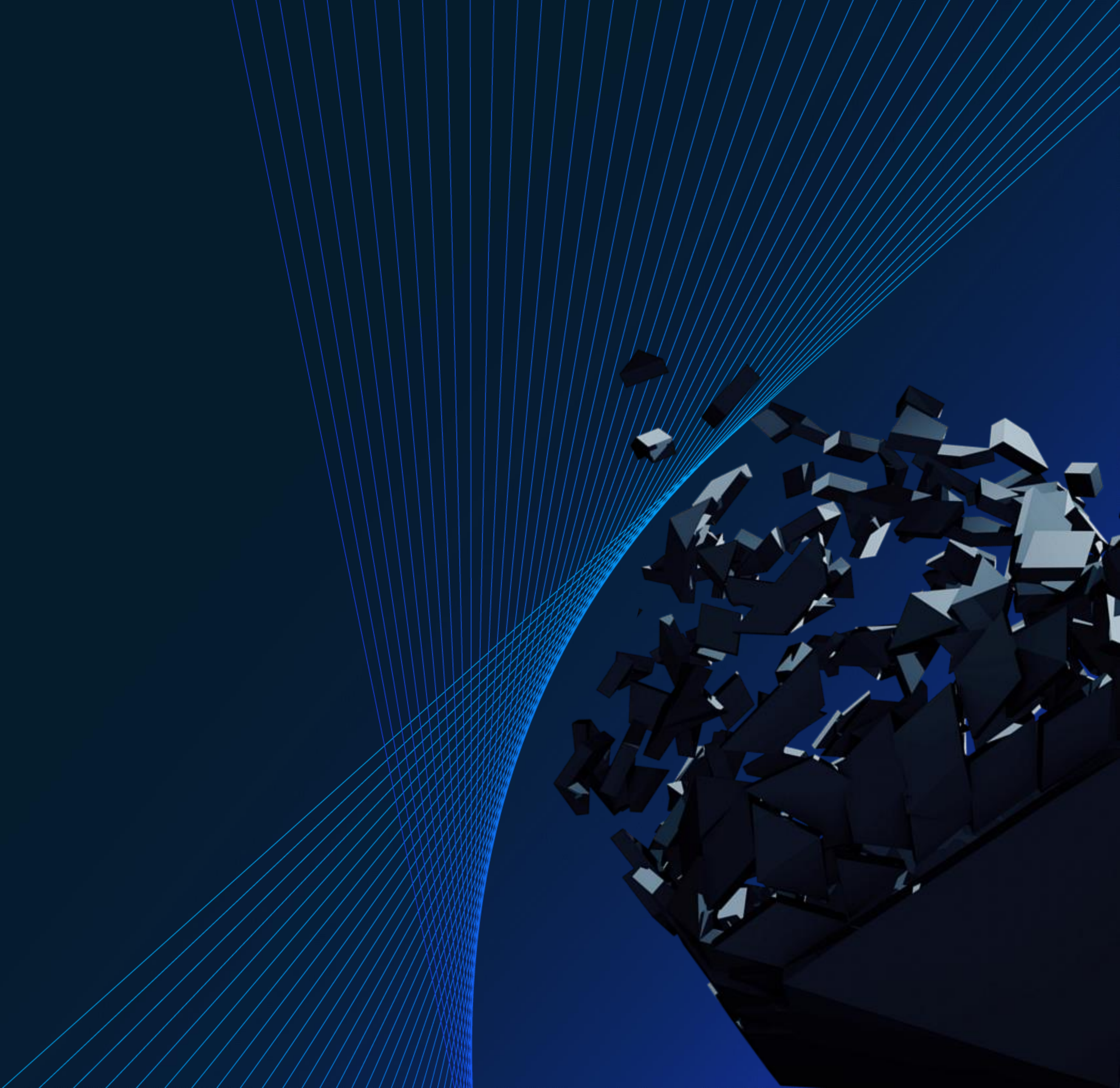
McKinsey & Company

Digital & Analytics (DnA) transformation

IDFA Webinar

JULY 2020



Disclaimer

These are suggested practices, in many cases adopted by companies across sectors.
We do not offer recommendations on sufficiency, adequacy or effectiveness of these measures.
You can derive no rights or make decisions based on this material.

We do not provide legal, accounting, tax, medical or other such professional advice normally provided by licensed or certified practitioners and will rely on you and your other advisors to define applicable legal and regulatory requirements and to ensure compliance with applicable laws, rules and regulations. We do not intend to supplant management or other decision-making bodies, and you remain solely responsible for your decisions and actions, including those relating to manufacturing, product release, regulatory reporting and market action. We make no representation or warranty, express or implied, and expressly disclaim any liabilities relating to your manufacturing operations, compliance, quality, R&D and regulatory processes and products.

Speakers today

David Fiocco

Partner

Minneapolis

Munmun Baishya

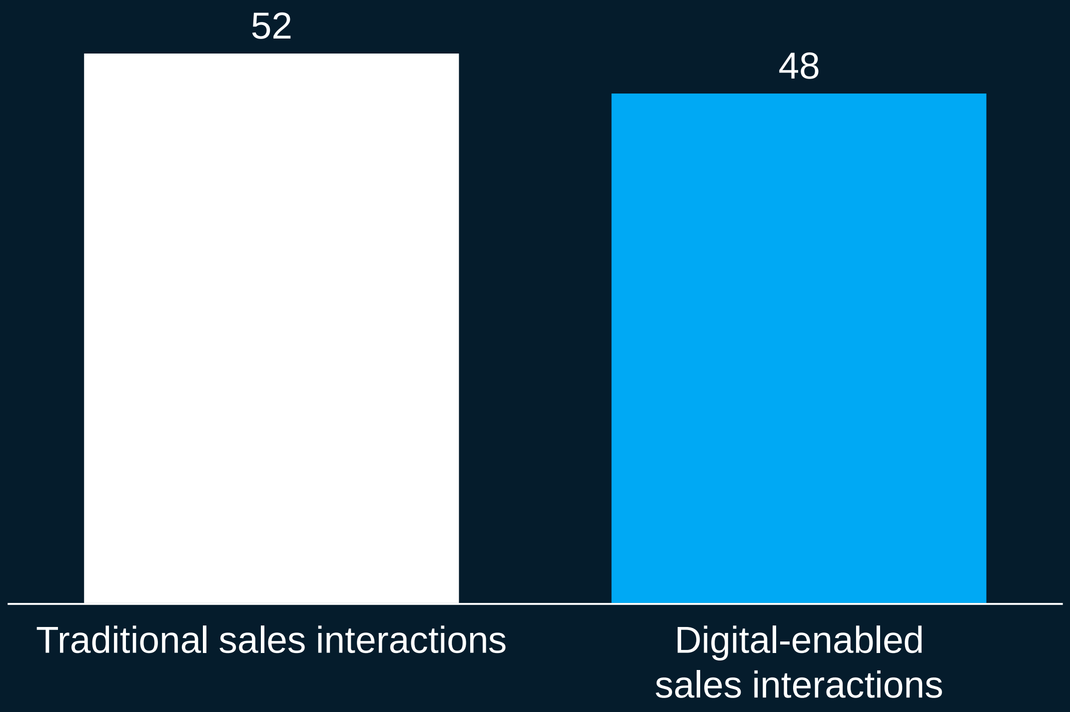
Associate Partner

Silicon Valley

The world is changing - Digital interactions with decision makers are now 2X more important than traditional (jumping 30+% since before COVID-19)

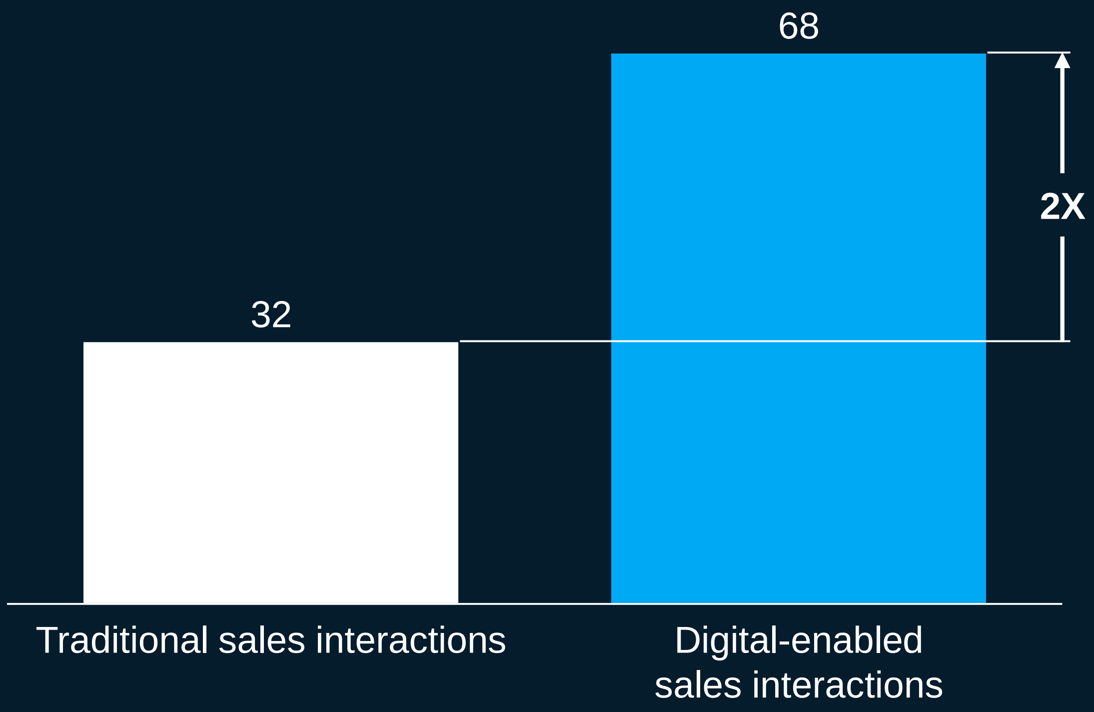
For the period before COVID-19, which method was more important to your customers?

% of respondents



For the period during COVID-19 (next two weeks), which method do you believe is more important to your customers?

% of respondents

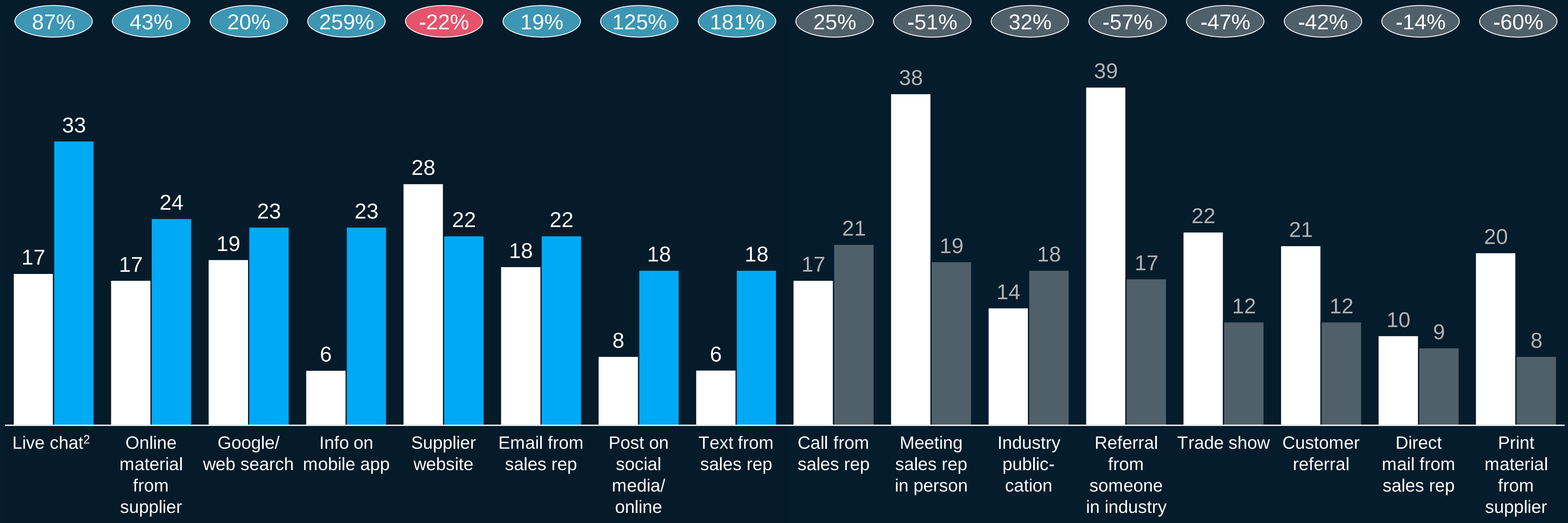


Source: McKinsey B2B Decision Maker Pulse Survey, Apr 7, 2020 (N=101)

While researching suppliers, digital interactions are highly valued by customers (e.g. mobile, live chat)

2019 2020 X% % YoY change

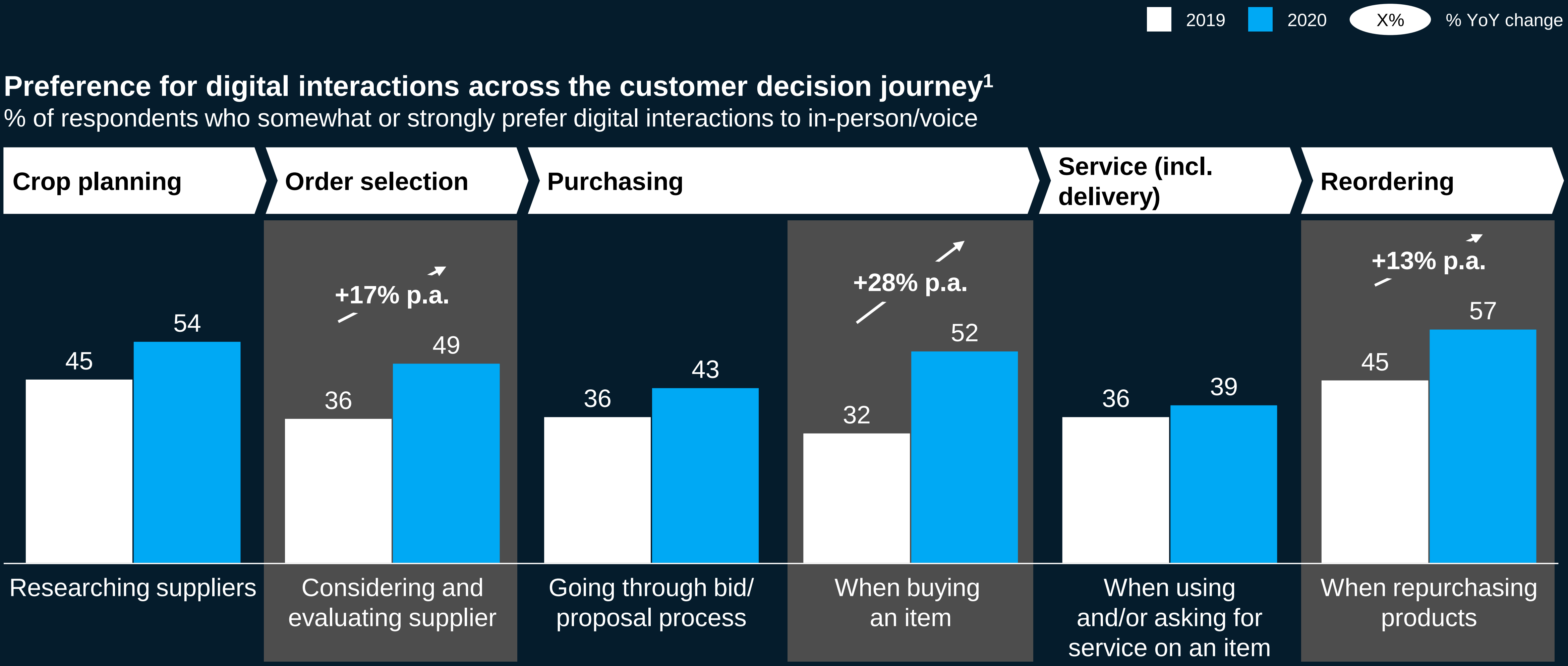
What ways of interacting with a supplier would be most beneficial to you when researching/considering suppliers going forward? Rank up to 3 that would be most beneficial. % of respondents ranking in top 3[1]



1. Results for top 1 responses are consistent with top 3. A free-response option was given, but <1% of respondents filled it out.
2. Live chatting with someone about suppliers

Source: McKinsey B2B Decision Maker Pulse Survey, Apr 7, 2020 (N=101); 2019 McKinsey B2B Decision Maker Survey (N=126)

Similarly, farmers’ preference for digital interactions have increased since our 2018 survey



1. Survey question: In the POST COVID-19 world, how would you interact with companies for each type of activity listed below? Options: Strongly prefer in-person/voice-based interaction, Somewhat prefer in-person/voice-based interaction, Somewhat prefer digital interaction, Strongly prefer digital interaction

Source: McKinsey Farmer COVID Pulse Survey, Apr 23, 2020 (N=167), McKinsey Chemical & Agriculture Digital Customer Decision Journey Survey, January 2018, US Only (n=700)

Digital acceleration will continue and the response to COVID-19 is expected to turbo charge this transformation

The response to COVID-19 expected to accelerate digital transformations

Survey of global digital managers

2/3

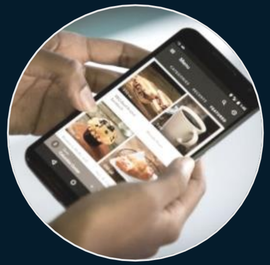
believe that response to COVID-19 will **accelerate the pace** of the **digital transformation**

1/3

believe that the **digital economy will benefit economically** once the acute pandemic is past

Source: DMEXCO survey asking 305 digital managers from around the globe, April 2020; McKinsey Global Institute, 2017: Artificial Intelligence the next digital frontier?; Press search

What does digitization, analytics and AI mean?



Digitization

Automate manual and routine tasks e.g. paper filing, data cleansing; Additionally this creates a larger data set that can be leveraged for insights (e.g. labor productivity tools)

Robotics and automation

Robots that assist humans or act autonomously based on their environment (e.g., human-robot solution for maintenance and operations, financial modelling and reporting automation)

Advanced analytics

Apply algorithms trained with data to draw conclusions and predictions (e.g. commodity price forecasting, opportunity and win-rate prediction)

Computer vision

Process images to draw insights and recognize objects (e.g., Facial recognition)

Natural language processing

Process human language input and convert it into understandable representations (e.g., Voice to text)

AI can be applied across all of the above technologies; while advanced analytics requires human intervention to improve, AI is self-learning

1. https://www.gartner.com/it-glossary/advanced-analytics/

Successful DnA transformations have **3 elements** in common

Strategy

Clear understanding of where the value will come from, and how to transform a company

Value

Broad range of digital & analytics initiatives that can generate impact along the value chain

Foundations

Enablers needed to initiate and sustain change

The DnA transformation journey needs to start with fundamental business questions and be grounded in the enterprise strategy

Use-case forward

Many pilots…

…nothing transformed

Business domain transformation

Strategy back

Unmet needs

Economic value

Process waste

Com-petitive position

Getting started: Consider high priority areas to begin digitization

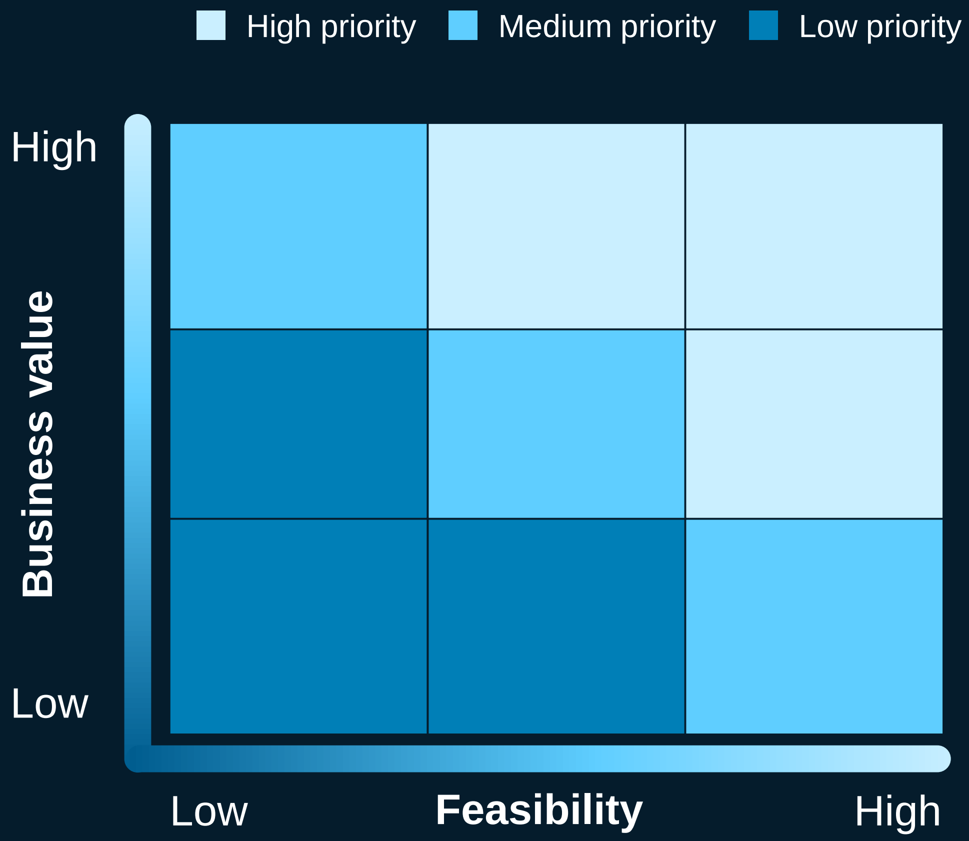
1 Business Value

- Bottom-line impact
- Strategic value to the organization or its customers
- Speed to value
- Customer experience

2 Feasibility

- Data and tech readiness
- Ease of change adoption (including capabilities) and timing to value capture
- Synergies and interactions with other projects

Domain Prioritization Matrix



CPG Digital & Analytics leaders outperform on the 10 Foundation dimensions

% difference in Digital and Analytics maturity for Leaders and Laggards by Foundation dimension

XX% % higher score - Top quintile vs Bottom quintile   # Gap > 50%

Foundations

1. Skills & Capabilities

85% — **Design**
Consumer-centric products and experiences

59% — **Analytics**
Maturity in multiple fit-for-purpose AI/ML methodologies

56% — **Talent**
Attracting & retaining new skillsets and leveraging the right vendors

2. Operating Model

81% — **Organization**
Clear roles & responsibilities across digital, analytics and technology capabilities

55% — **Planning & Funding Model**
Prioritizing D&A and enabling iterative builds

31% — **Action Plan**
To deliver use cases and enablers in concert

34% — **Agile Ways of Working**
A new clock speed, iterative mindset and daily business engagement

3. Technology

29% — **Flexible Architecture**
based on modular, de-coupled and re-usable services

20% — **Security & Privacy**
built into all that you do

4. Data

48% — **Data**
Integration, harmonization and accessibility

While all 10 dimensions are critical to deliver an integrated transformation at scale **5 dimensions have largest gaps** between leaders and laggards

For most consumer companies, digital & analytics continues to be a journey

Maturity

Building insights

Exploring digital & analytics through pilots

No value captured

Capturing value

Achieving results **on few use case pilots**

Limited business leader engagement

Continues to be a niche "Function"

Achieving scale

Sizable value captured from **multiple use cases**

Several use cases rolled out @ **scale** – company or network-wide

Many business leaders engaged through agile, a new way of working

Strong CoE, with dedicated resources and commitment

Digital & analytics driven ("BAU")

Part of the company digital & analytics

Digital & analytics **driving significant value across the enterprise, @ scale**

Agile becomes the "BAU" for delivering and scaling uses cases

Case example 1: Digitizing a $100B+ global Food and Agriculture leader

Situation

Client context and scope:

- Large global food & agriculture company looking to accelerate their digitalization journey
- Limited value realization from ongoing digital & analytics efforts in the core business
- Disparate set of investments in building new digital businesses, but have been unable to scale successfully
- Leaders lack the blueprint for accelerated digital-enabled value delivery

Approach

Launched commercial domain transformation in one business unit to demonstrate accelerated value delivery

Step 1: Set digital strategy and roadmap

- Sized value at stake
- Developed customer & sales rep journey maps
- Prioritized end-user pain points
- Co-developed digital solutions (people, process and technology) with end-users to solve pain points

Step 2: Develop minimum viable products (MVP)

- Trained and coached cross-functional product squad
- Setup scalable tech & data infrastructure
- Built & launched functional MVP in 12-weeks

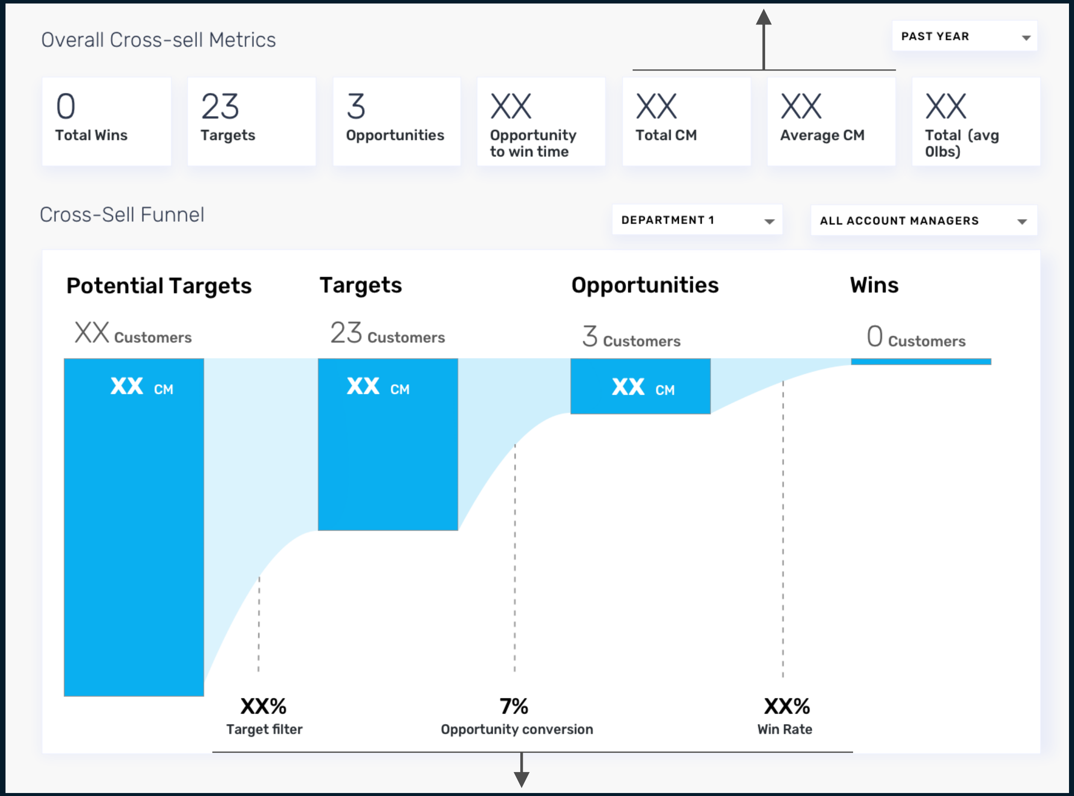
Step 3: Scale & drive adoption:

- Established metrics/KPIs and drove user adoption
- Scaled MVP to additional businesses and geographies

Case example 1: Adoption and Measuring value delivery

Business impact

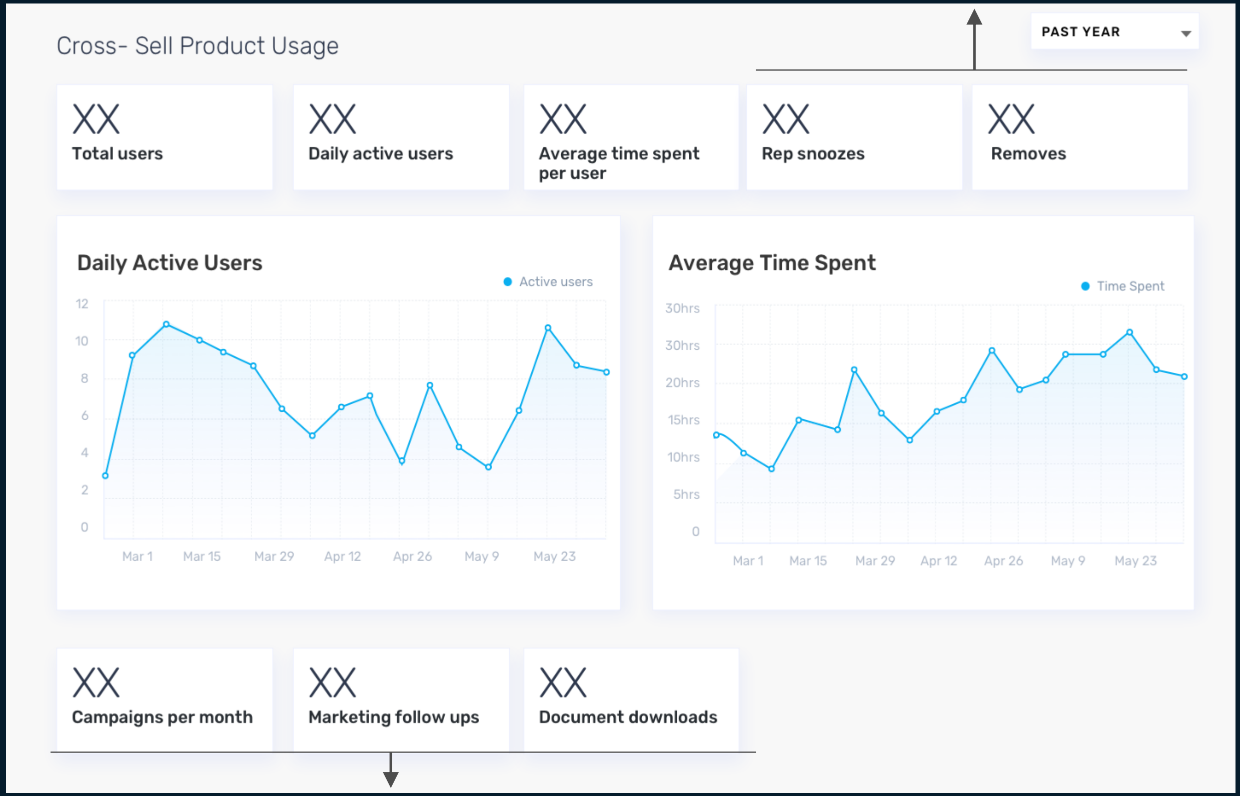
Financial metrics



Funnel conversion metrics

Product usage

Target identification accuracy



Marketing campaign metrics

Case example 1: Outcome – Digitally-enabled commercial growth

$50-70M

Contribution margin opportunity identified that can be captured with digital enablement

Sales

Increase in target conversation rate: Expected 10-20% increase in target to opportunity conversion

Customer experience

80% reduction in onboarding time for all new and existing customers

Digital capability

25+ product owners, developers, and designers coached and trained on individual roles and agile ways of working

Case example 2: Customer-backed experience transformation of an Ag distributer

Situation

Client context and scope:

- Leading fertilizer distributor facing potential disintermediation
- Traditional IT largely outsourced with out-of-date, complex data and tool architectures
- Historically piecemeal efforts unsuccessful, with difficulty getting traction in the decentralized field organization

Approach

Step 1: Set digital strategy and roadmap :

- Built customer journeys that reflect grower needs
- Prioritized ‘killer’ features and functionality by value
- Designed digital organization

Step 2: Build foundational set-up and developed MVP :

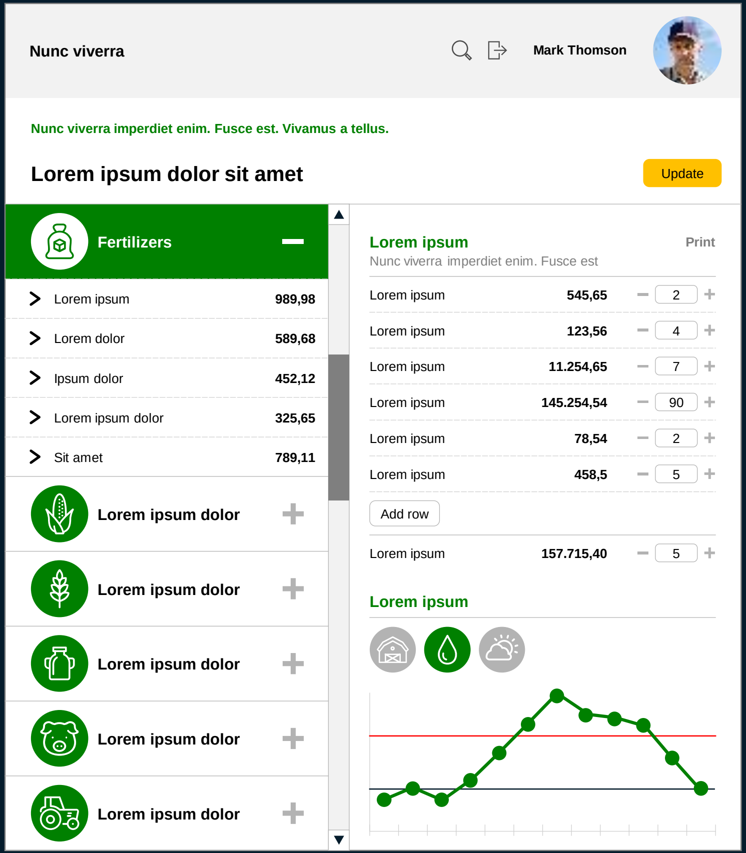
- Created core tech platform and data infrastructure
- Stood-up digital war-room to staff new talent
- Launched prototype with initial use-cases

Step 3: Scale and drive adoption:

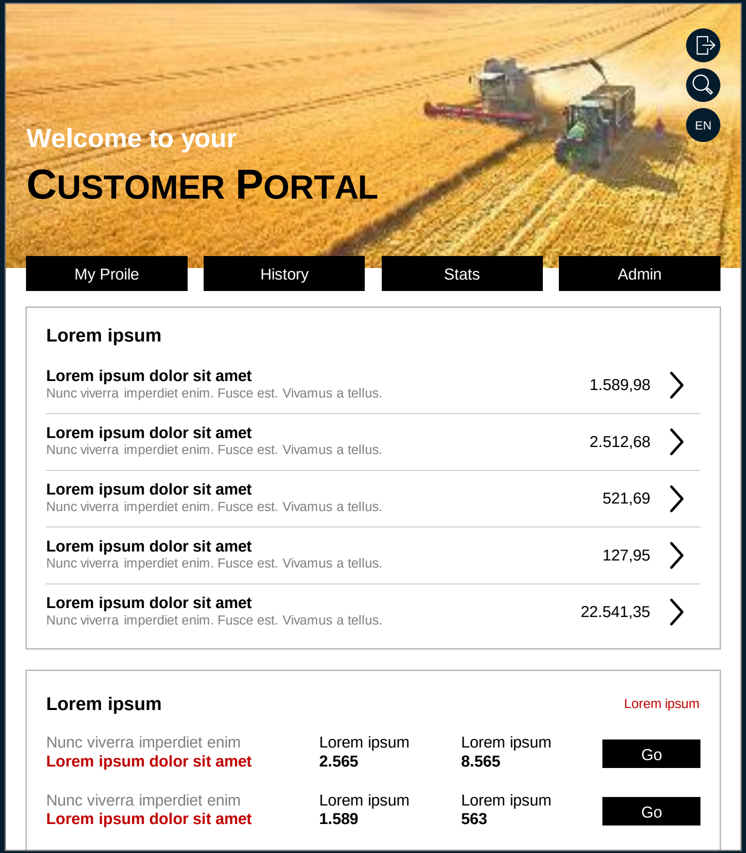
- Established agile@scale operating model
- Drove adoption of new features and functionality (including with incentives and training)
- Created formal talent acquisition, capability building and training programs

Case example 2: Transformed ways of doing business for their customers

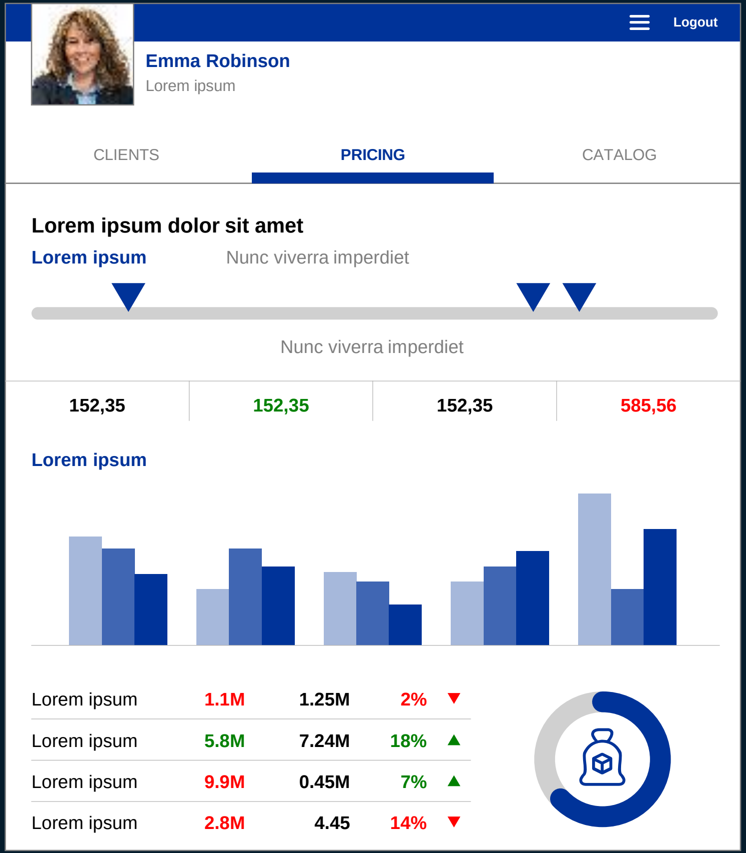
Crop planning and research



Customer experience hub



E-commerce purchase tool



Case example 2: Outcome - Digitally-enabled sales and marketing

>60%
Customer revenues registered on the online portal within 6 months of launch

~8%
Year-over-year sales uplift potential identified, with grower level growth insights

Sales

Improved sales effectiveness: Technical sales reps equipped to identify high potential growers within minutes

Marketing

Maximized marketing ROI: Central marketing team planning campaigns around target grower areas

Digital capability

80+ product owners, developers, and designers coached and trained on individual roles and agile ways of working

How we deliver in partnership with clients?

Illustrative

Identify opportunities	Build Minimum Viable Product (MVP)	Scale solutions, capabilities & drive value

10 weeks

Conduct top down opportunity sizing of commercial levers

Define customer & sales rep journey maps

Prioritize & map pain points to commercial sources of value

Define potential digital solutions that enable new customer/sales rep experiences

16 weeks

Develop MVP

- Design & develop prototypes of prioritized use cases
- Code minimum viable products
- Roll-out MVP to the field, and drive adoption

Develop capability

- Onboard and coach digital squad (product owner, designers, developers)
- Design operating model for new capabilities
- Build tech & data foundations
- Develop CI/CD pipeline for automated deployment

12+ months

Conduct product increment planning sessions and develop detailed product roadmaps

Scale MVP use cases to north star

Develop additional use cases (e.g., e-channel expansion, new service offerings)

Scale developed digital solutions – cloud infrastructure, analytics, etc.

Value capture supported by a Transformation Office with metrics and tracking from MVP launch

We need to act NOW – Digital is already disrupting the traditional value creation

1. Digital transformations are hard work and take time, dedication and perseverance
2. It’s not a marketing thing, an app thing, or a tech thing – it’s a whole-business effort
3. People –capabilities, ways of working and culture –are what separates the leaders from the laggards
4. Historic leaders are squeezed between powerful competitors set with deep pockets (own and from VC) and the rise of more nimble, small disruptors
5. There is no silver bullet playbook –but plenty to steal with pride and test and learn. Only inaction is impossible

Thank You