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Growth transformation: Delivering on a diversified set of e-commerce growth strategies

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Successful marketers shift strategies and roles to develop the technology, capabilities, and mind-set for growth.

Growth can come in many forms but it requires a new kind of corporate dexterity to capture it in today's market. Lila Snyder, executive vice president and president of global e-commerce at Pitney Bowes, spoke with McKinsey's Barr Seitz about the growth-transformation strategies she has spearheaded, with a focus on where she's focused her energies and what capabilities she's invested in to provide her business with the speed, scale, and agility to grow.

A diversified approach to organic growth

At its core, Pitney Bowes is a technology company. We're a 'Creator.' That's in the DNA of who we are, so that's probably the predominant trait for Pitney Bowes. We pride ourselves on innovation, and we focus a lot on the new products and services we're bringing to market.

At the same time, the 'Investor' component has been critically important for us, because we're going from declining markets to growing ones. But our declining businesses generate a lot of cash, so we've had a great opportunity to repurpose that cash into the growing spaces.

Also, all of our businesses should perform at or above market growth, even if they're in declining markets. You always want to be ahead of where the market is going. And that's all about being a 'Performer' and optimizing the go-to-market model for commercial success.

Driving new growth with new technology

We're using data from the whole base of clients to understand consumer trends, and then helping customers think about how to take advantage of those insights to grow their sales and merchandise value, which turns into growth for Pitney Bowes.

We've implemented Internet of Things technology with our old analog postage meters. So imagine a postage meter that sits on the desk in an office. It used to not be connected in any way. But we can now understand if clients are having issues with it, service it remotely, see if they're low on postage or ink, and help them refill it automatically.

That digital connection with the client is using Internet of Things technology to bring old legacy technology into the modern era. That drives growth through the opportunity to sell new services, new supplies, and new value to those clients.

Developing foundational capabilities to support a growth transformation

When we started the transformation, one of the most important decisions at the outset was to bring together all of our systems and infrastructure into a common enterprise business platform. We were running on many different billing systems, client-information systems, and customer-relationship-management systems, many of which were relatively old and couldn't keep up with the modern requirements of a digital client relationship.

We're about 80 percent through the implementation of that platform, which gives us the ability to do a couple of things: gain a single view of our clients across business units, so we can see both client data and financial data in one place in an easy-to-use system, and create products on a platform that communicates with clients in a much more digital way. When we thought about the company we were becoming through our transformation, we recognized that we wouldn't be able to do what we needed to do from a creation and innovation perspective without revamping those back-office systems and the related business processes.

Changing how we create to boost growth

In Pitney Bowes' global e-commerce business, we developed a set of five big growth ideas, and in four of those five big initiatives, we were testing a new product within six months. It happened that fast for a couple of reasons.

One is that we're very agile in the way we do product development now. We don't have a 12-month product roadmap. We think about the product roadmap as a fluid, living, breathing document that changes at least monthly and sometimes more often than that, depending on the constraints imposed on us by our opportunities.

But part of it is also taking advantage of the foundation we've built with some of our core capabilities. We have a common way we do cloud, a common way we do application programming interfaces, and a common way we handle data. That allows us to bring new ideas to market a lot more quickly.

The global e-commerce unit, which is the business that I run, will generate about $450 million in revenue as part of a $3.5 billion company this year. Just five years ago, this business did $12 million in revenue. The trajectory's been pretty amazing.

Organic growth lesson: Go faster

I've had the great opportunity to lead a business in a declining market and to lead a business in a growing market, and I can tell you it's a lot easier to grow if the market itself is growing. So picking your spots, knowing where you want to invest, and knowing where the market is growing so you can piggyback on that is really important.

But just being in a good market doesn't mean you're going to grow. The growth comes from the ideas, the opportunities, and the way that you go after them. And from what we've experienced over the last few years, the pace at which you get those ideas into the market is probably the most important thing.

It's not how perfect they are when you launch them. It's not about having a perfect model on the back end. It's about making sure you're putting out ideas at a velocity that allows you to test and learn and improve. The reality is, the more you're in the market, the faster you learn.

Speed comes primarily through the mind-set that it's better to err on the side of failing fast than it is to have every risk completely buttoned up and thought through to make sure it's perfect before you launch.

The importance of budget-allocation discipline

I think we've done a good job of being clear about the role that each of our businesses plays in the portfolio, and we've been very clear that, as a business is growing and scaling, we don't expect it to achieve the margins that the other businesses make.
We've set pretty explicit metrics for each business around the types of margins and the types of investments that we're willing to make. It's been very important to have that in the background, because it's easy to get distracted one quarter to the next when you're seeing growth, but maybe not seeing margin.

It’s important to understand what your opportunities are, so that if more or less funding becomes available, it’s very clear what gets cut off the list first and what gets put onto the list next.

One of the things that we try very hard not to do is stunt next year’s growth. The easiest decision to make is to put your money toward this year’s goals, because they’re right there in front of you. But we recognize that without the innovation and the investments in the forward-looking growth opportunities, next year will be a struggle.

Developing the corporate dexterity to manage multiple growth strategies

We give each of the business units, each of the general managers, a view of what role they play. We’re not all trying to be Investors, Creators, and Performers at the same time.

Secondly, inside my e-commerce business, for example, it’s much more about who has accountability and responsibility. I’ll think about how much we are investing in performing versus creating, and how we are moving the capital around.

But I’ve got individual leaders who are more solely focused on what their objectives are. For example, the person who leads revenue for me and is out selling and dealing with clients is performance-focused. On the other hand, the Creators are usually less worried about the current year and about performing. So you get a sort of natural split between those two groups, requiring agility in how you invest.

Jump-starting the growth mind-set

When I took on this role leading e-commerce, I put in place a much more disciplined client-facing organization, both for upfront selling and ongoing client management and client growth. We got everyone using Salesforce. It’s been a journey, but now we’re able to track what’s happening in our business across all of our clients in a way we couldn’t before.

We also put place in a much more disciplined process for reviewing what’s in the pipeline on a weekly basis, took a really hard look at people’s compensation, and changed the way we thought about paying our teams.

In a business that’s growing at the rate ours was, that may sound very basic. But sometimes those basic management systems don’t exist when you’re in that first rapid-growth phase, and you reach a point in the evolution where you realize that if you don’t start putting those simple processes in place, you can’t continue to manage it.

Capabilities and mind-sets necessary to strengthen organic growth 'DNA'

When I think about the capabilities that we're building as part of this transformation, they really sit underneath four cultural attributes:

- *Client:* The capabilities we're building are better data and analytics around our clients, as well as understanding our clients' businesses on a deeper level. It's very much about understanding sales trends and understanding, in a test-and-learn environment, which of the promotions our retailers are running work, versus those that don't. The other part we're trying to work into our DNA is making sure the client is at the center of every conversation. Whether it's a product we're developing or a back-end process that we're talking about, how is it going to make it better for the client?

- *Team:* Business is complex enough now, and there's no way to grow unless we've got good collaboration across all the different parts of our business. So we continue to focus on capabilities around how you manage and collaborate across multiple functions to get things done.

- *Mind-set:* There's a mind-set around winning. You want to be competitive and move quickly so you can win in the market. To do that, you have to be willing to fail along the way.

- *Innovation:* We've really focused on big data. We're building capabilities and making investments in training and in partnerships to make sure that we're not trying to create everything on our own. Whether it be in the cloud, across application programing interfaces, across data, or across the Internet of Things, we're forging partnerships that help us enhance our own capabilities on that path. □

Lila Snyder is executive vice president and president of global e-commerce at Pitney Bowes. This interview was conducted by McKinsey Digital and Marketing & Sales Practices' **Barr Seitz**.