

Consumer Packaged Goods and Pharmaceuticals & Medical Products Practices

GSK's Brian McNamara on the business impact of COVID-19

The CEO of GlaxoSmithKline Consumer Healthcare discusses the global challenges and possibilities of the next normal and the shifts now underway in consumer behavior.



When the pandemic started, GlaxoSmithKline (GSK) Consumer Healthcare set three priorities: caring for its people, ensuring business continuity, and being part of the solution. In July 2020, GSK Consumer Healthcare CEO Brian McNamara spoke with McKinsey senior partner Warren Teichner about the changes the company has made to adapt to these unprecedented times, the critical role of a resilient supply chain in business continuity, and the importance of staying connected with consumers. An edited excerpt of their conversation follows.

McKinsey: As we navigate through the next normal, what have been some ways you have adapted to this time of tremendous change?

Brian McNamara: As various travel restrictions began to take shape around the world, in mid-March my wife and I decided to leave our London home and return to New Jersey. I thought we would be back in the UK in four to six weeks! But the world shifted and we have remained in New Jersey, where I continue to work from home.

GSK Consumer Healthcare has adapted, too. In just a few weeks, we transitioned our 25,000 employees, with the exception of manufacturing and frontline workers, to a home-based work model. For me, the home-based arrangement has brought some positives and some challenges. The positives: incredible efficiency. Meetings are clearer and shorter. We're much more focused on decision making and have streamlined our processes to work faster.

As a leadership team, even though we're at a physical distance, we've become more connected. At the start of the pandemic, to keep everyone on the same page we met virtually in the early morning, US time, for an hour-long roundtable discussion three times per week. While these video conferences are great, I miss the in-person connections and more informal conversations. And the time-zone difference between the US and UK has certainly been an issue for me. But we've accomplished so much. I never could have predicted how well it's gone.

McKinsey: Looking ahead, what do you think the workplace of the post-COVID-19 future will look like?

Brian McNamara: It's a huge debate. I hear people on both ends of the spectrum—those who say, "We need to get back to the way it was as soon as possible," and those who say, "You know what? Let's become a remote company at this point."

I believe the future is somewhere in-between. Traveling less and being more focused and efficient in the way we work are certainly positives. I also think that 25,000 people in GSK Consumer Healthcare, and 100,000 for our company overall, could work remotely overnight, thanks to the strong relationships they've built. Some people love the flexibility of working from home. For others, it's difficult. We've had much discussion and surveyed our employees to understand what they're experiencing. The conversation will continue.

McKinsey: When you think about COVID-19, what keeps you up at night? What have been the most disruptive aspects to your business so far?

Brian McNamara: Our priorities are caring for our people, ensuring business continuity, and being part of the solution. On the people front, it was all about the health and wellbeing of our employees. Our focus has been making sure we have the right systems and protocols in place to keep our people safe. Throughout the pandemic, we've had more than 8,000 employees showing up to work every day in our 30 manufacturing plants around the world. We've encountered a few COVID-19 cases in some of those plants and are focused on disinfecting the plants and protecting the people who came into contact with anyone who tested positive for the virus.

For business continuity, our focus has been how do we keep our global supply chain going to support patients and consumers who depend on our products? How do we make sure we stay focused on our critical priorities? Although we closed the transaction with Pfizer that combined our consumer healthcare businesses in July 2019, we are still in

“For business continuity, our focus has been how do we keep our global supply chain going to support patients and consumers who depend on our products?”

the midst of integration and continuing to drive our innovation pipeline and the long-term programs. And despite travel restrictions, country shutdowns, and lockdowns, we also closed 31 markets in Europe after the ThermaCare divestment, in May. We also completed system cutovers in those markets.

We're also focused on the role we can play in local communities. For example, we signed a deal with Mammoth Biosciences for a COVID-19 in-home diagnostic kit based on CRISPR¹ technology. We believe this offers tremendous potential as a platform for the future.

I've been proud of our performance. We simplified many steps in our financial processes and decision making. We made decisions faster and streamlined portfolios to increase output. But we also had to pause a lot of initiatives as a result of the pandemic.

McKinsey: What have you observed in China's recovery since the original COVID-19 outbreak and what does that mean for the rest of the world?

Brian McNamara: Our team in China has been very involved, very early on, in the response to the COVID-19 pandemic there. We kept our two manufacturing plants in China going, even through part of the Chinese New Year, as we witnessed the spread of the virus. Globally, we provided guidance and a framework but enabled the local team to make decisions because they were closest to the

situation. As the virus spread, the lesson of local empowerment is one we applied around the world. The resilience of our business in China has been impressive. Let's see how it goes elsewhere. The lingering question is will the virus have a second wave and, if so, where? What will be the economic impact?

McKinsey: Supply-chain resilience has been important in the response to COVID-19. What have been the takeaways for GSK?

Brian McNamara: In some categories, consumption and demand have doubled or even tripled almost overnight. It's difficult to have a supply chain that's prepared for that kind of demand. Flexibility is key. It's also important to be thoughtful about single sourcing or double sourcing key raw materials. Sourcing from China or from India, which is part of everyone's strategy, makes sense for many reasons, but it challenged many companies as countries locked down.

We are evaluating our end-to-end supply chain—where we source from, where we build in flexibility for increased demand, and what categories we pursue going forward. We are also contemplating what categories we think will have more demand, based on consumer shifts, and considering how we can invest now to make sure we're building capacity so we can be there for our consumers as these trends continue.

¹ Clustered regularly interspaced short palindromic repeats.

McKinsey: When you look to the future, what consumer behaviors do you think will fundamentally change as a result of COVID-19? What is the next normal?

Brian McNamara: We anticipate an acceleration in e-commerce—specifically, in the over-the-counter space. Right now, OTC e-commerce sales are only 2 to 3 percent of sales in the US, so there is lots of room for growth. As with many other retail businesses, we've seen a significant increase in OTC online purchases as a result of COVID-19. And I think that will stick. I don't think it will go back to pre-COVID-19 levels. Consumers are getting used to OTC being part of their overall shopping basket.

The use of digital technologies is also here to stay—to accelerate speed to market, improve products, and enhance the customer experience. We're happy with the way we've reacted to the digital transformation, and it will be more of a focus going forward.

We will also see a fundamental shift in consumers proactively managing their health, particularly in the consumption of immunity products and vitamins, minerals, and supplements products. Everything went through a massive sellout at retailers in March as people were pantry loading, and we continue to see strong trends in those categories. COVID-19 has also heightened consumer awareness of health and wellbeing, and it's a trend that will likely stick.

We've also seen that bigger consumer-health brands have done better, maybe because, given their larger supply chains, they could react faster to the pandemic, but also because consumers know that they can trust the brand they're buying and the information they're getting.

McKinsey: As the race to develop a COVID-19 vaccine intensifies, there is still debate on how it will affect consumer behavior. What are your thoughts?

Brian McNamara: In April, we announced a partnership with Sanofi to develop a COVID-19 vaccine. The more companies that can succeed in developing a COVID-19 vaccine, the better because it's what the world needs. There are numerous variables that can affect consumer behavior, from the duration of immunity to consumer confidence and acceptance of a vaccine. I believe the trend toward self-care and proactive health management will continue, as will the memories of how COVID-19 surprised us all. Even as we get through this, we need to prepare for a future pandemic, as a healthcare industry and as a society.

McKinsey: How will driving demand change in this new world? What role will core marketing and digital marketing play?

Brian McNamara: We still need to drive demand by connecting with consumers and getting expert recommendations. The digital channels are surely accelerating how we interact with consumers. In Europe, investment in digital channels is nascent, and in the US more than half of our spending is directed to digital channels. I also see a shift toward purpose-driven brands motivated by a core mission and the need to solve a problem or meet a societal need. This is a huge opportunity to elevate the connection with consumers and make a lasting contribution to humanity.

McKinsey: GSK is clearly a purpose-driven organization. How has the pandemic influenced the decisions and actions driven by your purpose?

Brian McNamara: At GSK, our purpose is simply stated—to help people do more, feel better, and live longer. We have taken great pride in being part of the solution in a health crisis. Our products are truly making a difference, and that elevates our industry in consumers' minds. For the 8,000 employees in our manufacturing plants who continue to show up for work every day, purpose is the North Star.

Brian McNamara is CEO of GlaxoSmithKline Consumer Healthcare and **Warren Teichner** is a senior partner in McKinsey's New Jersey office.

Designed by McKinsey Global Publishing
Copyright © 2020 McKinsey & Company. All rights reserved.