

Marketing & Sales Practice

Rapid Revenue Recovery: A road map for post- COVID-19 growth

Speed, agility, and a new understanding of customer values are the keys to navigating the next normal.

by Brian Gregg, Eric Hazan, Aimee Kim, Rock Khanna, Jesko Perrey, and Dennis Spillecke



COVID-19 continues to have a far-reaching effect on people's lives, families, and communities as well as on the global economy. Amid the bleak economic reality, companies in response are focused on driving a dual agenda: protecting lives and livelihoods. As the crisis continues to upend lives, companies are struggling to understand its full impact on their businesses and how best to respond. According to our recent B2B Decision Maker Pulse survey, about a quarter of companies surveyed say they are redirecting and increasing spend toward emerging opportunities.

As we outlined in our article *Leading with purpose*, marketing and sales leaders need to operate simultaneously across three horizons: navigating the crisis now, planning for the recovery, and leading the next normal. This article will focus on the second horizon and how companies can accelerate what they do and how they work to capture revenue quickly for the recovery (Exhibit 1).

That element of speed and agility in particular is crucial because this once-in-a-generation challenge is likely to have a profound impact on

who is left standing when the crisis finally abates. During the downturn, for example, consumers and customers are likely to “trade down,” that is, buy less expensive products, resulting in big changes at both the high and low ends of the market. Brands will be repositioning themselves and shifting to digital channels, products, and services, opening up another front in the battle for new and existing customers.

In this context, it's not enough to capture revenue; it has to happen quickly. We're already seeing first movers reap significant rewards.

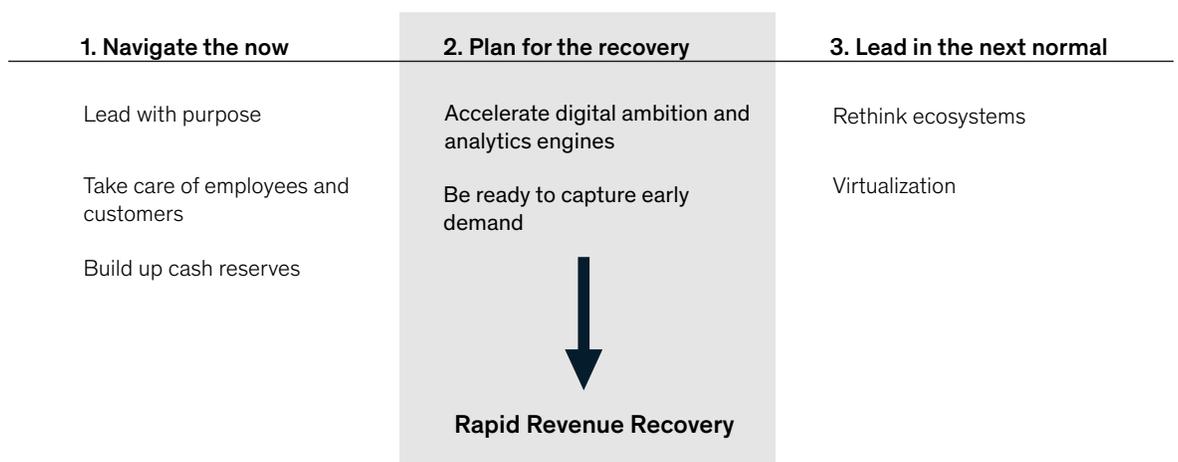
A mental model to enable Rapid Revenue Recovery

What really stands out is how leaders approach the activities needed to drive revenue at a scale that makes a difference. The most effective leaders have a mental model built around SHAPE, an approach with five core elements:

- **Start-up mindset.** The start-up mindset biases action over research and testing over analysis.

Exhibit 1

Three horizons for effective marketing-and-sales responses to the COVID-19 crisis.



We've seen companies, for example, make sizable allocations of marketing budget in days and even hours, and launch new ecommerce businesses in a matter of weeks. Start-up leaders establish an agile cadence through daily team check-ins, weekly 30-minute CEO reviews, and biweekly hourlong sprint reviews.

- **Human at the core.** To drive rapid action, companies will need to rethink their operating model, building it around how their people work best. Our B2B Decision Maker Pulse survey research has shown that more than 50 percent of businesses find a new remote sales model to be of equal or greater effectiveness than the old one. Enabling people will clearly require a new set of skills and capabilities, from facility with tech to working remotely. Successful pivots to a remote sales model, for example, will require an entirely new level of collaboration and coaching between front-line sales reps and leadership in order to meet consumer expectations.
- **Accelerate digital, tech, and analytics.** It's almost become a cliché to say that the crisis has become an inflection point in the shift to digital, but the best companies are moving quickly to enhance and expand their digital channels. They're successfully using advanced analytics to combine new and innovative sources of data, such as satellite imaging, with their own insights to derive "recovery signals."
- **Purpose-driven customer playbook.** Putting customers at the center of the business is a long-established principle, but post-coronavirus businesses will need a deep recalibration of how customers make decisions. Companies will need to rethink decision journeys to understand what customers now value and design new use cases and customer experiences based on those insights. That means a more nuanced approach to segmenting customers.

- **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. In the short term, adaptability may mean how companies work with agencies and partners, but in the long-term, it will require new partnerships and non-traditional collaborations, including strategic M&A.

Three steps to get started on Rapid Revenue Recovery

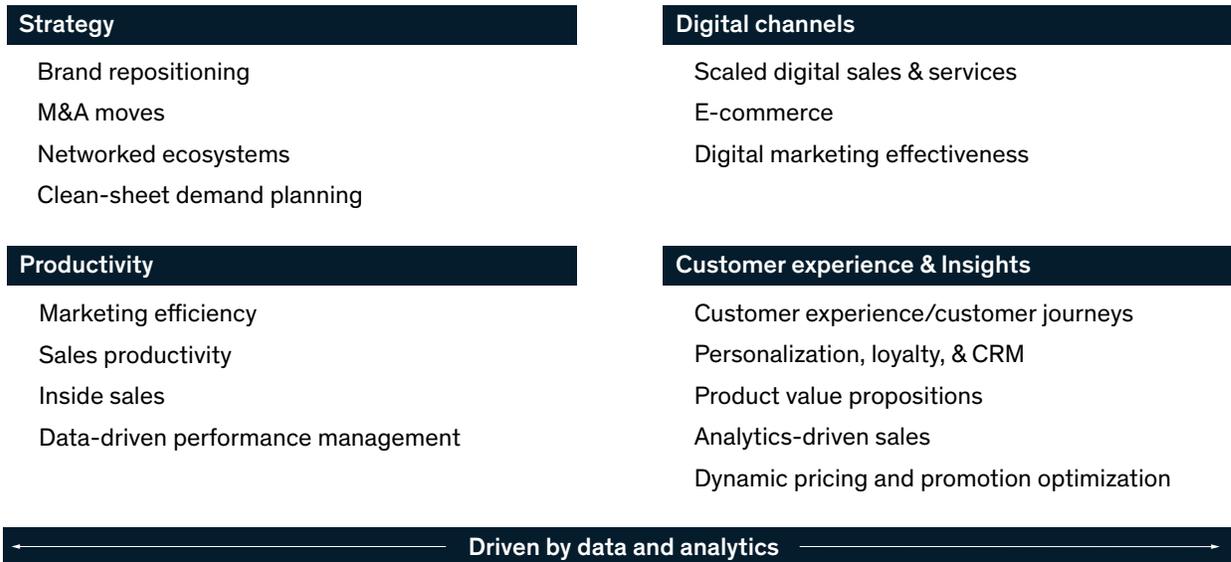
Capturing revenue rapidly requires taking a combination of actions. What those are will depend on each company's situation. Top performers, however, take three steps with rigor and discipline:

1. Identify and prioritize

Commercial leaders will need to plan for recovery based on a clear understanding of their starting point and insights into demand patterns ahead of and during the recovery. This is crucial for knowing what to do and when. We have identified more than a dozen marketing and sales activities that can capture revenue quickly (Exhibit 2). Some are more relevant to B2C companies, while others make more sense for B2Bs.

Once identified, these measures need to be rigorously assessed by their impact on EBIT and the company's ability to execute quickly. That starts with a clear view of the market and thoughtful forecasting of demand across channels, based on granular views of the customer and of the possible economic scenarios. These will require a more sophisticated approach than those used traditionally to develop deeply granular insights. Leading organizations are using advanced analytic models with multiple sources of insights (for example, point-of-sale data, primary consumer research, social listening,

Rapid Revenue Recovery is based on taking a core set of commercial actions.



and online search trends) to forecast growth scenarios at a granular level. This dashboard of opportunities needs to be continuously updated (Exhibit 3).

Against this view, analysis is needed of how well developed the available commercial capabilities are. A company in the advanced-industries sector, with low maturity in price and margin management, for example, may want to reinforce measures to avoid margin leakage, such as a shift to manual price approval to avoid low-margin sales. Commercial leaders should then overlay growth forecasts on their marketing and distribution capabilities, product and service portfolio, and competitive activity.

Within these calculations, commercial leaders should consider “now or never” moves—actions that may have been too difficult to undertake during normal times but are now essential for moving forward. These could include making significant reallocations of resources or ratcheting back popular but underperforming programs.

In our experience, companies can develop clear targets for growth and profitability in just a week.

2. Act with urgency

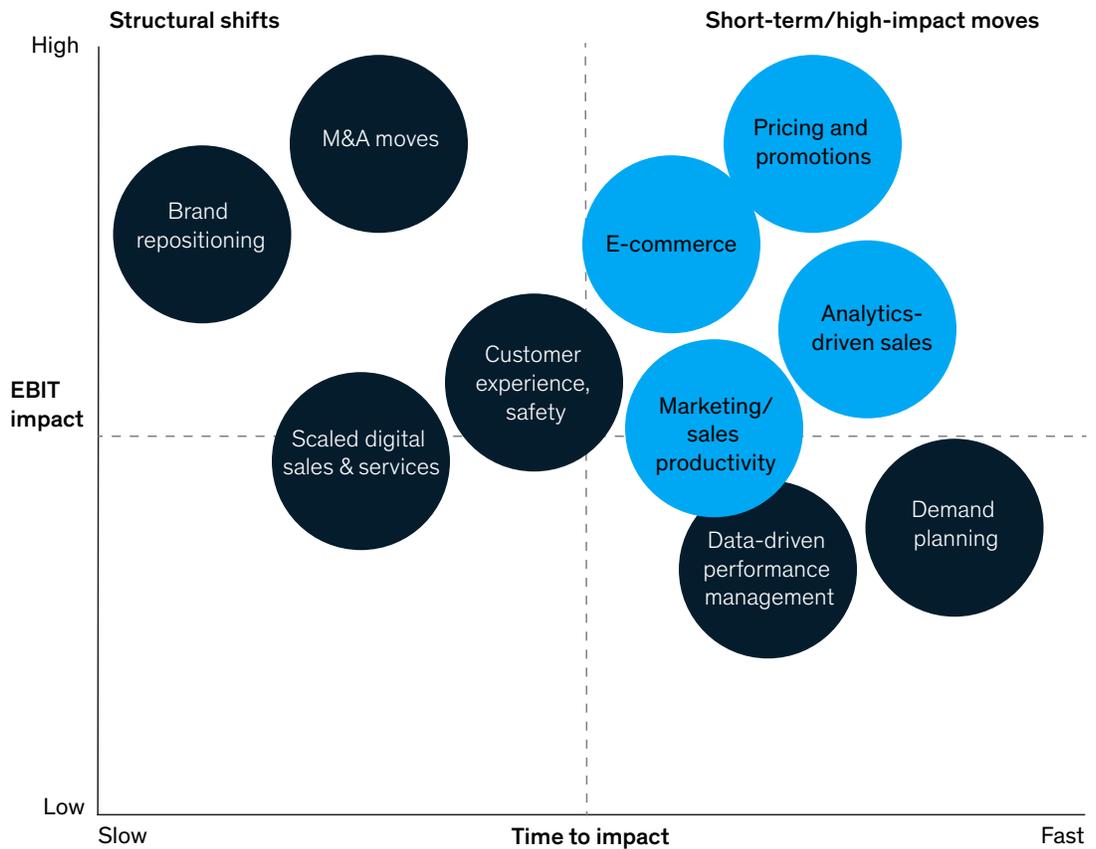
Once there is a granular map of prioritized activities, companies need to quickly and decisively reallocate resources accordingly to capture growth. The focus should be on launching the biggest and readiest initiatives, whether by adjusting sales-coverage models, tailoring product features to specific customer use cases, or shifting marketing spend to high-performing channels. The necessity of acting with urgency has allowed businesses to accomplish incredible things in short periods of time that would have seemed impossible just six months earlier. They have demonstrated the agility of start-ups, an ability to look at their customers in new ways, a commitment to data-driven decisions, and a relentless focus on iterative execution to continually improve.

Take one leading car-rental company with more than 5,000 locations in China. Like its competitors, the business saw its momentum come to a

Exhibit 3

Prioritized measures for Rapid Revenue Recovery.

ILLUSTRATIVE



screeching halt and order volume collapse by 95 percent in February, as the coronavirus surged. In response, the company invested in microlevel customer segmentation to guide personalization and in social listening to track the latest shifts in consumer sentiment. This led them to develop new use cases. They discovered, for example, that many tech companies in southern China, in response to the virus, were telling employees not to use public transportation. The company used this insight to send targeted campaigns to promote car rentals. They tested two campaigns—rent for two days and get one free versus rent for five days and get two free—and learned that the second offer was more attractive because customers could rent five days for work purposes and get reimbursed, but

could then use the car for two more days on the weekend.

The company also called first-time customers who had cancelled orders because of health concerns to reassure them of the various safety steps it was taking, such as “no-touch” contactless car pickup. They also used geolocation analytics to identify customers most likely to need a car and their destination. To help manage the program, they pulled together three agile teams with cross-functional skills and designed a recovery dashboard so the senior executive team could track progress in real time. This approach helped them streamline their working process so they could launch a new campaign in two to three days

as opposed to the normal two to three weeks it took before the crisis. Within only seven weeks, the company had recovered about 90 percent of their business compared with 2019 level—almost twice the rate of recovery of the number-one company in the market. Campaign conversion rates were five times the normal amount.

That focus on the customer also provided clear insights for a number of technology companies with overseas manufacturing. After fielding surveys of customers, they learned that “supply-chain assurance” had become a top buying factor. Their sales teams used this insight to communicate the latest supply-chain status, thus alleviating customer concerns, and provided some customers with supply guarantees after consulting with their newly established pricing war room. There are enterprise-software companies that have created three-month promotional offers of virtually unlimited product use for a minimal start-up fee. This has helped the companies gain market share, preserve the long-term price points of its value proposition, and assist customers in a critical time of need. This approach helped solve a business problem and address customer cash-flow concerns.

The start-up mindset provides the impetus for significant growth, often through the thoughtful use of digital channels. One company, for example, was able to launch an entirely new e-commerce business in just 13 weeks by focusing closely on what customers cared about most, standardizing features, and building on what they already had. This resulted in twice as many orders as anticipated, a tripling of basket size compared with in-store purchases, and 2 to 3 percent revenue growth.

In another example, one furniture retailer was able to drive a 60 percent improvement in sales in digital channels over just four weeks. It took a portfolio approach to campaigns, launching multiple versions to test and learn along the way. Through their analysis, they discovered demand for baby beds and tailored campaigns to that customer segment, even offering free child beds for those who had babies born during the COVID-19 pandemic.

Marketing return-on-investment (ROI) approaches that use data to make rapid spend reallocations can often yield great returns in the shortest amount of time. One large retailer freed up millions by eliminating distribution of circulars after granular response data showed that 40 percent of customers didn’t change their behaviors because of the circulars. The company reinvested the funds into more successful digital targeting practices. There are also pockets of opportunity in shifting the product mix to more productive stock-keeping units (SKUs), pausing or eliminating promotions known to be inefficient, and reinforcing performance-based trade relationships. As consumers increasingly try new brands, companies should consider shifting promotional spend to defend share in categories with surging demand and where there is a risk of switching.

3. Develop a rapid-fire agile operating model

One important way to speed up decision making is to give agile teams highly focused tasks and clear key performance indicators (KPIs), such as click-throughs or open rates. Instead of waiting for approvals and input, these agile squads, which should include agency partners, have the ability to make their own decisions. In our current remote world, we’ve found people more able and willing to embrace agile methods, sometimes by necessity but also because they are becoming acclimated to jumping on videoconferences to solve problems or make decisions quickly.

The various squads are then assigned to specific areas of focus, from consumer/customer insights to digital marketing. The sales squad could steward large and strategic deals and oversee execution, speeding deal review for impacted segments and maintaining discipline. Another squad could focus on developing a long-term view to avoid panic reactions and develop clear guidelines and objectives for the commercial team (Exhibit 4). These cross-functional teams or squads bring together people with key skills such as data analytics, sales operations, and design, tailored to the specific area and supplemented with additional experts in legal, finance, risk, HR, as needed. A scrum master oversees the squads, allocating and coordinating resources to initiatives

An agile-squad model can raise a company's metabolic rate.



Consumer- and market-insights squad

Central hub for monitoring changes in consumer sentiment/behavior, market and regulations
Feeds information to other squads and enables quick response to market changes



Marketing cash-liberation squad

Prioritizes immediate review of cost base and budget
Contributes to company stability & other marketing efforts (eg, communications)



Growth squad

Shares in-market learnings hub
Identifies and prioritizes sales green shoots
Optimizes channel management (eg, actions to be taken with offline retailers, inventory / stock management)



Digital marketing and sales squad

Adapts current digital M&S activities to new reality (eg, digital marketing)
Builds / evolves digital selling platforms (D2C or through partners)



Post-COVID-19 growth squad

Develops clear plan for next normal
Balances resourcing with short-term squad

with the highest value through weekly sprint-progress reviews.

“Agile” does not just mean putting in place iterative, test-and-learn working practices. It means putting in place a new operating model, built around the customer and supported by the right processes and governance. Agile sales organizations, for example, continuously prioritize accounts and deals and decide quickly where to invest. But this is effective only if there is a clear, granular growth plan developed by a cross-functional team that collectively understands how to win each type

of customer. Similarly, fast decision making between local sales and global business units and the rapid reallocation of resources among them require a stable sales-pipeline management process that they both use.

Rapid Revenue Response isn't just a way to survive the crisis. What companies do today to capture revenue quickly lays the foundation for future growth.

Brian Gregg is a senior partner in McKinsey's San Francisco office; **Eric Hazan** is a senior partner in the Paris office; **Aimee Kim** is a senior partner in the Seoul office; **Rock Khanna** is a senior partner in the Chicago office; **Aimee Kim** is a senior partner in the Seoul office; **Jesko Perrey** is a senior partner in the Düsseldorf office; and **Dennis Spillecke** is a senior partner in the Cologne office.

The authors would like to thank Alexander Dierks and Ryan Gavin for their contributions to this article.