



Consumers and the new reality

**Preparing for changing customer
needs, behaviors and expectations**

KPMG International

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The new consumer: financially constrained and more savvy

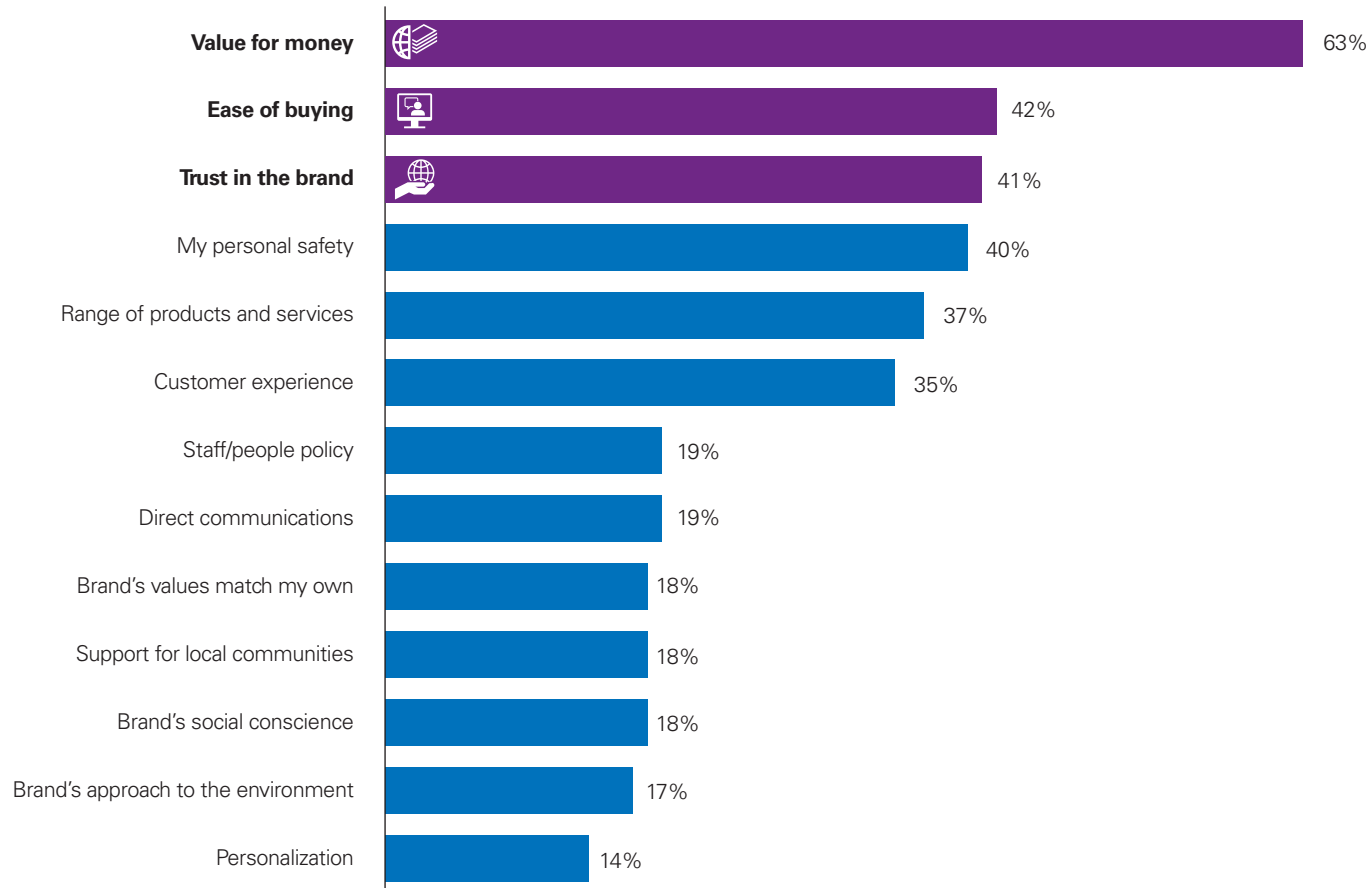
Globally, a new consumer is emerging — one that is financially constrained, more advanced in their use of digital technologies, more thoughtful and selective in their decision-making, and keen to see COVID-19 as an opportunity to reset values in the world.

The changes we're seeing are likely not short term. Most consumers believe they will be living their lives very differently for the foreseeable future. Businesses will be faced with new challenges in this new reality. Our research identifies three areas to inform organizations' decisions and plans:

- 01 The economic impact of COVID-19 will influence behaviors for some time to come.**
On average, 40 percent of respondents are financially constrained and are, therefore, reducing their discretionary spend. New and persistent consumer segments have emerged based on the economic and psychological impact of COVID-19. Those most affected (economically and psychologically) are less inclined to pay a premium for branded products or nice-to-have experiential factors, and are deferring non-essential purchases.
- 02 The new consumer is digitally savvy and embraces the ease with which they can interact with organizations through digital channels.**
Organizations have responded to COVID-19 with high levels of innovation, including greater digital access to purchasing and customer support. Consumers of all ages are keen for this to continue.
- 03 Consumers increasingly purchase from organizations they trust, at a time where trust is becoming more complex to build.**
Historically, trust was driven by whether organizations delivered on the brand promise. Now, trust is multidimensional and nuanced: trust that companies will continue to put the consumer's needs first, trust that the consumer will be safe dealing with them and trust that their data will be secure and protected. In addition, younger respondents are concerned about a company's environmental and social practices.

Throughout this document, "we," "KPMG," "us" and "our" refer to the network of independent member firms operating under the KPMG name and affiliated with KPMG International or to one or more of these firms or to KPMG International.

Key purchase drivers



% = proportion of consumers who rate each as important in their decision-making
Which of the following is important to you now when buying a product or service?

Source: Consumers and the new reality, KPMG International, June 2020

Organizations must focus on digital enablement of their customer and be clear on where they need to win the customer's trust. Each of the trends identified in our study accelerated with the beginning of COVID-19. This study confirms that they are persistent both over time and geography, and that their combined impact on consumers' behaviors has stark implications for organizations. Companies can no longer protect their price positioning with experiential factors (e.g. in-store coffee shops) that now have less direct benefit to the consumer.

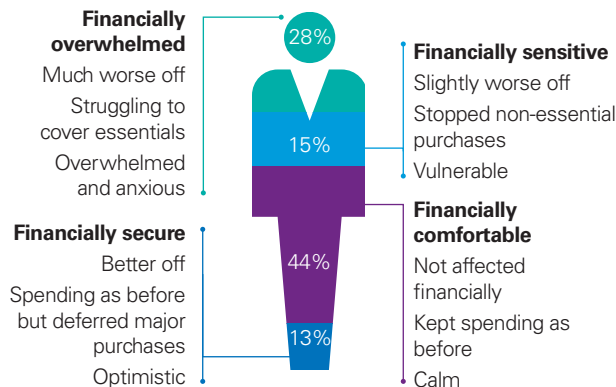
New segments emerge as attitudes shape spending

Consumers' spend is impacted by both the decrease in disposable income and the psychological impact of COVID-19. We see new segments arise, separated by their need to group products and services into categories of necessity, with spend moderated by financial attitudes. Overall, four in 10 are financially worse off, with another 13 percent deferring major purchases.

Consumers in Germany, France and Hong Kong (SAR), China feel more calm and secure, fitting into the financially comfortable category. In Brazil, Japan, Italy and Spain, more consumers have stopped all non-essential purchases and are more selective, feeling more financially overwhelmed and financial recovery being the priority.

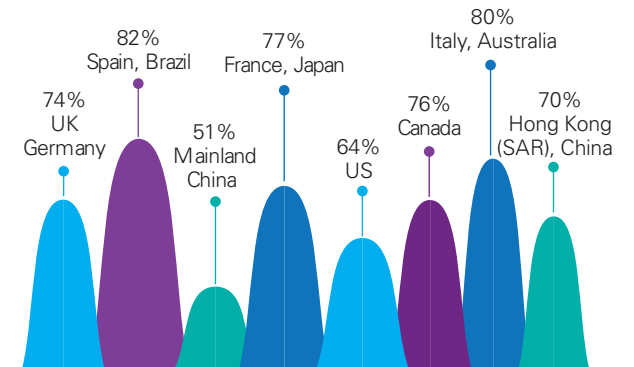
Value for money, and its corollary price, is the single most important factor in decision-making, with nearly half of respondents saying that it is more important now than pre-COVID-19, and is true for all markets included in this study. This is a direct result of the financial concerns that now affect two-fifths of consumers.

Just over half of consumers feel financially comfortable or secure versus 43 percent who feel overwhelmed or vulnerable



To what degree do you feel the COVID-19 situation is affecting your household finances?
 To what degree do you feel your spending behavior has changed vs. before?
 How do you currently feel about your financial wellbeing?
 Source: Consumers and the new reality, KPMG International, June 2020

Value for money (63 percent) is the most important purchase driver, with market variation shown below. Forty-seven percent say value for money is more important as a result of COVID-19



Which of the following is important to you now when buying a product or service?
 Source: Consumers and the new reality, KPMG International, June 2020

Organizations will need to rethink their business and operating models. The consumer's search for value for money is much more than just short-term margin dilution. It is a fundamental change in purchase priorities and will be prevalent for 12 months or more.

A digitally savvy consumer emerges

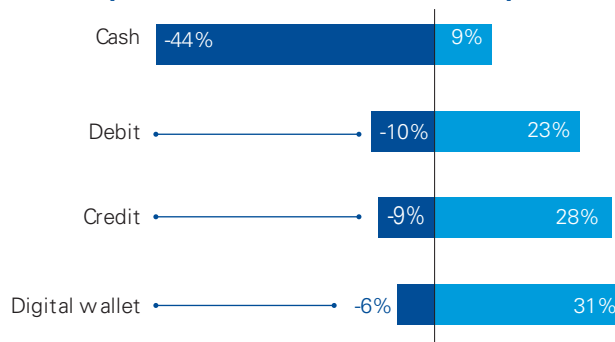
COVID-19 has amplified the need for easy access to products and services and relevant information. The majority of customers are now comfortable using online channels, reducing physical purchase occasions and are gravitating towards touchless shopping and contactless payments.

Ease, therefore, is at the heart of a digital shift, which touches all parts of society irrespective of age. While the overall trends are as we would expect, there are some interesting nuances we see emerging. For example, younger consumers below the age of 45 are more likely to turn towards those channels they use most to communicate with their friends and families, such as messenger apps (+9 percent for 18-44 year olds vs. +3 percent for 45+ year olds) or social media (+4 percent

for 18-44 year olds vs. +1 percent for 45+ year olds). Overall, we see a threefold increase of consumers claiming they will use social channels as their main means of communicating with organizations in the new reality post-COVID-19.

This shift to digital interactions is also prevalent in how consumers wish to pay, where digital payment types are on the rise. Online purchasing and contactless payment options have become the norm for most consumers, with the desire for safe contact-free purchase options reinforcing this trend. In mainland China, consumers intend to make much greater use of digital wallets. This trend is also more prevalent in Hong Kong (SAR), China and Brazil.

Consumers believe that they will use cards and digital wallet options more than cash for future purchases



■ Less than pre-COVID-19 ■ More than pre-COVID-19
 Respondents saying they would use each method the same as before are not shown

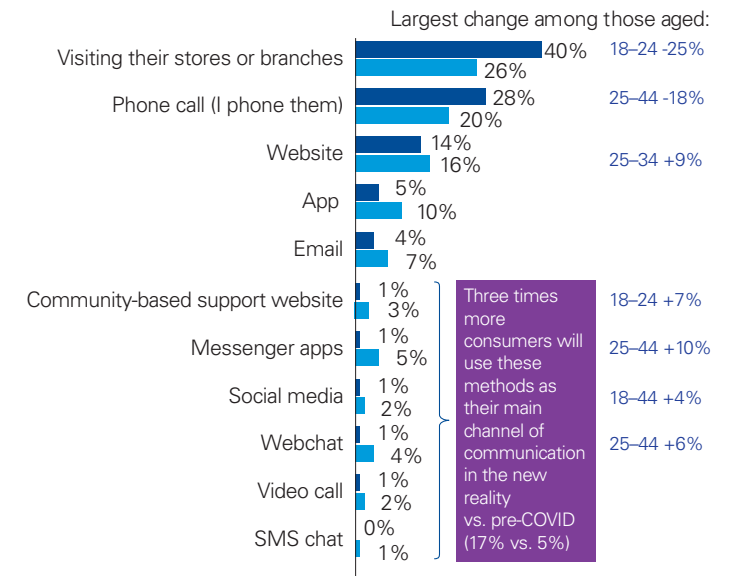
Considering your future purchases, do you think you will use cash, cards or digital wallets more, the same or less than before the COVID-19 situation? Please consider your future purchases once all restrictions are lifted

Source: Consumers and the new reality, KPMG International, June 2020

Organizations will need to invest in new digital methods of communication and payments.

Organizations will have to consider releasing cash from existing channels and shifting into digital. Prioritizing digital security will be key.

In the future, the main channel of communication for customer support is likely to be increasingly digital, often with a human touch



■ Before COVID-19 ■ Future, once restrictions are lifted

Thinking again about [SECTOR], when you need support and contact organizations, what was your main way of communicating (before/nov/future)?

Source: Consumers and the new reality, KPMG International, June 2020

Brand trust is multidimensional

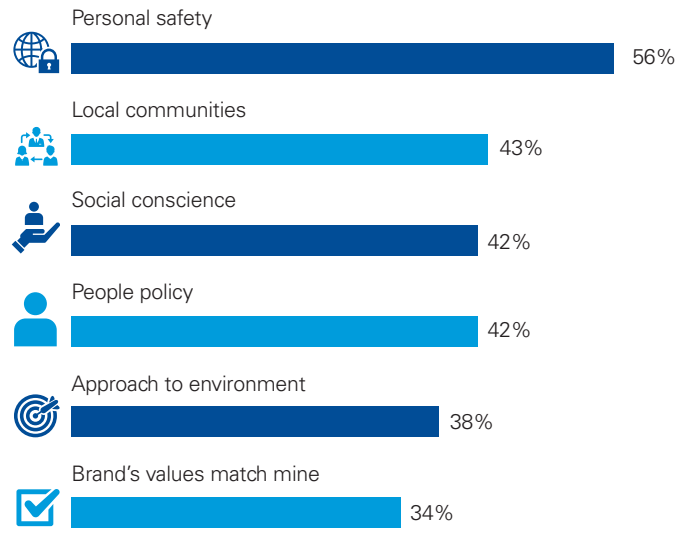
Trust, the third key factor influencing consumers' purchase decisions, is also not a new concept. However, probably for the first time, consumers have seen organizations put the well-being of their customers and their employees ahead of profit. "Acting in my best interest" is a key driver of trust.

Consequently, trust between a consumer and an organization has become increasingly multidimensional and contextual. Will I be safe when I interact with them? Can I trust them to put my well-being before profit? Will my data be safe? Will they behave creditably when it comes to their environmental and social obligations?

On balance, most organizations have fared favorably in the eyes of the consumer. We see a net increase in trust of +3 percent, with some significant variations (see next page). From a sector perspective, it is the grocery sector that has seen the greatest improvements in consumer trust (+8 percent), possibly as their immediate actions were most visible during lockdown periods across the globe.

Trust, and its various components, have become a much more critical factor in influencing consumer decision-making. While 'personal safety' (+56 percent) has increased most in importance, we see an increase in consideration of all elements of trust, from caring for the local community, to caring for colleagues, and to caring for the planet.

Trust in the brand is impacted by perceptions of safety, as well as an organization's conduct towards their community, employees and the environment

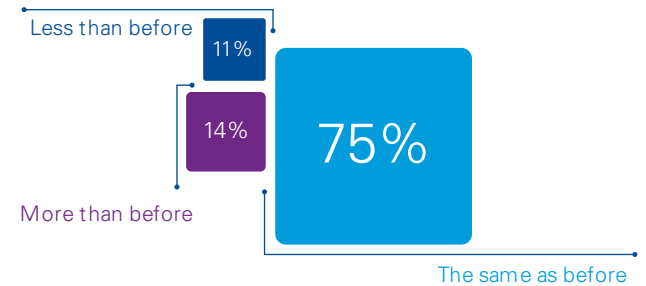


All these factors are significantly more important to consumers now than pre-COVID-19, much more so to those **aged 18-44** compared with those **aged 45+**

% is those saying more important
Thinking again about those same things, have they become more or less important to you as a result of COVID-19?

Source: Consumers and the new reality, KPMG International, June 2020

On balance, slightly more customers are trusting of organizations now compared with before COVID-19



To what extent do you trust each type of company now, compared with before the COVID-19 situation?

Source: Consumers and the new reality, KPMG International, June 2020

Organizations will need to review their sense of purpose and ensure it is aligned to the unique environmental and social impacts that the individual company can make. Tight adherence to social distancing and personal safety will be demanded across every interaction. Organizations will need to identify where they can build trust and ensure that actions that erode trust are eradicated.

Market focus

The stage of virus maturity, along with cultural factors, the government response to COVID-19 and average age of population, all impact consumers' decision-making.

Currently at the epicenter, **US** consumers are more willing to adhere to social distancing rules and less concerned about environmental and social policies at this stage.

At the start of the easing of restrictions, **UK** consumers will follow government guidelines of staying at home as much as possible, with a higher proportion of consumers who will keep working from home in the future.

After Germany, **France's** population feels less financially affected by COVID-19.

Once the epicenter of COVID-19 and one of the most affected markets, **Italians** declare they have been strongly financially hit by the situation. However, consumers are ready to go back to their previous behaviors with extra caution.

Japan is the most cautious country in terms of social distancing, financials and behavior. **Japanese** consumers feel much more economically impacted and are much less likely to rate customer experience as important (14 percent).

A population that declares to have been only slightly financially affected, **Hong Kong** (SAR), China is also almost back to normal levels and perceive customer experience (57 percent) as more important now.





Sector focus Consumer and Retail

Physical retail most under pressure

Nowhere is the combined impact of the global consumer trends more noticeable than in the consumer and retail sectors. The convenience that is afforded by shopping online is a key driver of increased use of digital channels, both for grocery and non-grocery purchases.

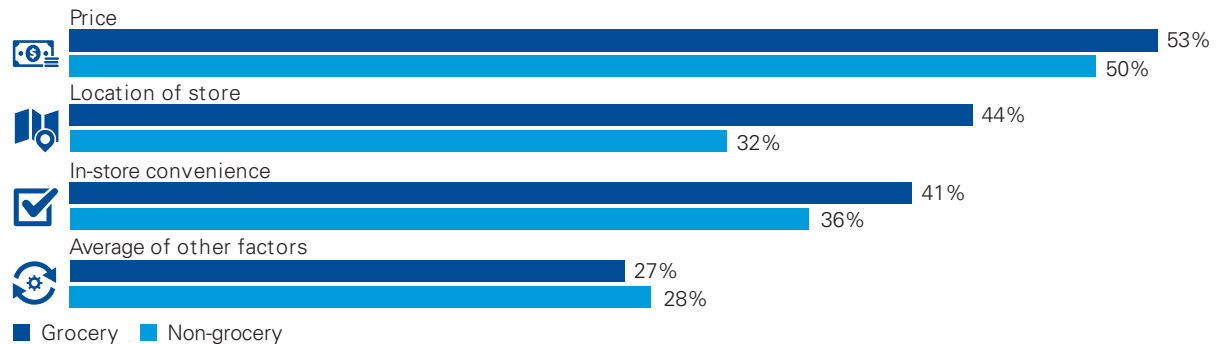
This favors online stores. One in five consumers claim that they shop for groceries at online stores (35 percent for non-grocery), while the large offline stores are frequented much less. This trend is set to continue, with almost one in two consumers who changed their shopping habits claiming that their new behavior will persist.

Brazil, Hong Kong (SAR), China, Spain and mainland China saw the highest net increases in use of online services of large grocery retailers, while Japan saw a net decrease in its use. On the other hand, there's a higher net use of online shopping services, such as Amazon vs. retailers in the non-grocery space, with highest increases in Brazil, Canada, Hong Kong (SAR), China and the UK.

At the same time, consumers will go to physical stores only when the price is right, when it is convenient and when it is safe to do so. They expect retailers to ensure physical safety, which is now top of mind when asked about what stores should do.

Social distancing is particularly important for consumers in the UK, the US and Japan, while German consumers place greater importance on retailers providing free deliveries and discounts.

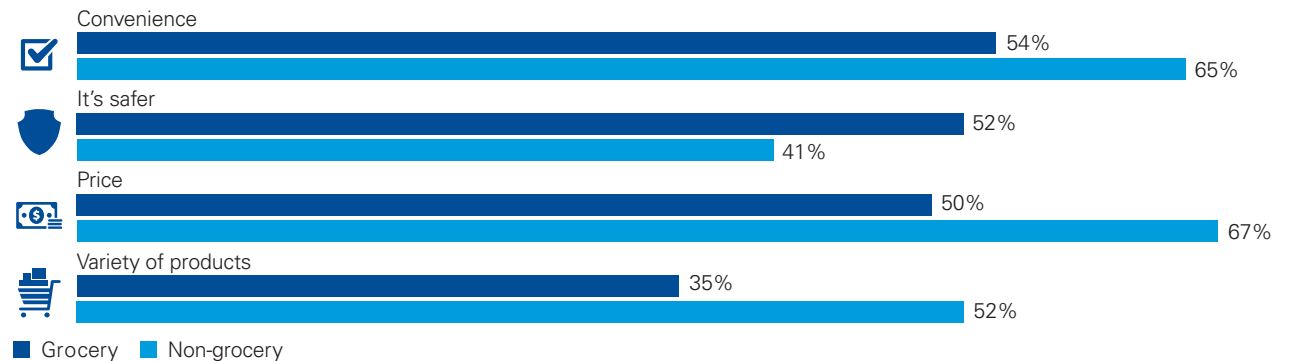
Factors that influence decisions to go to a store



What are the factors that influence your decision to go to a grocery/non-grocery store?

Source: Consumers and the new reality, KPMG International, June 2020

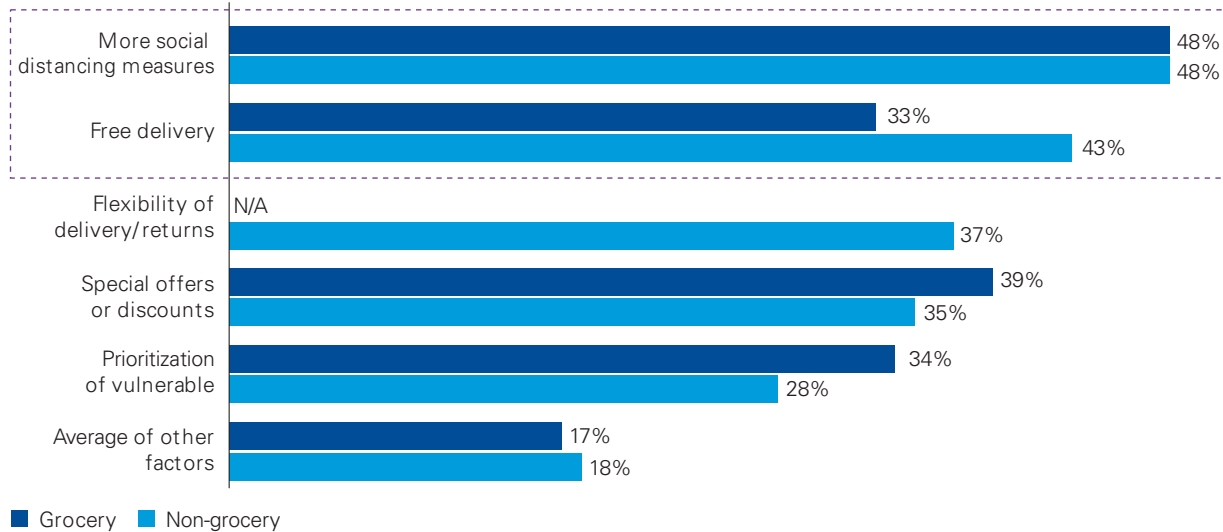
Factors that influence decisions to buy online



What are the factors that influence your decision to buy groceries/non-groceries online?

Source: Consumers and the new reality, KPMG International, June 2020

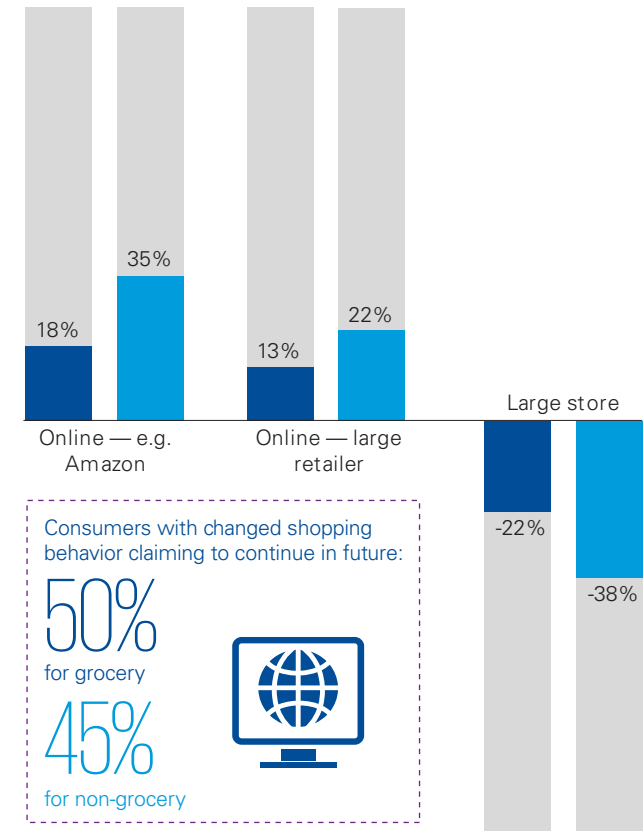
Types of things consumers expect retailers to be focusing on



■ Grocery ■ Non-grocery
 % shows top three mentions
 Thinking about you as a customer, what types of things do you think grocery/non-grocery retailers should be focusing on now?
 Source: Consumers and the new reality, KPMG International, June 2020

Physical retail will need to offer consumers new reasons to purchase offline. With price and convenience being key to consumers' decision making, retailers will need to develop their online and last mile logistics and delivery capability and manage the balance between home delivery and in-store product ranges.

Change in shopping habits during COVID-19



Consumers with changed shopping behavior claiming to continue in future:

50% for grocery
 45% for non-grocery



■ Grocery ■ Non-grocery
 % shows the net change (% used more, minus % used less)
 How have your shopping habits with grocery/non-grocery retailers changed during COVID-19?
 And how likely is it that you will continue using these methods in the future, once all restrictions are lifted?
 Source: Consumers and the new reality, KPMG International, June 2020



Going local

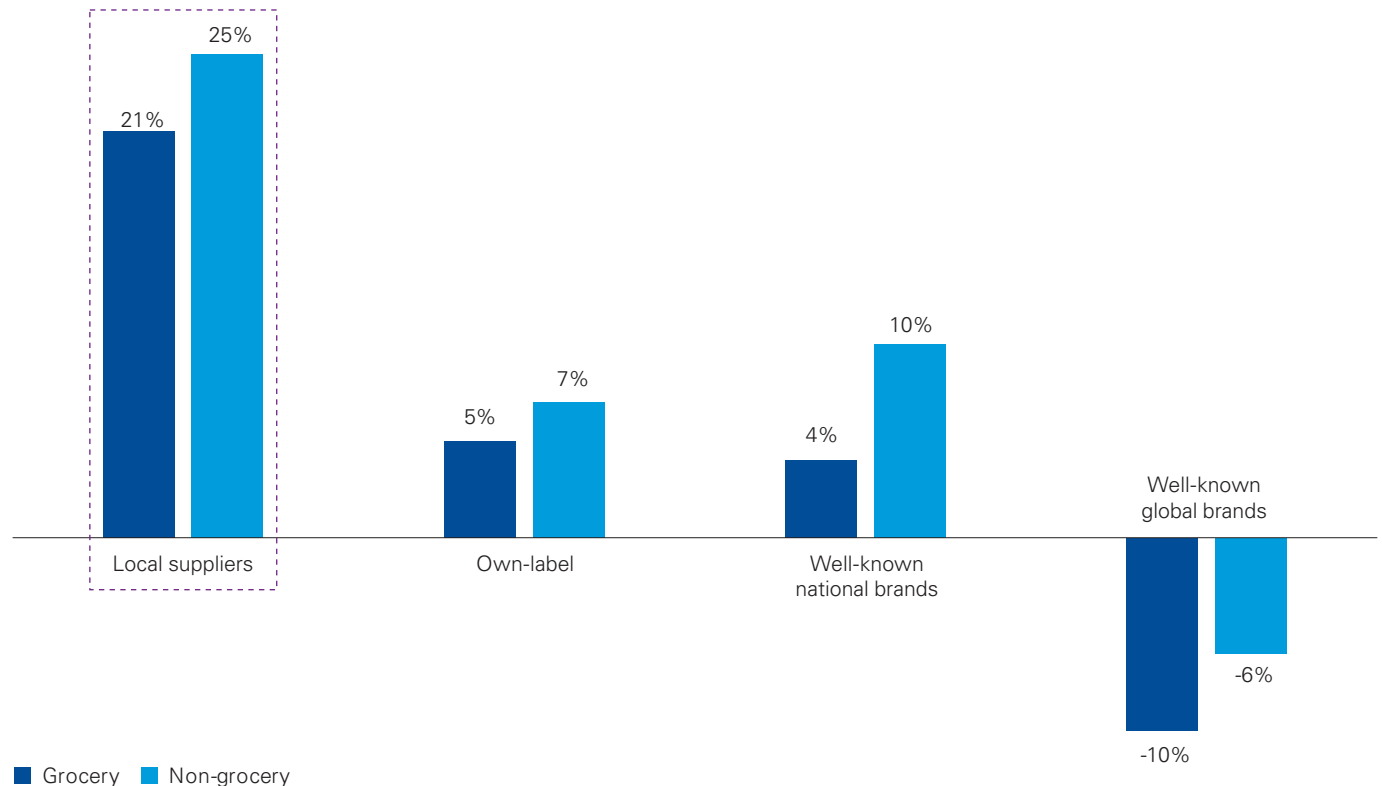
Consumer perceptions of retail brands are changing, and many claim to be more willing to use their local suppliers compared with well-known global brands in the future.

Although we saw an overall dip in local buying in the immediate aftermath of COVID-19, increased time at home and restrictions on travel have focused attention on concern for the locality.

Local shops have fostered new relationships as they care for the vulnerable and the elderly, providing welcome delivery services. Of those who will prioritize shopping locally, about nine in 10 are willing to pay more for local products, where their spending has a noticeable impact on the local economy and where they can trust the provider.

This is bound up in a much greater sense of place, community spirit and concern for the environment with respondents wanting to see greater support from retailers for local communities and nearly one in four interested in their own region's products.

How do consumers think their brand preference will change in the future, in the new reality post-COVID-19?

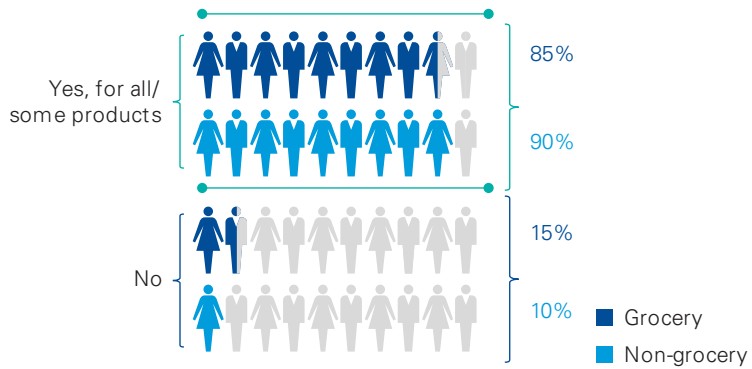


% shows the net change (% more likely to use, minus % less likely to use) post-COVID-19

Thinking about your personal preferences in grocery/non-grocery shopping, how do you think your brand preference will change in the future, once all restrictions are lifted, compared with before the COVID-19 situation? Less/same/more

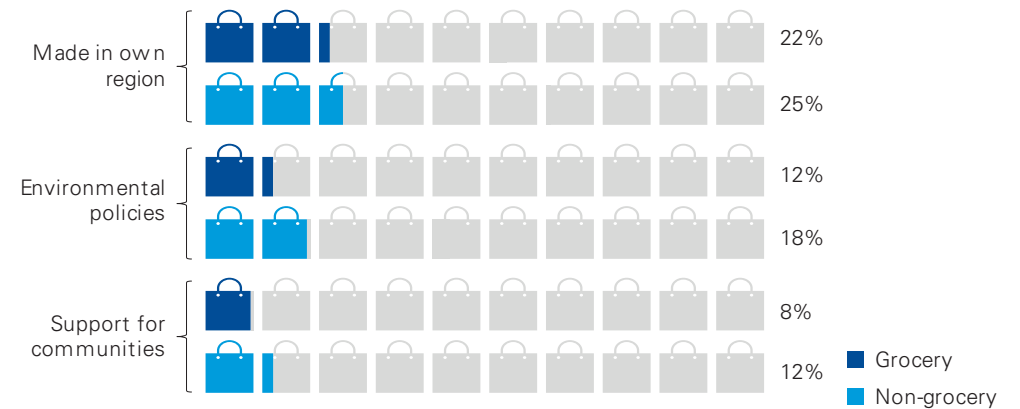
Source: Consumers and the new reality, KPMG International, June 2020

Will consumers be willing to pay more for locally sourced items?



% of those more likely to buy from local suppliers in future
 When you buy from local grocery suppliers, would you be willing to pay more for locally sourced produce?
 Source: Consumers and the new reality, KPMG International, June 2020

What is important to consumers when choosing a product and brand?



What is important to you when choosing a product and brand when grocery/non-grocery shopping?
 Source: Consumers and the new reality, KPMG International, June 2020

The trend towards local products may revitalize tertiary high streets, which have seen a decline over the past years. Organizations will need to align their supply chains to the growing trend of a desire for localness. This is more than just sourcing — companies will need to be demonstrably supporting communities, new community networks and being locally relevant.



Sector focus Banking

Digital banks are the main beneficiaries

Customers expect their banks to be focusing on digital security and personal safety.

Value for money and focus on price play out similarly in retail banking. Price (interest rates) is still a big determinant of product selection.

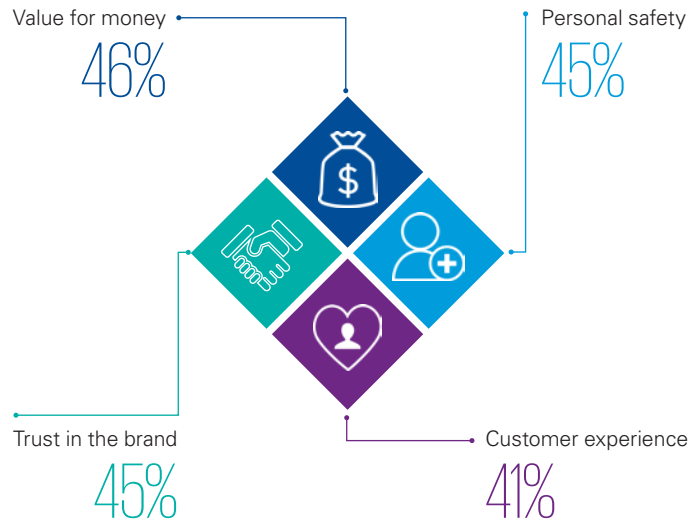
Ease of access (personal safety) is a priority for consumers alongside better functionality on website, apps and proactive communications with regards to the effect of COVID-19 on their service offering.

Trust in the brand (45 percent) is one of the key attributes for the banking industry, with the research showing a net improvement in trust for own bank (+15 percent), with virtually all consumers saying they trust their bank at least as much as before COVID-19 (96 percent). Chinese and Brazilian consumers trust banks to a higher degree, whereas those in France less so.

In retail banking, the trend towards increased trust is directly benefiting new and digital banks, with a net positive effect, double that of traditional banks. In the banking sector, consumers want banks to prioritize digital security, as well as prioritizing vulnerable and frontline workers.

One in 10 are considering switching banks as a result of COVID-19, and of this group, four in 10 are more likely to move to digital banks, especially in Australia and Brazil.

Value for money, safety, trust and consumer experience are important for consumers when buying from banks



Which of the following is important to you now when buying a product or service?

Source: Consumers and the new reality, KPMG International, June 2020

Consumers expect banks to prioritize digital security

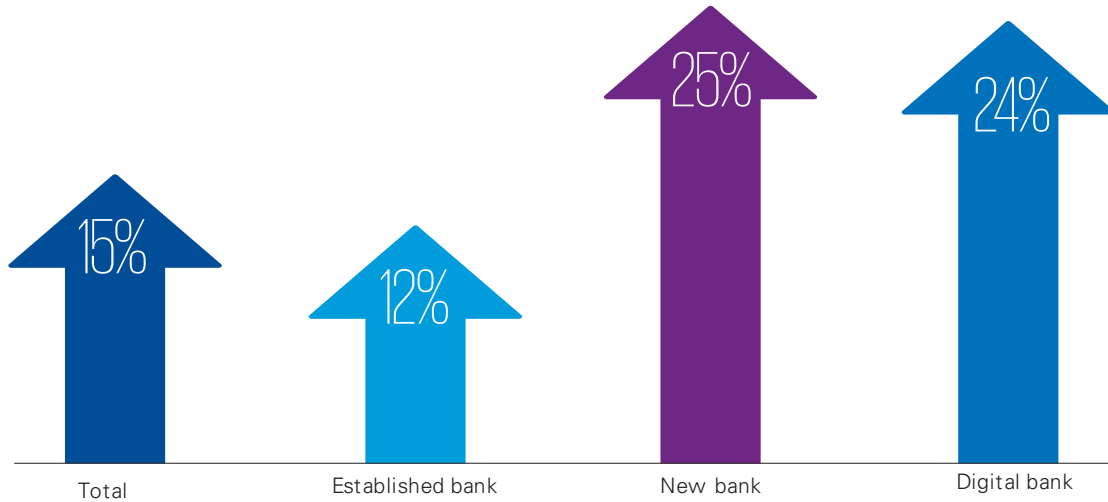


% shows top three mentions

Thinking about you as a customer, what type of things do you think that banks should be focusing on now?

Source: Consumers and the new reality, KPMG International, June 2020

Net improvement in confidence and trust in new* and digital banks



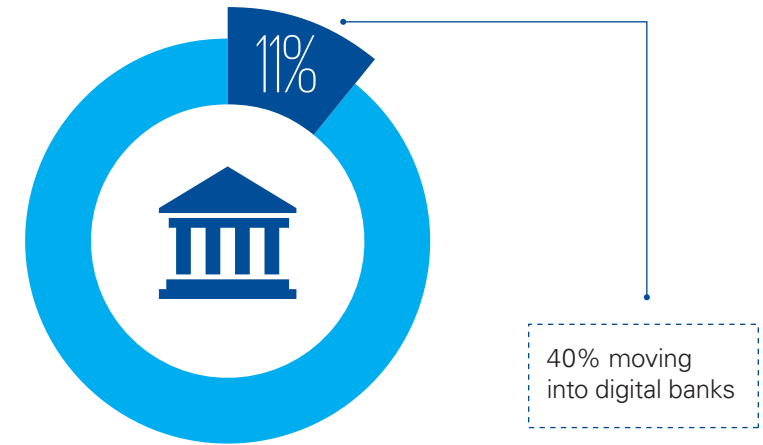
*New bank is one launched in the last 15 years with both branches and digital

% shows Net confidence = More confident – Less confident

How would you rate your confidence in your own bank compared with before the COVID-19 situation?

Source: Consumers and the new reality, KPMG International, June 2020

One in 10 are considering switching banks as a result of COVID-19



Are you more likely to consider switching banks in the future as a result of COVID-19?
Which type of bank do you think you are most likely to switch to?

Source: Consumers and the new reality, KPMG International, June 2020

Established banks must work harder to compete on trust. New and digital banks should look to promote those key purchase drivers that play well to their offer (e.g. digital security, ease of use, as well as value for money).



Sector focus Banking

'Seamless' omnichannel experiences

Personal safety (45 percent) and customer experience (41 percent) are two important attributes for the banking sector (see page 12). Use of multiple channels for different activities is now expected.

With the temporary closure of branches across the world during COVID-19 comes a lasting change in how consumers will interact with their banks.

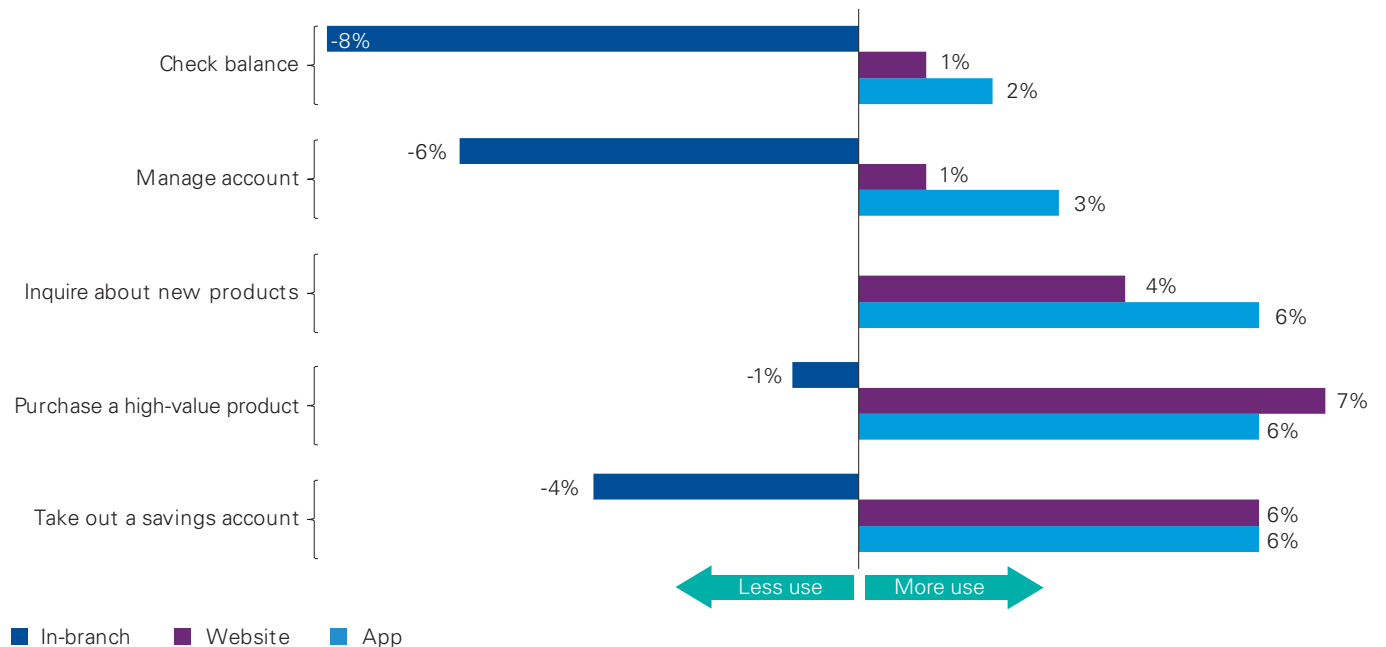
Consumers are telling us that even after current restrictions are lifted, they will continue to use website and app channels more, especially for interactions relating to purchasing high-value products or savings accounts.

However, many anticipate still going to a branch — up to a third will return to doing so, and they expect their safety to be of paramount importance to banks.

This indicates a broadening of channels used by consumers, rather than the abandonment of traditional

channels. This is evident when asking consumers about their needs when interacting with banks online: consumers require the ability to switch device and/or channel as they require, to get their needs fulfilled.

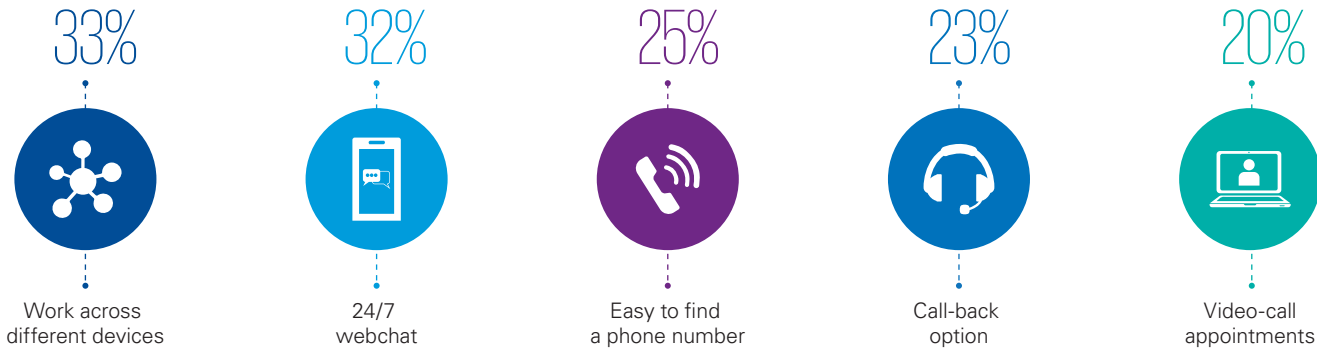
Once COVID-19 restrictions are lifted, banking consumers expect to continue using digital more



Which methods of communication would you use to interact with your bank(s)... a. Before COVID-19. b. And which ones will you be more comfortable to use in the future, after COVID-19, once all restrictions are lifted?

Source: Consumers and the new reality, KPMG International, June 2020

The ability to work across multiple devices with a true omnichannel experience is key to encourage online use



What do you think that banks could do to improve the online experience?
 Source: Consumers and the new reality, KPMG International, June 2020

For those who would return to a branch, there must be assurance that branches will not be crowded — personal safety



What would a bank need to do to encourage you to go back to a branch, once all restrictions are lifted?
 Source: Consumers and the new reality, KPMG International, June 2020

Banks need to re-assess their channel mix. Has the purpose that each channel serves changed? Can banks deflect investment from traditional channels into a more robust, consumer-centric omnichannel offering?



Sector focus
Insurance

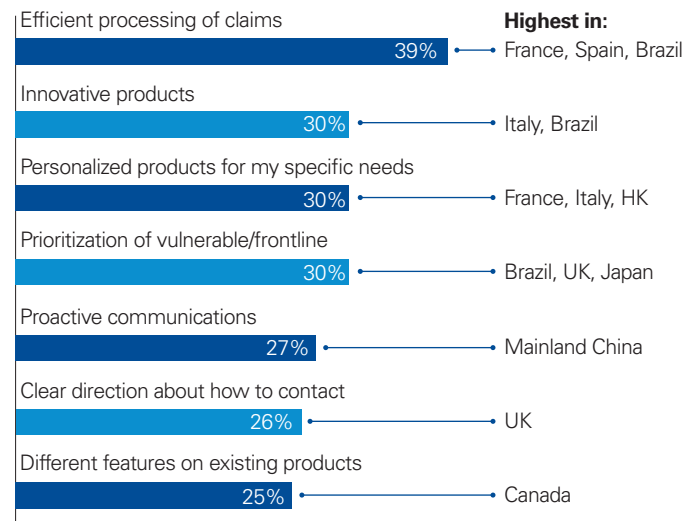
Consumers need to secure against future risks

Consumers expect the impact of COVID-19 to last. Almost half expect that normal life will not resume for at least 6 months, especially those aged 45+.

This likely underpins many consumers' increased need to secure against unforeseen events. A quarter of consumers have acquired and/or are considering an insurance policy as a direct result of COVID-19, notably car and life. Acquisition has been highest in mainland China, Italy and Brazil to date, with the lowest rates in each of Japan, Australia and the US.

Where consumers need to claim, efficient processing of claims remains critical — especially in the current environment, where delays in pay-outs may have severe implications for consumers' personal financial situation. Consumers also state an increased preference for using digital channels to settle claims (+6% web, +3% app).

Efficient processing of claims should be the number one priority according to consumers



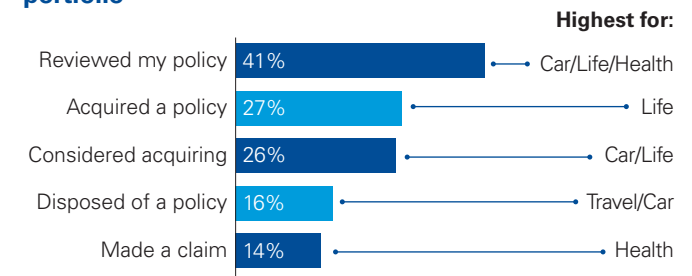
% shows top three mentions
Thinking about you as a customer, what types of things should insurance companies be focusing on now?

Source: Consumers and the new reality, KPMG International, June 2020

The insurance sector should expect continuous increased activity around customer acquisition and churn.

Organizations which will succeed are those who maintain consumer trust (for example, by processing claims efficiently).

COVID-19 has driven a number of insurance consumers to review at least one current policy and consider their portfolio



And for each of these types of insurance policies, which of the following have you done as a result of COVID-19?

Source: Consumers and the new reality, KPMG International, June 2020



Sector focus Insurance

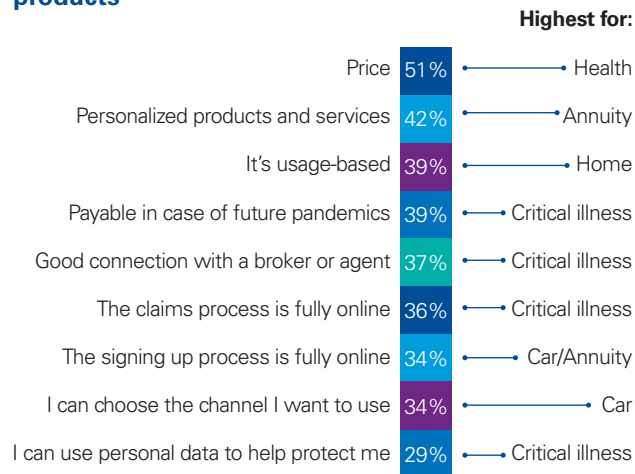
Trust remains strong, yet more is needed

While policy choice will continue to be price-driven, 42 percent are looking for a more personalized product and indemnities against future pandemics. The latter being a direct consequence of many policies not paying out due to exclusion clauses.

Trust in insurance companies appears not to have been damaged (+4% points net improvement in trust), however, it is clear that consumers are impacted. A third now request proactive communications on the effect of COVID-19 on the service offered and want to understand how exactly their policies have been affected and what they are covered for and what they are not.

Clarity on what is and isn't covered will help insurance businesses further build trust. The benefits will be in both greater societal awareness of the need to secure against unforeseen events, and greater consumer willingness to provide personal information. Two in five consumers are willing to share more data with insurers, if the value is clear to them. However, nearly half are looking to keep their data more private, indicating that firms need to explain the benefits of data sharing to engender greater trust in the sector.

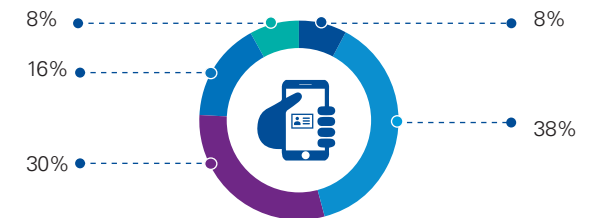
Price will be the key purchase driver for insurance policies, as well as demand for more personalized products



And thinking about the next time you choose a policy, which of the following do you think will be most important in your selection?

Source: Consumers and the new reality, KPMG International, June 2020

As many people are happy to share their personal data as not, with two-fifths saying they would do so in order to improve their experience



- I would always share my data
- I would be happy to share my data if it will improve my experience
- I would not be happy to share more of my data
- I want to share less of my data
- I don't know

To what degree do you feel comfortable with companies having access to your spending and behavioral data in exchange for your personal convenience and safety/well-being?

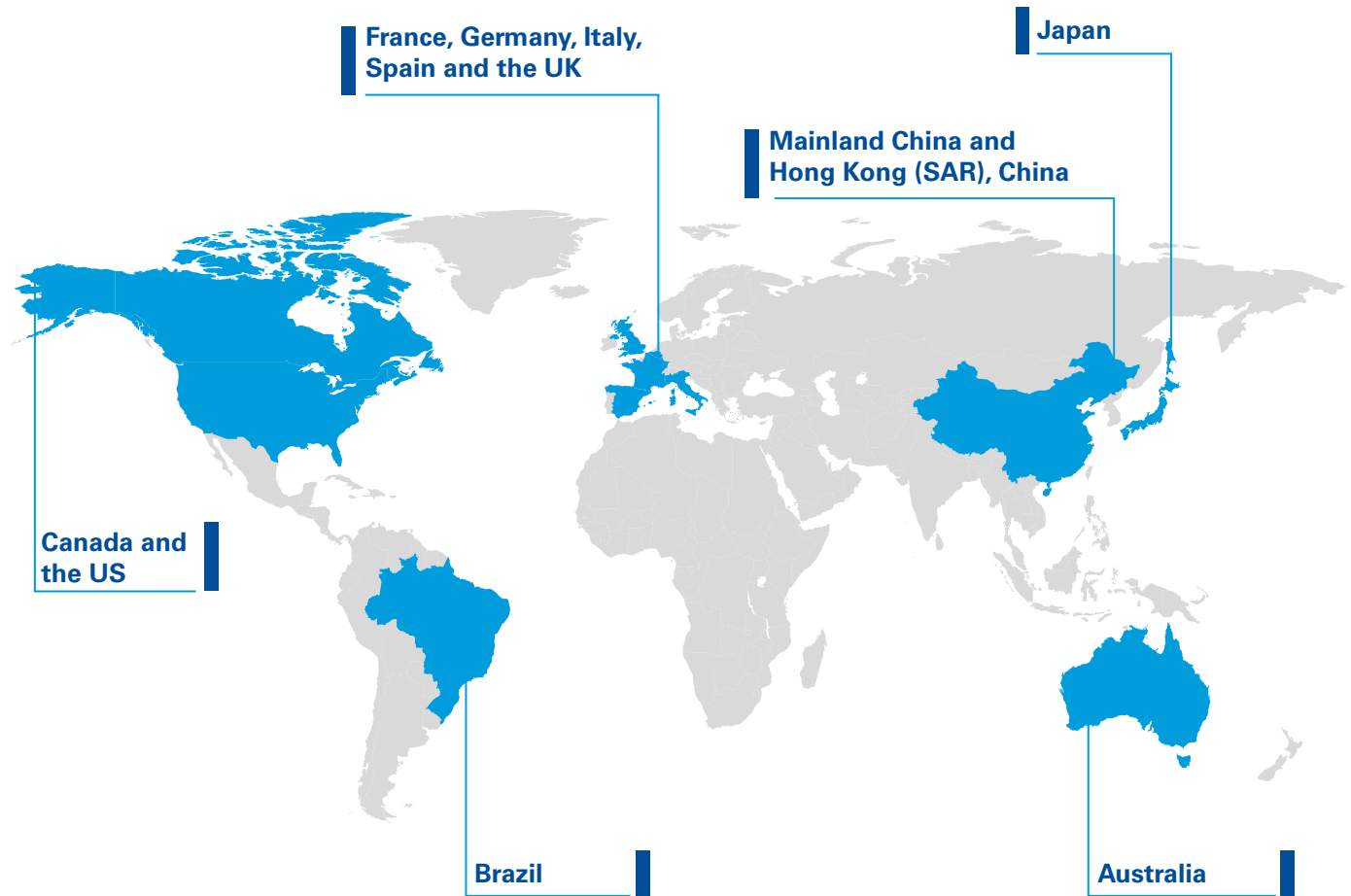
Source: Consumers and the new reality, KPMG International, June 2020

Organizations need to be transparent about what is and isn't covered. This will be critical to support consumers in a time of lasting uncertainty.

Methodology Overview

Understanding the lasting impact of COVID-19 on consumers' needs, behaviors and preferences.

Participating countries, regions and territories





Interviews —

12,334 consumers
Representative sample of ~1,000 per market



Dates —

29 May–8 June 2020



Collection method —

Online-based questionnaire



Wave 1 of 6 —

Six waves of interviewing, every 2 weeks over 3 months



Broad sector coverage

- Respondents had to have had an interaction with the sector in the last 6 months
- Mobile/TV/broadband
- Utilities
- Travel and tourism
- Leisure and entertainment

Deep-dives into:

- Grocery retailers
- Non-grocery retailers
- Banks
- Insurance



Key topics covered

- Purchase drivers
- Channel interaction
- Trust
- Sector focus
- Profiling
- Demographics



Tracking consumer behavior

We will be tracking consumer trends over six waves of interviewing during June, July and August 2020.



Next report

Our next report, after wave 4, will look into the reasons behind some of the key changes in behaviors and preferences that we highlight in this report and provide more detailed market analysis.

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Designed by Evalueserve.

Publication name: Consumers and the new reality

Publication number: 137059-G

Publication date: June 2020