



Me, my life, my wallet

**KPMG Global
Customer Insights**

kpmg.com/customerinsights





The multidimensional customer

In an era defined by uncertainty, the companies that get closest to their customers will emerge ahead of the pack. This begins with an “outside-in” view, building new ways of understanding how and why people make decisions.

You already know that customer behavior is changing. Power has shifted from companies to consumers, the mobile phone has become the remote control of our lives, trust in institutions and traditional advertising has diminished. Customer trade-offs and decisions are more opaque and moving faster.

You’re already aware that the structure and composition of industry has changed. New entrants with radically new business models are enacting disruption across the value chain, reshaping ecosystems from sector to sector. Meanwhile, company lifespans are shrinking and the paths to billion-dollar valuations are accelerating.

All these challenges are well documented across business media, research reports and conference presentations. But how should you use this information to understand not only where your customers are today but where they’ll be tomorrow? How can you rethink the basis of competition and pivot your operations and business models to win in the battle for growth?

It’s time for a new approach. One

that employs a multidimensional framework to engage what is now a multidimensional consumer.

Genesis of our findings

For several years, we’ve worked shoulder to shoulder with clients to understand customer attitudes, behavior and expectations in our present era of disruption and uncertainty. Faint signals of change grew louder and bigger patterns began to emerge beyond one individual sector, building a sense of urgency and leading to our belief that we’re witnessing a structural change, not a temporal one. As our teams constructed a new way of thinking about a changing customer, we embarked on a multifaceted research program to validate our thinking and bring to bear the voice of the consumer.

Combined with the extensive, worldwide experience of KPMG’s network of member firms, this has enabled us to identify how best to engage the 21st-century consumer, and our approach provides a tangible framework to help companies identify, understand and respond to today’s changing customer.

Five Mys

Presenting the Five Mys — a framework to help navigate the complexity of consumer decision making

The underlying drivers of human decision making have become exponentially more complex in recent years. Yet transactional data, traditional market research and demographic profiles alone are proving inadequate to explain not just what customers are doing, but why.

As a result, many of our clients have found themselves out of step with a changing, more informed and more empowered customer. They’re struggling to understand customer motivations and how these translate into new products and propositions, new services or ways of doing business and, crucially, how they should align their organizations to keep driving growth.

We start by taking an outside-in view of customer behavior that enables companies to understand the multiple layers and related calculus of human decision making.

And our research has led us to focus on five key dimensions of

customer behavior — motivation, attention, connection, watch and wallet. Considering any one of these dimensions in isolation tells only one aspect of a customer's story. Together, however, they enable companies to navigate the complexity of consumer decision making, and build a richer understanding of changing attitudes, needs and behavior.

- » **01 My motivation** Trust, authenticity and social values are critical but intangible motivators of the choices today's consumers make.
- » **02 My attention** The fight for consumer attention has never been more intense, exacerbated by unprecedented volumes of content at our fingertips.
- » **03 My connection** Today's technology connects humans to information and each other 24/7, driving shifts in our social interactions and behavior.
- » **04 My watch** The companies that understand the constraints of time and anticipate how that changes across life events are best placed to engage customers in the moments of greatest impact and to meet their needs head on.

- » **05 My wallet** How consumers adjust their share of the wallet across life stages and pivotal life events is changing, creating a ripple effect of change across not just one, but all categories to which they allocate their money.

Defining the Five Mys

My motivation – Characteristics that drive behavior and expectations

My attention – Ways we direct our attention and focus

My connection – How we connect to devices, information and each other

My watch – How we balance the constraints of time and how that changes across life events

My wallet – How we adjust our share of wallet across life events

In the first part of this report, we explore each of the Five Mys in detail, illustrating how they contribute to a deeper understanding of the changing customer and potential impacts on the customer wallet. Based on our in-depth research, we discuss how these forces manifest across different generations and in different parts of the world.

Customer wallet

Introducing the customer wallet — the reality of how we spend and save

While potential earning power and disposable income have long been used in segmentation and in determining customer attractiveness, the forces that open and close our wallets are undergoing significant change.

When, where, how and why we spend is becoming more complex, influenced by a greater variety of forces and greater availability of choice. It's becoming less predictable, as demographic and economic shifts challenge the accuracy of legacy earning and spending trends. And the trade-offs we're willing to make across different categories are constantly evolving, powered by mass adoption of new technologies and the rise of the on-demand economy.

The complex, unpredictable and changing nature of our wallets calls for a new way of thinking about the interrelationship among income, borrowing, savings and spend. We need to consider this mix in the context of why we're making the choices we are and how the mix

changes across generations and is influenced by pivotal life events.

Later in the report, we focus on the customer wallet, a framework which, when used in concert with the Five Mys enables companies to go beyond the limitations of socioeconomic profiles and credit scoring.

Generational surfing

Introducing generational surfing — the unpredictability of our life patterns

For years, companies have relied on assumptions about our life stage, using age as a proxy, to determine our spending power, likely needs and relative

attractiveness as customers.

But things are no longer happening at the same time, or in the same order, as with earlier generations. Life stages are shifting and extending, and life events aren't as reassuringly predictable as they once were.

To help companies ride the waves of change, we've developed generational surfing, a fresh way of thinking about the changing patterns of consumers' lives and anticipating their needs, behaviors, trade-offs and choices as they move from one life stage, or wave, to another.

In the third part of this report, we explore how life events are "drifting" among generations and reveal where our research has found new, pivotal

life events that introduce new forces on the customer wallet.

Change isn't looming in the distance. Instead, it's the reality being faced by companies all over the world and no company, regardless of maturity or sector, is immune from these forces and competitive pressures. It's demanding fresh ways of thinking about the customer.

The Five Mys, customer wallet and generational surfing combine to provide that fresh thinking, bringing companies closer to their multidimensional customers, meeting them where they are and on their terms, and helping them navigate the change and disruption of both today and tomorrow. ■

The three dimensions of how customers make decisions

Until now, there has not been a compelling, comprehensive account of how to understand customers or consumers as the real living, breathing, complex human beings that they are. The holistic view of me as a customer can be gathered by understanding three key dimensions to know me better.



Source: GMC



The multidimensional customer

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Me,

my life,

my wallet

Highlights

A glimpse into the technologically powered world of today through consumers' own words, sentiment and actions — and a preview of the research themes and insights explored throughout this report.

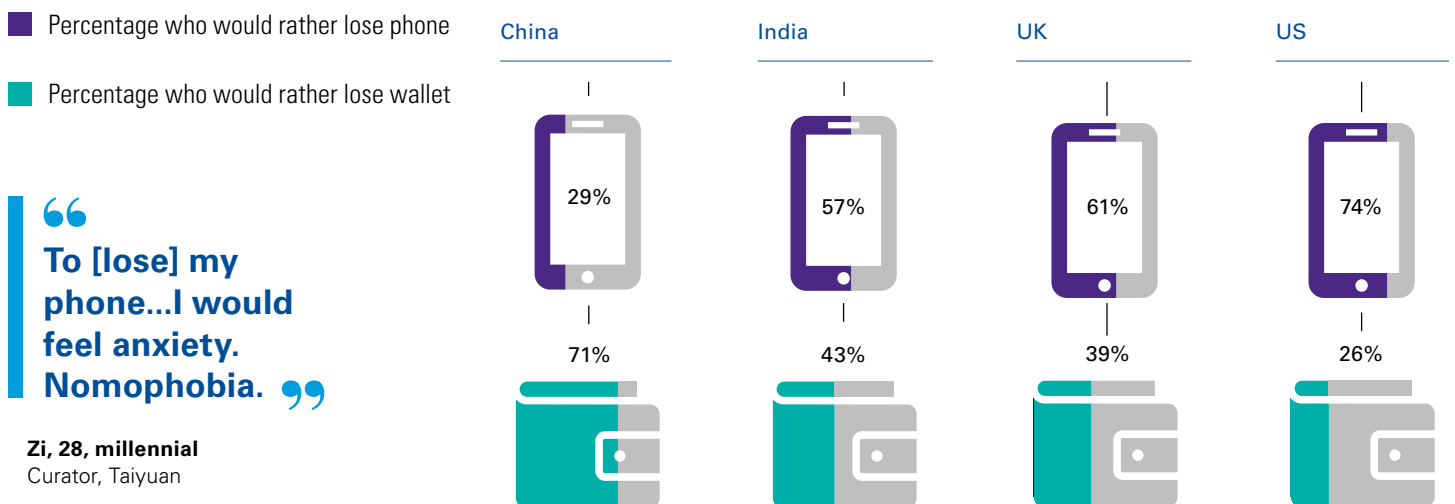
Me, My Life, My Wallet draws on an in-depth body of research, combining trends analysis of social, technological, economic and geopolitical data; ethnographic interviews with consumers on four continents; and a proprietary quantitative survey of consumers in China, India, the UK and the US. Consider this small preview of the detailed insights explored over the course of this report and ask yourself: Do I really know my customer as well as I think I do, or as well as I should?

Checking our phones is the first thing we do in the morning

“
First thing I do in the morning is check my notifications, so that'd be from Facebook, Instagram, WhatsApp, or iMessage. Texts first and then move to social media.”

Avantika, 25, millennial
 Pastry chef, Mumbai, India

While greater anxiety is associated with losing one's wallet globally, the connectivity of people in China swings the balance the other way



“
To [lose] my phone...I would feel anxiety. Nomophobia.”

Zi, 28, millennial
 Curator, Taiyuan



millennials glance at their phone screen at least once every five minutes without being prompted by a notification

“**First thing I do in the morning is check TimeHop on Facebook to see what happened before in my life.**”

Emma, 34, millennial
Life coach, Norfolk, US

“**First thing I read in the morning are WeChat, Facebook and Instagram to catch up with friends. Stay in touch.**”

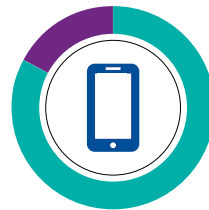
Annie, 23, millennial
Student, Hebei, China

“**My phone is my alarm clock, so the first thing I do in the morning is check what notifications I got. If I posted an Instagram before I went to bed, I want to check if I have a lot of likes in the morning.**”

Kelly, 30, millennial
Marketing, New York, US

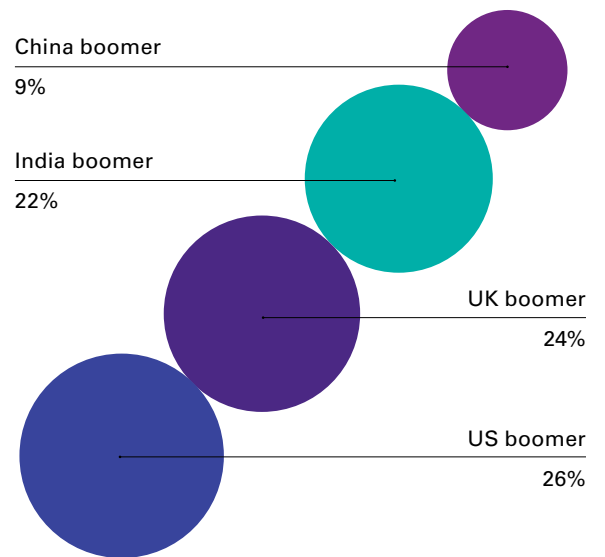


88%
of people in China use WeChat or Alipay to purchase goods or services



83%
of millennials in China open their phone or mobile device to relieve boredom

The US has the highest percentage of technology laggard boomers, and China has the lowest



“**I use WeChat every minute, every hour to chat with friends, family, brands and get my news.**”

Helen, 52, boomer
Teacher, Guangzhou, China

Trust in platforms and devices used regularly

US



UK



China

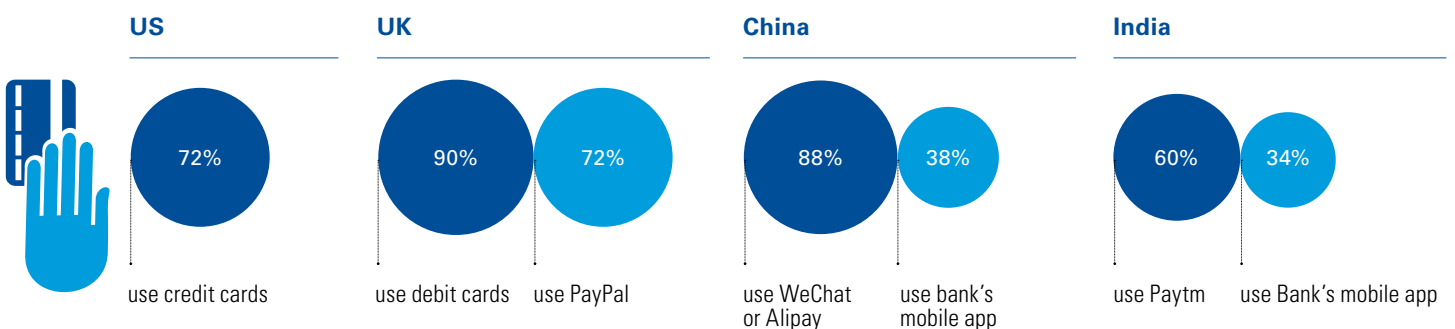


India



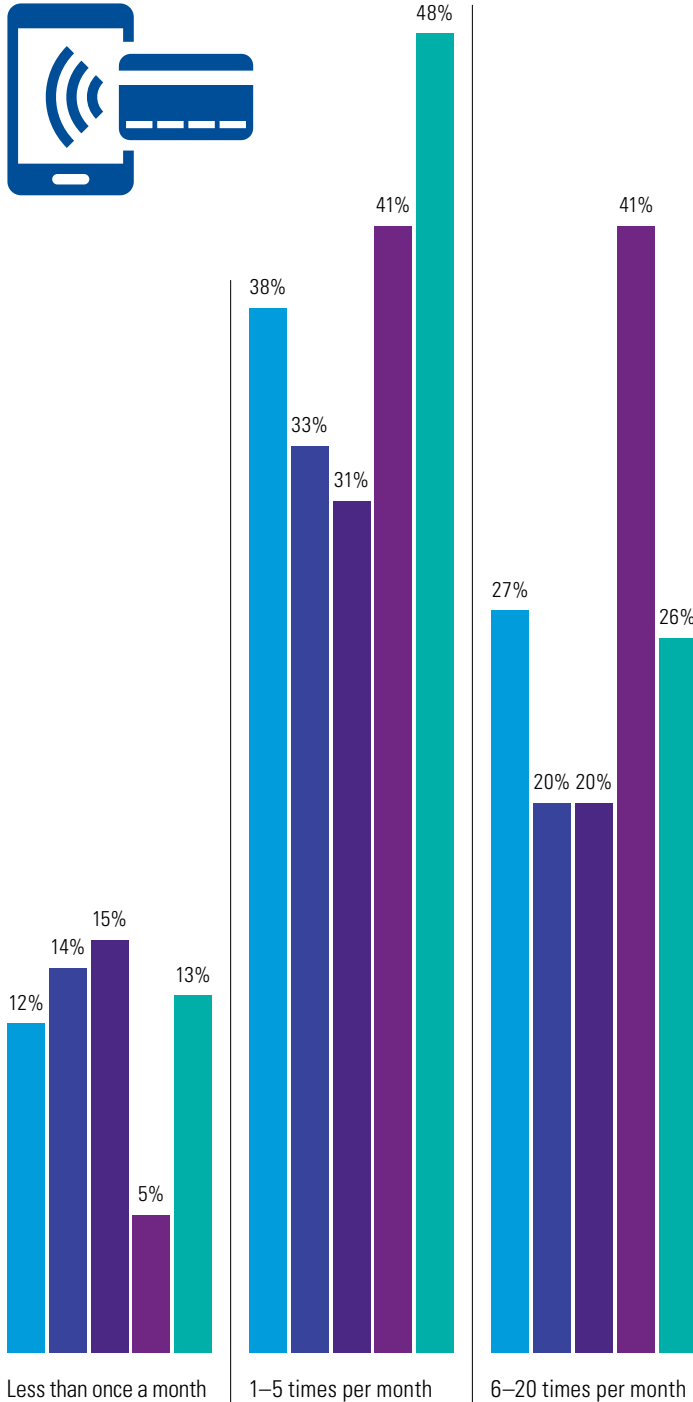
* Adoption rate for the highest used platform

Payment methods used



Frequency of using mobile device to pay for goods and services

■ Total ■ US ■ UK ■ China ■ India



“

I would do online grocery shopping like they have in England, but it doesn't exist in America. ”

Emma, 34, millennial
Life coach, Norfolk, US

Percentages rounded to nearest whole number

Paying attention to the right signals

Making sense of signals of change is critical to keeping up with changing customers.

Around the world, from sector to sector, companies are locked in a battle for growth. Facing intensifying competition, many are struggling to understand the wide variety of trade-offs customers are willing to make and the forces impacting their decisions. And for many, the past is no longer a reliable indicator of future behavior.

A variety of macro- and microdemographic and economic shifts, along with accelerated mass adoption of new technologies, are having multifaceted impacts on consumer behavior. These shifts are signals of change, and they can be detected in two forms — short wave and long wave.

Short-wave signals

Short-wave signals emanate from micro events and extracts of information that tell the complex story of our lives as consumers. They include with whom we connect and follow and our social media likes and interactions; the information and media we consume; where we go, when and how we get there; what we buy, when and where we buy it, whether online or offline; and where we have it shipped, how often we reorder it and how we pay.

The vast data trails emerging from our deepening relationships with technology and the pervasiveness of our devices provide contextual data or clues on almost all facets of our lives. This short-wave data reveals what we did, but it doesn't explain our underlying motivations or divulge the "why" behind our decisions. Making decisions based on this data likely assumes the future looks like the past.



Take Lily, a married Gen Xer from Shanghai with two children. For the last ten years, she and her family have taken a week-long summer vacation at the same Ritz-Carlton hotel in Hong Kong's West Kowloon district, at the same time of year. This year, however, Lily changed jobs and now works remotely. Instead of her traditional vacation, she invested in renovating a new home office. Does the hotel assume that Lily, a loyal Ritz-Carlton customer for years, has switched to another brand? Or that the family's holiday needs have changed? Purchase behavior alone doesn't reveal that the travel share of Lily's wallet has been reallocated to a completely different category: home improvement.



Finding the right ways to mine and analyze these signals will help companies better predict their customers' changing needs and expectations.

Colleen Drummond

Partner in Charge,
Innovation Labs at KPMG Ignition,
KPMG in the US



Long-wave signals

Long-wave signals are external, macro events that impact our experience, influence our values and behavior and provide context for what motivates and drives us. They influence how we connect to each other and the world around us and where we focus our time and attention. Long-wave signals emerge over time, in the form of demographic shifts and STEP (social, technological, economic and market, political and regulatory) events experienced by each generation.

In isolation, long-wave signals can appear too removed to detect a direct impact on a customer purchase or behavior. However, for companies paying attention to them, these signals help get to the “why” behind human decision making and, importantly, how it’s changing.

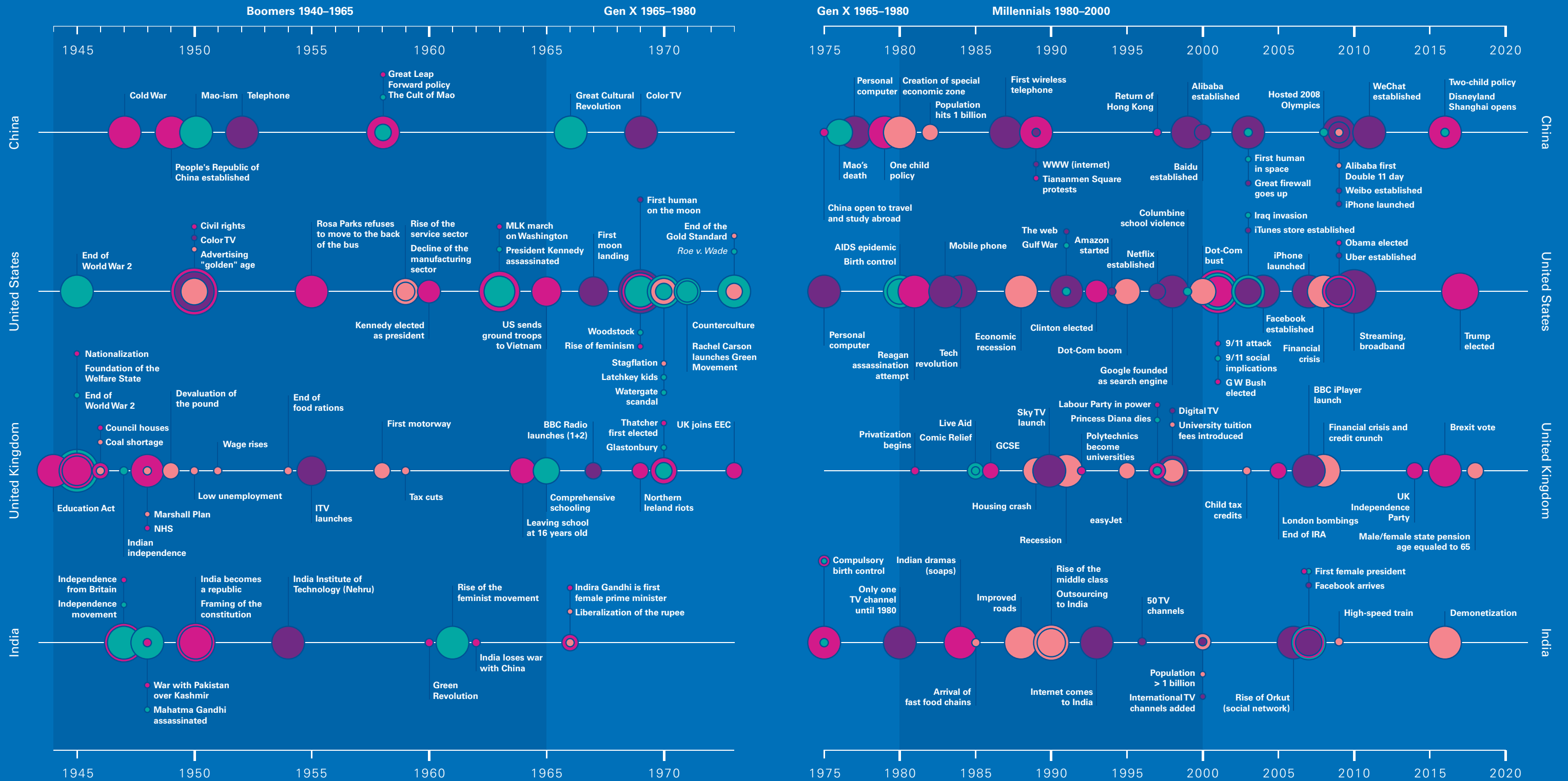
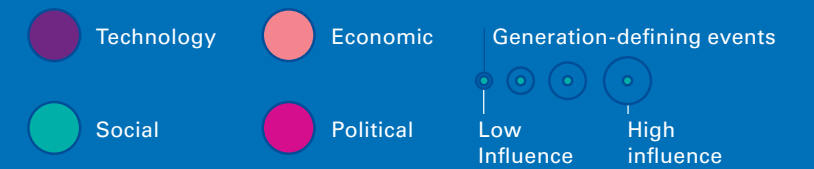
Consider Steve and Jane, two boomer parents. They married early, secured blue-chip jobs, bought a house and had two children. They invested and lived through the highs and subsequent lows of the dot-com bubble and bust. After 9/11, they purchased a bigger house to secure a tangible place in an uncertain world. When the 2008 financial crisis hit, they sold their stocks. Real estate values plummeted, pushing their new home into negative equity. Steve lost his blue-chip job as the prolonged downturn continued, and their equity is tied up in a house that’s become a burden. The value of their cash and bonds is limited by low interest rates. Now they lack the ability to fund a looming retirement. Their life events have influenced every purchase choice they have made and the shape of their wallet in the future.

Short- and long-wave signals combined

Short- and long-wave signals are each important, but the real power lies in putting them together to understand the macro and the micro in context. Finding the right ways to mine and analyze these signals will help companies better predict their customers’ changing needs and expectations, and what’s more, the forces that influence when, where, how, and why we open and close our wallets. ■

STEP events

Social, technological, economic and market, political and regulatory factors combine to define our cultures and influence our motivation, attention, connection, watch and wallet. This visualization reflects STEP events across four countries, aligned with when those events influenced key generations in their formative years.



Source: Innovation Lab at KPMG Ignition, KPMG in the US. Events are representative and not intended to be comprehensive.

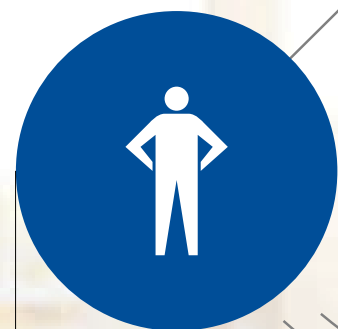
Understanding the Five Mys

Understanding the complex underlying drivers of human decision making has become exponentially more important as the disruption of the digital age accelerates.

As consumers, our Five Mys are both interconnected and constantly changing. If a company looks at any of these underlying drivers of our choices in isolation, or through the lens of a specific industry or a single life stage alone, they will miss out on the richer story of customers' unmet needs and their trade-offs between time and money.

Instead we urge companies to understand the breadth of, and interrelationship between, these five forces that influence our decisions and to explore all aspects of customers' lives, not just the category you serve.

Our Five Mys framework is designed to help identify the real drivers of customer behavior, along with the critical trade-offs among purchase decisions across the breadth of the customer wallet, leading to more targeted and contextualized experiences, products and services that create value for both consumer and company.



My motivation

Characteristics that drive behavior and expectations

70%

increase, since 1987, of consumer spending on live experiences and events relative to total US consumer spending

Source: U.S. Department of Commerce, Bureau of Economic Analysis

My attention

Ways we direct our attention and focus



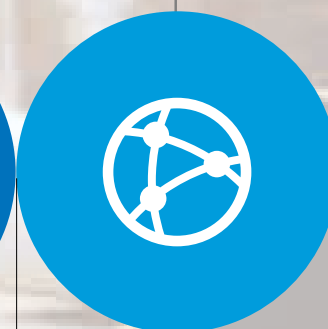
41%

of people feel totally overwhelmed with information and avoid it if they can

Source: KPMG global consumer survey, 2017

My connection

How we connect to devices, information and each other



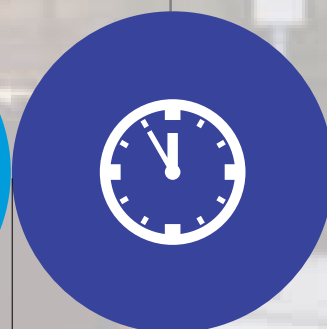
30%

of millennials glance at their phone screen at least once every five minutes without prompt or a notification

Source: KPMG global consumer survey, 2017

My watch

How we balance the constraints of time and how that changes across life events



48%

of professionals in India are ready to forgo a top position with a high salary for flexible working arrangements

Source: "Top Attractors" survey, LinkedIn, 2016

My wallet

How we adjust our share of wallet across life events



77%

of UK postgraduates will never "pay off" their student debt

Source: Institute for Fiscal Studies, 2017



My motivation

Characteristics that drive behavior and expectations

Today, our best experiences have become our expectations — we no longer just compare a company to its closest competitors but to whomever sets the standard for our best experience as consumers. We crave convenience and more intuitive, personalized experiences. We value peer reviews and social reference, and many people place more confidence in individual influencers than in companies and institutions.

For companies, the message from consumers is simple:

Make it easy.

Find ways to make it easy for me to engage with you. Make the tasks I don't care about easier to execute. Help me figure out if I'm choosing the right products and services for my needs. Remove friction and make my experience with you simple, intuitive and pain-free.

Know me.

Show me that you know me as well as the data you already have about me, the preferences I've already revealed and how I engage with you. Don't ask me to reenter information I've already

given you. But I may be willing to share more information if that means you can give me better insights, know my challenges better and deliver the value I need on my terms.

Value me.

Make me feel like you care about keeping my business. Relationships matter, whether the interaction is physical or digital. Think about what you're doing that may signal to me that you don't value me.



Business impact

Knowing what customers really value in an experience and what's setting the benchmark can help eliminate wasted efforts and focus on the ones that make a difference.



Our best experiences have become our expectations



Questions to ask

- » Where are the key expectations and friction points on the customer journey?
- » How do I obtain insights to understand better the key drivers of behavior for my most profitable customers?
- » How can customer data already provided be used to create and/or enhance a better experience?
- » How do we get behavioral data to understand the customer's whys?
- » Where does environmental behavior fit? ■



My attention

Ways we direct our attention and focus

We're all subject to unprecedented volumes of information at our fingertips, increasingly available whenever and wherever we want it. This abundance of information collides with constant pressures on our attention. As our time has become more fragmented, we are making fundamental shifts in how we process and filter information and otherwise divide our days.

Although our patience thresholds are falling, we continue to make time for the things that matter to us individually. Understanding how individual consumers prioritize and marshal their time and attention is essential to break through the noise and the chaos and to build deeper, more meaningful relationships.

Information overload

The sheer volume of information, communication, content and media that we're exposed to every day is

nothing short of an all-out assault on our attention.

Consider these statistics:

- » There is more media created in 60 seconds than can be consumed in a lifetime.
- » Of the 205 million emails sent daily around the world, only 30.6 percent are opened.
- » Data is growing faster than ever, and by 2020, about 6GB of new information will be created for every human being on the planet, every hour of the day.

Questions to ask

- » How do I get my customers' attention in a way that won't add to their information overload?
- » What are the moments that matter most to customers, and how do I build value around these?
- » How do I maintain value once I have captured my customers' attention?
- » How will advancements in machine learning and artificial intelligence become "personal assistants" for customer? ■



Business impact

Knowing how to get customers' attention can help target investment at the moments that matter, maximizing return on investment.



My connection

How we connect to devices, information and each other

As technology adoption accelerates, new devices and tools are gaining more users in less time. While it took 13 years for the mobile phone to reach 25 percent of the US population, it took the iPhone just 2.5 years.

As a result of our increased connectivity, we are having more digitally “connected” interactions. Consequently, we’re getting smarter about the world, and the world is getting smarter about us, who we are as individuals, about other “people like us”, and about communities,



Business impact

Getting smarter about customers through their connections contextualizes big data and generates actionable insights.

cultures, macro and micro trends, and groups that share commonalities.

Understanding the shape and patterns of these wide-ranging interactions and networks is central to understanding how decisions are influenced, when and by whom. The companies that cultivate such an understanding and how it could evolve as technology further permeates our lives will be those best equipped to engage with customers on their terms.

Remote control

With the promise of a simpler, faster, cheaper or better life, we’re increasingly offloading our lives to technology. From simple things like...

- » Remembering contact information
- » Way-finding and navigating to a new destination
- » Managing a calendar
- » Consuming music, photos and videos
- » Ordering and paying for goods and services

To the more significant aspects such as...

- » Booking a vacation
- » Staying in touch with family and friends
- » Investing and banking
- » Managing health and wellness
- » Looking for a relationship.

Questions to ask

- » How do I help customers get smarter about the way they engage with my brand?
- » How do I get smarter about customers through their connections?
- » How can we help the customer deal with connection and disconnection anxiety?
 - » What experiences could be created to connect customers to each other?
 - » How do I apply the same thinking to my organization and leverage technology? ■



Disconnection anxiety

Where's your phone?
In your pocket? On your desk?
Are you sure?

Even the mere thought of misplacing your phone can evoke a mix of feelings we refer to as (dis)connection anxiety — the paradoxical feeling of being both disconnected and too connected.

If you've ever lost your phone or left it charging at home while you spent the day at work, you've experienced the rollercoaster of conflicting emotions: an initial sense of dread, sometimes followed by the relief of remembering where you left your device. Typically accidental and often disconcerting, there is some solace to be taken in the realization that you'll have a day's respite from your always-on life.

Mobile devices have enabled ubiquitous connectivity, giving rise to

 30%

of all millennials glance at their phone screen at least once every five minutes without being prompted by a notification

what some call “nomophobia” or no mobile phobia, a term coined in 2008 by YouGov, an international data and analytics group.

While there is some debate over whether the feelings meet the clinical definition of a phobia, some of us feel truly fearful and anxious about the prospect of losing connection to our digitally powered lives. According to our survey, 42 percent of Indian consumers told us that they feel a strong sense of anxiety when they

leave their device at home, also found evident among 36 percent, 35 percent and 21 percent of Chinese, US and UK consumers, respectively.

On the other hand, some of us feel irritated and overwhelmed by the prospect of constant connectivity itself — the inability to unplug and switch off, the feeling of being trapped by pervasive access to our work emails or

“
**I panic when I
leave my phone.
I feel handicapped.**
”

Anchint, 27, millennial
Airbnb employee,
Calcutta, India

Disconnection anxiety

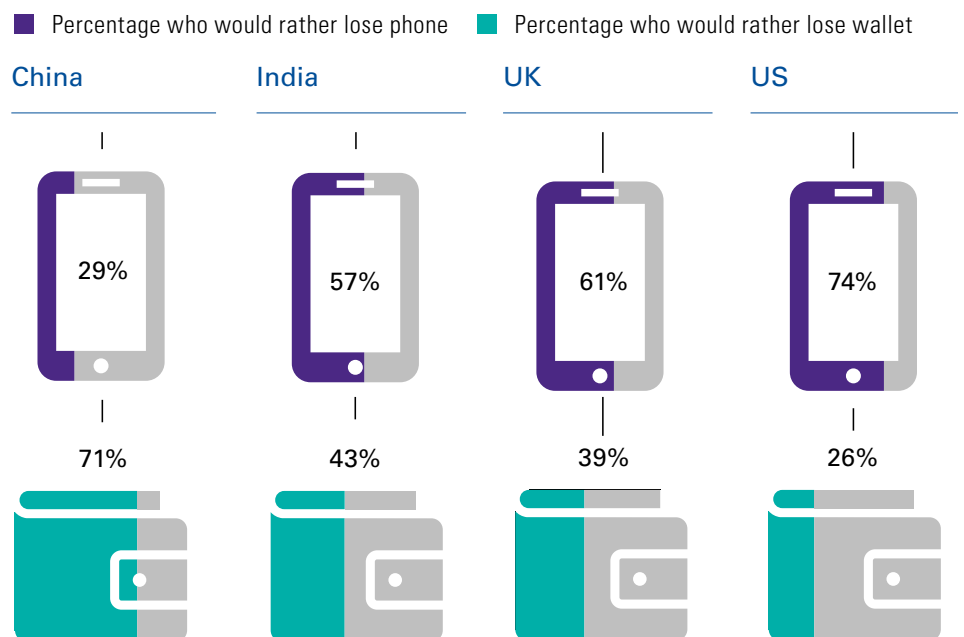
the unspoken social pressure to respond immediately to a WhatsApp message because we know the sender can see the read receipt, indicating we've seen it.

Having our phones with us not only provides a sense of comfort and basic security, but it's also the tool that many of us have to use to help manage our lives because we've offloaded so many critical tasks. When that's suddenly removed, we sometimes feel helpless and desperate. In our survey, for instance, 71 percent of respondents in China said they'd rather lose their wallet than their phone.

So if the thought of being separated from your phone freaks you out, you're not alone. But as one of our survey respondents noted: "I accidentally and unintentionally leave my phone at home sometimes. You were born without a smartphone, so it's OK." ■

Anxiety over losing phone versus wallet

While greater anxiety is associated with losing one's wallet globally, the connectivity of people in China swings the balance the other way





My watch

How we balance the constraints of time and how that changes across life events

How much time we have, or think we have, influences how we interact with other people, services and companies. We're increasingly using technology to automate or accelerate tasks throughout our lives, whether with recurring grocery and household orders or the use of algorithms to help guide us on what to purchase, watch or listen to next.

By understanding the impact of life events and the trade-offs of time and money, companies can engage with consumers at the time of greatest impact, identifying and addressing unmet needs.

Questions to ask

- » How do I reduce the time and effort it takes for my customers to purchase or engage with me?
- » How do we discover the pockets before pivotal life events?
- » How do I start to build in

these pockets as part of my segmentation strategy?

- » For the customer who places a premium on time, what are the opportunities to deliver a differentiated experience?
- » What are the ways to demonstrate value with my customers early in their experience with me and throughout the journey?
- » How do I apply the same thinking across my organization and make it easier for my teams to connect with my customers?
- » How can I help them prepare for life events? ■



Business impact

Identifying the pockets before life events yields new opportunities to build customer loyalty and stickiness.



My wallet

How we adjust our share of wallet across life events

Often in a symbiotic relationship with time, the shape of our wallet changes according to major life events. How much money we have, how we choose to allocate it and our attitude towards it shifts based on myriad factors, not just our salary or age.

Understanding the relationship between income, consumption and spend mix, and how this changes for different generations, viewed through the lens of life events, provides a level of intelligence beyond that offered by traditional demographic models.

How the new customer wallet is changed by our motivation, attention and connection will drive the next generation of business models and determine the companies that thrive in the race for the evolving customer.

Questions to ask

» How can I help customers manage their wallet and budget?

- » How do I identify how my customers are spending and sharing their wallet?
- » How do we get to people who will earn more in the future?
- » For the customer who places a premium on quality, what are the opportunities to deliver a differentiated experience?
- » What are the ways to build trust with customers early in the experience or journey to gain a share of their wallet? ■



Business impact

Understanding the trade-offs customers make between time and money can identify the best future customers and expectations.

The Five Mys profiles

For years, marketers have touted demographic segmentation for targeting customers. Looking at demographics alone, however, risks missing the multifaceted way in which people make decisions.

Millennial comparison: India



Shikha, 32, millennial
Editor at men's magazine,
Mumbai, India
Single

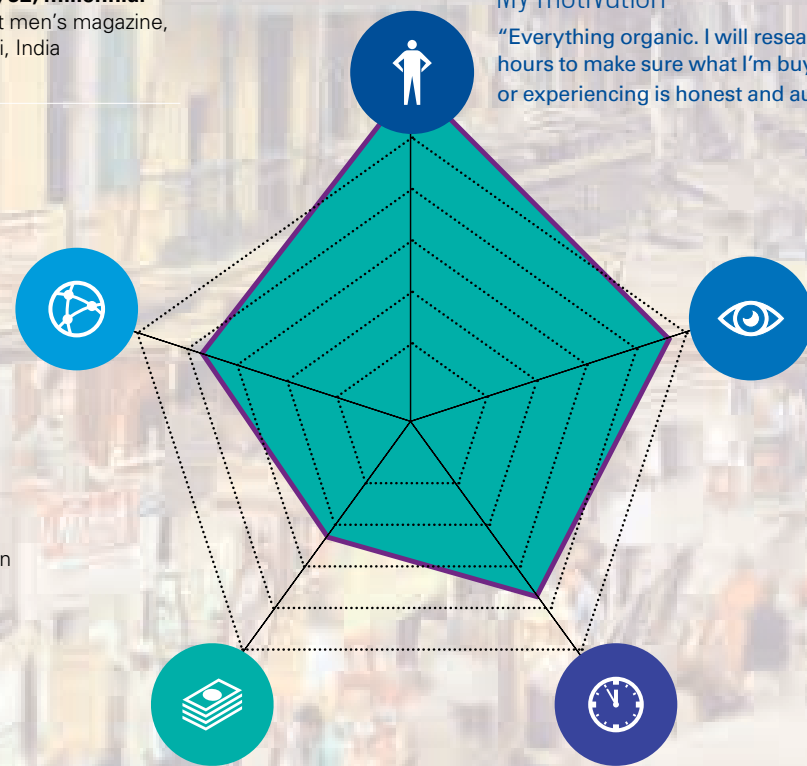
My motivation

"Everything organic. I will research for hours to make sure what I'm buying, eating or experiencing is honest and authentic."

My connection

"Being without my phone gives me anxiety! I would lose connection to people I love and all my photos."

13% more Indian millennials report being without their phone is greater cause of anxiety than witnessing a crime



My attention

"I glance at my phone constantly with notifications. I get alerts for everything happening in my social network and news. I want to be the first to know."

51% of Millennials in India report being interrupted by their primary device at least once every 10 minutes



My wallet

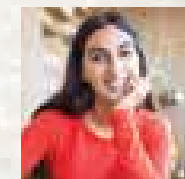
"I have started taking uberPOOL to save money. It takes longer to get places, but I have more money to spend going out with a small trade-off of my time."

21% only of Indian millennials would cut dining out/take out if their budget was reduced by 10%



My watch

"Spending time going out to dinner and drinks with friends is what keeps me happy. My social life is my status and my everything."



Aanchal, 31, millennial
Data analyst,
Bangalore, India
Single

My motivation

"I'm always driven to try new things. I've lived abroad and been exposed to many new experiences."

My connection

"I welcome disconnection. I read spiritual books these days and wouldn't mind having an uninterrupted day of peace without my phone, WhatsApp and Facebook."



My wallet

"In order to save money, I learned how to cook. It takes longer, but it's a trade-off that affords me more budget to do what's important to me."

17% of Indian millennials would cut travel/vacations if their budget was reduced by 10%



My watch

"I believe time spent traveling is the most important thing I can do. Spending time on new experiences with loved ones is critical to my happiness, my life."

13% of Indian millennials' budget is allocated to leisure and entertainment

time researching honest and authentic products, brands and experiences. She proactively harnesses technology to ensure she doesn't miss a beat across her social networks, viewing her device as the primary connection to her friends, family and memories. Social activities are the priority for her time and money, seeing her sacrificing travel convenience for small savings that can be reallocated to dining out.

In contrast, Aanchal's primary driver is the diversity of her life experiences.

While a smartphone user active on many of the same apps as Shikha, Aanchal places greater value on her time offline, viewing reading akin to meditation and welcoming disconnection from technology. She places greater priority on travel and new experiences, and this drives her allocation of time and money — sacrificing the convenience and flexibility of dining out or ordering take out in order to reallocate her spend to her core motivation. ■

Armed with this level of behavioral, contextual insights, companies can anticipate the patterns of consumption and spending that make up these individuals' wallets with far greater precision — and get to know the person behind the demographics.

These stark differences are by no means limited to younger generations. Tom and Bob are both married boomers of a similar age. Both are retired, and both are living in large cities of a similar economic profile in the North of England.

The primary driving force influencing Tom's wallet, beyond his football

passion, is the life event we call FROOM (Fear of Running Out Of Money). Part of a generation that's living longer than their retirement incomes were intended to support, he's keeping a sharp eye on his pension income, all too aware of the potential impact of medical and care costs, with a spouse going through a recent period

of illness. He's part of the minority of UK boomers who shun social networks and online platforms, generally avoiding both the cost and complexity of new technologies. Consequently, he has a virtually nonexistent digital footprint.

In contrast, Bob's focus is family, and this has a profound impact on his behavior, his choices and his wallet.

An active user of technology and social media, he's adopted behaviors from his grandchildren to enhance his connection to them. He's keen to ensure his time and money are allocated to family and values making a difference to them more than investing in experiences or products and services for his own enjoyment. ■

Boomer comparison: UK



Tom, 68, boomer
Manchester, UK
Retired,
Married

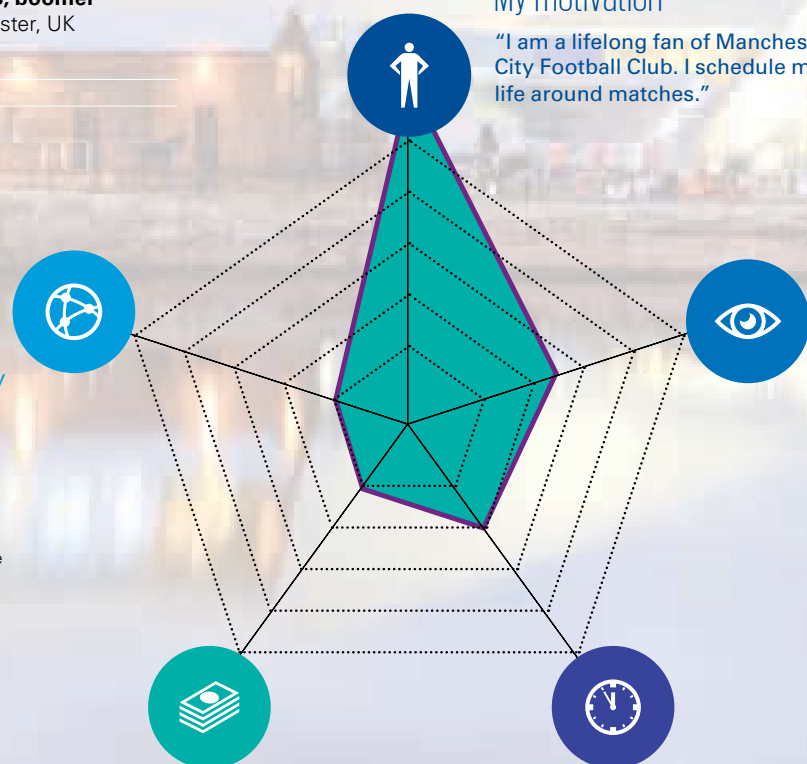
My motivation

"I am a lifelong fan of Manchester City Football Club. I schedule my life around matches."

My connection

"I still use my paper calendar to schedule appointments. And I use my home phone. I don't have time to learn a new iPhone that changes every year."

77% of boomers in the UK report that they would prefer to lose their phone over losing their wallet



My wallet

"I am worried about outliving my pension. Now that I'm retired, I have more time than income."

Boomers in the UK report that **82%** of their wallet goes toward necessities (vs. luxuries)

My watch

"My wife has been sick, so I've spent more time taking care of her lately."

My attention

"I am just me. I don't have any presence online that I know of. And nothing interrupts me except salesmen at my door."

4% of boomers in the UK report that they are not on any online platforms



Bob, 73, boomer
Retired electrician, Liverpool, UK
Married

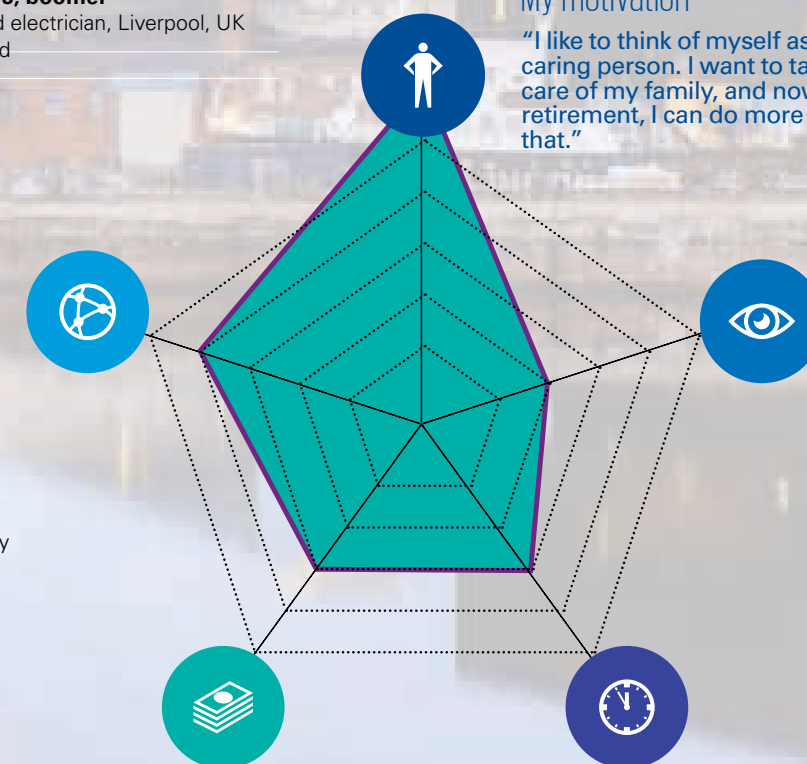
My motivation

"I like to think of myself as a caring person. I want to take care of my family, and now in retirement, I can do more of that."

My connection

"My grandkids taught me how to use Facebook and FaceTime. I'm always on my iPad now."

59% of boomers in the UK report that they use Facebook



My wallet

"With the holidays coming up, I want to make it extra special for my family."

Boomers in the UK report that only **7%** of their wallet goes toward savings and investments (next generation's inheritance)

My watch

"The only thing I'm afraid of is missing out on time with my grandkids."

My attention

"I have been volunteering at the local hospice. I learned from the patients how important it is to be present."

Customer wallet

Many organizations still prescribe to the dated belief that their primary competition is a rival company in the same industry — but their only true competitor is the customer wallet.

We're all subject to finite income flows and certain unavoidable fixed costs that must factor into calculating our available spend. But regardless of income and demographics, all consumers present contradictions between their rhetoric and actions. They stress the importance of budgeting but then show a willingness to forgo value in favor of convenience, for example, or self-improvement. This is where we see interplays between watch and wallet and motivation and wallet.

For example, consumers in our study emphasized how much of their time outside work was devoted to self-improvement. As our "leisure upgrade" trend states, consumers want the time spent on leisure activities to yield more than just simple enjoyment; they want to learn new skills or improve their health. These goals may prevail over the spend mix of their wallet. ■

“

I pay \$30 a class for those workout classes (Soul Cycle and so on), which is a pretty big guilty pleasure. I know it's insane to pay that much for a spin class. I know that money is way better spent elsewhere, but I'm totally caught up in the cult-like ways. It was very smart of them to attach spending a lot of dollars to the endorphins and luxury treatment you get from a fancy workout class. It's the best feeling when you leave one of those classes, like a high that you think can only be achieved by paying another \$30. Also, since it is a workout, it ties into insecurities of trying to lose weight and be fit, so you think the only way to get what you want in life is by paying that much. ”

Brittany, 25, millennial
Event planner, Miami, US

In terms of watch and wallet, we found these trade-offs especially evident in our respondents with young families. For them, their family is one of the primary drivers behind a budget for groceries and other necessities. However, the family also drives a desire to pay for



22%

of millennials identify their parents as a source of income

In India, the figure is as high as

35%

premium on-demand and delivery services that bring speed, ease and convenience to shopping and meal times. These responses appear to be directly at odds with their cost-saving behaviors.

“

I get a subscription box of snacks and makeup each month and I spend a lot more money on it too. ”

Avani, 37, Gen X
Entrepreneur, Delhi, India

And as humans are complicated creatures, you can't account for simple impulse spending and rationalization around it. ■

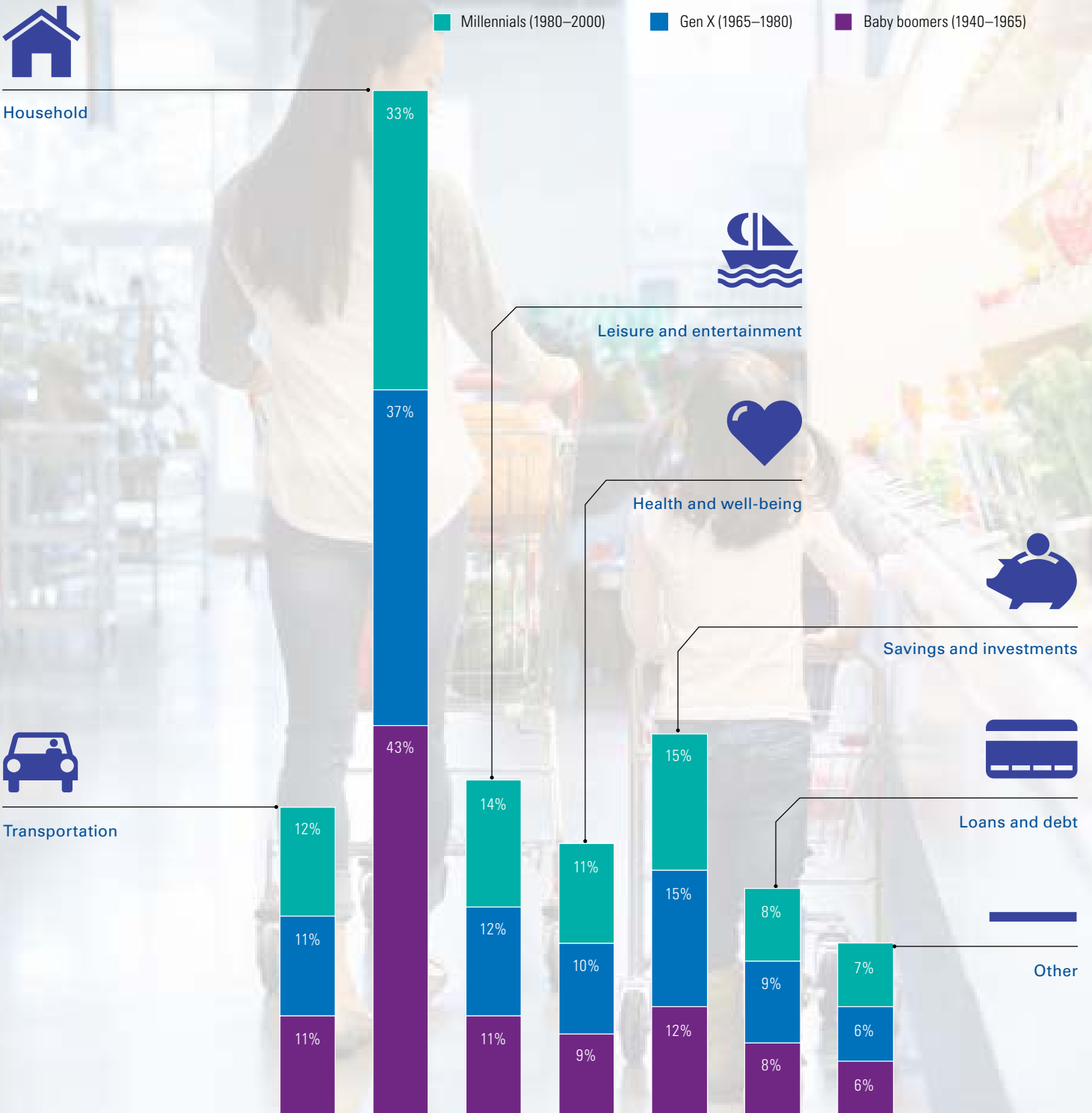
“

I bought myself tickets to Vietnam recently, but the prices have fallen a lot, and then I bought myself an iPhone 6, but it was a pretty stupid move because the iPhone 7 is out soon, so, yes. ”

Jia, 25, millennial
Travel blogger, Delhi, India

Share of wallet by generation

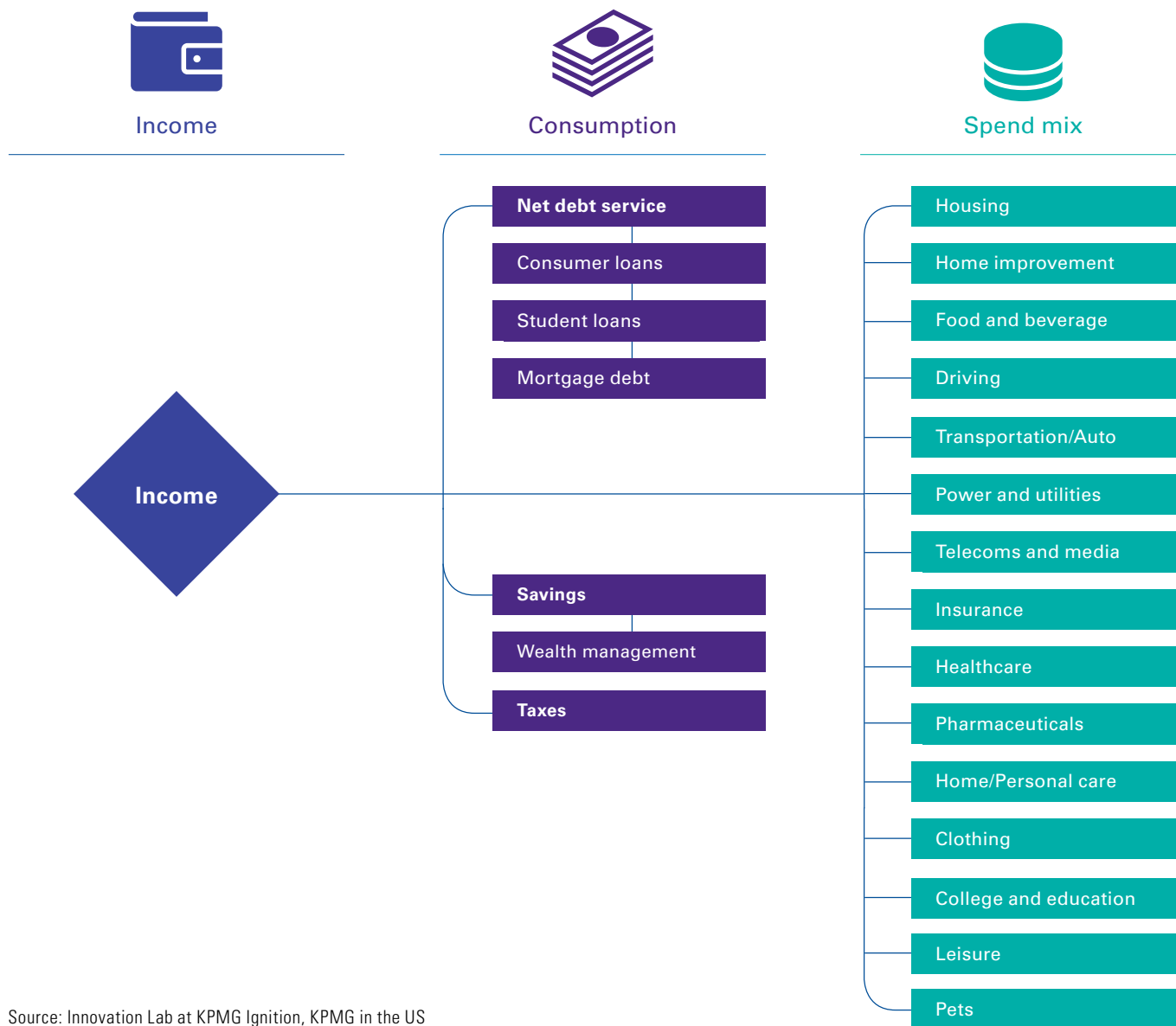
Household spend dominates the wallet but increases as a proportion with age



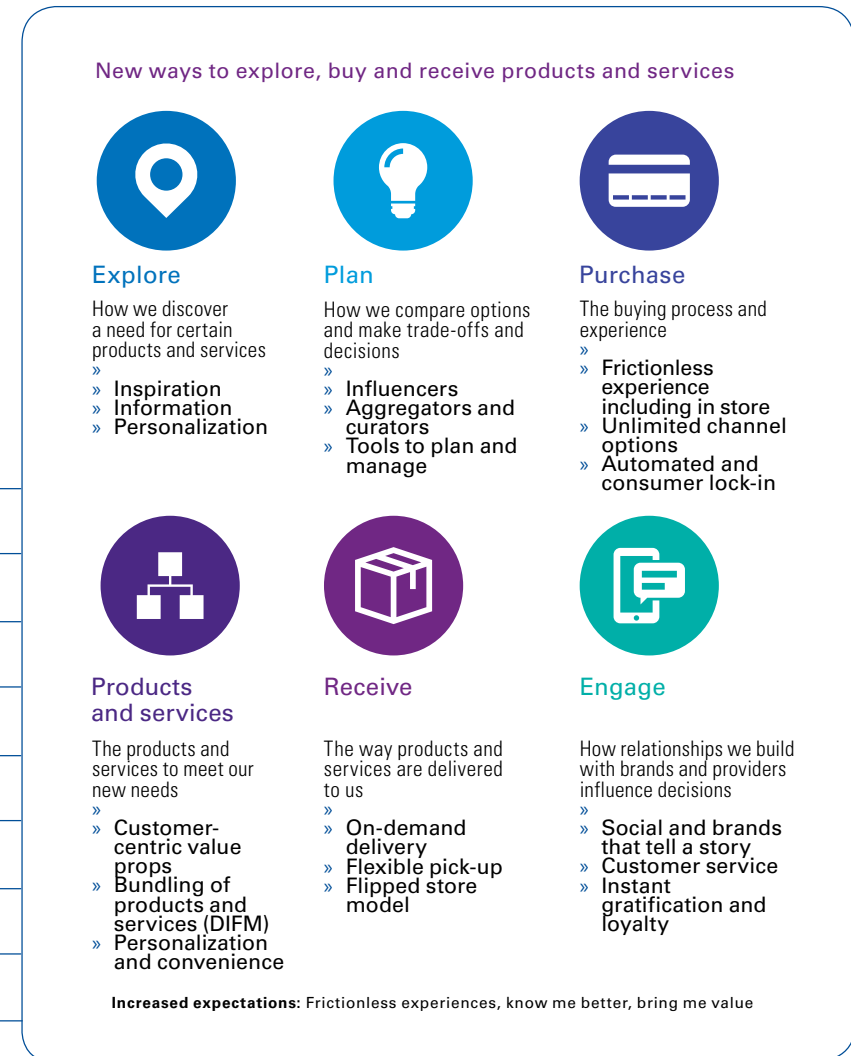
Source: Innovation Lab at KPMG Ignition, KPMG in the US

The customer wallet

We have researched changing customer demographics and resulting impacts on income and spend, including how people are spending money, what they are doing with their money and how they are changing what they spend and where — including the new customer value chain and channels.



New customer value chain/changing channels

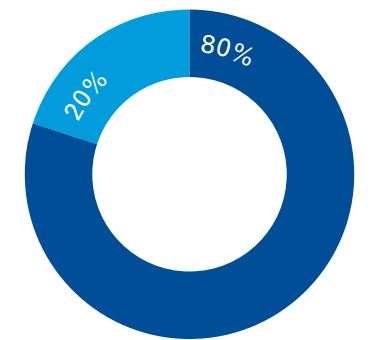


- Payments
- Loyalty programs
- Delivery
- Platform business models

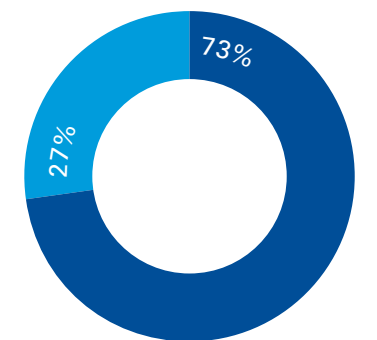
Share of wallet



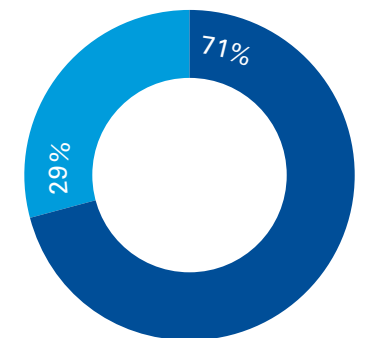
Baby boomers (1940–1965)



Gen X (1965–1980)



Millennials (1980–2000)



Source: Innovation Lab at KPMG Ignition, KPMG in the US

Source: Innovation Lab at KPMG Ignition, KPMG in the US

Generational surfing

With extending life stages, drifting life events and new life events emerging, riding the waves between generations isn't as predictable as it once was

Surfers watch ocean patterns so they can time and catch the big waves. The best ones are shaped like arcs, and experienced surfers look for the pocket that precedes the breakpoint. As the top of the wave begins to fall, the ideal spot to catch a new ride emerges.

When the wave you're riding begins to peter out, you face three possibilities: time it right and catch the next wave; time it wrong and crash out; or ride firm where you are, with the inevitable fade into obscurity.

It's a similar story for companies. The big waves are their customers' life stages, including young adulthood, young parenthood, empty nesting and retirement. The companies that understand these stages and look for patterns of change will be primed to succeed at

generational surfing, whether this means adapting to a customer's needs as they move from one life stage to another or serving one life stage and catching the wave of each new generation entering it.

Shifting life stages

Across generations, companies have relied on assumptions about life stages, using age as a proxy, to identify when and how people will be in the market for certain products and services.

Moving away from home. Graduating from college. Getting your first car. Getting your first job. Buying a home. Getting married. Having a child. Retiring. For years, such events have provided clues to the likely shape of the customer wallet.

However, while certain life stages may be enduring, the way different



generations approach and move through them is showing signs of change. As our survey across China, India, the UK and the United States revealed, more than two-thirds of millennial respondents had yet to purchase their first home. As a consequence, companies' assumptions about this generation may be off by several years.

Meanwhile, new stages are emerging. Baby boomers are redefining their next life stage relative to their predecessors. Many are facing unfunded retirement, increased life expectancy, rising healthcare costs and the potential need to provide extended financial support for their millennial children and possibly their parents as well. As a result, what should have been their peak spending years have been disrupted, leaving them facing a new set of challenges.

Moments that punctuate lives

It's not just life stages that are important determinants of customer needs and behavior, but life events — the watershed moments that punctuate our lives and create new pressures on our wallets. Yet like life stages, life events no longer follow the same pattern, sequence and timing as in the past.

Consider two examples where we're already seeing evidence of these shifts:

Teens are increasingly putting off traditional markers of adulthood –

Twenty years ago, getting a driver's license was considered a pivotal moment on the journey to adulthood

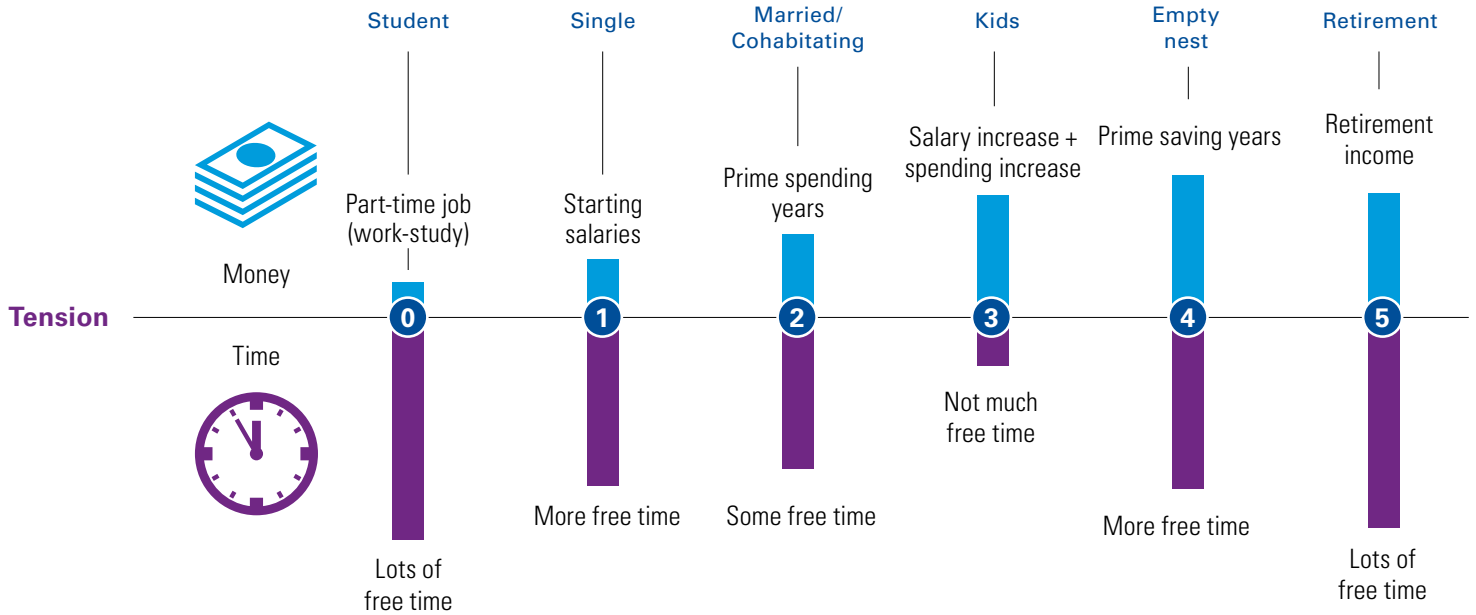
and liberation. Notwithstanding the differences between individuals in rural and urban locations, you could predict it would happen between the ages of 15 and 18, depending on country driving laws.

You could predict the increased cost of insurance and the financial support needed to buy a car. You could predict how driving and transport patterns would change in given parts of the country. You could anticipate how the newly qualified driver's spend mix would evolve, as they suddenly had to factor in the cost of fuel while, at the same time, their new-found freedom presented new opportunities to do more and go further, changing the trade-offs they'd have to consider between time and money.

The reasons behind this shift are many and varied. Some are simple practicalities that have changed their "mys" — motivation and connection. Being able to drive used to be a way to connect with friends. But now teens connect via their devices and don't have the same need to get together. What's more, they're growing up in a world of car-sharing, mobility for hire and the convenience of on-demand transport through the likes of China's Didi, India's Ola or Western equivalents Uber and Lyft, so they may not need to own or drive a car at all.

Looking at the customer wallet in the context of this shift also serves to demonstrate the ripple effects of change, from driving lessons, insurance or car loans to needing to cope with the impact of fluctuating oil values on the price at the pump.

The trade-off between time and money between generations



Buying a home for the first time

– Home buying is another life event where previous age assumptions are fast becoming invalid. Companies traditionally targeting this life event, from mortgage providers to insurers and the home improvement sector, will ultimately experience the economic impacts of delayed household formation, which has a domino effect across the wallet. Will millennials spend more on leisure, travel or entertainment while free from the responsibility of home ownership? Or will they double down on loan repayment and savings to get a mortgage as quickly as possible?

And what about their parents’ wallets? To make serious inroads on student debt or saving for home ownership, growing numbers of millennials are returning to live with their boomer parents and for longer, if they ever moved out at all.

In the UK, more than half of graduates live with parents to pay off debts, while globally, according to our survey, the proportion of millennials living with parents has surged to 38 percent, reaching as high as 68 percent in India.

If companies can become adept at spotting and responding to these “drifts” in life events, they’ll be better able to position new propositions and experiences with greater precision, opening the opportunity to move ahead of the competitive pack.

New life events

At the same time, new life events are emerging, each bringing new forces on our wallets. Consider three examples that have become increasingly important for younger generations:

My first smartphone – Arguably more important than getting a first car, a



smartphone has gone from functioning as a device to becoming a wallet, thereby driving convergence across the Five Mys. It's become the key to their attention, and their connection to friends, family and the world around them. The freedom and diversity of opportunity provided by a smartphone makes its influence on the customer wallet nothing short of profound.

Free of student debt – Indian millennials are entering young adulthood already carrying a significant debt burden, due to the requirement for college loan EMIs (equated monthly installments) to be paid off the moment graduates take their first job. In contrast, UK and US students can accumulate alarming loan debts as they progress through university,

with no fixed repayment period and the prospect (for many) of living for decades with this debt. In the US alone, student debt has grown to more than \$1.3 trillion, an increase of over 80 percent since the Great Recession of 2008. And the implications can be far reaching. While education costs have always been a factor in life, the sheer scale of modern student debt has made paying off a student loan a major event in its own right. Behaviors are altered and a new window of opportunity is opened for credit card companies, banks and retailers to engage a receptive and newly financially liberated audience.

Delayed gratification

Our analysis found studies in multiple markets pointing to significant numbers of millennials delaying marriage, the decision to start a family or a house purchase as a direct consequence of the burden of student debt. In India, for instance, the median age of marriage has increased by approximately three years for men and four years for women over the course of the last three government censuses. In the UK, 43 percent of students say student debt has delayed their decision to start a family. And in China, the share of unmarried women between the ages of 25 and 29 has quadrupled since 1980, reaching 22 percent by 2014.

Unretirement – Almost 20 percent of Americans aged 65 and older remain employed, with three in five retirees citing financial problems as

their main reason for working past 65. Compounding the situation, 60 percent of US households have no money in a 401(k) or similar retirement account, while in the UK, the state pension age is being raised from 65 for men and 60 for women to 68 for both by 2039, presenting UK retirees with the prospect of several unplanned years of unfunded retirement income. In contrast, 36 percent of US retirees worked past 65 mainly because they enjoy their jobs or want to stay involved, while in India 66 percent are opting to continue working in some capacity to keep active and engaged.

The implications for the wallet are significant, with impacts on traditional assumptions about the products and services, either for purchasing or investing, appropriate for older members of our populations.

Thinking differently about patterns of consumers' lives

Life stages and life events undoubtedly remain a powerful way of understanding customer context and predicting needs, aspirations and, ultimately, behavior. But relying on assumptions from the past is not enough.

For companies, this evolution means anchoring everything you do to your customers and looking afresh at their motivation, attention, connection, watch and wallet to anticipate their needs, behaviors, trade-offs and choices as they move from one life stage, or wave, to another. That's the essence of generational surfing. ■

Western baby- boomer echo effect

Millennials are influencing their baby-boomer parents — and boomer parents are influencing their millennial children

Behavior transfers between millennials and their baby-boomer parents are happening more rapidly than in the past. Technological improvements and economic realities have entwined two of the largest generations in Western history and, as a result, are accelerating the rate of technology adoption.

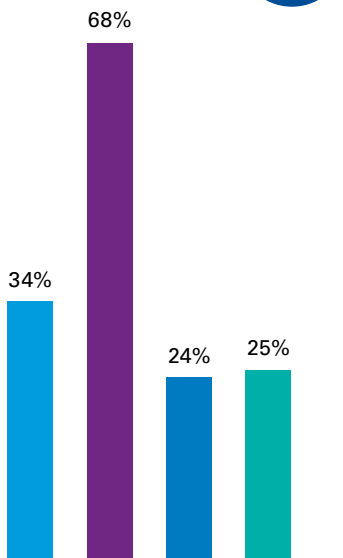
Technology is enabling closer connections between these two generations. Some 30 to 40 years ago, when boomers were in college, making contact with their silent-generation parents typically involved a short phone call on a rotary phone, down the hall from their dorm room, with a line of people behind them waiting for their turn. With few brief communications, less information was exchanged. And when they graduated, fewer of them came back to live at home than we see today.



Technology adoption lag in the boomer generation



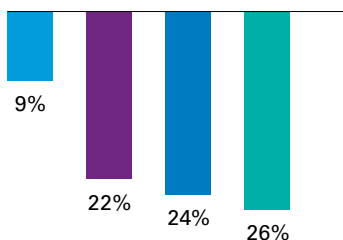
Millennials living with parents



Boomer laggards



In all geographies, boomer laggards is less than might be expected, given traditional technology adoption curves.



Fast forward to the present, and millennials and their boomer parents can be in near-constant contact, able to communicate anytime and anywhere via text, WhatsApp, Facebook and a host of other channels.

In addition, according to Pew Research Center in 2016, student loan debt and underemployment are resulting in nearly one-third of millennials living at home with their boomer parents. As a result, millennials are bringing their parents along on the technological wave.

It comes naturally from simple interactions: “Hey Mom and Dad, have you used Uber?” “What’s that?” “Here, let me show you, it’s super easy and really useful.” “Wow that looks interesting, I’ll give it a try.” “Here, give me your phone and I’ll download it and set up an account for you.”

Millennials living at home can have strong views about technology, media and telecoms, and introduce their parents to new media apps and devices, such as Apple TV, Roku, Chromecast, Netflix, Amazon Prime Instant Video and Hulu.

Changes in purchasing behavior can even go further than just what content the family consumes. Millennials have



The way I learn is from my daughter, son and friends.

Connie, 64, boomer
Grandmother, Napa, California, US

shared the wonders of Amazon Prime and Prime Now with their boomer parents, showing them how to get the necessities delivered and save them a trip to the store.

The reverse is also true. As millennials face financial and other important adult decisions for the first time, boomer parents are often trusted influencers. Where should I open a bank account? What insurance do I need? Which insurance companies would you recommend? What’s a 401(k)? What should I look for in a car? How do I get the best deal?

Understanding the baby-boomer echo effect is key in reaching both generations. On one hand, it can help companies reach both millennials and their boomer parents as influencers of each other. On the other, it also means taking a more nuanced look at both generations. The boomers’ age demographic would traditionally indicate they are late adopters of the latest tech trends and unlikely to be large consumers of those channels.

With the baby-boomer echo effect, we’re seeing boomers adopt technology at a higher rate, upending assumptions about their behaviors and expectations. ■

Life event drifts

Life events used to follow a predictable script, but modern generations are improvising, forcing businesses to adapt and embrace the opportunities these new life stages create.

Our research shows how traditional life events play out differently over generations. This life event drift demonstrates both how new life events and stages emerge.

Businesses have built their operating model based on life event norms, and those are primarily based on the boomer generation that created the mold. We started to see with Gen X an aberration of young adulthood stretching out due to social changes and economic conditions, including student loan debt. This has been amplified in the millennial generation. Gen X has also been saddled with the burden of double day care where they are caught covering the costs

of childcare for their young children, in addition to elder care for aging parents. The layover is the period of time millennials wait before beginning the next traditional life stage.

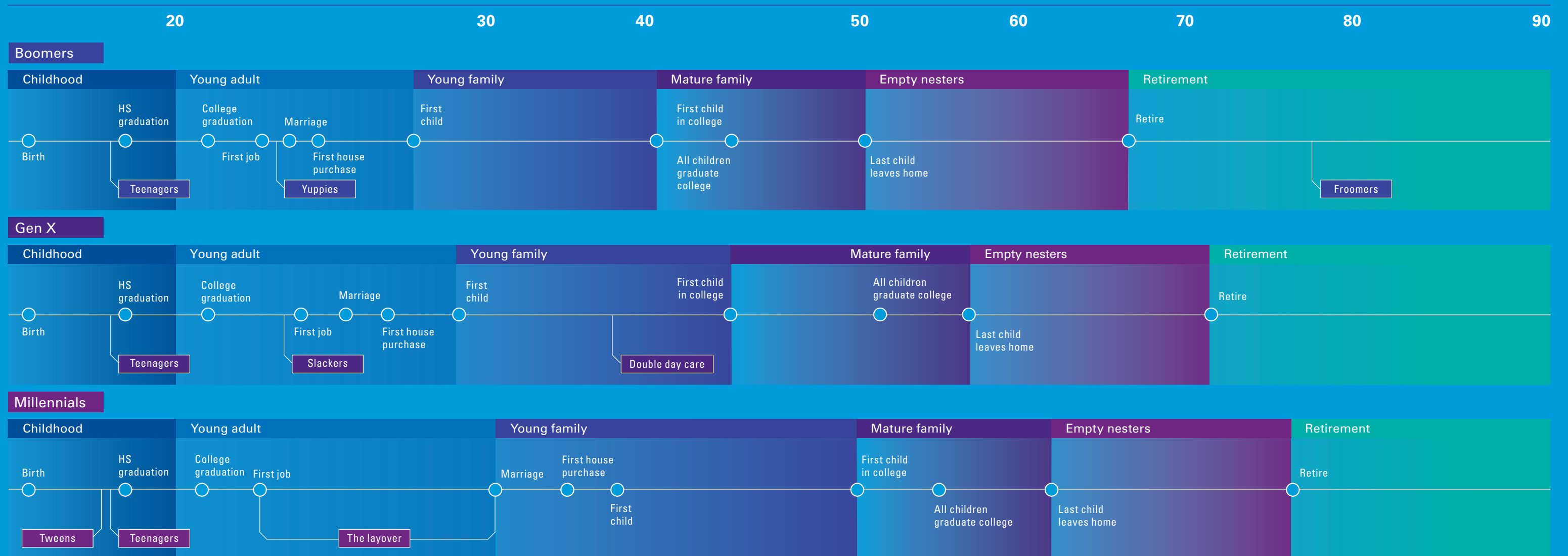
Baby boomers, on the other hand, are the first generation to retire on defined contribution plans and with increasing life expectancy creating something we call FROOM (Fear of Running Out Of Money).

Milestones are being added and disappearing. Where once your first car was a milestone that provided a connection to the world, it is no longer one that millennials or Gen Z value. This raises the question, will the smartphone ultimately replace the car, particularly in urban environments? ■

On average, millennials are **10 years** older than boomers when they have their first child

On average, millennials are **10 years** older than boomers when they buy their first home

Average age



Source: Innovation Lab at KPMG Ignition, KPMG in the US Future events are forecast based on synthesis of relevant demographic prediction models

Customer-centric ecosystem: from push to pull to predict

“Get closer than ever to your customers. So close that you tell them what they need well before they realize it themselves.” — Steve Jobs

Understanding consumers’ lives. Traditionally companies focused primarily on

their own slice of their consumers’ lives and wallets — what their customers bought through point of sale, loyalty programs and promotions — and used that information to improve campaigns and engagement.

Today opportunities are arising to make sense of insights around the broader aspects of customers’ lives — where they go and when, what they buy, what they look at or “like”, what they watch and with whom they are connected.

As companies capture an increasing amount of data on their

customers and get smarter at extracting insights from it, they can assemble those insights to form a more precise, often real-time understanding of what their customers want.

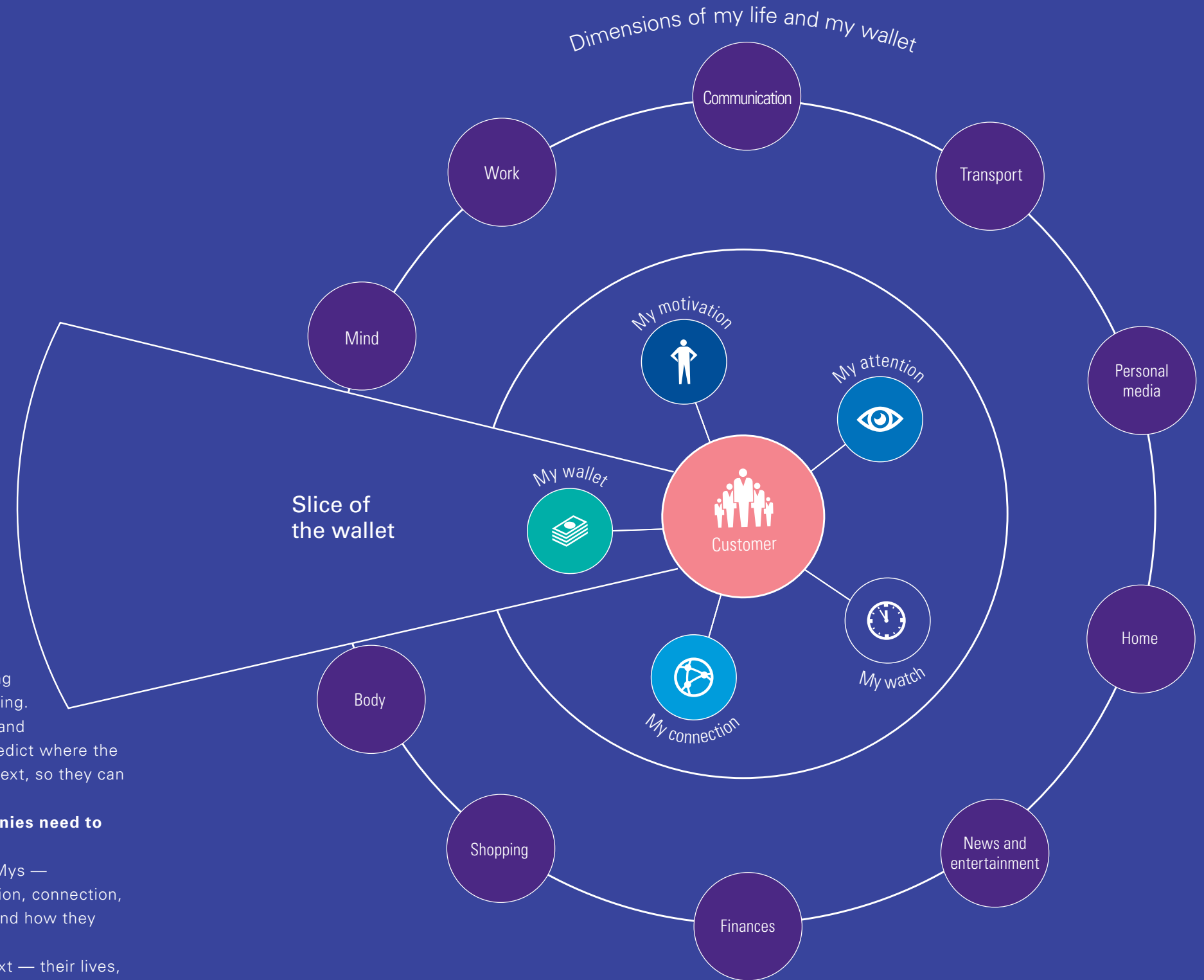
Both Apple and Google, for example, are leveraging the new technologies in smartphones to understand the context of their customers’ lives — the when and where of their behavior and purchases. Facebook seeks to understand their customers’ social graphs — who is connected to whom and who recommends what to whom.

Thus companies have evolved from marketing or “pushing” products they hoped would find

buyers to “pulling” customers into new ways of experiencing a personalized offering. Now the challenge and opportunity is to predict where the customer is going next, so they can get there first.

To do that, companies need to understand:

- » Customers’ Five Mys — motivation, attention, connection, watch, wallet — and how they work together
- » Customers’ context — their lives, needs and the forces that open and close their wallets
- » The ecosystem, not just the industry, in which you and your customers interact



Customer-centric ecosystem:

from push to pull to predict

Using the insights throughout the organization and the ecosystem.

What could putting customers first mean in reality? Like people everywhere, companies are facing information overload. The challenge is in finding ways to use information to improve customer centricity, but not just to retain or find customers for the business as it exists today. Rather, the goal should be to use information to evolve the business so it can anticipate customer needs and thereby improve the experience for all customers over the long term. This analysis might point to products or experiences that you can only deliver by gathering new insights or forming new partnerships within your ecosystem.

The new era is not only about engaging with customers

differently but also building products differently based on real-time customer insights. From there, companies can leverage those insights across the organization, within the supply chain and among partners, to create a value exchange with the customer and others in the ecosystem that have a shared interest. ■

From push to pull to predict

Push – where we've been:

a world in which customer focus meant developing and distributing products and services based on the assumed or created needs of broadly defined customer segments

Pull – where we are:

in an age of digitization, companies are increasingly able to refine and verify their understanding of what customers want, and then personalize products, channels and new ways to engage

Predict – where we need to go:

an evolving era in which the most advanced companies take steps to understand and analyze a sophisticated array of customer information so they can anticipate and meet customers' needs when, or even before, customers know what they want

Industry view

All around the globe, our survey respondents had the same message — they're crying out for companies in every industry to understand them as people: complex, evolving and unique.

The better “connected” a company is to its customers’ lives and the various ecosystems they inhabit, the better it can understand its current share of watch and wallet. And, in concert with insight into their motivations, attention and connections, companies can begin to develop a roadmap to gain greater share of their customers’ time and money, with an optimistic view of the future.

In the following pages we explore five sectors, considering the most noteworthy signals of change, how they could play out, and how companies can anticipate and get ahead of disruption. ■

“**The industry is seeing a pace of change and disruption that we’ve never seen, even coming out of the financial crisis. It is changing in enormous ways. You’re going to have consolidation, disruption and a shakeout in the industry. You’re going to see the emergence of new players. You can look at it with pessimism, that, ‘Oh, my God, all of this is changing,’ or optimism, to say perhaps this is the time to rewrite some of the rules and rebalance the competitive equation in the industry. I’m in the latter camp, and I’m looking at the world and saying, ‘Interesting times.’**”

Indra K. Nooyi
Chairman and Chief Executive Officer,
PEPSICO

“**This is a very exciting time in the healthcare industry. As we have seen in other industries disrupted by consumers demanding products and services anytime, anywhere; healthcare is not unique, and we are beginning to really experience this consumer-centric seismic shift. These changes are a reality now and are creating significant pressure on traditional providers of healthcare services to innovate and transform their enterprise. The organizations that readily embrace this will create a differentiated brand, gain operational efficiencies, and build customer loyalty in the markets in which they serve.**”

Michael Beaty
US Healthcare Leader,
Patient Access and Revenue Operations



Consumer and retail

Customers’ behavior and expectations have changed and in order to keep up with demands data driven insights must be utilized at all levels of the organization



Media & telecommunications

Customers are curating their own content ecosystems, demanding more personalized and responsive product and service offerings



Healthcare

New digital healthcare options are challenging the legacy, provider-centric nature of health services



Retail banking

The traditional value chain has been unbundled by a flood of fintech start-ups and out-of-sector entrants, but a rebundling could yet be in the cards



Insurance

Simplicity and convenience are starting to take center stage, rewriting the rules of play



Time will tell whether a digital wallet is any more convenient than the real thing. Customers tend to prefer removing the friction in a transaction, with efficient and speedy payment at checkout the Holy Grail. I think convergence between financial services and wearable tech-enabled biometrics is inevitable. I imagine a day where simply blinking, tapping my wedding ring or swiping my Fitbit at checkout will be all that’s needed to make payments.”

Jeremy K. Balkin
Head of Innovation, HSBC Bank US



The multiplicity of brands in the wardrobe, bought from a variety of channels for various reasons and occasions, is reflective of today’s customer. How to engage with them across different mediums, providing new reasons for them to shop across various channels, has become the objective of every fashion brand and retailer. That is the profound change we have seen from the distinctly mono-channel, brand-loyal and occasion-driven customer of yore.”

Bijou Kurien
Strategy Board Member,
L Catterton Asia

Consumer & Retail

Data becomes king

Technological and demographic shifts have disrupted the ecosystem for consumer goods companies and retailers, with both facing threat and opportunity in equal measure

Retailers and consumer goods manufacturers are among the most sophisticated researchers in the world, benefiting from a wealth of data and a long tradition of seeking to understand their consumers' motivations and lives.

Whether through focus groups, shop-alongs, in-home research and diaries or test labs, leading firms have gone to great lengths to understand what's important to a shopper and what really drives decisions at the moment of purchase. This understanding would then be translated into meaningful product claims, brand messages, packaging design and advertising campaigns, which resonated with a large portion of the population and generated strong sales lift.

The world has changed

In the last ten years, three key developments have dramatically

changed customer behavior and expectations:

Democratization of information –

In a world of information abundance, customers can rely on a wide variety of influences when making buying decisions.

Always-on lifestyle – 24/7

connectivity has created tremendous advances in how we live and work, but getting consumers' attention is harder.

Rise of personalization –

As technology increasingly reduces a market's cost of entry, a greater choice of business models, services and products is now available to customers in something of an endless virtual aisle from which to choose.

How to respond

Catering to customers in this world requires a level of granular understanding that was once impossible to achieve and, indeed, can remain difficult. By developing a detailed understanding of customers' Five Mys — motivation, attention, connection, watch and wallet — at multiple points in their day and life, companies will have the foundations to identify how, where and when to engage them.

For example, the trade-offs customers continually make between their time

“
I'm ok with brands taking my data for market research. I don't mind being a guinea pig.”

Kanika, 25, millennial
Chef, Mumbai, India

and their money provide a wealth of information. While most brands understand the relative price position of their products, very few measure and analyze the time investment required by the customer. What's more, high-level research techniques rarely capture the trade-offs any given customer is willing to make at any given time.

One customer may stick to a tight budget for weekly grocery shopping but splurge on a shoe wardrobe. Later, the same customer may buy shoes with sale discounts so he or she can afford organic pet food for a new puppy. Some customers are absolutely willing to pay a



premium to save time, while others insist on touching a product before buying, even if it means an extra 45 minutes to drive, park and walk through a store.

New view on consumer insight capabilities

Getting to a clear understanding of how consumers view these trade-offs requires new forms of data and research to generate the right depth of insight. With more data than ever, insight should be guided by four key principles:

Customer level – Understanding and grouping insights at a segment level is relevant and important, but it's often most valuable to generate them at the lowest level of granularity that can be actioned. In other words, if you are able to take a one-to-one action, you should use individual customer insights. And if you are not taking a one-to-one action, it is worth considering whether technology and innovation could help you do so.

Dynamic – Monitoring and assessing individual customers'



56%

are "concerned" or "extremely concerned" about the way companies handle and use their personal data

“
Sharing my data with companies does not bother me. What bothers me is the number of calls I get when they get that information.”

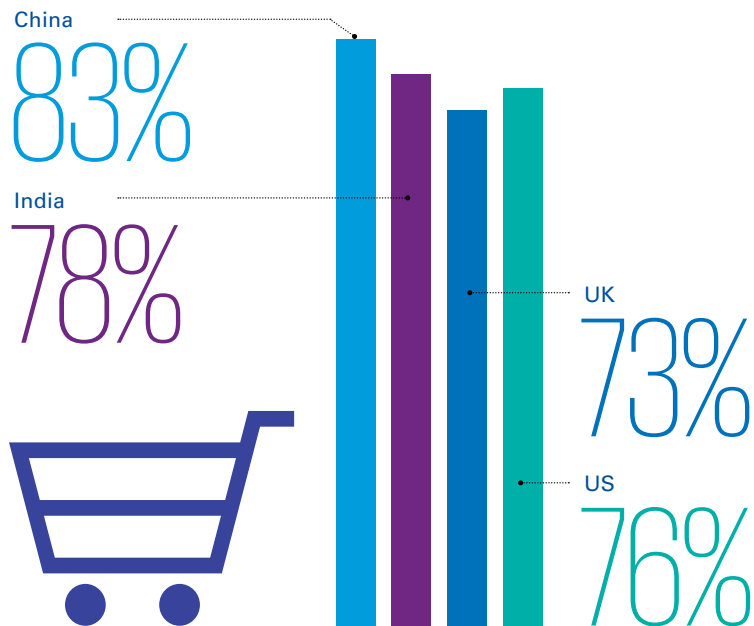
Kanika, 25, millennial
Chef, Mumbai, India

Trust in buying products online

preferences as they change over time and throughout categories is critically important. Yet this effort must be balanced with enough stability for the organization to make decisions.

Multidimensional – With so many factors that go into purchase decisions, relying on one core attribute in today’s market can be dangerous. Similarly, assuming that all consumers who value product quality also have a certain price they are willing to pay is a fallacy. These are dynamic and interrelated decisions. We recommend thinking of your customers as having an underlying “DNA” of preferences rather than simply bucketing them into one “need state”.

Scaled – It was once acceptable to research a representative sample of consumers and use it to predict the attitudes of the whole. Still a common technique, manufacturers and retailers must constantly reexamine if a data set is available that would make the same basic insight more granular



and actionable. For instance, while it’s still valid to ask consumers how important time savings are to them, it may be more scalable and actionable to measure the drive time from their home to a store. New data sets are constantly becoming available to make this analysis more achievable.

Putting it into practice

Often these ideas resonate with brand marketers, but the challenge lies in acquiring the data and capabilities to put them into practice. We recommend

starting with the decisions and levers that can be pulled by your brand, and then work backward to the best source of data and insight.

Before that, however, companies must ensure they challenge the thinking on the levers that can be pulled. Historically, brand marketers may have thought, for example, that they could only influence packaging at the shelf. But with new technologies and innovations, many more possibilities are available and are often overlooked out of habit.

Once you are clear how to action more granular data, sourcing it among many options will require some creativity. You may decide to buy data, partner with a firm or simply use the extensive public data now available. The right option will depend on your end-execution needs, time frame and budget.

Ultimately, an organization’s decision makers need to understand and buy into the need for the data and perceive how it can improve decision making. After that, incentive changes, new processes and tools and training can help enable your colleagues to operate in a different way. ■



The customer comes first is one of the oldest clichés in business. But that adage has taken on a new meaning in the digital age. Not only is the customer first, he’s telling you how to run your business. ”

Willy Kruh

Global Chair, Consumer & Retail, KPMG International

Media & Telecommunications

Curated by me, for me

The battle for attention and a share of the customer wallet is intensifying, as consumer demands and new entrants change the rules of the game.

“
**News – WeChat
subscription is
powerful and blowing
your mind every
morning. First thing
I check every morning.**”

Cathy, 28, millennial
Journalist, Chengdu/NY, China

It used to be simple. In an era of mass production, mass distribution and mass advertising, goods and media grew together. When the TV set was introduced, the value proposition was straightforward — buy a TV and get the content free, since it was funded largely by advertising.

As TV captured more attention, it became the dominant channel for advertising and helped drive the rise of mass-market industries and brands. This partnership was mutually beneficial — one needed the other to reach the customer wallet.

But the generation that grew up with the television set is no longer its largest addressable market. Millennials are now the dominant consumers of content, and they've influenced all consumers to expect choice.

“

I use social media way more than I watch TV. ”

Cathy, 28, millennial
Journalist, Chengdu/NY, China

The resulting demand for greater personalization, compounded by the growing influence of social networks and platform businesses, has already dramatically reshaped the media and content landscape, and change is accelerating.

Traditional cable operators have expanded and diversified their offerings over recent years, but while the average cable-connected household now receives 206 TV channels, 72 percent of people regularly watch only 20 or fewer of them. More than 110 over-the-top (OTT) networks, including Hulu, HBO Now and Amazon Prime Video,

“

Not that long ago, our media consumption was attributed to specific occasions, centered around a large screen in our lounges — watching the morning news before work, eating a microwave meal (even referred to as “TV dinners”) in front of primetime shows or relaxing in front of a Saturday night movie. No longer. Our media consumption has shifted from a screen we converge around at predictable moments to a device we carry around in our pockets throughout the day. Media and content are now converging around — and fighting to reach — us, and nowhere is the shift in power from producer to consumer more evident than the media and telecommunications sector. ”

Timothy J. Zanni
Global and US Technology
Sector Leader, KPMG International

are catalyzing a potentially seismic shift in the entertainment landscape. In addition, live and on-demand video has become of central importance to social networks such as Facebook, YouTube and Twitter, giving consumers access to an explosion of peer-to-peer and semiprofessional content.

Television in our pocket

With the proliferation of smartphones globally, each of us carries a personal television within a device that is becoming the remote control for increasingly numerous aspects of our lives.

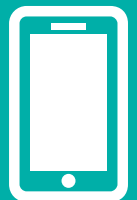
Not only is this constant connectivity impacting consumers' attention and their behavior but it's also generating massive amounts of contextual data that can be used to personalize interactions with greater precision. Consequently, platform businesses such as Netflix, Apple, Amazon and Facebook have a distinct advantage over the incumbents whose understanding of customer behavior is largely tied to a single screen.

With smartphones serving as a gateway to a self-curated portfolio of content, their disruptive influence has also forced the sector to challenge legacy definitions of both programs and advertising.

MOBILES ARE SMART

In its relatively young lifespan, the smartphone has grown at a staggering pace, with China becoming a distant leader. Consider that 87 percent of smartphone users say their device never leaves their side. And that more than half of millennials check their phones at least once every ten minutes, even without being prompted by a notification or alert. And there are already more than two billion of these devices active around the world. Its impact on the technology, media and telecommunications sector cannot be underscored enough.

Source: Innovation Lab at KPMG Ignition, KPMG in the US





Gone are the days when content largely came in 30-minute episodes or 90-minute movies, or when adverts were a dependable 30-second spot. A Snapchat story can be ten seconds long. A YouTube video, two seconds. Netflix recently created *Stranger Things*, an eight-part series made to be watched as a single entity. *WIRED* magazine called it “basically an eight-hour Steven Spielberg movie”.

Advertisers and media owners are grappling with platform, device and channel-hopping consumers and are still experimenting to find the optimal advertising frequency, format and duration for these new content destinations, the latest attempt being seven-second spots, each with vastly different effectiveness and economics.

Reaching the wallet

Over the last six years, the cost of pay-TV subscriptions has risen faster than the average consumer’s monthly income, while OTT offerings are serving up more and often better

content at lower cost. But OTT can’t offer everything traditional TV does. Not yet, at least.

Instead of buying big, expensive, predetermined bundles from cable companies, consumers are increasingly opting to “self-bundle” their favorite OTT options and to follow the people, producers and brands they value online, creating their own personalized ecosystems.

In response, several cable providers have embraced the reality that is becoming unbundling, providing consumers the skinny option of cheaper, more customizable packages. As attention continues to shift to digital devices and OTT consumption, the pay-TV industry is losing a historically high number of subscribers.

Sports and news content only available through the traditional TV ecosystem stands as the final defense to full democratization or, in the eyes of consumers, the last barrier to overcome.

However, even this barrier is starting to crumble. News is already widely available online, via mobile and social channels.



Technology has become so embedded in our daily lives that consumers now view instant access as the norm. They are accustomed to the immediacy of finding information or buying things online, and expect the same ease and optionality for their entertainment choices. Consumer expectations of immediacy will continue to drive the speed and nature of the changes we are seeing across the content ecosystem. ”

Paul Wissmann
US National Sector Leader,
Media & Telecommunications,
KPMG in the US

And technology companies are starting to spend on sports. In 2016, Twitter invested \$10 million for the rights to stream a ten-strong series of NFL games, available to viewers via apps and Xbox consoles, with Google and Yahoo! as syndication partners. This year, Amazon scooped the same for \$50 million.

A small number of people who want access to everything right now are putting a larger share of their customer wallet up for grabs. But value is likely to motivate a larger section of the market. And if DIY bundling emerges as the best way to get it, industry incumbents will have to make sure that, when the dust settles, they are on the right side of the trend. ■

Healthcare

The empowered patient

Traditional healthcare systems are built around the linear, event-driven process of diagnosis and treatment. Increasingly, customer expectations are for wellness-focused self-management and empowered decision making outside this traditional system.

A surge in health apps, wearable devices and services such as daily monitoring and self-diagnosis are providing a growing number of new digital healthcare options to patients who crave instant gratification and on-demand services on their terms.

In a challenge to the legacy, provider-centric nature of health services, start-ups around the world are addressing friction points and unmet needs throughout the value chain.

From advice and consultation to diagnosis, prescriptions to lab work, these innovations not only

give consumers the immediacy and control they demand, but can also go some way to alleviating pressure on already strained healthcare systems for some of the most common conditions affecting the mind and body.

“A truism across many healthcare systems is that they tend to be designed for the providers and for the professionals, and not for the patients,” says Dr Ed Fitzgerald, global healthcare executive to KPMG’s health practice global chairman. “I think the successful providers and systems of the future will turn that around, and start designing healthcare for the



“**I don’t mind paying extra for organic groceries and will pay extra to preserve my health.**”

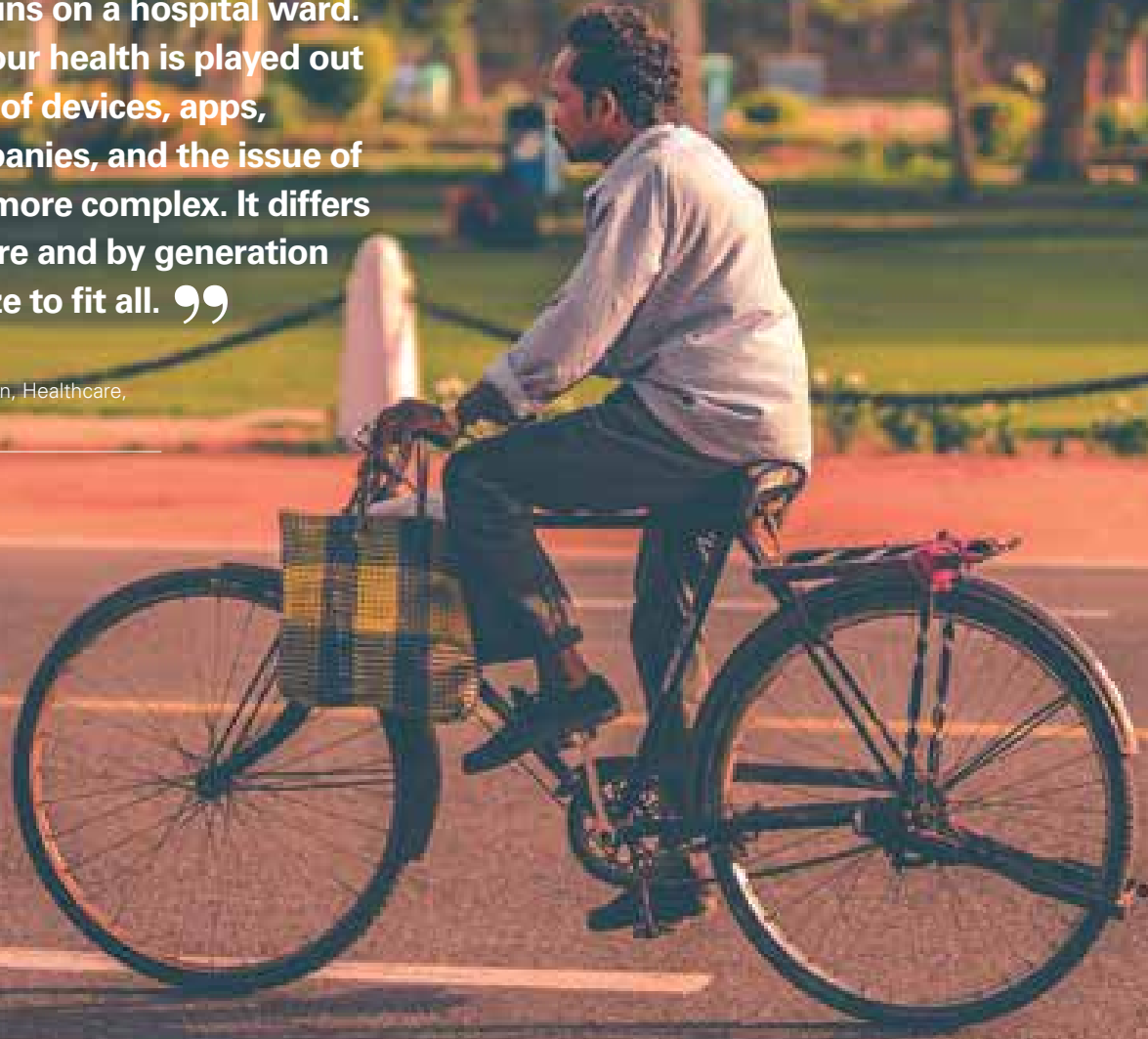
Suman, 59, boomer
Professional Homemaker
Mumbai, India

“

In the healthcare sector, patient privacy has always been sacrosanct, but that notion was formed in a world where sensitive information was largely confined to conversations in a doctor’s surgery or behind drawn curtains on a hospital ward. Today, the story of our health is played out across an amalgam of devices, apps, platforms and companies, and the issue of privacy is infinitely more complex. It differs by country, by culture and by generation — there’s no one size to fit all. ”

Mark Britnell

Senior Partner and Global Chairman, Healthcare,
KPMG International



patient and the profession, and providers will fit around that.”

While the nature of healthcare systems can vary widely from one country to another, they also face some common challenges. These include rising healthcare costs compounded by a growing population.

The shift from acute care to chronic long-term conditions is exacerbated by an aging population with increased life expectancy. This has resulted in growing demand for immediacy of access to, and control over, health services. This is compounded by the added pressure of labor supply, with the World Health Organization’s *A Universal Truth: No Health Without a Workforce* report estimating a current shortfall of 7.2 million health workers, rising to 13 million by 2035.

Ounce of prevention

Consumers’ relationship with their health and wellness has evolved and now takes a greater focus in their increasingly connected lives. Thanks, in part, to better understanding of the links between behavior and health outcomes, 44 percent of US consumers say they have changed their view on health and wellness in the past few years. Increasingly, their definition of health is expanding to well-being, giving rise to greater interest in nutraceuticals and food as medicine — the notion that “wellcare” can help people avoid entering traditional healthcare systems in the first place.

Empowering behavior change

For patients living with chronic

long-term conditions, a growing consideration given the changing demographics of healthcare provision, technology is beginning to demonstrate its potential. In diabetes, heart disease and lung disease, for example, where treatment tends to require material lifestyle changes, patients can access a growing number of apps and devices that help them manage their condition outside the hospital or general practitioners’ office.

Combining remote monitoring, behavior modification and personalized intervention by the patient’s own care teams, these innovations address the dual goals of empowering and motivating patients to take better care of themselves, while also avoiding more serious and costly conditions down the line.

From tracking exercise patterns to motivational messages and electronic medication alerts, the opportunity to nurture patients to do more between check-ups is ripe and provides care teams with even more rich data about patient behavior. This growing role of technology across the healthcare value chain is building vast amounts of data that has game-changing potential.

Patients as consumers

There is a disconnect in the patient value chain. Even the most modern healthcare systems are built around the linear, event-driven process of solving a health problem. Increasingly, patient expectations are around living a healthier lifestyle — wellcare — and better managing conditions or caring for the sick. There is a bridge to be built in the patient value chain that could connect early and

actionable insights in wellcare to self-management that avoids reentering the health systems. Organizations that capitalize on this opportunity will build the model for the healthcare system of the future. ■

Ping An Good Doctor

In China, more than 2,000 health apps providing medical advice, appointment booking and niche services are responding to demand from consumers distrustful of local clinics, in a country where access to doctors, particularly in rural areas, is limited. Ping An Good Doctor, backed by insurance group Ping An, offers free diagnosis and treatment and enables users to consult doctors through text, pictures and video. Valued at \$3 billion in 2016, the company claims to deliver more than 400,000 diagnoses every day to its 27 million monthly active users.

New-era healthtech

In the more regulated European and US markets, healthtech start-ups are innovating across the patient experience, responding to consumers’ expectations of the same immediacy of service and informed choice they receive in other aspects of their lives. From scheduling tools such as Zocdoc and Docplanner to virtual consultations with tools such as Dr On Demand, technology is helping to reorient care around the patient and his or her needs, rather than asking the patient to work within a system designed in and for a different era.

Retail banking

In search of a simplified financial life

Retail banking customers are facing an increasingly confusing array of options to manage all aspects of their money, creating fragmented financial lives.



For today's retail banking customers, technology brings with it an implicit promise of making our financial lives easier. But the sheer number of financial-related apps has exploded, ranging across the wallet from payments, money transfer, checking and savings accounts, borrowing money, managing wealth and budgeting, among others. As the ecosystem around our wallets has become more complex and more fragmented, our financial relationships have "unbundled" in the process.

"Managing our disparate array of apps, wallets, providers and passwords is becoming burdensome — it's confusing and it's reaching the point where companies are at risk of their customers giving up, frustrated by the effort it takes to build a few more points or get that nominal

discount," says Mitch Siegel, principal, National Financial Services Strategy and Transformation leader, KPMG in the US. "Fintechs have been singularly focused on simplicity, but where is the true simplicity in a bundle of services? These loyalty programs and apps designed to help us to manage our wallet are so focused on one little slice of the wallet — so what they're doing doesn't seem to be about me and my life, it's just a growing number of companies trying to get a piece of it."

“**I don't use my bank's investment or savings app because they bite me with fees.**”

Bob, 75, boomer
Retired electrician, Liverpool, UK

“**Everything we do with our wallets ultimately falls into one of two categories — spend or save. Historically, the delineation between where and how we spend, and where and how we save, was clear. But today, the boundaries have blurred and new opportunities are forming across the ecosystem. This presents traditional retail banks with the opportunity to break out of today's pattern of disruption and redefine their relationship with the customer. At the same time, this could mark a rise in competition from major platform and technology businesses as they strive to move up yet a level further.**”

Judd Caplain
Principal, Head of Global Banking
& Capital Markets, KPMG International

Unbundling financial relationships

For most of us, the traditional “bundled” offering from retail banks seemed to work well enough, or so we thought at the time. That bundle enabled us to receive income and make payments with checks or wire transfers, take out loans for a mortgage or car financing, service day-to-day borrowing with credit cards, manage our savings goals or investments and often fulfilled our home or travel insurance needs.



Spending and saving need to be seamless, and the management of our wallets has to feel as good as our best new experiences ”

Over the last ten years, technology has opened the floodgates to a wave of unregulated new entrants that have both changed the way in which we manage the flows in and out of our wallet, while also dramatically raising our expectations. In 2015, more people in the United States did their weekly banking by mobile than at a branch. Retail banks watched as a flood of fintechs (financial technology start-ups and new entrants) broke into the sector, picking off bits and pieces of that bundled customer value chain,

offering a better experience and changing the ecosystem.

These fintech players have created experiences akin to Amazon, Uber and Spotify. There’s Apple Pay as your new digital wallet, containing your payment cards, loyalty cards and airline and train tickets; Venmo for peer-to-peer payments in the United States; Alipay aggressively tackling payments, loans and savings across China; and Atom Bank and Monzo offering mobile-first, digital-only personal banking with limited product offerings in the UK. A look at customer ratings in the Apple App Store shows the top banks at a 2.66 rating and the top fintechs at 4.13.

These are great experiences, but just a sliver of capability. These players aren’t re-creating the bundled nature of a traditional retail bank in a new digital capacity; they’re slicing, dicing and fulfilling limited aspects of the function of our wallet better than the bundled incumbents.

And customers have liked it, moving away from the historically limited numbers of institutions servicing their wallet to a much wider portfolio of providers, unbundling the relationship with their bank in the process.

According to the Viacom Millennial Disruption Index, 60 percent of millennials think big banks aren’t designed to service their generation, and 33 percent believe they won’t need a banking institution at all. The cost to traditional retail banks isn’t just in cold, hard commercial numbers; it’s

in data. They’re being pushed further away from a complete picture of their customers’ lives and losing access to the behavioral, contextual data that helps to explain the “why” behind customers’ choices.

Customers’ positive response to recent innovations may be about to falter, offering incumbents or, indeed, new entrants the opportunity to redefine their relationship with the customer. The unbundling trend, while met with enthusiasm to date, has a downside, causing fragmentation of our financial lives. Combined, the potential customer backlash that may lead to a rebundling of our financial services, and the blurring of how and where we spend and save, presents a profound opportunity for traditional retail banks to recapture or redefine the role they play in their customers’ lives.

But rebundling and the promise of a simplified financial life can’t involve a degradation of experience. Any attempt to rebundle financial services and integrate how we spend and save must be as good or better than the experiences offered by each individual



I don’t have to bring cash with me anymore. We use WeChat and Alipay for everything in China. ”

Zi, 28, millennial
Curator, Taiyuan, China



provider in isolation. Indeed, spending and saving need to be seamless, and the management of our wallets has to feel as good as our best new experiences.

Opportunity and threat come hand in hand

The opportunity for traditional retail banks involves more than reclaiming a prior dominance in the management of their customers' wallets. While they've always had great insight into what we spend, where and how often, they've typically lacked the data that explains why we spend what we do, and that enables a shift to predictive. That's what is at stake today.

At the same time, this isn't just an opportunity for the incumbents. Amazon, Alibaba, Google or Apple, no means an exhaustive list, are all primed to enter this race and be the player that consolidates,

and therefore simplifies, our financial lives. These companies are already well versed in tapping into the rich vein of contextual and behavioral data. That's why they're a force to be reckoned with in the retail banking sector. ■



88%
88%

of people in China use WeChat or Alipay for payments



#1

payment method in the UK: debit cards

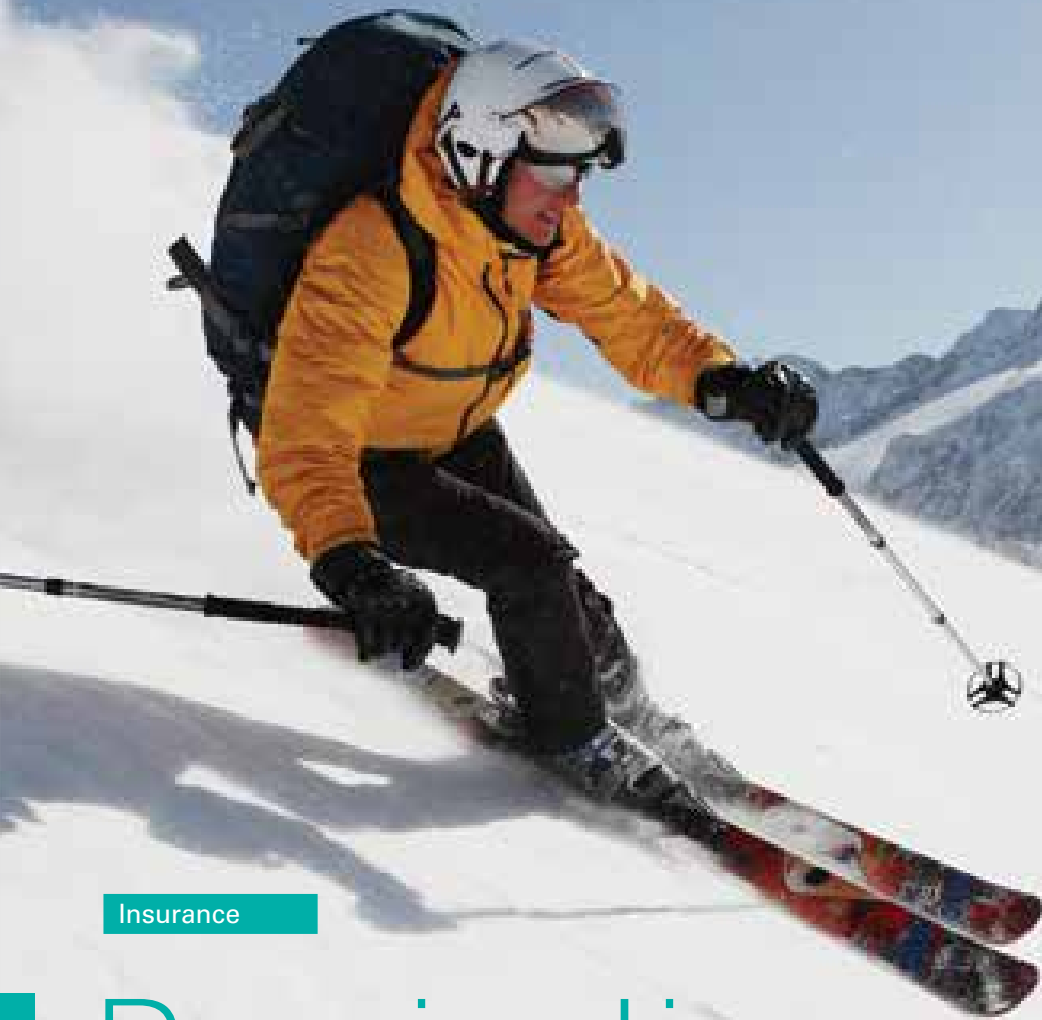
Source: British Retail Consortium, 2017



Managing our disparate array of apps, wallets, providers and passwords is becoming burdensome — it's confusing and it's reaching the point where companies are at risk of their customers giving up, frustrated by the effort it takes to build a few more points or get that nominal discount. ”

Mitch Siegel

Principal, National Financial Services Strategy and Transformation Leader, KPMG in the US



Insurance

Reorienting around the person, not the risk

Technology is transforming customers' expectations of insurance, but the evolution of the industry has only just begun.

In a world where consumers have seen the removal of friction points across countless aspects of their lives, questions about the insurance industry cut to the heart of the centuries-old business: "Does insurance really need to be so complex? Why does buying insurance have to be so hard?"

New customer-centric insurance start-ups are aiming to answer these questions, making a play for simplicity and convenience, and taking cues from other sectors. In 2016, Ladder Life launched, offering direct-to-consumer, term life insurance online, with the promise of being "instant, simple and smart". It aims to make insurance quotes and policy choices as fast and frictionless as possible, asking only higher-risk customers to undergo medical tests and provide samples. The process of designing your policy takes just minutes, involves no paperwork and has an aesthetic that feels more

like using an app to order coffee than mitigating your mortality risk.

And it's not just new entrants that are rewriting the rules of play. The US's largest publicly held personal lines insurer, 85-year-old Allstate Corporation, recently launched and spun out its own tech start-up named Arity, focused on telematics and transportation analytics designed to improve risk management and innovation in the sector, rather than sit back and wait for insurtech start-ups to do so.

The trend in frictionless, simplified and contextually relevant insurance processes is only set to continue. With an explosion of data sources and corresponding advances in machine learning and artificial intelligence, companies such as Carpe Data are bringing insight into people and life events from online and social streams into risk profiling. If life insurers can motivate large pools of consumers to opt in to providing access to vast pools of data, such as medical records and social feeds, the implications for underwriting are profound.

Insurance on my terms

Workers in the on-demand economy, whether it be an Uber driver or an Airbnb host, might object to maintaining year-round coverage for something that only requires it on occasions. That opens the door for companies such as Slice, a start-up backed by Munich Re, which offers on-demand insurance on a transactional basis — just pay for the days you have passengers or guests, not for the ones you don't.

Trov, another digital start-up providing insurance underwritten by AXA, challenges the concept of home



The technology and shifting consumer behavior that has driven much progress in other sectors is firmly taking hold within insurance.” The companies that embrace disruption will be the ones to spot the opportunities emerging among the threats. This is a time for the sector to shed its laggard status and redefine how it creates value for customers across all aspects of their lives, in ways that exceed their expectations. ”

Laura Hay

Head of Global Insurance,
KPMG International

insurance, enabling consumers to insure only the products they truly value, rather than the full contents of their home. What's more, coverage is provided only when needed, so you can toggle the protection on and off from your smartphone.

In the UK, pay-as-you-drive disruptor Cuvva is bringing the same philosophy to car insurance. Emerging from the founder struggling to lend a car to a friend for a quick, one-off occasion, the digital start-up now offers insurance by the hour, as well as a low-cost subscription-based policy, allowing low-use drivers to pay for the times they're actually on the road.

Enabling innovation

In response to changing demands of consumers and the emerging response from the insurance sector, China's sole state insurance regulator has helped create a framework that supports quick and easy online sale and fulfillment of policies via platforms such as Alibaba, WeChat and Baidu. Alibaba-backed Zhong An, the country's first online-only

insurance company, has led the charge, now offering some 300 insurance products and having written more than 7.5 billion policies for over 535 million customers.

Not so in the United States, where despite regulators demonstrating an increasing openness towards working with new players, securing licensing through 50 different states remains a slow, laborious process.

Successfully capitalizing on the opportunities presented by new consumer expectations and new technologies means putting the true customer at the center of business strategy with a value proposition that shifts the model from check writing after the fact to prevention and actionable insights for the customer. ■



The trend in frictionless, simplified and contextually relevant insurance processes is only set to continue ”

Chasing customers across the world

Oppportunity looks different in every country. While we currently see some similar trends in the US and the UK (such as the effects of urbanization) and between China and India (with their rapidly expanding middle classes), each market presents unique advantages and challenges.

Factors ranging from digital infrastructure to availability of human capital can affect which businesses are positioned to enter and successfully capture consumers in the modern digital landscape. From China's tech super-adopters living the majority of their lives through super-apps on a smartphone, to the growing divide between urban and rural

spaces in the US, understanding the cultural context of a market is a prerequisite to understanding the customer. Companies entering India, for instance, must recognize the importance of a mobile-first strategy to keep pace with demonetization and the explosion of mobile payments while ventures in the UK must balance investing to benefit from the nation's rapid adoption of technologies, with the realities of competing with prominent, established players and the looming cloud of political and economic uncertainty.

In the coming pages, we explore some of the forces at play in China, India, the UK and the US, illustrating how customer behavior is evolving differently. ■

United States: A brave new world

New tech platforms have upended the old ecosystem, with the ripples reaching consumers in unexpected ways.

“
We believe innovation and a customer-centric approach are at the core of the successful 21st-century enterprise. Truly understanding the nuanced nature and complexity of the changing consumer landscape is critical to creating value for customers and sustaining competitive advantage.”

Lynne Doughtie
Chairman and CEO, KPMG in the US

The consumer landscape in the United States has become increasingly fractured. An asymmetric economic recovery has widened disparities of income and wealth, sparking new motivations from customers, and leading to the need for new products and services for this significant portion of the population. The companies that have best succeeded in bridging this divide are the large tech-enabled platforms, which are using their data advantage to provide various groups with the personalized experience they desire.

Recovery, but uneven

Although the US economy has steadily recovered since the 2008 recession, the progress has been uneven. Trends show significantly more job growth in urban areas than rural areas. Furthermore, technological advances have helped to improve quality of life in cities while leaving rural areas wanting. In addition to high-paying jobs, new technology has brought the on-demand economy of WeWork, Lyft and DoorDash — a new web of on-demand services — to big cities. As one of our survey respondents put it: “I have never used Uber or Lyft because I live in a small town. It’s not an option for me.” For many in rural America, being left behind by advantages provided by technological advancement is all part of a recovery that never quite came.

This divide also has geographic nuances. Of the US participants in our survey, we found that the proportion

“**Many of the customer’s underlying needs have not changed. Some have. What the platform players have done is change the way the old and new needs are met and served. And in the process they are doing it more effectively and efficiently, creating a customer centric platform business.**”

Julio Hernandez

Principal, Global Head of Customer Center of Excellence, KPMG International

of millennials (born 1980–2000) who say they are “very interested in new technology and usually the first one to buy a new device when it comes out” varies between 62 percent in the Northeast and 28 percent in the South. These differing levels of participation with the digital economy were also a key theme in our ethnographic interviews.

Technology disruption

Despite this divide, tech giants are still finding ways to encircle the consumer. Some 64 percent of US households subscribe to Amazon Prime. Facebook has 203 million users in the US, 63 percent of the country’s population. Google is responsible for 86 percent of US web search traffic. And there are 90.1 million iPhone users in the US, 40 percent of the population.

Perhaps even more impressive is the way these companies have made it easier and more cost effective for start-ups to build atop them. Where a decade ago companies would need to build all their own infrastructure, today start-ups like Uber or Airbnb can use platforms built by Facebook,



Google, Amazon and Apple for server space, processing power, marketing and distribution. As such, the cost of a start-up has decreased significantly since the 1990s.

X-tech

Similarly, customers, especially in urban areas, are flocking to X-tech, tech for everything across the customer wallet. These investments have given rise to competitors about which traditional businesses are becoming increasingly concerned. Retail? Meet retailtech, creating a service around every retail experience. Financial services? Meet fintech, unbundling every service a bank provides. And the list goes on, from insurtech to wealthtech to healthtech.

These companies provide customer-centric, tech-first, frictionless experiences that solve unmet needs and make their customers’ lives easier. In urban spaces, we are also seeing an evolution from DIY (do it yourself) to DIFM (do it for me), giving rise to on-demand services for everything from food delivery to laundry to pet grooming.

How do we see all this playing out?

As urban areas have become increasingly popular places to live,

due to more jobs and more new services, the cost of living has skyrocketed. Since 1980, the housing prices in New York City, Boston, Los Angeles and San Francisco grew on average 137.3 percent after inflation compared with 18.4 percent for the US as a whole, according to *The Economist* in “American House Prices: Realty Check”.

Moreover, as urban dwellers migrate to new cities seeking a lower cost of living, they will bring their new habits and preferences with them. Those deeply entrenched from experiences in urban environments will carry over and create opportunities for a new generation of consumer companies to expand and grow.

Areas that were hot spots of the 20th-century economy are reinventing to adapt to the new technology revolution. We’re already seeing evidence of skills, people and capital converging to reinvent or refocus cities tied to the power centers of old. For example, Albany in upstate New York is newly focused on nanotech. For Akron, Ohio, it’s polymers. For Minnesota, medical devices. Portland, Oregon, has technology. Pittsburgh, Pennsylvania, has autonomous vehicles, robotics and IT. Buffalo, New York, has battery technology and



Connie, 64, boomer
Innkeeper,
Napa, CA
Married,
new grandmother

My connection

"I can't stand to go without my phone. I was 30 minutes into my commute on the freeway when I found out I left my phone at home, had to turn around and pick it up and was over an hour late to my appointment. And I love chatbots."

22% of boomers in the US report that they would be very anxious if they left their phone/device at home

- 35% in China
- 47% in India
- 12% in UK

My wallet

"If I'm saving \$2, I will not travel a mile. If it's going to cost me a few dollars, I'm not going to waste time."

36% of boomers in the US report that dining out/takeout would be the first thing they would cut from their budget if reduced by 10%

- 15% would cut travel/vacations
- 13% would cut clothing

My motivation

"We own two hotels in Napa. Healthy and premium is our expectation. I pay full price for healthy or fresh and I don't care how much it costs."

My attention

"I am on my iPhone all day long. I use a lot of texting and store voicemails and take photographs for work as well. Communicating through photographs via mobile has been very useful to our business."

47% of boomers in the US report that their trust level for buying products and services online is very high

- 48% in China
- 56% in India
- 42% in UK

68% of boomers in the US report that they feel very anxious about online privacy breaches

- 55% in China
- 61% in India
- 62% in UK

My watch

"I hate brands that use my personal information. I actively try to avoid it. I have felt this way forever. I am willing to retype my information EVERY TIME."

clean energy. Fargo, North Dakota, is a growing scene for tech start-ups.

So what can you do?

The key fundamentals of business have not changed. Julio Hernandez, Principal, Global Head of Customer Center of Excellence, KPMG International, says: "Things haven't changed and the new platform players aren't discounting these fundamentals. They've simply said,

"there's a better way to do this.'" What is different is how you understand your consumers and respond to their unmet needs. The companies succeeding in the US are able to deliver a curated personalized experience. To bridge the country's divides, companies will need to look at how the customer's decision-making process changes and his or her Five Mys. ■

63% 

of the US's population are Facebook users

US: emerging themes

An increasingly digitally savvy population amidst tech explosion. High student loan debt and uneven wages challenge some consumers wallets.



My motivation

- » Decrease in trust in traditional advertising
- » Experiences increasingly prioritized over material possessions, especially for millennials
- » Rise in social influencers



of people in the US trust online reviews



increase in the average student loan debt amount over the last ten years

“ I used Mint.com to budget, but I had my student loans in there too. It kept showing me that I was in debt and it was depressing, so I stopped. ”

Kelly L, 28, millennial
Children's media marketing, New York, NY



My attention

- » Highest media and digital media consumption compared to China, India and the UK
- » Nondigital TV still biggest media consumption channel but mobile increasingly displacing desktop/laptop
- » News consumption through social media increase, precipitating rise and impact of filter bubbles



of people in the US glance at phone without being prompted by a notification at least every ten minutes



of people in the US like technology and apps that automatically filter information to help relieve info overload

“ I will mindlessly check my iPhone to kill time. ”

Carlos, 36, Gen X
Administrator, Miami, FL



My connection

- » Smartphone adoption near universal
- » Explosion of platform companies and adoption
- » Internet of Things and Artificial Intelligence taking off



of people in the US would rather lose their phone than their wallet



of people in the US get a notification at least every ten minutes

“ I use my phone way more than my laptop. That's my gateway to communication. ”

Kristen, 30, millennial
Digital marketing, Los Angeles, CA



My watch

- » Blurring lines between work and personal life
- » Delay in traditional household formation
- » Increase in on-demand services, spending and expectations



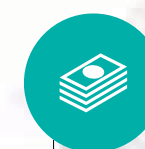
of people in the US open their phone to relieve boredom



people in the US spend more than 30 minutes each day commuting to work

“ I have never used Uber or Lyft because I live in a small town. It's not an option for me. I walk. ”

Rene, 24, millennial
Recent college graduate, Canton, OH

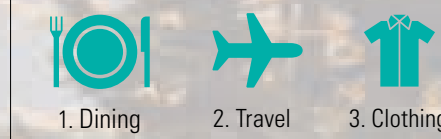


My wallet

- » High student debt
- » Stagnant real wage growth
- » Generational wealth transfer



is what people in the US spend as share of wallet on necessities versus luxuries



Categories that people in the US cut first if disposable income reduces

“ I will buy generic over name brand 60%–70% of the time if it's cheaper. ”

Tom, 69, boomer
Hotel consultant, Napa, CA

Source: Innovation Lab at KPMG Ignition, KPMG in the US

United Kingdom: The connected consumer

If you want to see the future of a connected consumer, get on a plane to the UK.

Every force that's shaping the connected consumer revolution is operating at full strength on this island nation. According to British regulator Ofcom, its citizens are more likely to watch streaming TV or use the net to shop, bank or order a taxi than those of any other comparable nation. And the UK's compact size means that any disrupter that needs physical infrastructure can quickly roll out a service (and just setting up in London and its hinterland means you have access to a third of the country already). Broadly, logistics is a breeze and the government is tolerant — if not encouraging — of digital disruption.

The UK was the largest market outside the US for Alphabet, parent of Google; the second-largest market for eBay; and

the third-largest international market for Amazon. And with Amazon's 2016 UK revenues in excess of £7.2 billion, if a standalone British company, it would comfortably be a member of the local FTSE-100 stock index.

The result has been a virtuous circle of cutting-edge services finding a willing market among connected British consumers — which in turn spurs the next round of innovation — both digital and physical.

If there's one number that underlines how far the revolution has proceeded in the UK, it's this: e-commerce will make up 7.9% of the nation's GDP in 2017, the highest of any country in a study of more than 30 countries. That's far higher than the 5.8% of second-place China and dwarfing the 2.3% of the US.

But it would be a mistake to see the

British connected consumer as fodder for overseas giants. After tasting the offerings from across the Atlantic, they have driven the local companies they know and love to raise their digital quotient.

As an example, after getting their first taste of Uber in 2012, they demanded a similar level of service from homegrown players. The result: operators like DPD Local, Just Eat, RingGo and AppyParking offering smart apps with intuitive experiences and real-time tracking are thriving, in categories from transport to delivery to dining, to name a few. It's a demonstration of how the best new experience becomes the new normal for demanding, connected consumers.

Scale helps in what is, after all, Europe's second-largest economy. Yet the advent of hyperlocal services

is creating a new dynamic, knitting together networks of local suppliers and helping Britons discover them. The clearest example of this is the success of app-based food delivery, with two of the big global platforms being based in the UK.

The high level of digital engagement is driving the physical and digital worlds to blend and opening the door for numerous variations in plot lines, enabling companies to create more personalized value propositions. What's more, this fluid movement between online and offline, mobile and physical — combined with the compact, urbanized geography — has made click-to-collect a very powerful business model for established UK retailers such as Argos, House of Fraser and Curry's. The continued blurring of online and offline is underlined by the statistic that 65% of consumers collecting goods sometimes then go on to make additional purchases — reinforcing that with the online/offline arena in the UK, both channels need to be best-in-class with the user experience shaped by ecosystems of insights.

Some online businesses have recognized the power of their data beyond the digital world, spotting opportunities for growth or deeper customer engagement in the physical world. Citymapper, for instance, a transport app that started in London but is now global, identified important unserved routes that the city's transport authority hadn't discovered and is now starting to offer bus and shared taxi services to fill the gaps.

"A chain reaction of data explosions has taken place over the last 10 years,

“

The UK's connected consumer undoubtedly represents a compelling opportunity for growth-minded companies. But winning with this digitally astute population demands companies to take the rhetoric of customer centricity seriously. Those that invest in truly understanding the drivers of behavior and choice within this hyper-connected nation — and mobilize an organization-wide response — will be best placed to create and iterate the experiences and propositions that hit the high-expectations of the connected British consumer.”

Bill Michael
Chairman, KPMG in the UK

for which technology has been the trigger," commented Nick Griffin, global head, Global Strategy Group, KPMG in the UK. "The ability to connect with, and influence, a person's behavior from thinking to action and beyond, has led companies to change more than their propositions — but most major companies trading today assembled their assets in and for a different era. In this competitive environment, companies need to design insight-driven experiences that are consistent across all layers of the organization. Eliminating silos, customer and operational teams need to work shoulder to shoulder, harnessing digital to drive value to both the customer and the board."

Increasingly, businesses are harnessing the power of user-generated content (UGC), particularly given UK consumers' intolerance of conventional internet advertising.

Fashion retailer Burberry, for instance, has brought UGC on-platform and publishes photographs of its customers wearing its iconic trench coats on its website. Or take homeware retailer MADE.COM, which in 2014 launched "unboxed", a UGC-platform for consumers to showcase how their newly purchased products have brought life to their homes. These such examples are driving both an emotive connection as well as engagement, creating moments that matter in their customers' lives.

In some cases, the needs of the connected consumer are being met by "gig economy" workers on flexible terms. The UK has long been tolerant of this type of casual working — so-called "zero hours" on-demand working has been common in the hospitality and care home sectors for over a decade. But the numbers have sharply risen as app-based platforms gain real scale.



The UK may look small on a world map, but it would be a mistake for outsiders to think it a homogenous market. Its regional differences are well-documented; less obvious are the generational issues.

Among them: high local house prices, especially in cities such as London, Oxford and Cambridge, mean that many young Britons despair of purchasing their own home nor want to. Official statistics show many aren't saving for retirement either. This may be a long-term problem for the real economy, but it's a boon for the "experiential economy" and the digital services that go with it.

We've been here before: the rapid rise in disposable income by youngsters in the UK in the 1960s helped turn the British music industry

into an export-led, Beatles-powered force that still, in 2016, contributed £4.4 billion to the UK economy and £2.5 billion to exports.

This time around, a whole layer of digital intermediaries is trying to help time-poor Britons select their experiences, from gyms to music festivals, providing a digital glue between consumer and provider with rankings, reviews, offers and a host of other digital features and enhanced services. The best of them would measure well on our Five Mys framework, particularly in their understanding of the motivations, connections and changed thinking around time that characterize connected consumers in the UK.

But don't think that the UK is an easy place to win business. Britons

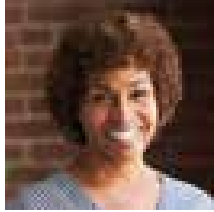
“**I go to Whole Foods because it's the closest grocery store, even though it's five times more expensive.**”

Sandy, 26, millennial
Public relations, Leeds, UK

often refer to their island as physically crowded, but it's becoming increasingly digitally crowded too. The UK is higher up the adoption curve for digital services than most rivals, which means e-commerce growth in 2017 will be slower than France, Germany or Italy.

In some areas, the "platform effect" is in full swing, with smaller players crushed as a small number of winners emerge that can reap the economies of scale. Online food delivery platforms are an example, more than a decade after the first services were launched. It's not clear whether the creation of market and platform champions such as Deliveroo and Just Eat will give them extra pricing power.

The overall picture of the United Kingdom is that of a highly digital nation, gorging on high-quality offerings both local and international — with discerning consumers putting pressure on brands to offer a premium experience. The ongoing economic uncertainty, the timing of key events and the political response will all affect consumer behavior, the availability of human capital and overall consumer trust. Business leaders need to be prepared to understand the effects of these and respond in the way that



Stacey, 38, Gen-X
Nurse,
Liverpool, UK
New mom of twins,
in long-term relationship

My connection

"We are in survival mode. I glance at my phone so rarely right now. If you're not a doctor or a delivery person, I'm probably not responding."

34% of Gen Xers in the UK report being interrupted by their primary device at least once every 10 minutes

- 33% in China
- 50% in India
- 50% in US

My wallet

"I have started taking uberPOOL to save money. It takes longer to get places, but I have more money to spend going out with a small trade-off of my time."

67% of Gen Xers in the UK report that they use their mobile device to pay for goods and services up to 20 times per month

- 88% in China
- 86% in India
- 71% in US

My motivation

"As a new mom to twins, my drivers right now are around taking care of my babies. And sleep! I need sleep."

My attention

"I measure my life in minutes between cries, feedings and naps. My babies have my full attention 24/7 right now."

46% is the average share of wallet allocated to household expenses in the UK

- 36% in China
- 32% in India
- 35% in US

30% of Gen Xers in the UK report that their trust level for on-demand services is very high

- 36% in China
- 55% in India
- 43% in US

My watch

"I don't even have time to sleep right now. Everything on demand means we can spend our time with the babies."

drives engagement and interaction. The companies that will be the most competitive are those that can use data most effectively to adapt to changing customer needs in a landscape that is constantly changing.

"Many of our clients want end-to-end customer transformation and use the latest advances in customer insight to guide their efforts and justify their investments," added Adrian Clamp, partner, head of Customer Advisory,

KPMG in the UK. "In the last year, just 13 percent of UK and US brands were able to deliver a clear improvement in customer experience. I believe insights are now firmly in the driving seat of tangible business change. We've seen huge appetite from clients of all sizes to move on from sterile debates about feedback and metrics, to focus on making better decisions, redesigning journeys and creating financially grounded business cases."

The Brits are demanding consumers, but equally ones that can be potentially lucrative and quick to win — for those companies that recognize and embrace what the connected British consumer means for their organizations — not just in experience design, but in how they realign their operating models to deliver it, and integrate marketing, sales and customer service capabilities to become the connected company. ■

UK: emerging themes

Rapid tech adoption and move towards cashless economy has given rise to a truly digital consumer.



My motivation

- » Decrease in trust in traditional advertising
- » High on-demand expectation, but value driven
- » Lower trust in media than US, China, or India

1 in 5

people in the UK trust online reviews

77%

of UK postgraduates will never "pay off" their student debt

Source: Institute for Fiscal Studies, 2017

“
I plan on buying a house, but I can't until 50 years from now if I want to live in London. I started budgeting for a house within the next 5 years, but not in London.”

Alec, 25, millennial
Product manager, London



My attention

- » Lower time spent with digital media compared to US, India or China
- » Fastest adopter of digital in Europe, expected to tip non digital media consumption in 2018
- » News consumption through social media increase, precipitating rise and impact of filter bubbles

2 in 5

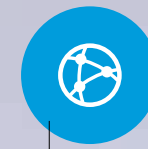
people in the UK glance at their phone without being prompted by a notification at least every ten minutes

44%

of people in the UK like technology and apps to automatically filter information for them in order to manage info overload

“
I don't use long format news anymore because I'm so used to Facebook.”

Bob, 68, boomer
Retired electrician, Liverpool



My connection

- » WhatsApp and Facebook usage dominant for social
- » High use of contactless card payment and increase in mobile payments
- » E-commerce and click-and-collect growth continuing

61%

of people in the UK would rather lose their phone than their wallet

72%

of people in the UK use PayPal as a payment method

“
If I forgot my phone I would go back to get it; I can't imagine I'd be able to cope without. (When) running out of battery, you're in a total panic, feeling like you've lost a limb.”

James, 34, millennial
Therapist, Bolton



My watch

- » Delay in traditional household formation
- » Shorter work week hours compared to US, India, China, but increasing concern with work/life balance
- » High and increasing commute times for UK workforce

62%

of people in the UK open their phone to relieve boredom

1 in 3

people in the UK spend over 30 minutes each day commuting to work

“
To get 10% off, I will research for a few hours... I am a bargain hunter.”

Mandy, 43, Gen X
Nurse, Manchester



My wallet

- » Wealth primarily owned by baby boomers
- » High student debt
- » House prices in England and in particular London increasing

76%

of UK total wallet share is spent on necessities rather than luxuries

1. Dining
 2. Clothing
 3. Groceries

Categories that people in the UK cut first if disposable income reduces

“
We go on holiday 4 or 5 times a year, maybe more. All of my income goes there and my husband's goes to meals and rent.”

Bethany, 28, millennial
Self-employed and part-time student, Glossop

Source: Innovation Lab at KPMG Ignition, KPMG in the US

India: Leapfrogging towards digital economy

Increasing affluence, a digitally native young demographic, a rising middle class, regulatory reform and mobile adoption are converging to accelerate India towards a truly digital future.

Growing urbanization, internet penetration and the proliferation of smartphones have set the stage for large-scale growth in India, whose population is predicted to overtake China's as the world's largest in the early 2020s. It is also one of the world's youngest populations, with 50 percent of citizens under the age of 25 and more than 65 percent under 35.

A country or a continent?

Many companies have fallen short with a one-size-fits-all strategy in India by failing to understand customer needs by region. India comprises 29 states and seven union territories, each with vastly differing customer behavior, cultural nuances, supply chains, distribution networks and

market ecosystems. Companies seeking growth in India might best structure their strategy by approaching the market in the same way they would a continent, focusing on each region's unique customer profile.

KPMG's Head of Digital Consulting Services in India Rachna Nath comments: "Successful retail companies, for instance, need to be far more responsive to the local customer context than you might find in other countries. There's no one size fits all, no one size fits one region or even one city. Consequently, there's no such thing as an 'India strategy', in the same way there's no such thing as 'Indian food'. As the author Rama Bijapurkar argued, everyone needs to create their own India."

In recent years, the Indian government has introduced a

“India’s digital ecosystem is rapidly becoming inclusive and extensive. From unique digital identities to digital payments and e-commerce, digitization is transforming business and interactions at all levels, increasing transparency and speed. Alongside the growth in digital ventures in centers like Bangalore and Gurgaon, which are second only to Silicon Valley, the vision of Digital India is becoming real.”

Arun M Kumar
Chairman and CEO, KPMG in India



Yuvraj, 28, millennial
Start-up founder,
Delhi, India
Single, lives with parents

My connection

"I get products when I really need them and do a lot of online research before I make a purchase."

49% of millennials in India report that they keep up with new technology, but will only buy a new device after they see others use it

- 53% in China
- 47% in UK
- 52% in US

My wallet

"I will give up almost anything to save money. Except good coffee — it is my one luxury."

70% of millennials in India report that their wallet goes toward necessities (vs. 30% to luxuries)

- 78% vs. 22% in China
- 70% vs. 30% in UK
- 65% vs. 35% in US

My motivation

"I'm always learning. I have to keep up with the latest programming for my start-up. I teach myself new code by watching videos online and doing a lot of reading."

My attention

"I feel pretty clueless about what I want to do in life. I don't ever want to have my whole life mapped out, but any new skills I can learn quickly will keep my full attention until I master them."

90% of millennials in India use an Android phone regularly

- 74% in China
- 59% in UK
- 65% in US

My watch

"I tend to feel suffocated when I've been in a place for too long. I'd find a way to save and scrape together enough to get me out of the country at least every other year, even if it's around SE Asia and cheaper countries close to home."

series of policies and reforms to help accelerate its citizens' adoption of digital payment technologies.

Demonetization of the rupee (DEMO)

Prime minister Narendra Modi caught the nation by surprise in November 2016, announcing the immediate cancellation of 500 and 1,000 denomination bills, almost nine out of every ten banknotes in circulation.

Citizens then had a 50-day window to either deposit outstanding currency into a bank account or exchange them for newly designed notes intended to eradicate counterfeit currency.

DeMo created a scarcity of cash for almost two months, driving consumers and businesses alike to embrace digital payment technologies for the first time, which the government now continues to support through incentives such as a lottery for users

of digital payment technology. Now, according to our survey, 97 percent of Indian consumers have used mobile payments.

Mobile banking for feature phones

In a country still heavily reliant on feature phones, especially in rural areas, the government introduced a digital payment service for the population of nonsmartphone users. Feature phone users can dial *99#

“
**I use my phone for
 literally everything
 — all day everyday.**”

Anaika, 28, millennial
 Brand marketing, Bangalore, India

to make secure online payments without downloading additional software or apps. One individual in our survey commented: “I pay all my bills on my phone now. Shopping, like for groceries, I do that on my phone as well, which is something I wouldn’t have done earlier.”

Nationwide adoption of biometrics

Since 2010, the Indian government has collected fingerprints and iris scans from 99 percent of adults, making Aadhaar, as it’s known, the world’s leading domestic biometric identification system. Despite being positioned as a voluntary scheme, Aadhaar has reached such scale that the government has started to make it a requirement for essential services, such as paying income tax and receiving a death certificate. It is due to be extended to services such as mobile phone subscriptions and travel bookings, further enhancing the efficiency and security of digital transactions, while simultaneously helping the government to tackle tax evasion and corruption.



What’s next?

“You have India and then you have *Bharat*, the Hindi name for India, which commonly symbolizes the nation’s rural and heartland,” says Aditya Rath, partner, Management Consulting, KPMG in India*. “Digital India’s biggest impact will be to bridge the gap between India and *Bharat*, and to provide a uniform experience to the consumer.”

The foundations for a thriving, connected economy are in place, and the shifts in consumer spending power are already underway. What’s following now is a new set of consumer motivations, expectations, aspirations and an evolving customer

wallet. Understanding the wide variations among Indian consumers, as well as the cultural context behind larger changes throughout the country, can help businesses understand how to make effective progress in India. ■

“
**Interfaces of apps are
 much more efficient
 and convenient. I use
 the internet to buy
 more things that I
 haven’t in the past.**”

Gayatri, 31, millennial
 Corporate communications, Mumbai, India

India: emerging themes

A millennial heavy population and rapid mobile adoption lay the foundations of a digital economy.



My motivation

- » Discount and cashback driven, looking for the best deal
- » Young population with high percentage of millennials
- » Rising trend towards individualism



of people in India trust online reviews



of people in India feel a need to keep stress under control to stay healthy (compared to 42% global average)

“
I pay full price for health supplements because in India there are many fake ones.”

Aditi, 25, millennial
Professional swimmer, Bangalore



My attention

- » Lowest time spent with media compared to US, UK, China
- » TV still dominant but digital increasing, especially mobile
- » Mobile entertainment and live streaming on the rise



of people in India glance at their phone without being prompted by a notification at least every ten minutes



of people in India like technology and apps to automatically filter information for them in handling info overload

“
The first thing I do in the morning is check my text messages, but I'm super embarrassed about it.”

Mandira, 22, millennial
University student, New Delhi

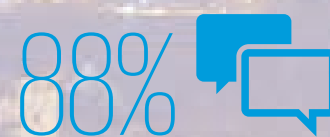


My connection

- » Lower cost of mobile data fueling dramatic increase in mobile data usage
- » Rise of online marketplaces (Flipkart, Snapdeal), and WhatsApp and Facebook as dominant social platforms
- » Connect with brands via social media



of people in India would rather lose their phone than their wallet



of people in India use WhatsApp

“
I'm an addict to a bunch of screens.”

Sunande, 36, millennial
Talent marketing, Delhi



My watch

- » High level of women not participating in the workforce
- » Relatively low number of vacation days; leisure time seems to become increasingly important
- » Average time spent in school is less



of people in India open their phone to relieve boredom



people in India spend over 30 minutes each day commuting to work

“
I would pay for a beautician to come to my home. It's very crowded and congested outside. I'll spend more to stay comfortable.”

Suman, 56, boomer
Homemaker, Mumbai



My wallet

- » Demonetization driving move to digital wallet and payments are leapfrogging, but cash is still vital
- » Growing middle class



of Indian total wallet share is spent on necessities rather than luxuries



Categories that people in India cut first if disposable income reduces

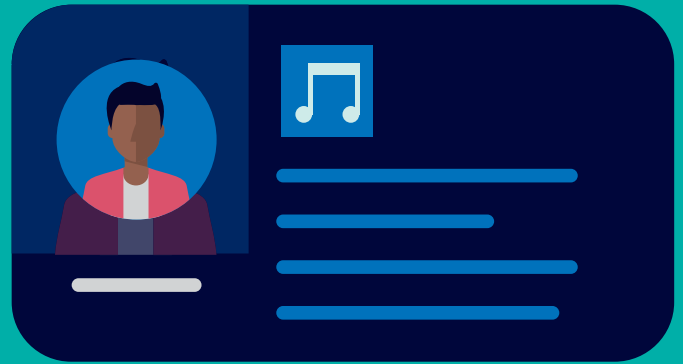
“
I am constantly ticketing, so I use an app to find the best deals. I work hard on that.”

Kanika, 25, millennial
Chef, Mumbai

Source: Innovation Lab at KPMG Ignition, KPMG in the US

Eastern-boomer echo effect

The changing motivations and expectations of millennials are permeating the wider family unit in India — and it's a trend that looks set to accelerate.



Behavior transfer between millennials and their baby-boomer parents isn't a trend that's restricted to the West, but it is playing out at a different pace, and against different technological and social contexts, in India.

The concept of the family unit is generally regarded to be much stronger and more hierarchical in India than in the West. Fueled by significant increases in life expectancy, it's commonplace to have three generations of a family living together. And while nuclear families — an isolated unit of a couple and their unmarried children — have recently been rising, India's long-established extended family structure, which incorporates relatives and grandparents in the family, remains prevalent.



The long-held cultural and values-based custom of respect for, and deference to, elders is still strong today, so family influence on the buying patterns of millennials remains significant. The closer you move to India's rural heartland, the more this is the case, whereas members of the younger generation, who have moved out of parental homes and into bigger cities, are adapting to changing patterns with greater independence.

"It's long been a cultural assumption that when a child starts working, they will stay with their parents and assume added responsibilities for the family unit," says Rachna Nath, partner, head of Digital Consulting Services, KPMG in India*. "It's well established that parents, brought up in the traditions of the Indian family unit, are keen for their children to stay with them once they reach adulthood.

"But it's also far from unheard of for children to feel the same way, even as they're presented with greater opportunities, new expectations and a more global outlook than in years gone by. In contrast with what's being experienced in the West, the reasons for this are less financial ones and more driven by the emotional bond instilled in the concept of the family unit."

The baby-boomer echo effect in India is often referred to locally as "reverse mentorship". Culturally, Indian consumers aren't wired to question their elders and aren't expected to teach or instruct them, but there is an expectation of sharing, facilitating and introducing.

When demonetization was introduced in November 2016 and the country experienced a short-term cash shortage,

Percentage of boomers that use device regularly

88%



Android phone

73%



Laptop

62%



Desktop

21%



Mobile Wi-Fi hotspot

15%



iPad

the flight to digital payment methods was rapid and significant, and the adoption of this new technology was very heavily influenced by millennial children reverse mentoring their parents.

A similar influence can be seen in changing media and content consumption habits. As Netflix and Amazon increasingly create highly regional, localized content to appeal further to the Indian consumer and challenge the likes of Hotstar, the local digital video streaming service, they are actively targeting younger early adopters in tier-one cities, with the aim of harnessing the wider family unit influence of these more digitally savvy, more connected millennials.

Digital infrastructure inevitably remains a challenge, and the full impact of urbanization on the long-established family unit will take time to play out fully. But connectivity is on the rise in India, even if at a slower pace than has been witnessed in the West. Companies that identify and engage the digitally progressive millennial, and create locally relevant and intuitive experiences that are primed for sharing across the long tail of generations in the same households, have the opportunity to be a part of what's set to become an accelerating period of technologically fueled change across the nation. ■



It's long been a cultural assumption that when a child starts working, they will stay with their parents and assume added responsibilities for the family unit. ”

Rachna Nath

partner, Head of Digital Consulting Services, KPMG in India

China: Window into the future

China's changing consumers aren't just reshaping the dynamics of the world's largest market; they're set to reshape the world as we know it.

The evolution of the Chinese consumer is on the way to becoming the defining story of the 21st century.

The sheer scale of change from a manufacturing to a consumer-based economy, along with the pace of adoption of new technology and its pervasiveness, is without precedent.

KPMG's annual connected consumer research shows how China has established itself as a major player in the digital era. The annual report, now in its third year, has tracked and discussed the behaviors and preferences of China's consumers, and pointed to a mobile evolution. For example, more than 90 percent of the study's China respondents made at least one online purchase using a smartphone in the past 12 months. This is a staggering figure, especially when compared to other markets, especially

“China is truly playing a central role in global growth and, while the forces of change echoing around the world present increasingly complex business challenges, we believe that the evolving Chinese economy is well positioned to capitalize on this change, both domestically and overseas.”

Benny Liu and Honson To
Chairmen, KPMG China

the United States and UK, where consumers made purchases with their smartphones less frequently.

China's country context for the changing consumer

Understanding this fast-changing nation requires an appreciation of the changing landscape over the past few decades, which is dominated by four macro themes:

The shifting population

The population shift from rural to urban over the past 30 years has been colossal. Between 1990 and 2015, the proportion of China's population living in urban areas jumped from 26 percent to 56 percent, with an estimated 200 million rural migrants going to work in China's biggest cities.

The rise of the middle class

China's rapid urbanization is a reflection of a burgeoning middle class, with urban working-age households in

this category expected to soar from 4 percent in 2010 to 54 percent by 2030, creating hundreds of millions of new consumers. By 2030, those with upper-middle and high disposable incomes are forecast to increase from 10 percent to 35 percent of the population, while those households with the lowest disposable incomes are expected to decline from 37 percent to 11 percent. This ascent brings with it significant macroeconomic impacts, further accelerated by hyperadoption of new technologies, and is a light-speed version of what happened in the United States during the 20th century.

Reshaping the nation's economy

The government's 13th five-year plan continues the goal of growing household consumption as a share of GDP, over exports. It prioritizes growth in the service sector over manufacturing and seeks to rebalance its source of competitiveness from low-cost assembly to high-value innovation, incentivizing research and development investments, and seeking to improve

“
The recasting of China's role on the world stage and the growth in economic opportunity across the spectrum of the population is frankly unprecedented in modern history.”

Benny Liu and Honson To
 Chairmen, KPMG China

productivity, especially given the rapidly rising wages needed to fuel household spending. Amid these seismic shifts in the country's landscape, nowhere is the evidence of change more profound than in China's insatiable appetite for technology.

The rise of the mega platforms

With consumers spending so much of their lives on super apps, companies such as Tencent and Alibaba have access to almost unparalleled amounts of data that provides deep insight into consumer behavior, needs and preferences in almost all aspects of their lives. Their move from merely understanding the customers to being able to predict needs and wants before the consumers know them themselves, coupled with the ubiquity of the platform business model and access to further aspects of the customer wallet, makes these brands a force to be reckoned with not just in China, but on the global stage.



“The pace of change in China is incredibly quick — it’s relentless,” says KPMG Partner in Hong Kong Anson Bailey, head of Consumer and Retail, ASPAC. “China alone is home to almost half a billion millennials, a characteristically tech-savvy and demanding generation. We have in excess of 730 million internet users, on par with the total population of Europe. And what’s more, 95 percent of those users access the internet on a mobile device. When you combine that sort of scale with the level of technological

innovation flowing around the world, the disruptive forces which follow are unlike anywhere else.”

Takeaways

First, for brands looking to access China’s growing middle-class population and their booming spending power, the message is simple: if you’re not on the platforms that power the lives of Chinese consumers, success will likely be elusive or, in the very least, expensive.

Second, China should no longer just be considered the workshop of the world, but instead a window into the future. The change and disruption being witnessed in the East isn’t caused by technology; it’s merely accelerated by it.

The real disruptor in China and the real disruptor for businesses in any other market is the customer. And if the Chinese customers are ahead of the curve, then they’re providing a glimpse into a future for the rest of us. ■



Daniel, 29, millennial
Creative Director,
Shanghai, China
Single

My connection

“Being without my phone is an awful feeling. I was pick-pocketed outside a train station once and I was so crestfallen I had to lay down and fall asleep to shut the world out.”

My wallet

“I use an on-demand app for everything—everything goes through my WeChat wallet.”

48% of millennials in China report that they would like to use WeChat as the single platform for all their communication transactions



My motivation

“I am so forgetful. I have set up lifehacks to help me remember. Like the Apple Reminders app because it syncs between my phone and laptop. I heavily rely on my Apple ecosystem.”



My attention

“I glance at my phone constantly with notifications. WeChat Moments are how I keep up with my friends’ adventures. I start and end my day on WeChat.”

92% of millennials in China report that they use WeChat
91% of Gen X
88% of boomers



My watch

“Alipay and WeChat payments are how I pay for everything. No need for account numbers and complicated names. Money transferring in China is fast and flawless.”

36% of millennials in China report that at least half of all their payments go through WeChat or Alipay.

China: emerging themes

A growing middle class and ubiquitous tech platforms have given rise to a digital consumer.



My motivation

- » Connected and “social” consumers
- » Instant messaging with brands on the rise
- » New influencers like bloggers, videos, and live stream shopping embedded in business models

1 in 4

people in China trust online reviews

60%

of Chinese millennials wish they were more like the person they describe themselves as on social media (compared to 31% global average)

“
I trust bloggers a lot. I will buy products they recommend over big brands.”

Rong, 28, millennial
Private education department chief, Beijing



My attention

- » Increasing time spent with digital media and live streaming
- » Mobile > PC, and media consumption through apps
- » Digital multi-tasking

1 in 3

people in China glance at their phone without being prompted by a notification at least every ten minutes

78%

of people in China like technology and apps to automatically filter information for them in order to manage info overload

“
I use WeChat every minute, every hour to chat with friends, family, brands and get my news.”

Helen, 52, boomer
Teacher, Guangzhou



My connection

- » Fast growth in smart phones and mobile payments
- » Rise of online market places (Tmall, JD, Amazon)
- » Growing sharing economy, on-demand and express delivery

29%

of people in China would rather lose their phone than their wallet

91%

of people in China use WeChat

“
It is impossible for me to leave my phone at home. I would feel anxiety. Nomophobia.”

Zi, 28, millennial
Curator, Taiyuan



My watch

- » Delayed household formation and upcoming shortage of time to spend caring for the elderly
- » Leisure time seems to become increasingly important
- » Increased service economy: DIFM > DIY, low labor costs

81%

of people in China open their phone to relieve boredom

> 1 in 3

people in China spend over 30 minutes each day commuting to work

“
If I can save 10%, I’m willing to wait to purchase at duty free or have a friend bring it to me from overseas.”

Daniel, 29, millennial
Design Director, Shanghai



My wallet

- » Growing middle class
- » Consumer spend on food (47%), personal products (17%), dining out and recreation (11%), transportation and communication (11%), housing and utilities (7%), education and healthcare (6%)

79%

of Chinese total wallet share is spent on necessities rather than luxuries

1. Dining 2. Travel 3. Clothing

Categories that people in China cut first if disposable income reduces

“
I will buy anything as long as the quality is good and it saves me time.”

Theresa, 28, millennial
Nurse, Xiamen

One app to rule them all?

For years China has excelled at adopting and adapting technology from the West, but when it comes to WeChat, the country is blazing the trail for “super apps” and leaving Western platforms in their wake.

If you live somewhere in the Western world, some of this routine might sound familiar: you wake to your iPhone’s alarm and scroll through any overnight push notifications, check your text and WhatsApp messages, then cycle through your news apps to see what’s in the headlines. You then indulge in a quick scan of Facebook, Instagram and Twitter.

Remembering your significant other left early with the car, you book an Uber to catch the train. En route you check in with your partner and agree to arrange a restaurant for dinner. You flick between Foursquare and OpenTable to try and find something a bit different, then try a Facebook post asking for recommendations. At the train station, you buy your tickets using Apple Pay.

Your brother makes an interesting restaurant recommendation on Facebook, so you grab a reservation on OpenTable. Dinner’s not bad and the food is presented

“

The Chinese consumer’s thirst for, and adoption of, new technology is unparalleled. As WeChat users navigate seemingly all of their daily needs – and marshal their attention, their time and their money – through one single digital platform and its seamless, intelligent and intuitive experience, those companies that fail to understand and meet the consumer on their terms risk being left behind”

Belle Morton

Director, Head of Customer Advisory, Hong Kong

creatively enough that you snap a picture or two, reminding yourself to post them with #instafood when you get the chance. In the Uber on the way home, OpenTable sends you an email asking for a review. Maybe later.

Once home you grab the electricity bill pinned to your fridge and take care of it in your banking app — another thing off the to-do list. Finally relaxing in front of the TV, you see a commercial for that film you're desperate to catch on the big screen. Not to worry, you still have that AMC app somewhere on your phone; you check the times. Then on to WhatsApp to ping friends to see if they'd like to join; they're in. You'll pick up the cost of the tickets and they'll pay you back via Venmo.

During the day you've been in and out of some 14 different apps. They each serve a purpose, they're easy to use and they're familiar. But the overall experience is also a little clunky, requiring multiple apps to achieve a single task.

In China, however, everything you did during that day would be played out in one "super app" called WeChat. Imagine a combination of Facebook, WhatsApp, Instagram, Google, Amazon, Venmo, OpenTable

and Uber, and you're starting to scratch the surface.

Boasting a staggering 963 million monthly active users, WeChat began life as a messaging platform, but has grown rapidly to serve as a one-stop shop for managing all aspects of Chinese consumers' lives. It's no wonder 61 percent of our survey respondents in China said WeChat is their most-used app.

The volume of services available through WeChat crosses the line from customer wallet to providing financial services, such as taking out loans, buying insurance and investing money, to creating access to a full range of goods and services, including booking medical appointments, organizing flower deliveries, browsing vacations to hiring a plumber, electrician or physiotherapist — All powered by its integrated WeChat Pay platform; all informed by user reviews and instant social feedback; and all creating enormous volumes of transactional, contextual and behavioral data.

While this app is largely unknown to Western consumers, it's time to take notice because it's heading in that direction, either as a result of Western-born apps trying to emulate

WeChat fact file



Launched in 2011, WeChat has become not only China's top messaging app, but also something that looks increasingly like a mobile operating system. Users can do almost anything from the app, including paying bills, buying online goods, consuming news and entertainment content and of course chatting.

768 million daily logged-in users as of September 2016, up 35% on the previous year

61% access WeChat more than ten times a day

58% use WeChat for browsing and posting on Moments

54% use for sharing information

40% use for reading content via public accounts

34% use for sending and receiving money

33% use for mobile payments

Source: eMarketer, 2016

its success or the Chinese platform itself looking for new growth outside its domestic market.

To some this might feel like a chapter from George Orwell's *1984*. To others it's a personal digital concierge that makes your life easier than you could ever have imagined and an acceptable trade-off for your privacy.

Either way, it's a glimpse into the future. ■

“
Imagine a combination of Facebook, WhatsApp, Instagram, Google, Amazon, Venmo, OpenTable and Uber, and you're starting to scratch the surface”

A perfect storm

Change is inevitable. Industry shocks, business model disruptions, pivotal economic and geopolitical moments, and the shifting sands of consumer behavior. Throughout the industrial and information revolutions, these changes accelerated, their impact deepened and their intensity grew. But this has just been the warm-up act — we've reached an inflection point.

We're currently witnesses to the collision of three revolutions of a disruptive and industry-defining nature: the geographic and geopolitical revolution, the demographic revolution and the technological revolution. In isolation, each offers a glimpse into potentially different futures. But in concert, their combined impact is frankly unparalleled and no company, in any sector or in any corner of the world, is immune. Put simply, we're in the midst of a perfect storm.

Geographic and geopolitical revolution

Present levels of geographic and geopolitical uncertainty show no

signs of abating. Look to the East, where a burgeoning middle class and continued shift from rural to urban environments will see China home to an expected one billion urban consumers by 2030. With the country's five-year plans continuing to focus on creating much more of a consumer economy rather than exporting, Chinese consumers are becoming an increasingly prominent force on both the domestic and global stage.

In India, despite some headwinds, the country is shifting up the income ladder, with millions of citizens breaking out of poverty and becoming consumers for the first time — estimates forecast up to 500 million by 2030 — and also growth at the upper end of the spectrum as household incomes continue to rise. Companies are

rapidly reorienting to put customers center stage in business strategies. Meanwhile, India recognizes the need for significant infrastructure improvements and investments. Hence the introduction of the Goods and Services Tax (GST) and the impact of increasing legislative change to make India more competitive.

Yet as we look further at the collective of nations historically labeled “emerging economies”, it becomes evident that not all are emerging at the same speed or in the same way. In South America, both Brazil and Venezuela, once darlings of global growth predictions, are faltering as the consequences of political and economic turmoil take hold. Economies such as Nigeria have suffered a similar fate, exacerbated by falling oil prices, while investment appetite across the African continent is retrenching, as evidenced by a marked fall in the number of stock market launches or IPOs over the last couple of years.

“ Powering this next revolution is the rise of the millennial generation ”

Growth in Latin America and Africa, while still seen by many as an opportunity for the here and now, is not for the faint of heart. But in the near future, as their economies begin to rebound, these regions will once again become very important.



In Europe, while the shockwaves of the UK electorate’s Brexit decision appear to have dissipated, anticipating the consequences of this challenge to the European experiment, and the likely outcomes of early Article 50 negotiations, remains something of a gamble. But this is not the only story; political populism continues to promote uncertainty, with social divides as present in daily national discourse as in election campaigning. More broadly, the highly cyclical nature of the European economy remains a concern as actions on fiscal policy and unwinding stimulus measures from the Great Recession remain opaque. There are other dark clouds on the horizon, with the state of affairs in both Syria and North Korea offering more cause for concern and signs of longer-term instability, notwithstanding the present state of US-Russia relations.

In the United States, the economy is defined by the largest personal debt per capita in history, funded

by interest rates at historic and prolonged lows. Meanwhile, equity markets currently trade at 16-year highs with rising employment and unemployment rates at 16-year lows. If the goldilocks situation changes based on mortgage interest and personal debt rates rising faster than expected, if the deficit increases or if inflation begins to take hold, the impact on household finance and consumer confidence could be profound, and the economy could yet stumble.

Demographic revolution

Powering this next revolution is the rise of the millennial generation, forecast by 2020 to be the world’s largest single demographic grouping, as well as the largest demographic in the workplace.

Notwithstanding the hype surrounding this generational cohort, or the vast and conflicting literature and



65%

of US chief executives believe the next three years would be more critical and transformational for their industries and companies than the past 50



74%

of US chief executives say their organization is trying to actively disrupt the sector in which they operate

Source: Global CEO Outlook, KPMG, 2017

empirical studies seeking to classify them as a homogenous group, those born in and shaped by two profound economic crises, technological transformation and new social and employment paradigms, do indeed share some underlying traits that are already permeating wider culture.

Media consumption is markedly different from preceding generations and trust is often found less forthcoming, with some 84 percent of millennials reporting skepticism towards traditional advertising, trusting their friends and social media more. And while we can find varying patterns by region, millennials own less, rent more, live at home in greater numbers, believe in experience, are digital natives and typically place greater emphasis on the purpose, values and authenticity of the brands they choose to transact with or work for.

In isolation, this has far-reaching implications, but these are only amplified when we consider the tendency of this group to transfer their behaviors, tastes and values to others, often their parents in the baby boomer generation. Perhaps in the future, we should be talking less

about millennials as a discrete quasi-segment and more about people predisposed to be labeled “millennial minded”. After all, isn’t there a little bit of a millennial in all of us?

Baby boomers are also set to break with the past. Retirement for this cohort won’t be what it was for their predecessors, as many choose either to continue working given increasing life expectancies or feel compelled to do so at the prospect of underfunded retirement and rising health and care costs. Moreover, the wallets of the boomer generation are under added pressure from their millennial children staying at home longer, returning home or seeking greater financial help to join the property ladder. Consequently, the expected peak spending years associated with empty nesting and retirement won’t pan out as expected for all.

Technological revolution

No commentary on change or disruption can ignore the profound and pervasive impact of technology on all aspects of our lives, from how

we live to how we work. Yet what we’ve witnessed in the decade since the iPhone heralded a new construct for the human condition is only set to accelerate and disrupt further.

As the proliferation of connected devices continues to pervade all corners of society, from how we communicate, to how we transact, to how we operate our homes or manage our health and well-being, the next decade or so will see another billion or more humans connected to the internet by 2030, particularly driven by China and India.

Navigating the storm

Positively, those charged with navigating these dynamic waters are aware of what’s at stake. Over the last two years, KPMG’s annual *Global CEO Outlook* has put the spotlight on business leaders’ concerns about their changing customer landscapes.

In our 2016 study, 65 percent of US chief executives told us that the next three years would be more critical and transformational for their industries and companies than the past 50. An overwhelming 90 percent reported being

“

This perfect storm isn't on the horizon; it's here and it's now

concerned about the loyalty of their customers, while 86 percent were concerned about millennials and how their differing wants and needs will change their business. And in a sign of putting the organization on the front foot, our latest study published in August 2017 revealed that 74 percent of US chief executives said their organization is trying to actively disrupt the sector in which they operate, rather than waiting to be disrupted by competitors.

What's most important to take away from “me, my life, my wallet” is the urgency with which businesses need to act. Not next year. Not next quarter. Today.

The themes and the evidence we've explored in this report aren't abstract or distant concepts. They're not clouds building on the horizon that can be further studied by a working group or a functional team. They carry consequences for the here and now, and for those organizations intent on winning today as well as tomorrow, the time to act is now.

In the months since we began researching, analyzing and

synthesizing the findings that now embody this report, consumers haven't stood still, and evidence of change is all around us.

Consider Alibaba Group, whose 2016 Global Shopping Festival or Singles' Day reported a record-breaking \$17.8 billion in sales on just one day, three times more than Black Friday and Cyber Monday combined, and more than the country of Spain's entire e-commerce sales for the year. What's more, 27 percent of sales were from international brands or merchants, and an eye-watering 82 percent of sales were made on mobile devices.

Take WeChat Pay and Alipay, subsidiaries of Tencent's WeChat and Alibaba's Ant Financial, respectively. With more than one billion registered users between them, the two Chinese payments apps have recently struck a string of deals with European banks, enabling millions of retailers across the UK, France, Italy, Germany and beyond to accept payments via their apps. Initially touted as a means of helping the surging numbers of Chinese tourists to use their domestic payment apps

abroad, both companies have hinted at expanding their payments apps with international customers.

Despite being largely unfamiliar brands in the West, such moves are early signals of a competitive collision course involving established players such as Google and Apple, as well as the wider banking and digital payments industry incumbents throughout Europe and further afield.

Companies are investing to compete in the new world; consider that the volume of technology company acquisitions by nontechnology companies increased 263 percent in the four years from 2012, reaching a record in 2016 and outstripping, for the first time, similar acquisitions by other technology companies, most with the aim of improving or transitioning their business paradigm now and into the future.

This perfect storm isn't on the horizon; it's here and it's now. And for those bold enough to concede they just might not know as much about their customers as they'd want to, the opportunity is palpable. ■

Our methodology

The context behind our unique, multilayered approach to generating fresh insights

Traditional research methods work best when the future looks like the past, but in a time defined by seismic change and greater volatility, new ways of thinking are needed to reach new insights.

To do justice to our most comprehensive customer-focused research effort to date, KPMG's Innovation Labs developed a multilayer research framework, underpinned by the rigor of design thinking for business model innovation. Critically, we don't rely on any one of these activities alone to paint a picture of the future — it's in their combination that the sum becomes greater than its parts.

We begin by understanding macro trends, identifying social, technological, economic and political signals of change. We then layer on a combination of scientific data and fact-based historical and economic data, before adding original ethnographic research to understand

the "why" behind behavior. For both of these areas, we leveraged extensive research that we have performed across multiple industry sectors, including consumer and retail, banking, insurance, wealth management, healthcare, and telecoms and media.

We combine this developing picture and the ethnographic findings to inform questions for our primary survey, to test the prevalence of behaviors. Our approach starts with deep qualitative research to uncover insights that don't come out through traditional market research, moving from signals, to hunches, to hypotheses that are tested, validated and quantified.

Why does this approach get to better answers? Baked into each layer of data is an opportunity to check our cognitive biases and keep exploring the unknown-known and unknown-unknown territories. Put simply? It helps us go hunting for insights in the right areas, asking the right questions. ■

Our methodology

Me, my life, my wallet

Research strategy	Trends data	Research-led change to Outside-in trends research across industries	Content strategy
	Scientific data	Scenario-driven	
	Quantifiable historic data	Case studies change to Analysis US, UK, India, and China historical data	
	Behavioral and ethnographic data	Ethnographic interviews	
	Qualitative and quantitative survey	Sector specific change to 10,000 US, US, India and China consumers surveyed	
	Triangulation and sense making	Design thinking for business model innovation	

Motivation
Characteristics that drive behavior and expectations

Attention
Ways we direct our attention and focus

Connection
How we connect to devices, information and each other

Watch
How we balance the constraints of time and how that changes across life events

Wallet
How we adjust our share of wallet across life events

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