

Executive summary: CRM and media transformation at an iconic beauty retailer

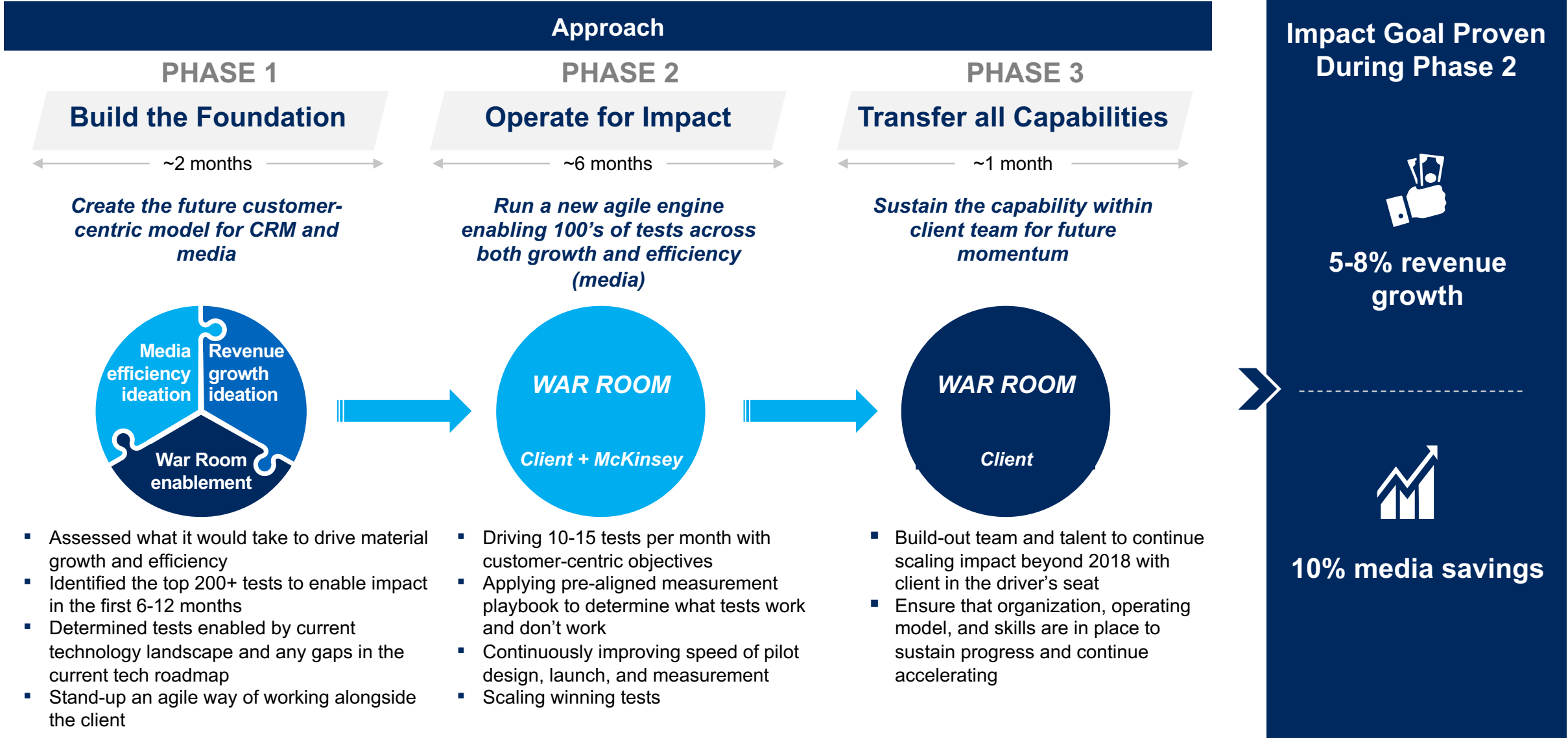
- **What we're doing:** Build / Operate / Transfer transformation for a global beauty retailer with a strong eCommerce backbone, driving topline and bottom line growth while fundamentally reshaping how the organization runs digital marketing through an agile, test-driven and iterative mindset
- **Shared, at-risk goal:** 10% in media efficiencies and 5-8% in revenue growth through customer personalization

Impact:

- Halfway into "Operate" phase (~4 months into ~9 month transformation), line of sight to exceed media savings goal with almost 70% of goal already achieved, 15% of revenue growth goal achieved
- Agile testing scrum teams stood up across media, email, mobile, and site channels (co-staffed between McKinsey and client, including new hires)
- IT and product management working to support agile testing agenda for 2018, with longer-term re-shaping of tech roadmap for 2019 and beyond in development



Our approach: Driving top and bottom line growth simultaneously through an agile marketing build – operate – transfer model alongside the client



Our impact: clear value delivered less than halfway through 9 month transformation

Client context

- Leading beauty retailer in the midst of revamping its loyalty ecosystem, with “top 3” priority to strengthen its CRM and personalization engine to continue accelerating growth
- Some headwinds in 2018: softness in certain category sales and rising competitive pressures from traditional competitors and ecomm giants (e.g., Amazon)
- CEO conversations on power of customer data and potential for CRM to drive growth originating in 2014, evolving into full CEO and C-suite involvement heading into 2018

Client name: CLIENT

Team set-up: EM + 3-5

Fees Structure: Fixed for initial phase, variable / at-risk for later phases

Approach

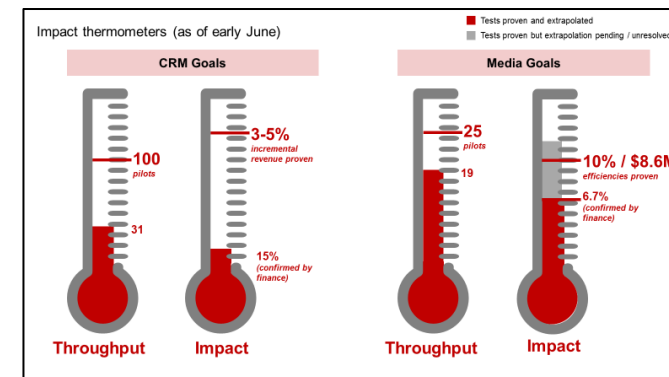
- At-risk partnership approach over ~9 months and three phases: Build, Operate and Transfer
- Build the Foundation:** developed a portfolio of media opportunities and growth actions, with expected value of impact and level of effort. Created technology, skills / people and measurement methodology foundation to prepare agile war room for launch
- Operate for Impact:** driving 100's of pilots across both CRM (growth) and media (efficiency) with impact and throughput goals. Continuously improve speed of pilot design, launch and measurement
- Transfer All Capabilities:** ensure client has built out team, talent and capabilities to continue scaling impact beyond 2018 in the driver's seat

What is unique:

- Integrated efficiency and growth proposition (one of the first war rooms of its kind with dual targets)
- Omni-channel measurement to identify full impact of initiatives across digital and in-store purchases
- Breadth and depth of paid media optimization across full digital working budget (search, display, social, affiliate spend)

Impact

- Halfway through “Operate” phase, line of sight to exceed media savings goal with almost 70% of goal already “banked”; 15% of revenue growth goal “banked”
- Cross-functional agile scrum teams trained and in-place across media, email, mobile, and site channels (co-staffed with McKinsey and clients, including new hires)
- Agile test + learn process and new ways of working stood up and operating daily (e.g., morning stand-ups, horse race charts)
- IT and product management working to support agile testing agenda for 2018, with longer-term re-shaping of tech roadmap for 2019 and beyond in development



What's new and exciting about our work?

1

True “Jazz Band” Approach across McKinsey + Client

- Truly bringing the best of the Firm across multiple service lines, delivery models and skill sets
- Cross-functional McKinsey team comprising generalists, Digital, Marketing & Sales, and Advanced Analytics / expert skillsets, backed by an extended expert network and practice tools
- Dedicated client team working hand-in-hand alongside McKinsey team, including new hires expressly onboarded for the effort

2

Integrated Efficiency + Growth Proposition

- One of the first war rooms with dual marketing efficiency and growth targets
- Efficiency savings being used to self-fund growth initiatives
- Dual targets critical to strike win-win arrangements:
 - Client offsetting OP impact of fees with savings
 - McKinsey's risk diversified across cost + revenue levers

3

Omni-channel Measurement

- Developing an approach to calculate omni impact of (e.g., store sales lift from tests on site / mweb / app)
- Omni-measurement enables us to get full credit for impact driven and will help us better serve a wider range of companies (e.g., salesforce-based companies)

4

Breadth + Depth Of Paid Media Optimization

- Optimizing full digital paid media working budget across search, display, social, and affiliates
- Running spectrum of tests ranging from simple copy and landing page optimization to more complete bid modifier structures and customer-level incrementality testing

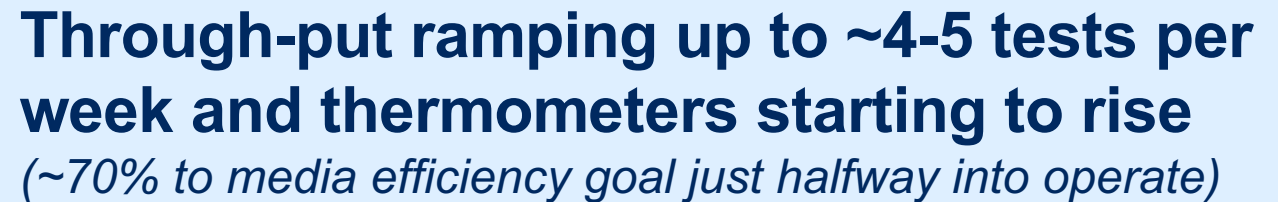
People



Process



Impact



The “jazz band” / bundle approach that drove this effort from proposal to impact to-date

Leadership team with client and functional expertise



Brian Gregg
Sr. Partner



Kelsey Robinson
Partner



Kathryn Rathje
Associate Partner



Roger Roberts
Expert Partner

Core working team with deep experience



Wei Wei Liu
EM



Phil Hu
Associate



Alex Sun
Associate



Xiulin Shen
Analytics Expert



Iwan Tanuwidjaja
Data Science Expert



Jack Zhang
Data Science Specialist



Gaurav Sharma
DMOT / Digital Asc.



Srikanth Dola
Digital / BTO Asc.



Avinash Parthasarathy
Practice Specialist



Haley Tiu
Data Science Fellow



Bryan Schwimmer
Data Science Fellow

Extended expert + advisor network



Cody Butt



Adam Broitman



Dianne Esber



Jeff Jacobs



Zamir Lalji



Serge Ozbek



Rachael Schaffner



Rami Touma



Robert Tas



Jane Wong

Proprietary firm tools and solutions

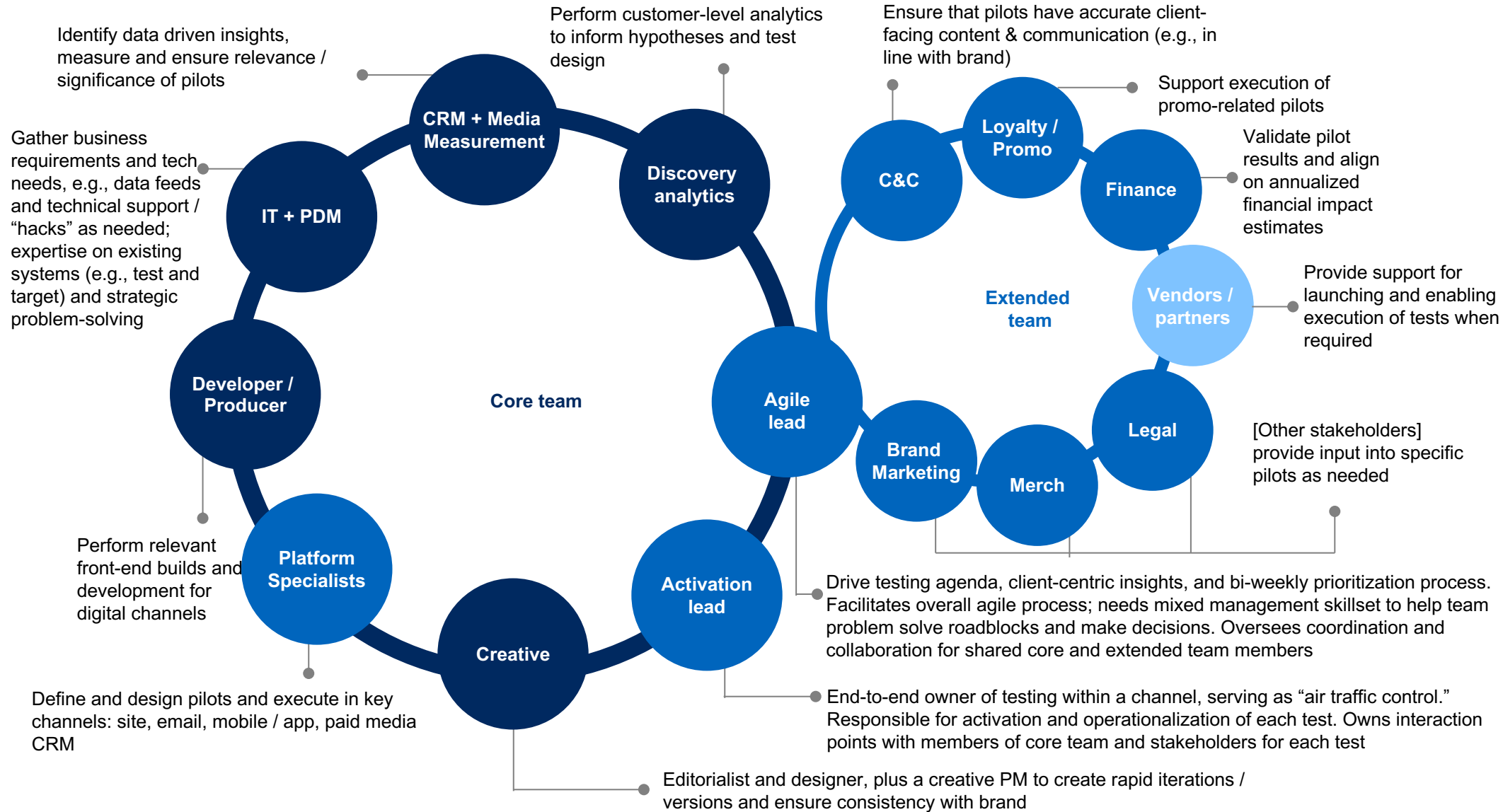


- Customer Acquisition Diagnostic (CAD)
- Agile training / workshop materials

Dedicated client team

- Hands-on exec engagement (marketing, tech, etc.)
- Day-to-day team assigned to war room:
 - CRM / media scrum masters
 - Channel specialists (media, site, email, app)
 - Analytics and measurement
 - PDM / IT

War room structure / roles and responsibilities



A week in the life: Scrum is a new muscle and way of working

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9:45a

STAND-UPS (~60 min total – 20 min each for 3 scrums with staggered starts):

What: Review progress and set goals for the day

Who: Core team + extended team members (pending pilots – e.g., merch if required)

AD HOC (throughout day):

What: Draft test briefs, size, and vet new ideas added to backlog, targeted team problem solving on key issues (e.g., targeting logic or messaging hierarchy for pilot, test design QA), review recently completed / measured tests and discuss banking extrapolation and scaling requirements, deep-dive analytics to inform new hypotheses

Who: All scrum members as needed

PLANNING (60 min per scrum):

What: Review and prioritize backlog for next 1 – 2 weeks, targeted review of results and ideation

Who: Agile lead, activation lead

BI-WEEKLY PRIORITIZATION (60 min):

What: Share prioritized plan for pilots over next 2 weeks

Who: Agile lead, activation leads, CRM / channel / media leadership and mgmt

EXTENDED TEAM MEETINGS (30-60 min):

What: Brief other teams (e.g., promo, merch, brand mktg.) on upcoming needs and timelines / expectations

Who: Agile lead, extended team as needed

MONTHLY LEARNING + IDEATION FORUM (90 min)

What: Share results and learnings from recent pilots, ideation with partners on new hypotheses + tests

Who: Agile lead, activation lead, extended team + partners

5:30p



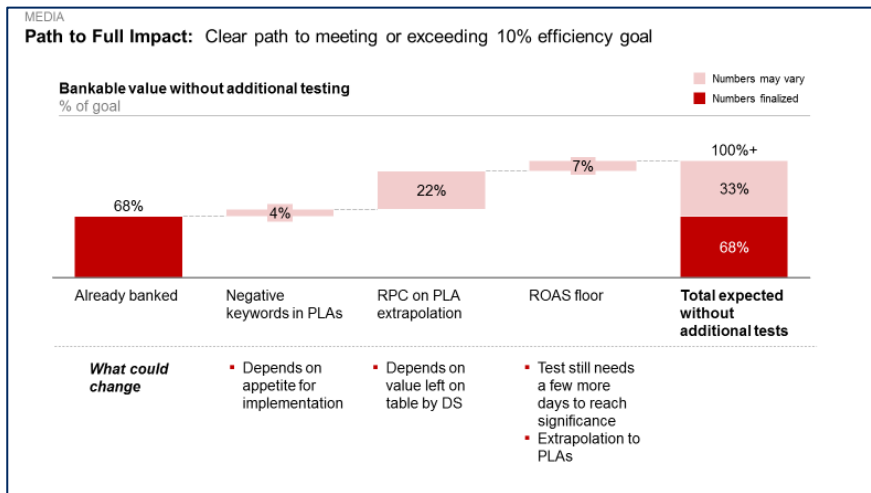
How this is different:

- Co-location with cross-functional team members
- Team empowered to ask questions and make decisions
- Accessible insights
- Rapid test & learn cycle
- Solution-oriented, agile speed, willingness to innovate and ownership mindset

A path to value: clear line of sight to in-year impact delivered

Strong culture of partnership / shared goals encourages forward-looking planning & frequent pulse-checks

Performance tracking and visible metrics ensures focus on delivering impact and unblocking barriers



Scrum metrics and throughput (as of June 2018)

	CRM	Media
Number of pilots launched to-date	31 pilots	19 pilots
Average number of pilots launched / week	3.2 pilots	1.7 pilots
		Goal: 2 pilots
Average number of work days, brief to live	12 days	16 days
		Goal: 10 days
Percentage of tests delayed	61%	50%
Average delay for delayed tests	8 days	8 days
Top causes of delays (based on days)	1) Vendor A set-up / functionality issues 2) Vendor B set-up / functionality issues 3) Team capacity (e.g., dev capacity, PTO)	1) IT unable to provide feed for affiliate discounts 2) Display network consolidation 3) Team capacity / agency timing considerations
Suggested actions	• Dedicated touchpoints and look-ahead planning with vendors / partners • Forward-looking test calendar for team planning	• Consistent touchpoints and look-ahead planning with agencies

