



Customer experience in the new reality: Hong Kong (S.A.R) edition

Customer Experience Excellence Report – 2020 edition



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Overview



Customers in Hong Kong expect brands to deliver better, safer and more seamless interactions in the new reality



Value and pricing are becoming a much more important driver to build on customer loyalty

Customers' search for value for money is much more than just short-term margin dilution. Customers are more financially constrained and are, therefore, reducing their spend on non-essential goods. For instance, the Hong Kong customers most affected economically and psychologically by the COVID-19 pandemic are less inclined to pay a premium to have experiential experiences and are starting to defer non-essential purchases.



Customers in Hong Kong are more digitally savvy and are embracing the ease with which they can interact with organisations through digital channels

Customers of all ages value organisations who deliver high levels of innovation and greater digital access to purchasing and customer support. In Hong Kong, we observe increased expectation that organisations will continue to enhance their capabilities to offer seamless experiences across channels.



Customers increasingly purchase from organisations they trust and that are able to show commitment to social aims

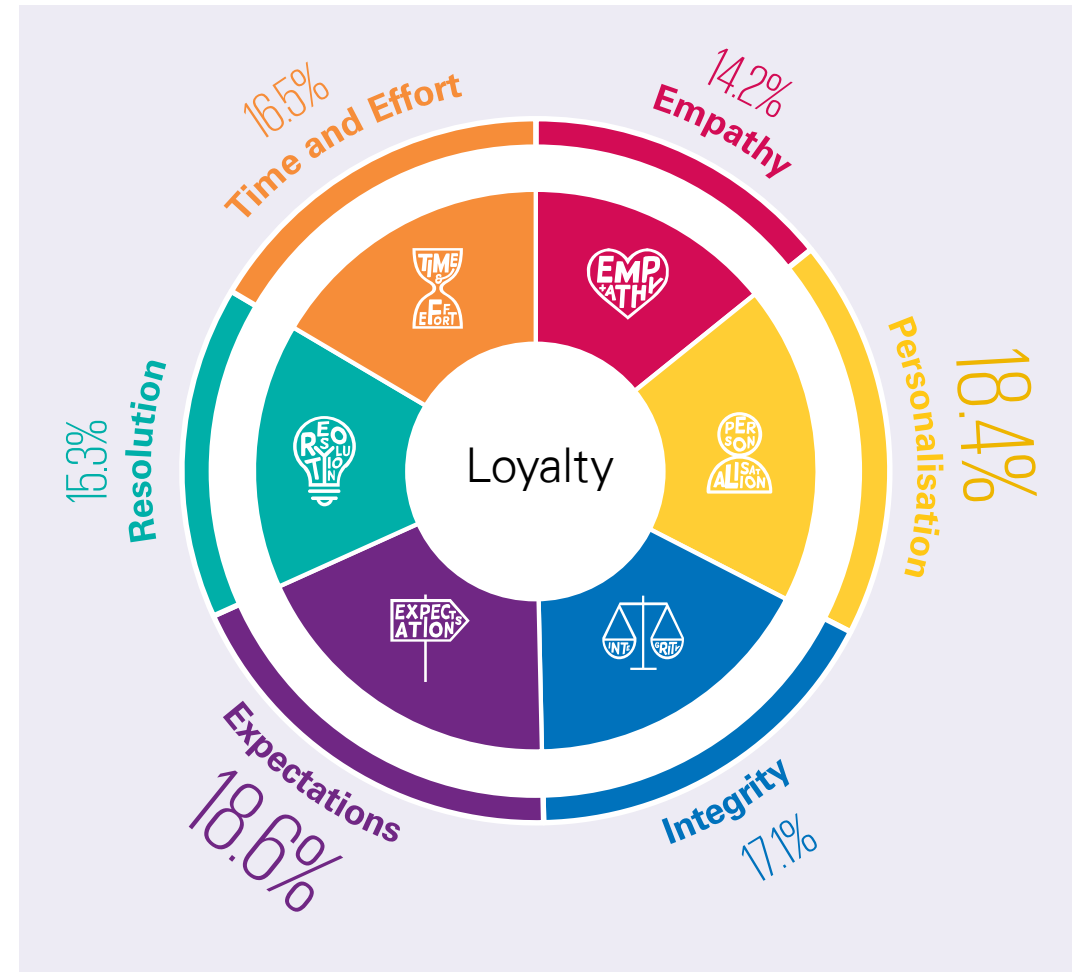
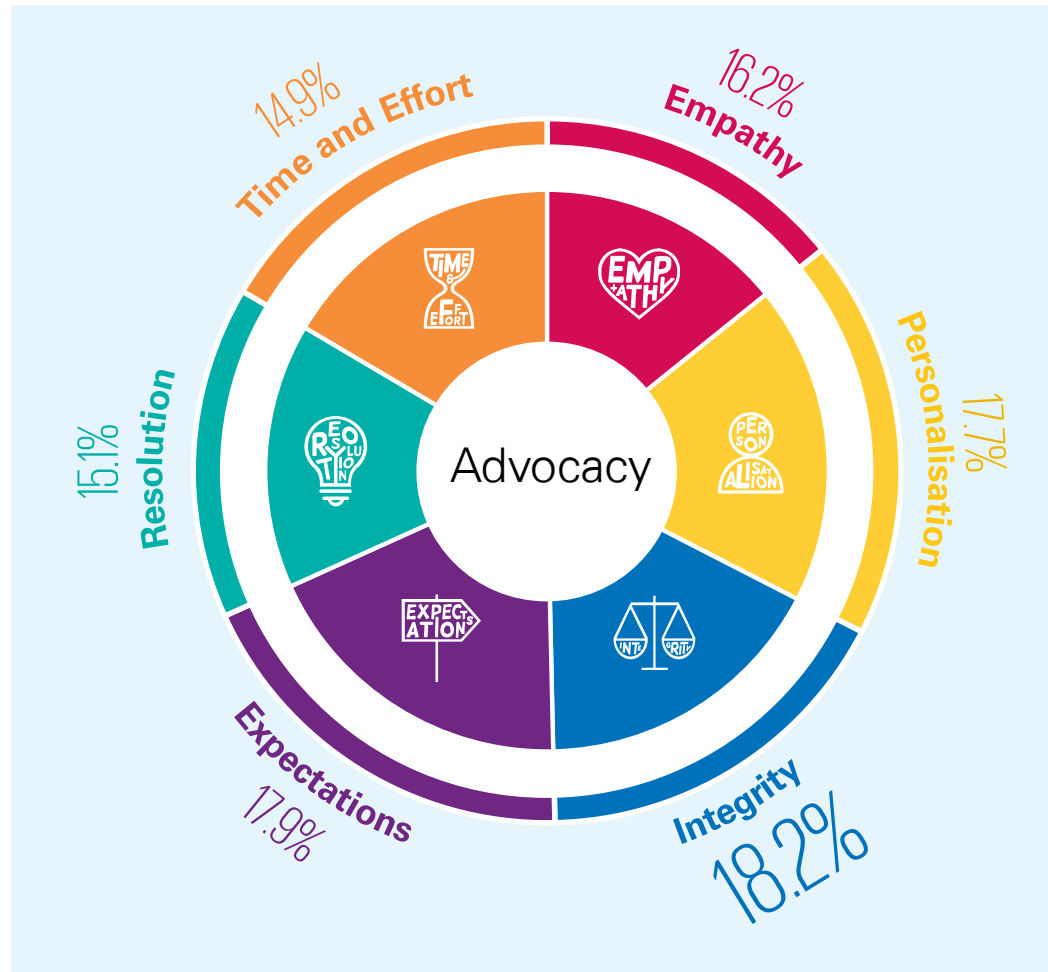
For customers in Hong Kong, trust and security are top of mind as they expect organisations to prioritise their digital security and the protection of personal information – particularly when interacting with them through digital channels. In light of COVID-19, customers in Hong Kong are also increasingly looking to brands that demonstrate and give them that sense of community, security and trust. Ultimately, customers are looking for organisations that are able to provide transparency as well as operating in good faith when engaging with customers across the entire customer lifecycle.



The Six Pillars of Customer Experience Excellence are an effective guide towards customer-centricity in the new reality



Integrity, Personalisation and Expectations are the leading pillars driving customer loyalty and advocacy in Hong Kong



Summary insights

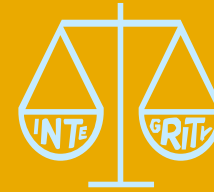
Overall Hong Kong CEE scores by sector



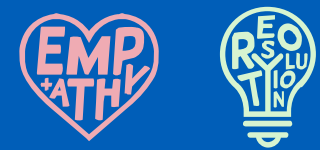
Key drivers for overall customer experience



Integrity drives customer advocacy



Worst performing pillars



Grocery sector proves the highest enhancement in Expectations

By 3% YoY

Retail outperforms other sectors in Personalisation and Time & Effort



Crucial motivators for enhancing loyalty



Key findings Financial Services





Banks are expected to deliver a great digital experience...

In this year's study, like in many other territories, COVID-19 had a major influence on the definition of a good customer experience in banking. According to this year's survey results, Financial Services is ranked third among all sectors, and performed below average in all Six Pillars with Expectations being the worst in comparison with other sectors.



Banks must continue to invest in enhancing their digital capabilities

- COVID-19 and the launch of virtual banks has accelerated the use of digital banking channels. As a result, customers' expectations for a great digital experience have significantly increased.
- According to our survey results banks have been able to meet customers' basic expectations, but customers expect better experiences across digital channels and enhanced personalisation and self-service options through the use of mobile banking apps.
- With loyalty playing an ever-increasing role in Financial Services, banks will have to make true not only on their own brand promises, but also look for the right strategic partners to expand their ecosystem of services.



Banks need to continue providing customers with increased financial stability and protection

- Customer expectations for quality and service have remained consistent, not surprisingly as the primary responsibility of a bank is to provide customers with an increased level of financial stability and protection.
- Customers value banks that are able to deliver personalised services while offering knowledgeable, unbiased advice tailored to their needs.
- Despite COVID-19, the physical branch experience remains important for some customers' experience - banks that have shortened waiting times and strengthened safety measures while continuing to provide strong personalised services at branches have addressed key consumer expectations for physical banking experiences during these challenging times. At the same time, banks must continue to ensure that branch visits are not necessary for routine transactional events.



Not surprisingly, enhanced digital engagement and experiences are critical success factors for banks looking to surpass client expectations in the age of COVID-19. Notwithstanding all the investment already made, consumer feedback shows that there is still much space to improve.



Isabel Zisselsberger

Head of Strategy & Performance for Financial Services, Hong Kong
KPMG China



...while improving on how they empathise with customers

Integrity continues to be one of the key experience drivers in banking



- As customers become more digitally-savvy, they are also becoming more concerned about their digital security. The fiduciary duty of banks to protect customer data has never been of more important than it is during the age of COVID-19. The surge in digital transactions will present banks with the opportunity to continue enhancing the trust and integrity established with the customer as long as they are able to provide the expected levels of digital security.
- In the new reality, banks will need to enhance their digitally enabled interactions across the entire customer lifecycle. A more nimble and agile operating model that leverages data and technology is a key requirement for banks to be able to react quickly to rapidly changing customer needs. This will allow for an improvement in the personalisation of products and services. Banks that will succeed in this new reality are those that seamlessly integrate the online and offline experiences to address client expectations and provide an optimal customer experience in all preferred channels of engagement.



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

Overall Banking
sub-sector average:

Score
6.83/10

- 1%



Empathy

- 1%



Personalisation

+/- 0%



Integrity

- 2%



Expectations

+/- 0%



Resolution

- 1%



Time and Effort



Insurers have to focus on key moments that matter to their customers...

The COVID-19 outbreak has affected consumers and organisations in ways that have been unprecedented. In HK in particular, the pandemic has meant a fall in Mainland Chinese visitors and a focus on onshore customers. Still, for insurance, COVID-19 has highlighted the need to safeguard the future both financially and for their health, with many consumers exploring how they can best protect themselves and their family. This growing trend, coupled with the impacts of social distancing, has forced insurers to look at designing products and propositions to meet customer needs and accelerating their transformation efforts to enable new ways of engagement with their customers.



Be there for your customers at key moments that matter and give them peace of mind that they are protected and prepared for the future. //

- With the pandemic, there has not been a more important time for insurers to demonstrate their value and their trustworthiness to the customers – going beyond doing the right thing for the individual but also for communities and society as a whole.
- In this period of crisis, as customers look for ways to protect themselves, they will look for reassurance and peace of mind that they have the right coverage and products are uniquely suited to their needs and circumstances.
- In Hong Kong, major insurers have recognised the stress of COVID-19 on customers, with many offering free COVID-19 protection during the crisis, as well as other benefits such as dedicated 24-hour hotline for COVID-19 teleconsultations and additional claims support.



Insurers must adapt to new ways of engaging with their customers digitally.

- Social distancing restrictions has forced organisations to engage with customers digitally, even more than ever before.
- While it is clear insurance requires human interaction, the industry as whole has recognised the need for remote engagement – HK insurers are now enabling virtual and remote sales to customers, which has also been supported by initiatives by the Hong Kong Insurance Authority (HKIA), which has introduced facilitative measures during the pandemic to allow the sale of insurance products through a non face-to-face method¹. This has meant the need to invest in digital tools and capabilities to support advisors and agents in remote engagement.
- Customers also have greater expectations on the ability to purchase simple insurance online, and to digitally self-serve, for example to review portfolios, conduct initial reprojections and make changes to policies. This has provided customers with convenience and reduced their time spent, allowing them to engage when it best suits them.

Now is the moment all insurers have to invest more in digital as there is no other option. COVID-19 has just highlighted how much the industry depends on face-to-face selling and wet signatures, so organisations must now accelerate their efforts to remain relevant in the new normal. But then, alongside, there it is a great opportunity for insurers to demonstrate their value to the customer.



Darren Pigg

Partner, Insurance,
Customer and Analytics
KPMG China

...while offering an omnichannel experience, to adapt to the new environment



Insurance operations need to support the customer experience of tomorrow. This means transforming business models and harnessing the power of digital, data analytics and AI to streamline and enhance processes, whilst empowering the workforce to deliver a seamless customer experience.

To adapt to the challenging business climate, insurers need to identify opportunities for digitalisation, automation and data analytics to streamline processes and enhance the overall customer experience, particularly around the Time & Effort, Resolution and Expectations pillars:

- Leverage data and advanced analytics for efficient decision making, for example, through automated workflows to support straight-through processing of applications with integration to back office operations.
- Deploy digital tools to streamline the customer journey, for example, the use of e-Signatures, RPA and OCR technology to rapidly move away from paper-based or manual processes can deliver tactical benefits.

The pandemic poses operational challenges for insurers, but also accelerates the necessity to adopt technological innovations to meet the needs of their customers. Winners will be the incumbents that manage to adapt to the new environment and offer omnichannel experiences including both virtual and face-to-face options. These changes will lead to much greater levels of personalisation to deliver the target experience and value proposition.



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

Overall Insurance
sub-sector average:

Score
6.98/10

+3%



Empathy

+/- 0%



Personalisation

+2%



Integrity

+1%



Expectations

+3%



Resolution

+/- 0%



Time and Effort

Key findings Grocery & Retail





Grocery comes top in our survey results

Tracking the monthly retail sales index in Hong Kong, Grocery has been the only retail sector that sees growth year-on-year in 2020. KPMG's *Consumers and the new reality*⁽²⁾ shows that Hong Kong customers will continue to purchase from large grocery stores, as well as using their online channels more often than before, which demonstrates that grocery retailers in Hong Kong have been able to meet customers' demands and adapted to their changes in behaviour. Secret for success may be found in Grocery coming top in all CEE pillars.



Value for money being the key driver for purchases

- Customers in Hong Kong have been affected by COVID-19 and are more concerned about their finances. KPMG's recent global survey² showed that 70 percent of Hong Kong customers identified value for money as the most important purchase driver, compared to 63 percent of customers globally.
- Businesses will need to reduce their costs to serve in order to improve certain margins to make up for losses from other non-essential products, and to allow for discounts. Hong Kong grocery customers consider "more special offers or discounts" as the second most important driver for purchases.



Customers' expectations were met

- 70 percent of surveyed customers in this study gave a score of over 7 for the Expectations pillar. Customers expressed their satisfaction in the variety of goods found in store and helpful staff.
- Despite the increase in e-commerce, in-store shopping is still prevalent in Hong Kong due to its dense population and close proximity to stores. Meeting customer expectations plays an important role in driving loyalty.



Trust will be the bloodstream for Grocery

- Post-COVID, customers are more cautious when purchasing a product. Personal safety and hygiene contribute to customers' trust in the brand.
- Feedback from customers who shopped at the top scoring grocery retailers praised the quality of products: namely freshness and cleanliness.
- Traceability and transparent supply chain is gaining interest. Grocery retailers who can provide trusted information regarding their products will gain loyalty from customers.

Source: ²Consumers and the new reality, COVID-19 pulse survey, Wave 5 update, KPMG International, Sep 2020



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Traceability and transparency will gain loyalty from customers who are more cautious about the origin of their grocery purchase. Digitalisation will enable this and businesses need to invest in it.



Alice Yip
Head of Consumer and Industrial Markets, Hong Kong
KPMG China



Grocery retail is making steps towards more digitalisation

Human touch is integral for all CEE pillars

It has been a difficult year for all industries, and grocery retail's specific challenge is meeting a sudden surge in demand for certain items, including food and household goods such as cleaning products and dietary staples like rice. Out of the Six Pillars, Time and Effort are what differentiates this sector from other industries. This shows that not only were grocers able to deliver and meet customer needs, but they were also able to provide a more frictionless experience for customers, reduce their time and effort to purchase.

E-commerce platforms have disrupted, and have been adopted by, major supermarkets as well as new entrants in the industry. This digitalisation has been well-timed for the Grocery sector, helping it to better adapt to changing consumer behaviours that are likely to stay. Digitalisation has the potential to improve operational efficiency and customers' purchasing journey, but its integration with the human dimension of the whole supply chain is crucial, from sourcing of goods to customer service at store and the delivery staff. Ultimately, the human connection cannot be replaced by technology, but it can be enhanced by it, and thus lead to a better customer experience.



Grocery sector: Six Pillars scores vs. study average

Overall Grocery
sub-sector average:

Score
7.01/10

+ 1%



Empathy

+ 1%



Personalisation

+ 2%



Integrity

+ 2%



Expectations

+ 1%



Resolution

+ 3%



Time and Effort

Retail has gone digital... finally

It has been particularly challenging for the Retail sector in Hong Kong. Retailers had to find ways to reach customers amid social disruption and COVID-19, which have been catalysts for the digitalisation of retail in Hong Kong.



Value for money is the main purchase driver, especially for non-essential items

- Customers have been cautious about what they spend their money on, especially when those are non-essential items. We see discounts and offers on certain goods being made by many retailers in Hong Kong.
- Not only is there a need to rethink their cost of doing business, retailers also need to be able to improve personalisation to meet the needs of their customers in the new reality.



Retailers have evolved to serve digitally savvy customers

- The rapid adoption of digital channels in Hong Kong shows that retailers are eager to serve their customers whose preference for online shopping has increased between 2018 and 2020³.
- New retail business models are thriving: Platform businesses that have disrupted the market; bigger retailers that are acquiring technology-enabled platform solutions; niche, personalised, local brands that have their supply chains within the same region/district that is convenient for shoppers.



Retailers need to demonstrate a clear purpose, and will be judged by it

- Changing product lines to meet social needs is a manifestation of empathy. During COVID-19, some luxury perfume and cosmetic brands converted their usual production to make sanitisers; while some apparel retailers with manufacturing capacity produced protective clothing for medical workers, e.g. Tal Group. This agility and flexibility in demonstrating solidarity has also given those brands a clear differentiating edge in terms of brand integrity.

//

We are going to see an explosion of young Gen Z customers who are digitally savvy along with a strong sense of purpose as they look at the origin and manner of production across everything related to retail in the future. Data will be the key and businesses will need to communicate their values in a clear transparent manner to develop consumer trust.



Anson Bailey

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Source: ³Digital consumer in Asia report, Tofugear/Rakuten (2020)

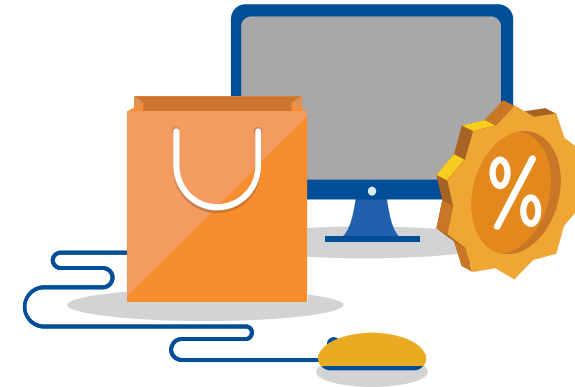


Apparel industry outperformed other sub-industries

.... their effort in delivering a personalised experience paid off

Four out of the top five brands in the CEE ranking were retail, of which three were from clothing retail. They are best-in-class in most of the pillars, but in particular in Integrity, Personalisation and Expectations. Interviewees praised the quality of the products, as well as in-store staff's helpfulness and patience in attending to customers.

Personal care brands did not perform as well as their retail counterparts. In the past, these brands have benefited greatly from the custom of tourists coming to Hong Kong to shop for cosmetics and personal care products. With the reduction in the number of tourists in Hong Kong, retailers are more reliant on domestic customers. Learning from the leading brands, building a digital ecosystem to stimulate engagement and build a community of shared values and interests will help to gain trust from local customers.



Retail sector: Six Pillars scores vs. study average

Overall Retail
sub-sector average:

Score
6.91 /10

0%



Empathy

+1%



Personalisation

0%



Integrity

0%



Expectations

0%



Resolution

+1%



Time and Effort

Looking
ahead





Key capabilities to succeed in the new reality

What “good” looks like for customers

Key capabilities

First step towards customer-centric transformation

Experience brand promise across all touchpoints

Connection to the brand, relevance of product and experience

Receive products and services when, where and how it is convenient

Reap the benefit of partnerships without compromising perception

Personalised interactions with brand-leveraging customer data

Frictionless use of technology across the journey and experience

Seamless and secure payment for products/services across channels

Seamless and consistent experience across all brand interactions



1 **Customer Experience Centricity**



2 **Product and Pricing Strategy**



3 **Responsive Operations**



4 **Partnerships, Alliances, Vendor Management**



5 **Advanced Data & Analytics**



6 **Technology Architecture & Enablement**



7 **Seamless Transactions**



8 **Organisation alignment & People Capability**



Methodology





About this Research

Customer Experience Excellence research

As part of our KPMG's Global Customer Experience Excellence (CEE) programme we have been to researching best practices in customer experience across the globe since 2010.

Global research (2020)



27

countries, regions
and jurisdictions



101,162

customers



804,795

individual brand
evaluations



2,060

unique cross-
sector brands

Hong Kong research (2020)

5



Sectors, from
financial services,
grocery, retail,
travel and hotels,
logistics

>60

Brands



May
2020



via an online
survey of ~1,000
Hong Kong (S.A.R),
China-based
customers

~1000



Respondents
from Hong Kong,
representative in
terms of age and
gender

Consumers and the new reality, COVID-19 research

We have conducted consumer research to better understand the impact of COVID-19 in Hong Kong consumers' changing spending behaviours to enhance customer experiences across a number of different sectors.

Survey participants



12,334 consumers globally;
representative sample of **1,000**
in Hong Kong, across four
sectors (grocery, non-grocery,
banks and insurance)

Participating territories



Canada, US, Brazil, France,
Germany, Italy, Spain, UK,
Mainland China, Hong Kong
(S.A.R), Japan and Australia

Collection method



Online-based
questionnaire to track
customer trends

Dates



May 2020 –
September 2020

Let's get in touch

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