

Marketing & Sales Practice

Leading with purpose: How marketing and sales leaders can shape the next normal

Chief marketing and sales officers have a defining role to play in navigating the current crisis—and in steering their companies' success in the world that emerges from it.

by Brian Gregg, Aimee Kim, and Jesko Perrey



This article was written collaboratively by all the global leaders of the McKinsey Marketing & Sales Practice, a group that spans all our regions and includes: Tjark Freundt, Bruno Furtado, Brian Gregg, Damian Hattingh, Eric Hazan, Rock Khanna, Aimee Kim, Jesko Perrey, Brian Ruwadi, and Dennis Spillecke.

“Without empathy, nothing works.”¹ That quote, from José Andrés, a celebrity chef who also founded and runs the nonprofit World Central Kitchen, highlights the reasoning behind the organization’s mission: to feed the world by being the first food responders in devastated areas. In the COVID-19 crisis, he has quickly mobilized field kitchens to provide fresh and nourishing meals to those in need in stricken parts of the world.

As an exemplar of purpose-led leadership, Andrés provides chief marketing and sales officers (CMSOs) as well as growth executives with a reference point for how to lead in the midst of this crisis.

As the pandemic continues to threaten millions of lives around the world, global economic realities are significantly impacting every aspect of our lives, from how we work and communicate, to how and what we buy. In this unprecedented new reality, the massive changes in customer behavior and business outlook have put growth officers and CMSOs on the front lines. To chart a path forward, leaders must anchor on what matters and do multiple things well simultaneously. This means, first and foremost, that they must lead with purpose by taking care of their people, their customers, and their communities. At the same time, they must focus on three horizons to shape the way forward: navigate the now, plan for recovery, and lead in the next normal.

The new reality

Lockdowns have led to near collapse in many business sectors, while also creating significant shifts in both customer and consumer behavior.

While we will continue to see major shifts and swings, we believe the following are already important for marketing and sales leaders to understand:

Digital adoption at breathtaking rates

Our Global Consumer Sentiment Surveys show consumers are turning to online consumption in record numbers (though for many businesses, this boom has not offset the deep losses offline). More than 50 percent of Chinese consumers show a pronounced move to digital, especially on work-related activities. We’re also seeing an uptick in first-time users and in established customers’ usage across several categories, such as entertainment streaming, e-sports, restaurant and grocery delivery, online education, and online fitness. While this trend is not yet as evident in Europe due to limited home-delivery options, confinement is driving significant trialing of new online ways of shopping.

This change is also pronounced in B2B businesses. According to our latest B2B Decision-Maker Pulse Survey, sellers indicated that digitally enabled sales interactions are now more than twice as important as traditional sales interactions, compared with rough equivalency before COVID-19. Nearly four in five B2B sales teams have already shifted to videoconference or phone.

More importantly, many of these behaviors are likely to become permanent. Data shows European consumers’ shift to digital is likely to stick after the crisis abates, especially in countries where online penetration was higher to begin with. Some 55 percent of Chinese consumers have indicated they are likely to permanently shop online for groceries.

Consumers and customers have significant concerns about the economy

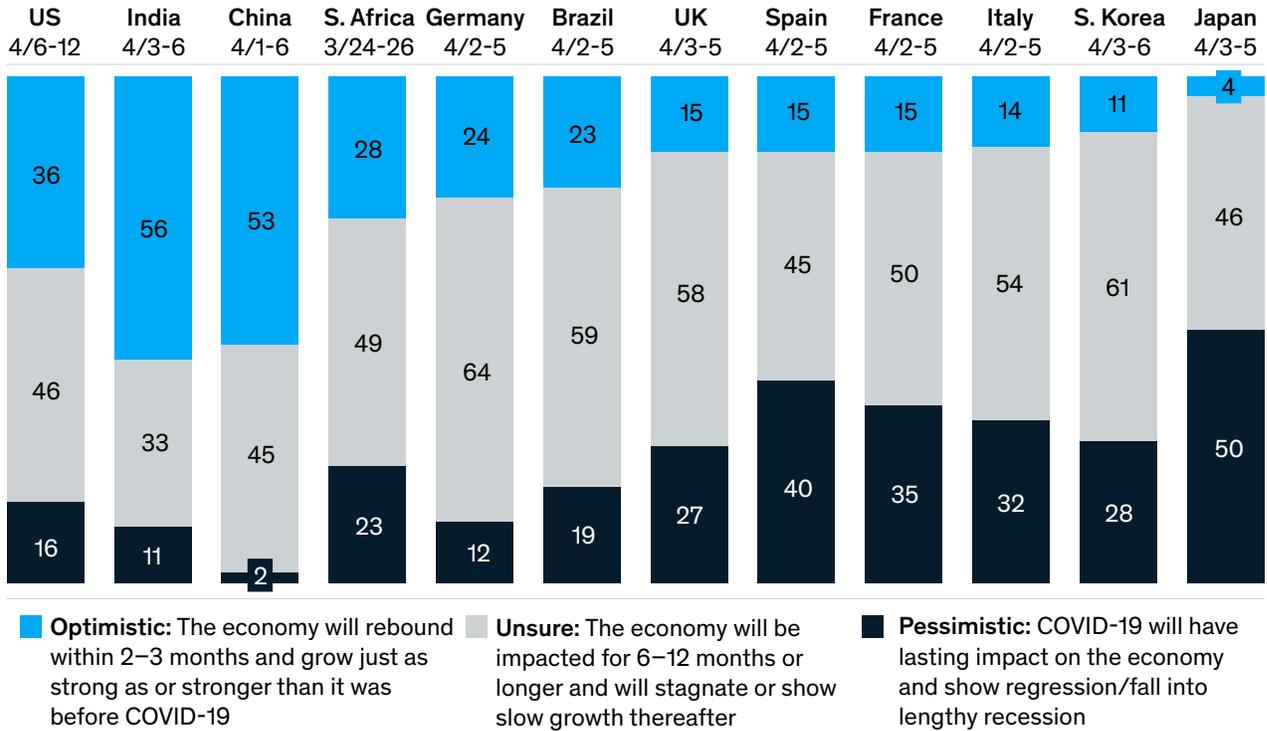
While US consumers, like their Chinese and Indian counterparts, expect the economy to rebound within two to three months, European consumers are less optimistic (ranging from 8 percent in Portugal to 27 percent in Germany) (Exhibit 1).

¹ Sean Gregory, “‘Without empathy, nothing works.’ Chef José Andrés wants to feed the world through the pandemic,” TIME, March 26, 2020.

Exhibit 1

The US is more optimistic than European countries but less optimistic than India or China.

Confidence in own country's economic recovery after COVID-19,¹ % of respondents



¹ Q: How is your overall confidence level on 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 Consumer Pulse Survey (China n = 1,048 including Hubei province), (South Korea n = 600), (Japan n = 600), (India n = 582), (US n = 1,063), (Brazil n = 1,311), (UK n = 1,000), (Germany n = 1,002), (France n = 1,003), (Spain n = 1,003), (Italy n = 1,005), (Portugal n = 601), (South Africa n = 535)

Consumers with higher incomes (those making more than \$100,000 per year) showed higher levels of optimism.

Those concerns are reflected in lowered expected spend levels. In the US, 44 percent of consumers said they will reduce their spending over the next two weeks, while 43 percent said they are delaying purchases due to the uncertain economic outlook. In South Korea, which has managed to slow the spread of the virus, only 25 percent of consumers said they are confident of a quick rebound, and about half said they expected a decline in their personal financial situations.

Huge market uncertainty

Although several sectors have performed well, many have collapsed. We estimate that consumers might cut back as much as 40 to 50 percent of discretionary spending, which translates to roughly a 10 percent reduction in GDP—and more, if you consider second- and third-order effects. Newspapers are rife with disturbing news about precipitous declines in travel and hospitality, oil, retail, and many other sectors. In B2B, nearly 50 percent of companies have cut their short-term spending in response to the crisis and declining demand, and a similar portion expect to reduce their long-term budgets as well.

The outlook isn't universally dour, however. Some B2B decision makers are relatively optimistic that their companies will be able to stay in business (Exhibit 2).

Given the shifts in economics and the suddenness of the downturn, we expect to see big shifts in marketplace dynamics, from business closures to consolidations, and from new business and partnership models to innovations that address emerging opportunities.

Three main lessons from recent downturns

While this crisis is significantly different from any other disruptions we have experienced in the past 50 years, we believe there are three lessons from recent downturns that leaders can learn from:²

1. Optimize for lean

Resilient companies (resilients) that focused on thoughtfully getting lean before and during the downturns in 2001 and 2008–9 were able to

²For more, read Martin Hirt, Kevin Laczkowski, and Mihir Mysore, "Bubbles pop, downturns stop," *McKinsey Quarterly*, May 2019.

Exhibit 2

Impact on spend changes by category: ~40-50% of B2Bs predict spending stability/increases across product and service categories.

How has the coronavirus (COVID-19) situation affected your company's budget for the following areas? % of spending changes¹

Software & telecom	8	17	26	30	12	5	3	50%	50%
Real estate	12	16	23	30	11	5	2	48%	52%
Banking & insurance	8	16	28	28	11	5	4	48%	52%
Capital equipment	10	17	26	29	10	6	2	47%	53%
Specialty inputs	10	17	28	28	10	6	2	46%	54%
Packaging	10	18	26	26	11	6	2	45%	55%
Energy	10	17	28	25	11	6	3	45%	55%
IT hardware	8	19	29	26	11	4	2	44%	56%
Commodity inputs	11	20	27	24	10	5	3	42%	58%
Vehicles	14	19	25	24	10	5	2	41%	59%
Processing supplies	11	20	28	23	12	4	3	41%	59%
Distribution & transport	11	21	27	20	11	6	3	40%	60%
Finished goods	13	19	29	22	11	4	3	40%	60%

- Reduced more than 25%
- Reduced 11-25%
- Reduced 4-10%
- About the same (within ±3%)
- Increased 4-10%
- Increased 11-25%
- Increased more than 25%

A B

A Total % of maintenance/increases²

B Total % decreases³

¹Figures may not sum to 100%, because of rounding

²Sum of % of spending changes in "Increase 11%+" category, "Increase 4–10%" category, and "About the same"

³Sum of % of spending changes in "Reduce 11%+" category and "Reduce 4–10%" category

Source: McKinsey B2B Decision Maker Pulse Survey, April 2020 (n = 3619)

manage the downturn and come out in better shape than their peers. This lean mindset extended to decision making as well. During the 2008–9 financial crisis, organizational “nerve centers,” which brought together top executives and top talent into a single team, were used to accelerate decision making and drive rapid execution.

2. Marshal resources

During the 2008 financial crisis, resilient companies were 27 percent more likely than less resilient companies to divest slow- or no-growth assets. Among other benefits, this approach allowed them to look for strategic investments and advance new market opportunities.

3. Be bold and maintain a through-cycle growth mindset

Our data shows that resilient companies on average increased their selling and general and administrative spend by 1.5 percent (as a percentage of 2007 revenue) during the downturn, while nonresilients remained flat. Winners also continued to reallocate resources thoughtfully by investing in crucial capabilities such as reading demand signals to determine where and how customers would shift their spending.

How leaders can shape the future across three horizons

Given the current crisis, it's crucial that marketing and sales leaders act decisively to help stabilize the business and, in some cases, fight to stay afloat. But it's important to look ahead as well. We have found that the best leaders have the agility to actively shape the future of their organizations across three horizons: the crisis and downturn (now), the recovery, and the next normal.

Navigate the now

We are in uncharted territory, forcing CMOs to simultaneously address both the immediate COVID-19 crisis and the resulting economic downturn. Among the many levers they need to utilize, we believe they should prioritize the following:

1. Lead with purpose

In a time when people are frightened, unsure, and facing dire economic conditions, brands have an outsized role to play in their communities. This includes corporate social-responsibility initiatives designed to meaningfully support your customers and the community. While any assistance is important, we believe that those contributions that are authentic, brand appropriate, and truly helpful are more likely to not only be appreciated but also to have a positive and lasting impact on customers.

We are inspired by the many examples of companies stepping up to help, from Starbucks providing front-line healthcare workers with free coffee, to LVMH and Estée Lauder repurposing facilities to make hand sanitizer. Other leading brands have worked closely with governments to fast-track regulatory approvals to retool manufacturing assets to make ventilators.

2. Take care of employees and customers

Safeguarding the well-being and safety of employees and customers is a top priority. Companies such as Domino's and DoorDash have invested in employees' safety by creating contactless delivery, while Apple, Bank of America, and Patagonia have committed to a no-layoff policy, despite temporary store closures. One CMO personally flew hand sanitizer and masks to employees to ensure their safety and security.

Great examples of companies that are taking care of their customers include Google, which has pledged \$340 million in ad credits for small and medium businesses (SMBs), while Zoom and Cisco's Webex have massively expanded free access to their videoconferencing technology. Utilities such as Con Ed and telco giants such as Verizon and T-Mobile are reducing or waiving late fees to ensure their customers stay connected.

As lockdowns eventually subside, explicit messaging, including signage and operating procedures, may be needed to signal safety for both employees and customers. In addition

to having staff wear masks and deploying hand sanitizer at high-traffic/touch locations, communicating how often the facility has been sanitized will go a long way. Providing masks for employees and disposable gloves for shoppers using carts is already quite common in Asia.

3. Build up cash reserves

The sharp declines in demand that we're seeing in many sectors may last for an extended period of time. That's why it's important to be strategic in looking for ways to make cuts through, for example, marketing-spend efficiency, optimizing markdowns, and better managing inventory. Managing pricing in particular is crucial to avoiding discounting that destroys value.

At the same time, CMSOs can go beyond making cuts to generate cash by reallocating spending to programs that deliver "stacked wins" in both savings and revenue. Targeted personalization and customer experience initiatives can also fuel growth while improving customer loyalty and building long-term trust. For example, Tesla, relying on its virtual customer-experience capabilities, has *increased* its sales in China by 40 percent during the crisis, demonstrating that online-only can work and drive growth.

Plan for the recovery

Leaders need to be ready to capture mindshare and demand from the old game board when the recovery starts. Our research has shown that forward-thinking leaders in advanced industries and consumer/retail companies will likely increase spend in the long term after short-term budget cuts. Effective spending in marketing and sales, however, means not just pulling out the old playbook, but rethinking how to better use tools and capabilities to connect with customers.

1. Accelerate digital ambition and analytics engines

E-commerce is already proving its importance and will likely retain it through the recovery. For B2B customers, the use of digital channels when

ordering from suppliers has increased in importance from 2019 to 2020 (Exhibit 3).

The rapid shift to digital has served as an unwelcome wake-up call, however, for some businesses. As one CIO recently said, "We're not as digital as we thought we were." In another example, one international consumer packaged-goods (CPG) company was unable to fulfill the massive surge in orders that came through its website.

CMSOs will need to make urgent investments in digital tools and capabilities and upgrade analytics engines. That focus is reflected across B2B categories where spend in software and telecom will likely increase in the long term despite to short-term budget cuts.³ Investing in data and analytics operations, in particular—predictive analytics, virtual sales, pricing and promo thresholds, sales effectiveness—along with raising ambitions for digital, have the potential to substantially improve the ability to personalize offers to customers, prioritize sales pipelines, and improve sales activities. This includes rethinking omnichannel and redesigning frontline sales-force processes for today's remote-work environment.

2. Be ready to capture early demand

We see small indications in some categories of possible demand pickup. For example, in luxury fashion, certain markets, such as China and South Korea, are already demonstrating faster recovery rates than expected. Momentum still varies by luxury brand and store location, but retailers' ability to redirect merchandise to retail sites can make a difference, such as reallocation of inventory between offline locations or between offline and online.

To be ready for demand when it picks up, CMSOs will need to zero-base their marketing and sales strategies and develop a clear view of what their customers value. B2B customers, for example, have indicated that they value the ability to use a mobile app when ordering from suppliers.

³ McKinsey B2B Decision-Maker Pulse Survey, April 2020 (n=622).

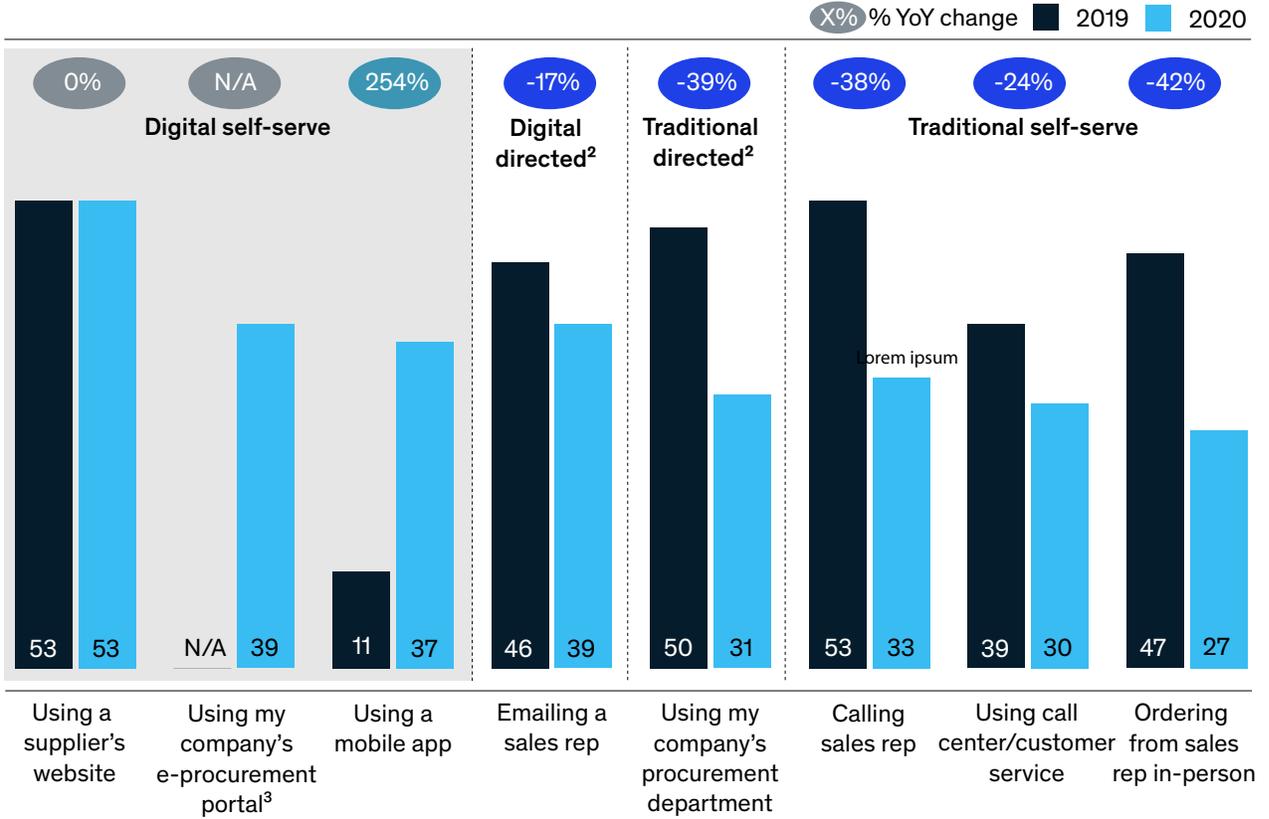
Exhibit 3

When ordering from suppliers, B2B customers highly value digital self-serve.

Which of the following methods do you/would you most prefer to use when submitting your order?

Please rank up to 3 that would be most beneficial.

% of respondents ranking in top 3¹



¹ Results for Top 1 responses are consistent with Top 3. A free-response option was given, but <1% of respondents filled it out.

² Directed interactions engage sales reps.

³ Question not asked in 2019.

Source: McKinsey B2B Decision-Maker Pulse Survey, April 2020 (n = 622); 2019 McKinsey B2B Decision-Maker Survey

Unbundling products and services to tailor them more closely to customer needs or restructuring payments—by moving to a recurring revenue or subscription model, or lowering up-front fees to better reduce customers' near-term outflows—can help win customers. Investing in value-selling capabilities as well as continuous reviews of sales incentives and pricing targets will be crucial to making sure companies are both relevant—and sensitive—to their customers.

Past behaviors and habits won't necessarily be what consumers and customers want when the crisis ends, so developing a clear perspective on which habits will stick, which won't, and for which segments will be crucial. That reality is particularly important to consider with algorithms and advanced analytics that generally rely on past behaviors. Those will need to be retrained on new behaviors and patterns to help give CMSOs a more accurate

picture of developing demand. Market price tests can become obsolete after just a few months in volatile markets, for example, so pricing-sensitivity research and tests need to run frequently when setting price points.

The COVID-19 crisis has led to an increased customer propensity for trying new brands. Our latest McKinsey survey shows that about 33 percent of Chinese consumers have switched brands based on convenience and promotions, and 20 percent of that group intend to stick with the new brands they've tried. Because our analysis of consumer decision-journey behaviors has shown that winning the battle for brand awareness is the most important determinant of purchase intent, this development has the potential to significantly open up additional segments. Indeed, we believe such behavior could be even more prevalent, given the scale and nature of this disruption. Marketers should begin revisiting what the brand is and what it means to customers.

Lead in the next normal

No one can predict what the next normal will look like, but the size and speed of the coronavirus disruption hints at big changes ahead. We have seen tantalizing glimpses of the contours of that change in the use of AI to better predict the spread of COVID-19, in the spirit of innovation unleashed to find a cure, and in the remarkable advances in telemedicine. To succeed in this world, CMSOs will need to think through new capabilities, processes, and ways of working.

1. Rethink ecosystems

Connected ecosystems through trusted outsourcing and partnerships can rapidly scale capabilities and ensure more integrated, seamless customer experiences. Leaders must take a wide view of profit pools to re-engineer value chains for flexibility, near- and on-shoring, inventory pooling, and rebalancing across channels. Building a resilient ecosystem with clear visibility into which parts and products will be affected by new behaviors and business

models can minimize risk to your brand as well as disturbances to your customers.

2. Virtualization

As customers have become more comfortable with virtual platforms, from visiting properties to “trialing” cars, their behavior suggests potential new business models. New ways of working, connecting (virtual trial, virtual sales), and accessing and consuming information in connected homes and AI-enabled services will require fundamental business-system redesign.

How growth leaders can SHAPE their strategies

For leaders to effectively manage dynamic and unpredictable challenges, we believe they need to focus on five specific capabilities (Exhibit 4):

- **Start-up mindset.** The current uncertainty favors companies with a start-up mindset, which allows them to embrace change, flexibility, innovation, and purpose. This attitude leads to questioning accepted wisdom, obsessing over cash, driving a test-learn-adapt way of operating, and a bias toward action over research. This resilient spirit can propel a company into the recovery and the next normal with more innovative, agile thinking across new business models centered on analytics, platforms, and changing customer needs.
- **Human at the core.** CMSOs will need to invest in their people and how to support them through the crisis. They will also need the discipline to think ahead about their talent needs. The next normal will clearly require a new set of skills and capabilities, and CMSOs will need to work closely with HR to innovate in finding new talent and keeping what they already have by developing new career paths and creating more flexible relationships with agencies and remote workers. In tandem, companies should look to rapidly upskill front-line work-from-home sales and marketing talent to

SHAPE your response to the post-COVID world.

Leaders need:	Navigate the NOW Lead with purpose	Plan the RECOVERY Capture every demand on old game board	Lead the NEXT NORMAL Accelerate new business models
Start-up, resilient mindset	<ul style="list-style-type: none"> • Obsess over cash • Build scenarios, focus on base-case and no-regrets moves • Create a dashboard and track 	<ul style="list-style-type: none"> • Mine granular data sets to identify opportunities and fine-tune approaches • Focus on capturing early demand quickly 	<ul style="list-style-type: none"> • Inject dynamic decision making to meet changing behaviors • Align investments against new opportunities
Human-centered responses and interactions	<ul style="list-style-type: none"> • Prioritize safety of people and customers, work from home, masks/sanitizer • Do good to do well in communities 	<ul style="list-style-type: none"> • Upskill your employees with next-gen skills • Support virtual work and wellness programs 	<ul style="list-style-type: none"> • Rev up next-gen talent model, eg, new HR processes across recruiting, retention, engagements
Accelerated digital and tech	<ul style="list-style-type: none"> • Maximize digital sales • Enhance digital capabilities to drive core processes, eg, predictive trigger analytics 	<ul style="list-style-type: none"> • Radically accelerate analytics, eg, updated pricing/promo thresholds, triggers • Create digital consumer decision journey and sales journey processes, eg, omnichannel, virtual sales, digital trial 	<ul style="list-style-type: none"> • Integrate data at scale and AI across your entire organization • Leverage digital efficiencies to restructure operations
Purpose-driven customer playbook	<ul style="list-style-type: none"> • Meet the moment with messaging and actions • Tailor messages to new consumer decision journey and near-term needs 	<ul style="list-style-type: none"> • Connect with brand loyalists • Tie community-based messaging to brand • Engage beyond the transaction 	<ul style="list-style-type: none"> • Redesign value propositions for new reality • Power up customer experience in line with purpose • Expand connections with customers, eg, content
Ecosystems to drive resilience	<ul style="list-style-type: none"> • Assess profit pools to optimize value chains 	<ul style="list-style-type: none"> • De-risk supply chain and focus on plans to meet demand, eg, outsourcing, flexible inventory 	<ul style="list-style-type: none"> • Power up innovation engine • Identify opportunities to rethink entire value chain, eg, acquisitions, outsourcing, partnerships

capitalize on new pockets and pools of talent that are suddenly available in a full-remote operating model.

- **Accelerated digital, tech, and analytics.** The crisis represents a permanent inflection point in the shift to digital. This reality demands a tech-based response, with CMSOs leading the drive to develop better analytics to understand customers at scale,

a more flexible and scalable tech stack to drive business innovation and channel rollout, and digitized processes to accelerate and improve decision making. Many B2B companies, for example, have found that advanced analytics provide a far more objective and dynamic assessment of the quality of a commercial offering than traditional methods.

— **Purpose-driven customer playbook.** Amidst uncertainty, the power of a brand as a known quantity is a tremendous asset. The current crisis has brought into stark relief the importance of brands meeting the moment with authenticity. Companies will need to revisit what their brands stand for and their value propositions to their customers. The playbook has changed, and leaders will need to build purpose-driven customer decision journeys that create trust, confidence, loyalty, and a differentiated experience wherever they are.

— **Ecosystems to drive adaptability.** The disruptions in supply chains and offline buying channels have made adaptability

crucial not just to survival but to accessing opportunities quickly. This will require new partnerships, new models of “co-opitition,” strategic M&A, and in-house builds.

While there are many unknowns about the full implications of COVID-19, one thing is clear: we are in a generation-shaping moment from which a significantly different world will emerge. CMSOs have a defining role in determining whether their businesses can succeed in it.

Brian Gregg is a senior partner in McKinsey's San Francisco office, **Aimee Kim** is a senior partner in the Seoul office, and **Jesko Perrey** is a senior partner in the Düsseldorf office.

Copyright © 2020 McKinsey & Company. All rights reserved.