocketed in importance during the crisis. The need for informative product descriptions and clear product images at a time when consumers couldn't see, feel, or test products in a store ranked as one of the top three factors for a great online browsing experience in all the countries we surveyed, increasing in importance by 12 to 23 percent, from pre- to post-shutdown.

Quick website loading also became critical. As millions of consumers started spending so much of their lives online, they became even less tolerant of sites or apps that were slow to load or unresponsive. The importance of this factor rose between 10 to 15 percent, with UK shoppers least tolerant of slow sites.

As brands vie for consumer attention in increasingly competitive digital environments, it is more important than ever to build real engagement with customers and offer real value. Nike China, for example, activated its digital community by offering virtual workouts and saw an 80 percent increase in weekly active users of its app.



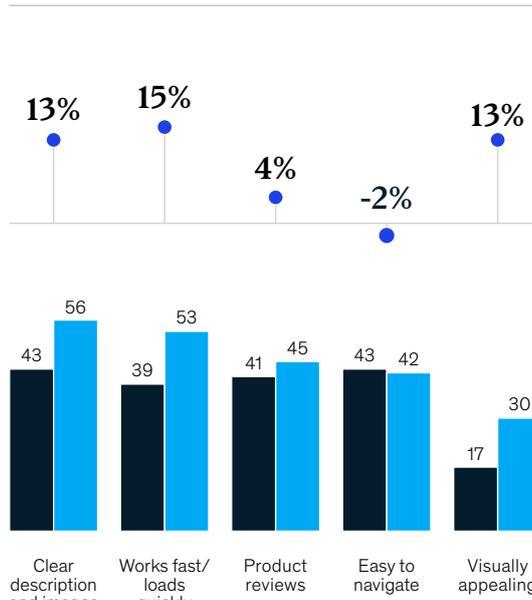
³ Market research firm Rakuten Intelligence

Great online browsing experience

● 1st run – early March 2020
● 2nd run – early June 2020

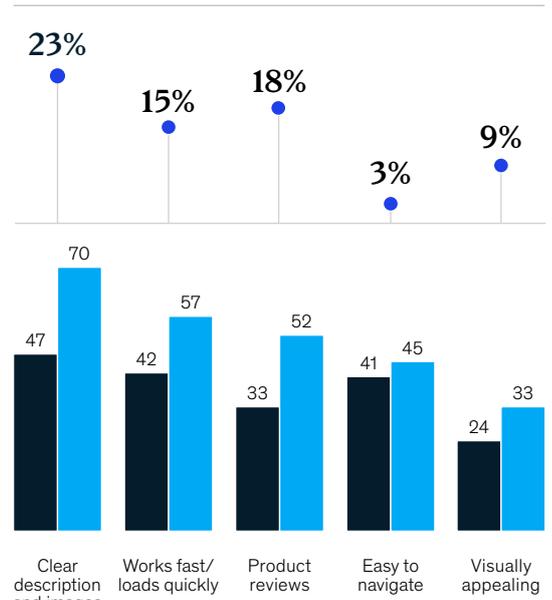
US

Respondents: 922



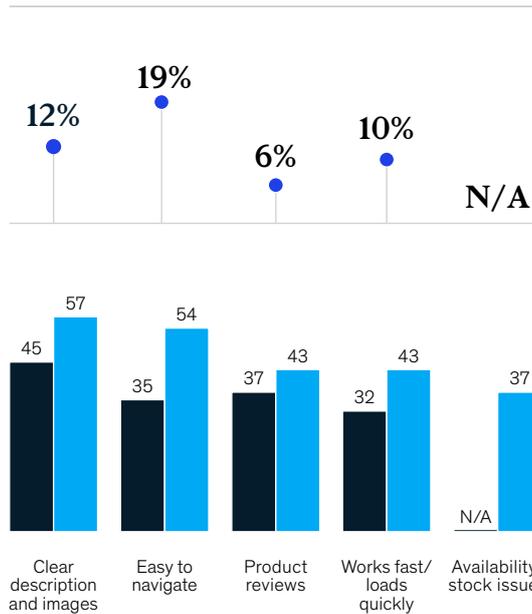
UK

Respondents: 478



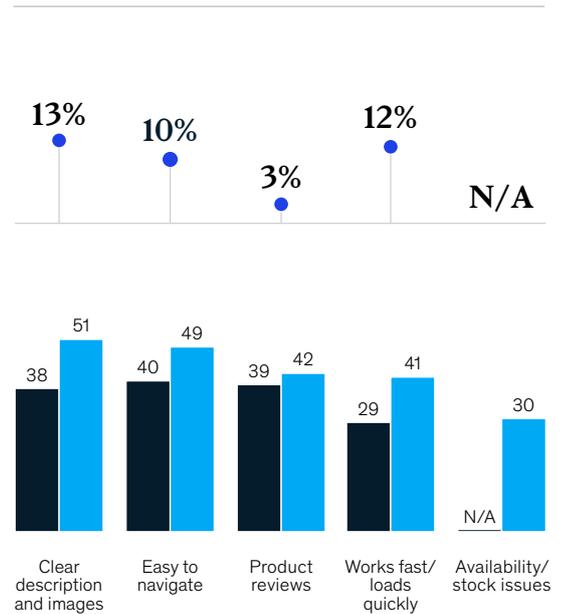
Germany

Respondents: 464



France

Respondents: 459



1st run: Think about browsing/researching products in the online stores or mobile apps in the last 3 months. In your opinion, which factors create a great online browsing experience?

2nd run: Think about browsing/researching products in the online commerce sites in the last 2 months. In your opinion, which factors create a great online browsing experience?

Other answer choices included: customer service phone/email, recognize me as returning user, product recommendations, consistent across channels, product videos, virtual sampling/testing, other. The importance of these choices remained below 20% across regions.

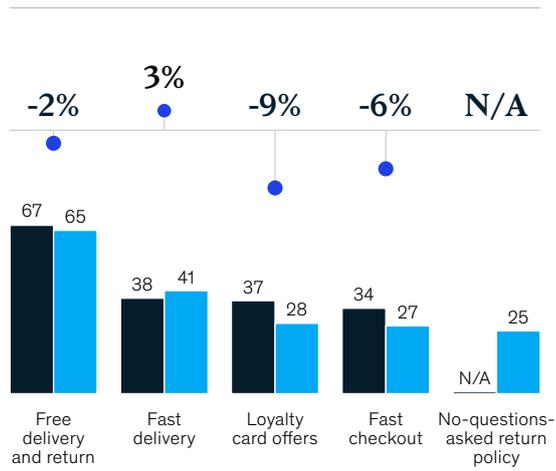
Percentage point change values may have +/-1pp error because of rounding

Great online purchasing experience

● 1st run – early March 2020
● 2nd run – early June 2020

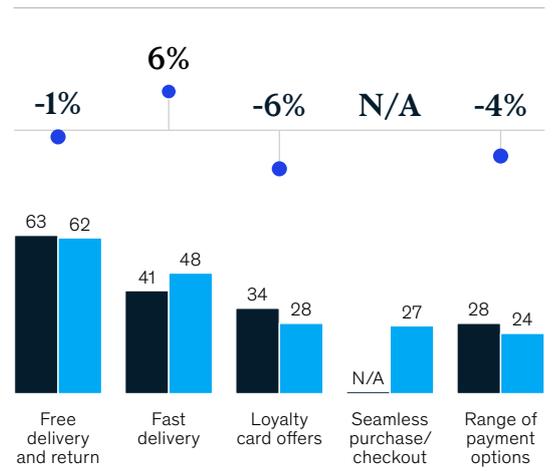
US

Respondents: 922



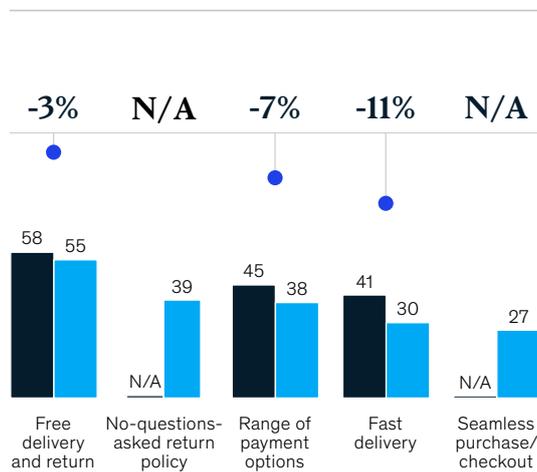
UK

Respondents: 478



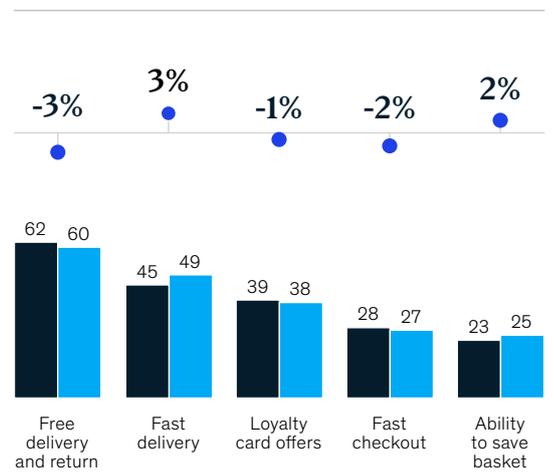
Germany

Respondents: 461



France

Respondents: 459



1st & 2nd run: Think about purchasing products in online stores or via mobile apps.
What makes a great online buying experience?

Other answer choices included: range of delivery options, contactless delivery option, subscription option that automates checkout, other. The importance of these choices remained below 25% across regions.

Percentage point change values may have +/-1pp error because of rounding

Safety and convenience critical for in-store experience

Amid the trauma and uncertainty of the COVID-19 crisis, many people have entirely new concerns about safety and hygiene. At least 50 percent of our survey respondents said they want stores to follow guidelines that will help keep shoppers and employees safe, such as the installation of plexiglass at the checkout and the use of masks and availability of hand sanitizers.

Most importantly, consumers noted the importance of **finding what they're looking for**. Organized and easy-to-navigate stores are even more appealing as many people seek to spend as little time as possible mingling with others in public spaces. The significance of this rose in every country by 7 to 14 percent in June, as compared to March.

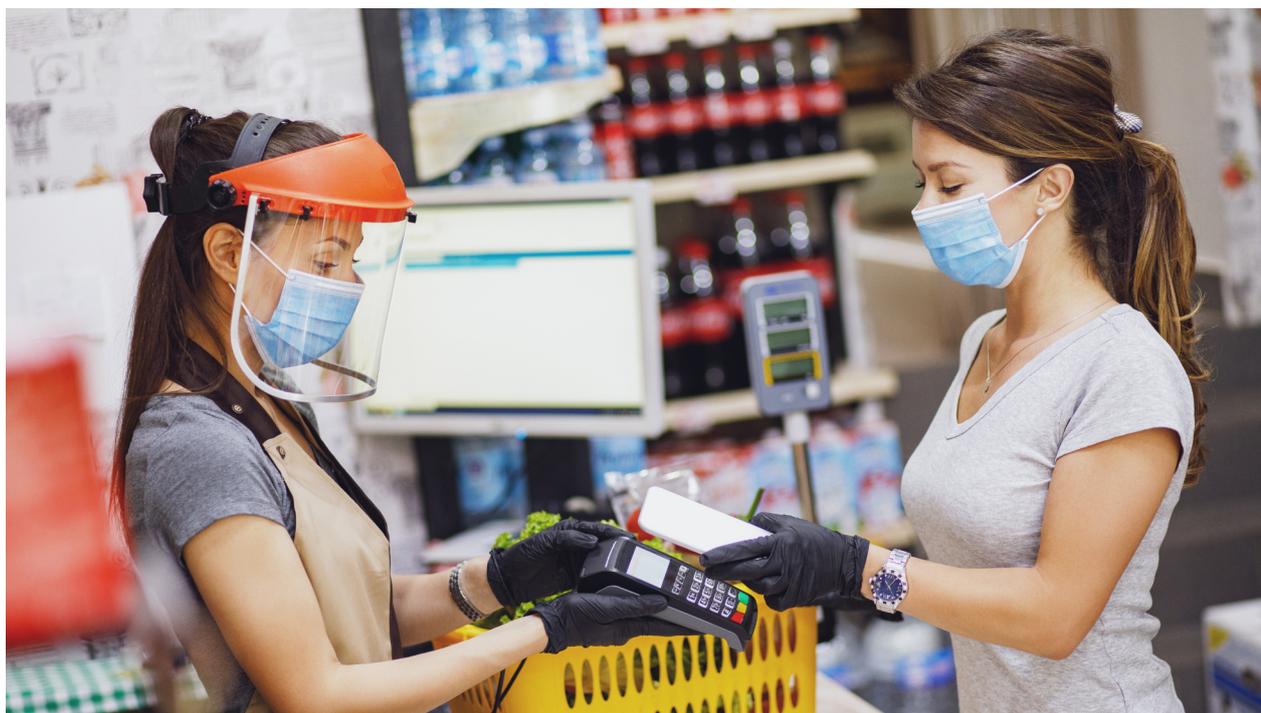
Also more valuable is the ability to do **self-checkout**. The appeal of this contactless means of purchasing rose between 2 and 12 percent in every country, with UK consumers registering the highest increase.

In at least one way, stores still have a leg up over online. Consumers in all four countries rated social interactions with **a helpful and knowledgeable staff** as a top-three feature for browsing and making purchases in stores. In the US, its importance rose 10 percent for checkout and 6 percent for browsing following the crisis.

At least

50%

of our survey respondents said they want stores to follow guidelines that will help keep both shoppers and employees safe

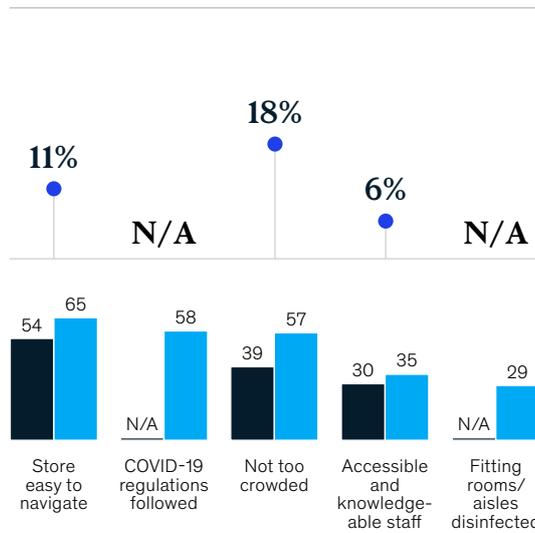


Great in-store browsing experience

● 1st run – early March 2020
● 2nd run – early June 2020

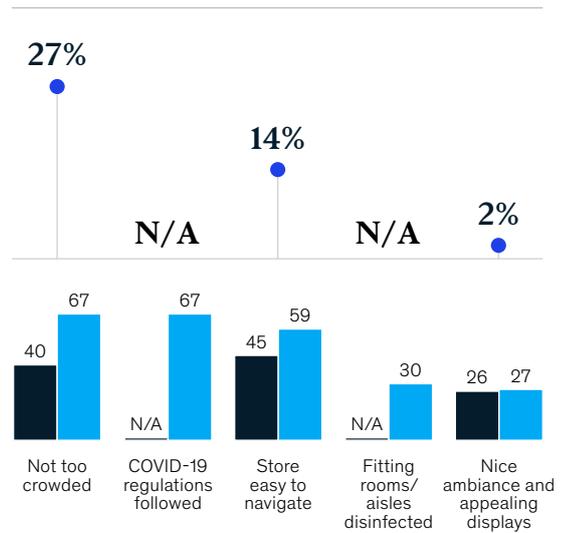
US

Respondents: 965



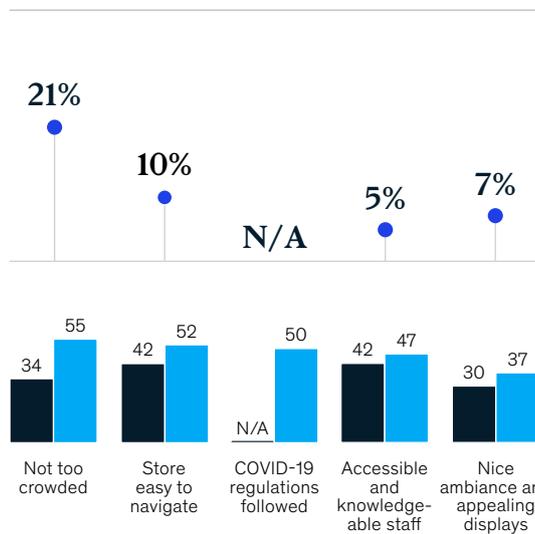
UK

Respondents: 441



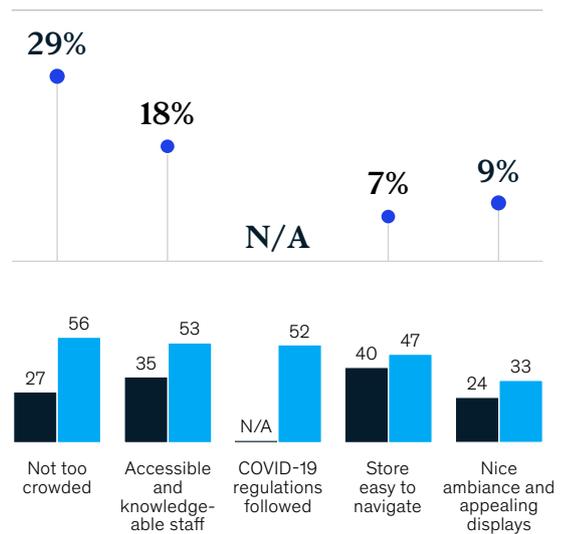
Germany

Respondents: 460



France

Respondents: 445



1st run: Think about browsing/researching products in the physical stores in the last 3 months. Which factors create a great browsing experience in-store?

2nd run: Think about browsing/researching products in the physical stores for the next 2 months. What will you look for in a great in-store experience?

Other answer choices included: tech-enabled store, other. The importance of these choices remained below 35% across regions.

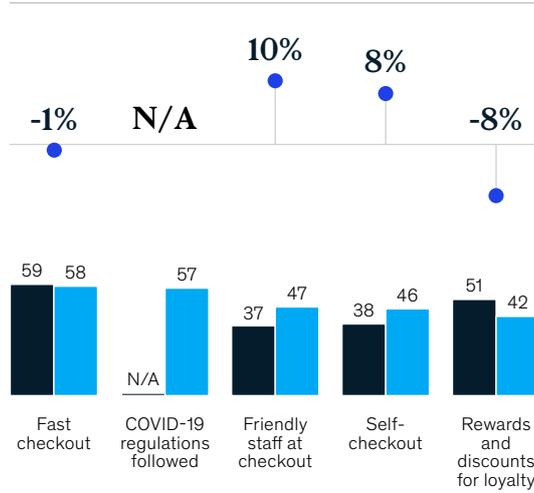
Percentage point change values may have +/-1pp error because of rounding

Great in-store purchasing experience

● 1st run – early March 2020
● 2nd run – early June 2020

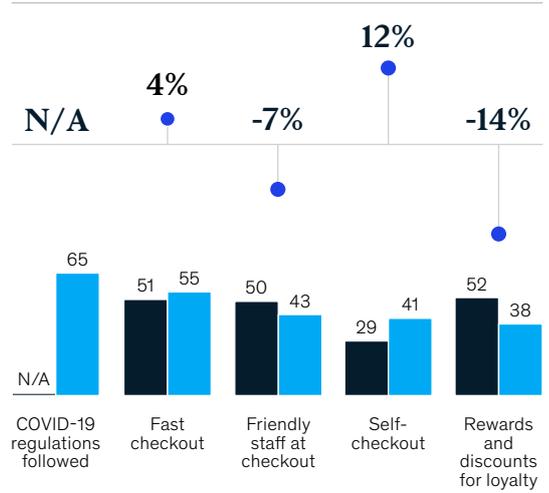
US

Respondents: 965



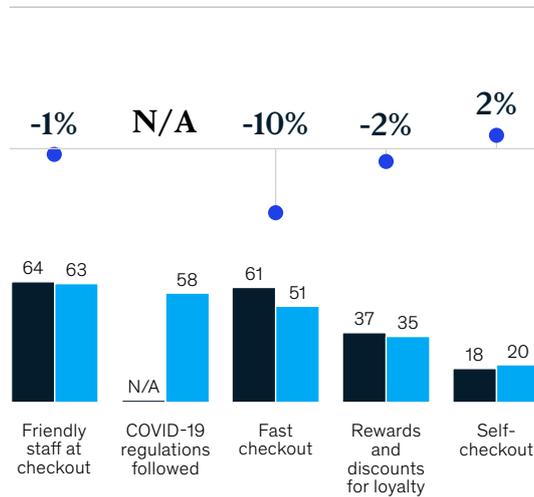
UK

Respondents: 460



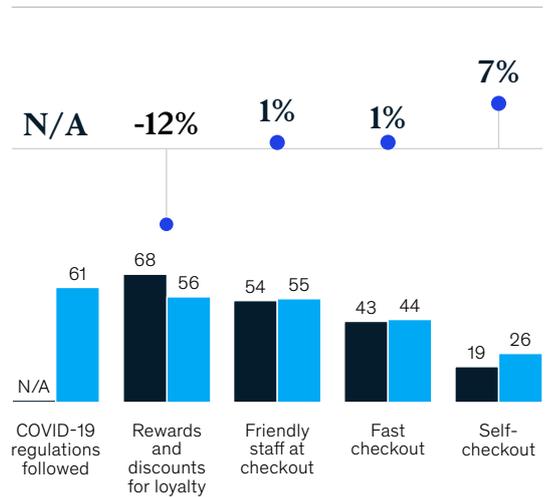
Germany

Respondents: 441



France

Respondents: 449



1st run: Now think about purchasing products in physical store. What makes a great buying experience in-store?

2nd run: Think about purchasing products in physical store. What are you looking for in your buying experience in-store?

Other answer choices included: pay with mobile, pausing cash payments, other. The importance of these choices remained below 20% across regions.

Percentage point change values may have +/-1pp error because of rounding

Limited in-store technology features available

The flight to digital and increased customer expectations in stores have created new challenges for how retailers serve their customers. To respond, retailers will need to utilize innovative in-store technologies that give shoppers a new level of convenience, a more personalized experience, and a greater integration of the offline and online environments. This integration includes technologies such as contactless payment systems, digital screens that offer in-store shoppers certain features of online shopping, and augmented reality (AR) systems for trying on clothing or testing products.

Unfortunately, many retailers have yet to progress very far on this ambition. In the first run of our survey, more than 35 percent reported zero exposure to any of the in-store technologies we asked about. Here are some of the most visible and widespread among those with any visible adoption at all:

A majority of shoppers said they haven't encountered even the most talked-about or basic in-store technologies, and more than

35%

reported zero exposure to any option

- **Mobile payments:** The ability to pay with a smartphone is the most well-known in-store technology among consumers, yet retailers are not doing a great job at encouraging customers to adopt it. Only 23 percent reported using or noticing it. Post-shutdown, 13 percent more consumers in the US and the UK, and 9 percent more in Germany said they were interested in seeing or using this contactless form of payment in stores.
- **Mobile preorders:** The convenience and speed of ordering digitally and then picking up at or just outside the store took on new appeal during the shutdown. In June, 13 percent more US and UK consumers and 8 percent more French consumers rated this option as attractive, as compared to March.
- **Digital screen browsing.** Kiosks or apps that enable shoppers to easily browse products or categories or customize products, or that feature navigation tools to help shoppers move through the store quickly, are also among the technologies most noticed or used by shoppers.

Interest in omnichannel technologies

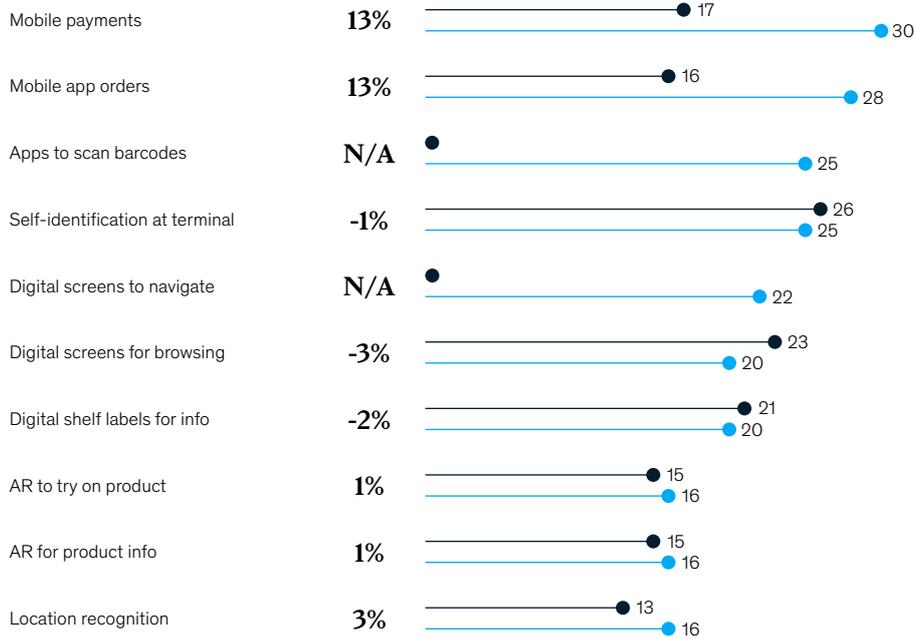
● 1st run – early March 2020

● 2nd run – early June 2020

US

Respondents: 1,027

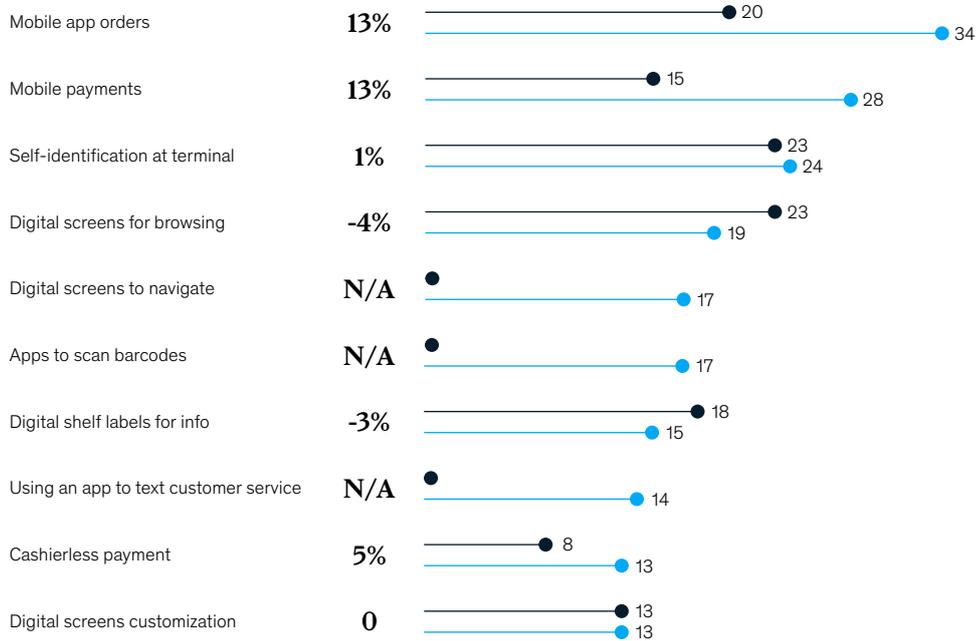
Percentage change



UK

Respondents: 502

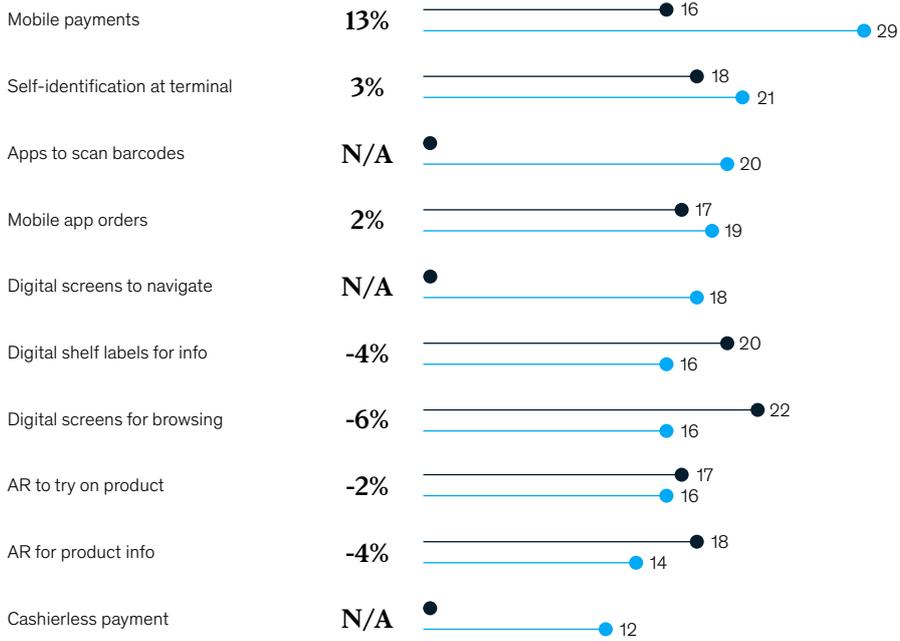
Percentage change



Germany

Respondents: 492

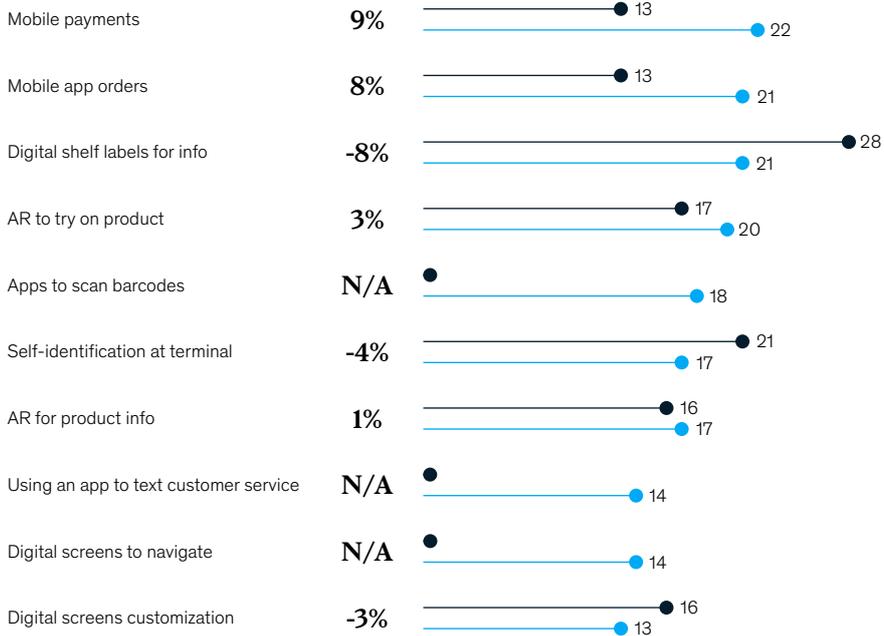
Percentage change



France

Respondents: 492

Percentage change



1st run: Which of these did you find most helpful? Please select up to three.

2nd run: Which of the following communication/experience at retailers would you like to see/use in the near future?

Other answer choices included: tech-enabled sales personnel, biometric sensors for authentication. The importance of these choices remained below 10% across regions.

Percentage point change values may have +/-1pp error because of rounding

Key considerations

While disruption and fierce competition is certainly nothing new for retailers, the pace and intensity of coronavirus-related change is unprecedented. As retail leaders plot how they will

bounce back, they also need to look beyond the immediate challenges and issues. Now is the time to engage in critical long-term planning to quickly recover revenue⁴ and accelerate future⁵ growth.



⁴ Brian Gregg, Eric Hazan, Rock Khanna, Aimee Kim, Jesko Perrey, and Dennis Spillecke, "Rapid revenue recovery: A road map for post-COVID-19 growth" May 2020, McKinsey.com.

⁵ Arun Arora, Peter Dahlström, Eric Hazan, Hamza Khan, and Rock Khanna, "Reimagining marketing in the next normal," July 2020, McKinsey.com.

Delivering on omnichannel ambitions



This is a real moment not only of changing loyalties and a shifting leaderboard, but an opportunity to really connect with consumers in new ways as they reformulate their habits and decision journeys.

In the short term, companies need a complete understanding of which new, COVID-19-era habits will stick and which won't, and for what segments. The surge in online shopping, for instance, is likely to spur a sustained increase in buy online/pickup in-store options—roughly half of consumers who used this option during the shutdown say they intend to keep using it. To prepare for this demand, retailers will need to redirect merchandise to specific stores, reallocate inventory between offline and online, or experiment with “gray” or “dark” stores that may mimic actual stores but are used mainly for fulfillment and may never see consumers directly. It is yet another omnichannel concept that has accelerated during the pandemic.⁶ For example, during the shutdown, Levi's used some of its

closed stores in the US and UK to fulfill online orders, helping boost delivery efficiency and prevent overcrowding in its e-commerce fulfillment centers.

A critical component for delivering a great omnichannel experience is being able to deliver hyperlocal and personalized experiences—both in store and online. This requires a deep and granular understanding of the customer and their decision journey—from zip code to zip code, and category by category—to quickly identify and predict where demand is going to surge or not. As consumers navigate new routines, retailers and brands have a unique opportunity to meet this demand with the right targeting, messaging, content, and customer promise. During the shutdown, between 12 and 21 percent of survey respondents said they switched to brands that sent them relevant messages or promotions in their preferred channel.

⁶ Manik Aryapadi, Ashutosh Dekhne, Wolfgang Fleischer, Claudia Graf, and Tim Lange, “Supply chain of the future: Key principles in building an omnichannel distribution network,” January 2020, McKinsey.com.

Rebooting loyalty online

With customers eager to try other brands and stores, this is a once-in-a-generation chance for retailers to recapture and win back customers. It's now more important than ever that digital experiences be truly “zero friction,” delivering consistently on attributes consumers care most about: free and fast delivery and returns, clear and detailed product descriptions and images, and quick page loading.

To create dynamic [loyalty programs](#), companies need to develop an underlying consumer-loyalty strategy that transcends the “earn and burn” discount programs of the past. The use of loyalty programs has been stuck around 50 percent for years. The evolution to next-generation programs is essential for boosting customer engagement. Programs that balance monetary rewards with experiential offerings designed to make consumers feel special and recognized (such as exclusive events, early access, unique discoveries) can provide real value and [appeal to a consumer's head and heart](#). To keep loyal customers engaged during a period of minimal air travel, Alaska Airlines created an email campaign for its loyal customers that offered extra miles through a “buy now, fly later” promotion.

Some brands will want to go even further and pursue partnerships with other consumer brands to develop a joint loyalty ecosystem around a unifying customer value proposition. Footwear retailer DSW, for example, partnered with grocery chain Hy-Vee to sell shoes at the grocer's extensive network of locations, giving the footwear retailer additional customers and Hy-Vee an opportunity for incremental sales. In Paris, French retailer Carrefour partnered with Uber Eats to offer grocery delivery to customers in the region.

12-21%

of survey respondents said they switched to brands that sent them relevant messages or promotions in their preferred channel

Reimagining the in-store experience

Now that most stores are open for business again, how do you make people really want to shop in them? To start, every retailer needs a clear and comprehensive plan for addressing concerns about safety and hygiene, which aren't going away anytime soon. This means enabling safe physical distancing, sanitizing surfaces and products, and communicating proactively, clearly, and empathetically. Retailers will need to strike a delicate balance between enabling the social interactions that shoppers find valuable and being responsive to heightened concerns about personal health. Widespread adoption of mobile technologies for contactless payment and quick store navigation will help in creating a more hygienic and convenient shopping experience.

Beyond the current crisis concerns, retailers should consider adopting the right technology to make stores more compelling and useful. This could mean giving sales associates digital devices and tools to enable them to better help customers find what they need, offering shoppers product recommendations on the next product to buy, or making phones and mobile apps a useful part of the shopping experience.

Such technology not only provides next-level customer experience; it also gives retailers access to valuable data that can feed into personalization algorithms or be used to optimize prices and promotions. Stores can also optimize their experience not just for consumers, but for the growing number of online order pickers, for example by featuring “fast zones” of popular online items at the front of the store. Yet this store of the future can't wait until tomorrow. Retailers should consider moving quickly to start reinventing the customer experience now.

Consumers have been wrestling with uncertainty through the COVID-19 crisis. But their expectations for their retail experience—both online and in-store—continue to be high. Retailers that can adapt quickly enough will be well positioned when the recovery comes.

About our surveys

In early March, Periscope by McKinsey fielded consumer surveys across the US, UK, Germany, and France with more than 2,500 consumers to understand what they value most in digital and in-store experiences, as well as among the retail technologies that tie the two together. To see the impact of COVID-19 on consumer

preferences and behavior, the survey was repeated in mid-June. The surveys were conducted online in local languages. In each country, results are sampled and weighted for a representative balance of the consuming class, based on variables including age and socioeconomic status.

About Periscope® by McKinsey

Founded in 2007, the Periscope by McKinsey platform combines world-leading intellectual property, prescriptive analytics, and cloud-based tools with expert support and training. It is a unique combination that drives revenue growth, both now and into the future. The platform offers a suite of Marketing & Sales solutions that accelerate and sustain commercial transformation for businesses. Periscope leverages its world-leading IP (especially from McKinsey but also from other partners) and best-in-class technology to enable transparency into big data, actionable insights, and new ways of working that drive lasting performance improvement and a sustainable 2–7% increase in

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