Says

Insights & Analytics
Translating consumer insights and big data into concrete initiatives that drive above-market growth.
A company's ability to drive above-market growth hinges on the depth of its consumer insights and how well it translates those insights into effective action. Our area of work is made up of more than 130 dedicated insights and analytics experts and professionals—with more than 900 years of collective experience in 12 countries and 25 cities across the world—focused on helping our clients do exactly that.
To develop deep customer understanding, we employ a range of quantitative and qualitative marketing research approaches plus big data techniques that are both innovative and pragmatic. We've grouped our capabilities into two areas:
Consumer & Shopper Insights
Insights into consumers can help companies spark innovation, uncover the most promising (though not always most intuitive) sources of growth, and develop or maintain successful products and brands. McKinsey's qualitative and quantitative marketing research approaches, tools, and techniques help our clients discover why their customers behave as they do at every phase of their purchase decision journey, understand their customers' experiences, and dig deeply into their best drivers of customer loyalty. By applying these insights, our clients can develop innovative and differentiated marketing strategies that include effective value propositions, segmentation, branding, product design, pricing, and customer experiences.

Advanced Analytics
McKinsey's Consumer Marketing Analytics Center (CMAC) accelerates the potential of big data by translating insights from advanced analytics into action across the marketing and consumer-facing organization. Using its global team of analytics professionals with deep expertise in all aspects of big data acquisition and interpretation, CMAC has acquired a track record of success identifying and applying best practices to create insights-driven organizations across a range of industries, including retail, consumer goods, banking, insurance, telecom, media, and healthcare.
What we do
Our goal is to help our clients develop a set of practical and interlocking capabilities that reveal—and maximize the profitable use of—the data appropriate to their situation. We do this by:
• **Discovering insights by analyzing multiple data sources.** We identify and source both relevant internal and external data, and help upgrade the necessary IT infrastructure. We focus on speed to deliver consumer insights quickly, sometimes in as little as 10 days.
• **Designing programs based on the insights generated.** We work with leaders and frontline users to develop internal processes and incentives as well as a culture that uses insights for profitable decision making. We build prediction and optimization models, for example, to focus on the biggest drivers of value. These models balance complexity with ease of use. In setting up programs, our aim is to create an ongoing "insights factory."
• **Delivering insights-driven growth for the short- and long-term.** We develop simple tools for the front line and provide training in how to use them to extract meaningful insights from complex data sets. Our state-of-the-art, ISO-certified data center in Atlanta provides IT and data-support infrastructure. Our teams are fluent in a wide range of crucial software languages.
How we help
• **Customer-lifecycle management.** By using proprietary customer data and analytics, clients can acquire, develop, and retain high-value customers more profitably and effectively—and drive the necessary organizational changes from the C-suite through to the frontline.
• **Marketing return on investment.** Our tools track activities along the entire customer decision journey to bring transparency to marketing return on investment. By optimizing the effectiveness of marketing spend across the board, clients can free up 10 to 20 percent of their investment to reinvest for growth or take as bottom-line savings.
• **Pricing and promotions.** Our suite of proprietary methods, innovative research, analytic software solutions, and economic simulators for complex scenario analysis aid clients in pricing, promotions, and trade terms to optimize return on sales.
• **Assortment optimization.** Adopting an analytically driven approach to assortment optimization helps clients determine which items should be stocked where to maximize profit. Our approach has the flexibility to optimize at multiple levels, from department and category down to microspace.

Examples of our work
• Our consumer-insights generation helped a global consumer-goods manufacturer redesign both its product portfolio and packaging.
• Through a rapid deployment of existing solutions and custom-built designs, we partnered with a client to capture an immediate opportunity—in pricing and promotions, marketing-mix optimization, and campaign effectiveness. We applied a proprietary tool to develop targeted recommendation models for acquisitions, revenue generation, and customer retention, and an implementation team to help build and support it.
• We built a test lab for a client who wanted to improve the execution of campaigns and analytic models by testing them before they went into the field. We tested marketing vehicles, monitored and measured performance, and ran peer-group models to continually improve results.
• Our approach helped unify a leading Internet company around a global and enterprise-wide strategic segmentation of customers, enabling effective prioritization and coordination of marketing and product-development activities.
• Following a merger, we collaborated with a retail bank to conduct conjoint-based research into current customers and cross-bank shoppers to achieve financial targets and improve market share.
Featured capabilities
Customer Insights drives growth by leveraging consumer, buyer and market insights. By integrating hard scientific methods, objective facts, and cutting-edge analytics, Insight Solutions help companies generate a 360° view of their customers.
Category Solutions helps retailers and consumer goods companies develop effective assortment strategies based on buyer behavior data. We leverage point-of-sale data, syndicated 3rd party data, and online competitor insights to help category managers sustainably improve commercial performance.
Marketing Solutions comprehensively cover the broad spectrum of tactical and strategic decisions that CMOs are responsible for and help them drive significant topline growth and marketing budget savings by improving mROI and leveraging personalized marketing messages.
Performance Management integrate data from multiple sources to create a single source of truth that helps leaders identify commercial improvement opportunities at the account- and product-level.
We have invested millions of dollars to develop proprietary tools that analyze and visualize data in real time to draw out true insights:
• Our innovative approach to measuring the impact of social media (SocialGRP), and our leading Next-Product-to-Buy modeling are two examples of proprietary techniques designed to deliver lasting impact.

Thinks

What they have in common, though, is that they drive growth by meeting consumer needs better than their competitors do. Core to this consumer focus is a strong belief in insights, and in the active use of a diverse mix of insight tools—new and old, qualitative and quantitative, digital and analog—to get better answers.
Unilever, for example, has successfully engaged in consumer cocreation to launch TRESemmé, a fast-growing dry-shampoo brand that is now one of the best-selling mass hair-care products in the US. Philips has achieved major market-share gains in highly contested home-appliance categories through city-level growth analysis. Thanks to its data-driven recommendation engine, Amazon attributes more than one third of its revenue to cross-selling,1 and Netflix saw its subscribers triple between 2011 and 2015, largely because of its ability to develop hit shows such as *House of Cards*, based on advanced analysis of subscribers' past viewing behavior.2

Developing a better understanding of customers is increasingly a strategic necessity, because fast-moving markets, new technologies, and new business models are changing what customers want and how they shop. Yet many companies still spend the bulk of their research budget on traditional techniques (e.g., focus groups, interviews, and surveys), or treat insights as an afterthought, which leaves them with a limited and often incorrect view of what customers want. That is a recipe for obsolescence in today's economy.

While there is a vast array of marketing analytics and insights capabilities, this article focuses on those tools, techniques, and approaches that specifically lead to new commercial growth, i.e., new products, services, or markets. (An insight is defined as the discovery of a fundamental consumer need that companies can use to create value for the customer and the business.)

Hari Team

Unveiling Market Insights

Does

Getting to a level of understanding about what customers really want requires the ability to understand what motivates consumers, as well as how they shop and make decisions. Based on our work with leading companies and innovative insights vendors, as well as proprietary research, we have identified five research approaches that are best suited for generating the kinds of insights that lead to new growth opportunities.Observing consumers as they shop or use a product is often deeply revealing about their behaviors and motivations. This kind of research is closely tied to behavioral economics, a school of thought that seeks to understand the way consumers actually make decisions. It's also a pillar of design thinking, which puts the customer at the center of a system of interactions with the brand.

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One international food company, for example, was seeking to introduce European markets to a new product: a dip that could also be spread on bread. The CEO believed that countries like France or Italy would be ideal pilot markets, given the countries' obsession with good food. To test this hypothesis, a team of ethnographic researchers conducted "dine-alongs," where they joined subjects in five countries both in restaurants and in private homes.
Through observation and casual conversation, the team found that consumers in two other countries were actually more open than those in France and Italy to international cuisines and new flavors, and would be more receptive to the company's product. Based on this research, the company changed their market-entry priorities and increased their launch targets to more than a 10 percent share in the category, which unlocked additional sales of more than $10 million annually.

Feels

While consumer diaries—literally a written record someone creates to track their daily decisions and purchases—have been around for some time, digital advances and mobile devices have made this kind of research much more versatile, accurate, and accessible. Typical applications include video recording, photographs, and blog posting of food or beverage consumption, media usage, patient journeys, or compliance with medical prescriptions and therapies. What's more, the results are available within days, if not in real time, rather than after weeks or months.

Today, the mass of data about consumer behavior allows marketers to get past broad and often deceptive averages to dive into much more granular levels of insight that can unlock new opportunities. Those who invest in big data and advanced analytics often achieve up to 10 percent sales growth, up to 5 percent higher return on sales, and a margin uplift of 1 to 2 percent.4
A next-generation car-rental company with ambitious growth plans, for example, used advanced data-mining techniques to target new customers more effectively. It started by analyzing its database of driver profiles and trips to identify distinct groups of customer archetypes. The team then pulled in external data from a variety of sources to build a scoring model to identify drivers in a given city or neighborhood who fit one of the ten archetypes the business had developed. They then tailored offers and communications to each of those segments. Within one year, the company grew its customer base by more than 10 percent and increased its revenues by almost 20 percent.
Philips US applied advanced analytics to simulate the market potential for various combinations of price tiers, channels, and product portfolios—not at a country or even regional level, but city by city in dynamic markets.

In a pioneering case, a maker of pharmaceuticals and medical devices used digital diaries to better understand how arthritis patients self-administered injections several times a day. Participating patients used mobile devices to film themselves performing these tasks. Additionally, researchers observed patients at home. The research revealed that some patients skip injections because of the discomfort and pain they cause or the anxiety patients feel. Not all patients, however, admit such qualms to their physicians, who then will frequently prescribe higher dosages of pain medication. A member of the observation team said, "Until now, we have never seen how patients live in their day-to-day lives."

See an example