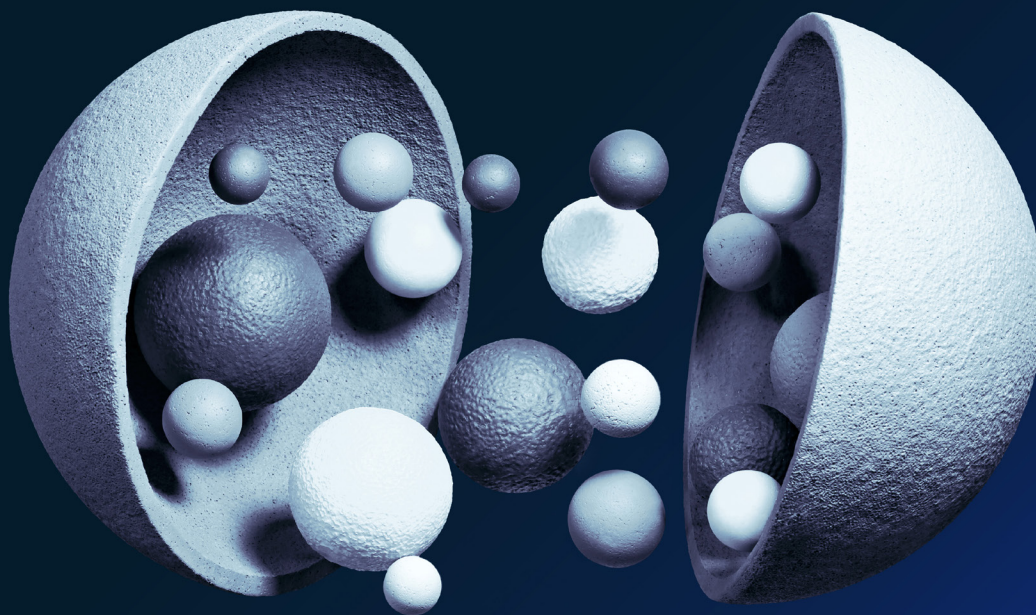


Risk Practice

# COVID-19: Briefing note #88, January 19, 2022

Fallout from the pandemic demands targeted action.



**For much of** the COVID-19 pandemic, leaders have tried to prepare for what might unfold. Today, some of those possibilities have arrived as undeniable challenges that demand new ways of operating. This week, McKinsey looked at fallout, including inflation, young peoples' mental-health struggles, a pattern of "jolting" growth, and the demand for government agencies to improve customer service.

Not since the 1970s has inflation been such a central issue for companies, so finding creative ways to mitigate price increases is a dormant skill in many organizations. McKinsey experts offer a series of steps supply-chain leaders can use to determine whether a price increase is fair, starting by identifying the main cost inputs that have the highest level of change, estimating the percentage of the total cost these inputs make up, and calculating an acceptable price-increase range (exhibit). Response strategies include using a strong fact base for win-win negotiating and exploring new suppliers.

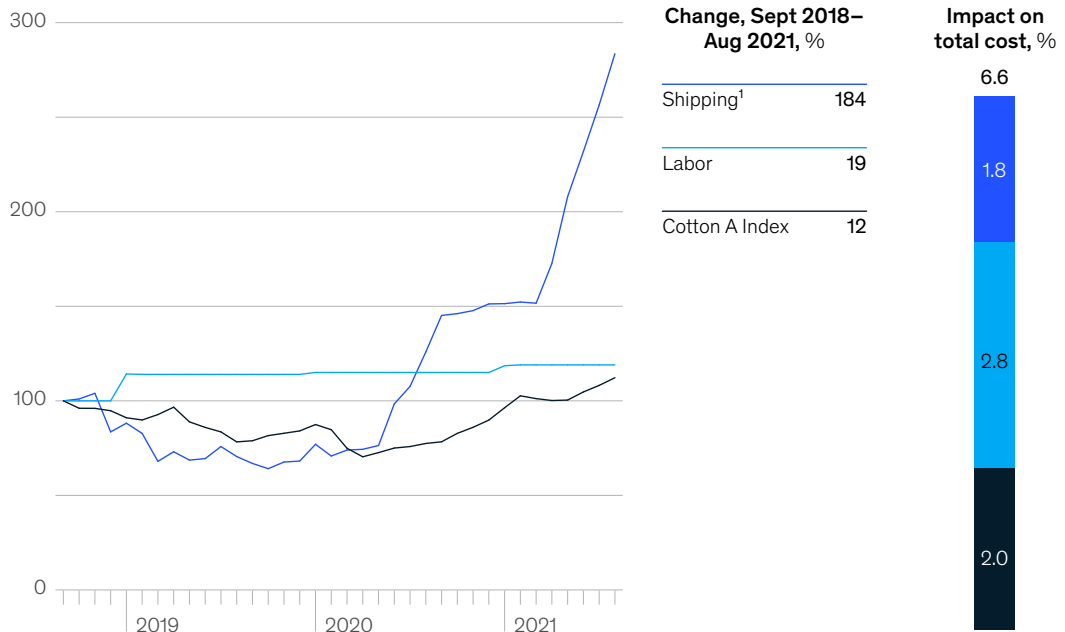
A series of McKinsey consumer surveys and interviews indicated unprecedented behavioral-health challenges facing Generation Z and stark differences among generations. Gen Z respondents were more likely than other generations to report having been diagnosed with a mental-health or substance-use issue, as well as more likely to have sought no treatment for the problem. Gen Z respondents were also two to three times more likely than other generations to report serious thinking about, planning, or attempting suicide in the 12 months spanning late 2019 to late 2020.

There could be a postpandemic boom on the horizon, but it will likely depend on business leaders' ability to respond to productivity and growth "jolts" caused by the pandemic. The onset of COVID-19 brought a set of discontinuities that drove the first jolt to growth and productivity. Now, near-term uncertainties pose risks to growth; however, responding effectively could translate to a second

Exhibit

### Whether an input-cost increase is reasonable depends on a detailed review of its price history

Commodity, labor, and shipping-lane pricing for a 100% cotton T-shirt, index (Sept 2018 = 100)



<sup>1</sup>Average of ocean container costs, Shanghai to US West Coast and East Coast. Source: Emerging Textiles; Xeneta; McKinsey analysis

jolt. The potential third and final jolt may be the largest as companies reshape their long-term strategies to reflect—and define—the next normal.

On the *McKinsey on Government* podcast, McKinsey partner Tony D’Emidio and associate partner Marcy Jacobs discuss how the pandemic forced many government agencies to modernize the customer experience (CX) amid high demand for unemployment and healthcare assistance. Transparency has improved, but there is more work to do so that when citizens fill out applications or forms, they get status updates instead of just wondering what happened. Another insight: better CX brings costs down because satisfied customers call with fewer questions.

Here are other key findings from our research this week:

- Road freight accounts for 53 percent of CO<sub>2</sub> emissions within global trade-related transport, a share expected to rise to 56 percent by 2050 if current trends continue. *Road Freight Zero: Pathways to faster adoption of zero-emission trucks* is a joint publication by the World Economic Forum and McKinsey that describes how countries can reach their emissions goals for road freight.
- With a market of more than \$2.8 trillion worldwide, fragmented retail is poised to be transformed by “eB2B” players: portals and applications that replace the in-person sales

model for small retailers and restaurants. By understanding the market structure and properly setting the scale and speed of change, companies can design an eB2B solution capable of disruption.

- Reaching net zero in the cement and construction value chain by 2050 will require the buildings and construction industry to decarbonize three times faster over the next 30 years versus the previous 30. At the COP26 Climate Change Conference in Glasgow, Scotland, McKinsey brought together global property owners, contractors, materials suppliers, investors, equipment manufacturers, and disruptors to define the path forward. Among the takeaways: the industry can boost innovation by developing common standards and shared R&D resources.

*What makes a CEO great? In this edition of Author Talks, McKinsey senior partners Carolyn Dewar, Scott Keller, and Vik Malhotra discuss their new book, CEO Excellence: The Six Mindsets That Distinguish the Best Leaders from the Rest (Scribner, March 2022). The authors interviewed 67 CEOs worldwide who met their criteria for excellence and diversity of both background and approach and identified keys to excellence that can provide lessons for any type of leader.*