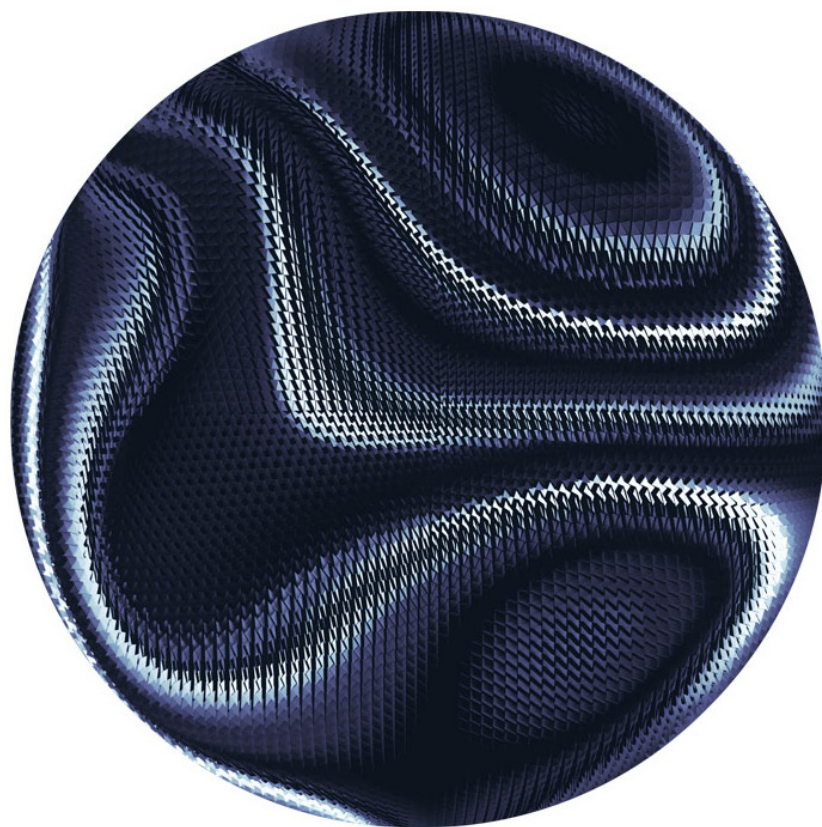# The COVID-19 recovery will be digital: A plan for the first 90 days

The rapid migration to digital technologies driven by the pandemic will continue into the recovery. Here's how to accelerate your organization's digital capabilities to keep pace.

by Aamer Baig, Bryce Hall, Paul Jenkins, Eric Lamarre, and Brian McCarthy

By now, most C-suite executives have led their companies to digitize at least some part of their business to protect employees and serve customers facing mobility restrictions as a result of the COVID-19 crisis. As one CEO of a large tech company recently stated, "We are witnessing what will surely be remembered as a historic deployment of remote work and digital access to services across every domain."

Indeed, recent data show that we have vaulted five years forward in consumer and business digital adoption in a matter of around eight weeks. Banks have transitioned to remote sales and service teams and launched digital outreach to customers to make flexible payment arrangements for loans and mortgages. Grocery stores have shifted to online ordering and delivery as their primary business. Schools in many locales have pivoted to 100 percent online learning and digital classrooms. Doctors have begun delivering telemedicine, aided by more flexible regulation. Manufacturers are actively developing plans for "lights out" factories and supply chains. The list goes on.

As some regions begin reopening, businesses are considering how to return to some semblance of full speed in an unstable environment in which lockdowns will ease (and potentially be reinstated) in waves. In doing so, they will need to confront three structural changes that are playing out.

First, customer behaviors and preferred interactions have changed significantly, and while they will continue to shift, the uptick in the use of digital services is here to stay, at least to some degree (Exhibit 1). Fully 75 percent of people using digital channels for the first time indicate that they will continue to use them when things return to "normal."[1] Companies will need to ensure that their digital channels are on par with or better than those of their competition to succeed in this new environment. If China offers us any lessons, digital laggards will be substantially disadvantaged during the recovery.

Second, as the economy lurches back, demand recovery will be unpredictable; uneven across geographies, sectors, product categories, and customer segments; and often slow to return to precrisis levels. While a few sectors will face unusually strong demand, leaders in many industries must deal with periods of structural overcapacity. Those companies face the painful need to rightsize the cost base and capital of their operations, supply chains, and organizations overall and to transition their fixed costs to variable costs aggressively wherever possible. Complicating matters for leaders as they grapple with ways to deal with an uneven recovery is that historical data and forecasting models will be of little use to predict where pockets of demand will emerge and where supply will be necessary. New data and completely rebuilt analytical models will be essential to steer operational decisions.

Finally, many organizations have shifted to remote-working models almost overnight. A remote-first setup allows companies to mobilize global expertise instantly, organize a project review with 20—or 200—people immediately, and respond to customer inquiries more rapidly by providing everything from product information to sales and after-sales support digitally. In effect, remote ways of working have, at least in part, driven the faster execution drumbeat that we're all experiencing in our organizations. And this step change in remote adoption is now arguably substantial enough to reconsider current business models.
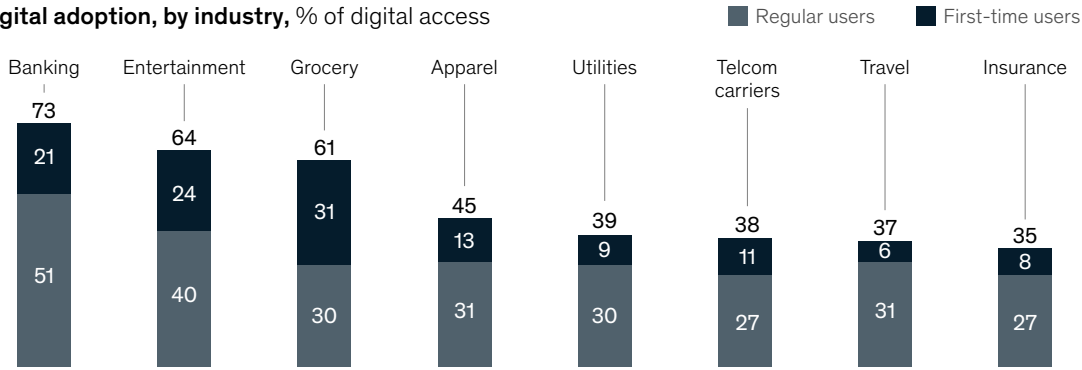
Quickly pivoting the business agenda to address these changes will be critical for a successful recovery. Digital will undoubtedly play a center-stage role. We offer suggestions for a 90-day plan to realign the digital agenda and implement the enablers for acceleration during the recovery and beyond.

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[1] McKinsey COVID-19 US Digital Sentiment Survey, April 2020.

Exhibit 1

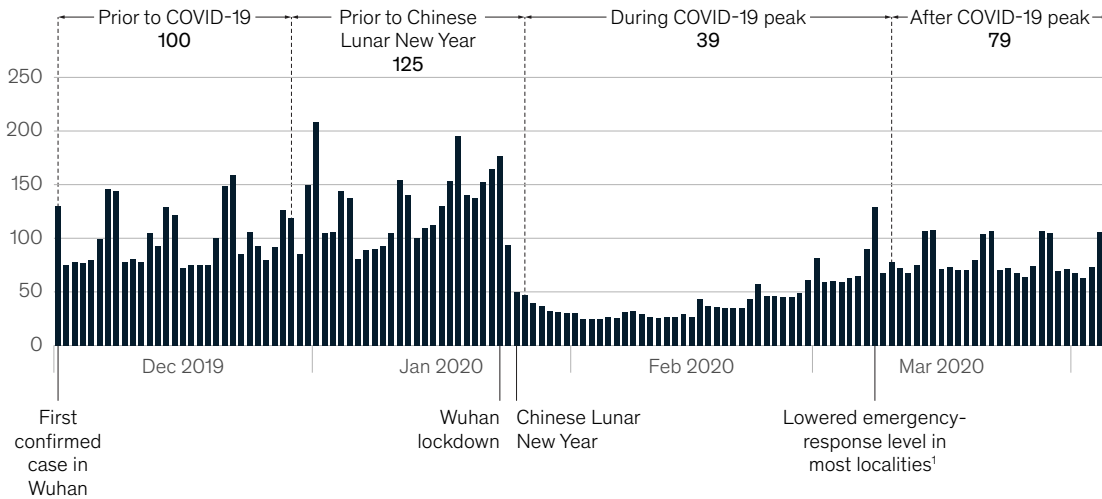## US consumers are accelerating adoption of digital channels, a trend seen across global regions.

Digital adoption, by industry, % of digital access

■ Regular users   ■ First-time users

	Banking	Entertainment	Grocery	Apparel	Utilities	Telcom carriers	Travel	Insurance
Total	73	64	61	45	39	38	37	35
First-time users	21	24	31	13	9	11	6	8
Regular users	51	40	30	31	30	27	31	27

Note: Figures may not sum to listed totals, because of rounding.
Source: McKinsey COVID-19 US Digital Sentiment Survey, Apr 25–28, 2020

Based on data from countries already in the recovery phase, consumption patterns will be uneven and unlikely to return to pre-COVID-19 levels quickly.
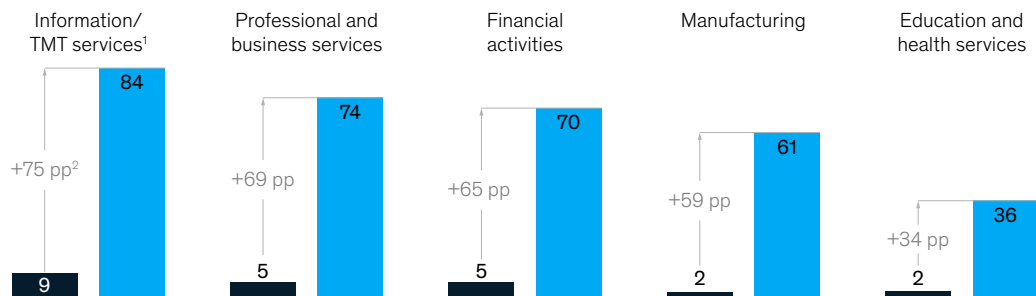
Average daily China offline consumption, % (100% = daily average consumption in Dec 2019)

Prior to COVID-19
100

Prior to Chinese Lunar New Year
125

During COVID-19 peak
39

After COVID-19 peak
79

First confirmed case in Wuhan

Wuhan lockdown

Chinese Lunar New Year

Lowered emergency-response level in most localities[1]

[1] On Mar 8, 2020, 21 Chinese provinces (involving >70% of country's population) announced lowering of epidemic-response level.
Source: MIYA; McKinsey analysis

The levels of remote working have skyrocketed during lockdowns and are likely to remain higher than precrisis levels for some time.

Share of employees working remotely full time, %

	Information/ TMT services[1]	Professional and business services	Financial activities	Manufacturing	Education and health services
Pre-COVID-19	9	5	5	2	2
Current	84	74	70	61	36
Change	+75 pp[2]	+69 pp	+65 pp	+59 pp	+34 pp

[1] TMT = technology, media, and telecom. Pre-COVID-19 figures for remote-work frequency in sector sourced from internal survey (unavailable in American Time Use Survey).
[2] Percentage points.
Source: American Time Use Survey, US Bureau of Labor Statistics, n =134; expert interviews; press search; McKinsey analysis

The digital agenda for recovery

For many companies, customers have already migrated to digital. Employees are already working fully remotely and are agile to some degree. Companies have already launched analytics and artificial-intelligence (AI) initiatives in their operations. IT teams have already delivered at a pace they never have before. But for most companies, the changes to date represent only the first phase of the changes that will be necessary.

We have laid out an agenda that focuses on four efforts: refocusing and accelerating digital investments in response to evolving customer needs, using new data and AI to improve business operations, selectively modernizing technology capabilities to boost development velocity, and increasing organizational agility to deliver more quickly. For each one, we outline a practical 90-day plan to make it happen (Exhibit 2).
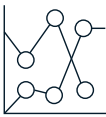
Refocus digital efforts toward changing customer expectations

Many companies are accelerating their shifts toward digital-first models—at warp speed. One European variety-store chain, for example, established a fully functioning e-commerce business in just three months. The online business was interconnected across all functions (warehousing, merchandising, marketing, customer support, et cetera) and improved basket size over physical stores by three times as well as delivering nearly 3 percent like-for-like revenue growth in its main market.

But it's not just about digitizing. Companies must also reimagine customer journeys to reduce friction, accelerate the shift to digital channels, and provide for new safety requirements. For example, an automobile manufacturer now handles functions traditionally performed by dealers, such as trade-ins, financing, servicing, and home delivery of

Exhibit 2

A plan for the first 90 days has four efforts to launch immediately.

	Refocus digital efforts toward changing customer expectations	Use new data and AI[1] to improve business operations	Selectively modernize technology capabilities	Increase organizational drumbeat
Sprint 1: days 1–29	Align organization to new digital priorities	Assess performance of critical decision-support models	Create rightsizing plan for shifting to variable cost structure and begin assessing cyberrisks	Assess where organizational velocity is needed and where remote-work models could drive productivity
Sprint 2: days 30–59	Bring digital channels to parity or better vs competition	Recalibrate and/or rebuild models	Set up cloud-based data platform and automate software-delivery pipeline	Deploy new models leveraging agile and remote
Sprint 3: days 60–90	Launch new digital offerings or channels	Develop next-generation data sets and models for optimal performance	Begin strengthening technology talent bench	Upskill organization for accelerated digital world

[1] Artificial intelligence.

cars. Airlines are rapidly reinventing the passenger experience with contactless journeys focused on traveler health and safety to make customers feel comfortable flying again (Exhibit 3).

In the next 90 days. CEOs should ask their business leaders to assess how the needs and behaviors of their most important customers have changed and benchmark their digital channels against those of their competition. This information should form the basis of a renewed digital agenda that should take no longer than 30 days to establish.

Chief digital officers and chief information officers (CIOs) can then quickly stand up (or refocus) agile teams to execute the most urgent priorities. A consumer-electronics company, for example, recently launched an agile war room to improve conversion rates on its website traffic. That type of project can deliver meaningful results in weeks. Changes that require more fundamental work, like setting up a new e-commerce channel, will typically take longer. Continually measuring digital-channel performance during the 90 days will be critical so that companies can quickly adapt as they learn more. Consider setting up a weekly forum for senior business and technology leaders to process the learnings coming in and drive the full agenda at pace and in a coordinated fashion.

Use new data and artificial intelligence to improve business operations

Hundreds of operational decisions get made on daily, weekly, and monthly bases. Take an airline, for example, that must make many decisions: Which routes should we operate? What crew size is optimal for each flight? How many meals should we order? What staffing level is necessary in the contact center?
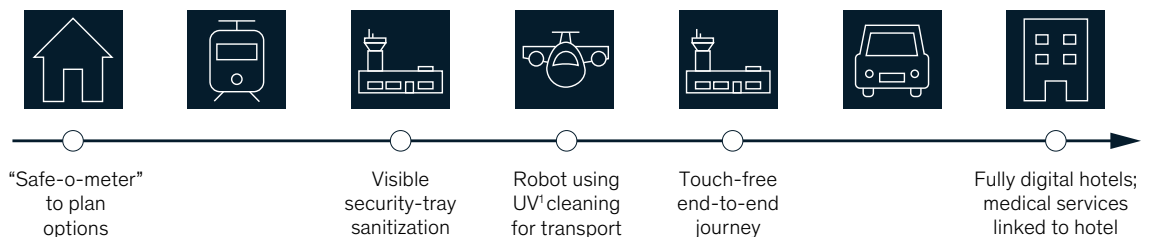
Modern businesses have several forecasting and planning models to guide such operational decisions. Organizations will need to validate these models. In the same way that many companies had to rebuild risk and financial models that failed during the 2008 financial collapse, models will similarly need to be replaced because of the massive economic and structural shifts caused by the pandemic. For example, models that use time-series, oil-price, or unemployment data will need to be rebuilt entirely. The data must be reevaluated as well.

As companies construct these models, analytics teams will likely need to bring together new data sets and use enhanced modeling techniques to forecast demand and manage assets successfully. One automotive-parts supplier, for example, developed a forecasting model that incorporated

Exhibit 3

The travel industry is mapping out the customer journey to identify points of health risk and design a contactless experience.

Illustrative customer journey with ideas for mitigating risks

| "Safe-o-meter" to plan options | | Visible security-tray sanitization | Robot using UV[1] cleaning for transport | Touch-free end-to-end journey | | Fully digital hotels; medical services linked to hotel |

[1] Ultraviolet.

previously unused third-party data. The model will help the supplier spot potential issues with its own suppliers' ability to deliver needed items, offering a chance to reach out to its suppliers to work out logistics or find another source.

Other business areas can benefit from more sophisticated modeling as well. A leading financial-services provider, for example, stood up an AI-powered solution to generate leads for its sales agents, with models calibrated to handle the current environment.

In the next 90 days. As a first step, the chief analytics officer (or equivalent) should mobilize an effort to inventory core models that support business operations and work with business leaders to prioritize them based on their impact on key operations and their efficacy drift. This assessment is urgent and should be completed as quickly as possible. It will essentially define a program of quick fixes that the data and analytics team can undertake, working hand in hand with business and functional leaders. Once the situation stabilizes, CEOs and business leaders should push their data and analytics teams to develop next-generation models that leverage new data sets and modeling techniques better suited for fast-changing environments. The more advanced companies are already creating synthetic data sets using advanced machine-learning techniques, such as generative adversarial networks (GANs) to train new analytical models when historical data are of little use.

Selectively modernize technology capabilities

Successfully executing the described agenda requires investment capacity and development velocity. CIOs can contribute to both by rightsizing the IT cost structure to new demand levels and reinvesting the freed-up resources into customer-facing digital solutions and critical decision-support systems, first and foremost. Companies can also dedicate some of the savings to modernizing selectively the technology stack and software-development tooling.

Many companies have found they have the potential to free up as much as 45 percent of their IT costs over the course of a year. Our experience suggests that roughly two-thirds of this potential can be achieved through measures such as extending hardware- and software-refresh cycles, rapidly renegotiating vendor contracts, and restricting cloud workloads by turning off noncritical jobs. Additional cuts get deeper into the cost structure and risk hamstringing future growth. The right balance will vary by industry, but under any scenario, rightsizing should expose much needed investment capacity as quickly as possible to fund the 90-day plan.

As CIOs consider upgrading their tech stacks, two features of a modern technology environment are particularly important and can be rapidly implemented: a cloud-based data platform and an automated software-delivery pipeline (commonly called "continuous integration and continuous delivery"). Without these, development velocity stalls and becomes mired in complexity. The good news is that cloud technologies make it possible to deploy these quickly and at relatively low cost.

In the next 90 days. First, develop the plan to rightsize and create a more variable cost structure—the faster the better to free up resources for the digital agenda.

In the second 30-day sprint, choose your cloud partners. While speed is of the essence, CIOs should thoughtfully consider the contractual structures offered by technology providers. Carefully review those that appear too good to pass up to ensure that the providers aren't capturing all the value. And remember to launch appropriate internal efforts to train and prepare teams to operate in the new environment. During this sprint, it's also time to modernize the tech stack selectively—"selectively" being the operative word. Most companies won't have the management bandwidth and resources to take on a full-scale modernization in the next 12 to 18 months. By focusing on setting up or enhancing a cloud-based data platform and equipping agile teams with automated software delivery, CIOs can double, or even triple, development velocity in the short term.

Remote working can help organizations move at a faster clip as companies tap into new labor pools and specialized remote expertise. (And, yes, agile can be executed remotely.)

In the final sprint, it's a no-brainer to launch the recruiting of additional digital talent and accelerate digital upskilling of the entire organization. These steps will prepare organizations well for a more substantive modernization of their application landscapes after recovery. Finally, continue to pay attention to cybersecurity. Much of the rapid IT work carried out during the COVID-19 crisis might have created new cyberrisk exposures.

Increase the organizational drumbeat

The current crisis has forced organizations to adapt rapidly to new realities, opening everyone's eyes to new, faster ways of working with customers, suppliers, and colleagues. Many CEOs wonder what it will take to maintain the quickened organizational drumbeat.

Companies that have led the way in adopting flatter, fully agile organizational models have shown substantial improvements in both execution pace and productivity. This has held true during the crisis, as we see a direct correlation between precrisis agile maturity and the time it has taken companies to launch a first crisis-related product or service. While many companies have at least a few agile teams in place, few have successfully scaled to hundreds of teams staffed with many more "doers" than "checkers," which is what's needed to drive the accelerated organizational pace the crisis—and even the next normal—demands.

What can realistically be done in 90 days to increase the organizational drumbeat? Standing up a digital factory is largely the best approach right now because it can be constructed and scaled in three months or less. Many organizations, from banks to mining companies, have accelerated and scaled their digital delivery by establishing these internal factories, with interdisciplinary teams aligned to businesses' digital priorities. One large global bank, for example, built five such factories to support several locations across the Americas.

As previously mentioned, remote working can also help organizations move at a faster clip as companies tap into new labor pools and specialized remote expertise. (And, yes, agile can be executed remotely.) Remote working can also enable new productivity opportunities, especially for companies with large field forces. One leading provider of residential solar services recently documented record sales using a more remote sales model.

In the next 90 days. During the first sprint, identify the business areas where digital-execution velocity is needed and map out plans for digital factories to support them. In parallel, assess where remote work models could unleash productivity benefits. These two lenses should set the table for targeted changes to the operating model. In the second 30-day sprint, design the new models with consideration for staffing level, expertise mix, governance, and operating procedures. Finally, in

the third month, implement and operationalize the new designs. We know from experience that three months is sufficient to implement and scale a digital factory. We have also seen banks, pharmaceutical companies, and insurance companies pivot entire field forces to a remote model in a few weeks.

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Leaders who want to succeed in the digital-led recovery must quickly reset their digital agendas to meet new customer needs, shore up their decision-support systems, and tune their organizational models and tech stacks to operate at the highest effective speed. In other words, C-level executives must point their digital firepower at the right targets and quickly execute against them. It's essential to set these targets at the outset and regularly measure progress against them. Achieving parity or better across digital channels to win the revenue race, rebuilding the most critical decision-support models, and doubling development velocity are goals that are all within reach. The 90-day plan will help organizations get there.

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