Every industry is adapting to life during a pandemic. New McKinsey research examines the implications for six sectors.
McKinsey continues to track economic and epidemiological developments in Europe and around the world. For an overview, read our latest briefing materials (June 1, 2020). In 94 pages, we document the current situation and show how countries and companies can transition toward the next normal and plan across multiple horizons. You can also see the full collection of our coronavirus-related content, visual insights from our “chart of the day,” a curated collection of our first 100 coronavirus articles, and our suite of tools to help leaders respond to the pandemic.

This week we zeroed in on critical developments in six major industries, starting with consumer goods. Research we published last year documented the recent trends in consumer M&A and the ways that successful companies used acquisitions to accelerate revenues and profits at a time when growth was elusive. Our latest research reveals that COVID-19 has accelerated some of these trends and created new realities. One critical finding: consumers are returning to big brands they know and trust. While these companies accounted for only 16 percent of the industry’s growth in 2015–18, that figure rose to 39 percent in 2018–19—and reached 55 percent in the first three weeks of April 2020.

In times of crisis, all eyes focus on the insurance sector. This week, we surveyed insurance agents in China, the first country to reopen. The outlook there is complex: some lines, such as health insurance, fared well, while others, such as property and casualty, suffered significant declines and are just now recovering.

At semiconductors companies, the pandemic has posed questions for every aspect of the business model. Our April 2020 research outlined the potential shifts in demand. This week’s update offers scenarios in which demand might revive, and the ways that companies can adapt while also preparing the enterprise to emerge stronger in the next normal.

Software makers are also in the midst of (yet another) disruption. For the past ten years, the rise of software as a service (SaaS) has reshaped the enterprise-software industry. Growth accelerated, but industry profitability tumbled. Our research finds that the next ten years will be just as tumultuous. SaaS companies are at a crossroads: COVID-19 will accelerate the footprint of SaaS, given the growth of remote working, the rapid deployment of digital solutions, and the lower up-front costs.

Like many other industries, engineering and construction has had to reimagine how work gets done. This week, we spoke with an industry leader, who revealed the ways that his company has adapted.

Finally, while small business might not be an industry, it is a mighty economic sector that employs tens of millions of people in the United States. Our new research finds that between 1.4 million and 2.1 million US small businesses could close permanently as a result of the first four months of the pandemic. Certain sectors are particularly at risk (exhibit).

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This week, we also examined the priorities for companies in India to thrive in the next normal; reviewed the early returns on post-COVID-19 discretionary spending in China, India, and Indonesia; and considered the lessons of the past that might prove helpful as policy makers seek to revive the US economy. Finally, we were privileged to speak with two remarkable leaders, Mellody Hobson of Ariel Investments and Hubert Joly of Best Buy, about the challenges of leadership in extraordinary times.

Exhibit

COVID-19 is especially threatening for several sectors.

Where small business jobs are vulnerable

More affected, higher financial risk

Less affected, higher financial risk

More affected, lower financial risk

Less affected, lower financial risk

Higher financial risk

Financial risk as an indicator of resilience¹

Lower financial risk

Circle size = millions of jobs in sector

Where small business jobs are vulnerable

A Accommodations and food services
B Administrative and support
C Arts, entertainment, and recreation
D Construction
E Educational services
F Finance and insurance
G Healthcare and social assistance
H Information services
I Management of companies
J Manufacturing
K Mining, oil and gas
L Other services (except public admin)
M Professional services
N Real estate and rental and leasing
O Retail trade
P Transportation and warehousing
Q Utilities
R Wholesale trade

¹Based on profitability, credit risk, and use of retained earnings.
²Based on US Census Bureau pulse survey of small and medium-sized businesses.