Consumers win　　　　Everybody is a CMO　　　　Culture is key

Consumer behaviors and expectations are changing

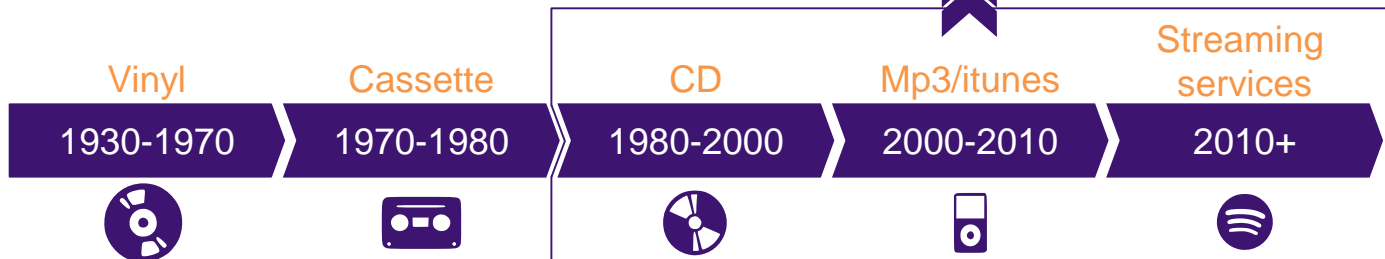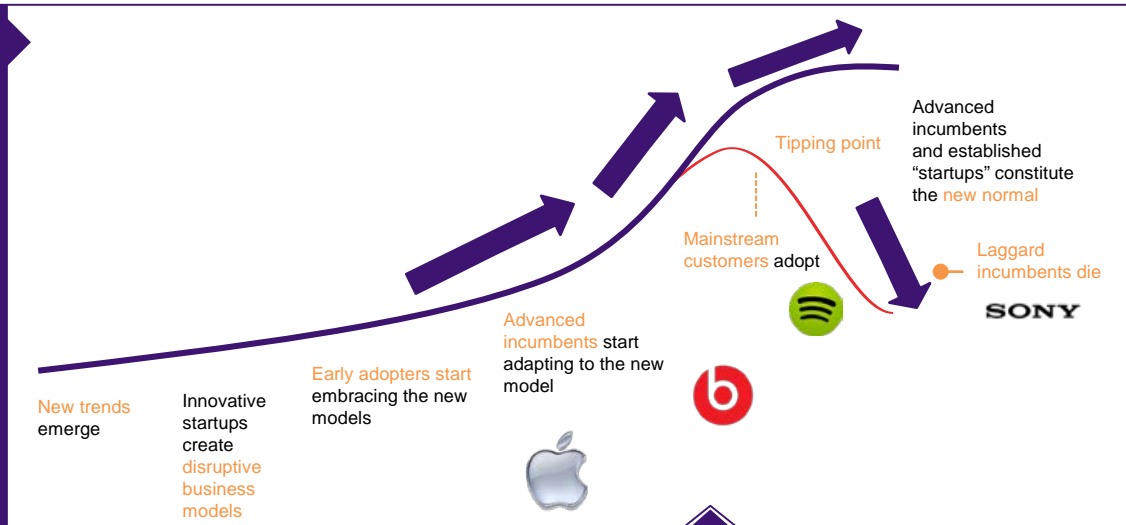| 'Now'	'Can I'	'For me'	'Simple'	'Social'	'Private?'
75% of online customers expect help within 5 minutes	**70%** of app users prefer added functionality over "look & feel" of app	**61%** of customers are more likely to buy from companies delivering custom content	**75%** of consumers have used comparison apps for consumer goods	**79%** of consumers trust online reviews as much as personal recommendations	**60%** of US consumers are concerned about their privacy when transacting online

This leads to major disruptions

Consumer demands

- transforms products
- changes the competitive set
- redefines the category

New trends emerge

Innovative startups create disruptive business models

Early adopters start embracing the new models

Advanced incumbents start adapting to the new model

Mainstream customers adopt

Tipping point

Advanced incumbents and established "startups" constitute the new normal

Laggard incumbents die

SONY

Vinyl	Cassette	CD	Mp3/itunes	Streaming services
1930-1970	1970-1980	1980-2000	2000-2010	2010+

Many other industries are being disrupted

Example industries	Retail	Travel and transportation	Telecom/ media	Banking	Insurance	Automobile	Healthcare
Disruptive business model	amazon BURBERRY	UBER lyft HAIL NOBLE	hulu HBO GO NETFLIX whatsapp	obopay PayPal venmo wonga	INSURANCE TELEMATICS PROGRESSIVE	Google TESLA	23andMe WebMD MAYO CLINIC
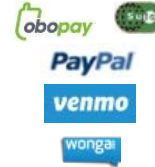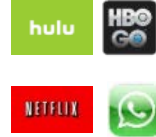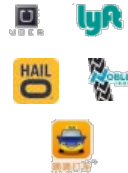
Consumers win

5 major implications for companies

1 Conventional trade-offs may become obsolete

2 New capabilities are needed
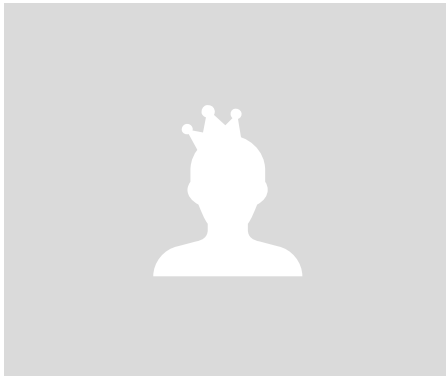
3 Winners take all
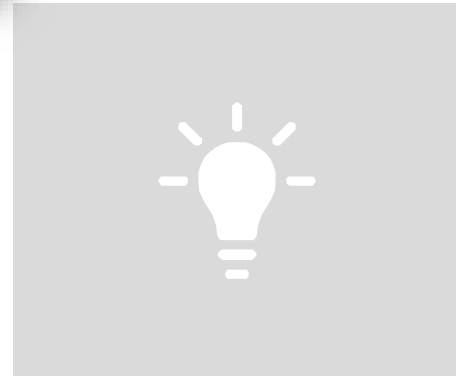
4 Change happens faster

5 Ecosystems are redrawn

Consumers win   **Everybody is a CMO**   Culture is key

Because consumers are winning, companies must evolve their organizations

From…

… To

Marketing

- BU Marketing
- Product Marketing
- Corporate Marketing

Rest of organization

- Strategy & planning
- External comm'
- Product design
- Customer service
- Sales
- Operations

Consumers

- Digital
- BU Marketing
- Product design
- Sales
- External comm'
- Corporate Marketing
- Strategy & planning
- Customer service
- Product Marketing
- Operations

- One-way push
- Promotion
- Siloed marketing organization

- Pervasive interactions
- Engagement
- Enmeshed marketing organization

Marketing must be <u>pervasive</u>

- We're living in an **era of engagement**

- **Marketing is no longer separable from the product**, the **experience** at every touchpoint, all employees and the company overall

- Touchpoints critical to engagement exist in multiple functions and units, but **marketing often lacks permission to access** them

- Many datastreams critical to insight lie **outside marketing**

…we're **ALL** marketers now
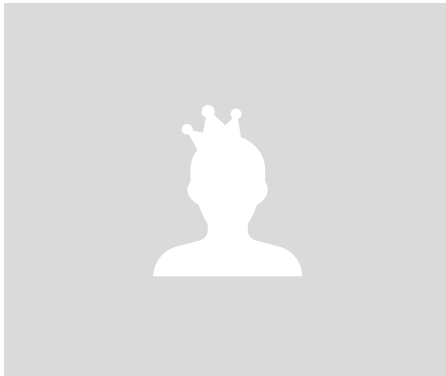
Consumers win   Everybody is a CMO   **Culture is key**

What is different about the culture of high-performing companies?

High-performing customer-centric companies are…

2x more likely to rely on **external partners** to build new products and services

4x more likely to take **bold risks** to transform their customer experience

6x more likely to nurture a culture of **trust** and **mutual accountability**

8x more likely to run strategy by **experimentation**

What are the attributes of their culture?

1 High level of comfort in **taking calibrated risks**

2 **Fast-paced** decision-making and execution of key initiatives

3 **Test and Learn** methodologies deployed at scale

4 **Internal collaboration** and mutual accountability

5 **External orientation** to build value networks and access capabilities

4 no-regret moves to strengthen your organization's culture

1 Develop a **learning agenda** to optimize Test and Learn

....

2 **Role model failing and learning** and adjust incentives

....

3 Adopt an **agile methodology** for the majority of your projects

....

4 **Delegate** budgets and decision rights lower in the organization

We have developed a comprehensive tool to assess your likelihood to succeed in digital

3 years ago, we interviewed over 100 leading companies…

Google

ebay

amazon

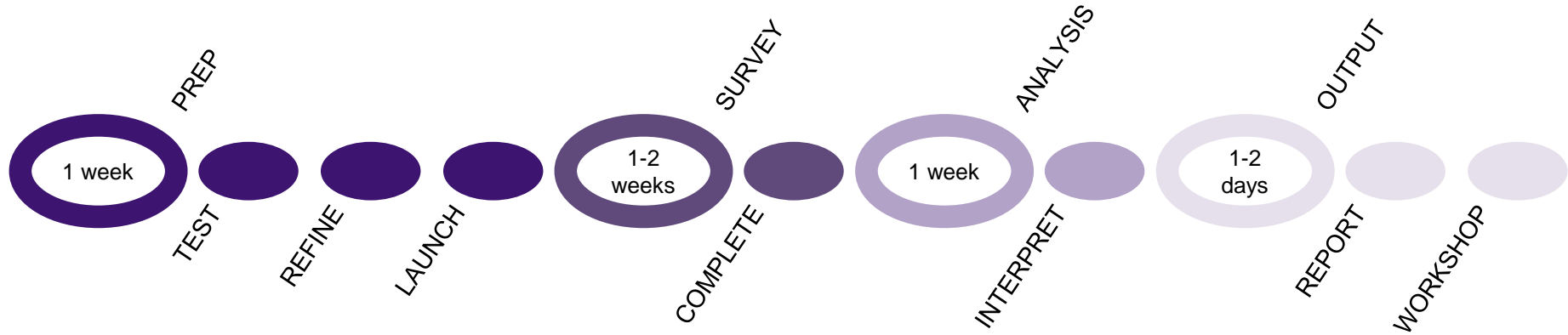**… to determine what allows them to succeed digitally**

We found a set of **~18 management practices** that drive digital success and constitute the **Digital Quotient™**

DQ has been used by **over 200 companies** across 16+ industries and 60+ countries

DQ score correlates with long-term **financial performance**

What does it take to use DQ?

PREP

SURVEY

ANALYSIS

OUTPUT

1 week

1-2 weeks

1 week

1-2 days

TEST

REFINE

LAUNCH

COMPLETE

INTERPRET

REPORT

WORKSHOP

Preparation

- Conduct 1-2 intro interviews to understand client specific context
- Sign DQ participant agreement
- Preview DQ survey and confirm it works on client IT systems
- Align on participants and collect contact info
- Launch online survey

Survey

- Ensure all participants complete survey
- Respond to any survey-related questions

Analysis

- Interpret survey results
- Develop relevant comparisons
- Identify relevant industry examples and best practices
- Prepare output report

Output

- Syndicate output report
- If planned, conduct results workshop to discuss implications

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www.mckinsey.com/client_service/mckinsey_digital/digital_quotient
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