Culture as Multiplier

Tanguy Catlin, McKinsey & Company
Consumers win

Everybody is a CMO

Culture is key
**Consumer behaviors and expectations are changing**

<table>
<thead>
<tr>
<th>‘Now’</th>
<th>‘Can I’</th>
<th>‘For me’</th>
<th>‘Simple’</th>
<th>‘Social’</th>
<th>‘Private?’</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image" alt="Clock" /></td>
<td><img src="image" alt="Question Mark" /></td>
<td><img src="image" alt="Target" /></td>
<td><img src="image" alt="Puzzle" /></td>
<td><img src="image" alt="People" /></td>
<td><img src="image" alt="Lock" /></td>
</tr>
</tbody>
</table>

- **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

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**Vinyl** 1930-1970

**Cassette** 1970-1980

**CD** 1980-2000

**Mp3/itunes** 2000-2010

**Streaming services** 2010+

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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
Advanced incumbents and established "startups" constitute the new normal
Laggard incumbents die

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

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Tipping point

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Advanced incumbents and established "startups" constitute the new normal
Laggard incumbents die

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### Explain the consumer demands
- transforms products
- changes the competitive set
- redefines the category

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### Diagram
- 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
- Advanced incumbents and established "startups" constitute the new normal
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### Example
- **1930-1970**: Vinyl
- **1970-1980**: Cassette
- **1980-2000**: CD
- **2000-2010**: Mp3/itunes
- **2010+**: Streaming services

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### Conclusion
This leads to major disruptions.
Many other industries are being disrupted

<table>
<thead>
<tr>
<th>Example industries</th>
<th>Retail</th>
<th>Travel and transportation</th>
<th>Telecom/media</th>
<th>Banking</th>
<th>Insurance</th>
<th>Automobile</th>
<th>Healthcare</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disruptive business model</td>
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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…

- One-way push
- Promotion
- Siloed marketing organization

…To

- Pervasive interactions
- Engagement
- Enmeshed marketing organization
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.

Marketing must be pervasive.

…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

SOURCE: McKinsey Digital Quotient dataset
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...

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?

**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
“We really view culture as our No. 1 priority. We decided that if we get the culture right, most of the other stuff will just take care of itself.”

Tony Hsieh, Zappos CEO
Tanguy Catlin
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www.mckinsey.com/features/raise_your_digital_quotient

#DigitalQuotient

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