# KPMG

# Customer first.
# Customer obsessed.

*Hong Kong customer experience insights*
*2019 edition*

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# About this research

KPMG's Global Customer Experience Excellence (CEE) programme has been dedicated to researching best practices in customer experience across the globe since 2010.

The research for this report was collected in April 2019 via an online survey of 1,999 Hong Kong (S.A.R), China-based consumers. Survey respondents, who comprised a representative sample in terms of gender and age, evaluated 94 local and international brands across five different sectors (financial services, grocery, retail, travel & hotels and logistics).

In order to participate in the research, respondents must have interacted with the included brands in the previous six months. An interaction is defined as making a purchase, using the brand's products and services, contacting a brand with a query or browsing the brand's website.

CEE scores for sectors and sub-sectors were calculated by taking the weighted average of consumer ratings for each KPMG Six Pillars of Customer Experience Excellence (see descriptions on the next page).

The Six Pillars of Customer Experience Excellence, based on ten years of KPMG research, are a blueprint for brands to provide an exceptional customer experience that can enable and empower strong, sustainable business growth.

Weighting in CEE scores has been derived through regression analysis to understand the relative importance of each of the Six Pillars in driving advocacy (how likely consumers would be to recommend a brand to a friend or colleague) and loyalty (how likely are consumers to continue buying services from a brand in the future).

In addition to the survey analysis, the report includes quantitative research data, consumer feedback as well as interviews with brand representatives and industry experts.

## Five sectors studied:

- **Financial services**
- **Retail**
- **Grocery**
- **Logistics**
- **Travel & hotels**

## The Six Pillars of Customer Excellence

**Personalisation**
Using individualised attention to drive an emotional connection

**Integrity**
Being trustworthy and engendering trust

**Expectations**
Managing, meeting and exceeding customer expectations

**Resolution**
Turning a poor experience into a great one

**Time and Effort**
Minimising customer effort and creating frictionless processes

**Empathy**
Achieving an understanding of the customer's circumstances to drive deep rapport

## Our global Customer Experience Excellence research

**Global research**

10 years of ongoing research

20 markets across the globe

752,096 individual brand evaluations

2,075 cross-sector brands

**Hong Kong (S.A.R), China research**

>90 brands

~1,999 respondents*

*representative sample in terms of age and gender

# Executive summary

As an international city and global trade hub, Hong Kong attracts a plethora of brands, who are all vying for consumers' attention. With so many choices for consumers, Brands need to deliver distinctive and authentic experiences that resonate with customers.

To better understand what Hong Kong consumers value most when interacting with brands, and how brands can deliver on this to gain customer devotion and promotion, we surveyed 1,999 consumers in Hong Kong on their experiences with 94 international and local brands across five different sectors (Financial Services, Retail, Grocery, Logistics, and Travel & hotels).

Based on 10 years of global research across twenty markets, KPMG has defined and validated six fundamental components of Customer Experience Excellence – Personalisation, Integrity, Expectations, Resolution, Time and Effort, and Empathy – collectively referred to as the KPMG Six Pillars of Customer Excellence. Brands that master these have demonstrated increased brand loyalty and advocacy. (For more information on the Six Pillars, please see chart on page 3.)

In Hong Kong, our survey analysis found that Personalisation and Expectations were leading drivers of brand loyalty, while Expectations and Integrity were the most important pillars for driving brand advocacy. Despite some variance between sectors, this suggests that the need for brands to personalise experiences is clear. Consumers are spoilt for choice when it comes to brand selection, but all this choice can also be overwhelming. Brands that make the effort to really understand

their customers and build long term relationships with them are able to offer tailored, targeted and timely product and service offerings that suit customers' changing needs.

Meanwhile, customer expectations are on the rise, as leading brands constantly redefine what a "good experience" looks like. As a result, brands are having to work harder to earn customers' recommendations. Succeeding at this requires a deep understanding of customer motivations and needs, along with the ability to operationalise and implement activities, platforms and processes that achieve the desired experience. Read more about this year's key themes on page 6.

# Survey highlights

## Overall Customer Experience Score*

### 6.9
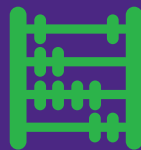
## Key drivers for overall customer experience

- **Expectations**
- **Personalisation**

## What drives consumer advocacy

- **Expectations**
- **Integrity**

## Weakest pillar overall

- **Empathy**

## Customer Experience Excellence (CEE) scores by sector*

| | Sector | Score |
|---|---|---|
| | Logistics | 7.08 |
| | Travel & hotels | 7.06 |
| | Retail | 6.95 |
| | Grocery | 6.87 |
| | Financial services | 6.78 |

## Best performing sector

- **Logistics**

## What drives consumer loyalty

- **Personalisation**

## Poorest performing sector

- **Financial services**

Source: KPMG survey analysis
*CEE scores are based on a 10-point scale (0 = lowest; 10= highest), derived through a weighted average of the scores for brands in each sector for each of the Six Pillars (see page 3 for explanation).

# Key themes

## Truly understanding your customer

Consumers expect brands to make use of the data they provide via online platforms to deliver targeted, customised and unique experiences that meet and exceed their needs. In our survey, Personalisation came out as a top driver for customer experience. This shows that it is becoming increasingly important for brands to get a holistic view of their customers' behaviours, motivations, and needs in order to deliver a personalised experience. As such, investing in digital capabilities such as artificial intelligence (AI) and automation to analyse and act on data and customer insights must be a top priority for brands in Hong Kong.

## Ensuring seamless interactions

Whether it is switching easily between online and offline channels or effortlessly interacting with a wider ecosystem of brands, a seamless customer experience has become a basic expectation for Hong Kong consumers. Our research shows that delivering a seamless experience across channels continues to be a challenge for some sectors, particularly for Financial Services, as customers expect more digitally enabled services.

## Integrity is integral

In Hong Kong, our survey found that Integrity is one of the leading drivers of brand advocacy and loyalty. This reflects that Hong Kong consumers expect brands to be honest and transparent and are choosing brands that reflect their own values. In addition, it suggests that brands that demonstrate trustworthiness and that make 'doing the right thing' a part of their brand strategy are more likely to engage and retain customers.
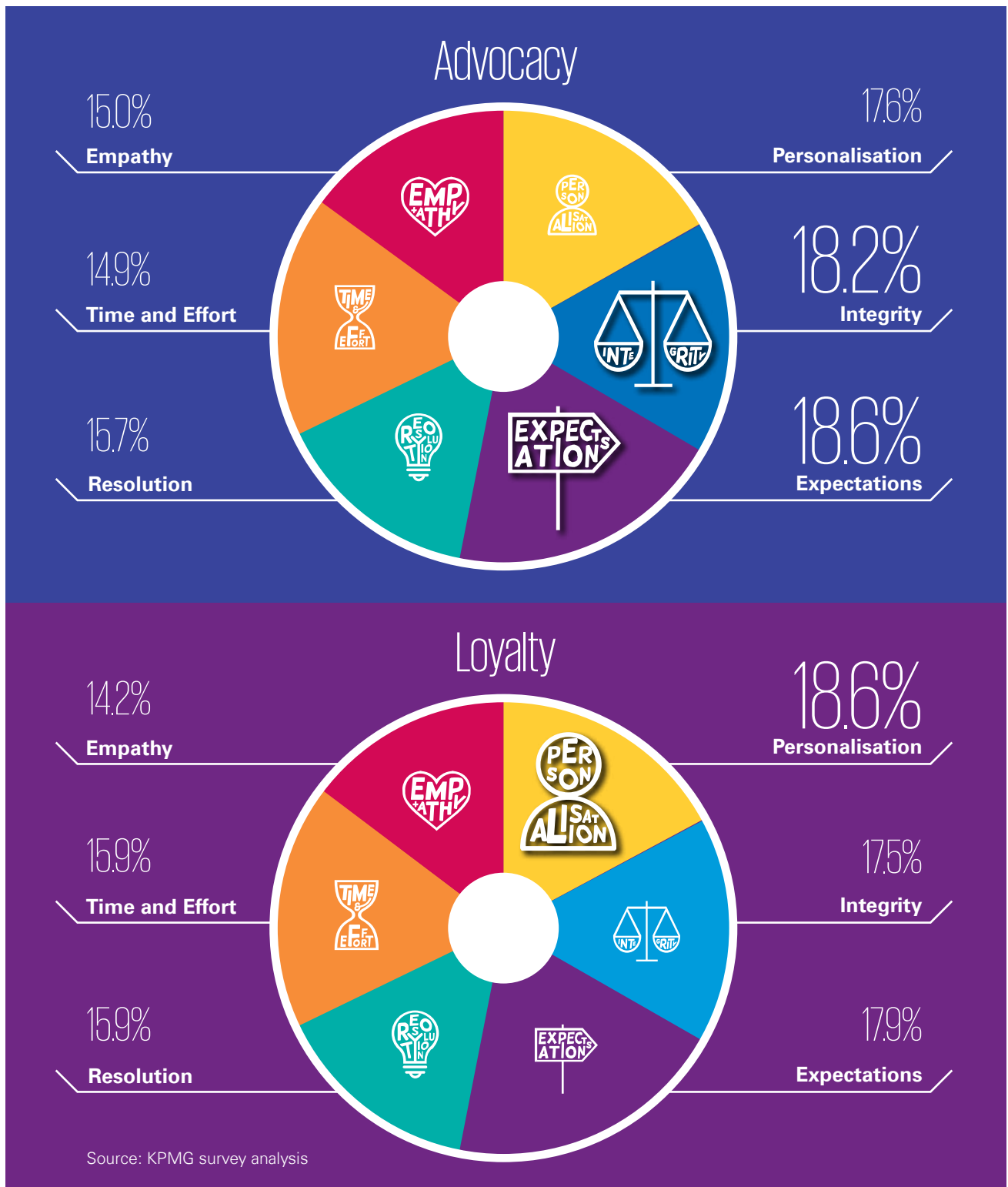
In some cases, customer incidents have served as a test of brands' capability to maintain or repair customer trust. Such incidents can also impact overall customer sentiment towards the industry, compelling other brands to focus on rebuilding customer confidence. Demonstrating a consistent organisational behaviour in response to these incidents is becoming a differentiator and key factor in delivering outstanding customer experience.

# Looking ahead

Overall, the findings highlight the importance of a consistent, organisation-wide customer centric mindset. As we move into 2020, brands need to put their customers at the heart of their business and have support and alignment across the organisation to successfully meet customer expectations and deliver on their brand promise. Across the sectors we studied, leading brands are extending the 'customer-centric' culture beyond their front office – into their middle and back offices – to ensure all of their people are focused on delivering Customer Experience Excellence. More brands in Hong Kong need to embrace this thinking in the coming year in order to improve their chance of success.

## Impact of the Six Pillars on brand advocacy and loyalty

### Advocacy

15.0% Empathy

14.9% Time and Effort

15.7% Resolution

17.6% Personalisation

18.2% Integrity

18.6% Expectations

### Loyalty

14.2% Empathy

15.9% Time and Effort

15.9% Resolution

18.6% Personalisation

17.5% Integrity

17.9% Expectations

Source: KPMG survey analysis

"The best brands apply a customer experience mindset across their front, middle and back offices. They invest in their organisation, people, processes and technology to achieve this."

**Isabel Zisselsberger
Head of Customer and Operations,
Hong Kong KPMG China**

# Sector focus:
# Financial Services

## Banking

Banks understand that delivering a great customer experience can help them differentiate from competitors. Over the past few years, many global and local banks have incorporated customer experience into their mission and strategies.
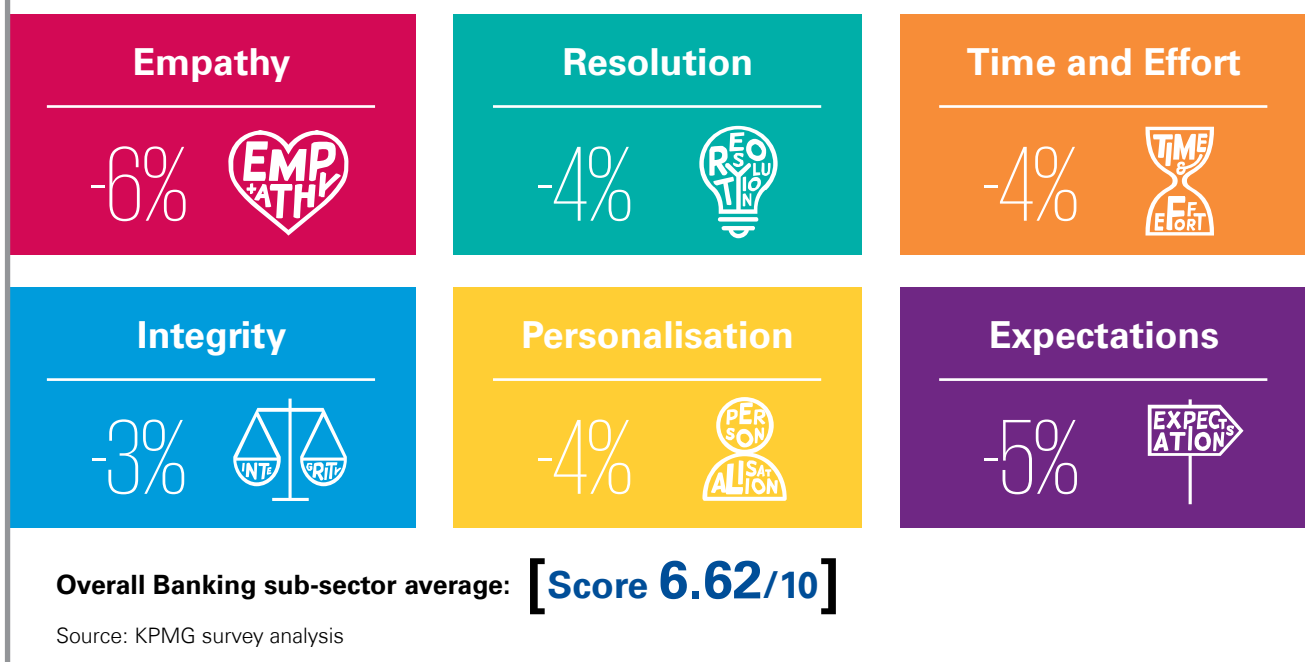
While the industry has made an effort to enhance digital capabilities to make things easier for customers, our study finds that banks in Hong Kong are still catching up when it comes to delivering Customer Experience Excellence.

According to this year's survey results, banking is ranked last among all sub-sectors, performing below the study average in all Six Pillars – especially Expectations and Empathy.

One explanation for this trend is that customer expectations for quality and service have changed. Digital capabilities are now seen as the standard for customers and have raised the bar for banking services. Meanwhile, regulators are also focused on pushing the sector further through the introduction of smart banking initiatives. In particular, the Hong Kong Monetary Authority (HKMA)'s Faster Payments System (FPS) initiative is helping to redefine what services customers expect banks to offer. FPS, which allows real-time payments using a mobile number or e-mail, gained over 2.6 million registered users in the six months since its launch in September 2018[1].

In addition, the launch of HKMA's Open Application Programming Interface (API) framework is growing the banking ecosystem by enabling third party service providers to access banks' programs and data. This allows banks to extend their services

## Banking sub-sector: Six Pillars scores vs. study average

| Empathy | Resolution | Time and Effort |
|---|---|---|
| -6% | -4% | -4% |

| Integrity | Personalisation | Expectations |
|---|---|---|
| -3% | -4% | -5% |

**Overall Banking sub-sector average:** [**Score 6.62/10**]

Source: KPMG survey analysis

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1   Hong Kong Monetary Authority 2018 Annual Report, 2018. https://www.hkma.gov.hk/media/eng/publication-and-research/annual-report/2018/AR2018E.pdf

beyond traditional banking[2]. Since the launch of the program, 20 retail banks across Hong Kong have developed over 500 Open APIs that support over 1,000 products[3].

Enabling banking customers to self-service is now the norm. This is reflected in our survey results, where payment players performed significantly better than the rest of their financial services counterparts, especially in the pillars of Personalisation and Expectations (scoring three percent above study average for both).

Despite wide availability of e-banking solutions, our survey suggests that Hong Kong customers still heavily use branch services and consider long waiting times at branches to be a major pain point. To compete, banks need to consider how to reduce reliance on branches for critical services, while improving the branch service experience to ensure interactions are relevant and valuable for customers. This means understanding customers' desires for purposeful interactions that help them achieve their life goals, not just financial goals.

It is clear that branch and relationship managers (RMs) play a key role in delivering a personalised banking service. Banks must deliver a better employee experience to their RMs and provide them with the tools and skills to be customer champions.

Looking ahead, the HKMA approval of eight new virtual banking licences this year[4] will increase competition and introduce fresh disruption to the traditional banking industry. To become truly customer-obsessed, agile and efficient, banks must embrace transformation and further invest in connecting their front, middle and back offices. This also means transforming employees into brand ambassadors who fully recognise the importance of maximising customer value.

## Acting on customer insights

### PayMe

Only two years after its launch with more than 1.5 million active users and more than three million transactions per month, PayMe, the mobile payment service from HSBC, has become a major e-wallet provider in Hong Kong[5].

In our study, PayMe performed above average in the pillars of Expectations and Integrity. Part of the reason for this may be because respondents value the convenience and simplicity of transferring money between peers. To this point, one survey respondent noted that PayMe is "quicker and easier than traditional payment methods."

Our survey findings also reflect that PayMe understands the increasing importance of acting on customer insights while working to ensure data privacy. As an example, respondents noted that one of the latest PayMe app updates added more control over privacy preferences. The bank communicated the enhancement to customers with the tagline "You asked, we listened" – an approach that aimed to address customers' concerns over data privacy while at the same time making them feel included in the decision-making process.

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2   Hong Kong Monetary Authority press release, 2018. https://www.hkma.gov.hk/media/eng/doc/key-information/press-release/2018/20180718e5a2.pdf
3   Hong Kong Monetary Authority press release, 2019. https://www.hkma.gov.hk/eng/news-and-media/press-releases/2019/07/20190731-3/
4   Hong Kong Monetary Authority 2018 Annual Report.
5   HSBC, 2018 Annual Report, 2018. https://www.hsbc.com.hk/content/dam/hsbc/hk/docs/legal/regulatory-disclosures/annual-report-and-accounts-2018.pdf

# Insurance

As one of the world's major financial centres, Hong Kong is a regional hub for many major insurers, with 13 of the top 20 global insurers operating in the city[6]. Amid this highly competitive landscape, consumers we surveyed rate the industry's customer experience as below average compared to other sectors.

By nature, insurance is a complex industry. Numerous product features and various pricing structures often make it very difficult for the average customer to understand. Customers expect providers to "humanise" insurance, enabling them to make better informed decisions.

In the digital age, customers are increasingly interacting with brands online to complement their physical interactions. The same applies to insurance, where customers expect a more digitally enabled and seamless experience.
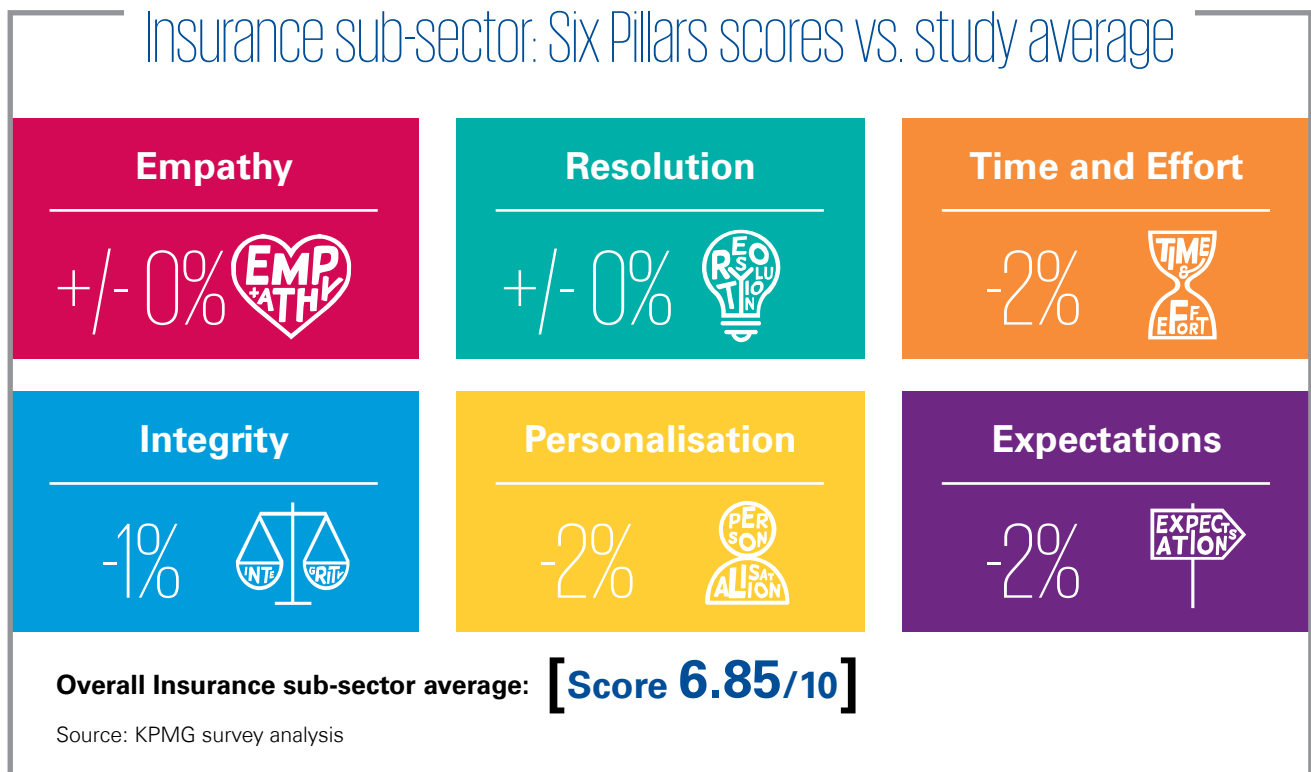
In addition, the rise of Insurtech is now changing the industry, with the Hong Kong Insurance Authority's Fast Track initiative now granting licences for new insurers to operate solely on digital channels[7]. However, our study suggests that even though Hong Kong consumers often research products online,

they still prefer face-to-face conversations with an agent or broker to seek advice and reassurance before they buy.

This year's survey showed that the insurance sector performed below the study average in the Personalisation pillar – one of the key drivers for Customer Experience Excellence. To make experiences more personalised, insurers need to focus on leveraging the vast amount of data available within the wider ecosystem to deliver predictive and personalised experiences across the customer journey. This includes everything from recommending products to ensuring each touchpoint is relevant to customers' needs.

Hong Kong-based insurer FWD, for example, leverages data to build a single view of the customer in their "Customer 360 Dashboard" for agents and call centre staff. Through machine learning, the dashboard provides recommendations on the next best product, as well as cross-sell and up-sell opportunities for each customer. This is then integrated within their campaign management system to develop personalised promotions[8].

## Insurance sub-sector: Six Pillars scores vs. study average

| Empathy | Resolution | Time and Effort |
|---|---|---|
| +/- 0% | +/- 0% | -2% |

| Integrity | Personalisation | Expectations |
|---|---|---|
| -1% | -2% | -2% |

**Overall Insurance sub-sector average:** [**Score 6.85/10**]

Source: KPMG survey analysis

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6    Insurance Authority of Hong Kong, Annual Report, August 2018. https://www.ia.org.hk/en/infocenter/files/IA_Annual_Report_2017_18_English.pdf
7    Insurance Authority of Hong Kong Press Release, December 2018. https://www.ia.org.hk/en/infocenter/press_releases/20181220.html
8    Source: Dr. Yuhui Yao, Group Vice President, Head of Customer Analytics and Behavioral Insights, FWD Group, November 2019.

> **"The future of insurance will not just be digital. Customers expect seamless online-to-offline experiences - they want to conduct research online but also value personal interactions with agents and brokers to seek tailored advice and reassurance at key moments that matter to them"**

**Darren Pigg**
**Partner, Insurance, Customer and Analytics, KPMG China**



However, the future of insurance is not likely to be just digital. Customers will be expecting consistent, seamless and efficient interactions across all channels. To beat the competition, insurers will need to re-think their distribution channels to incorporate a broader eco-system of strategic partners and alliances. Furthermore, they will need to demonstrate to potential customers that they truly understand their needs – well before they become actual customers. They must leverage this understanding to create hyper-personalised products and experiences, while remaining connected to that customer and relevant to them throughout their key life moments.

## Building a Customer-First Culture

### Manulife

Manulife, one of the better-performing insurers in this year's study, outperformed its peers in both the Expectations and Resolution pillars, our analysis finds.

Isabella Lau, Manulife Hong Kong's Chief Customer Officer, says a holistic approach to customer centricity allows the company to tackle existing issues while planning for the future. This is further supported by a "Customer First" culture where employees empathise with customers and are empowered to take action.

"Teams review customer feedback daily, across multiple touchpoints," notes Lau, enabling them to find and fix immediate issues related to customer experience. "The same system informs our ongoing transformation, through which we develop new services and interactions, like our direct-selling consumer website or our e-claims platform."

Getting to where they are today required a culture change within the organisation, Lau emphasises. When Manulife launched its Customer First program in 2017, they offered regular training for staff on empathy and how to be better listeners. In 2018, they unveiled a refreshed set of customer-centric values – including "obsess about customers, do the right thing, and share your humanity."

At the same time, Manulife has transformed its operating model, reorganising its business teams around key experiences along the customer journey. Incorporating agile ways of working, this has allowed employees to make decisions faster and with greater autonomy, Lau says.

# Sector focus:
# Retail

As the Retail sector continues to face challenges in the coming year, it is more important than ever for brands to get close to their customers.
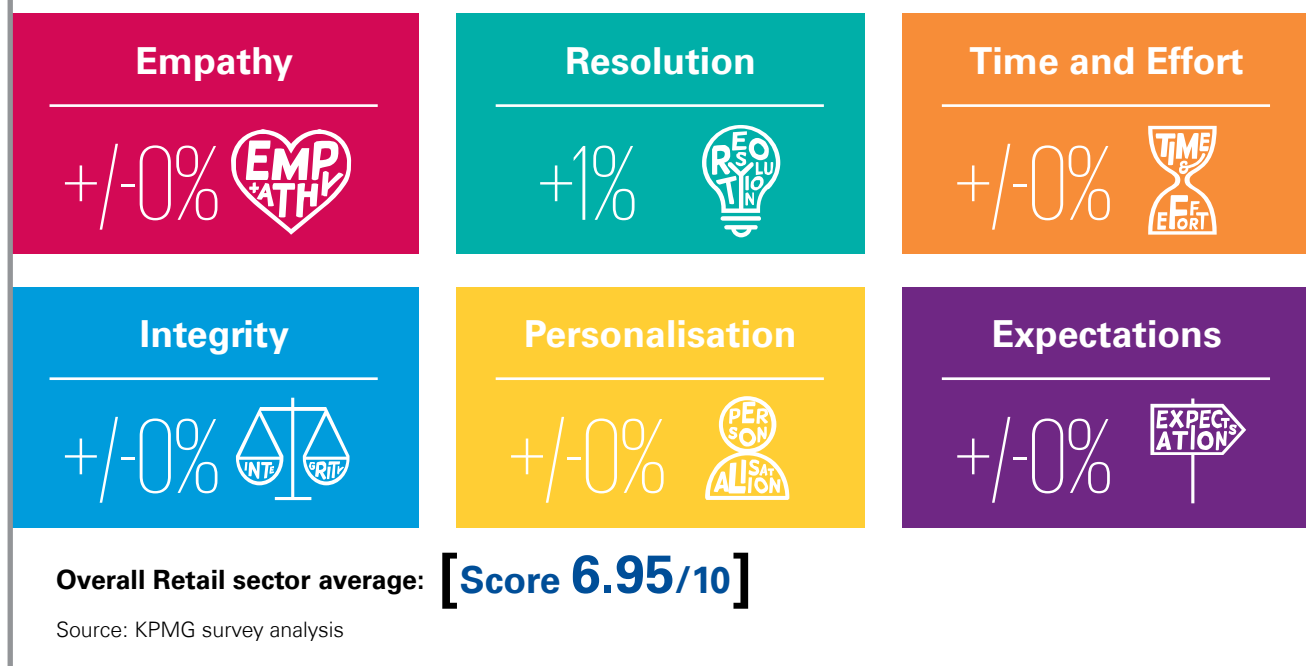
Driven by the strong performance of the Luxury and Luxury Jewellery segments, the Retail sector ranked third overall in our study. The Luxury segment in particular performed exceptionally well, scoring highest amongst all fifteen ranked sub-sectors.

When compared to the study average, the Luxury segment excelled in the pillars of Expectations, Integrity and Resolution. This is a hopeful finding for the industry as our research shows that a company's ability to quickly and graciously resolve customer issues is crucial when it comes to repeat purchases and the likelihood a customer will recommend a luxury brand to family or friends.

Personalisation – the other key driver of loyalty for luxury brands – was also found to be particularly important for clothing retail and online retail. This is most pronounced for Generation Z consumers, a key market segment for many retail brands. In our study, Generation Z respondents identified Personalisation as the single most important driver of loyalty to clothing brands.

In the Retail sector, digitalisation and a shift to e-commerce has allowed many traditional brick-and-mortar retailers to deliver a more tailored shopping experience. One example is jeweler Chow Tai Fook, where customers can browse a wider range of products that are not limited by the stock at the store level. They can also personalise their jewellery purchases using the customised order system, choosing their preferred material, diamond grading or an engraved message[9].

## Retail sector: Six Pillars scores vs. study average

| Empathy | Resolution | Time and Effort |
|---------|-----------|-----------------|
| +/-0% | +1% | +/-0% |

| Integrity | Personalisation | Expectations |
|-----------|-----------------|--------------|
| +/-0% | +/-0% | +/-0% |

**Overall Retail sector average:** [Score **6.95**/10]

Source: KPMG survey analysis

9   Chow Tai Fook, Annual Report, 2019, https://ir.ctfjewellerygroup.com/ar2019_en.pdf

example is Gucci who in 2017 announced that it would be halting the use of fur in all of its products, including in its hugely popular Princetown mule slippers[11].

On The List, a Hong Kong start-up that offers customers discounted luxury brands through members' only flash sales, provides a sustainable way for luxury brands to resell items that they would otherwise throw away from that season. They also work with a number of organisations that benefit the local community and promote the reduction of waste in the fashion industry, and partner with charities aligned to their core customer segment[12].

For retail brands in Hong Kong, understanding what motivates, inspires and influences customers is paramount. Investing in technologies or partnerships to collect and analyse customer data, effectively sharing that data across the organisation and acting on the insights gained will be critical to gaining a real time understanding of what customers want and don't want. Linking these insights to customer journeys and individual touchpoints will allow brands to solve existing pain points and deliver differentiating experiences.

Another trend we see in the Retail industry is the use of experiential marketing. With so many brands vying for consumers' time, attention and business, this offers a way for brands to engage and interact with their customers through unique and exclusive experiences aligned to their customers' interests.

One such example is Chanel's travelling beauty pop-up, Coco Chanel Game Center. In this case, "gamification" turned the traditional shopping experience into an interactive and personalised activity through games such as digital ping-pong and car racing, which were all beauty-themed to feature Chanel's latest products[10].

Armed with information, today's consumers are more environmentally and socially conscious than ever before. They increasingly expect honesty and transparency and choose to associate themselves with brands that reflect their own values. For millennials surveyed in our study, a luxury brand's integrity was an important factor for both loyalty and advocacy. Likewise, for clothing retail, Integrity was by far the most important pillar driving brand advocacy for Generation Z, 15 percent more than for Baby Boomers in our study. Globally we are seeing this impact reflected in changing business models such as rental or second-hand based shopping and a move away from fast fashion to more sustainably and ethically-sourced products.

Recognising that social and environmental responsibility is good for business, brands are trying to emulate the values of their customers. One

## Relating to customers through branding and design

### Louis Vuitton

In our study, respondents rated Louis Vuitton as one of the top-performing luxury brands for customer experience. In addition to being renowned for their high-quality products, Louis Vuitton has launched a variety of pop up stores that not only showcased their upcoming collections, but also endeavoured to convey greater values into their brand and designs. Their recent pop-up store promoted multiculturalism, inclusion and diversity through a themed collection of jackets, shirts and backpacks. In another event, the brand engaged their customers by creating a retro '80s-themed video game experience to coincide with a similar themed collection[13].

10   Chanel, "Coco Game Center", 2018. https://cocogamecenterhk.chanel.com
11   Gucci Equilibrium Environment blog, 2017. http://equilibrium.gucci.com/environment/fur-free/
12   On The List, 2019. https://www.onthelist.hk/#about
13   Louis Vuitton, "Endless Runner Video Game", 2019: https://hk.louisvuitton.com/eng-hk/articles/mens-fall-winter-2019-video-game
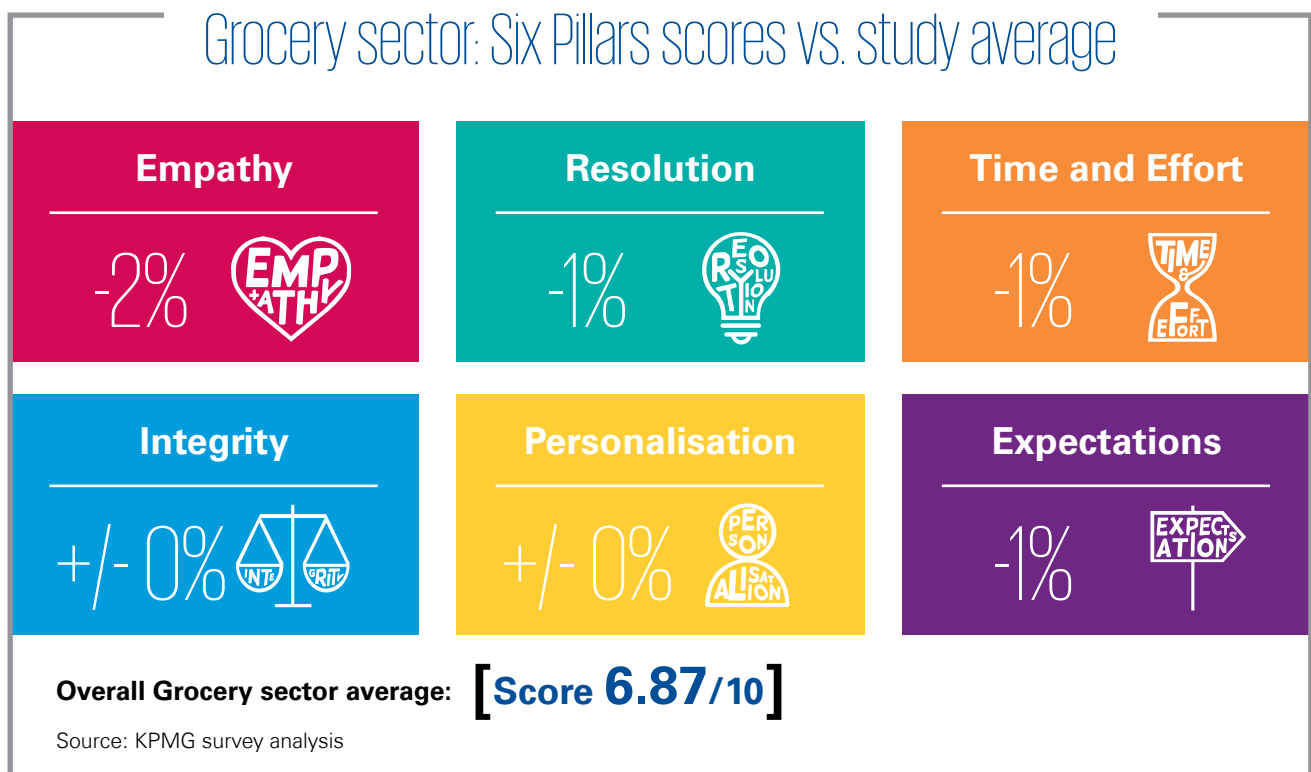
# Sector focus: Grocery

In the past few years, one of the key disrupters of the grocery retail market worldwide has been the rising use of e-commerce, which is transforming how customers experience grocery shopping and engage with grocery brands. In many markets, such as the US, UK and Australia, shoppers are accustomed to the convenience of online shopping with fast home delivery and click-and-collect options, reducing the amount of time they spend browsing the aisles of sprawling supermarkets.

In contrast, Hong Kong's densely populated landscape means that supermarkets are generally less than a 10-minute walk from most residential buildings. In our survey, in-store shopping was cited as the most used channel by respondents despite the availability of digital channels.

However, this finding doesn't imply Hong Kong consumers want to spend a lot of time browsing in stores. In our study, Grocery brands scored relatively poorly on the Time and Effort pillar, which was also found to be the most important determinant of brand loyalty among survey respondents. This was particularly the case for Millennial and Generation Z consumers – suggesting that grocery brands should pay particular attention to these customer segments as they strive to remain relevant to younger generations more familiar with digital channels and e-commerce alternatives.

Furthermore, respondents surveyed were more likely to recommend grocery brands that demonstrate Integrity. This suggests that as consumers grow

## Grocery sector: Six Pillars scores vs. study average

| Empathy | Resolution | Time and Effort |
|---|---|---|
| -2% | -1% | -1% |

| Integrity | Personalisation | Expectations |
|---|---|---|
| +/- 0% | +/- 0% | -1% |

**Overall Grocery sector average:** **[Score 6.87/10]**

Source: KPMG survey analysis

increasingly health-conscious, they wish to better understand the origin, ingredients and quality of products.

One example of a brand that is responding to this trend is Hong Kong-based online marketplace Jou Sun, which claims to have a strict vendor selection process to ensure their customers only receive high quality and traceable goods[14]. Local online retailer Foodcraft aims to cater to customers with dietary restrictions as well as offering a number of ethical and sustainable products such sustainably sourced fish and natural personal care items. There is also a focus on zero waste packaging. They also offer both customer drop off and collection services for glass jars used for Foodcraft products[15].

Despite the dominance of big name supermarkets, the last few years have seen an increase in the number of new companies in Hong Kong challenging the traditional brick-and-mortar business model. These challengers include online platforms, specialist grocers and subscription services. Recognising the opportunity to provide a more efficient and easy way to shop, these companies are building their brand promise on freshness, quality and accessibility. To remain competitive, supermarkets will need to be more attentive to customers' wants and needs in order to cater to the changing market.

14  Jou Sun, "How We Work", 2019. https://www.jousun.com/how_we_work/overview Foodcraft, "Glass Jar Recycling", 2019. https://foodcraft.hk/pages/glass-jar-recycling
15  Foodcraft, "Glass Jar Recycling", 2019: https://foodcraft.hk/pages/glass-jar-recycling
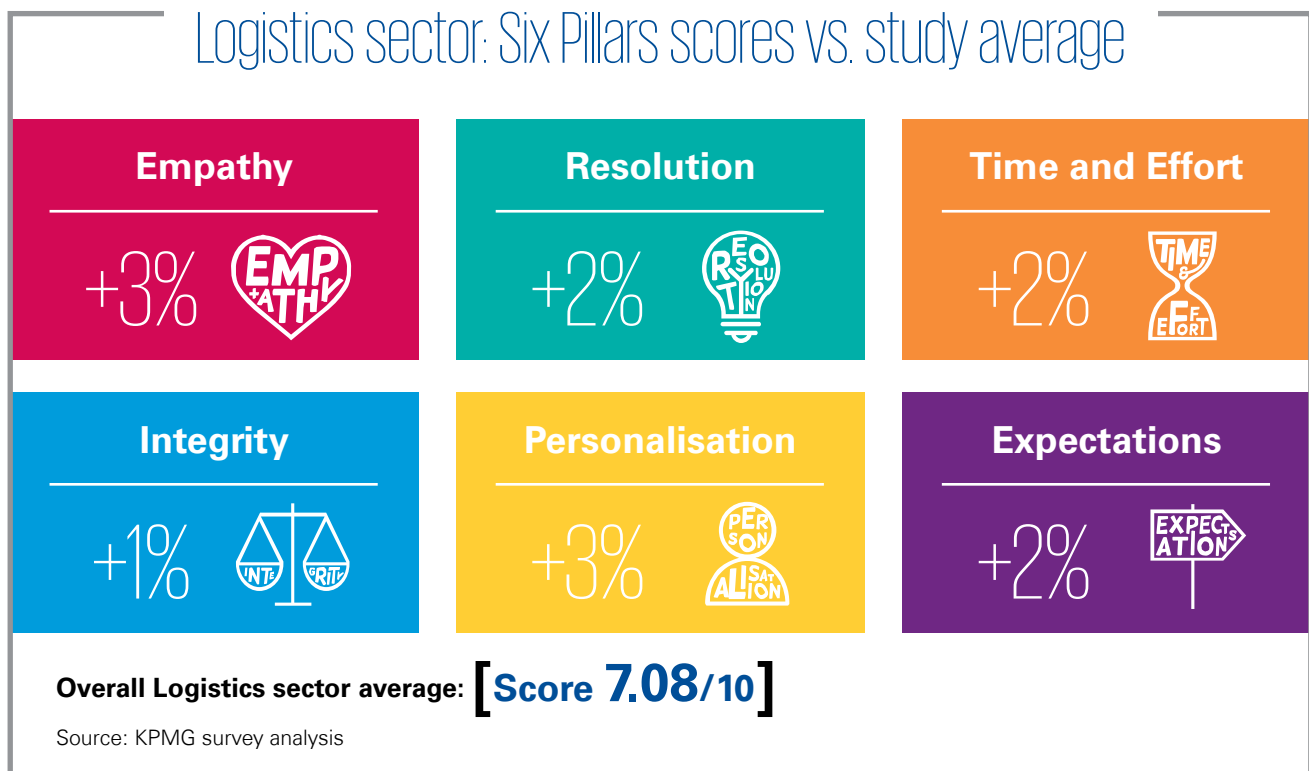
# Sector focus:
# Logistics

Logistics was the top performing sector in our study, achieving the highest score among the five sectors measured in three of the Six Pillars – Personalisation, Time and Effort and Resolution.

Personalisation, along with Integrity, were found to be the biggest drivers of Loyalty for logistics brands. The results suggest that visibility and control on package delivery status enables customers to make more informed choices.

For brands looking to grow their customer base, our study showed that delivering on Expectations is a key driver of brand advocacy. This was even more pronounced for Generation Z consumers, who listed this as a key driver of loyalty for them.

For example, logistics provider SF Express gives customers the option to request delivery notifications, track the parcel delivery route, choose where to have their packages delivered utilising a built-in address book, and reschedule deliveries at their convenience at no extra charge[16].

Meanwhile, to deliver on Integrity and reassure customers on the successful delivery of their goods, logistics companies need to harness data with actionable insights. Major carriers FedEx and UPS have joined the Blockchain in Transport Alliance (BiTA), which advocates for improved standards to track goods and prevent counterfeits in supply chains[17].

## Logistics sector: Six Pillars scores vs. study average

| Empathy | Resolution | Time and Effort |
|---------|------------|-----------------|
| +3% | +2% | +2% |

| Integrity | Personalisation | Expectations |
|-----------|-----------------|--------------|
| +1% | +3% | +2% |

**Overall Logistics sector average:** [ **Score 7.08**/**10** ]

Source: KPMG survey analysis

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16   SF Express, https://www.sf-express.com/hk/en/products_services/Express_Services/Hong_Kong_Domestic/Standard_Express/, 2019.
17   Blockchain in Transport Alliance (BiTA), "BiTA Members", 2019.  https://www.bita.studio/members

Due to customer demand for more transparency in where their products are coming from and how they're made and moved, logistics companies are also integrating sustainable development goals into their business. Logistics and consumer brands are teaming up – not just for deliveries, but also for collection. For example, couriers and foodservice providers can partner to collect and ship waste containers to recycling plants. Partnerships like this help to emphasise the brands' stance in environmental protection, influence other businesses to be green, and can help drive loyalty with customers who value sustainability – which in turn helps to drive customer loyalty.

The logistics sector faces increasing competition from brands outside the sector from technology giants like Amazon, JD.com, and Alibaba, who disrupt the industry with their own logistics networks to serve their e-commerce platforms, delivering customers an aligned yet personalised shopping experience with the brands. Tmall.com, a website for business-to-consumer (B2C) online retail under Alibaba, leverages the group's logistics network called Cainiao. The logistics arm continues to expand its "Cainiao Post" pick-up stations, which is jointly rolled out with express-delivery partners, including STO Express, Yunda Express, YTO Express, ZTO Express and Best Express, to cut down last-mile delivery costs[18].

As Hong Kong retailers respond to changing customer expectations and increased competition from digital players, there are a greater variety of fulfilment options, including Buy Online Pick-up in-Store (BOPUS), Buy Online Ship-to-Store (BOSS) and Buy in Store Deliver to Home. This increase in fulfilment models has created great opportunity for logistics companies with retailers, but also added pressure – they must continue to protect their own brand image but also help retailers to deliver on theirs. Future success will require integrated partnerships where data is shared, so both parties can deliver on customer experience.

## Time-sensitive service with cost transparency

### Lalamove

In our survey, Lalamove outperformed against the logistics industry average for all Six Pillars.

Formerly known as EasyVan, Lalamove was founded in 2013 and provides a local delivery platform with a presence in more than 120 cities throughout Asia. The business provides its online vehicle delivery sharing service through a mobile app.

In our survey, 75 percent of respondents gave Lalamove a score of 8 out of 10 or higher in the Time and Effort pillar.

On its website, Lalamove promises to "deliver anything locally" in approximately 55 minutes. They also provide an online platform showing real-time and live updates over goods, with transparency over costs[19]. In April 2019, the company launched its new LalaExpress Delivery service that promises to deliver within the guaranteed time, otherwise refunding HK$60 (US$7.65) to the customer's virtual wallet[20].

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18  Source: Alibaba Group press release, May 2019. https://www.alibabagroup.com/en/news/press_pdf/p190515.pdf.
19  Lalamove, 2019. https://www.lalamove.com/hongkong/en/home
20  Lalamove, 2019. https://www.lalamove.com/hongkong/en/pricing

# Sector focus:
# Travel & hotels

In our study, the Travel & hotels sector ranked second overall, scoring higher than the study average for all of the Six Pillars.

While most Hong Kong brands struggled with Empathy according to consumers we polled, hotel brands were able to drive deep rapport with their customers, with the Hotels sub-sector scoring 7 percent higher than the study average for this pillar.

Brands demonstrating Empathy recognise the importance of human interactions and empower their customer-facing teams to deliver exceptional experiences. This is reflected in the experience that Hong Kong consumers are receiving. As one respondent in our survey commented regarding an experience with an InterContinental Hotels Group property: "My colleague had specific allergy requirements that required special attention. The hotel staff agreed to provide special attention and care and made his week-long stay comfortable. It felt like a six-star service hotel."

At the same time, travellers' behaviours are evolving. Not only are they looking for destinations that will look beautiful on their Instagram or social media accounts – they are looking for unique experiences and stories to share. This is creating higher expectations for airlines and hotels alike to provide a differentiated and highly personalised experience. As such, being empathetic requires a deep understanding of customer motivations, preferences and circumstances. To this end, brands are investing in technologies and creating partnerships with tech-focused companies to capture holistic views of their customers.

An example of this is Singapore Airlines – last year, the airline formed a joint venture with Chinese technology giant Alibaba focusing on improving traveller experience. The venture utilises Alibaba's digital assets and insights into Chinese consumer

## Travel & hotels sector: Six Pillars scores vs. study average

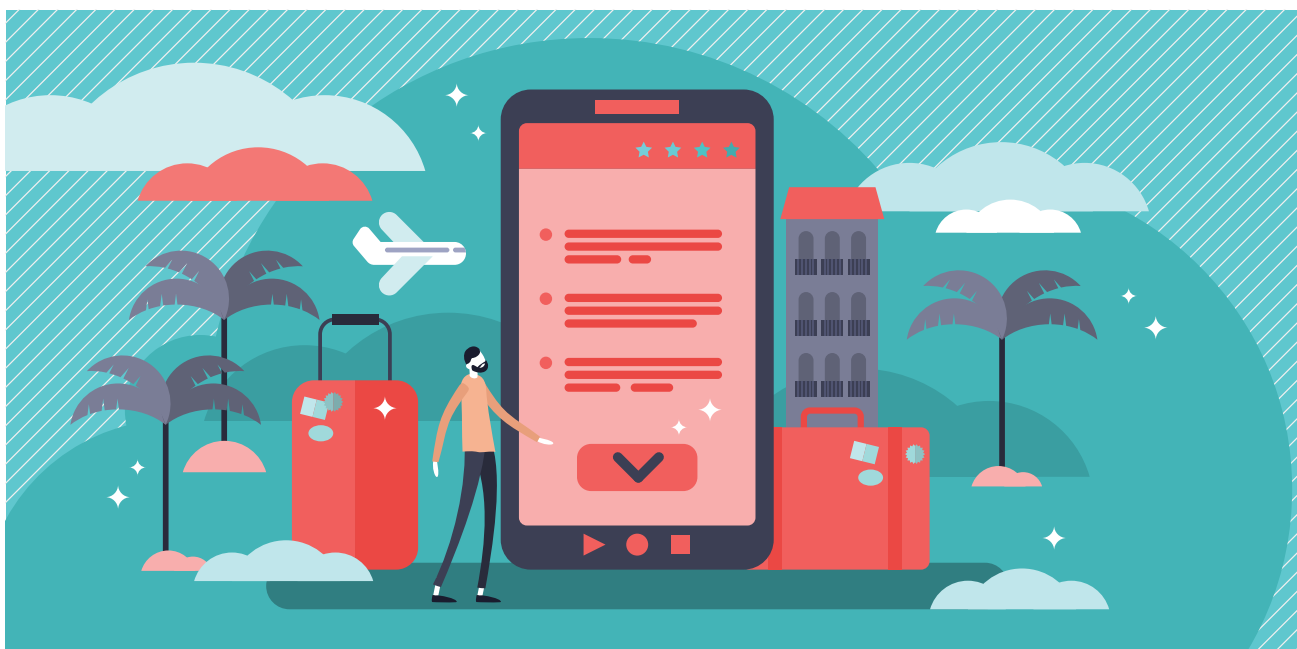| Empathy | Resolution | Time and Effort |
|---|---|---|
| +3% | +1% | +2% |
| **Integrity** | **Personalisation** | **Expectations** |
| +1% | +2% | +2% |

**Overall Travel & hotels sector average:** [**Score 7.06/10**]

Source: KPMG survey analysis

> **As travellers become increasingly connected and demand more dynamic interaction with service providers throughout their journey, brands will need to better understand travellers' behaviour and motivations in order to differentiate themselves and provide a unique experience.**

behaviour to develop more innovative travel solutions, such as syncing their respective loyalty programs (Kris Flyer and Fliggy) to drive cross-promotion of membership services[21].

In addition, Integrity, which measures the extent to which customers trust the brand, is a leading driver of advocacy and loyalty for the Travel & hotels sector. As customers grow increasingly more concerned about how their data is treated, brands are held to a high standard of trust when it comes to data privacy. When that trust is broken, it is imperative for the brand to repair and rebuild trust with their customers.

As travellers become increasingly connected and demand more dynamic interaction with service providers throughout their journey, brands will need to better understand travellers' behaviour and motivations in order to differentiate themselves and provide a unique experience. Partnerships and digital innovations play a role in this, but in the process brands must not lose their 'human touch'.

## Providing a unique customer journey

### Klook and Shangri-La

Hong Kong-based travel activities and services booking technology company Klook aims to provide travellers with a seamless way to discover and book local attractions and transportation, guided tours, dining, and other unique experiences around the world. Klook recently partnered with luxury hotel brand Shangri-La to provide hotel guests the opportunity to discover and book experiences throughout their stay via a tablet at the hotel concierge. This allows guests to create their own unique journey from booking must-eats and tours or popular attractions. Guests can also earn points with Shangri-La's loyalty programme, whilst earning or redeeming points on Klook[22].

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21  Alibaba Group press release, August 2018. https://www.alibabagroup.com/en/news/press_pdf/p180821.pdf
22  Shangri-La press release, December 2018: http://www.shangri-la.com/corporate/press-room/press-releases/shangri-la-and-klook-announce-strategic-partnership-to-provide-seam-less-guest-e/.

# Getting connected

The prevalence and adoption of technologies such as cloud, mobile, Artificial intelligence (AI) and the Internet of Things (IoT) have helped companies to better understand and engage their customers, facilitating a move away from a focus on products or services to a focus on customer value. While a powerful enabler, technology alone is not enough. Leading organisations are combining digital transformation with unconventional business models to get connected and create exceptional experiences in the following ways:

## Connecting with customers

High performing organisations are connecting to their customers with compelling experiences and personalised products and services to engage their most attractive customers.

## Connecting with employees

Aligning and empowering employees to deliver on the customer promise is paramount. To do this, organisations must build a customer-centric culture that inspires and rewards their employees for putting the customer at the heart of everything they do.

## Connecting front, middle and back offices

Customer obsessed organisations are breaking down functional silos and integrating front, middle and back offices to support the customer agenda, ensuring that a customer first culture pervades the whole organisation.

## Connecting the ecosystem of business partners

Leading brands are building ecosystems around their customers, finding the right partners and solution providers to jointly deliver on commitments to customers and create seamless experiences that make it easy for customers to do business with them.

## Connecting to market dynamics and digital signals

Capturing and integrating data allows companies to better understand their customers' needs and wants as well as the health of their businesses.

KPMG's Connected Enterprise defines the capabilities that leading organisations are investing in to get connected. Our research shows that companies investing in these capabilities are twice as likely to be successful in meeting customer expectations, delivering return on investment and achieving their business objectives.

**"It is essential for organisations to deliver a seamless experience to remain competitive."**

**Caroline Smyth
Associate Director,
Customer and Operations,
KPMG China**

# What does 'good' look like?
# Seven customer experience expectations

**I want personalised and customised products and services that suit my needs even before I realise them myself**

**I expect a consistent and seamless experience when interacting with the same brand across multiple channels**

**I want to define my own journey when interacting with brands. Which means that I want to interact with them where, when and how I desire it**

**I expect brands to make good use of the large amount of the personal data I share**

**I trust that brands I interact with will keep my personal information safe and use it solely for the purpose it was intended for**

**I expect innovative experiences enabled by technology**

**I value when a brand's employees take care of my needs**

Source: KPMG Global Customer Experience Excellence Programme

# About our Customer Advisory practice

Digital disruption and rising customer expectations are creating a competitive market environment, where loyalty is hard won and easily lost. If you cannot deliver what your customers want, when and where they want it, they will approach someone who can. Yet, there is no point in creating a breakthrough customer experience if the new business model runs at a loss.

Our KPMG Customer Advisory practice offers a suite of services that can help you achieve profitable, sustainable growth through customer-centric thinking. This is all about getting close to your customers – and staying there.

We work collaboratively to help you:

- Embed customer service excellence and drive loyalty

- Drive customer revenue and growth in traditional and disruptive channels

- Optimise customer experience across channels

- Design and implement new operating models to address cost pressures while meeting customer expectations

- Deliver an exceptional digital experience

- Manage the innovation process to capitalise on market disruption and uncertainty

Our team can support you throughout your customer transformation journey – including customer experience design, optimising your operations, using technology as an enabler, and gaining data-driven insights – to help you build a connected enterprise that can achieve long-term growth.

# About KPMG China

KPMG China is based in 23 offices across 21 cities with around 12,000 partners and staff in Beijing, Changsha, Chengdu, Chongqing, Foshan, Fuzhou, Guangzhou, Haikou, Hangzhou, Nanjing, Qingdao, Shanghai, Shenyang, Shenzhen, Tianjin, Wuhan, Xiamen, Xi'an, Zhengzhou, Hong Kong SAR and Macau SAR. Working collaboratively across all these offices, KPMG China can deploy experienced professionals efficiently, wherever our client is located.

KPMG is a global network of professional services firms providing Audit, Tax and Advisory services. We operate in 153 countries and territories and have 207,000 people working in member firms around the world. The independent member firms of the KPMG network are affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. Each KPMG firm is a legally distinct and separate entity and describes itself as such.

In 1992, KPMG became the first international accounting network to be granted a joint venture licence in mainland China. KPMG was also the first among the Big Four in mainland China to convert from a joint venture to a special general partnership, as of 1 August 2012. Additionally, the Hong Kong firm can trace its origins to 1945. This early commitment to this market, together with an unwavering focus on quality, has been the foundation for accumulated industry experience, and is reflected in KPMG's appointment for multi-disciplinary services (including audit, tax and advisory) by some of China's most prestigious companies.

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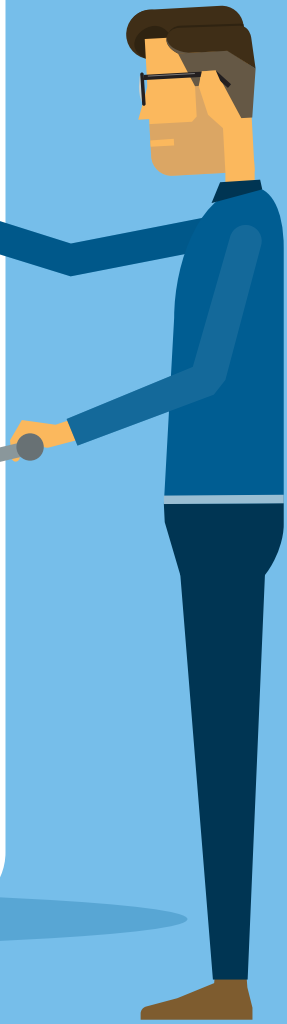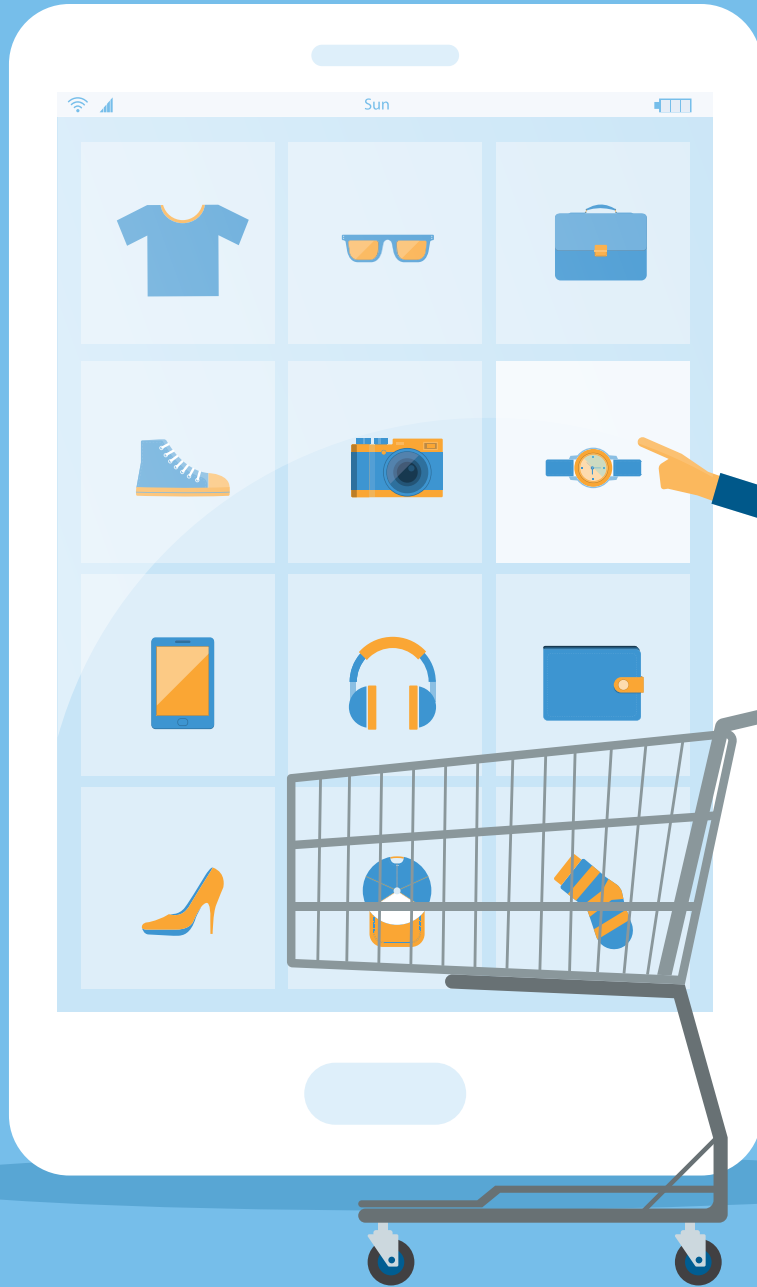
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