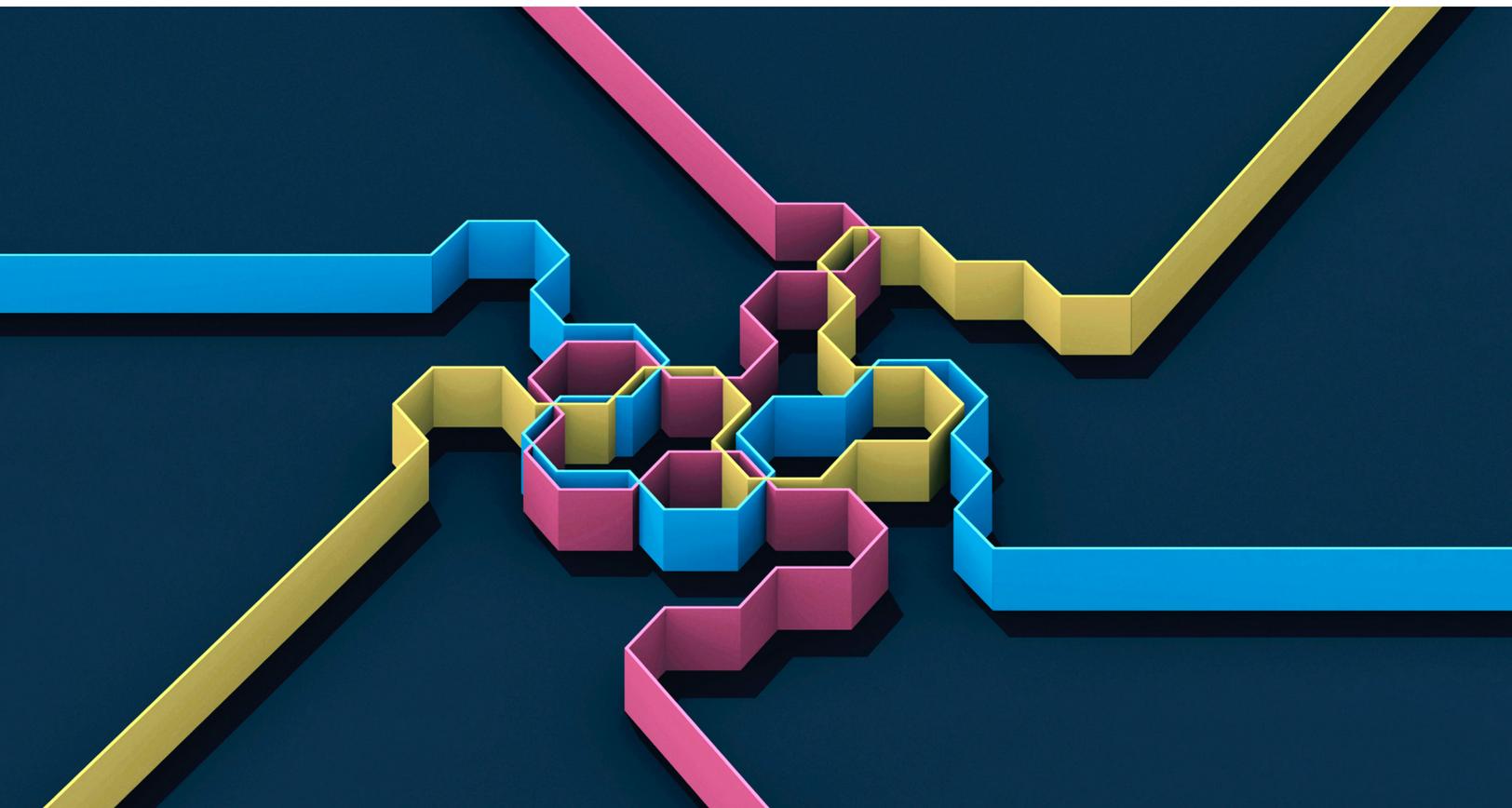


Advanced Electronics Practice

# A post–COVID-19 commercial-recovery strategy for B2B companies

A recent survey provides insights about the strategies that can help B2B companies recover quickly from the COVID-19 crisis.

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**Leaders of B2B companies** that primarily serve customers in sectors such as automotive, energy, mining, and telecommunications are trying to mitigate COVID-19's economic fallout and human toll by ensuring workplace safety, increasing liquidity, and keeping supply chains moving. The pressures have been so intense that few are looking ahead to the return to work, when production lines will ramp up to full capacity. Those forward-thinking executives who do contemplate the recovery may have difficulty creating a solid plan, because COVID-19 has introduced unprecedented complexity into their operations.

Our global B2B Decision-Maker Pulse Survey, most recently conducted in late April 2020, reflected the widespread uncertainty about future prospects. Of the more than 3,700 respondents, all with some responsibility for B2B purchases or sales, 45 percent believed the economy would rebound in two to three months, while the remainder said that could take six to 12 months or even longer. These divergent attitudes may show that business leaders are unsure about the lasting financial effects of COVID-19. They may also reflect the varying impact of the coronavirus in different geographies: while some regions and companies will soon be ready for ramp-up, others are still closed or functioning below capacity.

Although B2B companies may believe that their focus on liquidity and other short-term concerns is justified, it could be costly. Our research suggests that companies are more likely to thrive if they act aggressively to capture market share during downturns rather than wait for the recovery to begin. This agility, combined with a focus on customer value and support, often gives companies a first-mover advantage that other players cannot match. First movers during the current crisis could emerge stronger in the next normal.

To help B2B leaders develop solid long-term strategies, we researched the trends now transforming the marketplace, looking for themes that affect all players. We also reviewed insights

from the global B2B Decision-Maker Pulse Survey. With this information, we were able to identify the most important elements of a successful recovery for B2B players, which need new strategies to help them identify and capture new opportunities quickly, as well as go-to-market models that increase the importance of digital and remote sales. And with the sudden explosion of e-commerce, this channel needs more attention and support—especially because the shift from in-person sales could be permanent. Also critical in the next normal: the ability to create tailored pricing strategies for each customer and an agile approach to accelerate product innovation.

### **Identifying specific growth pockets**

COVID-19 has upended demand patterns across sectors, rendering traditional forecasting methods inaccurate. The economic scenarios that will emerge over the next few years will differ widely by country, depending on the local impact of the coronavirus, government stimulus packages, and other factors. Even within countries, industries may recover at different speeds. With such uncertainty, B2B companies cannot expect to achieve historical returns from their current customer base and product mix.

Agility will be essential in developing new growth strategies, since the early days of the COVID-19 crisis show how quickly new opportunities can emerge, as well as how rapidly some thriving markets can slow down. For instance, semiconductor companies expect that demand will plummet in the automotive and several other segments in 2020 but will increase in the wired-communication end market.

To get real-time visibility into markets, B2B companies should evaluate information on competitors and leading indicators, as well as COVID-specific data. Announcements that plants are reopening or that governments are relaxing lockdowns can provide important clues about demand, market challenges, and the rate

of viral spread. Information on historic volumes in different countries or industries may also help, though companies may not see demand return to former levels immediately. To provide insights, this information must be very detailed—for instance, sales within microgeographies or zip codes.

After gathering these data, B2B companies can create different scenarios to show how demand might evolve, looking at products, customer segments, and region. The insights from this analysis will allow companies to find pockets of opportunity. One important focus: determining which segments are likely to recover first and whether demand in these areas will exceed or fall below previous levels. In some cases, B2B companies may find that they should add new products to their pipelines or pursue different customer segments.

Once the target opportunities are identified, marketing and sales teams must adapt quickly. B2B companies should not only eliminate bureaucratic

requirements that might slow them down but also give teams the freedom to adjust their strategies as the market evolve. For instance, companies might need to reallocate resources and staff or to update sales incentives. Those that maintain a dashboard showing detailed information on opportunities by microgeography, end market or vertical, and customer segment may spot shifting demand patterns more quickly.

### Reshaping the go-to-market approach for the next normal

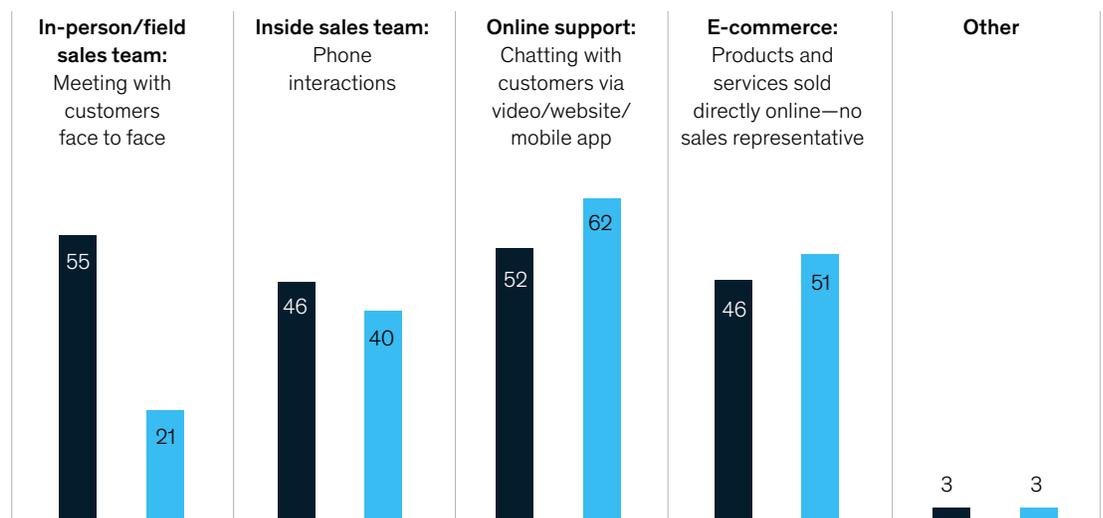
In our survey, 96 percent of respondents stated that COVID-19 had necessitated changes in their go-to-market models (Exhibit 1). Many had to shift from in-person interactions to remote sales, at least to some extent. The sales staffs of some, for example, make contact with buyers solely through phone or web channels. Remote sales interactions will be the norm for the foreseeable future as physical-distancing requirements and travel restrictions persist.

Exhibit 1

## Most of the B2B companies in our survey shifted their go-to-market models in response to the COVID-19 crisis.

Go-to-market sales model during COVID-19,<sup>1</sup>  
% of respondents

■ Before COVID-19 ■ During COVID-19



<sup>1</sup>Question: In what ways was your company's product or service sold before COVID-19? Question: Now today, in what ways is your company's product or service sold during COVID-19?  
Source: McKinsey COVID-19 B2B Decision-Maker Pulse #2, 4/20–4/28/2020 (n = 3,755)

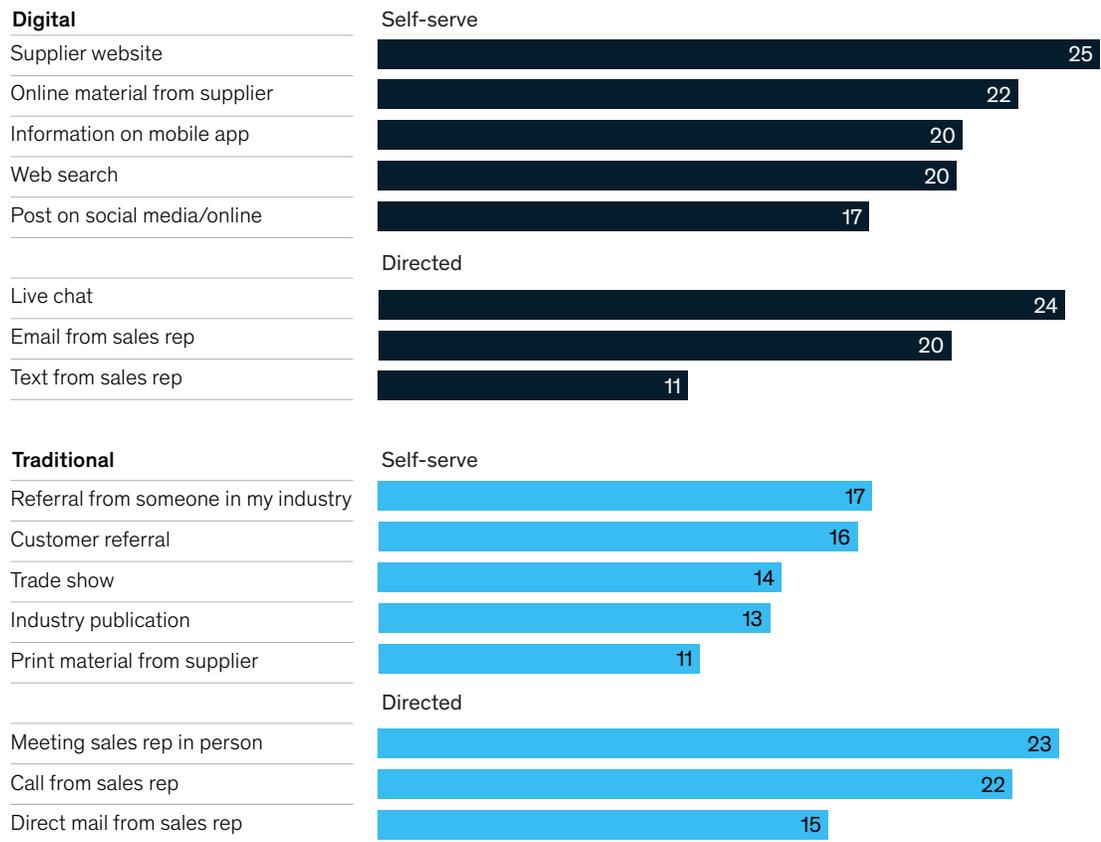
Unlike many other changes prompted by COVID-19, this shift has had some positive consequences—and could actually bring new opportunities. Our survey showed that respondents were more likely to cite digital than traditional channels when asked about the best way to research suppliers (Exhibit 2). Web sites of suppliers, online materials from them, and live chats were rated the most valuable resources. In addition to strengthening customer bonds, strong digital channels may often help B2B companies reduce their sales costs.

Overall, about 65 percent of survey respondents said in late April that their new go-to-market models were equally or more effective in reaching customers than their former sales methods were—up more than 10 percent since the early April survey (Exhibit 3). With such high satisfaction, many businesses will probably question whether they should ever return to the old status quo. In fact, about 80 percent stated that they were somewhat or very likely to sustain the changes for 12 months or longer. If this holds true, B2B companies across

Exhibit 2

## Survey respondents now believe digital channels are most valuable when researching suppliers.

**Most beneficial supplier interactions for researching/considering suppliers,<sup>1</sup>**  
% of respondents ranking in top 3



<sup>1</sup>Question: What ways of interacting with a supplier would be most beneficial to you when researching/considering suppliers going forward? Rank up to 3 that would be most beneficial. A free-response option was given, but 0% of respondents filled it out in 2020.  
Source: McKinsey COVID-19 B2B Decision-Maker Pulse #1, 3/30–4/9/2020 (n = 3,619)

Exhibit 3

**About 65 percent of survey respondents believe the new sales model is equally or more effective than their pre-COVID-19 models.**

**Effectiveness of new sales model in reaching and serving customers,<sup>1</sup> % of respondents**



Note: Figures may not sum to 100%, because of rounding.  
<sup>1</sup>Question: How effective is your company's new sales model at reaching and serving customers?  
 Source: McKinsey COVID-19 B2B Decision-Maker Pulse #1, 3/30–4/9/2020 (n = 3,619); McKinsey COVID-19 US B2B Decision-Maker Pulse #2, 4/20–4/28/2020 (n = 3,755)

industries could revisit their go-to-market models over the next year, and many will resolve to embed digital and remote sales options along the entire customer decision journey.

Although most companies benefit from their expanded digital go-to-market channels, others obviously struggle with them. Customers expect a remote experience of high quality, and companies must strive for improvement in this area if they want to cut sales costs and increase customer satisfaction. Some B2B players have already made big changes to improve their digital approach. One company, for instance, is asking veteran inside sales representatives to cross-train field reps. Another

has opened a virtual showroom to replace canceled or postponed trade shows.

Although each company must develop a go-to-market model unique to its circumstances and customer base, a strong approach to improving digital and remote sales will typically include the following steps:

- **Discover.** Companies should conduct a fact-based customer segmentation that considers economics (including potential revenues and profits) and preferences within each group. To get the right level of detail, customer surveys and interviews are essential.

# Digital interactions are two times more important to customers now than they were before the pandemic.

- **Design.** In this phase, companies define the right go-to-market model for each segment. The model should consider direct channels (including key account managers and inside sales reps) and indirect channels (such as distributors and third party e-commerce players). Companies must also map employees to new roles and determine their territories, account coverage, and revenue goals. In tandem, they should ensure that their performance-management approach, organizational capabilities, systems, and tools are appropriate.
- **Build.** Before scaling up the new go-to-market model, companies should communicate changes in roles, territories, accounts, and KPIs to all relevant personnel. They will also need to communicate with their customers about any changes and create transition plans.
- **Sustain.** Companies should regularly check in with customers to ensure that they have a quality experience during the transition. Adherence to the new model and strong performance management are critical to sustaining value after companies implement a new go-to-market model. As always, they should also continue to upgrade the skills of their employees through ongoing training.

## **Turbocharging e-commerce growth**

B2B e-commerce accounted for \$1.2 trillion in revenues in 2018, and the numbers will probably increase. Our latest global survey showed that they are up by more than 20 percent since the onset of COVID-19 and that digital interactions are two

times more important to customers now than they were before the pandemic. The benefits of the shift to B2B e-commerce could be immense, since companies that embed digital sales into their go-to-market model see 5-times faster revenue growth, compared with previous levels, as well as 30 percent higher acquisition efficiency, and cost reductions of 40 to 60 percent within sales.

Many companies are already trying to introduce or enhance their digital channels. One large e-commerce site, for example, has implemented solutions to support auto dealers, including online trade shows and freight services. For companies that want to follow a similar path, some critical steps are essential. First, B2B companies should design e-commerce solutions with customers in mind, always focusing on their journeys and pain points. And rather than attempting to launch a digital business model across all products, services, and markets, companies should initially focus on a limited number of offerings and geographies. Once they gain some traction there, they can scale up their e-commerce solutions throughout the organization.

Since many employees may be new to e-commerce, B2B companies should assign owners to different tasks and make responsibilities clear. For instance, they might create a technology and design team to define the site architecture and to link various IT systems, such as those for warehouse management and order handling. An operations team could take charge of setting up the warehouse. A product-assortment team could analyze options; choose the top SKUs for launch; obtain samples to photograph, measure, and describe; and perhaps develop

creative online-only bundles. The marketing team's new responsibilities could include setting up a structured customer-relationship-management system and developing campaigns to drive high-quality traffic to the company's site.

As B2B companies experiment with increased levels of e-commerce, they may need to test and iterate different approaches quickly. They might identify effective solutions more easily by establishing the right metrics and key performance indicators. In addition to monitoring the number of sales or the number of people who switch to e-commerce from other channels, B2B companies should look at very detailed data in three areas: traffic, conversions, and average order value. For each customer cohort, to give one example, they could measure microconversions—small steps toward a purchase—and determine if any user-experience features on the website seemed to increase the rate. B2B companies should also keep the focus on customers by continually analyzing the e-commerce process to uncover pain points and bottlenecks. Using an agile approach, they can prioritize issues, rapidly test and iterate solutions, and scale them as soon as possible.

### Adapting prices to suit customer needs

B2B companies have closely watched their spending as the coronavirus has shut down plants, cut demand, and hurt the bottom line. In our latest survey, about 54 percent of respondents said that their companies had decreased overall budgets—a shift that could have implications for product pricing, since buyers may be looking for deals (Exhibit 4). The companies of the remaining respondents had kept budgets at about the same level (24 percent) or increased them (21 percent). About 42 percent expected to make additional reductions in the near future. These budget cuts were consistent across most categories and industries, showing the wide-reaching impact of COVID-19.

With demand volatile and budgets trending down across most categories, pricing is under pressure from B2B buyers. Their suppliers will have one

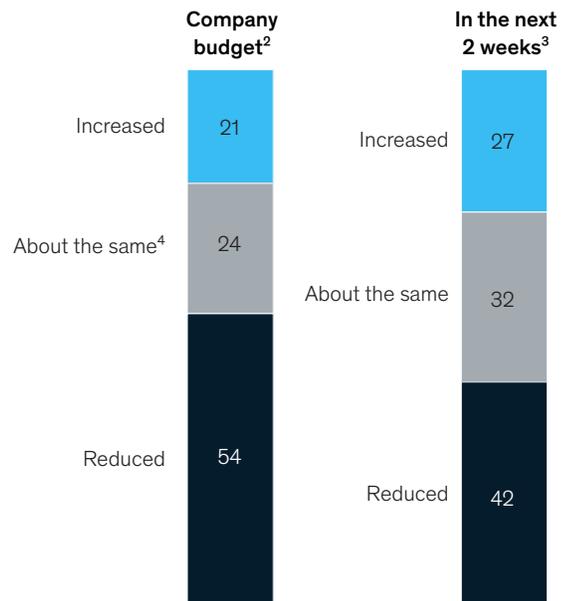
question top of mind: “How can I help my customers who are struggling in the near term while ensuring the sustainability of my own business during and after the recovery?” The answer will involve developing creative and flexible solutions that go far beyond topline price reductions. No single pricing strategy works in all cases, but many B2B companies have already developed customized offers:

- A tech player provided customers with 90-day free access to important software to help them respond to COVID-19's disruptions.

Exhibit 4

## Many B2B companies have already cut their budgets and also expect additional reductions.

Global spending shifts as a result of COVID-19,<sup>1</sup>  
% of spend changes (as of Apr 28)



Note: Figures may not sum to 100%, because of rounding.

<sup>1</sup>Includes survey respondents from (Brazil n = 400), (China n = 400), (France n = 200), (Germany n = 400), (India n = 400), (US n = 619), (Italy n = 400), (Japan n = 200), (South Korea n = 201), (Spain n = 200), (UK n = 199).

<sup>2</sup>Question: How has the coronavirus (COVID-19) situation affected your company's budget for the following areas?

<sup>3</sup>Question: How do you think spending on the following may change in the next 2 weeks?

<sup>4</sup>"About the same" refers to  $\pm 3\%$  change in budget.

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)

- A telecom company waived late fees and guaranteed that small businesses would suffer no service interruptions for several months.
- An industrial-services provider introduced new options, smaller in scope, that could be sold at lower prices and better met customer needs

More broadly, all industry leaders have been providing their distributed sales forces with better tools and analytics, which help them evaluate pricing-related trade-offs. Without this assistance, they might have difficulty making decisions rapidly.

To develop the right offer for each account, B2B companies must closely understand customers and their evolving needs: while one buyer might value one-time discounts, another could prefer debundled offerings. B2B companies should also consider demand when adjusting prices for specific customers or product categories, rather than make carte-blanche decisions covering multiple categories.

Many loyal, dependable customers may be struggling during the crisis. They deserve special pricing consideration, since long-term accounts are the primary source of cash flow and organic growth. If B2B companies accommodate the needs of such customers now, they will strengthen long-standing relationships and build greater loyalty. When the

pandemic ends and demand begins to surge, long-time customers could once again prove to be the greatest source of B2B revenues. Beyond lower churn and attrition, B2B companies that get pricing right will decrease costs for customer service and account acquisition.

To build a strong pricing foundation, leaders should ensure that all relevant staff—especially those in sales, sales support, and pricing—have the essential capabilities. For instance, pricing teams must know how to create tailored offers while sales representatives may need additional communications training if remote interactions continue and relationship-based selling becomes more difficult. For overall guidance, B2B companies might consider creating a cross-functional value council that prevents panicky reactions and provides clear guidelines and objectives for the commercial team.

With price adjustments becoming more common, B2B companies should maintain discipline in processes and performance management. If they agree to further price reductions or decide not to enforce contracts, they should ensure that such moves truly help customer relationships. B2B companies might also want to review pricing strategies more frequently, since the customer landscape will continue to evolve rapidly.

**With price adjustments becoming more common, B2B companies should maintain discipline in processes and performance management.**

## Rapidly introducing new products—or reengineering current ones

In our global B2B Decision-Maker Pulse Survey, more than 90 percent of executives said they expect COVID-19 to bring fundamental changes to their companies. But many of them are putting product innovation on the back burner to conserve cash, minimize risk, and shore up the core business. Some respondents also want to wait until they have more clarity about future economic developments.

While this hesitation is understandable, experience shows that companies win by investing in innovation in times of crisis. During past downturns, such companies typically achieved total returns to shareholders 10 percent higher than those of their peers and also outperformed the market by more than 30 percent during the recovery years. Innovators achieve these gains because they realize that their long-time business models may no longer deliver the same returns when a crisis alters customer needs. Rather than sticking to the status quo, innovators adapt early to suit the new environment. By the time the crisis ends and demand recovers, their new offerings are ready for launch. Meanwhile, companies that hesitated to innovate may have few new products to entice customers.

With COVID-19, B2B companies have a unique opportunity to innovate because customer needs are evolving so rapidly and moving in such unexpected directions. Such efforts may involve creating new products, modifying or upgrading offerings to satisfy market demand, or refreshing the value proposition. Consider a few recent examples:

- A technology company rapidly created a suite of remote solutions, including those for

maintenance support and spare-part stocking, to ensure that businesses have access to field operators and service engineers.

- A household-appliance company designed, developed, and produced a ventilator in ten days.
- Another technology company reconfigured its digital assistant to answer COVID-19 questions from employees and customers.
- A financial-services and mobile-payment company modified its products to allow touchless payments, disable signature requirements, and facilitate e-commerce.

Every innovative product comes with some degree of risk; companies cannot be sure their investments will pay off. Unexpected technological obstacles or lower-than-anticipated demand could also diminish the prospects of such companies. Although B2B players cannot eliminate every unknown from the innovation process, they can increase their odds of success by researching customer needs. As we said earlier, COVID-19 has shifted demand in unexpected ways because buyers have new priorities. After analyzing market dynamics and changing customer needs, B2B companies may discover that their business models are obsolete and their portfolios have gaps.

Although agility is essential, many B2B companies still have complex organizational structures and processes that slow down product development. In the next normal, cross-functional teams, with representatives from product development, sales, customer support, and other groups, should follow an agile approach to create new offerings. Weekly design sprints in which teams focus on designing specific product features may speed things up.

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B2B companies, like players in most other industries, will be dealing with challenges arising from COVID-19 for years. At present, most leaders at these companies are so consumed with surviving the immediate crisis that they are not looking ahead

to the recovery phase, when demand will again begin to grow. But leaders could increase the odds of long-term success if they focused on innovation during the COVID-19 crisis by looking at new products, strategies, and organizational structures. Those first movers may gain an early advantage that their competitors find difficult to match.

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