

McKinsey
& Company

Building the Post- Pandemic Enterprise

MIT CIO Symposium

September 9, 2020

Rodney Zemmel, James Manyika

CONFIDENTIAL AND PROPRIETARY
Any use of this material without specific permission of McKinsey & Company
is strictly prohibited



Who you will be hearing from today



Rodney Zempel

New York

Global leader of McKinsey Digital

rodney_zempel@mckinsey.com



James Manyika

San Francisco

Chairman of the McKinsey Global Institute (MGI)

james_manyika@mckinsey.com

Topics of discussion today

Emerging insights in light of COVID

- **Shifts in consumer behaviors**
- Shift in company behavior - B2B selling example

What this means for the post-pandemic enterprise

What this means for the role of CIO

Plenary Q&A

COVID-19 has affected consumer behavior in five key ways, many of which will have a lasting impact



Shift to value and essentials

With the expectation that recovery will take 6+ months, only **essential categories** are at or above pre-COVID levels. Most **discretionary categories are still at -30 to -60%** net intent vs. pre-COVID and the recovery initiated in early April has slowed down since mid-June.



Flight to digital and omnichannel

Post COVID-19, more consumers intend to continue to **shop online** (15-40% growth in online shoppers in most categories). Many **contactless services** (e.g., delivery, pickup) have seen an increase during the crisis but it is likely that only some of them stick in the long-term.



Shock to loyalty

Over 75% of Americans have tried either **new brands, places to shop** or **shopping methods** during the crisis, primarily driven by **convenience and value**. Most of the consumers who tried new ways of shopping **intend to continue** using a combination of what they did before COVID-19 and what they tried during the crisis.



Health and “caring” economy

Consumers are looking for use of **masks** and **physical barriers** when deciding where to shop in-store and the importance of this visible safety sign is increasing. **Company actions are increasing in importance** (e.g., care that companies provide to employees) as a buying factor since the crisis started.



Homebody economy

Over 70% of Americans are **not engaging in “normal”** out-of-home activities and most of them are waiting to see indicators beyond lifting restrictions before engaging again. Americans have adopted **at-home solutions** across categories with an intent to continue post-crisis (e.g., wellness, entertainment).



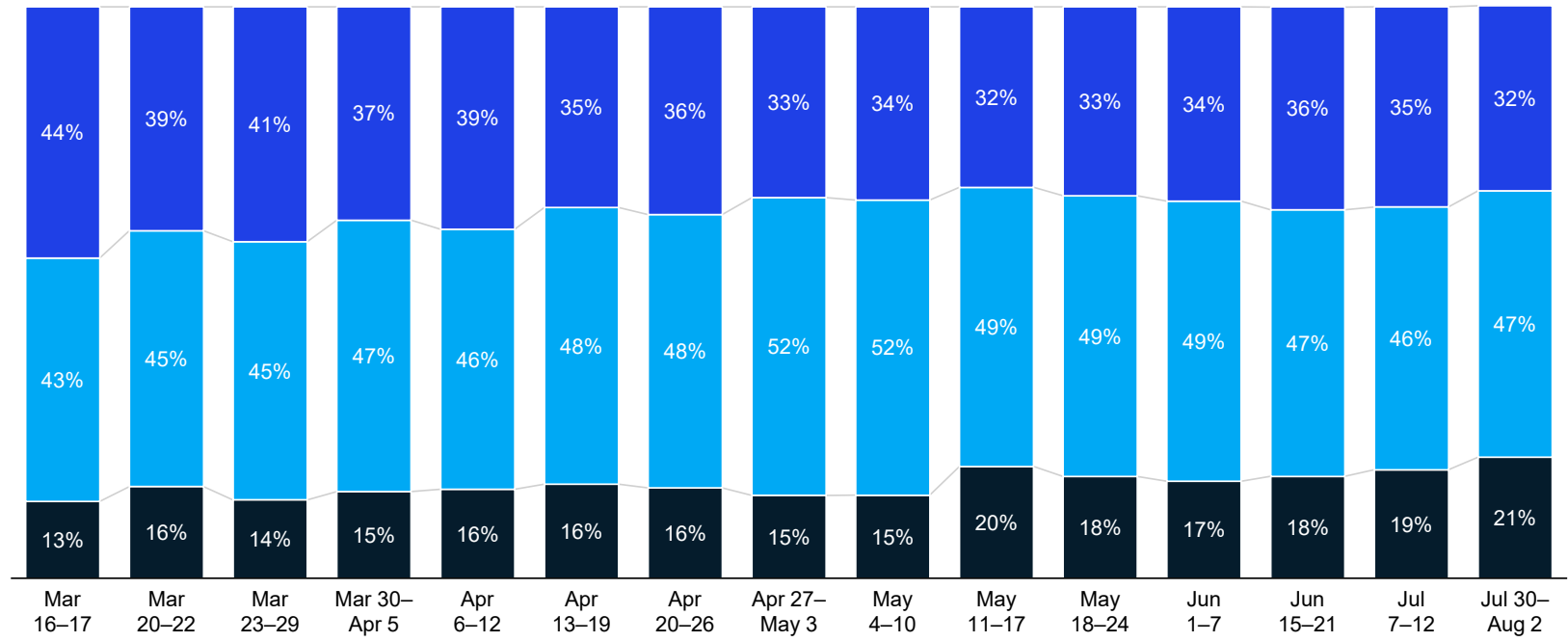
Optimism in US economic recovery has recently declined after remaining steady for the past two months

Confidence in own country's economic recovery after COVID-19¹ % of respondents

- **Optimistic:**
The economy will rebound within 2-3 months and grow just as strong as or stronger than before COVID-19

- **Mixed:**
The economy will be impacted for 6-12 months or longer and will stagnate or show slow growth thereafter

- **Pessimistic:**
COVID-19 will have lasting impact on the economy and show regression/fall into lengthy recession

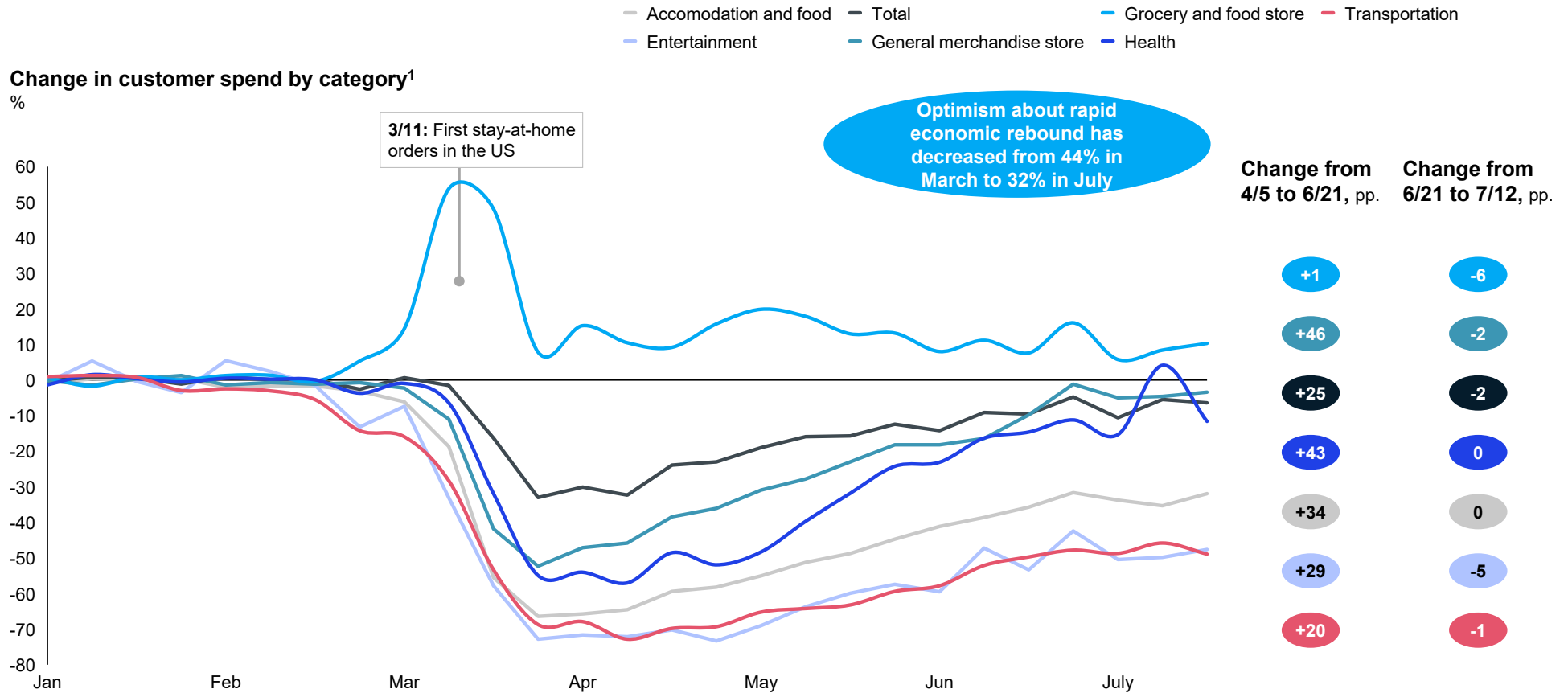


1. Q: How is your overall confidence level in economic conditions after the COVID-19 situation? Rated from 1 "very optimistic" to 6 "very pessimistic"; figures may not sum to 100% because of rounding

Source: McKinsey & Company COVID-19 US Consumer Pulse Survey 7/30-8/2/2020, n = 2,024; 7/7-7/12/2020, n = 1,923; 6/15-6/21/2020, n = 2,006; 6/1-6/7/2020, n = 1,966; 5/18-5/24/2020, n = 1,975; 5/11-5/17/2020, n = 2,002; 5/4-5/10/2020, n = 1,993; 4/27-5/3/2020, n = 2,105; 4/20-4/26/2020, n = 1,052; 4/13-4/19/2020, n = 1,052; 4/6-4/12/2020, n = 1,063; 3/30-4/5/2020, n = 1,484; 3/23-3/29/2020, n = 1,119; 3/20-3/22/2020, n = 1,073; 3/16-3/17/2020, n = 1,042; sampled and weighted to match the US general population 18+ years



Credit card data shows a rebound in spending since April but spending recovery has slowed down since mid-June



1. Seasonally adjusted credit/debit card spending relative to 1/4-1/31/2020, 7-day moving average.

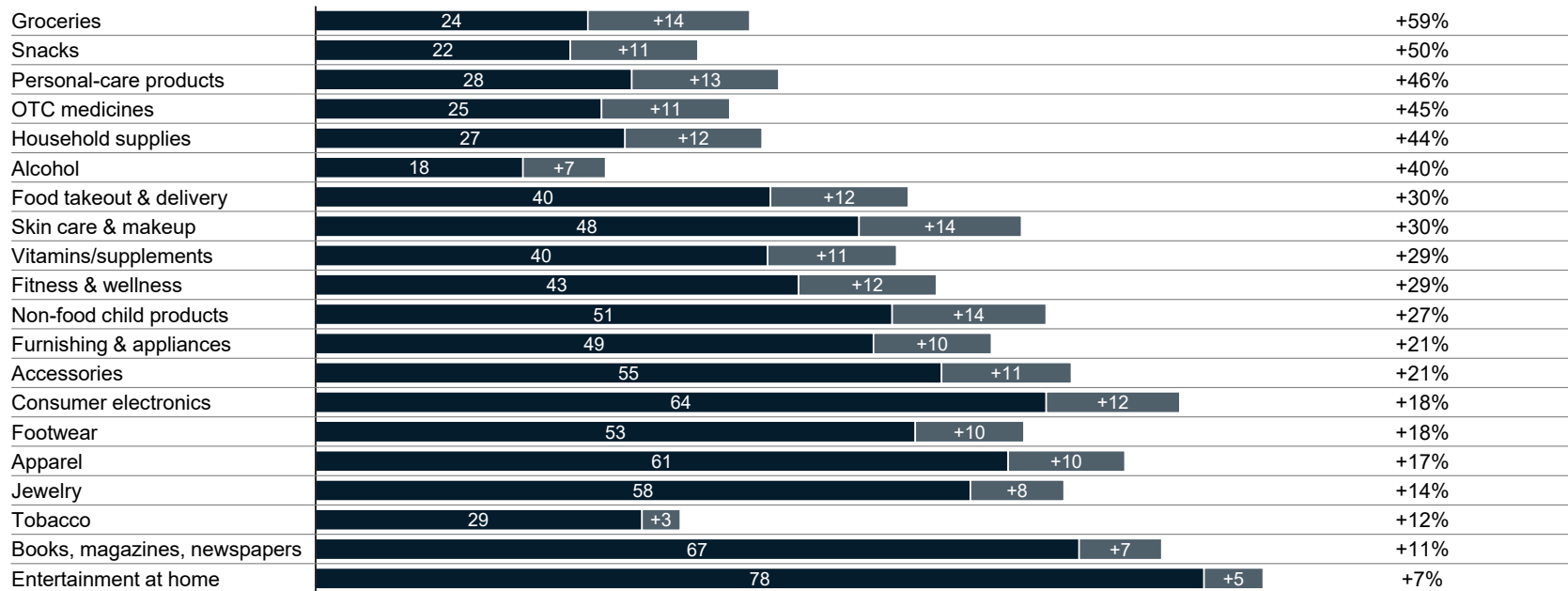


Online purchases post-COVID-19 continue to grow ...

■ Pre-COVID-19 ■ Expected growth after COVID-19

Consumers' use of online channel before and expected use after COVID-19^{1,2}
% of respondents purchasing online³

% growth in customers purchasing category online



~15-45%
growth in consumers who purchase online for most categories

1. Q: Before the coronavirus (COVID-19) situation started, what proportion of your purchases in this category were online vs from a physical store/in person?
2. Q: Once the coronavirus (COVID-19) situation has subsided, tell us what proportion of your purchases in this category you think will be online vs from a physical store/in person?
3. Includes respondents who chose "some online," "most online," and "all online." Respondents who indicated that they have not bought the category online and do not intend to do so in the next two weeks are classified as not purchasing online.

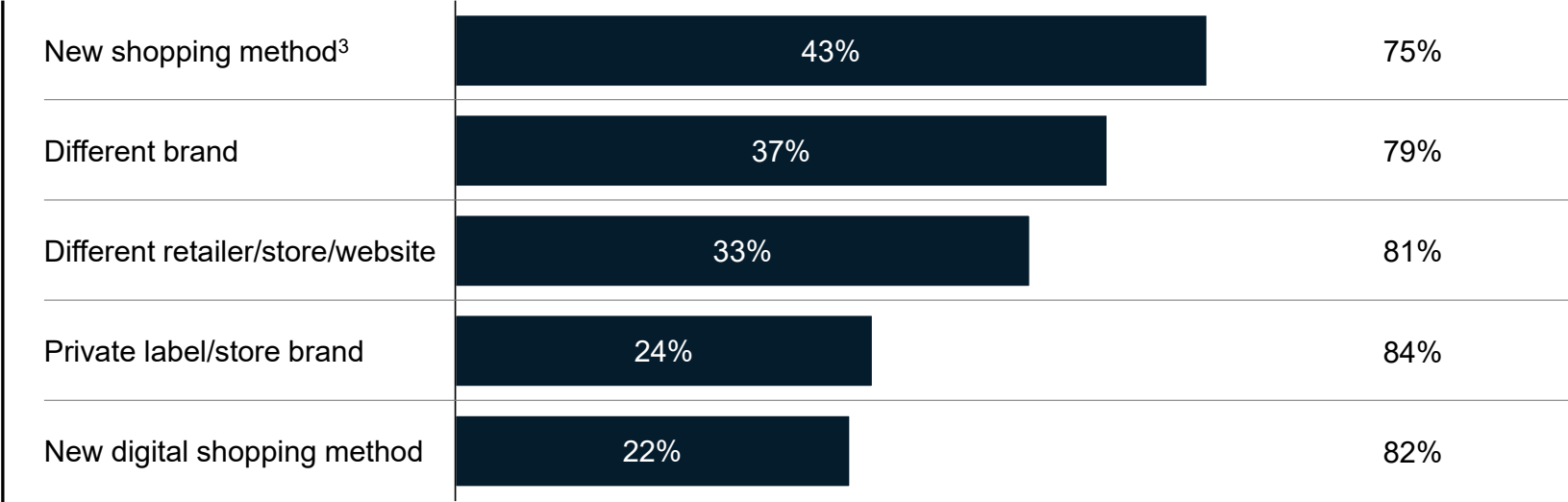


Three out of four Americans have tried a new shopping behavior and most intend to continue the usage beyond the crisis

Have you used any of the following since COVID-19 started¹
% of respondents

Intent to continue²

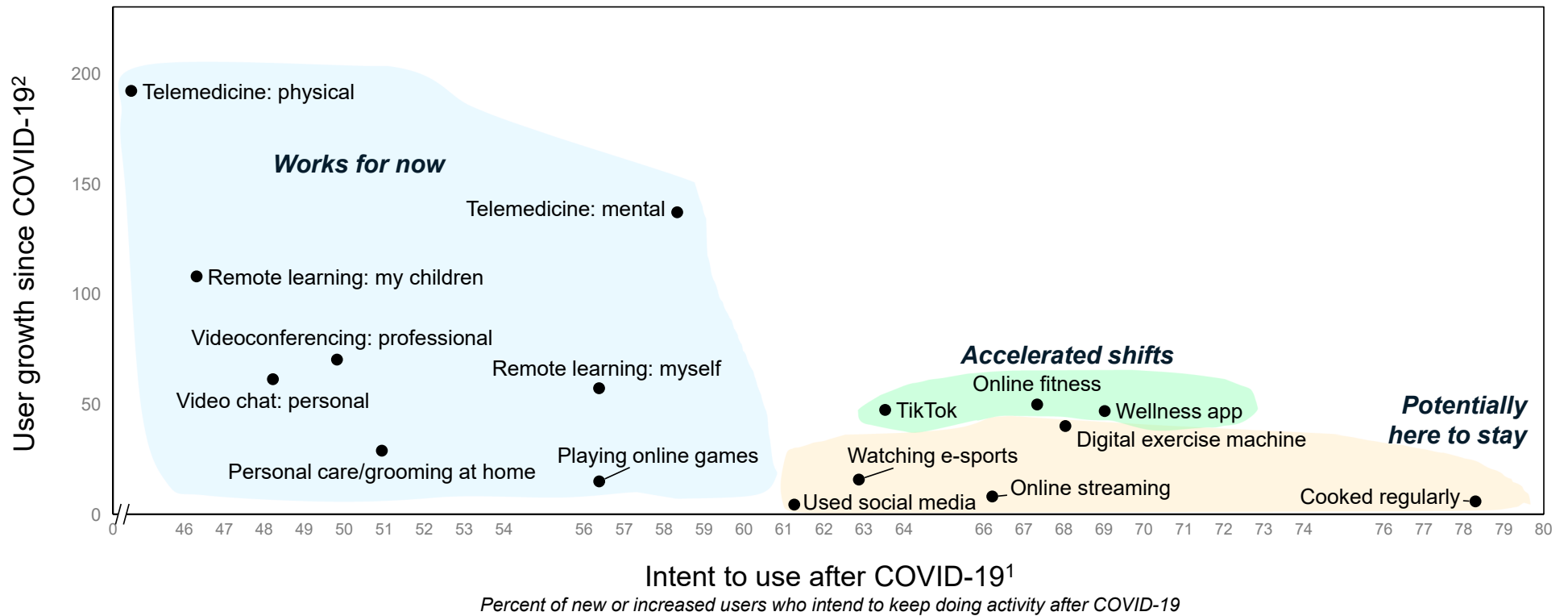
76%
Consumers
have tried a new
shopping behavior



1. Q: Since the coronavirus (COVID-19) situation started (i.e., in the past ~3 months), which of the following have you done? 24% consumers selected "none of these."
 2. Q: Which best describes whether or not you plan to continue with these shopping changes once the coronavirus (COVID-19) situation has subsided? Possible answers: "will go back to what I did before coronavirus"; "will keep doing both this and that I did before coronavirus"; "will keep doing this and NOT go back to what I did before coronavirus." Intent to continue includes respondents who selected "will keep doing both this and that I did before coronavirus" and "will keep doing this and NOT go back to what I did before coronavirus."
 3. "New shopping method" includes curbside pickup and delivery apps.



Online entertainment and fitness and wellness habits adopted during the crisis are likely to remain in the medium- to long term



¹ Q: Compared to now, will you do or use the following more, less, or not at all, once the coronavirus (COVID-19) situation has subsided? Possible answers: "will stop this"; "will reduce this"; "will keep doing what I am doing now"; "will increase this." Number indicates respondents who chose "will keep doing what I am doing now" and "will increase this" among new or increased users.

² User growth is calculated as % of respondents who replied that they are new users over % of respondents who replied that they were using the product/service pre-COVID-19 (using more, using the same or using less).

Topics of discussion today

Emerging insights in light of COVID

- Shifts in consumer behaviors
 - **Evolution in B2B selling**
-

Imperatives for the post-pandemic enterprise

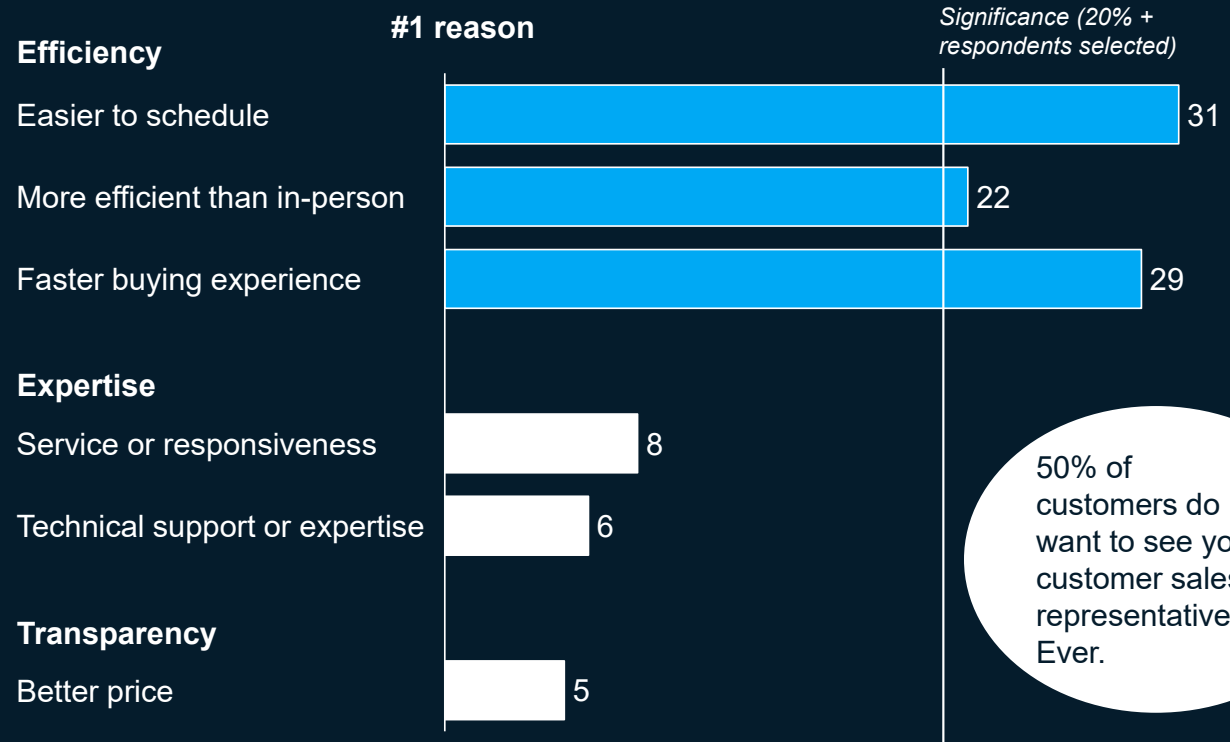
What this means for the role of CIO

Plenary Q&A

Remote selling is working

What are the main reasons you prefer a remote sales interaction?

% of respondents



50% of customers do not want to see your customer sales representatives. Ever.

Source: McKinsey B2B Inside Sales Customer Insights Survey, April 2020; (U.S. n = 1,294)

Digital selling evolving to generation 2.0

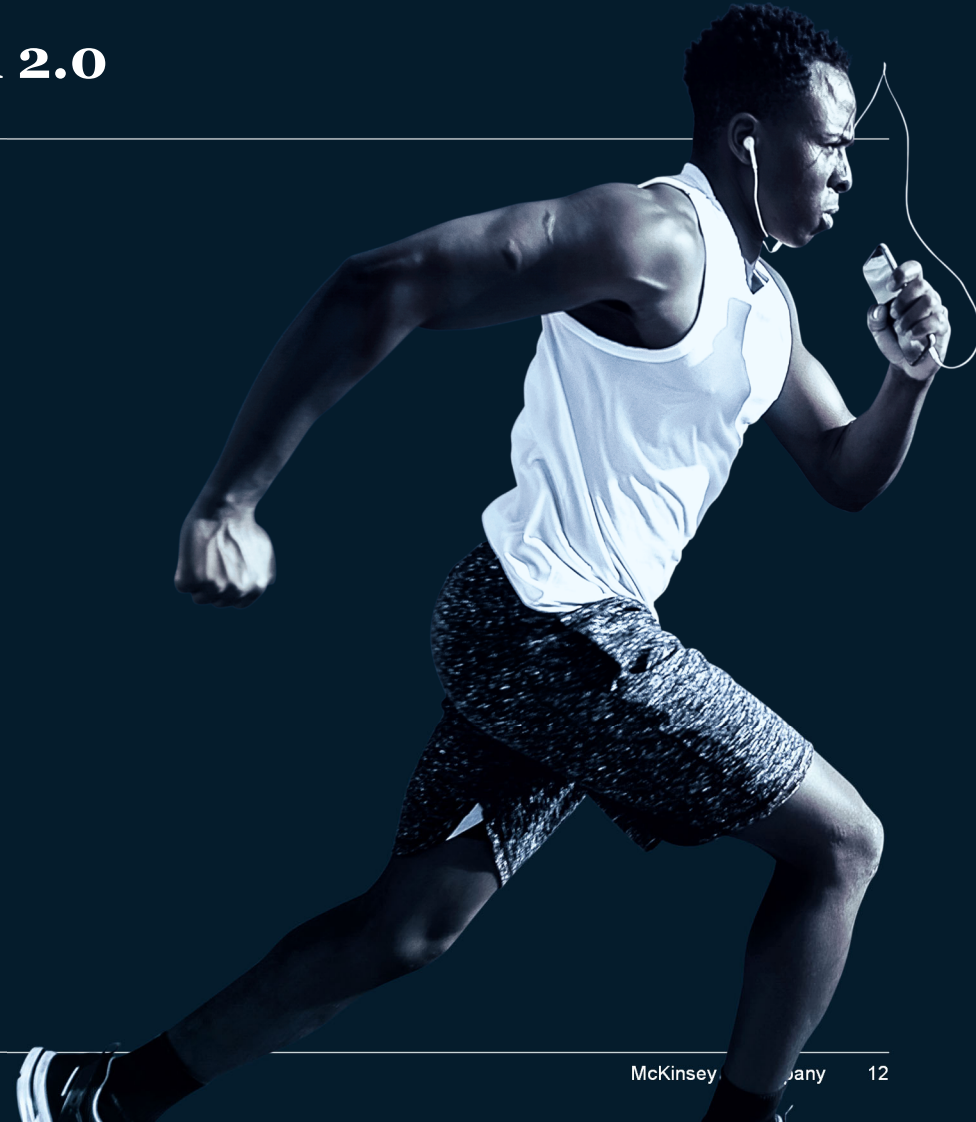
Generation 1.0

- Replacing the in person with remote (e.g., video)
- Automating the transactional parts of the process
- Using traditional selling metrics
- E-commerce + digital marketing



Generation 2.0

- Creating immersive experiences
- Capturing the “digital exhaust” to drive new analytical insights (e.g., gong.io)
- Evolving the role of the human to focus on highest value elements
- From metrics that measure performance to data that drives performance



Topics of discussion today

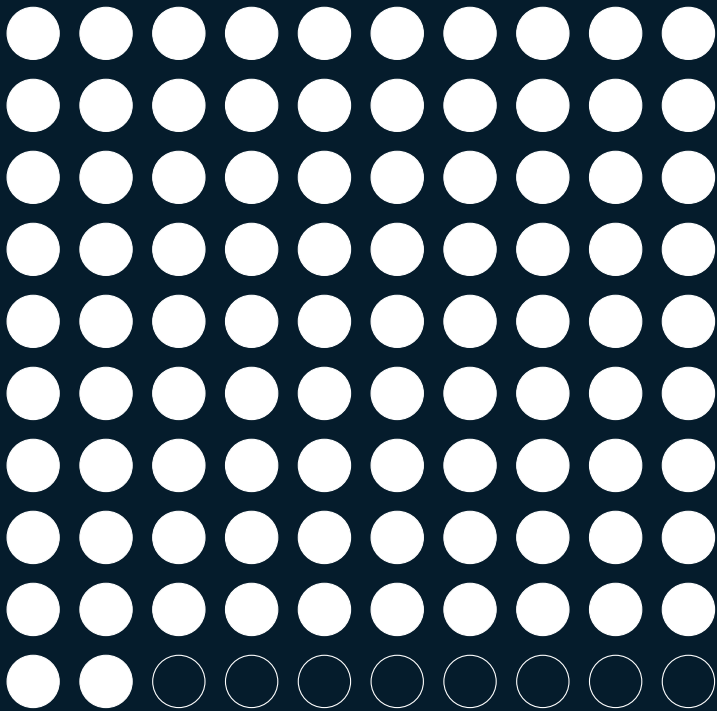
Emerging insights in light of COVID

Imperatives for the post-pandemic enterprise

What this means for the role of CIO

Plenary Q&A

The digital imperative has existed long before COVID



92%

of companies surveyed
believed their **business model**
will not remain economically
viable through digitization

**But reality is
harder than
revolution**

16%

of transformations fully
succeed



I can see the impact of digital everywhere, except in my operating profit

I have more pilots than an aircraft carrier

The solution for everything may be in the cloud, but I need to pay for it here on earth

We need to deal with a whole lot of complexity to get to the promised land of simplification

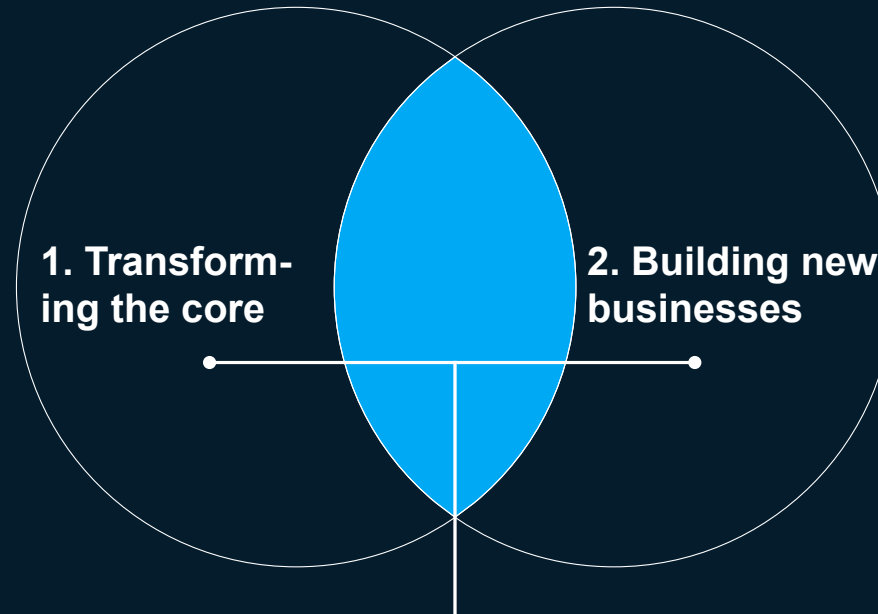
There is a big difference between digital natives who can change the company dress code and what it takes to change the company culture

COVID: We see accelerated migration to digital across industries (driven by consumer behavior and B2B shifts)

↑ Increased digitization vs. pre-crisis

	Lockdown	Recovery / Partially open	Next normal
Banking	↑↑↑ Digital banking adoption	↑↑ Transaction migration Remote sales force Collection analytics	↑↑ Branch network shrink Advice goes online Cashless
Retail	↑↑↑ E-commerce adoption	↑↑ Vulnerables stay online Consumers avoid crowds	↑↑ Grocery online E-commerce laggard catch-up Consumer habits reset
Oil & Gas		↑ Digital Ops. to lower unit cost	↑↑ Automated operations Remote operations
Airlines		↑↑ Touchless experience AI-supported remobilization	↑↑ Health recognition Automated operations
Advanced industries	↑ E-commerce	↑ E-commerce Digital business models	↑↑ Digital supply chain 'Lights out' (digital) mfg
Healthcare Providers	↑ Telehealth trials	↑↑ Telehealth goes mainstream	↑↑ Digital in-home diagnostics Patient habits reset

Post-pandemic enterprises can accelerate their digital transformation on two fronts



- A. Harness the power of data and AI
- B. Modernize core technology and capitalize on new technology
- C. Optimize and automate operations

- D. Fuel digital growth
- E. Create captivating digital experiences
- F. Build digital talent and culture

Scaled impact in the post COVID enterprise will requires six elements

① Business-led Technology Roadmap

Clear view of where the value is going to be and a roadmap to get you there

② Talent

To ensure you have the right skills and capabilities to execute and innovate

③ Agile Delivery

To increase the metabolic rate of your businesses

④ Technology & Tooling

That will allow you to move fast, with flexibility and resiliency

⑤ Data Management

To leverage data intelligence to derive a competitive advantage

⑥ Adoption and Operating Model Change

To enable value capture by ensuring mindset and operational shifts (with both internal and external users)

Topics of discussion today

Emerging insights in light of COVID

Imperatives for the post-pandemic enterprise

What this means for the role of CIO

Plenary Q&A

The role of CIO needs to evolve to support the post-pandemic, tech-forward needs of enterprises



Old world

Run IT – support function, often seen as a cost center

CIO reports to COO/CFO

Supporting role in digital transformation

Focus on the plumbing – Infra, data centers, apps

Adoption is the business' job

CEOs often appointed from Operations / Finance



New world

Dual mandate: revenue-driving, customer-facing, value-creating responsibilities

Reports directly to CEO; growing Boardroom addition

Peak influence in driving digital transformation; CDO increasingly getting folded under the CIO

Accountable for business outcomes – driving “full stack” business products

CIO = “Chief Influencing Officer” – breaking down silos, driving adoption of digital products

CIOs contenders to lead businesses – tech trends increasing likelihood of CIOs becoming the CEO

New skills needed for technology leaders to embody this expansive role – 5 key traits identified

Business leader	Have deep under-standing of business strategy, critical growth drivers, etc.
Change agent	Can infuse technology into every strategy discussion and process throughout the organization
Talent scout	Focused on attracting, retaining, and cultivating top engineering talent
Culture revolutionary	Build a truly collaborative culture within IT teams as well as between IT and business teams
Tech whisperer	Play an active role in educating business leaders about new tech and their applications for the business

Topics of discussion today

Emerging insights in light of COVID

Imperatives for the post-pandemic enterprise

What this means for the role of CIO

Plenary Q&A

Thank You

Additional Resources

[Capturing the Value of Digital](#)

The context for digital transformation

[The CIO challenge: Modern business needs a new kind of tech leader](#)

As technology becomes increasingly important, an organization's success depends on whether the CIO can move from being a functional to a strategic business leader.

[What's on CIO's minds during the coronavirus crisis](#)

As CIOs navigate the COVID-19 crisis, they are managing myriad issues while also needing to act quickly.