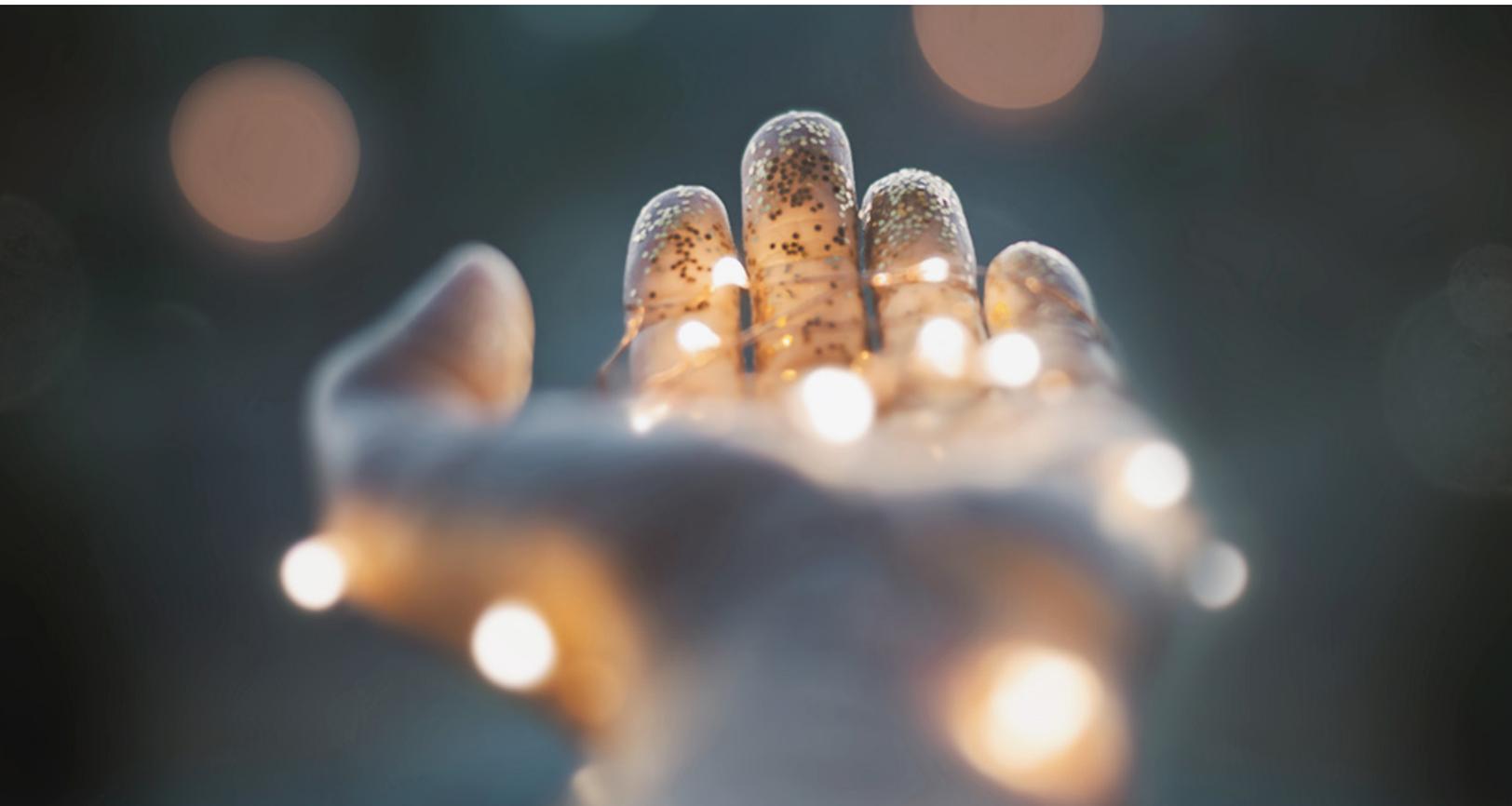


Marketing & Sales Practice

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?

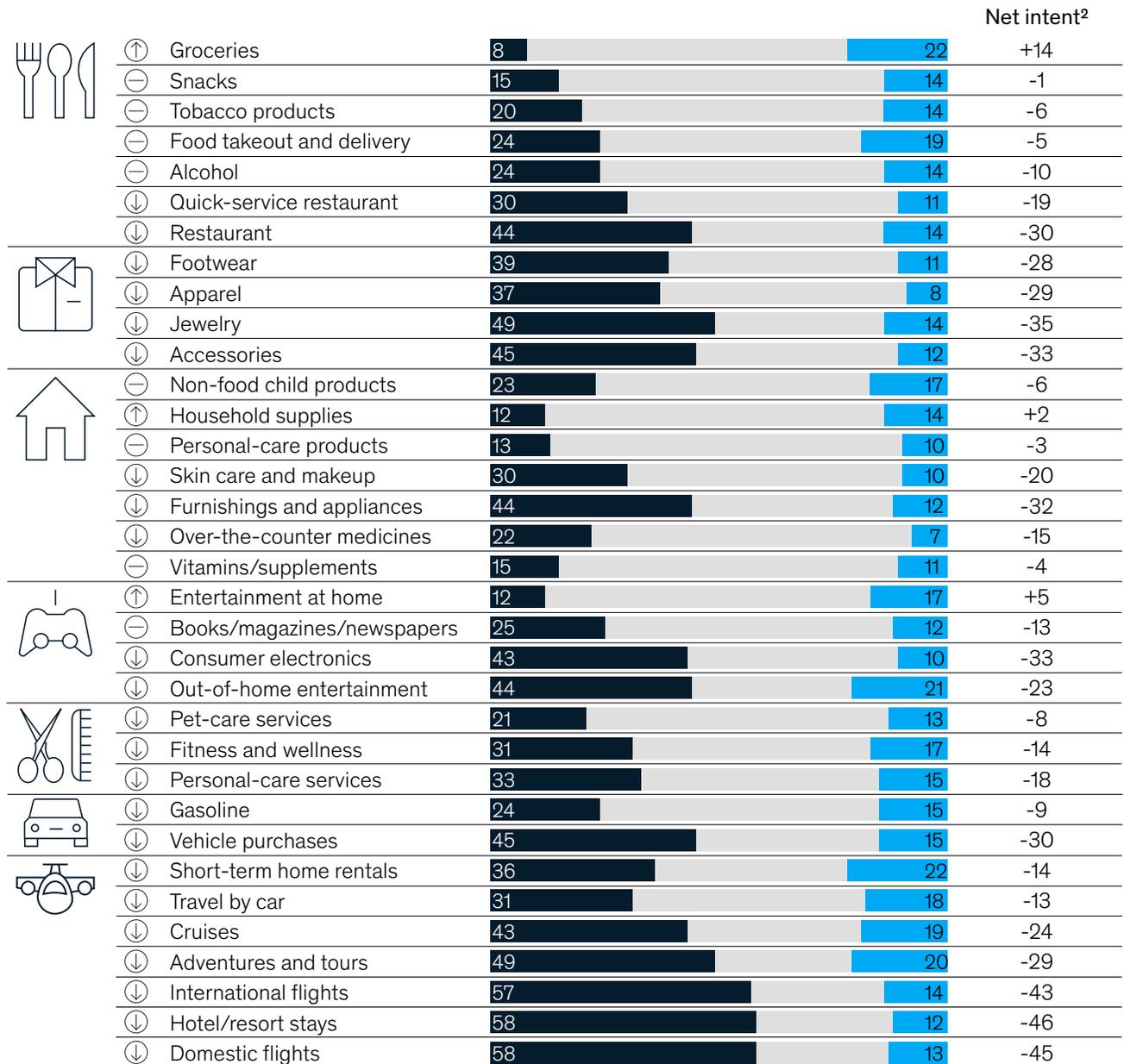
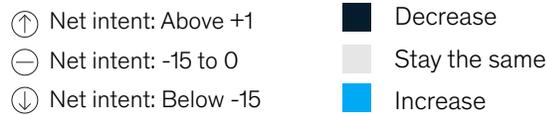
⁵ Dan Murtagh, Zoe Schneeweiss, Bloomberg Economics, "This is how deeply the coronavirus changed our behavior," Bloomberg, June 1, 2020, bloomberg.com.

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 clichés 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.

Arun Arora is a partner in McKinsey’s Paris office, where **Eric Hazan** is a senior partner; **Peter Dahlstrom** is a senior partner in the London office, where **Hamza Khan** is a partner; and **Rock Khanna** is a senior partner in the Chicago office.

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