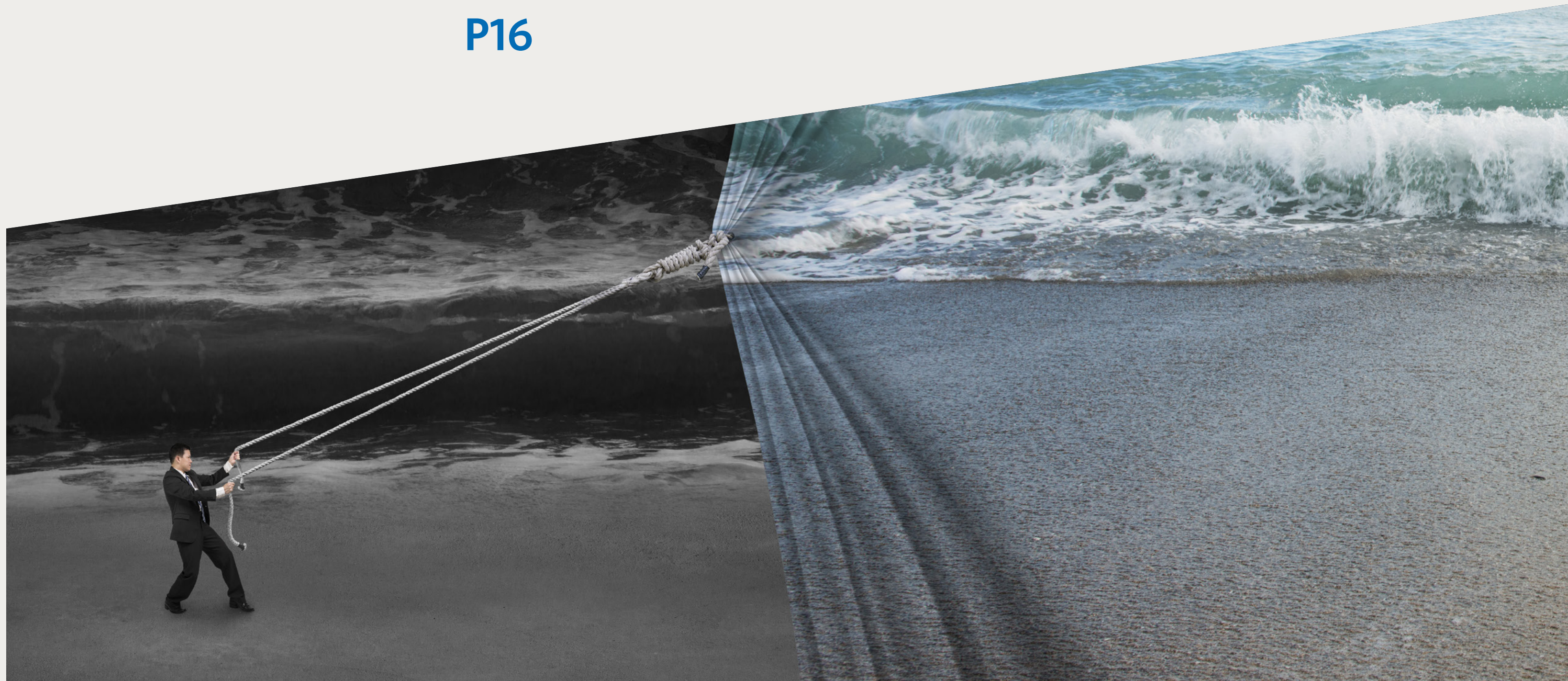
RESILIENT MARKETING
What's Next in Growth

Brian Gregg, Raghuram Iyengar,
Mukul Pandya, David Reibstein,
and Eli Stein

Wharton
UNIVERSITY of PENNSYLVANIA
AI & ANALYTICS FOR BUSINESS
Analytics at Wharton

In this eBook

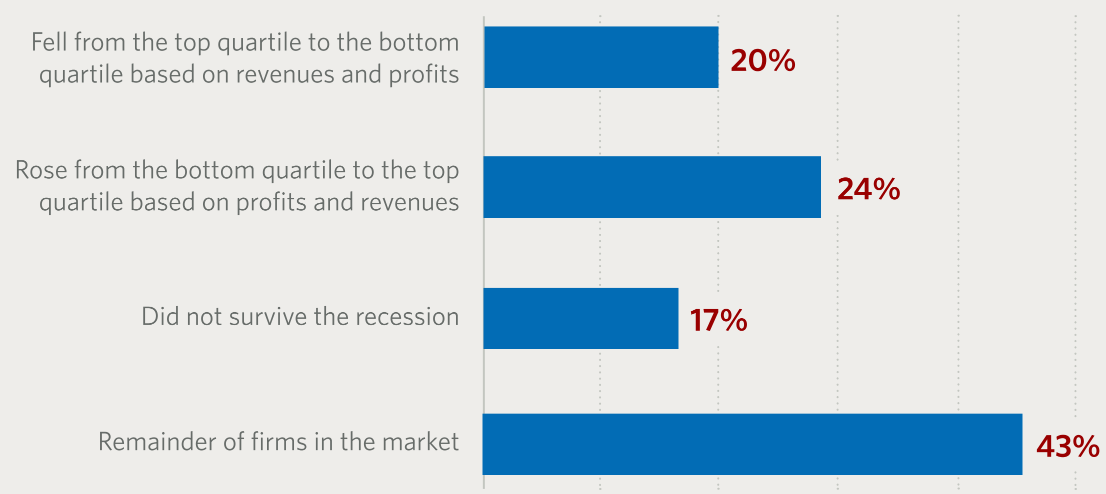


Introduction

Economic disruptions are not rare events. In fact, they occur pretty much every decade, if not more often. In fact, the last four—the current surge in inflation that's teetering on a recession, the COVID-19 pandemic, the 2008–09 recession, and the dotcom bust—happened in the past two decades. Looking back over the past century, there have been more than a dozen.[1]

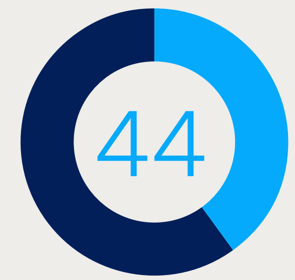
Difficult to predict, even harder to plan for, recessions are moments of great reset. Some companies manage to adapt quickly and weather the storm or even thrive, while others fall prey to changing conditions to which they can't adapt. During the post-9/11 recession in 2001, nearly one-quarter of companies moved from the back of the pack into leadership positions, and 20 percent of top firms dropped to the bottom quartile.[2] (Exhibit 1) Perhaps the only certainty about economic disruptions is that they will happen again. And when they do, they will bring entirely new sets of challenges to which marketing leaders will need to respond.

The realignment of businesses in the 2001 recession based on firm revenues and profiles

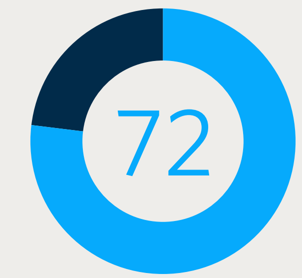


Source: 1. Dekimpe, Deleersnyder 2018; 2. Gulati, 2010; 3. Baveja, Postma, Pritizi 2002; 4. Wall Street Journal *2009.*

The crisis of global inflation



Percent of advanced economies that experienced year-on-year inflation above 5 percent in 2021



Percent of emerging-market economies that experienced year-on-year inflation above 5 percent in 2021

The COVID-19 pandemic, arriving almost a decade after the housing-bubble recession of 2008–09, was no ordinary disruption. Appearing without warning, it involved no consumer debt crisis, bursting asset-price bubbles, or long-term business cycle fluctuations. Instead, sudden, deep, widespread drops in consumer spending across the globe and an unprecedented flight to digital commerce were some of the business consequences. With no advanced warning, firms were forced to adapt to an intensely digital world. As the *Harvard Business Review* noted, before the pandemic, companies were competing with their competitors.[3] Today, heightened and digitally-fueled consumer and B2B expectations have left sellers competing with the last best experience their customer had.

Today's current inflationary spike, global supply-chain crisis, and tight labor market—all precipitated in part by the pandemic—continue to challenge companies' abilities to adapt. In 2021, 44 percent of advanced economies and 72 percent of emerging-market economies grappled with year-on-year inflation above 5 percent, with rising prices shifting consumer behaviors and tamping down spending.[4] Russia's invasion of Ukraine, and the resulting disruptions to the energy, agriculture, and minerals markets have made higher inflation more persistent than expected. According to the IMF, global inflation is expected to fall from 8.8 percent in 2022 to 6.6 percent in 2023 and 4.3 percent in 2024, though still above pre-pandemic levels.[5]

Out of crisis, however, comes innovation and learning. Many business and marketing leaders have spent the past two years getting an education in adaptation, reinvention, rapid decision making, and radical experimentation. Across industries, they have launched initiatives and achieved milestones they never imagined possible.

This e-book shares some of their stories and delves into lessons that can help marketers grapple with today's challenges and make their organizations better prepared for the next major disruption. History tells us that those companies that adapt rapidly to a crisis and seize the moment will succeed over the long term. Resilience allows organizations to not only deal with adversity and withstand shocks, but bounce back stronger and even thrive.

As countries around the globe begin to refer to the pandemic in the past tense, we wrote this book not to rehash what's already happened, but look at how much the changes of the past three years have framed the challenges and opportunities ahead. The enduring shifts in customer behavior have presented marketers with a once-in-a-generation chance to shape and steer their company's growth agenda. Based to a large extent on McKinsey & Company research and expertise, and interviews with marketing leaders by The Wharton School professors, this e-book offers a roadmap for marketing that is adaptive and customer focused.

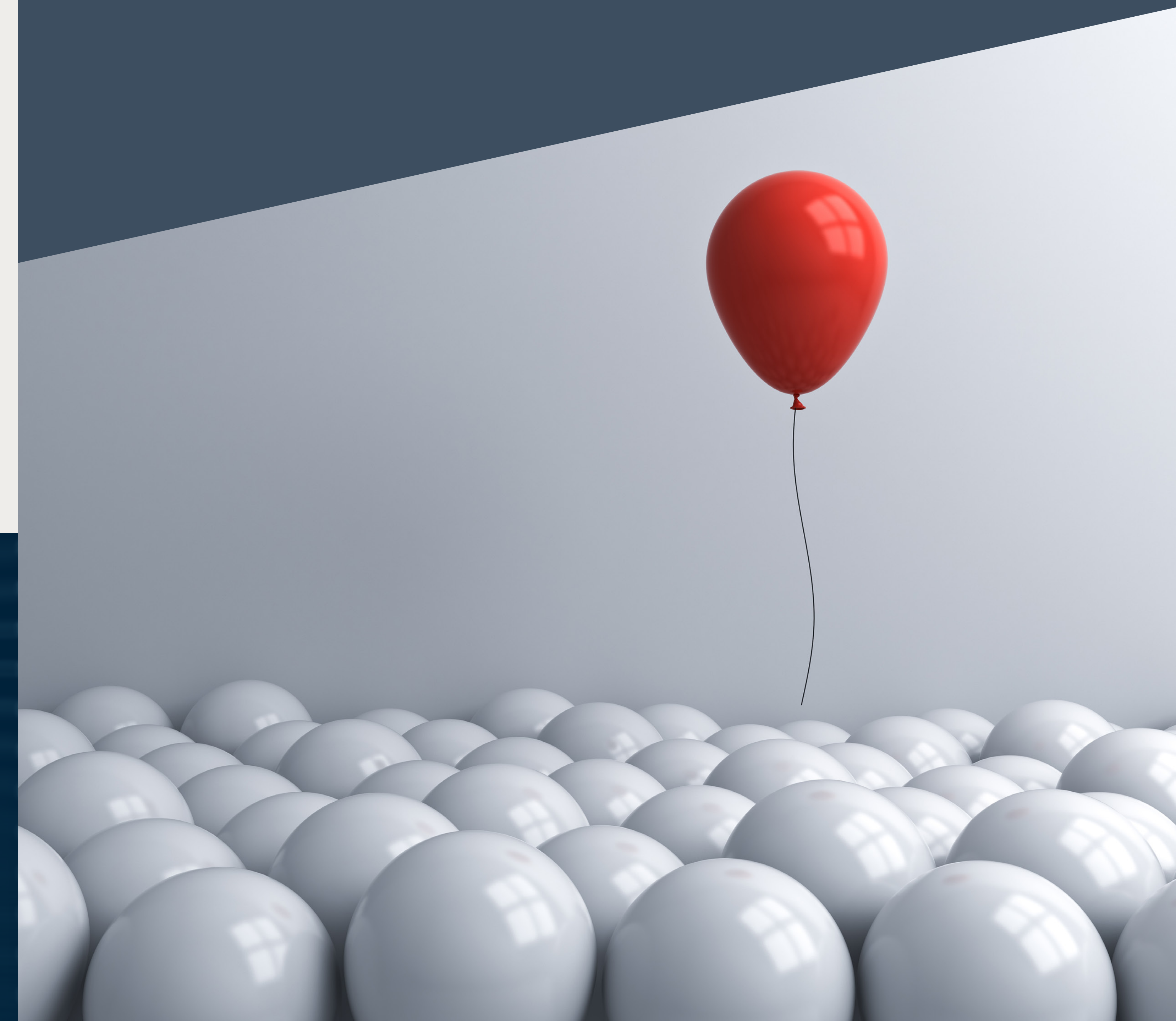
In **Chapter 1**, we take a look at the need to build intentional brands. **Chapter 2** considers how companies can get more granular in their use and understanding of data to drive growth. **Chapter 3** examines how some marketers moved quickly in response to shrinking budgets to adopt an investor mindset, and why measurement is really about the customer, not the channel. **Chapter 4** highlights one of the stickiest changes to emerge from the past three years— acceleration of the omnichannel customer experience. All retailers and many B2B companies count omnichannel as a priority, but for most, the creation of relevant, personalized marketing across tightly connected channels lies ahead of them. Finally, in **Chapter 5**, we explore how the need for agility doesn't just arise during a crisis. Being able to shift quickly in response to changing conditions is a muscle all marketing organizations need to build and maintain.

Recessions over the last 100 years

- COVID-19 pandemic
- The Great Recession
- Dot-com bubble
- Gulf War
- Energy crisis
- 1980 recession
- Oil embargo
- Recession of 1969-70
- Recession of 1960-61
- Recession of 1957-58
- Post-Korean War
- Post-WWII slump
- Post-World War II
- The Roosevelt Recession

CHAPTER 1

Building an intentional brand



During the COVID-19 pandemic, the dramatic loss of so many lives and livelihoods and the upending of daily routines caused major realignment—both in how people saw their own lives and what they expected from companies. Seeking stability and connection, many people gravitated toward brands that felt inspiring or trustworthy, which fueled a surge of new shopping behaviors. In just three months, one in five consumers switched brands and seven in ten tried a new digital shopping channel.[6]

KFC's chief marketing officer during 2020 and 2021 (now president of Kimberly-Clark's personal care division for its North America consumer business), this was a simple, but valuable gesture.

"During the pandemic everything changed for our customers, for our team members, for our franchisees, for our communities," she said. "Our buckets of fried chicken could provide comfort and meals that people didn't have to cook when they were overwhelmed. We wanted to provide authentic and real solutions."[7]

Although major disruptions like a pandemic elevate the need for brands to stand for something beyond the sale of a product, purpose is just as important now as it was in 2020. In fact, research shows that consumers are more interested in a brand's values than ever. A decade ago, priorities like community service, equity, and sustainability weren't front and center for most companies. Today, consumers want not only savings and convenience, but also for their buying decisions to align with companies that share their values. According to Harris Poll research that was commissioned by Google Cloud in early 2022, 82 percent of shoppers said they wanted a brand's values to mirror their own and three-quarters reported parting ways when a brand was mismatched with their values.[8]

A company's behavior, in other words, is deeply intertwined with what it sells. When that behavior feels unethical or inauthentic, a vocal minority of consumers don't keep it to themselves—28 percent of consumers said they shared their concerns with friends and family, and another 15 percent shared their qualms on social media.

Ultimately, purpose can drive growth. Hyundai's assurance program during the 2008 Great Recession offered consumers who were uncertain about their future a chance to buy a new car. Hyundai promised car buyers that if they were to lose their jobs within a year, the company would buy the vehicles back. In 2008—a brutal year for the auto business—Hyundai posted a 5 percent increase in revenues and its market share jumped to 4.3 percent during the first ten months of 2009

Consumers care about brand values

Consumers who have tried a new shopping behavior since Covid-19 started[1]

(% of respondents)

[1]Q: *Since the coronavirus (COVID-19) situation started (ie, in the past ~3 months), which of the following have you done?* 25% consumers selected "noe of these."
[2]Q: *Which best describes whether or not you plan to continue with these shopping changes on the conronsvirus (COVID-19) situation has subsided?* Possible answers: "will go back to what I did before coronavirus"; "will keep doing both this and what I did before coronavirus"; will keep doing this and NOT go back to what I did before coronavirus."
Source: McKinsey & Company Covid-19 US Consumer Pulse Survey 6/15–6/21/2020, n=2,006, sampled and weighted to match the US general population 18+ years

from 3.1 percent a year earlier.[9,10] During the COVID-19 pandemic, Hyundai reprised the program, offering to make up to six months of payments for car buyers who had lost their jobs. The company also offered to waive interest payments and defer payments for 120 days to qualified buyers.

Purpose is likely to remain at the top of the marketing agenda. As the climate crisis worsens, income disparities deepen, and digital disruption roils industry after industry, a significant zone of opportunity exists for brands to act. Despite the fact that consumers are increasingly calling upon companies to address climate change, nearly 40 percent of marketers say their companies are taking no action at all on this important issue.[11]

Although it's tempting for companies to cut back on environmental, social, governance (ESG) or other purpose-driven initiatives during times of economic uncertainty, this is often the time when it matters most, and when customers are looking for brands that really stand for something. Pulling back only suggests that any previous efforts were skin deep. Cutting ESG spending can also have an impact on a company's value. For example, as of December 2022, JUST Capital's Just 100, a list of 100 companies that prioritize stakeholders (not just shareholders), has outperformed the Russell 1000 by 13 percent since inception in November 2016.[12]

What purpose is and isn't

The key question, then, is not whether companies should build purpose into their brands but how. Although interpretations of the term "purpose-driven" will vary widely across companies, a few common principals are worth keeping in mind.

Making purpose embedded and adaptable. Expressions of empathy and purpose can't begin and end with disruptions. To have real impact, foundational values need to exist prior to any crisis and endure after it abates. In other words, purpose has to be embedded into a company's DNA and synced up with its strategy. The confectionery, food, and pet-products company, Mars, for example, aims to do this with its Sustainable in a Generation Plan, which cuts across nearly all Mars business areas.[13] Focused on a broad commitment to protect the planet, help boost incomes around the world, and promote the health and well-being of employees, it guides how the company sources raw materials like palm oil and cocoa, and how fish are sourced for pet-food ingredients. The plan has also led to an ambitious coral reef restoration program, and funds that help small farmers around the world develop sustainable agriculture and increase their incomes. "Our plan is built on what is right, not what is easy," said Barry Parkin, chief procurement and sustainability officer.[14]

At the same time, when the next crisis comes, a company's purpose-driven initiatives and messaging will inevitably have to change. Current initiatives may not necessarily resonate in a new environment, whatever it may be. Marketing leaders will want to avoid getting tied down to any strategy that is too rigid. In new circumstances, they will have to be willing to abandon blueprints and consider on a deep level what their customers and communities are going through and what they need from them.

Authenticity matters. In the age of social media, brands can no longer hide anything from their customers. If purpose-driven marketing isn't an authentic part of your company, it can backfire, lowering perceptions of your brand. Consumers are quick to spot greenwashing, and quick to move on when a purpose doesn't resonate. Actions should be taken not because they look good on paper, but because they really matter to your company and are embedded in your strategy.

Marketing can take the lead. The pandemic elevated marketing's role within the organization. In a time of digital acceleration and upended brand preferences, marketers are drivers of digital transformation, the voice of the consumer, and leaders for brand differentiation. Although CMOs can't call the shots on how products are sourced or whether the company installs solar panels at every location, they can educate the rest of the C-suite about the importance of brand values and demonstrate how closely purpose can be tied to a company's growth agenda.

Yes, brand purpose can be measured. It starts with clear, tangible goals about what a company aims to achieve—the number of coral reefs restored, people lifted out of poverty, waterways cleaned, carbon emissions reduced—and a commitment to tracking them over time. Then, for purpose to really matter, it has to be connected to revenue and other important business metrics.

For instance, Seventh Generation, the maker of cleaning and personal-care products and a leading purpose-driven company, has tied sustainability targets to 20 percent of employee bonuses, in service of its goal of sourcing 100 percent of its packaging from recycled or biobased materials by 2025.[15]

> "Our plan is built on what is right, not what is easy.
>
> Barry Parkin
>
> Mars, Chief Procurement and Sustainability Officer

2

Getting granular with customer data to drive growth

Throughout much of 2020–2022, consumers were a constantly moving target for marketers. Across the country, they not only adopted digital behaviors at an unexpected and unprecedented rate, their feelings about whether it was safe to venture out and return to some semblance of normal varied wildly—with differences seen across states, counties, cities, and even households.

In this environment, leading marketers had to adopt a different playbook. Instead of executing well-planned campaigns, they changed course to home in on not just where consumers were, but where they were going. These marketers culled new sources of data, used AI-enabled data analytics to make unprecedented connections across the customer journey, and drilled down to small subsets of consumers. The result was actionable, atomic-level consumer insights gleaned within minutes, or even real time, as opposed to the several days it might take using standard analytics. Marketing teams then adjusted their strategies based on these fresh and battle-tested insights.

What is surprising is how quickly some organizations—even those with limited analytics experience—stood up analytics solutions that normally might have taken months or even years to build. In some cases, they came together in a matter of weeks. In the summer of 2020, for instance, as many US cities and towns began to loosen their lockdowns and social-distancing restrictions, a consumer-goods company predicted that sales of beauty products would increase as communities opened up and people ventured out of their houses. Marketing teams pulled in new sources of data such as epidemiological statistics, municipal reporting, and traffic flows to create a county and zip code-level view. This gave the company an understanding of where and when consumers were returning to some normal routines, and thus where to focus its media spend for beauty products. By tracking these re-openings in real time, the company drove a double-digit increase in sales.[16]

Another company, a retail chain, looked for new ways to assess how consumer behavior was changing. As shopping habits shifted, the retailer could see how many customers it was gaining or losing, but not who these customers were or what was driving their decisions. But by using cell-phone-based traffic data, the company drilled down into net traffic at competitors' local stores. An analysis revealed that many of the retailer's new customers came from more expensive, specialty players, while those they lost had migrated to cheaper, larger-format players.[17]

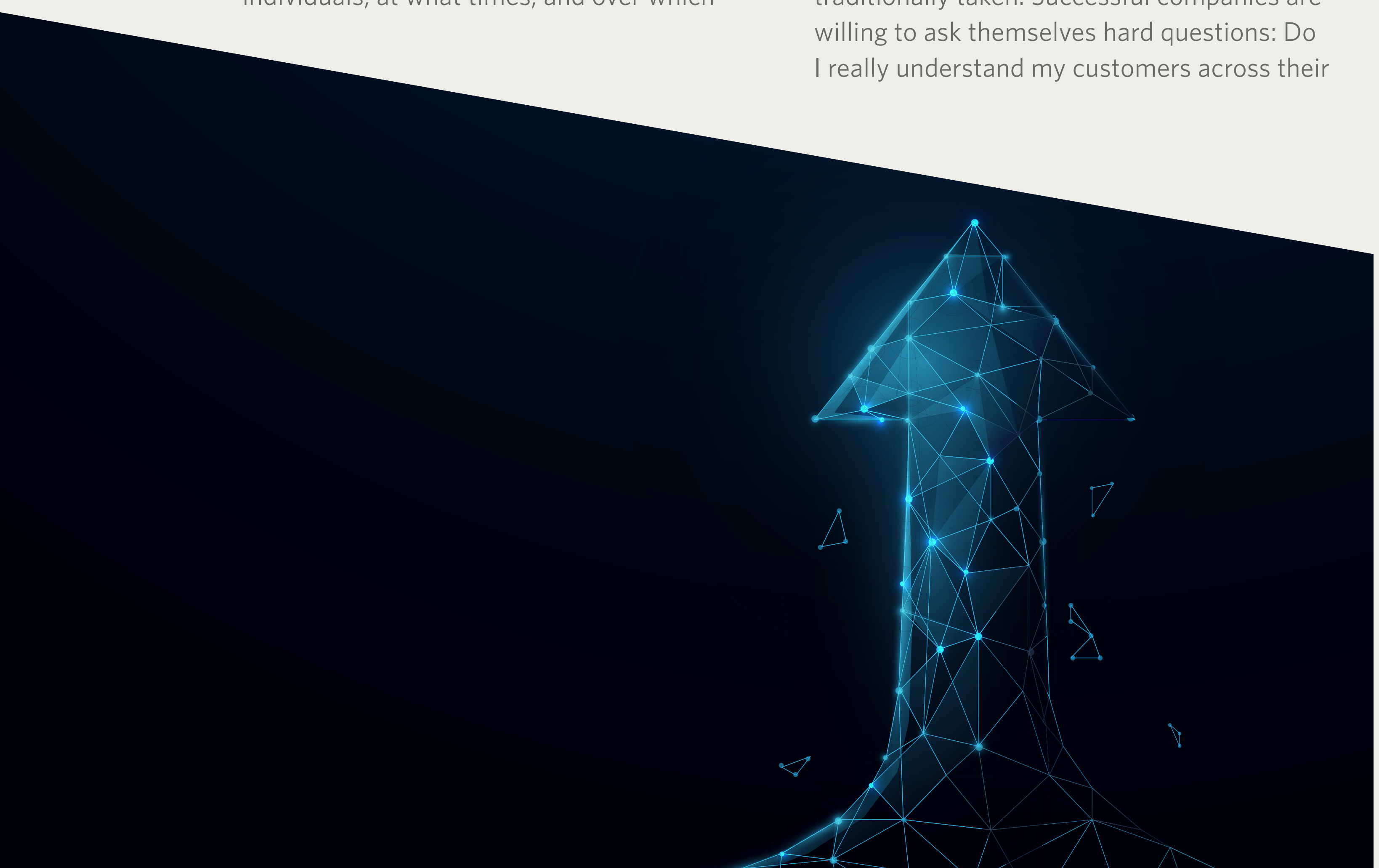
Armed with these insights about how its customer base was changing, the company transformed its onboard and churn-prevention campaigns. Marketing teams sent emails promoting higher-end offerings to its customers who were transitioning from specialty stores. For its value-seeking customers who were at risk of shopping elsewhere, it highlighted bargain-oriented products.

"Data is the new oil, and companies are drilling for data to make great decisions," said David Rabin, vice president of global commercial marketing (now CMO of the solutions and services group) at Lenovo.[18]

Making it stick—operationalizing and activating data.

Over the past several years, many marketers have developed capabilities for learning not only what works and what doesn't, but for which segments and even for which individuals, at what times, and over which channels. But most marketers have yet to scale these capabilities across their organization in a way that will not only build agility muscles for the next inevitable crisis, but also drive real, near-term impact. The ability to use sophisticated data analytics to zoom in on unique customer segments and identify new, granular pockets of growth is a critical cornerstone of modern marketing. The challenge is making this data-driven, real-time, highly responsive, customer-first approach central to the way marketing operates.

It's not easy. Allowing insights from customer data and feedback from constant iterations to inform decision making upends the planned, longer-term approach marketers have traditionally taken. Successful companies are willing to ask themselves hard questions: Do I really understand my customers across their journeys with my brand? How do I get useful data to assess competitors' customers and other potential opportunities? What percent of my existing customers' total purchases do I get? Am I looking at a full profile of customers or just their channel interactions? Are my business units organized in a way that benefits customers or the company?



> Data is the new oil, and companies are drilling for data to make great decisions.
>
> David Rabin
>
> Vice President of Global Commercial Marketing, Lenovo

In a recent interview with McKinsey, Neil Hoyne, Google's chief measurement strategist and senior fellow of Wharton Customer Analytics, said he's seen many companies fret over whether they have the right amounts of data and the latest, most effective technologies. Although both of these are important, Hoyne said he was surprised by how often marketers forget about cultural and organizational aspects—what he calls the "strategy of data."

"You saw mid-cap companies saying, 'If we just had as much data as the large companies, imagine what we could do.' [You saw] the large companies actually stumbling over their own feet, saying, 'If we can only answer this one question, then that will unlock all the value,'" said Hoyne, who has worked with several thousand companies of all different sizes, across every industry, in multiple countries over the past 15 years. "There was always one more question, something else they needed."[19]

What marketers often miss, he said, is the leadership, talent, and organizational processes that take a company's advanced data and technology capabilities and embed them into the operational DNA. This is essential if marketers want to extract real value from data and build upon progress they made during the pandemic. Marketers will have to realign their organization and create clear goals about how data will drive business value.

Successful companies start by identifying crisp business questions they are trying to answer, so that initiatives are framed by a clear purpose aligned to bigger priorities. Are you, for instance, seeking to find new segments of customers, gain a competitive advantage, find new avenues for creating loyalty, or uncover new markets or product-development opportunities? As marketers strive to build a deeply customer-centric organizations, two key practices can help:

Hiring or training the right talent: Consistently creating deeper data-driven customer connections requires new levels of collaboration—across channel domains and marketing functions. Although most individuals that staff marketing organizations will continue to have expertise in a specific area, they can't be good at just one thing. Instead, modern marketing talent has to be "cross-skilled"—versed in the broad spectrum of marketing skills and fluent in marketing's full range of languages. Brand marketers, for instance, will need to become comfortable with data and automation tools to activate and measure campaigns. Data scientists often need crash courses in what customers want and how to reach them. Analytics teams should have insight into the mindset and working process of creatives, while creatives learn the value of analytics tools.

Treating customer data as a product: Instead of managing data using top-down standards, rules, and controls, data assets are organized and supported as products, with dedicated teams or "squads," aligned against them. These teams not only use these data "products" to achieve goals and test hypotheses, they make sure data sets are updated and integrated with new sources of information. Much has been written about the value of agile processes in marketing organizations—and it bears repeating. To deliver the anticipatory, personalized experiences that customers want, these marketing squads need to operate as cross-functional teams that employ test-and-learn methods and move quickly to make decisions.

CHAPTER 3

Adopting an investor mindset

The pandemic put a tight squeeze on marketing organizations. Overnight, event marketing was canceled, budgets contracted, and entire advertising campaigns were pulled as priorities shifted. Hershey, for instance, scrapped an entire unfortunately-timed campaign featuring people giving hugs and handshakes to strangers. In its place appeared simple, product-centric spots featuring shots of chocolate bars accompanied by text and voiceover.[20] This pullback was true across industries and geographies. Even Amazon, which saw sales rise 40 percent in the second quarter of 2020, cut its marketing by about a third.[21] Coca-Cola, which has historically spent through economic downturns, slashed its hefty advertising budget by 35 percent in 2020.[22]

Things hardly improved in 2021. Marketing budgets fell to their lowest recorded levels, dropping to 6.4 percent of company revenue, according to Gartner.[23] In this challenging environment, every dollar counted. Marketing teams paid close attention to what was working and what wasn't, hoping to do more with less. First, they scrutinized non-media spending, especially within agencies. Then they got much more rigorous about turning off even small amounts of marketing spend that were not performing.

This compelled marketers to double down on the granular pockets of growth identified by new data and advanced analytics. Jonnie Cahill, CMO at Heineken USA, says the company zoomed in on the days of the week or times during the day when its digital media inventory was most effective. "We wanted to know when we were really influencing the conversation," said Cahill.[24]

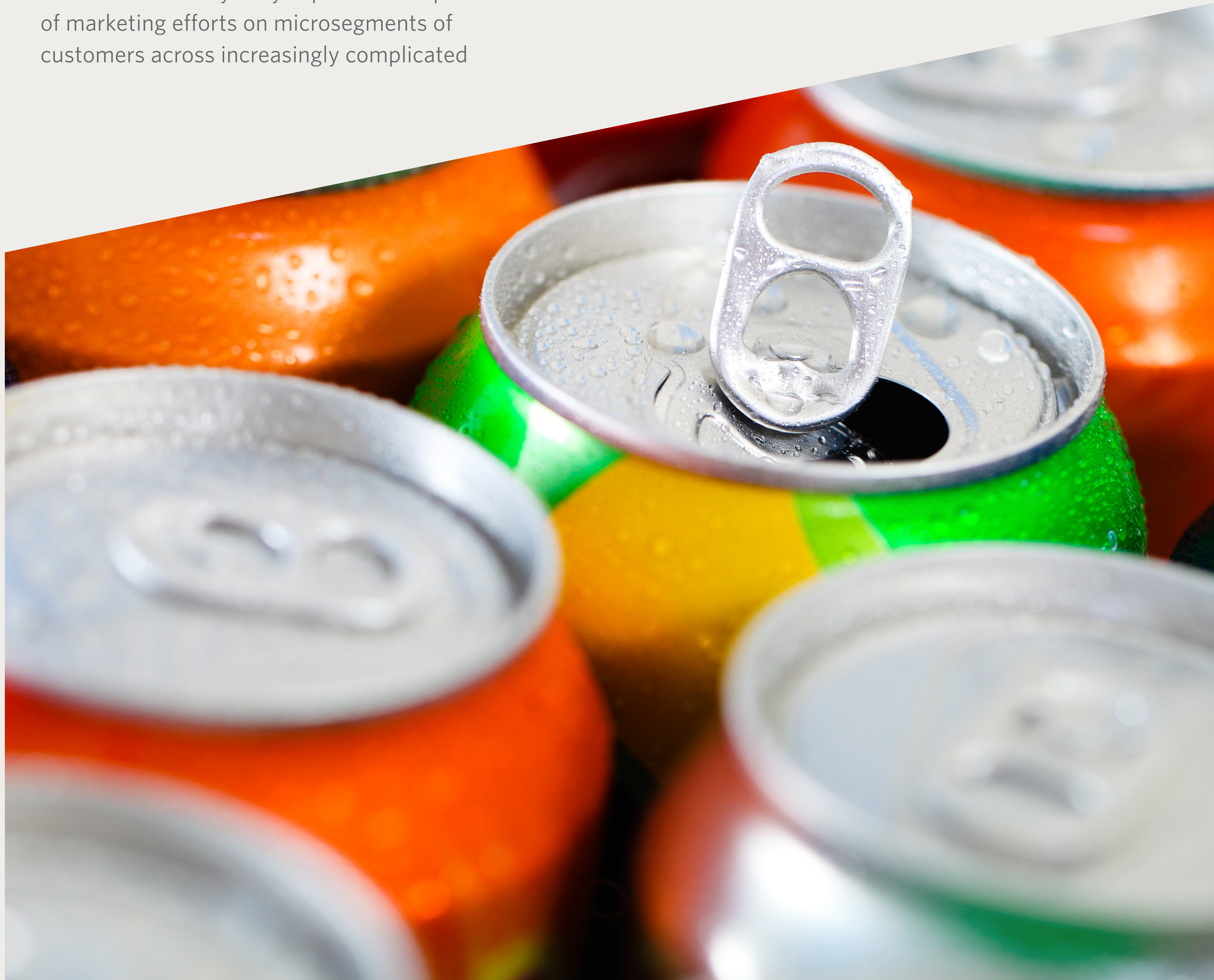
Like Cahill, many CMOs gave added importance to their organization's marketing return on investment (MROI). Since customer behavior was changing so quickly and the course of the pandemic so uncertain, many marketers, for instance, started analyzing their performance and scoring their media mix models (MMM) much more frequently (weekly or even daily).

Hershey, too, stepped up its measurement rigor and cadence. "We had at least 50 different media plans depending on the market, and were monitoring it every week based on sell-through," said Jill Baskin, Hershey's then-CMO, now an independent consultant and board member. "Then we were rejiggering our media plan."

Today, although most marketing budgets have returned to their pre-pandemic levels, heightened C-suite expectations about what marketing is able to deliver have endured. The rapid shifts and contracted budgets of the pandemic reset expectations among company leaders, particularly CFOs, about the need to rigorously quantify marketing's contribution to the top line. Once an "expense center," marketing has been fully recast as a "revenue driver," said David Rabin, vice president of global commercial marketing at Lenovo.[25]

In this environment, many CMOs no longer have the luxury of setting and forgetting their MMM. Instead, they are scrutinizing it regularly to parse out the impact of each channel and marketing campaign. Leading marketers are also doing multi-touch attribution to assign partial credit for a sale to different consumer touchpoints.

But will these measurement approaches be effective? Can they truly capture the impact of marketing efforts on microsegments of customers across increasingly complicated journeys? When the next moment of dislocation arrives, prompting potentially new and dramatic shifts in customer needs and behaviors, will your marketing teams be able to move with customers and accurately assess the impact of their messages, campaigns, and channel choices? And has your marketing organization focused too heavily on short-term impact, ignoring longer-term brand building?



The answer will depend on whether marketers are looking through the right lens.

The customer, not the channel

In the fall of 2020, as communities came out of lockdown, a consumer services company decided it wanted to figure out how to retain existing customers, including those who had recently signed up for its service during the pandemic. The company piloted a new AI engine to look deeper into the performance of its advertising campaigns in specific geographies to see which ones were most effective for customer retention. Marketing teams learned that one particular campaign was highly effective in certain niches and among consumers who had similar economic and demographic profiles. This allowed the company to run tests targeting these audiences, with the AI engine continuously identifying the campaign's performance patterns and feeding analytics directly into the campaign's targeting logic.[26]

This sophisticated, data-backed, laser-focused initiative unlocked a valuable new insight about the effectiveness of a particular campaign. But for brands that want to truly understand the impact of their marketing, the campaign is a downstream consideration of something far more important—the customer. Consistently driving these kinds of actionable insights requires re-thinking and measuring marketing from the customer perspective. For instance, who are the active middle-aged suburban men who buy, or are likely to buy, your products, and how do you reach them? What are the most effective pieces of content and channels, and how much marketing will it take? The effectiveness of a campaign targeting these customers should then be measured according to not only its performance in the near term but whether it enhances the lifetime value of these customers.

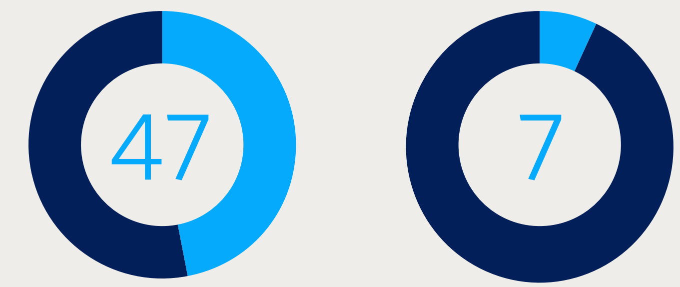
Successful, customer-centric marketers allow themselves to make large reallocations based on these learnings. When was the last time you changed your marketing allocation by more than 5 to 10 percent? Resilient marketing organizations get used to making significant changes not only during dislocations, but when key customer insights dictate it.

Tying it all together

Leading marketers aren't stopping there. They're seeking to understand how marketing spending in different channels and along each stage of the consumer decision funnel—awareness, consideration, purchase—impacts other channels and stages, creating a complete picture of the experience of each customer. This might mean, for instance, measuring how a broad-based TV campaign can boost the impact of personalized emails for urban millennial women, or how social-media advertising campaigns can drive online and in-store visits for moms with school-aged children. This "full funnel" marketing combines the power of both brand building and performance marketing, allowing companies to develop a fuller and more accurate picture of marketing's overall effectiveness and generate more value without having to spend additional marketing dollars. A recent Nielsen analysis of CPG campaigns found that full-funnel strategies see up to 45 percent higher ROI and a 7 percent boost in offline sales, compared to marketing campaigns that focus on a single purchase stage.[27]

Full-funnel, customer-centric marketing can't simply be tacked onto existing marketing practices. It involves a transformation of the operating model across four important dimensions:

Full-funnel campaigns drive impact

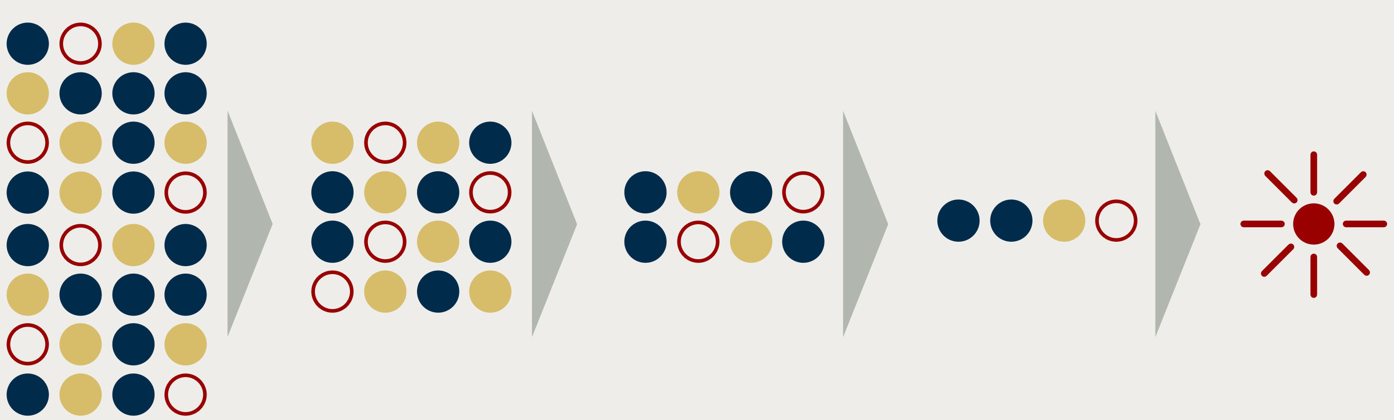


Percent increase in ROI

Percent boost in offline sales

Compared to marketing campaigns focusing on a single purchase stage.

Stages of the Consumer Decision Funnel



Awareness Familiarity Consideration Purchase Loyalty

Incentives: To help make customer-focused measurement rigor a core part of marketing's culture, marketing team members should be rewarded for delivering on well-defined engagement or revenue goals. These should be based on both a unified set of KPIs tied to full-funnel performance, such as total brand awareness and total visitor traffic, and KPIs that measure incremental value, such as extra traffic coming from A/B testing or additional revenue driven by brand campaigns according to the MMM.

Cross-functional collaboration: To do full-funnel marketing effectively, all stakeholders—including brand managers, performance marketing leaders, and analytics teams—need to evaluate how different types of media spending work together, both in real time and for long-term customer value. This means sharing insights and making joint decisions on everything from KPIs, spending levels, and which channels to pursue.

Adoption of agile, test-and-learn capabilities by brand marketers. The dynamic, rapid test-and-learn capabilities common to performance-marketing teams need to be extended to mid- and upper-funnel teams. Brand marketers can use these methodologies to rapidly test personalized content and to optimize the videos or other consumer-content advertisements that are delivered alongside them, a tactic shown to be highly effective.

CHAPTER 4

Getting obsessive about omnichannel

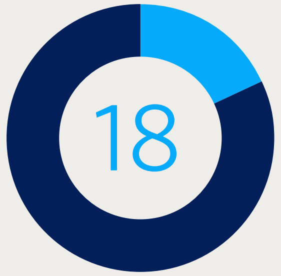
For a glimpse into 2020's acceleration of digital, consider the experience of the nation's largest brick-and-mortar retail establishment, the iconic Mall of America (MOA) in Bloomington, Minnesota. With stores closed or near empty, the MOA produced in-store shopping livestreams in which hosts featured products and interacted with consumers via chat. Shoppers could purchase products through an app from several dozen of the mall's retail tenants.

"The in-person experience is like no other and cannot be replaced," explained Jill Renslow, executive vice president of business development and marketing at MOA. "But we realized that we have to have that balance of both digital and in-store. Strength and success come when you can really find that."[28]

Already on the rise prior to 2020, omnichannel was turbocharged by the pandemic. Today's normal is not so much digital as it is omnichannel. A 2021 global survey by Berlin-based marketing firm, Uberall, found that only 18 percent of consumers said they would do most of their shopping exclusively online. Instead, the most popular way to shop is to research online, then buy at a store.[29] This finding dovetails with research by NielsenIQ, which shows that less than half of all digital shopping in 2020 led to immediate online purchases. Digital channels are used most heavily for information.[30]

Omnichannel marketing sounds simple enough—engage seamlessly with your customers wherever they are. But putting this into practice often presents challenges.[31] For starters, omnichannel is not the same thing as multichannel. Omnichannel leaders market synergistically across all channels and touchpoints and give their customers a single, unified interaction with their brand, regardless of which devices or locations they may use to get information or make purchases. They also apply measurement techniques across the funnel to optimize spending in different channels and evaluate how everything works together.

Most shoppers don't use digital channels exclusively



Percent of consumers who do most of their shopping online

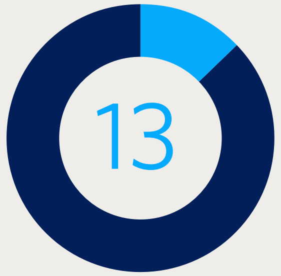
>50

Percent of digital shopping that led to an immediate online purchase in 2020

Digital interactions positively impact in-store behavior

3X

Increased likelihood of in-store customers making a purchase after visiting Sephora's website



Percent boost in order values for in-store Sephora customers who had a recent digital engagement

Although you'd be hard pressed to find a retail executive who wouldn't describe omnichannel as a top priority, many companies have yet to fully capture the opportunity. Sizeable barriers often stand in the way. For some firms, a lack of robust first-party data prevents a granular understanding of increasingly complex customer journeys. For others, organizational roadblocks stifle collaboration, with physical stores and e-commerce operations running as separate and sometimes warring profit-and-loss (P&L) businesses. Other times, sales incentives for store employees are not aligned to promote digital interactions. Companies with successful omnichannel strategies obsess about getting rid of these obstacles as if they were an existential threat.

Another reason so many retailers are still driving omnichannel with one foot on the brake is a lack of understanding about the tremendous benefits the offline business can have for the online business, and vice versa. For instance, several years ago, the beauty retailer, Sephora, realized that, although many of the interactions on its website weren't resulting in online sales, they had value because they were fueling in-store purchases. The retailer found that customers who had visited its website within 24 hours of coming to the store were three times more likely to make a purchase than shoppers who hadn't had a recent digital engagement. Their order values were also 13 percent higher than for other customers. Knowing that online engagement was driving in-store sales helped Sephora understand where to invest. It also led the company to double down on brick-and-mortar retail, pursuing the largest store investment in the company's history. In 2021, Sephora opened 260 new stores, including over 60 stand-alone locations and 200 shop-in-shop locations inside Kohl's.[32, 33]

Other retailers have observed value accruing in the opposite direction. During a McKinsey roundtable, senior executives from ten of the largest North American retailers reported that, in 2020, their geographic areas with a brick-and-mortar store presence experienced significantly higher e-commerce growth compared to areas without any physical presence. Many were surprised by this. It turned out that their customers' attitudes, behaviors, and motivations in regard to different channels were more layered and complex than they realized.[34]

The new B2B growth equation

Omnichannel journeys aren't only mainstream for consumers. If anything, the needle has moved even further in the B2B space, where customers increasingly want more—more channels, more convenience, and a more personalized experience. McKinsey's 2022 global B2B Pulse survey, which included 3,500 decision makers in 12 markets, highlights just how much the pandemic reset expectations. Not only are corporate buyers open to e-commerce, two-thirds now opt for digital and remote channels throughout their purchasing journeys. E-commerce has surpassed in-person as the single most effective channel and 61 percent of buyers say they can get as much value from meeting suppliers over video conference as they can from in-person visits.[35] Virtual technology allows sellers to do things that were nearly impossible previously, such as assembling the perfect team of experts for every sales pitch. In this digital sales sphere, smaller firms can often match up to even their biggest competitors.

The past two years have upped the ante for overall customer experience, not just transactions. Buyers want omnichannel options for research, reorders, and inquiries. On average, B2B decision makers are now using ten different channels to interact with suppliers, up from seven-and-a-half in 2019. Traditional interactions like in-person meetings and phone calls continue to have value, but so do email, supplier websites, mobile apps, and video conferences.

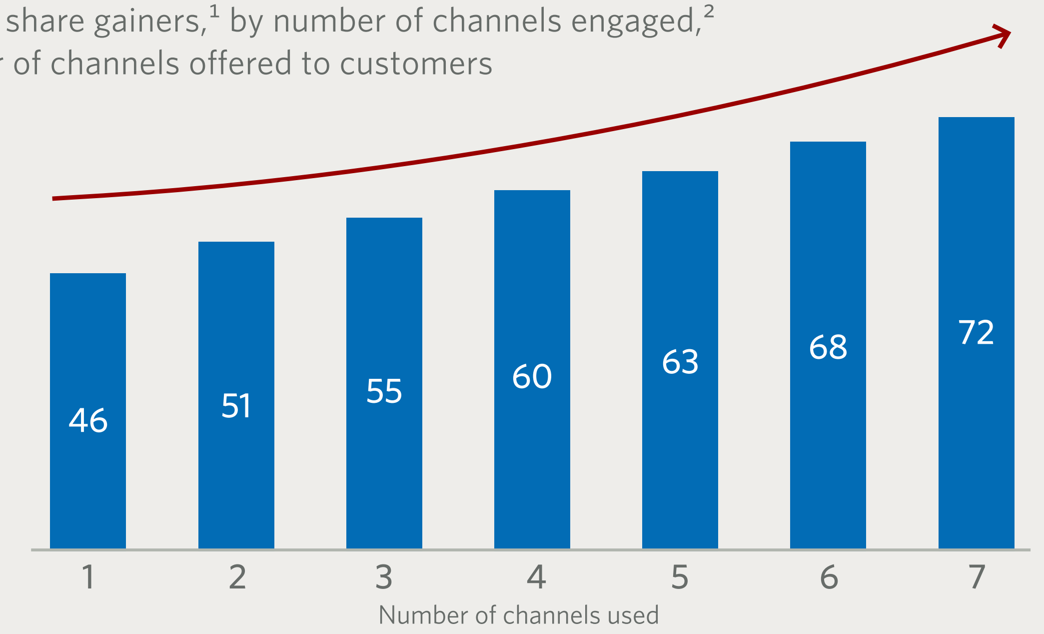
Satisfaction with this omnichannel sales model has soared, to the point where most B2B companies say their go-to-market model is just as or more effective than before the pandemic began. This applies to all B2B companies, regardless of their industry, country, size, or customer relationship stage. The message is clear. Sellers that don't provide exceptional omnichannel experiences are putting themselves at risk. Customers are more willing than ever to switch suppliers if they don't offer a seamless, convenient, and integrated customer experience. "There is greater demand [from customers] to instantly know who they are, what they want, and how they can get the product or service they're interested in," said Tom House, chief technology officer at the supply-chain provider, Noble.

The integration challenge

Omnichannel remains a formidable challenge because it requires the knitting together of

B2B companies that sell through more channels are more likely to have gained market share in 2021.

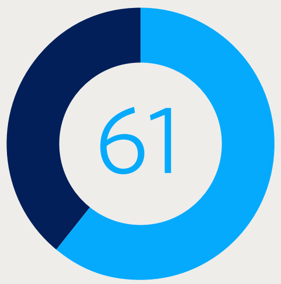
Market share gainers,[1] by number of channels engaged,[2] number of channels offered to customers



[1]Q: *How has the market share (% of total sales) or your company increased or decreased during the calendar year 2020–21?* Market share gainers are respondents who say their companies' market share in the past 12 months increased more than 1 percentage point vs peers.
[2]Q: *In what ways is your company's product or service sold today?* Possible answers: "In-person"; "Via video conference"; "Phone"; "Email"; "Online chat"; "Ecommerce";"Fax"; and "Other."
Source: McKinsey & Company Global B2B Pulse, Dec 2021, n = 3,360, countries: Brazil, Chile, China, France, Germany, India, Italy, Japan, South Korea, Spain, United Kingdom, United States

Corporate buyers prefer digital and remote interactions

Proportion of buyers who opt for digital self-service or remote interactions with a sales rep



Percent of buyers who say they get as much value from meeting suppliers over video conference as in-person visits

> There is greater demand [from customers] to instantly know who they are, what they want, and how they can get the product or service they're interested in.
>
> Tom House
> Chief Technology Officer, Noble

so many pieces, both on the front end and the back. From the consumer point of view, it demands not only the same look and feel across channels, but the ability to move easily between them. This could mean, for instance, using a mobile app to scan products in a store, completing a purchase online that was started in the app, or getting notifications or offers in a store that relate to a consumer's recent online searches.

Making these sorts of omnichannel experiences happen is often a heavy lift on the back end, both in terms of tech infrastructure and data. Matching up data on the same customer across different touchpoints can be extremely difficult, especially if that data is stored differently, with different rules, data formats, and reporting standards. The problem is compounded when customer interactions happen beyond the reach of a brand, such as at an auto dealership (for automakers) or supermarkets (for consumer packaged goods [CPG] brands). Additionally, collecting data on consumers' shopping habits and movements through a store or other physical spaces can be complicated and often requires broader use of digital tools, such as beacons. Marketers with leading omnichannel strategies are solving these challenges by activating several foundational principles:

A laser-like focus on value creation. The possibilities for omnichannel can be endless. Companies that develop a long-term vision and clear understanding of what to prioritize do a much better job than those that invest in a scattershot fashion or chase shiny new tech solutions. McKinsey has found, for instance, that most companies can pursue a maximum of two to three omnichannel initiatives concurrently.[36]

A sequencing of investments in line with strategy. Many retailers race to advance omnichannel initiatives without doing the critical thinking to identify the starting point and the specific capabilities needed to succeed at each step. Pressure to keep pace with competitors or eagerness to put a compelling idea into action can prompt some companies to plunge in headfirst. Successful companies use a "crawl-walk-run" approach and invest in the right fundamentals.

Collaboration and alignment across the organization. The heart of omnichannel is cross-functional. Marketers become channel and supply-chain experts, while channel and supply-chain leaders get a seat at the marketing table. And tech plays a key role in every omnichannel initiative. Working together is the only way to build the interconnectedness that drives value, whether that's creating a customer-centric supply chain or aligning incentives for store sales people to promote online use for customers.

CHAPTER 5

Building crisis reaction into your agility muscles

As a fast-growing tech company, Uber was no stranger to rapid adaptations. But even Raj Beri, the company's global head of grocery and new verticals, was surprised by the speed at which Uber moved during the pandemic. "We saw thousands and thousands of new merchants come on board every week along with millions and millions of customers," noted Beri, now COO of GoodRx.[37]

With demand for home deliveries soaring, Beri's group continually problem solved about how to make the onboarding process and overall experience for merchants easier and more customer focused. Teams tailored their approach based on the needs of different types of businesses—whether grocery stores, restaurants, convenience stores, or pet stores. The company also introduced self-serve marketing tools that allowed small businesses to delve into their customers' buying behavior and analyze market trends, and it created a platform that merchants without an online ordering or delivery option could tap into. "When you have this many new users coming into a category, it's important to make everything simple," said Beri. "Can we get magic at the push of a button?"

These efforts paid off. In 2020, Uber's Delivery business more than doubled from the previous year to nearly $44 billion in annual bookings.[38] Timing played a role. Uber Eats first launched in 2015; the pandemic helped it explode.

The company was also successful because it had put into place the ability to adapt. It had incorporated quick responses—in marketing, go-to-market strategies, and operations—into its DNA. Today, Uber expects that conditions in some area of its business will change every three to five months. When that happens, no one is surprised.

Strategy without straying

At the same time that Uber was pursuing rapid innovation, it resisted chasing tangential opportunities or implementing knee-jerk reactions. According to Beri, the company hewed to a central value proposition "Our vision is to power local commerce in cities, and to power next-hour delivery."

Beri's experience at Uber captures the essence of what we mean by agility with a steady backbone. This mix of innovation and stability is the crux of the ability to react successfully to a crisis. Companies that don't have a strategic North Star guiding their efforts can quickly go adrift, especially when the dust settles after a crisis.

But agility muscles can't be developed overnight in response to a crisis. The need for speed hasn't disappeared—digitization, globalization, automation, and inflation continue to accelerate. Marketing, in particular, has undergone fundamental changes—evolving from periodic mass communication to a multichannel, always-on conversation with the consumer. The question is:

Companies that continuously create personalized and meaningful connections with customer across every interaction see significant impact

10-30% ⬆

Increase in marketing spend efficiency

2-3% ⬆

Increase in enterprise revenue

how can the agile capabilities marketers built to meet pandemic challenges continue to serve as a competitive advantage. And how do you stay agile in a way that supports your strategy? Companies that continuously create personalized and meaningful connections with customers across every interaction are able to drive a 10 to 30 percent increase in marketing spend efficiency and a 2 to 3 percent impact in enterprise revenue.[39]

To reap the value of this agility, companies will want to think about four important issues, each of which is particularly vital in turbulent times.

The culture of agile: Many companies apply the tools and ceremonies of agile (Kanban board, sprints, daily stand-up meetings, cross-functional teams) without creating the culture. In reality, these tools are just a vehicle to help put customer-centric mindsets into action. At heart, agile is about learning from customers by putting minimal viable products (MVPs) into the market to get rapid feedback, then iterating based on that feedback. It's also about mangers empowering teams versus micromanaging them, teams using data to make quick decisions instead of engaging in subjective or lengthy debate, and everyone rapidly removing roadblocks and breaking down silos instead of sticking with the status quo.

Holistic adoption: Agile can't be just a skunkworks team off in the corner doing things that might impact the broader operations a year from now. Different teams will be at different levels of agility, depending on how quickly they can get feedback from the customer and iterate. But the culture should be omnipresent and engrained throughout a marketing organization. This takes a bold vision and drive from the top. The CMO has to be willing to change how marketing works.

Clarity about the "why" of agile: Marketing leaders need to ask themselves: "What is our North Star, the targets we want to meet, and the value we hope to create?" And: "How will we know when our goals have been met?" The objectives and KPIs that drive the efforts of agile teams need to be mapped to clear, company-wide business objectives.

A focus on people: Agile represents a fundamental change in the expectations placed on employees. The journey should be transformative, even life-altering, for employees—but not too disruptive.

When removing silos or streamlining hierarchies, leaders need to double down on communication, support human-to-human connections, and offer practical support to people during the transition. And although capability spikes can be achieved quickly through hiring and acquisition, building sustainable, agile transformations requires marketers to invest in upskilling their employees in marketing's full spectrum of aptitudes—from data analytics and customer insights to brand marketing and social-media marketing.

Conclusion

Disruptions have been with us for a long time. As we noted at the start of this e-book, the past century has seen more than a dozen of them. And although the COVID-19 pandemic has passed, its aftereffects linger. We stand today on what could be either the brink of a significant downturn in the business cycle or a continuation of recent inflationary trends. Either way, it is the type of moment when bold decisions can set a company on the road to disproportionate growth and industry leadership. The answer is to build skills that let you pivot no matter what the disruption.

In regions where territorial battles flare between countries, such as South Asia's Ladakh region, soldiers perform daily training drills. Why? So they can anticipate what might happen and then move quickly to take charge of the situation when it does. "The more they train in times of peace, the greater the chances that they will win the battles and perhaps the war," said Raghuram Iyengar, professor of marketing at The Wharton School.

For CMOs, drawing up contingency plans long before a disruption occurs allows a marketing organization to be flexible and ready. What if a new competitor comes in? What if demand shifts dramatically? What if there is a shortage of supply? The more you anticipate future disruptions, pressure test your systems, and build adaptation into your culture, the more you will be able to support your customers and protect your market.

> "The more they train in times of peace, the greater the chances that they will win the battles and perhaps the war.
>
> Raghuram Iyengar
> Professor of Marketing at The Wharton School

In this e-book, we have explored several ways marketers can become resilient and adaptable:

Building an intentional brand. Companies can't discover purpose just to deal with a disruption. If purpose-driven marketing isn't an authentic part of your strategy, it can backfire, lowering perceptions of your brand. Nor can companies assume that the manifestation of purpose that resonated pre-dislocation will resonate post-dislocation.

Using granular data to identify growth opportunities and make better and faster decisions. Big data doesn't necessarily mean better data. Successful companies focus on how to activate and operationalize their micro-segmented customer intelligence by paying attention to leadership, talent, and organizational processes.

Measuring with an investor mindset. Resilient marketers approach measurement with a venture-capital mindset—selecting metrics that indicate the true cash value of a marketing action, both in real time and for long-term customer value. Then they make large reallocations on the basis of these learnings.

Becoming better at omnichannel marketing. Omnichannel marketing isn't the same thing as multichannel. It's about marketing synergistically across channels and giving customers a single, unified interaction with your company, regardless of which devices or locations they may use to get information or make purchases.

Building crisis reaction into their agile muscles. Marketers that don't operate in an agile operating model are likely to be left behind in future disruptions, unable to react quickly enough. But it's not a matter of either strategy or agility. The strongest companies have both—agility with a strong strategic backbone.

Such steps can help build a culture of resilience and enhance a marketing team's ability to bounce back from setbacks, no matter what they might be. As the late Zen master Thich Nhat Hahn explained, "If you know how to make good use of the mud, you can grow beautiful lotuses." Sometimes the flower seeds can be hard to find, but they are always there, waiting to be planted.

References

1 Tom Huddleston Jr., "How many recessions you've actually lived through and what happened in every one," CNBC, April 9, 2020.

2 Stephen Diorio, Raghuram Iyengar, and David J. Reibstein, *Markets in motion: What every CMO needs to know to make decisions during the COVID-19 pandemic*, Wharton School of Business, University of Pennsylvania, August 2020.

3 Janet Balis, "10 truths about marketing after the pandemic," *Harvard Business Review*, March 10, 2021.

4 World Bank Blogs, "The return of global inflation," blog entry by Clemens Graf van Luckner and Carmen Reinhart, February 14, 2022.

5 "Inflation peaking amid low growth," IMF, January 2023.

6 Chase Bibby, Jonathan Gordon, Gustav Schuler, and Eli Stein, "The big reset: Data-driven marketing in the next normal," McKinsey, March 25, 2021.

7 Interview with Raghuram Iyengar and David Reibstein.

8 Giusy Buonfantino, "New research shows consumers more interested in brands' values than ever," Google Cloud, April 27, 2022.

9 "How Hyundai sells more when everyone else is selling less," *Knowledge at Wharton*, June 10, 2009.

10 Jean Halliday, "Marketer of the Year: Hyundai," Advertising Age, November 9, 2009.

11 Christine Moorman and Megan Ryan, "The CMO survey finds companies lag on climate, privacy issues," AMA, February 28, 2022.

12 Charlie Mahoney, "JUST 100 companies outperform the market," JUST Capital, November 5, 2022.

13 "Today's commitments to a sustainable tomorrow," Mars.

14 "Sustainability in a generation: An update on our progress," Mars, August 10, 2021.

15 "The Race to Zero Waste: Seventh Generation's Journey," Seventh Generation, March 14, 2019.

16 "The big reset: Data-driven marketing in the next normal," March 25, 2021.

17 "The big reset: Data-driven marketing in the next normal," March 25, 2021.

18 Interview with Raghuram Iyengar and David Reibstein.

19 "Author Talks: Building consumer trust with Google's Neil Hoyne," McKinsey, February 3, 2022.

20 Peter Adams, "Hershey, Coors pull ads to avoid coronavirus insensitivities," Marketing Dive, March 11, 2020.

21 Peter Adams, "Amazon cut marketing by a third due to pandemic-driven demand—but the pullback won't last," Marketing Dive, July 31, 2020.

22 Gideon Spanier, "Coca-Cola eyes more efficiency after 35% adspend plunge in 2020," US Campaign, March 12, 2021.

23 "Gartner says marketing budgets have plummeted to 6.4% of overall company revenue in 2021," Gartner, July 14, 2021.

24 Interview with Raghuram Iyengar and David Reibstein.

25 Interview with Raghuram Iyengar and David Reibstein.

26 "The big reset: Data-driven marketing in the next normal," March 25, 2021.

27 Ryan Olohan, "How brands like Aveda and Kraft Heinz are unlocking the value of full-funnel marketing", *Think With Google*, February 2022.

28 Interview with Raghuram Iyengar and DavidReibstein.

29 "Study: 74% of consumers expect a hybrid customer journey," Uberall, August 18, 2021.

30 "It's time for brands to rethink their omnichannel strategies," Nielsen, April 2021.

31 Tony Haitao Ciu et al., "Informational challenges in omnichannel marketing: Remedies and future research," *Journal of Marketing*, Sage Journals, October 9, 2020, Volume 85, Issue 1.

32 Holly Briedis, Brian Gregg, Kevin Heidenreich, and Wei Wei Liu, "Omnichannel: The path to value," McKinsey, April 30, 2021.

33 Nicole Silberstein, "Sephora Plans 260 New Stores for 2021, Including 60 Freestanding Locations," *Retail Touchpoints*, March 1, 2021.

34 "Reimagining the role of physical stores in an omnichannel distribution network," McKinsey, December 24, 2021.

35 Arun Arora, Liz Harrison, Candace Lun Plotkin, Max Magni, and Jennifer Stanley, "The new B2B growth equation," McKinsey, February 23, 2022.

36 Holly Briedis, Brian Gregg, Kevin Heidenreich, and Wei Wei Liu, "Omnichannel: The path to value," McKinsey, April 30, 2021.

37 Interview with Raghuram Iyengar and David Reibstein.

38 "Uber Announces Results for Fourth Quarter and Full Year 2020," NASDAQ.com, February 10, 2021.

39 Julien Boudet, Brian Gregg, Kathryn Rathje, Eli Stein, and Kai Volhardt, "The future of personalization-and how to get ready for it," McKinsey, June 18, 2019.

Author Bios

Brian Gregg
Brian Gregg is a senior partner in McKinsey's San Francisco office, where he leads the Growth, Marketing & Sales practice in North America. He has helped many senior executive teams achieve outsized growth across multiple consumer-facing industries, including consumer technology, e-commerce, digital media, and retail. He lives in San Francisco with his wife and two children, enjoys being outdoors as much as possible, and continues to root for Ohio sports teams.

Raghuram Iyengar
Raghuram Iyengar is the Miers-Busch W'1885 Professor and Professor of Marketing at the Wharton School, University of Pennsylvania. Professor Iyengar is a co-director of Artificial Intelligence and Analytics for Business, the world's preeminent academic research center focusing on the practice of data-driven business decision making. He is currently the co-editor of Journal of Marketing Research.

Mukul Pandya
Mukul Pandya is the founding Editor-in-Chief of Knowledge@Wharton, the online research journal published by the Wharton School, which he edited and managed for more than 22 years until his retirement in 2020. In 2020-21, he was a Senior Fellow at Wharton AI for Business and Wharton Customer Analytics. His articles have appeared in The Wall Street Journal, The New York Times, The Economist, Time, and other publications. He has written, co-authored or edited five books.

David Reibstein
Professor David J. Reibstein is the William S. Woodside Professor and Professor of Marketing at the Wharton School, University of Pennsylvania. He was previously on the faculty at the Harvard Business School and a visiting Professor at Stanford and INSEAD. Professor Reibstein is currently the chair and co-founder of Responsible Research in Business and Management (RRBM). He previously was the Vice-Dean at Wharton, the Executive Director of the Marketing Science Institute, and the Chairman of the American Marketing Association (AMA).

Eli Stein
Eli Stein is a partner in McKinsey's San Francisco office, where he leads the marketing capability service line and serves consumer clients on data-driven marketing topics. He has published extensively on marketing measurement, personalization, and marketing analytics. Eli lives in Marin County with his wife and greyhound dogs, and spends his free time rock climbing on the nearby sea cliffs.

The authors would like to thank Cindy Van Horne, global head of marketing and communications at McKinsey, writer Melanie Warner and graphic designer Lara Andrea Taber, for their help putting together this e-book.


Wharton
UNIVERSITY of PENNSYLVANIA
AI & ANALYTICS FOR BUSINESS
Analytics at Wharton