

THE FIVE MYS

The five MYs

Consumers in a post-COVID-19 world will act with more purpose and be more considered about the things that they do, the things they buy and the experiences they engage in.

COVID-19 is forcing us to reassess how we interact with the world around us. In January, we attended sports events and walked into crowded retail stores without thinking twice. Now, interactions with others outside our 'bubble' are undertaken with increased caution and anxiety. We are advised to stand two metres apart and even wear masks in certain situations. Coughing or sneezing in public is enough to start a small panic for those nearby.

Fortunately, many of these new norms are likely to be behind us soon – after all, humans are innately social beings who struggle from prolonged periods of isolation. However, consumer values, behaviour and spending habits will not go back to how they were before COVID-19. They will continue to evolve as the world changes over the next 12-18 months and eventually settle into a state of 'new normal'.

Most businesses have seen significant supply and demand volatility and are in search of ways to sustainably recover revenue. In order to survive and thrive, businesses must re-examine their understanding of their customers demand to rediscover their organisation's sense of purpose and rapidly innovate. KPMG's Five Mys framework provides an evidence-based approach for organisations to assess customers.

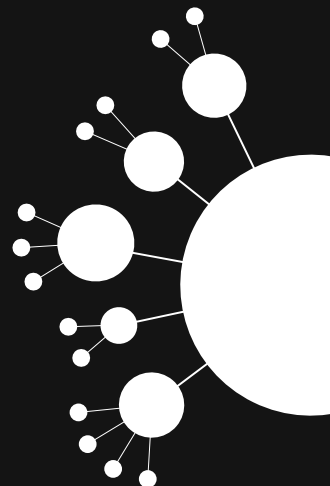
MY WALLET

MY MOTIVATION

MY ATTENTION

MY CONNECTION

MY WATCH



The current and future adjustments people make to their share of wallet.

My wallet



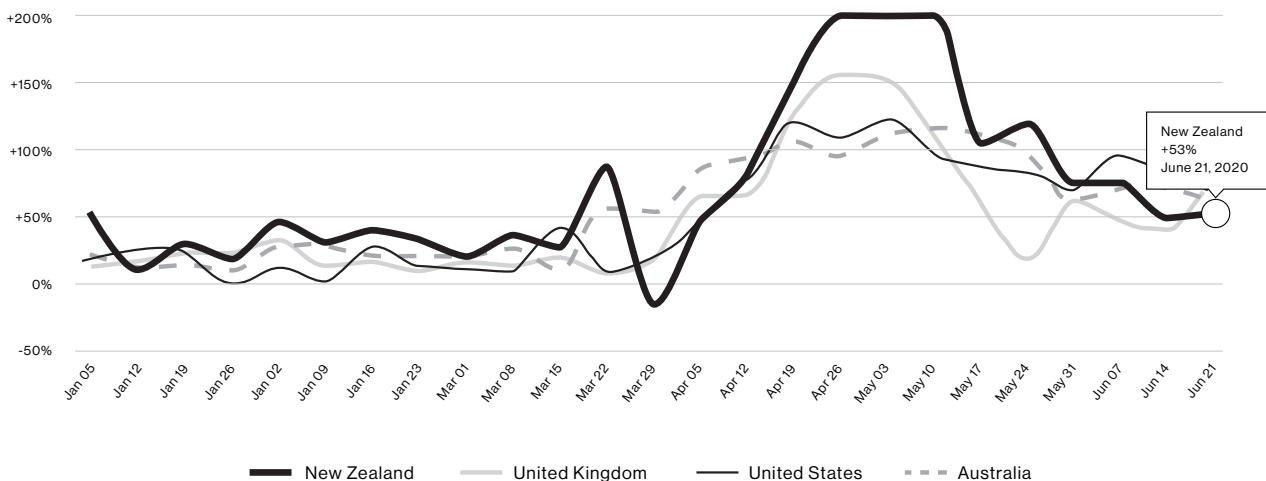
Essentials remain robust: As household budgets become tighter, following a decrease in income or continued uncertainty around job security, consumer spending will be pulled back and concentrated onto items, such as groceries, health products and other essential services. However, essential service spending is not free of competition as organisations such as local food suppliers quickly innovate and adapt their propositions and go-to-market strategies to meet new consumer needs.

Safety first: Spending will increase on safety and convenience. Some historical barriers to purchase, such as shipping costs, will be less of a concern as consumers prioritise safety and convenience. Similarly, those who have critical travel are likely to be open to paying more for security, comfort and peace of mind – not just for themselves, but also for those they are travelling to connect with (such as older family members).

Buying local: Around the world, COVID-19 has resulted in consumer preferences moving toward products and services that are locally produced. New Zealand is no exception, customers are already voting with their wallets in support of local products. In March 2020, we saw New Zealanders spend 24% more on online retail while international sites were down 18%¹. April showed an even larger shift toward domestic products.

Dropping the discretionary: Conversely, discretionary budgets for items like travel and event-based entertainment will be redirected to new hobbies, such as home improvement, 'nesting' products (e.g. cooking) and 'staycation' or regional travel experiences.

¹<https://www.bnz.co.nz/assets/business-banking-help-support/online-retail-sales-index/pdfs/NZ-Online-Retail-Sales-in-March-2020-20200428.pdf?24d522315cd686d3ccac4b22996a585bee4b554e>



This chart illustrates the year-over-year trend of selected KPIs since January 2020 across key geographies and categories. Trends are calculated as follows: orders in the last 14 days divided by the orders in the same period last year. Source: <https://ccinsight.org/trends-by-location/#countries-trends>

The drivers
of consumer
motivations and
expectation.

My motivation



Integrity and transparency: Trust, authenticity and social values remain critical motivators of the choices tomorrow's consumers make. There is likely to be more consumer scrutiny on businesses – more demand and interest in how they are supporting their employees, communities, and dealing ethically with suppliers – especially those that are forced to take government bailouts.

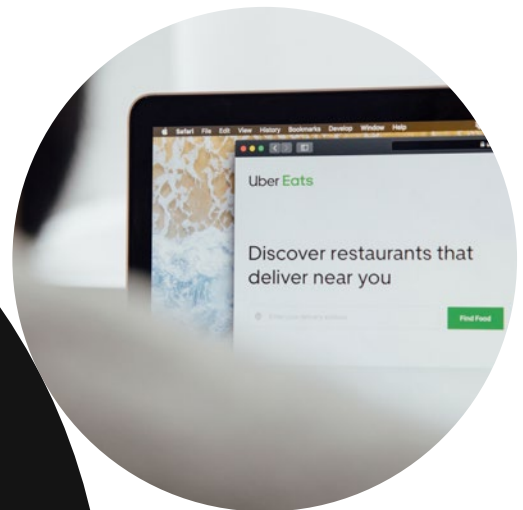
Look beyond your industry: It's important for businesses to remember that consumers no longer just compare a company to its closest competitors, but to whomever sets the standard. Information to prove authenticity and social values are aligned can't just be accessible – it must be at our finger tips and personalised. We value peer reviews and social reference, and many people place more confidence in individual influencers than in companies and institutions.

CASE STUDY

Uber Eats

Celebrities and influencers actively shared images of themselves deleting the Uber Eats App off their phones as it became known the Uber Eats' commission model was taking a 30-35% cut from each order and taking revenue away from New Zealand businesses who are trying hard to recover. (In response, Uber Eats announced no service fees for restaurants on Pickup orders – until 30 June 2020.)

The Golden Rule for Integrity: Doing the right thing, preventing panic, ensuring the needs of the many are met, prioritising safety, protecting the vulnerable, being seen to act fairly and in all customers' best interests.





The competition
for consumers'
attention and focus.

My attention





The fight for consumer attention has never been more intense, exacerbated by unprecedented volumes of content at our fingertips. As our social media feeds are flooded with new online and direct-to-consumer players, businesses need to find a way to stand out.

Personalise your message: While patience and attention thresholds are falling, individuals continue to make time for the things that matter. Now is the time to personally engage your customers – either using data science or an old-fashioned human touch – to show that you value you them as a customer and understand their changing circumstances and resultant needs.

Empathise with customers to show that you care: At a time when all of us are worried for the safety of our loved ones and livelihoods, organisations that demonstrate empathy, put themselves in their customers' shoes and then adapt the way they do business are likely to ensure customer loyalty. Now is a time for all firms to show they care and reflect back to customers that they are changing their activities because of that understanding

Promote local: As noted in the My Wallet section, New Zealand consumers want to band together and support a sustainable New Zealand economy. Consumers are more likely to focus their attention on local brands which help fuels a local economic recovery (consumers also want to be seen helping, sharing their local purchases via social media).

CASE STUDY

Applying evidence-based biases from behavioural economics

Previous downturns have favoured low-cost offers. But the value equation may be more nuanced this time as people consider longevity and reliability requirements to be more important than price. Loss aversion may also be behind the current social media trends of people considering the value of 'buy [New Zealand]' not just as a matter of patriotism but of survival.

Source: <https://www.bandt.com.au/why-this-downturn-is-different-and-how-behavioural-science-can-help-us-understand-how/>

Collin Jowell, KPMG
Brand & Marketing Director



CASE STUDY

Hilton hotels

With workers staying at home and businesses forced to close, tens of millions of jobs around the world have already been lost. During this time, as well as focusing on their customers, companies must also show they understand the needs and concerns of their colleagues. The Hilton hotel group, for example, is partnering with companies such as Walgreens and Lidl to connect employees from temporarily closed hotels with hundreds of thousands of short-term jobs created by the pandemic.



Our global research shows that investing in personalised customer relationships in times of difficulty will be repaid by enduring customer loyalty. Firms that maintain their ethics during periods of catastrophe grow and prosper.

— KPMG Global



The (rapidly accelerating)
adoption of technology
to connect with the
world around us.

My connection



Digital adoption is accelerating faster than ever before: As the COVID-19 crisis restricted us to our homes, New Zealanders across all demographic types rapidly became more likely to use, and be comfortable using, digital channels. More and more businesses are finding unique ways to respond by connecting with us online, with new digital solutions and innovative direct-to-consumer offers.

Though we overlooked complexities of online browsing for essential services in Alert Level Four, and the clumsiness of new retailers going online in Alert Level Three, businesses then needed to step up the quality of their online storefronts, purchasing, delivery and return processes if they wanted customers to keep returning.



Personalise and predict with customer data and insights: Businesses also need to work even harder to extract customer data from a multitude of mediums and meaningfully apply insights to personalise experiences, provide winning service and distinctive experiences. In difficult times, organisations falling short of delivering winning and personalised experiences typically see margin erosion five times greater than that of their top-performing peers*.

Source: KPMG NZ 2019 Customer Experience Excellence Report

*Source: Analysis from KPMG New Zealand's multi-year customer experience excellence research.



Nicola Owbridge

Director – Management Consulting

+64 9 3633 204
nicolaowbridge@kpmg.co.nz



Baxter McConnell

Associate Director – Management Consulting

+64 9 3675 873
bmcconnell@kpmg.co.nz



The constraints of time
and how that shifts in a
COVID-19 world.

My watch



Too much time and too little: Over lockdown, many consumers felt they have less time than before as they juggled the demands of childcare and full-time jobs. However, many consumers also had a surplus of time, due to no longer having a commute or not being able to work at all. For some, the change was for the better and working from home has become the new normal.

The companies that identify which consumer segments have time surpluses and deficits – and when these periods occur throughout their day – are best placed to meet their needs head on.

Where possible, make it easy and reduce time commitments for customers: With a reduced desire for consumers to head to crowded shopping destinations, online retail options and delivery expectations increase dramatically. In response, we're already seeing leading companies prioritise triage and rapid responsiveness to both meet customer needs and to manage the firm's reputation. Online providers, for example, have focused their warehouses on priority items only.



CASE STUDY

Saving consumers time and effort

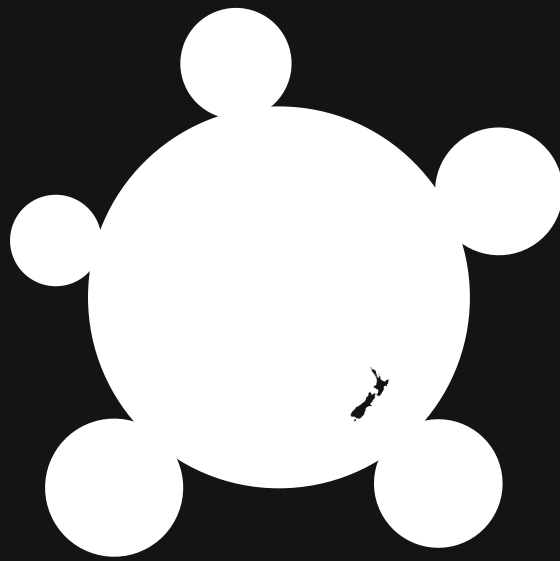
New Zealand: Supermarkets were forced to bring in new measures not only to help keep shoppers and staff safe, but also to minimise time and effort on the part of the customer. For example, New World created 'New World Essential Boxes' where customers can go online and choose from five pre-packaged boxes to get essential food and household items delivered directly to their door. This express shopping experience saves customers time and hassle.

China: In China, Keenon Robotics is using meal-delivery robots to reach people in hospitals and quarantine zones in more than 40 cities, minimising the effort for people in difficult circumstances.

US: With people spending more time working from home, firms in the US are responding by removing paywalls and increasing access to communication products. Providers of collaboration tools and video conferencing have announced enhanced services and free access for a period of time.

RESET





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