



Me, my life, my wallet



KPMG International
Global Customer Insights
Second edition

kpmg.com/knowyourcustomer





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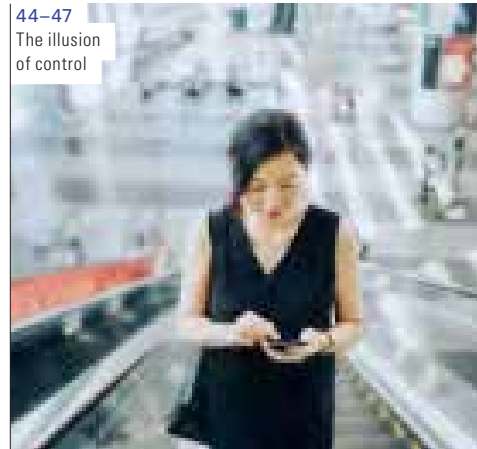
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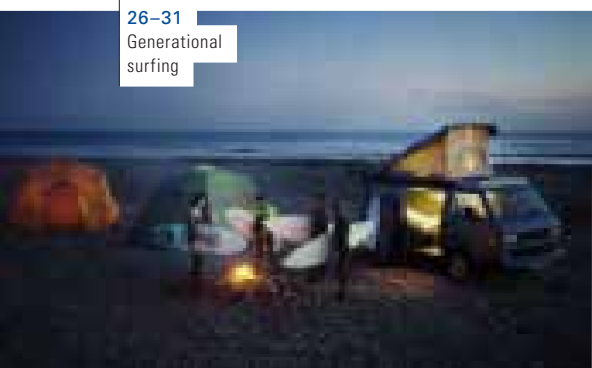


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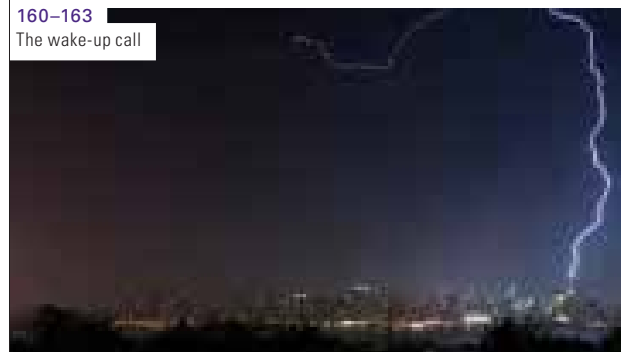
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The customer insight imperative

Few executives debate the importance of deep customer insight and empathy, and the need to get closer to the customer. But how many can truly claim to have done so in the face of constant, seismic change?

It's been almost a year since we published KPMG's inaugural *Me, my life, my wallet* report, the first comprehensive output of our Global Customer Insights Program, the distinctive worldwide framework designed to grow our understanding of the customer, their Five Mys, and the rapid and profound changes in consumer motivations, attitudes and expectations. And that which we uncovered 1 year ago shows no sign of abating.

This year, we've gone deeper and further in our continuing exploration of the multidimensional customer: what's truly driving behavior and choices; how this is set to change as unparalleled

“

Using our design-thinking methodology, alongside our multifaceted research process, we have worked to deepen our understanding of the complex drivers of human behavior and what's really behind the choices that customers will make tomorrow, not just today ... ”

Julio Hernandez,
Customer Advisory Lead,
KPMG in the US



Trust isn't a vague ideal or empty rhetoric; it's becoming central to building customer loyalty and therefore the future financial prosperity of all organizations and institutions. It's not enough to simply state an ambition — developing and maintaining successful customer relationships means a change in mind-set as well as day-to-day data practices ... ”

Colleen Drummond, Head of Innovation Labs, KPMG in the US

transformation and disruption in our lifetime continues, and as the customer of tomorrow emerges.

We've built on our first edition's unique and multilayered research methodology with additional elements, drawing on new insight from across the KPMG network and extending our primary investigation, this year surveying approximately 25,000 consumers in Brazil, Canada, China, France, India, the UAE, the UK and the US collectively where a majority of the world's consumers reside and will continue to grow, as well as conducting ethnographic research interviews in each market.

In our inaugural publication, we introduced the Five Mys, a distinctive framework designed to help organizations more fully and deeply understand the complex, underlying drivers of human decision-making. We already know from our multiyear *Customer Experience Excellence* research, discussed in more detail within this report, that those companies that understand and get closest to their customers, and deliver relevant customer propositions and experiences, realize stronger growth and commercial performance than their competition.

In the year since its introduction, KPMG firms have helped clients around the world and across industries to use the Five Mys to



37%

of consumers worldwide say they have trust in governments



24%

of consumers around the world wouldn't be willing to trade their data for any benefit from the organizations and institutions they interact with

develop deep insights into changing consumer attitudes, expectations and behaviors. It's this knowledge that fuels their customer centricity agenda.

This year's survey results reinforce the importance of understanding "who I am as an individual as a customer". Acquiring that knowledge in an era of eroding customer trust (in part due to high-profile misuses of data) and new privacy regulations poses fresh challenges and calls for a delicate balance between leveraging and protecting customers' information. This requires companies to rethink how they capture, use and monetize customer data and insights to power an ever-evolving customer engagement approach.

We've also taken a new look at the customer wallet and found that how individuals save money and manage (or don't) their financial lives, provides a fresh perspective that's critical for companies to understand as they seek to engage with a dynamic and complex consumer. We've considered how key life events affect the relationship between income, consumption and spending, and explore attitudes to wealth and retirement across countries, generations and socioeconomic groups, and what these variations imply.

Also, we've taken a closer look at Generation X, born between the early-1960s and 1980, who represent a large cohort of technically savvy and up-and-coming business professionals, sandwiched between both their baby-boomer parents and their millennial children, with broad and diverse needs and desires, yet often overlooked.

Gen X is now ready to shed its common label of the 'forgotten generation', especially prevalent in North America, and are ripe for organizations to get to know better.





9%
of Gen X
consumers
feel they have
adequate
savings to retire

Professionally, Gen Xers are entering their peak employment years and ascending to organizational leadership positions across industries. This generation is often coping with the competing challenges of caring both for aging parents and young children.

We also explore the interplay between Gen X and their Gen Z children, born since 2000, addressing the potential behavioral transfers between the two generations and how this may shape future choices.

In addition, we consider how business-to-business (B2B) organizations can use the Five Mys framework to reassess their own customer relationships. Here we see that trust and data protection remain vitally important, with the stakes higher given greater regulatory requirements. Relationships are just as important, if not more so, in a B2B context, but can be much more complex, based on the interests and influences of all the parties involved. And just like in consumer-facing markets, clients' expectations of value and experience are influenced by both competitive and comparative practices.

We invite you to continue this journey with us, as we further explore the multidimensional customer, and especially to consider the implications of our findings and ideas, advice and direction for you and your organization.



Where some see uncertainty, we see opportunity. Where some see the threat of change, we see new potential opening up across generations. The organizations that embrace these dynamic times and confront the big questions facing tomorrow's consumer will likely be the ones best placed to build sustainable, value-creating relationships with a customer they know better than ever before. ”

**Willy Kruh, Global Chair,
Consumer & Retail,
KPMG International**

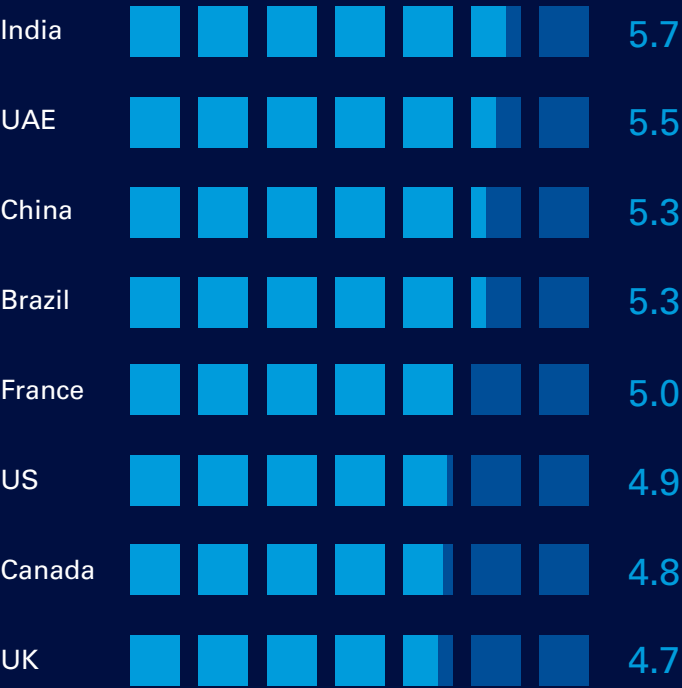
Highlights

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.

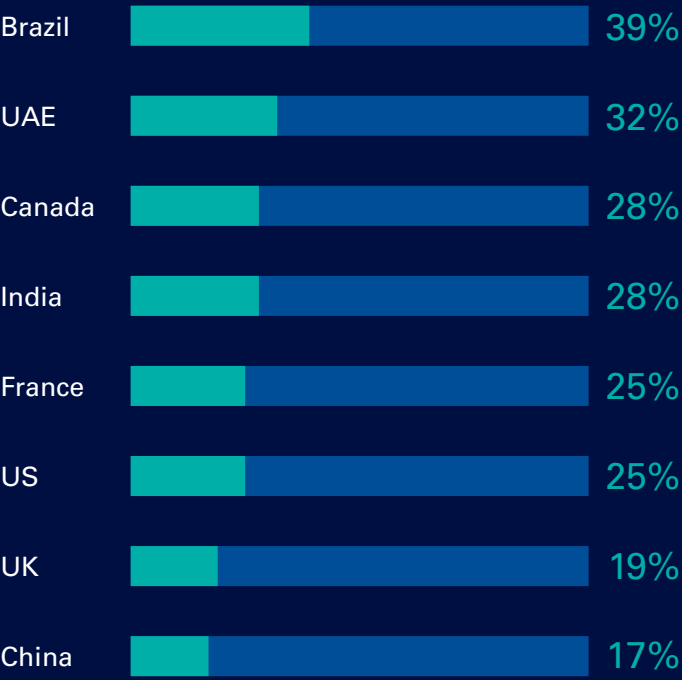
Me, my life, my wallet draws on an in-depth body of research, combining trends analysis of social, technological, economic and geopolitical data; ethnographic interviews with consumers on four continents; and a proprietary quantitative survey of consumers in China, India, the UK and the US. Consider 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?

Work and retirement

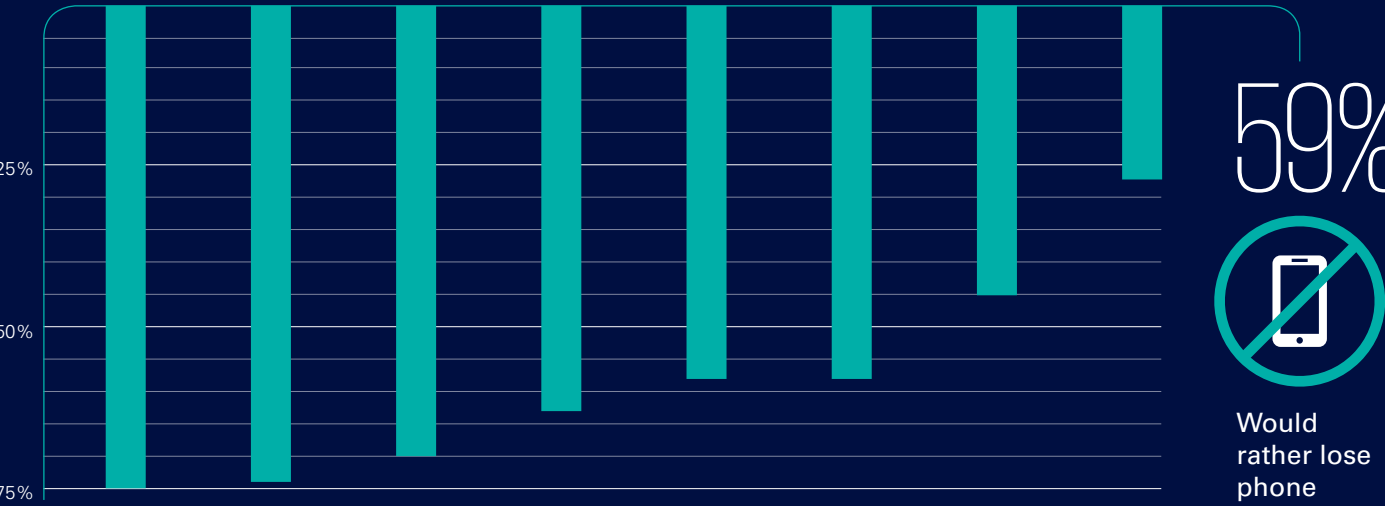
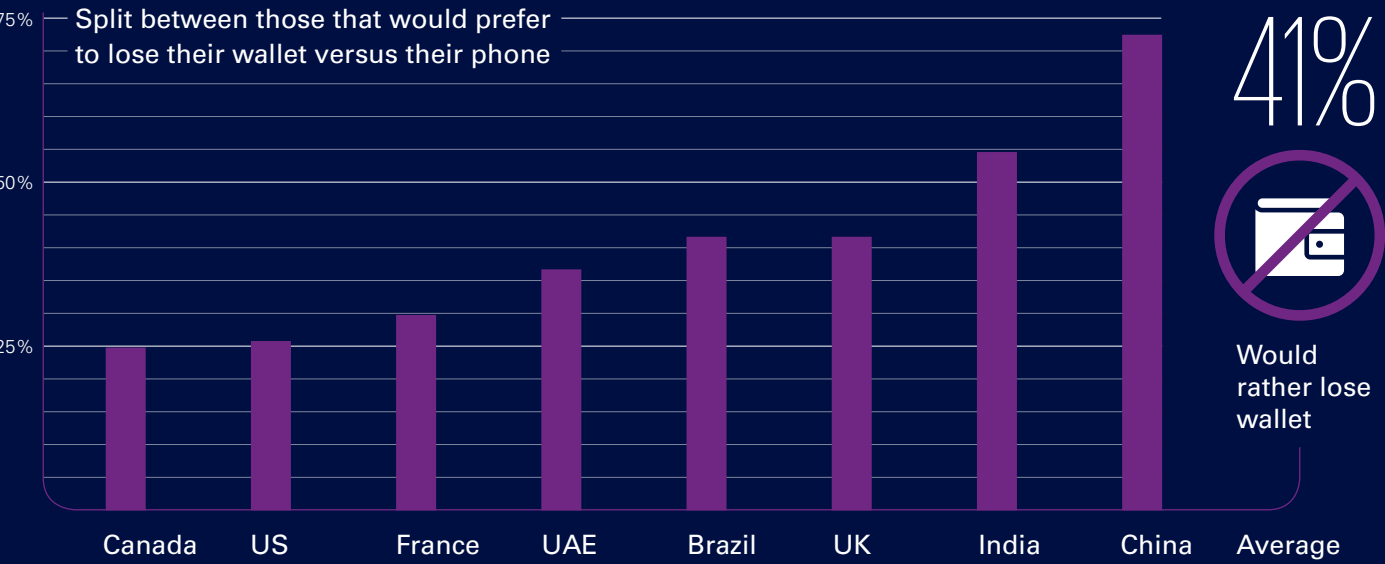
Average days worked per week



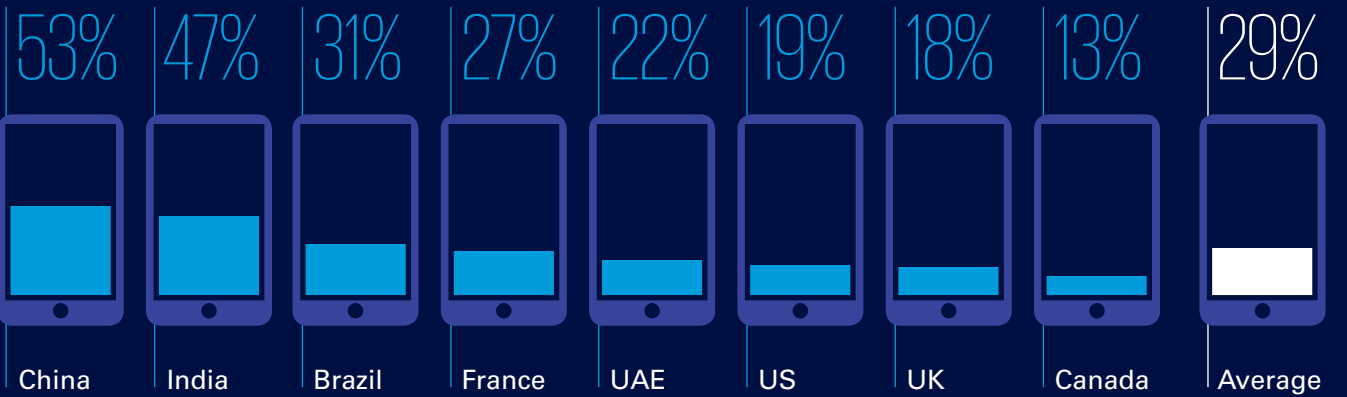
Those reporting high levels of anxiety about their retirement



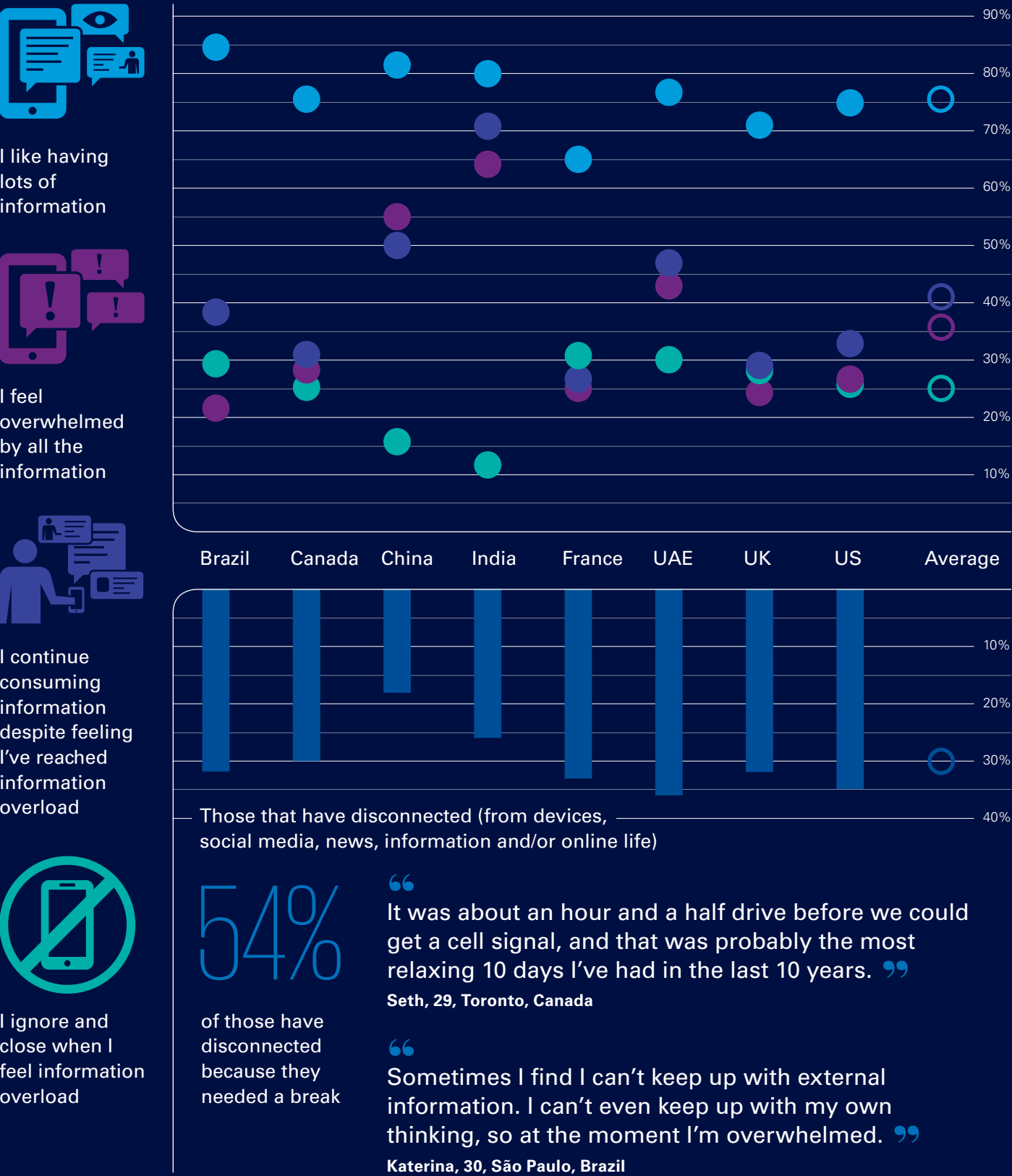
Attachment to technology



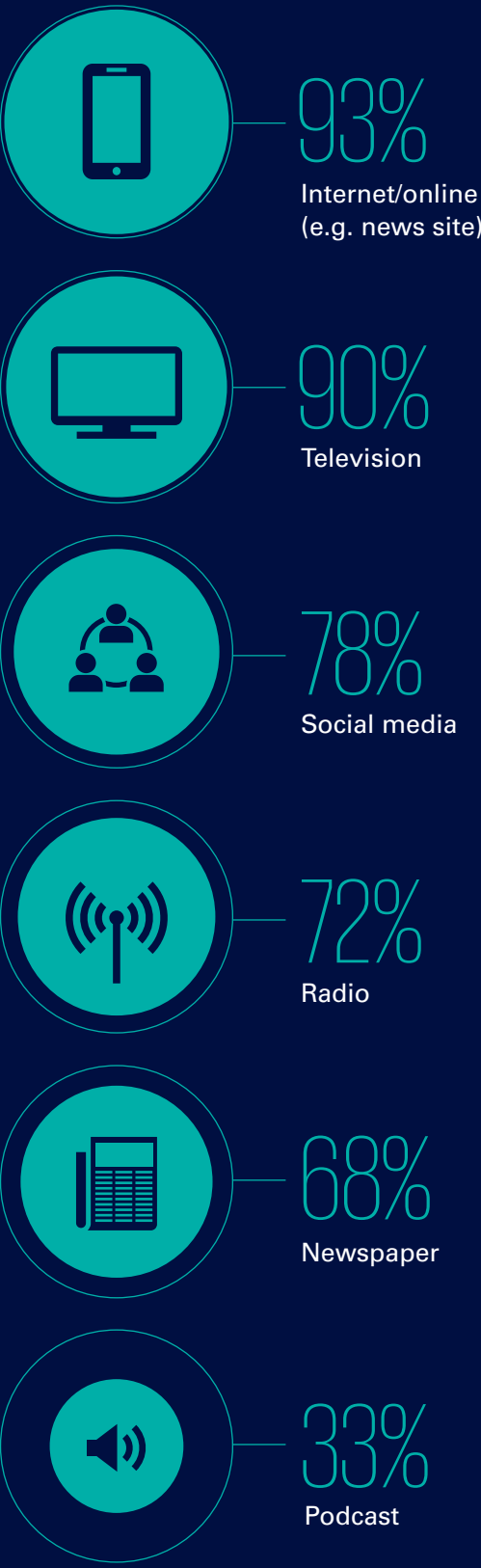
Those very interested in new technology — the first ones to buy a new device when it comes out



Information preference



News sources



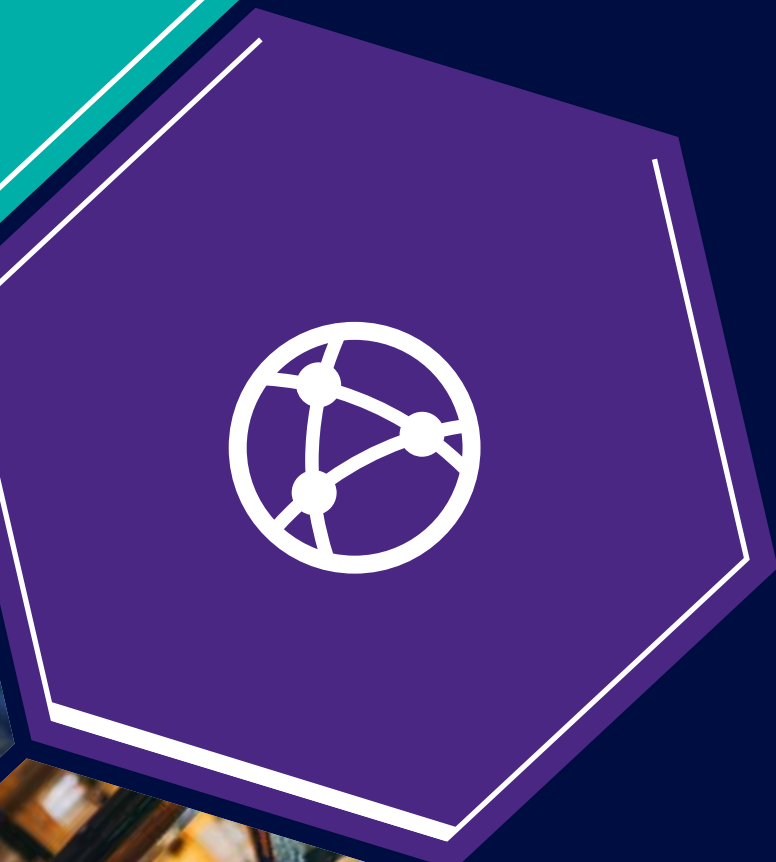
“With the widespread usage of social media, big news is spread very, very, very easily, so I don’t think I’ve lost anything.”
Steven, 25, Canton, OH, US

“I think with social media and fake news it’s very easy to spread misinformation and people believe it. Even my grandparents, for instance, when they get a stupid message like a forward, and it’s something that’s so obviously preposterous, they believe it because somebody they know sent it to them.”
Leela, 26, New Delhi, India

Data protection







Understanding the Five Mys

Faced with an ever-changing consumer, organizations need a fresh approach to help understand the complex, underlying and interconnected drivers of human decision-making

As consumers, our choices have always been influenced and governed by multiple factors, but never has this been as complex and subject to disruption as it is today.

This was our impetus to develop the Five Mys framework, designed to help identify what consumers value in an experience, understand the moments that matter to them, get smarter about the connections that contextualize their lives, and learn about the trade-offs they make around time and money.

Many organizations will already explore elements of the Five Mys in isolation, or solely in the context of their category or a specific life stage of their consumer. We believe it is the combination of the Five Mys that generates richer stories, analysis and insight into consumers' unmet needs, the trade-offs they are making, and the totality of factors influencing their decisions across all aspects of their lives that is simply not possible within a single 'my'.

How these factors work in concert across the different life stages and life events of a consumer is the key to unlocking real insights, and understanding not just the consumer of today, but predicting what will drive the consumer of tomorrow.



My motivation

Characteristics that drive behavior and expectations



Business impact

Knowing what customers truly value in an experience and what's setting the benchmark for their expectations can help companies to eliminate wasted efforts and focus on the ones that truly make a difference in consumer behavior.



Our best experiences have become our expectations”



We are making fundamental shifts in how we process and filter information”

My attention

Ways we direct our attention and focus



Business impact

Knowing how to win the battle for customers' attention can help companies target investments to the moments, interactions and media, or channels, that matter to maximize return on investment.



We're getting smarter about the world, and the world is getting smarter about us”

My connection

How we connect to devices, information and each other



Business impact

Getting smarter about how consumers connect and with whom they connect can fuel better insights and stronger connections.



We're increasingly using technology to automate or accelerate tasks throughout our lives”

My watch

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



Business impact

By understanding the impact of life events on the trade-offs between time and money, as well as when and where they occur, and how they are changing based on new life events, companies can engage with us in the right way at the right moment.



The shape of our wallet changes across life events”

My wallet

How we adjust our share of wallet across life events



Business impact

Understanding what the wallet represents and has inside it enables companies to target those able to buy.

My motivation

Our best experiences have become our basic expectations. We no longer compare a company solely to its closest competitors, but rather to whoever sets the highest standard for our best experience as consumers. We crave quality, 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. We want the organizations and institutions we interact with to “know me”, “value me” and “make it easy for me” — and, in times of heightened trust and anxiety, to “protect me”. This is only amplified in the era of fake news.

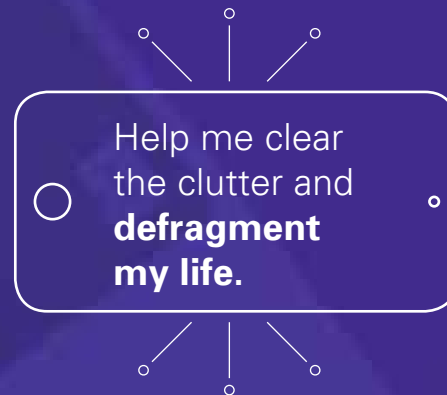
Questions to ask

- » Which consumers do we want to win with?
- » How do we obtain insights to better understand the key drivers of behavior for our most profitable consumers?
- » How can we develop behavioral insights to understand our consumers’ whys, and do so in a way that respects and protects their preferences and data?
- » What are the key customer journeys that drive value?
- » How do we prioritize these key journeys against the investment we have?
- » Who is setting the experience benchmark in our consumers’ lives, and how is this shaping their expectations?
- » Where are the key expectations and friction points on the customer journey?



Make it easy

My best **experiences** are my **expectations** but they're **fragmented**.



I want things to be **easy** and **seamless**.

Know me

Know me as well as **the data** you have about me.



I don't want to repeat myself.

Use my data and protect me. **Help me help myself.**

Value me

Help me ...

... create wealth ...

... create security ...

... reach my financial goals ...



... achieve my aspirations & master my financial life.

Protect me

I need you to protect my **money, identity and data.**

I want **transparency** and **privacy protection**, and **I don't want to get hacked.**

I worry my information will be **compromised, sold or exploited.**

My attention

We're all subject to unprecedented volumes of information, increasingly available whenever and wherever we want it.

And we're all increasingly a product of the technologies that ease, define or govern our lives, whether our mobile devices, smart technologies or artificial intelligence and voice-

powered connectivity, all of which, in one way or another, have changed our attention spans relative to our more analogue experiences of yesteryear. This abundance of information and hyperconnectivity collide to create constant pressures on our attention. And as our time has become more precious, we are making fundamental shifts in how we process and filter information, and otherwise divide our days.

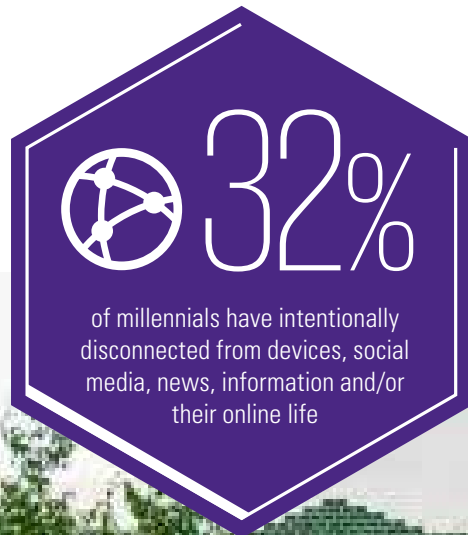
Yet while our patience and attention thresholds are falling, we continue to make time for the things that matter to us. Understanding how we prioritize and marshal our time and attention is essential to breaking through the noise, and to building deeper, more meaningful relationships with each of us as customers.

Questions to ask

- » What is competing for our consumers' attention?
- » How are consumers filtering and processing information and communication, and how can we help them to manage information overload?
- » What are the moments that matter most to the consumer, and how do we target these moments?
- » How and where do we get our consumers' attention in a way that is relevant?
- » How do we keep attention once we have captured it?
- » How do we maintain a valued dialogue once we have captured the consumer's attention?



My connection



As a result of our increased connectivity, we are having more digitally connected interactions, which produce a data exhaust or trail that grows seemingly exponentially. Consequently, the world is getting smarter about us: who we are as individuals, about other people like us, communities, cultures, macro and micro trends, and groups sharing commonalities — and, in turn, we're getting smarter about the world.

Understanding the shape and patterns of these wide-ranging connections and networks is central to understanding how our decisions are influenced, when and by whom. The companies that cultivate such an understanding will be those best equipped to engage with consumers on their terms.

Questions to ask

- » How do our consumers use technology to connect with the world around them?
- » Who are our consumers connecting with?
- » How do we help consumers get smarter about the ways they can engage with our brand?
- » How do we develop better connections?
- » What are the privacy and trust implications of building such intricate pictures of our consumers' lives?



My watch



44%

of consumers say they want to keep working into retirement



How much time we have, or think we have, influences how we interact with other people, services and companies.

And we're increasingly using technology to automate or accelerate tasks throughout our lives, whether with recurring grocery and household orders or embracing algorithms that curate and help guide us on what to purchase, watch or listen to next.

Questions to ask

- » What are the pivotal life events impacting consumers, and how do we position our offerings?
- » How do we evolve our offering and positioning across the life-event continuum?
- » How can we give our consumers time by providing new offerings or reducing friction?
- » For those in life stages moving from time scarcity to time abundance, what new opportunities for products and services are being created?
- » How can we help prepare our customers for upcoming life events?

My wallet



Often in a symbiotic relationship with time, the shape of our wallet changes across life events. How much money we have, how we choose to allocate it and our attitude towards money shifts based on numerous factors, not just our salary or age. And the timing of these life events has been, and continues to shift, when we buy our first house, when we get married, when we choose to have a first child.

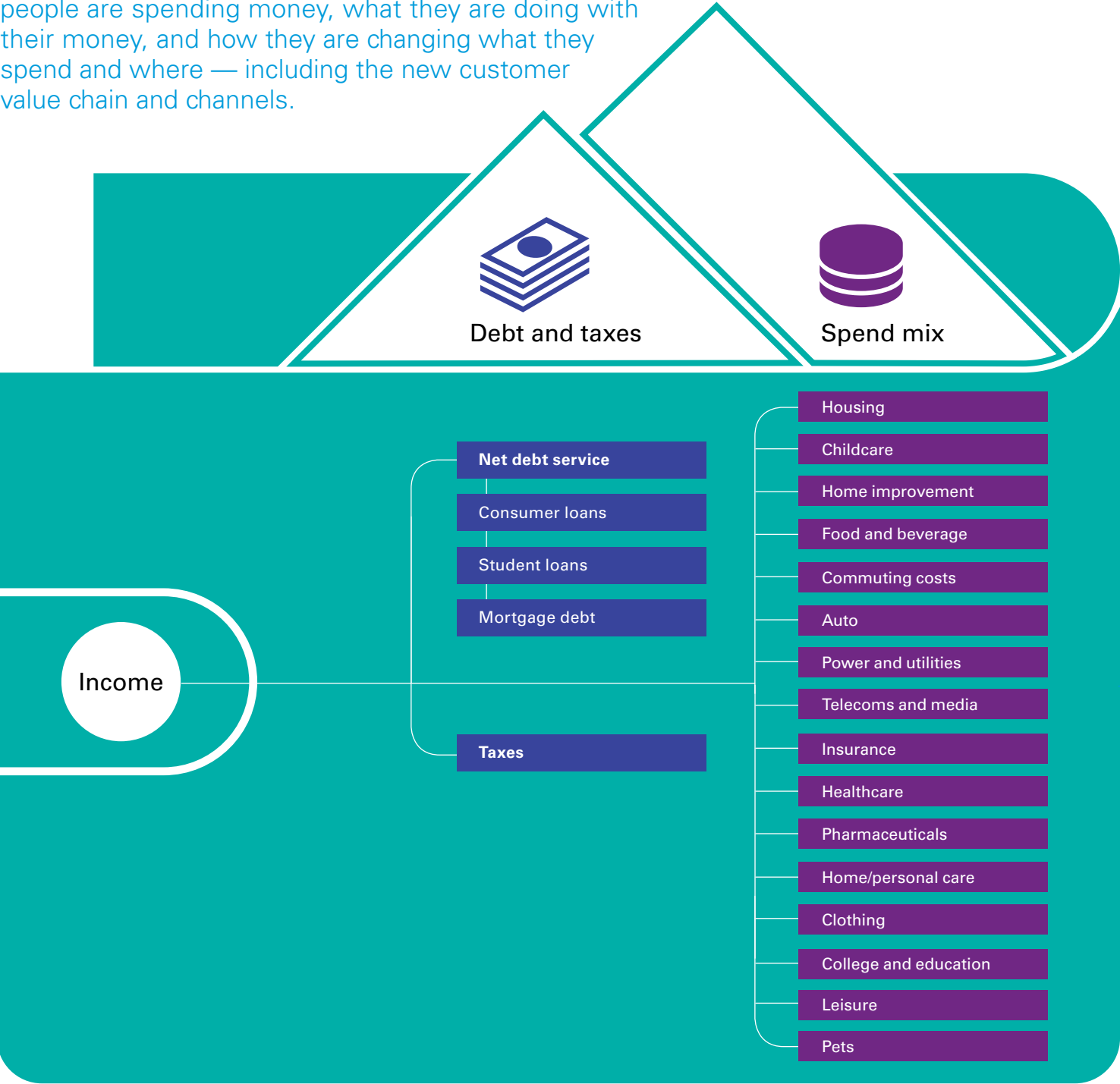
Understanding the relationship between income, consumption, spending mix and resulting wealth (net savings) or deficits, and how this relationship changes for different generations across various life events, provides a level of insight beyond that offered by traditional demographic models.

Questions to ask

- » How do we identify the way our customers are spending or sharing their wallet?
- » How do we spot the people who will earn more or less in the future?
- » How can we be prepared for potential shifts in the customer wallet in the event of economic changes?
- » How can we help our customers manage their wallets and budgets, both for their current circumstances and for their futures?

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.



Many organizations still believe that their primary competition is a rival company in their own industry — but our research and experience continue to show that our only true competitor is the customer wallet.

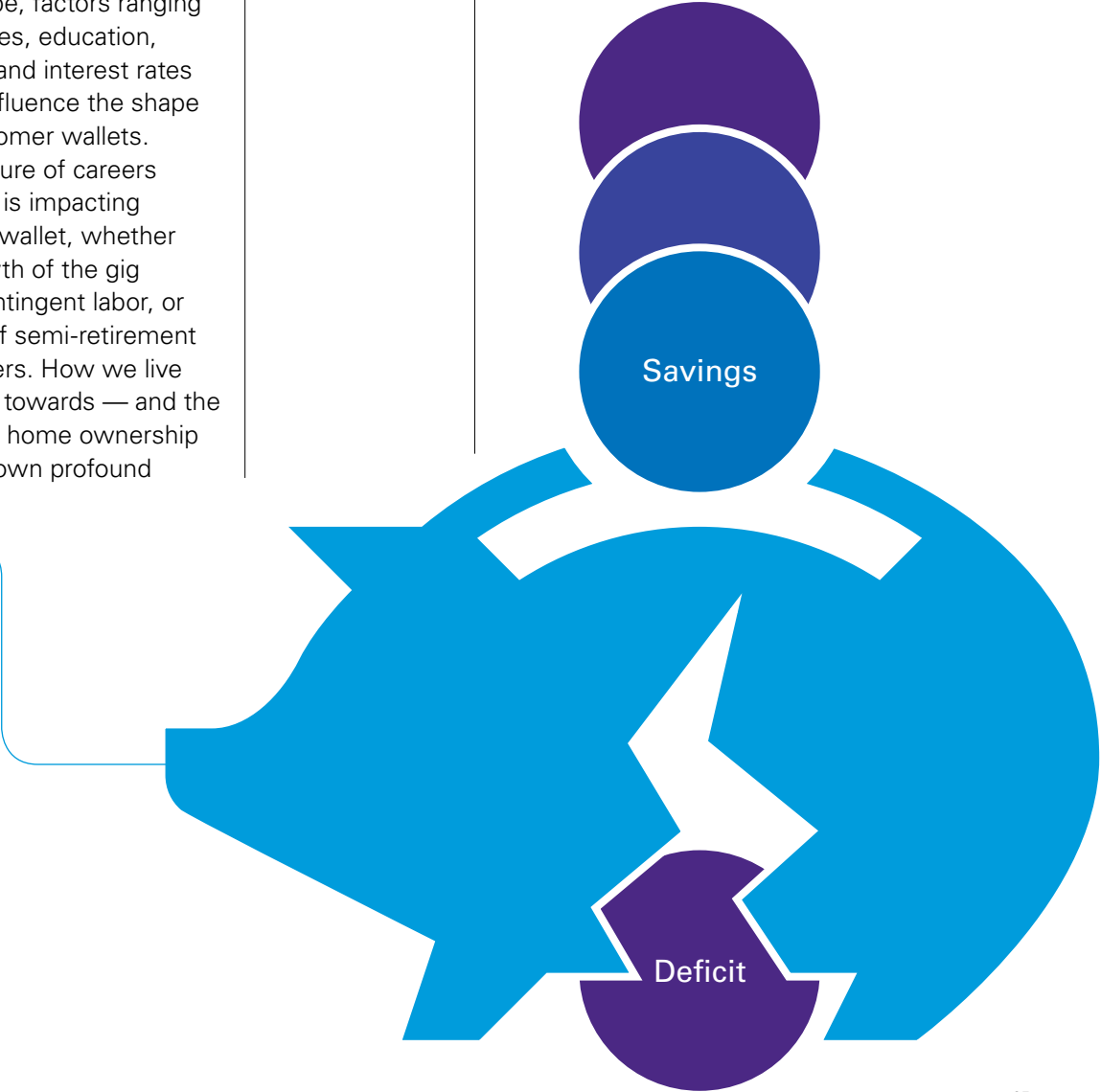
In 2017's inaugural *Me, my life, my wallet* report, we analyzed wallet outflows — specifically, how changing customer attitudes and expectations were affecting the consumption and spending mix. This year we're looking at wallet inflows — especially income, wealth and related impacts on spending.

Across the globe, factors ranging from income, taxes, education, retirement, debt and interest rates all converge to influence the shape of individual customer wallets. The changing nature of careers and employment is impacting the inputs to the wallet, whether through the growth of the gig economy and contingent labor, or the emergence of semi-retirement and second careers. How we live and our attitudes towards — and the affordability of — home ownership is unleashing its own profound

31% of gen Xers say their child influences their buying or spending decisions

impact on the spending and saving priorities of younger generations. The transfer of assets and wealth differs by generation and geography, and is only subject to further change as longer living and increasing healthcare costs make their mark.

Understanding the totality of factors influencing the wallet, the interrelationship between income, consumption and spending, as well as new ways to explore, buy and receive products and services is crucial. Only then can we hope to recognize our true competition, and determine how to position effectively against it.







With extending life stages, drifting life events and new events emerging, riding the waves between generations isn't as predictable as it once was. Across generations, companies have relied on assumptions about life stages, using age as a proxy, to identify when and how people will purchase certain products or services.

In our inaugural edition of *Me, my life, my wallet*, we explored generational surfing, with a focus on baby boomers, born between the mid-1940s and the mid-1960s, and millennials, born between 1980 and the turn of the millennium. In this edition, we turn the spotlight on Generation X, the demographic grouping born between the mid-1960s and 1980, following the baby boomers and preceding the millennials.

Traditionally, the analysis of baby boomers and millennials has been defined by their experience in North America and Europe. Yet, globally, the experience of these generations has been extraordinarily diverse.

In the US, for example, boomers grew up in a post-war era of increasing affluence, consumerization and optimism. In China, they were born into a planned economy where such everyday commodities as paper, sugar, oil and

Generational surfing

Amid all the hype and attention surrounding baby boomers and millennials, is your organization overlooking Generation X?



of Generation X
lost wealth
between 2007
and 2010

Pew Charitable Trusts, 2013

Leaders who changed the world: Who are Generation X?

Google, WhatsApp, Alibaba, Amazon and Tesla: all developed by trailblazers from Gen X. Though millennials are recognized as tech savvy, Gen Xers have embraced technology with enthusiasm. In the US, Nielsen estimates, they use social media more habitually than any other generation — 40 minutes more each week than millennials. In China, GlobalWebIndex reports that half of Gen Xers watch videos on Tencent, Youku, Douyin, Weibo or WeChat every month. In the UK, a Barclays

Bank survey shows that Gen Xers aged 45 to 54 spend around 100 minutes a week browsing for online shopping, more than any other age group, yet this generation could be said to have been neglected by many marketers.

Accounting for nearly two billion people globally, Gen X is known for its entrepreneurial approach to work — they are becoming a dominant force in the ranks of business leaders — independent thinking and interest in the society around them.

pork were rationed. In India, boomers grew up in a newly independent nation, with a sluggish, socialist-style economy that limited their economic options. In Brazil, boomers were so scarred by rampant hyperinflation in the 1980s that even now this demographic prefers to spend rather than save. In Japan, their journey was even more remarkable; born at a time when food was in short supply, they matured, as their country became an economic superpower.

With globalization, millennials in different countries have shared some experiences, but not others. In the West, their wallets have been squeezed by the great recession of 2008 and its protracted, painful aftermath. In China and India, where 47 percent of the world's millennials live, they have more opportunities and resources at their disposal than their parents. Yet, globally, they are considered the first truly digital generation, growing up in an era of widely available and rapidly advancing computing, technology and mobile communication, although the scale and pace of this revolution has varied from country to country.

Sandwiched between these two cohorts lies a group that is often overlooked or, particularly in North America and Europe, ignored: Generation X. Do they offer any less potential than baby boomers or millennials? Or could they represent a new opportunity for organizations to target new consumers in new ways?

Gen X: Looking beyond generalizations

To understand the forces impacting Gen X's customer wallet, it's important to appreciate the life events that have brought them here.

Consider the life stages of Karen, a typical American Gen Xer born in the late-1960s. As she joined the

workforce, the 1987 Black Monday crash dented business confidence, with economies softening and deflationary pressures mounting. In 2000, as Karen entered her peak earning years, the 2000 dot-com crash brought further economic pressure. Having bought a home at the height of the housing market, the 2008 financial crisis hit, affecting employment, investments and home ownership.

Between 2007 and 2010, US Gen Xers alone collectively lost approximately 38 percent of their wealth, an average of US\$24,000 per person, and suffered an average 27 percent decline in home equity. With widespread layoffs and poor job prospects, in part due to the rise of outsourcing and offshoring, 15 percent of Gen Xers dipped into savings to cover everyday living, while almost a quarter stopped contributing to retirement accounts and many never restarted due to the protracted nature of the economic recovery.

The consequences of this unfortunate timing have had a real and lasting impact. According to our global survey, 45 percent of Gen Xers feel anxious about retirement; only 9 percent say they have adequate savings to retire; and a worrying 25 percent say they have not started saving for retirement but plan to.

"In Western economies, Gen Xers have a record of unfortunate timing," said Colleen Drummond, Head of Innovation Labs, KPMG in the US. "Each of their pivotal life events coincided with major economic shocks that have left a profound and lasting impact on their assets, wealth and outlook. Yet they are also in their prime earning and spending years, which make them attractive targets as customers."

But contrast Karen's history with the experience of Liu, a typical Gen Xer in China, born in the



40%

of Generation X
say they don't
feel financially
secure

mid-1960s. Growing up with multiple siblings, his early years would have been characterized by scarcity; chicken was regarded as an annual treat. However, from the age of 13, his opportunities would have increased exponentially as then-leader Deng Xiaoping began reforming China's economy. As Liu grew up, he might have felt pride that his generation was transforming society — Jack Ma (Alibaba), Pony Ma (Tencent), Robin Li (Baidu) are all



“

My mother-in-law is 80. She's not as much work as the 87 and 88-year-old [my parents] ... luckily I have four siblings. We each take a day with my parents. However, the kids are our number one priority, so if I'm on for Tuesday to take care of my mom, but, you know, Allie [my daughter] got sick and needed me, then one of my siblings would take my time. ”

Julie, 53, Lansing, MI, US

Gen Xers. More prosperous than his parents, Liu is generally optimistic about the future, though concerned by talk of a housing bubble and the need to help his children financially through university and to make a down payment on a first home.

Or look further in Asia to Avi, a member of India's Generation X, born and spending his formative years in an era of economic malaise and a protectionist culture that only dissipated in his early-30s, as the country embraced foreign domestic investment and relaxed industry, commerce and trade policies. Disposable incomes among the middle and upper-middle classes increased dramatically, driving a consumption economy previously unfamiliar to the nation, and both



25%

of Gen Xers say they've not yet started saving for retirement, but still plan to

economic and purchasing opportunity swelled rapidly.

Many of his generation began to travel overseas for employment and returned demanding the same quality of products and experiences from Indian manufacturers and the multinational corporations swiftly entering the market. Home ownership became more accessible, a previously stagnant real estate market began to grow in value, and Avi and his peers began to stand apart from their predecessors as a more literate, globally aware and quality-conscious generation — and one armed with a relatively higher net worth than their parents.

Sandwich generation

One experience that Karen, Liu and Avi, alongside other members of Generation X, share is a new life stage we refer to as the 'sandwich generation'. Caught between caring for and supporting both younger children and aging parents, they are time-starved, thanks, in large part, to the sharp rise in women's participation in the labor force, their parents' extended life spans and, particularly in China, the consequences of the one-child policy on birth rates.

Being sandwiched can manifest pressures on the watch, as Gen Xers are forced to make sacrifices or compromises in how to allocate their time. And it can create pressures on the wallet, in how they marshal their financial resources to support their elderly parents and accommodate their Gen Z children, who are typically spending more time with their parents than previous generations.

Basis for new opportunity

Though the past and present have been full of challenges for Generation X,



“

It's really ingrained in my mind, and in my parents' mind, and their parents' mind, and generationally, that when you're in your 60s sometime is the traditional age for retirement. And from there on in, you get your pension. But it's not the way I am seeing it. ”

Tim, 39, Montreal, Canada

the future outlook is positive.

While many Gen Xers in the West are not as wealthy as their parents were at the same age, they are currently at the peak of their earning years and have a strong work ethic. As our survey shows, by virtue of their life stage, this overlooked Generation is earning more and spending more than at any other time in their lives.

Despite not being digitally native, like millennials, they are technologically savvy. What's more, in part due to a looming wealth transfer from their parents, they are expected to become tens of trillions of dollars wealthier over the next two decades. In China and India, Gen Xers are already more prosperous than their parents, benefiting from economic reforms made over the past 40 years.

So how can organizations respond to the watch-wallet dynamic of Generation X, and tap into their increasing wealth and affluence?

"This generation needs help and increasingly will be able to pay for it," said Julio Hernandez, Customer Advisory Lead, KPMG in the US. "Their wallets are under pressure, their watches are under pressure, but Gen Xers may be more likely to spend money to save time as we move into a period of wealth transfer and increased earnings."

Companies are already building products and experiences tailored to the watch and wallet of this time-starved generation. The accelerating adoption of subscription services, automated reminders, digital personal assistants and time-management tools powered by artificial intelligence (AI) has begun to address this time crunch. The battle to engage Gen Xers will play out in smart homes connected to the internet of things, voice platforms that emerge as a cutting-edge



1 in 2

Gen Xers say their work schedule doesn't leave enough time for personal and/or family life

“

I want to retire, but at present, we do not know the exact time, date, we can retire. ”

Qiurong, 40, Beijing, China

alternative to handheld devices and AI-powered virtual assistants that help manage all aspects of our lives, not just our diaries. Gen Xers will invest in technologies to make their lives smarter, while baby boomers primarily spend to make their lives easier.

Organizations that can harness data, analytics and technology to become, in part, a program manager for consumers' lives can bring balance to the watch-wallet dynamic of Gen Xers and create tangible value. By aggregating and simplifying the complexities of Gen Xers' lives, those organizations will be well placed to tap into the growing wealth of this at times overlooked, yet important, group of consumers over the next few decades.



Behavior transfers between parents and their children are happening more rapidly than in the past, much like parents taught and influenced their children, children are teaching and influencing their parents. Technological improvements and economic realities increasingly intertwine generations and, as a result, are accelerating the rate of technology adoption. While this same phenomenon is occurring between baby boomers and their millennial children (profiled in our inaugural edition), the echo effect between Gen X — ranging from their 40s to mid-50s — and Gen Z — in their teens — has unique nuances, which are playing out in unexpected ways.

According to a 2017 study conducted by the University of New South Wales Business School, examining responses from five countries, Gen X was the first cohort to experience both parents working, becoming known as the first latchkey generation, in part due to their mothers entering the workforce in increasing numbers. Many felt like they were on their own, seeking parental attention. As parents themselves now, are they overcompensating for having been on the receiving end of parents who were not around? Or do they just perceive the world to be less safe?

Their Gen Z children are spending less time away from home and more time online — consider that a 2016 research study conducted by the National Trust found that children in the UK played outdoors for an average of four hours a week, significantly less than their parents who played outdoors for 8.2 hours when they were children. This is primarily attributable to technological development, including new media of entertainment, social media and online gaming.

Gen X and Gen Z: The alternative echo effect

Gen Zers are influencing their Gen X parents, and Gen Xers are influencing their Gen Z children — and an alternative reality is emerging

“

Back in the day, you went outside and you didn't come home until it was dark. And now, [my children] grew up and I was afraid, even though I was in a safe area. Now, you are with your children all the time. You are always watching. So they didn't have that freedom. I guess that's what this internet thing is; it's like freedom ... ”

Aimee, 49, Frisco, TX, US



Screen-time generation

In the Western world, Gen Xers were heavily influenced by peers, movies and television, and were one of the first generations to grow up on video games and affordable home computing consoles. Because many Gen Xers are comfortable with gaming, they let their children play games. As a result, we are seeing games and gaming, albeit in a different and increasingly alternative reality, playing such a prominent part in their children's social lives. Through a combination of wanting to protect their children and entertain them, Gen Xers have created the conditions for Gen Z to flourish in an alternative reality world.



36%

of parents in our survey said their children influence their purchases of electronics often or all the time

“

I don't know if my childhood was carefree, or if our parents were a bit less worried or if they were showing it a bit less. But I worry for the next generation; this is all they've known. My children don't understand that in the past there were no iPhones, that at some point there were no telephones at all ... ”

Martine, 42, Paris, France

With today's social media-fueled pressure to *be* somebody, new-age gaming is enabling our newest generation to form and live part of their lives through self-curated online identities. For Gen Z, social media is no longer about Snapchat, Instagram and the like. Take the latest gaming blockbuster *Fortnite*, that while being a free-to-play game, makes more money than any other games, including \$300 million in 'in-game' sales in a recent month. *Fortnite* is a virtual place where Gen Zers, many of whom have not yet come of smartphone or driving age, can socialize. It's become the place to hang out, the new playdate: *Minecraft* on steroids. And it's shifted the focus of many teen wallets from physical things to virtual, such as skins (head-to-toe new virtual identity), emotes and dance moves to convey their feelings or "just style on your opponent".

And why is this important? It's their identity and it's driving them to spend real money in a virtual setting, on add-ons that have nothing to do with game play, to improve their alternative selves, who they are and how they look, and at the same time fostering their interest in similar styles and fashions in the real world.

Just digital

Gen Zers are not just digital natives, they're *just* digital in utter ubiquity. They have multiple devices and have to adapt rapidly as new technology breaks through. They don't watch traditional television in nearly the same way as their predecessors. They're savvy about media, where to get it and how to consume it on their terms. They also use multiple devices at the same time, gaming and watching multiple shows simultaneously, toggling back and forth between both devices and content.

As a result, the media landscape is getting far more complex, mixing realities across games and movies. There is a whole new generation of celebrities from Instagram and YouTube to *Fortnite* stars. Little Lizard and Tiny Turtle are YouTube stars who created stories inside *Minecraft* about a movie, and have now shifted to creating stories and games inside *Fortnite*. Gen Zers watch YouTube shows on one device, play games on another, and mix between big screens and little screens, living in a multi-device, multi-media, multi-fantasy world.

Mixed reality

We're witnessing a combinatorial explosion of stories, worlds and devices, and social lives are getting merged and remixed. The world of movie tie-ins, such as *Star Wars* toys, is being completely upturned. Games become movies, movies have games inside them, YouTube remixes games and movies using *Minecraft*, LEGO makes *Minecraft* sets, toys become games and then become movies, back to games. If the medium is the message, the medium is getting remixed and altered in real time.

Is this generation fundamentally changing the face of media, entertainment, fashion? And what are the potential implications for media and entertainment companies? *Fortnite* gives a glimpse of the implications of a generation of youngsters brought up on *Minecraft*. If millennials were digital natives and wanting everything as an experience, Gen Z, supported and financed by Gen X, want the ability to curate, craft, design, and remix all media and experiences. Media needs to be cross-device, cross-story and cross-experience. The movie tie-in is quaint; the game-to-movie, back-to-game,



10.1

The mean age that parents in our survey gave their first child access to social media

to-YouTube, to-toy, to-fashion tie-in is the new normal. And it's bringing new meaning to the world of mixed reality.

Gen Zers also play an influential role with the household wallet. They feel they have a voice and a right to express it, and they use it in all aspects of their lives online or offline. They don't just develop; they also share strong opinions about their likes and dislikes, and are not afraid to express them beyond the tap of a smartphone or an emoji. They're exposed to so much more of the world, in all its guises, than any preceding generation and are more familiar at navigating the modern deluge of information than their parents, consequently making them a more conscious, if not anxious, consumer. And this connected, self-aware and cognizant consumer has influence far beyond their own nascent wallet: "My kids make my shopping list for me."



I think it may be more difficult for my children to copy the access to online information. Because in the future, they will be using a lot of new devices and they have to adapt to every technology. ”

Biwan, 31, Beijing, China



The Gen Z perspective

“

At school my friends ask who is going to be on *Fortnite* tonight and we arrange what time we'll play. I really like playing *Fortnite* on my Xbox so I can still talk to my friends after we've left school and it feels like they're next to me. It's funny when it glitches sometimes and it switches my loot up with my friend's. I'm a character called Ragnork. He's tier 100, so the highest tier you can get. I'm really proud I got that as I haven't been playing it for long. ”

Thomas, 10, Leeds, UK

“

Fortnite is fun because I get to play with my friends and sometimes I watch videos while I am doing it because they are funny. ”

Davis, 10, New York, US

“

I am very attracted by screens. I love video games because I have the feeling to do something concrete, I am active. Whereas I am passive in front of the TV. I love playing *Fortnite* because I always want to win more, to win new levels, to become stronger. It is a very addictive game. ”

Jean-Baptiste, 10, Paris, France

“

When my mum says we can go on electricals I go on my iPad. I like playing games like *FIFA Mobile* and *FUT Draft* (football games). I've got a 92-rated team on *FUT Draft* that I think is really good. When I'm bored of the games I switch to YouTube because there are lots of funny things to watch. I like watching ChrisMD opening [FIFA] packs because he always gets the rare cards. I wish I was allowed to have my own YouTube channel like him. I make videos of me opening packs to pretend. ”

Charlie, 8, Leeds, UK

“

The status symbol for technology would not be an iPhone, as such. It's all about the cool apps because in the end it's about connectivity. If you have Facebook, Instagram, WhatsApp, then you're in the cool lingo these days. ”

Mansour, 17, Abu Dhabi, UAE

“

I watch media on my phone, laptop and desktop. My favorite type of media is social media because I can talk to my friends on it. The media I watch most is probably YouTube because I can just watch it, or video games on my PC because I can play with my friends. ”

Oliver, 13, Ottawa, Canada

“

When my brother is not there, I love playing video games because I can play alone and I still have the feeling to be active. I do appreciate the touch screen. ”

Mathilde, 9, Paris, France

“

Definitely Douyin, it's quick, it's funny, and it has something for every taste ... it is super addictive. I can also upload my own content and instantly it will generate a lot of likes. At the end I learn nothing and it's all quite useless but I cannot stay away from it ... ”

Tim, 14, Beijing, China

“

Kids like *Fortnite* so much because it is an enchanting game with a goal of getting a 'Victory Royale' [meaning last team surviving]. It is extremely hard so kids want to keep playing. There are rewards for more playing time like skins that you can put on your character. They are constantly updating the base storyline so that it is almost like a movie. ”

Carter, 13, Greenwich, CT, US

“

I like *Minecraft*. *Minecraft* is like LEGO: I can use my imagination to build my own world, there are no limits. I especially enjoy playing together with my friends. It is fun. ”

Jarred, 7, Shanghai, China





In 2017, a World Economic Forum study reported that the world's six largest pension saving systems — the US, the UK, Japan, the Netherlands, Canada and Australia — and the two countries holding the world's largest populations — China and India — are together forecast to face a savings gap of US\$400 trillion by 2050, a sum five times the size of the current global economy.

Add to this our aging population. Life spans lengthening. The reality of the 100-year life. Healthcare costs rising. Fewer defined benefit plans. A shrinking labor pool. Employment disruption through technological advances forecast to displace millions of jobs. Macroeconomic pressures such as increasing inflation and rising interest rates, likely to further squeeze an already pressured consumer wallet.

For a large part of the population, retirement is increasingly at risk of becoming a 20th century phenomenon. Is it time to ask if the math still works?

Anxious yet ambivalent

In our survey of approximately 25,000 consumers in eight markets around the world, we explored attitudes towards wealth and retirement.

And our data reveals a somewhat anxious, yet complacent and ill-prepared, consumer.

On average, 27 percent of respondents expressed high levels of anxiety towards their retirement, lowest among Chinese consumers at 17 percent and highest among the Brazilian population at 40 percent. A third of Gen Xers reported high levels of anxiety — even though retirement is the next significant life stage they'll encounter. And this ambivalent

Wealth and retirement: Delay and pray, or avoid?

With an increasing number of consumers ill-prepared, will unretirement become the new retirement?

attitude showed little variation by income level.

Only 14 percent of baby boomers and 9 percent of Gen Xers surveyed — those with the closest proximity to the de-accumulation phase of their lives — claimed to have adequate savings to retire. Even more worrying, a little over a third of these two generational cohorts reported to be actively saving, with a significant 25 percent of Gen Xers — only a decade or two from retirement — saying they've not yet started saving for their post-employment years, but plan to soon.

Looking to those already in retirement, an average of 41 percent of consumers told us they had what we call FROOM (fear of running out

of money), highest in France at 53 percent, and lowest in the UK at 20 percent. Looking to future retirees, more than half of millennials have either failed to start saving for their futures, or have put such efforts on hold. And only around a third of this cohort told us they felt they'd be in a financially secure position to retire when that stage of life approached. Insufficient savings for retirement.

Delaying planning for the future. FROOM. Struggling to pay off debt. Extending financial support across generations. A need to earn more in a post-employment life stage.

Is this ignorance, ambivalence, presumption about the role government will play, living for today and putting off thinking about tomorrow — or is there something else going on?

Unretirement

It's these issues that are contributing to the emergence of a new life stage, which we term 'unretirement'. Around the world, members of older generations are facing one or both of two new realities: the prospect of living longer, and the need or desire to work longer.

In these contexts, we're witnessing consumers once assumed to be retiring and entering the de-accumulation phase of their lives prolonging (or attempting to) their working lives, sometimes having to compete with more contemporary skills, reinvent themselves with second careers, or take part-time jobs to make ends meet.

In addition, working longer is not necessarily perceived to be a bad thing — some people are staying in the workforce longer because they want to. In our global survey, respondents often replied that they didn't want to retire. They worry that retirement connotes boredom. They preferred to be active and working as long as they possibly could. However, preferably working on something enjoyable rather than out of necessity alone.

As a result, many people aren't necessarily looking to retire in



“

I don't have a pension plan, and I don't believe the country's pension plan will be still in place when I retire. It was set up by a different generation ... but knowing that it's depleted, and the generation that's accessing it is larger than my generation, and there's not as many people putting into it, when I retire it won't be in existence, so I'll have to work. ”

Joanna, 44, Douglas, Canada

the same way as the past. And unretirement could play out in unexpected ways.

For those with assets beyond the financial (such as health, time or physical assets), the gig economy opens up new ways both to make money, and to spend time and money — while providing flexibility and control over both time and assets. Need cash? Become a rideshare driver. Rent out your house on Airbnb while you stay with your kids. Good with people, have your health but need cash? Take care of other seniors. Able to help with shopping? Turn to Seamless. Able to help other seniors to age at home? Become a carer through Cera or Honor.

For some, this is a 'top-up' phenomenon — supplementing either the watch (give me something more to fill my time) and/or the wallet (give me a little additional income to help me to live the life I want to). But for others, it's more than a case of topping up — it's about sheer survival. It's about affording rent, the mortgage or simply stocking the fridge in the face of a wallet under profound pressure.

As boomers have gone through other life events, they have changed the face of businesses serving them along the way. And we now expect to see an increasing array of different routes to retirement, including when, where and how they retire. Based on their past, many boomers have the potential to reject the retirement paradigms of the Silent Generation, including the idea of retiring in social communities in sunny places, in an easy living facility, playing games with other seniors. Instead, they are more mobile, more versatile, more active, and shun expectations about



27%

of consumers expressed high levels of anxiety towards their retirement



52%

of millennials have either failed to start saving for their futures, or have put such efforts on hold

“

In terms of retiring and doing nothing and just travelling, like, I couldn't do that. I would need to get up in the morning, like do something, like see a cause and an effect that I have created. And then I'd feel comfortable with taking X amount of time off. So I would hope that I would work in some form or another until I die. ”

Leela, 26, New Delhi, India



“

For me, investment is always thinking about the future. I'm very worried about the age. Here in Brazil, we don't have a great system for people that retire. I'm very worried about the future. ”

Renata, 31, Rio de Janeiro, Brazil

“

I think that probably I would continue at least working part-time basically until I can't work anymore. Because I just really enjoy having something to do every day, and like having a routine. I would hate to be one of those retired people who just sits around and does nothing and deteriorates. And I'm sure, like, even if I wasn't working, I would find something to do in retirement. ”

Emily, 28, Abilene, TX, USA



what seniors should be or do. And this fragments further still, depending upon whether they have health, wealth or neither.

What's more, for their children, we may need to challenge assumptions about today's projections of intergenerational wealth transfers. Given extended life spans, reduced pensions, FROOM, and rising healthcare costs, will Gen Xers and

millennials actually receive their expected inheritances?

Business implications

What could extended employment, second careers or semi-retirement mean for our customers' needs — and where could it create new opportunities? If growing concern about retirement leads to an increased allocation of today's income towards savings or debt repayment, which categories will suffer and which will stand to gain? How might consumers adapt their allocation of spend, and where will they make sacrifices? And equally, if today's customer isn't investing for their future life stages, who will be our 'senior' customer of the future?

While it may appear to be the remit primarily of the financial services industry, consumer attitudes and behaviors about planning for the future have potential implications for all industries — resulting in the need to deepen and broaden our understanding of:

- » the totality of our customers' wallets, not just income and spending patterns but also wealth accumulation (or net deficits)
- » the interrelationship between consumption today and planning for tomorrow, and how this changes the shape and size of the customer wallet — including what's left in the wallet

- » how consumption patterns change across these life stages, and what are the new unmet needs
- » the interdependence between generations, and how the financial position of one cohort impacts another, from extending financial support across generations to diminishing wealth transfer as life spans extend and rising healthcare costs erode assets
- » the opportunity to play an active part in helping our customers to better plan and prepare for their futures through goal-based planning and the choices they make today.

Even if large portions of society are adopting a 'delay and pray' or 'avoid' attitude to their retirement, the businesses serving them need to be prepared for the uncertain future ahead.



53%

of French
retirees are
worried about
running out
of money

“

I want to retire at 60, but I think I'll actually be able to retire at 70. That's because people are living longer and all the claims are costing a lot. ”

Pauline, 21, Dijon, France

Customer wallet: life event trajectory

It's the nature and timing of our life events that determines the shape and journey of our wallets — not our demographics

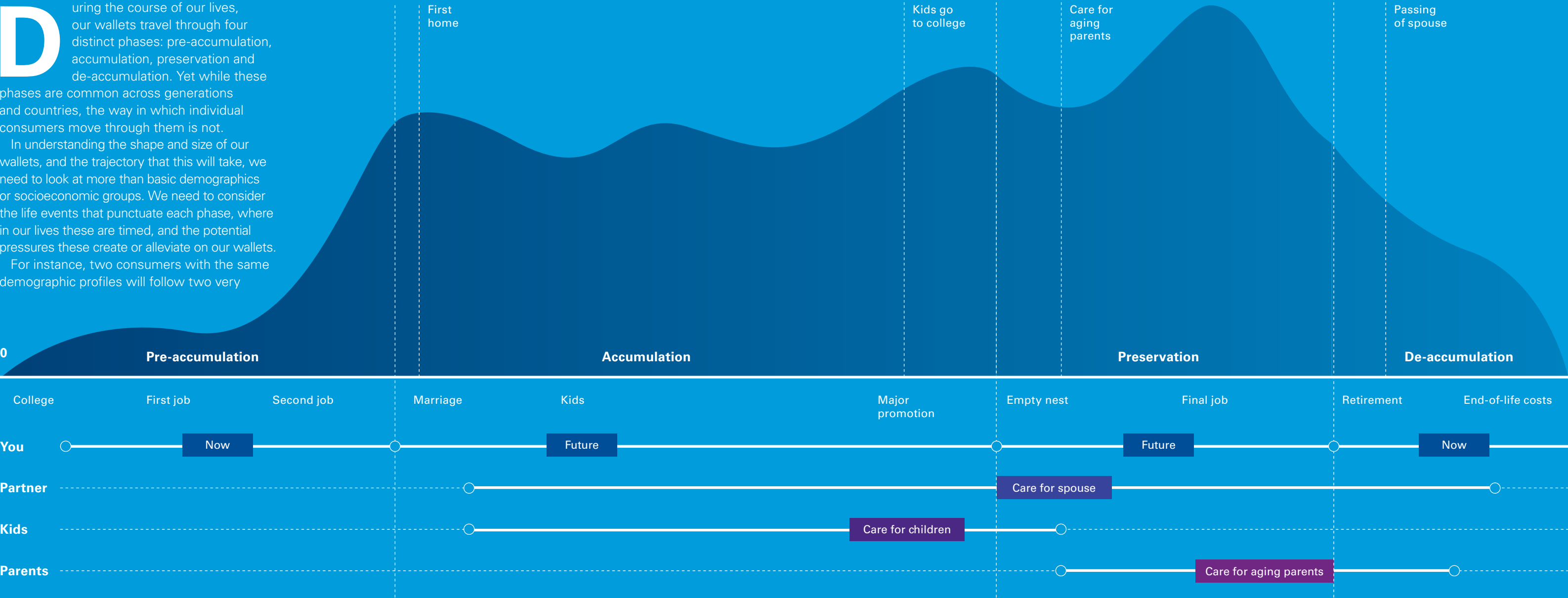
During the course of our lives, our wallets travel through four distinct phases: pre-accumulation, accumulation, preservation and de-accumulation. Yet while these phases are common across generations and countries, the way in which individual consumers move through them is not.

In understanding the shape and size of our wallets, and the trajectory that this will take, we need to look at more than basic demographics or socioeconomic groups. We need to consider the life events that punctuate each phase, where in our lives these are timed, and the potential pressures these create or alleviate on our wallets.

For instance, two consumers with the same demographic profiles will follow two very

different trajectories if one begins their financial life with a large student loan to pay down, where the second didn't pursue higher education. If one shuns home ownership in favor of living with parents for longer and then renting, whereas the second reaches for the property ladder as soon as they enter employment. If one pursues marriage and children in their mid-20s, whereas another puts the decision off until their late 30s in favor of traveling and building life experiences.

These factors don't just affect the size of the wallet, i.e. income less consumption and spending, but also where it is likely to be under more or less strain, and therefore what needs might be most prioritized by consumers at a given time. In concert with the Five Mys framework, charting the path of consumers' wallets and taking into account the timing and nature of their key life events can help us to plan and predict at an individual level, rather than an imprecise homogeneous group.



We're in an era of abundant information. This we know. The fragmentation of channels, platforms and outlets for news, media and information has exploded over recent years, and continues apace. More information and content is produced in 60 seconds than we can consume in a lifetime. We're in a near-constant state of connectivity, with devices playing a central role in our daily routines, and a growing prevalence of voice- and AI-powered assistants in our homes.

We're becoming smarter about the world around us, and smarter in how we use technology to help us manage the dizzying array of things competing for our time and attention. But what of the consequences?

In this year's global survey, we found a generally high level of

comfort with this new status quo. Some 76 percent of consumers told us they like having access to lots of information, compared with an average of 36 percent feeling overwhelmed by the incalculable volumes of information and media available. Chinese and Indian consumers were the exception, both expressing enthusiasm as well as feeling overwhelmed in high levels.

Worldwide, 62 percent of consumers told us they proactively filter information, 46 percent rely on those they follow to do so, and more than half said they were favorable to apps and technology doing this for them. Some 55 percent of consumers believe "the more, the better", expressing a desire for even more access to information, while 67 percent believe they can determine if the information they're seeing is trustworthy, although this raises

The illusion of control

Our growing reliance on technology to manage information is helping keep consumers at ease with the risk of overload, but could mask a hidden complexity for those attempting to break through the bubbles





questions about the remaining 33 percent of consumers who can't.

On face value, then, a largely positive response. Consumers love information, want more of it, can recognize its currency and integrity, and rely on their networks, technology and personal efforts to filter out what's most important or relevant to them.

But is this sense of enthusiasm, and ease with technology and filtering, a boon for organizations seeking to deepen customer relationships and engagement or is it masking a more complex, nuanced scenario?

What are the implications of us each curating, filtering and leveraging technology to keep on top of the information overload? The filter bubbles work until they don't. In the Western world, many people have experienced having their filter bubbles popped, with events like Brexit, and both local and national elections. Are we indeed becoming smarter about the world around us or only smarter about the version of the world we've created for ourselves?

Alternatively, are we truly more informed, when platforms are curating and filtering for us? Do the algorithms really know what is most important for us to see and know?

Risk of illusion

Kes Sampanthar, Managing Director of KPMG Innovation Labs, KPMG in the US, noted: "News highlights,

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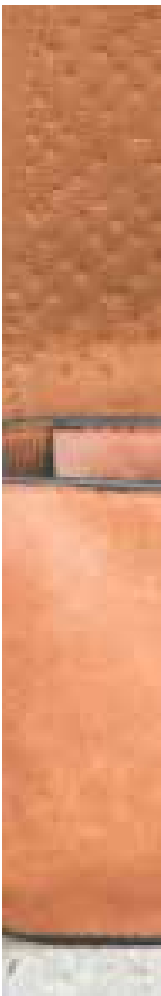
I would worry at the pace technology is going it will benefit capitalism, rather than benefit the people using it. It benefits the people who finance it rather than the people using it, I guess. If it keeps doing that, then I do think it will have a big effect on individuals, like mental health ... ”

Paul, 32, Belfast, UK



filtering and curation all bring benefits to the busy lives of the modern consumer, but they also risk creating the illusion that we're on top of the information we need and value in our lives. For organizations, it's no longer sufficient to understand what we value and how we access information; we have to start considering what our customers have edited out of their lives, who they're really relying on to filter and channel information and messages, and the political, social and demographic bubbles being formed around our target audiences."

Targeting and personalization have been growing in importance, and potential, since the advent of the modern digital era, but consumers' ability to harness technology to manage information access and avoid information overload isn't just an opportunity for organizations; it brings an added layer of complexity to how we reach, capture and sustain the attention of consumers who are increasingly living in an edited version of reality.



Of the people that have disconnected from devices, what was the primary reason chosen to disconnect?

I needed a break (cone of silence)

54%

I believed it was healthier

17%

I felt anxiety and/or overwhelmed

12%

I wanted to protect my privacy

12%

I was being bullied or slandered

2%

Other

3%

1 in 4



ignore and close their device when they feel information overload

“Consumers’ seemingly insatiable appetite for technology doesn’t just make their lives easier, it enables companies to help them to make their lives easier, and in doing so to build stronger connected and longer-lasting relationships,” said Willy Kruh, Global Chair, Consumer & Retail, KPMG International. “But with this opportunity comes the need for companies to dramatically step up their data and analytics capabilities to much better understand and address consumers’ emerging realities. The opportunity is indeed present and compelling, but it brings with it new levels of complexity and nuance that must be understood before brands can benefit.”

Curating and arbitrating information and content for customers offers powerful potential, and in so doing, understanding our customers’ Five Mys helps to anticipate what they truly want. But we also need to navigate disparate realities, paying close attention to events that transcend groups, whether it be World Cups, elections or other global phenomena. We need to be hyper-local, targeted and personalized, all the while ensuring we don’t create jarring wake-up calls that risk damaging brand trustworthiness.





The future of interactions

In an accelerating world, organizations need to be both technologically forward thinking and savvy enough to make sure they are reaching the customer at the point of need in a way that is contextual and transparently valuable



Most organizations may claim to know a lot about their customers, but do they really know enough? Transaction history and demographics aside, too few companies can realistically claim that they have a firm grasp of their customer's Five Mys: my motivation, my attention, my connection, my watch and my wallet.

In our inaugural *Me, my life, my wallet* report, we explored the concept of generational surfing. The report's thesis was that by understanding a customer's particular life stage — young adulthood, parenthood, empty nesting or retirement — and the shifting of pivotal life events, organizations could identify patterns of change and anticipate emerging needs.

A consumer's propensity to adopt emerging technologies is, we know, influenced by which

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A.I. is very deeply integrated into some of the Indian apps now and they're aggressively increasing that integration. I use an app called *Times of India*, so I ask my smart home device to only read the headlines from *Times of India*. When I get up in the morning and ask them, “So can you give me a brief news roundup?” The device will read all the headlines from *Times of India* and Siri won't. I don't see, since the day I bought it, there wasn't any day when I did not interact with it ... ”

Kunal, 33, Bangalore, India

“

I'll be in bed texting my best friend over WeChat, and then also she'll be sending me photos on Pinterest and also will be having a slightly sillier chat over Instagram where we're also sharing content. I think it actually fosters a really intimate connection with somebody because you're kind of able to address three different needs perhaps for connection where you're sharing content, where you're having a silly conversation, where you're having a serious conversation. The more channels I can communicate with somebody over, I think the more likely it is that I'm feeling quite intimately connected with them ... ”

Shaina, 25, Boston, MA, US

generation they belong to. Recent findings from the Pew Research Center show that 92 percent of US millennials own a mobile phone compared with 85 percent of Generation Xers and 67 percent of baby boomers. When it comes to social media, the differences are starker, with 85 percent of millennials using it, in contrast to 75 percent of Generation Xers and 57 percent of boomers. Millennials are far more likely to have adopted newer social media platforms such as Instagram. One in four US millennials only access the internet through their smartphones, Pew Research Center also found.

Against this backdrop, as a growing and diverse range of technologies and devices permeate our lives, it is easy for companies to become distracted and lose sight of the contextual need of customers at the point of need.

Three lenses

In response to media fragmentation and an explosion of new technologies, many organizations have opened all



kinds of channels, touchpoints or pathways to engage with consumers. Unfortunately, not all of these channels are connected and some have been more popular than others, often creating more confusion than clarity, both for consumers and the brands they engage with. Instead of trying to offer everything out of FOMO (fear of missing out), companies should consider their touchpoints, and how customers use them, through three different lenses:

Voice — speaking and listening

Text — writing and reading

Images — viewing and sharing

“If I have a quick query, I might find it more efficient to send a text and read the answer. If I’m filing an accident claim, I might want to upload an image of my damaged car. If it’s a more complex issue, where I need some consultative expertise, I’ll be more inclined to use a voice touchpoint,” said Julio Hernandez, customer advisory lead, KPMG in the US. “These touchpoints are not mutually exclusive; they can be used individually or collectively to address a customer in a way that’s most convenient for them. The key is to understand how a customer can use them to answer a question, fulfill a need or solve a problem.”

Context is also critical when it comes to defining what customers deem appropriate or intrusive. Consumers expect organizations to know who they are, the value they represent and what they’re trying to do. Beyond that, expectations vary wildly. For example, in the US, a recent survey by ExpressVPN found that 71 percent of consumers are worried about how brands use their technology. In China, research firm Kantar found that a smaller, but still

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The creepiest moment I have had is purchasing an item from a store in the mall and then, seconds later, having the exact same store be advertised in the sponsored sections on my social media accounts ... ”

Qamar, 20, Dubai, UAE



21%

of Gen Zers say having your smartphone know your schedule is creepy

59%

of Gen Z think virtual personal assistants (Siri, Google Now, Cortana) are cool

significant, 43 percent were worried about privacy. The point at which personalization becomes too personal will be defined by many factors, not least the nature of the transaction, but will vary from one consumer to another, even within the same demographic or country.

In an era of accelerating sophistication and hyper-adoption, so termed by Forrester, tracking how millennials and Generation Zers (born after 1996) are approaching technology can help organizations understand the kind of experiences consumers will demand tomorrow, which they need to start thinking about today.

Terry Walls, Managing Director, Customer Service Transformation Lead, KPMG in the US, noted:

“While looking for opportunities to use technology to engage with customers, organizations need to maintain their strategic focus on their touchpoints, how customers use them, why they do so, how well the touchpoints work collectively, and what impact they have on the customer experience.”

Consumers may face an infinite choice of apps, platforms and technologies in the future, yet the companies that serve them successfully will be the ones applying the modes of voice, text and images within an intentionally designed set of channels, while using their knowledge of the consumer in a contextual and responsible way, which is transparently valuable.



Trust: the true imperative

An explosion of data.
Uneven confidence in institutions.
The need to act.

Food safety issues. Multiple privacy breaches, where the personal information of hundreds of millions of consumers has been hacked. To mention but a few.

In an era of heightened transparency and informed, empowered and connected consumers, the concept of trust has risen to a new level of prominence. No longer to be taken for granted, it's fast emerging as a prerequisite to accessing, discussing, and interrogating a myriad of valuable data and insight from consumers who are smarter about what it's worth.

The very notion of trust is under fire. Is the data a company gathers and shares, and the perspectives this gives them on their customers, worthy of consumer confidence? Can consumers really trust organizations with their data? Can they trust it to be used appropriately? And how does this trust manifest in a world where consumers are increasingly aware of the value of their data?

Consumers and regulators alike are dedicating increasing attention to these issues. We — organizations,

institutions and governments — can't afford not to pay attention.

In this chapter of the latest *Me, my life, my wallet*, we invite you to explore with us this complex issue in depth.

One degree of trust with my data (p. 54–59)

begins by assessing the implications of anxiety towards the misuse of personal information, and the implications of failing to recognize both explicit and implicit contracts with customers.

A day in my data (p. 60–61)

My life in data (p. 62–63)

explore stark realities of data trails in daily interactions with technology (short-wave signals) and across pivotal events during our lives (long-wave signals).

Institutions we trust (p. 64–67)

Can your customer trust you? Do they? (p. 68–73)

identifies the priorities for those organizations and institutions keen to ensure they get the balance right between permission and presumption.

One degree of trust with my data

Consumers may be willing to part with data and personal information but, like an increasing array of regulators, they are far more sensitive about how their details are used and by whom. As a result, companies need a coherent plan to even stand a chance of staying in the game

Not all trust is created equal. It's shaped by history, personal experience, reputation, media commentary and responses to crisis, by the influence of friends, family and social networks, national culture and generational outlook.

Trust takes a lifetime to build and a moment to breach, often with long-term or irreparable damage.

In years gone by, corporate scandals might emerge once or twice a year. Headlines around the world would converge on scandals from financial misselling to phone hacking, improprieties among politicians to unauthorised market trading and more. The intent and integrity of public-facing institutions would be brought under scrutiny as an exceptional moment in time.

Yet scandals are now occurring with ever-greater force and pervasiveness. Fake news, hacking, corruption and malfeasance have



become a part of everyday life, to the point of being almost inescapable in daily discourse or our morning news and social media digest.

Increasingly, scandals have extended far beyond mere political, economic or environmental misdemeanour to something arguably more pertinent and more real to us all: our personal data and a very personal breach of trust. And while data is being touted as an asset, it also has the potential to become a significant liability, if not handled in the right way.

As technology has permeated seemingly all aspects of our lives, so too have the data trails

“

I don't like, actually I don't like. I try to block everything but sometimes I can't block it. I have to give them my personal data and I'm really scared about it. I try just to not give them all the data that I can. ”

Carlos, 43, São Paulo, Brazil

that accompany it and offer such potential value to the organizations that can harness, decipher or capitalize on it. Whereas consumers were once arguably blissfully unaware of the breadth and depth of data available to or held by organizations about them, beyond mere transactions, recent events have given the issue much greater prominence.

Moreover, concerns don't just reside with the data trails we create as consumers with those organizations and institutions with whom we knowingly impart our information. As companies are increasingly able to purchase our personal information and data from

third-party sources, often collected, aggregated and sold without our knowledge or explicit consent, we're facing a wider set of privacy and regulatory questions. So, should companies be purchasing from third parties at all? If they do, how do they manage permissions and consent with data that wasn't gifted to them to start with? What are the requirements to inform or disclose the acquisition of such information to consumers? And what do each of these questions mean for the ability to create value and personalized experiences, even with the best and most honorable intents?

We see this as a transparency gap: the difference between the





art of what's possible with data science and analytics, and how much consumers are cognizant of it. Historically, the majority might have been blissfully ignorant about the nature and scope of data about us that institutions, governments and organizations are capturing, mining and analyzing. But now this transparency gap is closing.

In the past, we might have been primarily concerned with the increase in the volume or breadth of our data being created, whereas public focus is now shifting to how much of our data has been digitized, aggregated, tracked and monetized by organizations and governments, without our full knowledge or

“

In the battle for growth, knowing your customer — intimately, personally and holistically — is what will separate the winners from the rest of the pack. And the critical prerequisite to this knowledge is data. It has currency, it has value. With it, organizations can craft deeply personalized experiences, can stop living in today and start predicting the customer of tomorrow. But without it, organizations are left in the dark, relying on outdated assumptions and imprecise generalizations. Trust, therefore, is of such paramount importance it simply cannot be left to chance. ”

**Julio Hernandez, Customer Advisory Lead,
KPMG in the US**

! 64%

of consumers
around the
world feel
anxious about
the unauthorized
tracking of their
online habits
by companies,
governments
or criminals

permission. And as this transparency gap narrows further, and more information enters the public domain, companies are at risk of increased exposure and vulnerability.

Trust under fire

Consider the assault on public trust and confidence over the last 10 years alone, and just a few of the more prominent incidents. From the 2008 financial crisis, banks betting against their own clients and the Occupy Wall Street movement that followed. The 2013 horsemeat scandal across Europe and the infant milk incident in China. Product recalls ranging from pharmaceuticals to food to cars. The falsified diesel engine emissions testing scandal. Countless cyberattacks and data thefts from diverse businesses. Data collection and sharing policies. Leaks containing extensive personal and biometric data of millions of citizens. Social media manipulation, fake news and alleged foreign interference in the 2016 US election and the 2016 UK Brexit vote. Bots, fake social media profiles, inflated



follower counts and the opaque world of social influencers.

"In the battle for growth, knowing your customer, clearly, concisely and holistically, is what will separate the winners from the rest of the pack. And the critical prerequisite to this knowledge is data," said Julio Hernandez, customer advisory lead, KPMG in the US. "It has currency; it has value. With it, organizations can target and craft deeply personalized experiences, execute in today and shape the relationships of the future. But without it, organizations are left in the dark, relying on outdated assumptions and imprecise generalizations. Trust, therefore, is of such paramount importance it simply cannot be left to chance."

Unsurprisingly, our survey revealed a general level of disquiet about how data could be accessed, used or abused online. Some 38 percent of



74%

**of consumers
around the
world are
anxious about
identity theft**

consumers said they felt high levels of anxiety about unauthorized tracking of their online habits by companies, governments or criminals; almost half (48 percent) reported high anxiety at the prospect of hacking of financial, medical or other personal information online; and 51 percent said the same about identity theft, with China and Brazil most concerned at 62 percent and 68 percent respectively, in contrast to lesser concerned UK and Canadian consumers scoring 37 percent and 39 percent, respectively.

In spite of this general level of anxiety, consumers are relatively resilient when parting with their data — for now. More than 75 percent of consumers surveyed were generally happy to part with some level of personal information in exchange for greater personalization, better products and services, better security or better value.

While this resilience suggests consumers are generally more aware of companies using their data and are indeed willing to continue to share it for some form of value exchange, we would contend that the average consumer is unaware of just how extensive their digital footprint and personal data trail really is.

The contract: explicit or implicit?

Companies and executives need to be mindful of both the implicit and explicit expectations of customers when it comes to their data. Complacency is simply too big a risk to take when every organization is just one tweet or one news cycle away from being the next hacking victim, or having questionable or opaque data practices exposed.

As our research shows, consumers are generally comfortable when it comes to trusting their information to an organization or institution with whom they have a relationship. But the implicit contract is that this data goes no further. It's fine for the company to whom we knowingly provide our data to use this in ways we expect or acknowledge, but it's simply not acceptable for this to be misused, manipulated, shared, sold or exposed. This could be, and often is, viewed as a clear breach of trust.

The problem with an implicit contract, however, is that it can be something of a gray area. Do consumers truly understand the totality of personal, financial, transactional and behavioral data an organization holds on them? Do they truly understand where and how companies can collect third-party data and how their digital footprint can follow them around online? Do they understand and accept how different aspects of data and personal information can be



To illustrate the sheer extent of our data trails, comprising both short-wave and long-wave signals, we have mapped the data that we each create on a day-to-day basis, as well as the data created as a result of key life events.

See *A day in my data* (p 60–61) and *My life in data* (p 62–63).

compiled to build a picture of their life, and predict or influence their future behavior and choices?

Our research shows they aren't entirely happy about it. In France, for example, consumers weren't clear what was being done with their data, but were hopeful it was being used responsibly. In the US, our survey respondents were specific about not wanting companies to sell their data indiscriminately. And nobody likes the idea of companies tracking or listening to them via their mobile devices.

“

I'm becoming worried about that. Every single time that you need to do something, they keep asking for more information and more information, and right now, I believe that my whole life is on the net. ”

Andreas, 41, Rio de Janeiro, Brazil



A day in my data

Do we truly appreciate our daily digital interactions and the depth of data they generate?



Our increasing reliance or even fondness for technology has created a complex web of devices, apps, tools and destinations, all adding to the vast treasure trove of data that paints a picture of our lives.

My devices

- Smart home
- Electronic cards
- Smart meters
- Phones and tablets
- Smart homes
- Connected wearables



Laptop



Surveillance



Smart TV



Smart watch



Automobiles

My accounts, passwords, apps and permissions



Spotify



Twitter



WhatsApp



YouTube



LinkedIn



Instagram



Didi



Uber



Amap



Apple Watch



Google Maps



Gmail



Nest



Netflix



WeChat



Douyin

My digital footprint



Online banking



Online shopping



Email



Texts



Electronic files



Health data



Video



Photos



Music



E-books

My data exhaust

- Who do I follow?**
 - Social connections
 - Contacts
 - Calls
 - Texts
 - Social media connections
 - Likes
 - Follows
 - Comments
 - Groups
 - Organizations
- How am I working?**
 - Work
 - Files created
 - Time logged
 - Productivity
 - Emails
 - IP address
 - Professional connections
- Where is my money?**
 - Financial
 - Income
 - Credit score
 - Credit history
 - Financial apps
 - Credit cards
 - Debit cards
 - Financial transactions
- Am I healthy?**
 - Health
 - Daily habits
 - Food/nutrition
 - Exercise log
 - Biometrics
 - Steps
 - Sleep habits
 - Apple Health data
 - Fitbit data
- Where am I?**
 - Location
 - Location history
 - Frequent trips/destinations
 - Commute
 - Vacation/travel history
 - Ticket purchases
- What am I searching?**
 - Search
 - Search history
 - Website views
 - Ad clicks
 - Time spent in search
 - Content viewed
 - In-app tracking
- What am I listening to?**
 - Consuming media
 - Streaming accounts
 - Viewing history
 - Video views
 - Music streaming
 - Genre preferences
 - Time viewed
- What am I doing at home?**
 - Smart home
 - Energy use
 - Temperature
 - Lights
 - Utilities
 - Cleaning
 - Smart sensors
 - Security
 - Remote monitoring
- What am I buying?**
 - Shopping
 - Date of purchase
 - Purchasing habits
 - In-store receipts
 - Online shopping
 - Ads clicked
 - Recent searches
 - Deliveries
- What am I doing?**
 - Calendar/events
 - Calendar
 - Contacts
 - Events/locations
 - Ticket purchases
- How am I paying?**
 - Payments
 - Purchases
 - Payments
 - Income
 - Credit score
 - Account types

My life in data

From the moment we're born to the moment we die, we never stop generating data — what are organizations doing with my data?

It's almost inescapable. From before we can read or write, we exist in records. Our lives are captured, recorded and charted through our formative years, our education, our employment, our use of technology, how we spend and save money, our pivotal life events, and so much more. But for all the potential insight this offers, are we truly looking to the data that matters, or are we paying attention to the wrong signals?

Amid all of the potential sources of data that offer the promise of better understanding our customers, we must first ask ourselves several questions.

- Where does this data reside, and who owns it?
- Who has permission — explicit or implicit — to use it?
- What will this tell us about our customers — what value can we extract from this data?
- Do our customers feel they've given us permission to leverage this information, and are they indeed even aware we might be able to access it?



Birth

- » Government ID
- » Birth certificates
- » Legal name
- » Date of birth (age)
- » Birth location
- » Gender
- » Language
- » Hair color
- » Eye color
- » Face profile
- » Fingerprints
- » Biometrics
- » DNA
- » Ancestry/relatives

Cell Phone +

- » Phone number
- » Device model
- » Cell call history
- » Text history
- » Contacts
- » Photos
- » Apps & permissions
- » App data
- » Biometric identifiers
- » Facial profile
- » Voice profile



Education

- » School names
- » School locations
- » School ID number
- » Email address
- » Degrees
- » Grades
- » Awards
- » Behavior records
- » Classmates
- » Athletic accomplishments
- » Extracurricular activities



Employment

- » Salary
- » Work titles
- » Email address
- » Employee ID
- » Employee badges/ card access to facilities
- » Performance evaluations
- » Corporate affiliations
- » Colleagues
- » Professional networks (LinkedIn)
- » Devices used
- » Certifications
- » Licenses
- » Organizational memberships

Marriage

- » Marriage license
- » Name change (new legal name)
- » Legal spouse
- » Year of marriage
- » Marriage
- » Location
- » Relatives
- » Divorce



Children

- » New dependents (see Birth column)
- » Adoption records
- » Tax changes
- » Financial changes



Autos

- » Vehicle title
- » Car (year, model)
- » Car registration
- » Car loan documents
- » Auto insurance
- » Maintenance records
- » Accident records



Retirement

- » Age and date of retirement
- » Investment portfolios
- » Social security
- » 401K
- » Pension



Home

- » House title
- » Mortgage
- » Home values
- » Home insurance policies
- » Insurance claims
- » Utilities
- » Maintenance records



Death

- » Estate planning documents/wills
- » Death certificate
- » Date of death
- » Cause of death
- » Location of death
- » Estate transfer
- » Inheritance tax
- » Outstanding debt fulfillment



Health

- » Health insurance/account
- » Numbers
- » Electronic medical records
- » Childbirth
- » Vaccinations
- » Medications
- » Medical devices
- » Medical treatments
- » Hospitalization
- » Medicare/Medicaid

Financial

- » Credit history
- » Credit score
- » Bank accounts
- » Savings accounts
- » Loans
- » Life insurance
- » Tax returns (federal, state, local)
- » Bill payments

Government

- » Passports
- » Visas
- » Driver's license
- » Voter registration (voter ID#)
- » Tax returns
- » Lawsuits
- » Bankruptcies
- » Military records
- » Security clearances
- » Gun registration
- » Criminal records

In our survey of approximately 25,000 consumers in eight countries around the world, we questioned their overall level of trust in 12 common industries, specifically whether they trusted employees, felt companies cared about them and trusted them with their data. And our research reveals that responses vary widely from industry to industry.

In almost all the markets in which we surveyed consumers, trust was placed highest in healthcare, technology firms and banking, and lowest in governments.

In first place, healthcare is understandable given its primary mission to serve the basic physical well-being of citizens, despite growing concerns about how data and

Institutions we trust

Data and information can paint an intricate picture of our lives, but who we entrust varies widely





Turnaround in fortunes

The 2008 financial crisis sent shock waves through the global economy. Fortunes were wiped out overnight. Families lost their homes. Employees lost their jobs. Pension funds shed their value. Credit markets froze. Stimulus measures were introduced around the world. And the recovery, uneven in nature, took years and for many is arguably still in progress.

Then scandals emerged: bonuses, short positions, betting against clients, the subprime debacle. Occupy Wall Street took hold. The reputational impact was profound and long lasting. Indeed, a widely read 2014 study of US millennials by Viacom

found all four of the leading US banks were among the 10 least-loved brands among this generation.

Yet our research reveals that 10 years after the crisis, banks have weathered the reputational storm. Across the eight countries in which we spoke to consumers, Indian and Chinese consumers scored banks highest, at 75 and 74 percent respectively, whereas France scored lowest at 44 percent. Indeed, little difference exists between generations, with baby boomers, Generation X and millennials all attaching high levels of trust to banks at 59, 57 and 60 percent respectively, particularly when it comes to financial data.

personal information from wellness and fitness apps and tracking devices might be harnessed by healthcare providers and insurers.

Equally, it's understandable that consumers place faith in technology firms given their prominence and acceptance in our day-to-day lives, despite continued questions about quite how much power, and data, is becoming concentrated in the hands of just a few private enterprises.

Lack of faith in governments reflects the consequences of years, if not generations, of political infighting, constitutional crises and changing political landscapes.

Of our top three, however, one industry stands out: banking.

So what does this mean for the

banking industry? The resurgence in consumer trust represents a new lease on life and an opportunity to take a more active role, through smarter use of the myriad data we create every day, in helping consumers to better manage their financial lives. In doing so, banks can build on comparatively high levels of trust and confidence to forge ever-stronger and more enduring customer relationships.

"Trust is fleeting and an asset that can be easily eroded," said Anton Ruddenklau, Partner, Head of Digital & Innovation, Financial Services, KPMG in the UK. "Those firms that leverage their customers' data to provide a personalized understanding of their needs and lifestyles, and enable them to grow and improve their lives, will reap the benefits of customer loyalty."

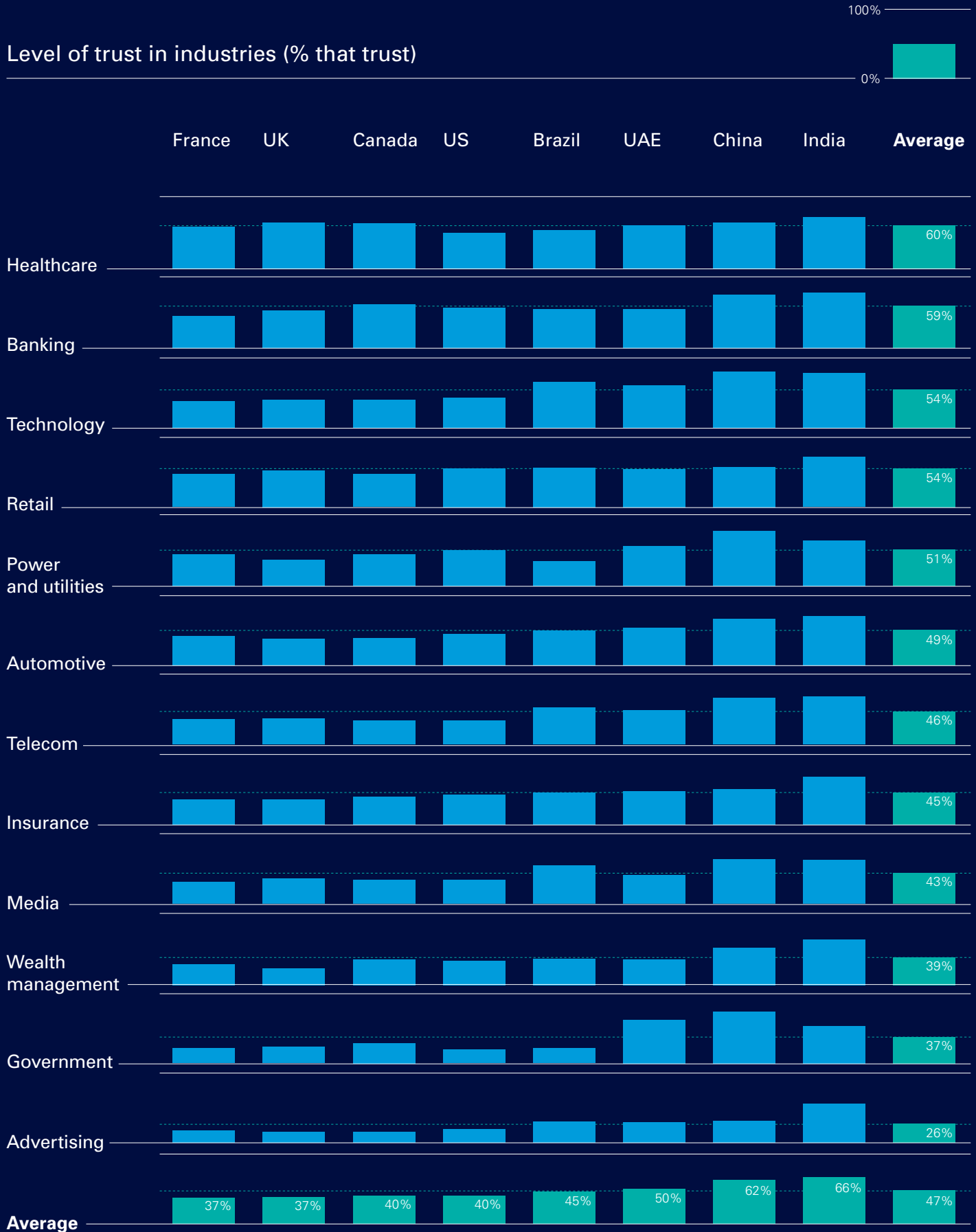
"The ability to demonstrate these motivations beyond growth and profits will lead to cementing trusted and long-term consumer relationships with greater strength than competitors. Herein lies a significant opportunity for organizations across the banking ecosystem."

“

Banking institutions I'd probably trust the most, just because their whole business is based around money, investments and things like that, so the products you need to access those things, I feel like they would have the most protection. ”

Frances, 32, Rivers, Canada

Level of trust in industries (% that trust)







Can your customer trust you?

Do they? Will they, once they realize how you are using their data? And is your organization ready to take the necessary next step and become a partner in managing their data?

In the digital economy, companies know more about their customers than ever before. Manufacturers, retailers and platform companies are already unlocking the value of data by configuring quicker, easier, more personalized experiences to win, retain and build trust with customers. Yet this value will not endure if companies fail to understand what consumers think about their data, how it is used and who they should trust to protect it.

The old model, under which consumers effectively outsourced the handling of their data to a company as part of a transaction by clicking a key, is being rendered obsolete by rising public expectations and rising regulatory requirements, through such initiatives as the European Union's General Data Protection Regulation (GDPR).

GDPR has reinforced the view that privacy is a basic human right, which is increasingly being echoed by regulators elsewhere.



In this changing landscape, companies need to look beyond such concepts as permissions and consent, and recognize data privacy is far more than a compliance-led, box-ticking exercise. Data is an asset that, mishandled, can become a liability that damages a brand and destroys trust. Companies that use GDPR as a step in a journey to create a privacy-conscious culture are well placed to develop a data privacy strategy that gives them a competitive edge.

Manufacturers and retailers can acquire a more nuanced understanding of what a customer is happy to share in exchange for greater value, realize what constitutes

47%

of Indian consumers say they're very anxious about unauthorized tracking of their online habits by companies, governments or criminals

63%

of Brazilian consumers have high levels of anxiety about hacking of financial, medical or other personal information online

value for an individual — it could be personalization, special offers, faster service or greater convenience — and appreciate how the consumer would prefer to be contacted and interact with the business.

Purchasing behavior

This process should also deepen their understanding of what customers regard as appropriate use of the data and, even more importantly, what they would consider inappropriate. KPMG's *Crossing the line* survey of 7,000 consumers in 24 countries found that this issue is already affecting purchasing behavior. Some 55 percent said they had decided against buying an item because of privacy concerns, 66 percent were uncomfortable with smartphone and tablet apps using their personal data, and 75 percent were unhappy with their online shopping data being sold to third parties.

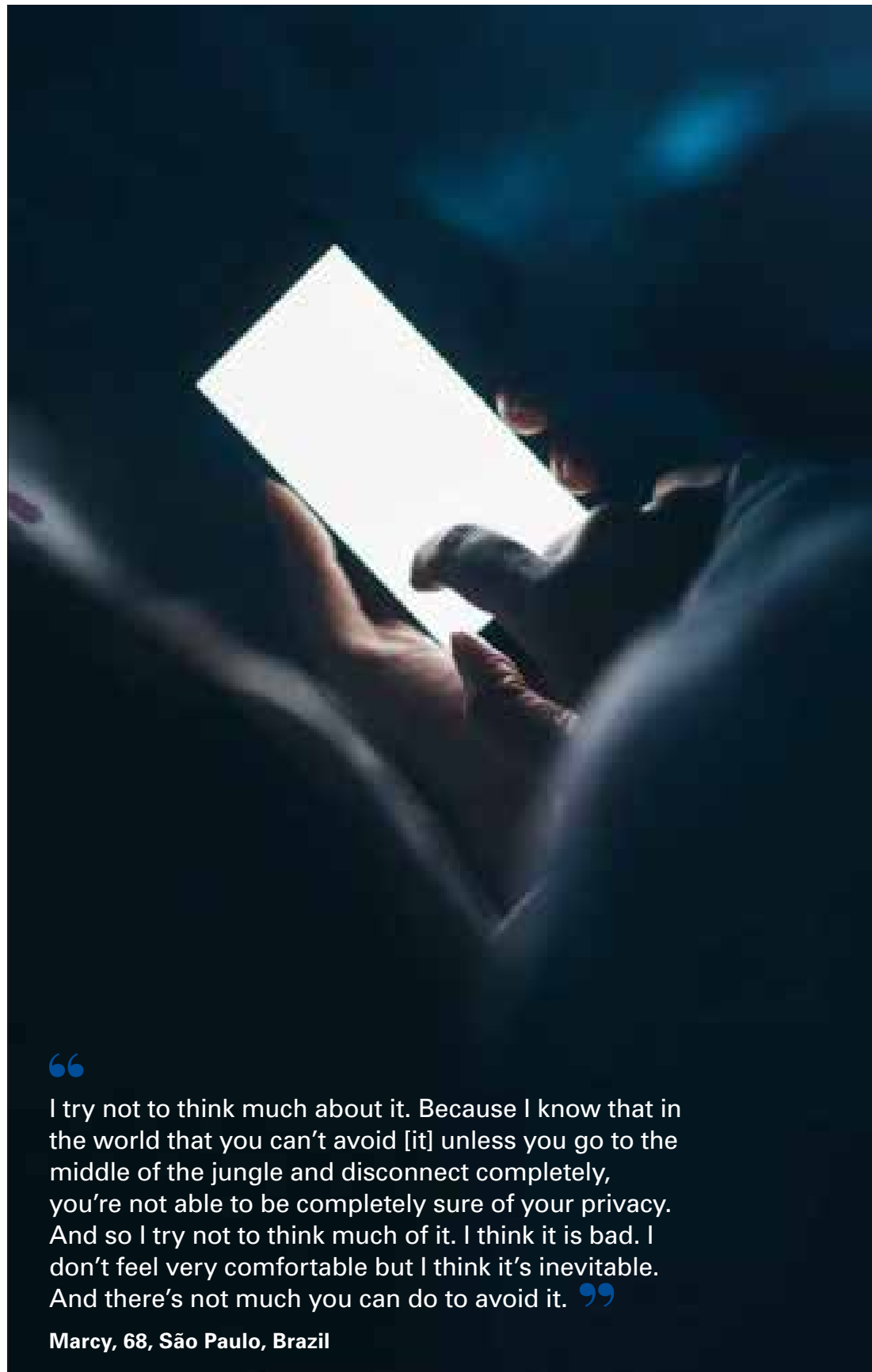
"Organizations that deliver the protection customers expect, and use the data to provide individualized attention, demonstrating knowledge of the consumer's preferences and past interactions, can create an experience that just feels 'right', and secure the opportunity to become trusted custodians of an individual's data," says Mark Thompson, global privacy lead at KPMG in the UK.

Defining and delivering the appropriate degree of personalization remains a challenge. Of the 1,300 CEOs around the world who participated in KPMG's annual

CEO outlook research, 26 percent say their organization falls below their customers' expectations for a "personalized" experience, while only 23 percent felt they currently exceeded those expectations.

For both individuals and companies to benefit from data, a number of steps are critical.

- » **Make permission clear and understood.** Embrace transparency. Be direct, straightforward and up-front about the data you collect so customers know exactly what they're agreeing to. Limit the legalese, eliminate the lengthy, illegible boilerplate text and aim to be as clear as you would be if you were trying to explain your policy to a 5-year-old child. At the moment, 57 percent of people globally do not read, or only skim through, privacy policies when entering websites.
- » **Be specific about how you protect consumers' data.** Do so clearly, in detail and often. KPMG's *Crossing the line* survey found that for consumers in France, Malaysia and Spain, the most effective way of gaining trust was to assure them your organization has strong cybersecurity systems to prevent data leakage and hacking. Consumers need to know how you assess data security and privacy risks, the controls you have in place to ensure compliance with relevant laws and regulations, and how you would cope with data breaches.
- » **Manage your customers' expectations.** The more clearly you explain what a consumer can expect, whether it's personalized



“

I try not to think much about it. Because I know that in the world that you can't avoid [it] unless you go to the middle of the jungle and disconnect completely, you're not able to be completely sure of your privacy. And so I try not to think much of it. I think it is bad. I don't feel very comfortable but I think it's inevitable. And there's not much you can do to avoid it. ”

Marcy, 68, São Paulo, Brazil

“

I'm afraid that we have no privacy. If we don't trade our personal data with a company or others, we can't get more benefits, especially [if] those benefits are very important to us. Because we want to download lots of apps and make our life more convenient. And in that situation, you have to expose your private, personal data to those companies. ”

Angel, 52, Shanghai, China



offerings, access to trusted partners or, especially, when, how and if you would sell their data, the less likely it is consumers will be unpleasantly surprised in a way that erodes trust.

- » **Be clear and consistent with third parties.** If your organization collects or acquires data through third-party sources, or shares any data with partners or third parties, apply the same levels of transparency and remain privacy conscious. Be up-front with customers about where and how you acquire or share data and personal information, and demand any partner, supplier or third party at least meet your minimum standards and transparency levels. Be clear on where your responsibilities for data acquired from or shared with third parties begin and end, and communicate what you will and won't do with it. Most importantly, respect the consumer and commit to unsubscribing them easily and quickly at a single request.

- » **Be open when things go wrong.** In the event of a breach of data or falling short of publicized policies, be up-front about it immediately, explain how you're working to fix it and ensure it doesn't happen again.

Win-win approach

Recent KPMG research reaffirms brands that offer an excellent customer experience regard their customers as assets who should be protected, nurtured and invested in. This is more than a lofty ideal; these efforts pay off on both sides of the relationship. As consumers become



Only
23%
of consumers
say they trust
the government
with health data



51%
of consumers
say they're very
anxious about
identity theft



“

I'm not worried as long as these technologies, they've made my life easier. They've made things easier for me. Just normal day-to-day life experiences or life ... It's easier, so I don't worry about technology. I actually benefit from technology. ”

Abdullah, 24, Ontario, Canada

more empowered and informed, the organizations that have invested time and money in making customer centricity a reality are growing revenue and profits.

And customer centricity is only truly possible when the customer is understood holistically through the full set of forces that drive their behavior and choices. Exploring each of the Five Mys — my motivation, my attention, my connection, my watch and my wallet — as well as the shifting sands of life stages and pivotal life events, is the starting point in developing, personalizing and maintaining critical relationships with customers who trust you.





It's the future. Do you know where your customer is?

Winning the battle for ever-evolving consumers requires a combination of deep, holistic insight and the willingness to design intentional experiences — and deliver them accordingly

Customer insights and personalization, empathy, winning service and distinctive experiences are far from lofty management ideals, they're grounded in the cold, hard and increasingly competitive reality of a meaningful commercial prize at stake.

The challenge facing organizations is twofold. Firstly, to recognise that how a customer reaches a decision today has changed from yesterday and will most likely change tomorrow, based on different circumstances, life events and engagement models.

Secondly, in our hyperconnected, transparent and democratized world, where both information and power lie, literally, in the hands of the consumer, the ability to deliver a distinctive, personalized and, critically, intentional experience becomes even more paramount. Moreover, the expectations from those experiences are rising faster

than many organizations can keep pace with, as the consumer's best experience anywhere, in any category or sector, becomes the expectation for all others.

"At one level, you have to deeply understand the customer and what's important in their lives at a level that many organizations have historically failed to reach," said David Conway, Director of Experience, KPMG in the UK. "Life events are constantly shifting and changing, and are becoming more pivotal in shaping when, what and how we purchase. Understanding new wants, unmet needs, shifting motivations and new life events is critically important to serving the customer of tomorrow, while at the same time aligning the organization to meet those needs."

More than a management ideal

Building customer closeness.
Designing intentional experiences.
This isn't empty management



rhetoric; it's a commercially grounded imperative.

Analysis from KPMG's multi-year, global study into customer experience excellence demonstrates the scale of the gap between high-performing organizations and their lower-performing counterparts. From a global perspective, the top performers deliver, on average, twice the shareholder value than their underperforming peer group. They benefit from twice the revenue growth and they build greater customer equity

“

[Since becoming pregnant] I'm actually putting a lot of time to save money ... I feel that I still have the time and also the physical strength to, for example, buy things on secondhand stores and actually go and get them ... when I have the baby I won't have time for those kind of things, and I'll just order everything online, and I won't have time to think a lot about the choices. So, I'm anticipating a change in trade-offs soon. ”

Megan, 30, New York, US

— the propensity of a customer to stay loyal — giving them the potential of an economic premium to price inelastic customers that are less likely to migrate to competitors.

These same companies are also able to invest in those attributes that customers value and rationalize those that they do not, often resulting in better customer economics. In difficult times, organizations falling short of delivering winning and personalized experiences typically see margin erosion five times greater than that of their top-performing peers.

Developing an intimate understanding both of the customer of today, as well as tomorrow, and designing intentional experiences, isn't just associated with the upsides of growth, loyalty and stronger margins; failure to do so can have existential consequences.

“History is a graveyard filled with organizations that failed to adapt,” added Mr Conway. “But the juxtaposition of the Five Mys — which help to answer the ‘why’ behind consumer behavior — and the six pillars of customer experience excellence — which help answer ‘how’ to respond with the best experience for that consumer — becomes a powerful tool to help put an organization on the front foot.”

Understanding the customer of tomorrow

Understanding a customer's motivations and expectations, the competition for their attention, how they're connected to technology and each other, how they balance the constraints of time and money, and how all of these change with different life events and life stages is at the heart of KPMG's Five Mys framework.

Using this framework is the starting point in identifying why

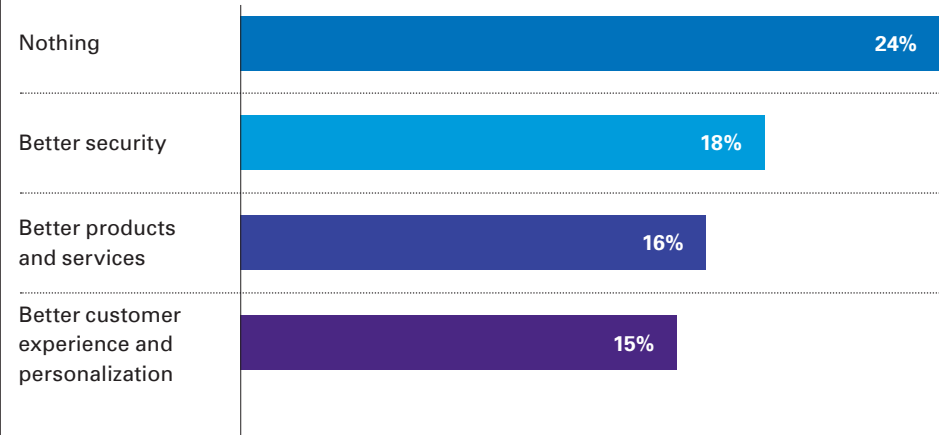
consumer behavior is changing today. It helps us to predict how that behavior may change tomorrow. It provides a granular and very individual perspective, even down to the level of single consumers, that traditional demographic segmentation and market research efforts struggle to deliver.

For some organizations, this deep and intimate understanding of customers can also be used to overcome internal structural impediments to change. USAA, an American company specializing in providing financial services for members of the armed forces and their families, for example, used life events as a basis to structure teams and resources. The firm ensured their staff became intimately familiar with their customers’ lives, even going as far as recruiting customers as employees and encouraging their people to undergo military training to develop a level of empathy and insight that few organizations could match.

For others, it helps drive core service design. A Chinese payments provider, for instance, has used its understanding of the online consumer to develop a specialized interface. Aimed at millennial smartphone users, the interface enables them to buy through their portal, where they can make payments, buy theater tickets, check their investments or buy plane tickets. And much of its design has been based on behavioral observation.

At its heart, the Five Mys enables organizations to prioritize resources and efforts towards the most attractive potential markets and customers. Even more crucially, it arms executives with a depth of insight — the ‘why’ behind consumer behavior — that offers profound potential, if acted upon. It’s this need to act, to respond, to adapt offerings or to design new intentional

Return for trading personal data



experiences that the six pillars is powerfully placed to answer, “So how do we do that?” and to help align the whole organization to deliver.

Designing tomorrow’s intentional experience

Our research, across dozens of industries and millions of consumers for almost a decade, helped to identify the key traits of top-performing

organizations in intentional experience design through personalization, integrity, expectations, resolution, time and effort, and empathy. These form our six pillars of customer experience excellence and address the 'how' that follows understanding the 'why'.

Few executives would dispute the importance in excelling in these areas and many would point to genuine internal aspirations to do so. But too often such efforts can stumble as they lack the depth or breadth of underpinning insight into the consumer of today, or tomorrow, that we want to design experiences for. Hence the potency in juxtaposing the Five Mys and the six pillars, which can lead to a heat map or road map of priorities for internal change, resource allocation and focus.

But an added complexity of intentional experience design lies in hierarchy. Companies need to meet their consumers' minimal expectations at each individual pillar before they earn the permission to step up to the next one. Integrity, for instance, is the foundation of the six pillars. If an organization fails to meet its consumers' expectations for integrity, no amount of effort to differentiate or win in personalization or empathy will pay off.

"Today's consumer is a little bit cynical ... as consumers, we can all remember experiences that have grated a little or felt a little disingenuous, where a company has tried to win on some level when it just doesn't feel like they've earned the right to or gotten a grasp of the basics," said Elisa Holland, director of KPMG Innovation Lab, KPMG in the US. "When we understand the 'why' behind consumer behavior, we can begin to design better and intentional experiences for today or predictively for tomorrow using the six pillars.

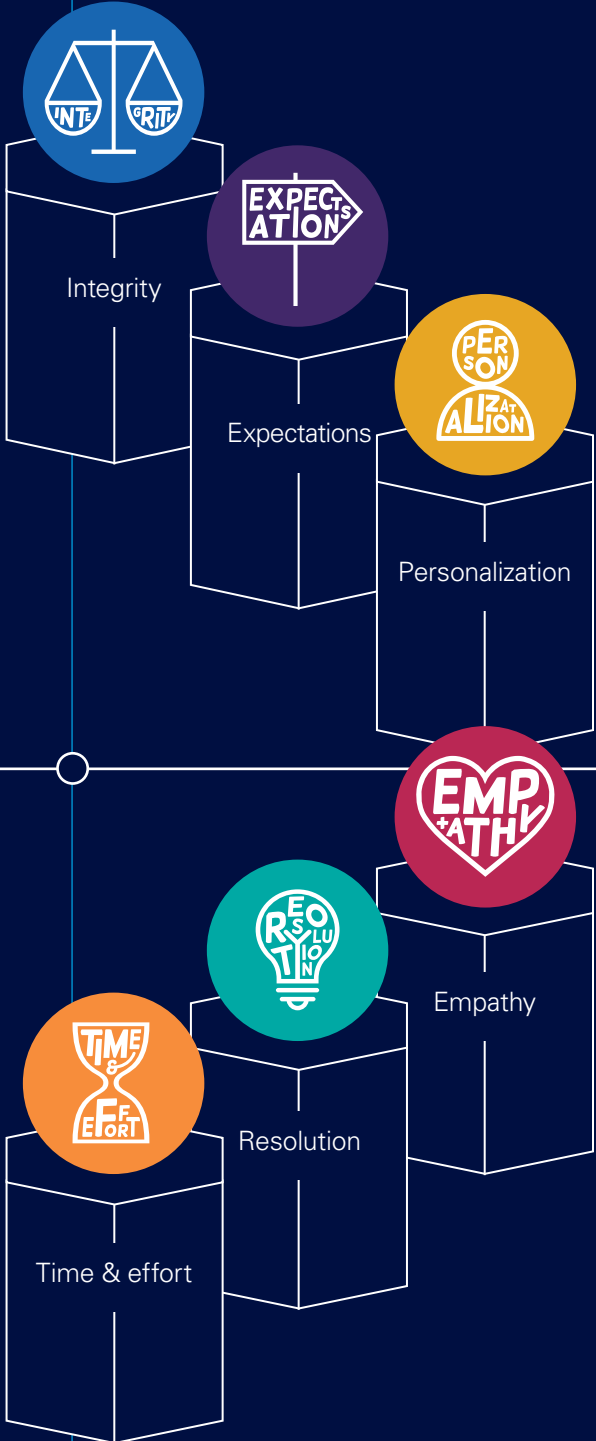
Activating the customer experience



Understanding the customer

Engaging the customer

Internal capabilities



Excellence

- » Commit to excellence
- » Organized around the customer



Engagement

- » Alignment of employee experience (EX) and customer experience (CX)
- » Motivation and passion



Execution

- » Attention to detail
- » Constant monitoring



Economics

- » CX link to value
- » Experience optimization

"But we have to recognize a hierarchy exists, that it starts with integrity, and as we consider experience design, we need to ask ourselves as we consider each pillar, 'have we earned the right to move up the hierarchy?' That's what leads to the right intentional experience at the right time."

Sum greater than its parts

"When we understand what's really important to a customer around a given life event — not just stated or presumed importance, but what really leads to the opening and closing of the customer wallet — we can design experiences accordingly," said Julio Hernandez, customer advisory lead, KPMG in the US. "Understanding the relative importance of time pressures versus budgetary pressures versus expectations of personalization or a premium service allows us to tailor our propositions, our messages and our experiences to match."

In isolation, KPMG's Five Mys offer a route to unmatched customer insight and the ability, using data and analytics, to predict where our customers will be, and their unmet needs and desires, tomorrow. Equally, KPMG's six pillars framework provides leaders with an evidence-based road map to delivering winning customer experiences.

Kes Sampanthar, Managing Director of KPMG Innovation Lab, KPMG in the US, observed: "If you can anticipate when a given generation will hit a new life event, you can start mapping the Five Mys to the six pillars to help ensure you are positioned to catch the generational wave."

Looking at consumers through these two lenses in concert, therefore, offers a compound opportunity to understand, align and predict — and, ultimately, dramatically increase the relevance of an organization to its changing customer.





Gone are the days when quality, cost and delivery are the cornerstones of business-to-business (B2B) relationships and decision-making. While undoubtedly still important, they have become commoditized and a hygiene factor in any commercial transaction.

What's at play today is a more complex, multifaceted and, ultimately, human suite of factors that influence how different members of a company's decision-making process make choices, make trade-offs and select partners, with more parallels to consumer relationships than in years gone by. And although the

B2B: the human factor

Business customers are also consumers in their personal lives and they are bringing their rapidly changing expectations to the workplace. Applying consumer behavior lenses in a B2B context can pay dividends

consumerization of B2B markets has long been discussed, the depth of insight available hasn't kept pace.

While *Me, my life, my wallet* focuses on a changing consumer, many of the themes uncovered in our research are both pertinent and evident in a B2B context. And the lenses we apply to understand what's really driving consumer choices, both today and tomorrow, can be applied with equal potency in a client context.

"Classifying businesses as B2B, B2B2C or B2C risks

oversimplification," said Abhijeet Ranade, Partner and Head of Customer & Channels, KPMG in India. "There is a consumer at the end of most B2B chains and, as products move along this value chain, businesses want to work with supplier organizations that understand their business motivation, personalize the service, understand the expectations, provide value for the time and effort spent negotiating and executing the transaction, and understand the maturity stage of their organization and industry events that impact their needs."

Applying the Five Mys

Consider the dramatic adoption rates of smartphones around the world and their continued growth trajectory among the growing middle class of the East. The widescale penetration of paid subscription services among US consumers. The sheer scale of Alibaba. The ubiquity of WeChat in Chinese consumers' lives, from communication to shopping to transport to payments and more. Our business customers are heavily using these technologies in their personal lives and the influence is inescapable. Today, advances in consumer technology get into the workplace before advances in office technology get into the home.

Using the Five Mys in a B2B context can help to provide the same holistic understanding of how clients make choices that we've explored in a consumer context earlier in this report. Not only are the same factors at play in a business context, but the people making commercial decisions and managing relationships up and down the value chain are all, ultimately, consumers. And our behavior and experiences at

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The lenses we apply to understand what's really driving consumer choices both today and tomorrow, can be applied with equal potency in a client context. ”



home undoubtedly influence our professional lives. Consider the Five Mys through a B2B lens.

My motivation: Although typically tied to financial drivers, B2B decision-making has become characterized by wider aspects of a trusted and sustainable relationship. Cost is rarely a sole or primary driver of choice, with changing expectations around service and transparency having a significant influence on commercial motivations. We must also consider that in the same way as our best experiences as consumers set the benchmark across categories, so do these consumer expectations permeate commercial expectations:

3 in 5

global CEOs believe that acting with agility is the new currency of business

“If my retailer can do this, why can’t these suppliers?” Equally, this transference can be different on a supplier-to-supplier basis, as the client experience in one aspect of their role can quickly become the new expectation. What’s more, motivations also vary based on the role of the decision-maker, for instance, the economic buyer, the user or the approver, all of whom have a different set of motivations and expectations.

My attention: Pressures on the attention of different members of a decision-making unit are under just as much of an assault as in our lives as consumers. Work attention has become fragmented as technology



has changed our relationship with information and communication. Understanding how this changes for different roles within a client organization, and at different phases of a client's business calendar, can help to identify who and what else is really competing for the time and attention of our target audience. Here again, the decision-makers and nature of their roles can have a differing impact on their attention criteria and availability.

My connection: Understanding how different members of a decision-making unit are connected, how they interact and influence one another's choices is key to understanding how to tailor messages, proposals and experiences for a client organization. Moreover, recognizing the impact of social media in a business context is key, as different members of a value

95%

of global CEOs say they see technological disruption as more of an opportunity than a threat

chain have become more connected in a form of influencer ecosystem, lending itself to collaboration, co-creation, and real-time feedback and insight.

My watch: Time is just as precious a commodity in a business context, and can span both an individual and an organizational level. For the individual, this ranges from the time and effort spent negotiating and executing transactions, to implementation, servicing and being serviced. Whereas for the organization, time can take the form of, for example, up-time, implementation timetables, customer service response times and the like.

My wallet: Budgets are inevitably a critical influencer on any commercial decision, but it's also important to understand more broadly the decision-maker's budget, schedule and cash flow. In addition, it helps to understand how other decisions are reached around investments and purchasing. Combined, this can help to yield insight into the pressures on the company wallet and identify potential opportunities to add value through the structuring of the financial aspect of commercial relationships.

Just as for consumers, the Five Mys are both interconnected and constantly changing. To look at any one of these underlying drivers of decision-making in isolation risks failing to understand the nuances that can make or break a commercial transaction or a client's unmet needs and trade-offs, which can help shape experience and relationship design.

Life stages and life events

As consumers, our Five Mys change to reflect what's important to us as we progress through different life stages and as we encounter life

events — the watershed moments in our lives that catalyze significant changes in our behavior, such as buying a first home or having a child. As business professionals, we have key career events, such as a first job, key promotions, new jobs with new companies, as well as key career life stages, notably early career, peak-earning years and retirement.

In much the same way, the concepts of life stages and life events can be applied in a B2B context to predict when and how a client's priorities might shift, to identify how this could be reflected in ongoing service delivery or experience and, ultimately, to build loyalty and foster a sustainable relationship. The importance of understanding what the buyer is experiencing cannot be understated.

1 in 2

global CEOs say becoming the victim of a cyberattack is now a case of 'when', and not 'if', for their organization

In particular, it's important to recognize the very different contexts that come before and after a transaction has been negotiated and executed. For instance, consider an executive team renting their first office as a cash-strapped start-up, compared with expanding their footprint as a profitable and scaled venture. The context shapes the decision.

"Separating customer acquisition, pre and up to purchase, from customer service, post-purchase use and service, is meaningful as very different dynamics are at play," said Deno Fischer, principal, advisory,

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As in our lives as consumers, expectations in a B2B context are rising faster than many can keep pace with. ”



customer solutions, KPMG in the US. “Companies that do not interact with the customer during the acquisition phase may well interact during the use and service phase, or different individuals in a client organization may step up to play a role in the relationship. Understanding the Five Mys in these two different contexts – securing the relationship versus delivering the experience – will enable organizations to tailor their offer and messaging with far greater precision.”

What’s more, the generational cohorts of our business customers will influence their expectations from technology. Inevitably, as people reach senior leadership roles, still dominated by boomers for many industries, their interactions with enterprise technology

45%

of global CEOs say the biggest challenge to meeting millennial customers’ needs is understanding how they differ from their older customers

is often limited as such responsibilities are delegated to others. Consequently, they are often divorced from the realities of day-to-day experiences with enterprise technologies for both employees and customers. Add to this the diminishing tolerance of Gen X leaders for legacy technology, and the high expectations of millennials and soon-to-enter the workforce Gen Zers, and the generational lens for technology expectations becomes increasingly important.

In the past, business processes will have evolved over time, with different technology enablers being layered on for operating efficiency at different stages. In the future, however, a more human-centric design approach, or at least greater consideration to how



humans across different generations might interact with technology across business processes, will likely become more of an imperative.

End of benign enterprise

Beyond the need to understand the individual constituents that make up decision-making groups and influence business purchasing and relationships, it's also time to recognize that organizations themselves, as brands, are developing their own Five Mys.

Around the world, in unprecedented ways, businesses are increasingly choosing, or facing pressure, to take a stance, aligning themselves with broader issues in the public agenda and showing their hand: "This is what we believe in."

These could be political or economic issues, such as Brexit or protectionism, societal issues including equality and human rights, or more niche or nuanced issues pertinent to the local workforce or stakeholders including sourcing, minimum pay or employment policies. This may have been more noticeable or prominent initially among the start-up community, but it has recently spread to major, multinational enterprises worldwide.

Whatever the issue may be, the brand of the organization is developing and revealing more of a soul, becoming more of a living organism. With this, it reveals a distinctive pattern of 'mys' to its employees, partners, clients, investors and other stakeholders.

Growing expectations

As in our lives as consumers, expectations in a B2B context are rising faster than many can keep pace with. Features and price alone cannot be relied upon to secure or maintain sustainable commercial relationships,

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The brand of the organization is developing and revealing more of a soul, becoming more of a living organism. ”



71%

of global CEOs say they are personally prepared to lead their organization through a radical transformation of its operating model to maintain competitiveness

and the benchmark for ongoing client experience is continually being reset.

"Clients are sending the same message in a commercial setting as they do as consumers at home," said Kes Sampanthar, Managing Director of KPMG Innovation Lab, KPMG in the US. "Know me: I want my partners to understand my company and reflect this in how we work together. Make it easy: I want ease of transacting with you. Value me: Pay close attention to my company's financials, but also pay attention to providing me with value-added services. And protect me: my company's data, my company's reputation and, in particular, my cybersecurity."

In our inaugural *Me, my life, my wallet* report, we explored how changing consumer attitudes, expectations and behaviors were playing out in the four major global markets of China, India, the UK and US. This year, we have extended our survey and ethnographic research to include four additional countries, namely Brazil, Canada, France and the UAE.

As the chapters that follow reveal, consumers are changing all around the world, subject to common forces and factors, but often with an uncommon response. Change, it would appear, is indeed in the eye of the beholder.

In Brazil, once a leading light among emerging market economies, consumers have weathered political upheaval and the worst economic contraction of modern times. Their introduction to the modern digital world and all the benefits it has to

offer has been offset by heightened pressures on the customer wallet in the face of a weak recovery, and low levels of trust in both public and private sector institutions. And while this increasingly digitized nation of more than 200 million consumers may be entering an upswing in prosperity and confidence, its online culture of bargain-hunting and recent memory of corruption, scandal and the risks inherent in data may not dissipate overnight.

Further north, in Canada, comparatively low levels of economic activity online masks a highly connected society, even in rural areas. Characterized by their diversity, the definition of the Canadian consumer changes apace, as an open attitude to immigration from countries with higher levels of internet usage is set to accelerate adoption of next-generation digital services and experiences. One barrier to this potential, however, is a discomfort around parting with data; among the most wary of any nation in our survey. Yet there exists a core of Canadians who see less of the generational differences between young and old that typifies other developed economies. Fine-tuning offerings for the Canadian consumer is nothing short of the table stakes for success.

In France, we see a nation of digital enthusiasts, one of the world's top five nations for e-commerce and the first with a national online commerce network dating as far back as 1981. With three decades of e-commerce history, it should be no surprise that online purchasing is not limited to millennials. Yet while keenly embracing technology, French consumers are doing it on their terms, expressing distaste with being treated as a data point, and demanding human, personalized

Executive summary: The market viewpoint

Citizens of global change and forces,
but with a distinctly local response





interactions and experiences with brands. They know the value inherent in their data to brands and other institutions, and are willing to share it for the benefit of personalization. But trust is found lagging, particularly in banks, technology and telecoms companies.

Turn to the vast and rapidly changing country populated by 1.3 billion Indian consumers, and diversity becomes strikingly apparent. More akin to a continent than a country, India is home to a collection of languages, religions, demographics and more, as well as vastly different urban compared with rural connectivity and behaviors. While smartphones have become part of everyday life for the 10 percent of India's citizens who reside in its 10 largest urban centers, the digital revolution, and with it new access to information and choice,

54%

of global CEOs say that, rather than waiting to be disrupted by competitors, their organization is actively disrupting the sector in which they operate

is revolutionizing commerce and customer engagement across the vast expanse of the mainland. Caution is noted, however, that adapting to the Indian market is essential, especially given the time-poor nature of consumers, with differing motivations and life goals than in the West.

Meanwhile, the UAE's modest, yet affluent, population of around 9.5 million citizens is witnessing a comparable but equally different digital revolution. This highly connected nation places great value on social and immersive entertainment and experiences that accompany the Gulf states' expansive malls. But citizens are being encouraged to embrace the value of technology through the digitization of public services and investment in smart cities. This will only serve to raise the bar for those keen to engage a population unlikely to turn their back on the offline customer experiences that typify their day-to-day lives.

Further east, in China, the dramatic growth of a handful of dominant platform businesses such as Alibaba and Tencent continues on its pervasive path, accelerated by a growing middle class and trend towards urbanization comparable only to its equally populous neighbor India. Home to dramatic differences in consumer motivations and attitudes between top-tier cities and more urban areas, technology looks set to continue its profound impact for the majority of citizens, only set to play out in very different ways across the country, raising the localization and personalization imperatives for

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Consumers are changing all around the world, subject to common forces and factors, but often with an uncommon response. ”

organizations seeking to capture increasingly connected consumers.

Returning to the West, the UK's rapid digitization of its recent past and status as the 'connected kingdom' is no longer necessarily a guide to its future. Uncertainty grows stronger as the implications of leaving the European Union remain opaque, both politically, economically and societally. The impact on UK consumers' choices, should their wallets face new pressures in 2019, remains unclear. Meanwhile, the evolution of attitudes towards trust and data privacy continues to compound organizations' efforts to engage consumers, subject to an advancing regulatory environment. It remains to be seen whether new regulation will enhance consumers' feelings of protection or lead to a further retrenchment in sharing data.

Finally, in the US, we see consumers increasingly carrying their opinions with them when they spend, further complicating a market as diverse as its Eastern counterparts, if unmatched in scale. Trust is uncertain and consumers continue to value and reward those organizations that deliver meaningful customer experiences. Technology and its adoption in customer engagement continues to flourish as Silicon Valley and others look for smarter ways to get things done, and create evolving or innovative business models.

While consumers in each of these markets are subject to many of the same forces of change, and often talk of many common themes affecting their Five Mys, the nuances are vastly more significant than some may at first assume.

The search for deep consumer understanding is not a new idea, but it has grown in importance. Consumers are responding differently to this changing environment, not just by

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The search for deep consumer understanding is not a new idea for 2018, but it has grown in importance. ”

generation or income level, but influenced as well by national culture and context. Those organizations that reflect this in how they design and deliver products, services, propositions and experiences, and organize and structure their businesses to do so, stand only to increase their relevance to an evermore complex customer.



Brazil's consumers have been guarding their wallets closely during a 2-year recession and a weak recovery.

Recovery is long overdue, but when it comes, it will unleash reassessments around 'my wallet, my attention and my watch' that have been postponed during the tough times.

It will also herald real opportunities for companies both local and global that want to get in at a relatively early stage as this nation of more than 200 million people becomes more digital.

"We have seen a general trade down over the last few years. It will be interesting to see how consumers

will behave post-crisis," said Guilherme Nunes, consumer & retail lead partner, KPMG in Brazil.

One reassessment that's not needed is around 'my connections'. Despite the recession, smartphone usage has risen sharply and the urban population has become accustomed to living life online, helped by the widespread availability of 4G connectivity.

"In urban areas, Brazilian consumers are already highly connected and choosing services that build a vibrant digital lifestyle," said Fabio Grandi, customer experience director, KPMG in Brazil. "Economic recovery will accelerate this still further."

Brazil: Get ready for good times

As Brazil emerges from recession, digital spending on products and services looks set to grow





“

Despite the economic downturn, Brazil's consumer has fallen in love with mobile technology, and this has led to a complete realignment of purchasing behavior. A return to robust economic growth would allow them to act on these motivations fully for the first time, creating enormous opportunities for companies that have laid the groundwork in time. ”

**Charles Krieck, Chairman and CEO,
KPMG in Brazil**



“

I'm overwhelmed by the amount of emails I receive at work. Of the amount of news that I can't keep up with. Of the amount of messages in the WhatsApp groups that I receive. Brazilians are prolific social media users — they're number four for Facebook in the world. They love WhatsApp groups, so there's a lot of information. Sometimes I find I can't keep up with external information. I can't even keep up with my own thinking, so at the moment I'm overwhelmed. ”

Katerina, 30, São Paulo

The vast differences within the country make it difficult to generalize. Some upmarket suburbs of São Paulo have remained prosperous throughout the downturn, but for the broad mass of urban Brazilians, their introduction to the digital world has come at a time of political upheaval and the worst economic contraction of



84%

of Brazilian consumers say they like having access to lots of information — the highest of our eight countries surveyed

modern times. The result has been to forge an online culture focused on bargain-hunting, tinged with deep skepticism, and low level of trust towards government and companies.

Big e-commerce, such as Mercado Livre and OLX, is price driven. There is also commercial activity informally organized around local WhatsApp groups, especially parents trying to drive down household spending. For instance, mothers will go to a group to sell clothes their children have outgrown.

Bargain-hunting culture

Will this bargain-hunting culture change when wallets start to refill? It's unlikely. As far as Brazilians are concerned, this *is* the internet. More likely is that spending on routine items will continue to be dominated by price and excess spending will be driven by 'my motivation' imperatives, such as a desire to express personality through unique purchases. Clothing would be an obvious category to experience a strong uplift. Overseas retailers that can offer unique designs would be a possible early beneficiary, especially in secondary cities where local retailers may be lackluster.

In this context, customer experience will be vital. An affordable luxury purchase doubles its perceived value if the buying experience is personalized, making the customer feel valued.

As wallets expand, consumers may increase spending on digital services related to health, transport and education — areas where weak government finances mean state provision has been squeezed. Already, many peer to peer ridesharing and car services log can log more rides in a day in São Paulo than it does in New York.

Capitalize on upswing

Companies wanting to capitalize on an upswing may have a limited window of opportunity. The huge market opportunity is counterbalanced on the reality that Brazil remains a high-friction business environment; the World Bank 2017 *Ease of Doing Business* index placed the country at 176th out of 190 countries in terms of setting up a business.

Import duties are complex and would undoubtedly handicap an online-only campaign trying to win over Brazilian wallets. For most global firms, taking a local partner could be a shortcut to getting an understanding of 'my motivation and my wallet', although selection is critical as many local companies are burdened with debt following the recession and are struggling to invest.

Some global players in these technology apps and services are already getting ready. There is clearly pent-up demand from Brazil's rising technophile youth for products not yet available in the country, such as voice assistants from the US giants.

One issue holding back the full development of digital Brazil is trust. The lack of confidence in the state is easy to understand, given the depth of official corruption revealed by the ongoing Operation Car Wash investigation. But trust in companies is weak too, damaged by fake Black Friday deals promoted by local retailers and sometimes weak fulfillment that leaves consumers without goods they bought.

Despite these issues, of all the countries in our online poll, Brazil was the most upbeat about new technologies. But it is telling that the tech that raised the most significant enthusiasm was technology to reduce online credit card fraud.

Yet local consumers have an innate optimism about digital products. The

50%

of consumers in Brazil say they distrust the government, the highest across our survey

“

If the chatbot is well done, I don't mind. If the bot resolves my problem, it's okay. But if it's not well done and they don't answer my question, then I would be really annoyed. ”

Milton, 30, São Paulo



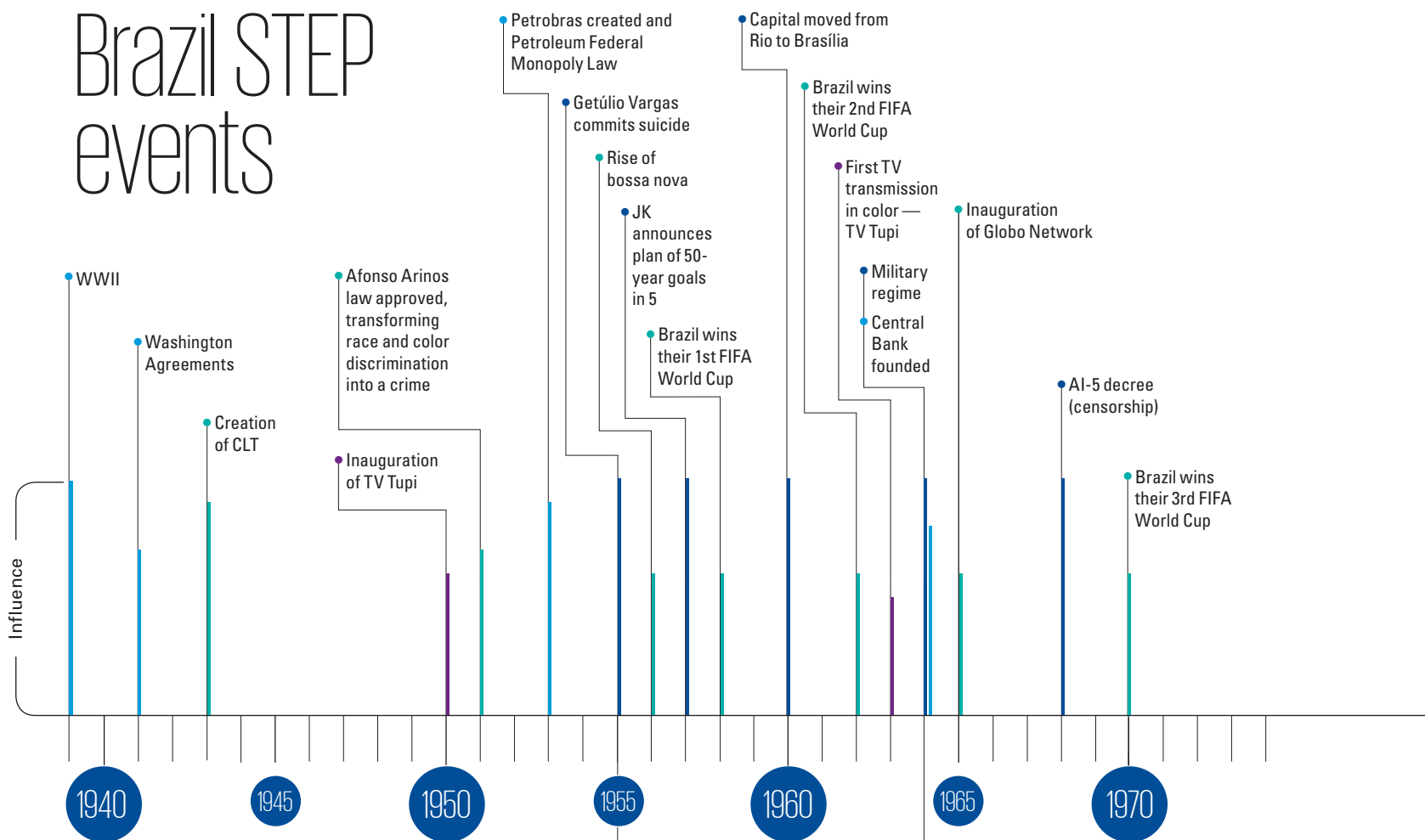
83%

of Brazilian consumers are worried about their future finances — joint first place among our eight countries surveyed

easiest way to persuade them to give up personal data is offering a good deal. But those who answered our online survey said they were prepared to trade their data for better customization, or better products or services.

The ground is ready for Brazil's consumers not only to increase the proportion of their wallets devoted to digital purchases, but also for the range of products and services to expand rapidly, including all-digital experiences such as games and entertainment. It only needs for that wallet to start growing again.

Brazil STEP events

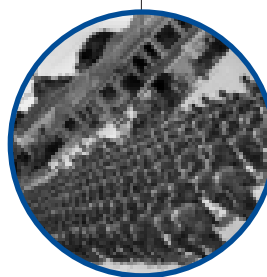


Despite a prolonged history of political and economic disruption, Brazil has remained a relatively progressive country, embracing advances in technology, connectivity, healthcare and equality at a pace not too dissimilar to some of its western counterparts. Yet much of the turmoil witnessed by its citizens will prove an enduring influence on their motivations, expectations and choices as the Brazilian consumer emerges into a more connected and opportune era.

- Social
- Technological
- Economic
- Political



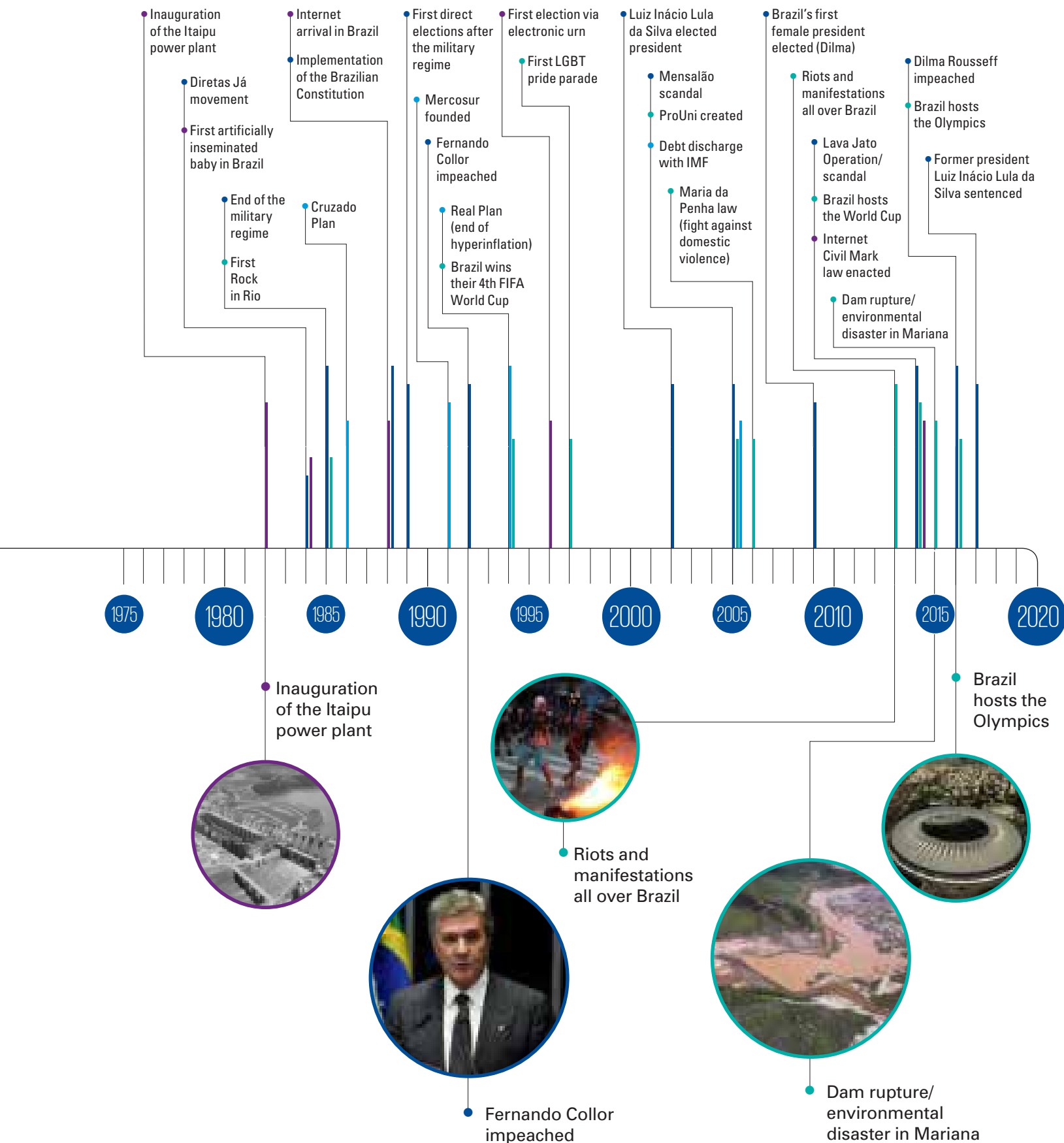
Getúlio Vargas commits suicide



Military regime



Brazil win their 3rd FIFA World Cup



Brazil: emerging themes



My motivation

- » Social media is a source of inspiration and sometimes a call to purchase
- » People struggle with work/life balance
- » Mixed opinions regarding data sharing



would not trade their personal data



would trade their personal data for better security (highest country)



of consumers feel more anxious today than a year ago, against a global average of 47%

“Through Instagram, one thing leads to the other. I find out about sustainable products ... I find out about artisanal products ...”

Katerina, 30, São Paulo



My attention

- » Phone calls are considered rare nowadays
- » WhatsApp is a popular way to connect with peers but also to receive news and exchange information
- » Desire for more intuitive search and comparison tools



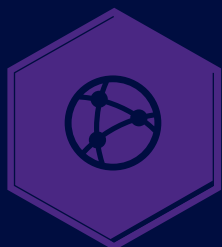
like to have lots of information



say an engaging social media presence is important for the brands they regularly purchase from, versus a global average of 54%

“And also I have two groups that’s not family. A group of buying and selling everything that people post. I want to sell something used or new, then I post that. It’s very dynamic.”

Maria, 43, São Paulo



My connection

- » Short-lived disconnection is enjoyable
- » High comfort with tech — everything is cool and fundamentally convenient
- » Over personalization is creepy

31% would be the first one to buy a new device when it comes out

43% would buy a new device after seeing the initial reviews

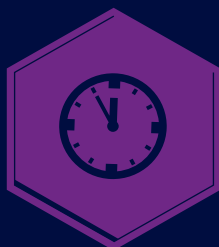
33% have disconnected

55% needed a break as the primary reason

32% indicated they were missing out on life as the tipping point

“ I like technology. I love it, but sometimes I’m thinking about how can we be updated about the technologies and if we are using in the best way. I’m not worried about the next iPhone ... I’m worried about how to use it for it to be useful. ”

Renata, 41, Rio de Janeiro



My watch

- » Uncertainty over when they will retire
- » Time should be spent on personal goals
- » Automated purchasing seen as appealing but some control is still desired

50% feel their work schedule leaves them enough time for their personal life

56% think virtual personal assistants are ‘cool’ rather than ‘creepy’, the highest among our eight countries surveyed

“ 15 years from now I’m gonna be 45. Then every like, every day, every hour counts. And I want to live it with purpose and be driven by purpose and ensure that when I look back, by the time I am 45, that I don’t have any regrets. ”

Katerina, 30, São Paulo



My wallet

- » Wealth is stability and the ability to look after your health
- » Good quality food is a priority — indulging in food is also a guilty pleasure
- » New investment opportunities appeal to younger men

The child’s involvement is ‘often’ or ‘all the time’ among

| | | |
|--|-------------|-----|
| | Games media | 21% |
| | TV media | 18% |
| | Clothing | 23% |
| | Vacations | 25% |

“ On guilty pleasures: maybe food, sometimes, because I like food, so, for example, if I go more than twice a week, in a Japanese restaurant, all-you-can-eat, I’ll always spend a lot of money on food, but it’s so good. ”

Milton, 30, São Paulo

Canada: America's neighbor in geography only

Canadian consumers have distinctive motivations that must be mastered before firms can conquer the market

Canada presents a unique environment for e-commerce. However, companies wanting to tap digitally into Canadian consumers' wallets need to understand the particularities of this diverse market early in their planning process.

According to industry group Ecommerce Foundation, although e-commerce represented just 1.3 percent of gross domestic product, which is low by the standards of some of the other countries we discuss, it shouldn't be inferred that Canadians are ignoring the digital

revolution. A highly connected society, even in rural areas, the Canadian consumer is interacting online on his or her terms.

Consumer thinking is evolving. The comprehensive platforms that have digitized everyday life in China would, suitably adapted, captivate this country too. The high-bandwidth infrastructure is already in place to facilitate them. As such, any company wanting to launch a digital service in Canada needs to understand not only the idiosyncrasies of today's Canadian consumer, but also the potential of tomorrow's. Without this, they risk being quickly overtaken by more visionary rivals who



“

The Canadian consumer has increasing expectations of value in a very diverse market. Only companies with a deep understanding of local consumer motivations and priorities will likely win in this thriving market. ”

Elio Luongo,
CEO and Senior Partner,
KPMG in Canada



“

I obviously don't mind ... banking. I'd have to just inherently have trust that any of the banking industries [that] have my information on file ... are keeping it to themselves. ”

Brendan, 31, Toronto

understand how mobile, social media, payments and the power of the cloud can create something even greater than the sum of its parts.

Constant change

It's important to note that the definition of the Canadian consumer is constantly changing. The country is very much open to migration, with a significant portion of new citizens arriving from India, China and other Asian countries, where internet



27%

of Canadian consumers think smart home devices are 'cool'

53%

of Canadians surveyed plan to purchase or upgrade/replace a smart mobile device within the next year

usage is at much higher levels, and this group could be expected to be enthusiastic early adopters of next-generation services.

"Canada's digital ecosystem may seem a world away, literally, from the integrated services that have seen such success in Asia through bundling social media, news and commerce into a single package," says Peter Hughes, customer and digital practice lead, KPMG in Canada. "However, the forces that have led to such success in Asia are universal and our people here will in turn likely enjoy similar offerings, if they can be adjusted to the Canadian consumer."

Today, however, consumers are most keen on digital products that improve the physical environment around them. Our survey found that enthusiasm for tech innovations among Canadian consumers was strongest for those with real-world connections such as home security cameras.

The typical Canadian shopper is a Generation Y parent looking to stretch the family budget; the most likely route to persuading them to hand over their personal data is to offer deals in exchange. Accordingly, a digital product that generates enthusiasm is the discount coupon. Canadian retailers traditionally have filled the mailboxes of local consumers with flyers to stimulate demand and this is being recreated online, with some sites and online communities, such as Smart Canucks, dedicated to helping Canadians save.

Reluctance and caution

Our online poll showed the Canadian consumer has a high level of confidence in business, banks and broader society. However, ask them to act on that trust and hand over personal data, and they become wary; among the wariest of any nationality

we polled. This reluctance to share data appears driven by European-style attitudes towards privacy and, in some, an instinctive caution towards novelty. In our online survey of eight nations, Canadians were least likely to buy a gadget for the thrill of being first.

Ironically, a nation that is home to leading retailing technology companies, such as Shopify and Unata, has an e-commerce market that is, at present, a tussle between two giant US retailers. New entrants not only have to face two of the world's biggest retailers, they have to solve the delivery puzzle posed by one of the world's least dense populations: half the population of the UK spread across a landmass 40 times larger. Even its four major cities have distinct traits, with the French-English-speaking distinction being only the most obvious.

Yet underneath this mosaic, there is a Canadian core. Canadians define wealth as a freedom to pursue high-quality, real-world experiences not as a bank balance or potential inheritance. In many countries, this pursuit of experience is considered a characteristic of millennials; however, it is a concept widely shared across age groups in Canada. This supports the idea that millennials in Canada are less of a breed apart than in some other countries. Also, unlike their counterparts in the US and Europe, millennials in Canada also experienced less of a squeeze in the 2008 global recession and haven't been burdened by ever-rising student loans.

All this adds up to a picture in which, using the prism of the Five Mys, Canada is next to the US in geography only. "Canadians are unique in purchasing preferences, attitudes, motivations and more," says Katie Bolla, director customer and digital, KPMG in Canada. "To be successful,



15%

of Canadian consumers say they have trust in advertising — joint lowest among our eight countries surveyed

“

Wealth means the freedom to go out and have that fun. To be able to say no to work. ”

Ellen, 62, Calgary

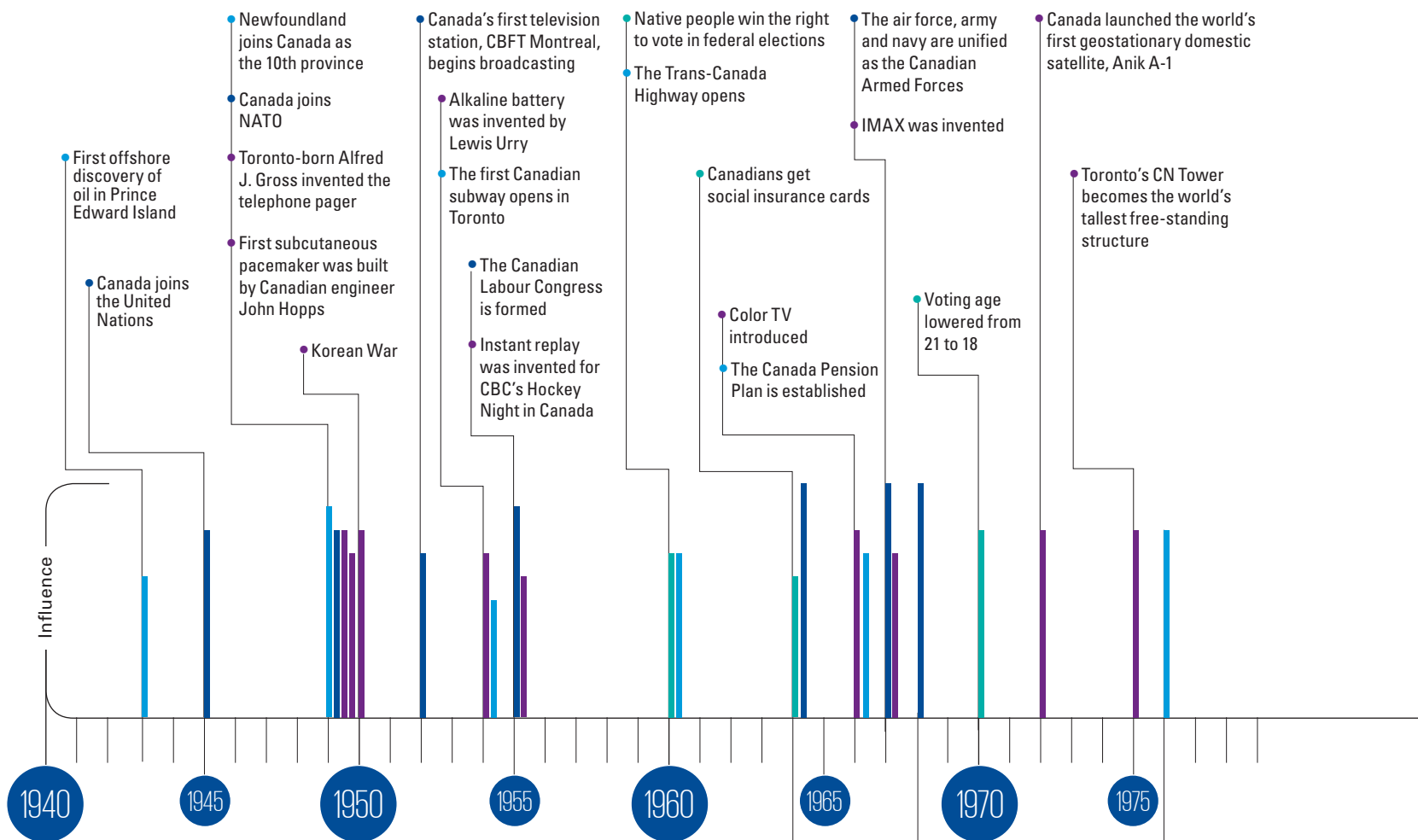
organizations need to understand and celebrate these differences.”

Online brands that have achieved success like Airbnb, as well as local players such as meal delivery firm SkipTheDishes, showing that sharing and platform business models can click with local consumers.

To be sure, large US firms are strong in Canada, both online and offline. However, they have achieved this position through extensive fine-tuning of their offering to Canadian consumers, in some cases over decades. Only firms with a keen grasp of the distinctive motivations of the Canadian consumer, however, are likely to find success.

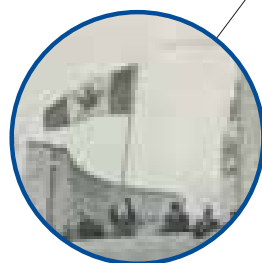


Canada STEP events



Despite its relative youth as a nation at a mere 150 years old, Canada — in an almost quietly, unassuming manner — has been at the forefront of some of the most significant advances in modern history, from the invention of the world's first internet search engine to the 56k modem. Undeniably proud and patriotic, today's Canadian remains arguably ahead of the curve in progressive and liberal policies, which will continue to shape the attitudes and behaviors of its staunchly individualistic citizens.

- Social
- Technological
- Economic
- Political



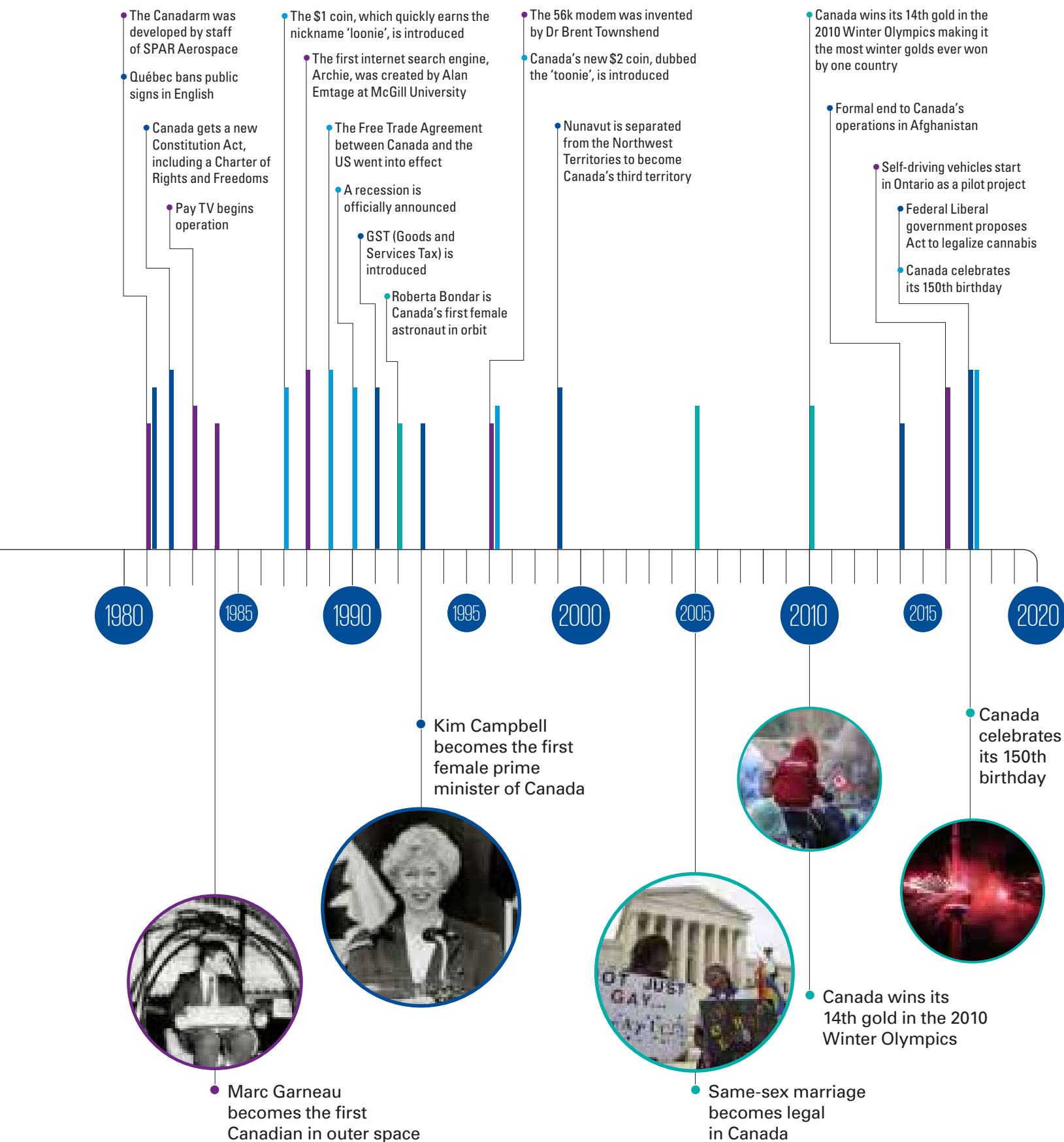
• New national flag of Canada adopted



• Prime Minister Pierre Trudeau introduces the Official Languages Act

Montreal becomes the first Canadian city to host the Olympic games





Canada: emerging themes



My motivation

- » Technology and social media as a status symbol: having the latest iPhone, posting an amazing experience to Instagram or having many followers
- » Authentic relations with friends and family are important
- » Autonomy, independence and privacy are important traits/values



31%

would not trade their personal data

Of those that would:

21%

would trade for money



17%

would trade for better value/price



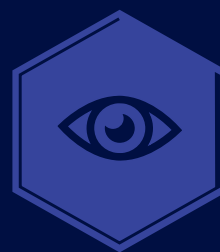
11%

would trade for better security



“
I’m not worried as long as these technologies make my life easier.”

Abdullah, 24, Ontario



My attention

- » Digital overload is common, some have put themselves on permanent ‘do not disturb’ mode
- » A cynicism pervades with some consumers against performative behavior on social media and the motives of brands are questioned
- » Some fear information spiraling out of control; a ‘fake news’ epidemic

1 in 3
can’t determine what information is trustworthy



52%

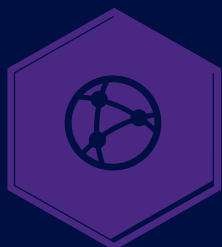
feel they have caught up with all they need to know each day

82%

find perception of brand influenced by social media

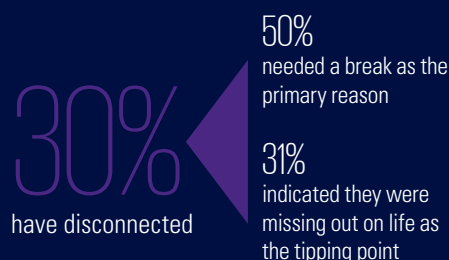
“
I never buy into [social stances]. As soon as you mix something with capitalism, it just doesn’t hold any water. There’s no strictly ethical company.”

Michael, 35, Toronto



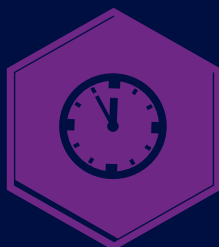
My connection

- » Multiscreening is very common behavior; many need their phones during other activities
- » Many wish they could disconnect entirely, but can't because of social/work difficulties entailed
- » Some express a disdain for voice assistants as they have the potential to remove free will



“ [TV and phones are] always kind of hand in hand. I feel like the phone's almost an extension, like a weird extension of 'being' now. ”

Audrey, 26, Vancouver



My watch

- » Pessimism about the possibility of retirement from younger respondents
- » Wealth is seen as the facilitator of free time and a more balanced life
- » Services like auto-replenishment are seen as creepy; the convenience is outweighed by privacy/autonomy concerns



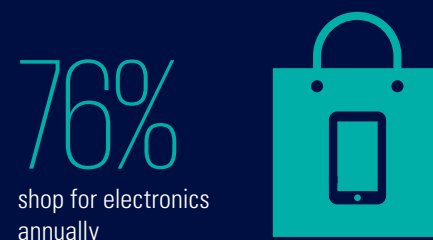
“ I mean I'd love to retire as soon as possible. I would love to just make jewelry and not have to worry about working, but I think that the reality of retiring early is quite slim. If I'll ever be able to retire, I don't know. ”

Audrey, 26, Vancouver



My wallet

- » The gig economy is in full force, with many holding several side-jobs or no main source of income
- » Abstaining from daily pleasures to save for a luxurious trip is a common tactic
- » Automation is a concern, but few see it as a direct threat to their income



“ Of course [AI is] going to make my life easier because I'm going to be able to operate different machines. ”

Abdullah, 24, Ontario





China: Solving the conundrum

With a growing, well-connected and increasingly discerning middle class, China is the great prize of the East

China's breakneck transformation into one of the world's leading digital economies shows no signs of abating.

Quite the contrary, it continues to evolve and set new and often leading trends globally, within an increasingly complex landscape as consumers, technologies and businesses continue to respond to, and create, change.

Despite its sheer size and scale — China is home to the world's largest single collection of citizens and has a growing internet population outnumbering the US, Indonesia and Brazil combined — winning over Chinese consumers is by no means guaranteed. In fact, accessing the customer wallet, maintaining or growing that share of wallet and fostering loyalty are all becoming harder day by day.

Two consumer stories

To understand the consumer is to understand China's future and this is borne of two very different paths.

First are those consumers trading

up. Characteristically middle class and above, they tend to reside in tier-one and tier-two cities, such as Beijing, Shanghai, Shenzhen, Hangzhou and Nanjing, and are typified by higher and increasing disposable incomes, busy lifestyles, and westernized consumption habits driven by access to premium and foreign brands and lifestyle experiences.

In contrast, the second path sees a more value-driven, rather than quality or brand-driven, consumer. Typically middle class and below, these consumers reside in tier-three, four and five cities, and tend to face shorter working hours, yet a

“

The scale and sophistication of China's online environment are unique — and the story is not over yet. China's consumer chases novelty, giving new players plenty of opportunities to enjoy astonishing growth rates. The players that dominate this, the world's largest online market, must reinvent themselves continually to stay ahead. ”

Benny Liu and Honson To, Chairmen, KPMG China



“

Normally, yes, I get information about products and service on my social media, especially WeChat and Taobao. And then, as all of us know, WeChat plays a very important role in our life and work. Everyday, every hour, yes, we use it. ”

Godfrey, 30, Guangzhou

further stretched family budget, and therefore, have the incentive and time to seek value-for-money brands, experiences and retailers.

Despite this distinctively dual-track development of Chinese consumers, and the very different Five Mys that organizations will encounter in seeking to understand the individuals behind these profiles, they do share one clear commonality as technology is playing an increasing and profound role in addressing the twin constraints of watch and wallet.

“It’s easy to understand the allure of the increasingly affluent middle-class



79%


of Chinese consumers say an engaging social media presence is important among the brands they consistently purchase from

consumer, dominant and growing across China’s sprawling first and second tier cities,” notes Christoph Zinke, head of global strategy group, KPMG China and Asia Pacific. “But it would be a mistake to overlook the less affluent yet equally motivated citizen across all tier cities. They’re increasingly connected, increasingly graduating from feature phones to smartphones, and have new and unmet needs in equal measure — even if different to their more affluent peers.”

New influence

The rapid growth and deep societal influence of social media is evident all around the world, but few countries can match China’s dramatic adoption rates.

Take WeChat, the country’s leading super-app, discussed in detail in our inaugural *Me, my life, my wallet* report. Far from its



origins as a humble messaging app, its function now permeates seemingly all aspects of the Chinese consumer's life, from shopping to travel, or payments to gaming. And in the seven short years since its launch, it has amassed a staggering one billion monthly active users.

Yet beyond what may now be considered traditional social media, Chinese consumers are also at the forefront of the true social revolution of user-generated content (UGC).

This entered the mainstream in the mid-2000s, an expression coined to somehow respond to the growing democratization of information, media and content, and to label the resulting outputs created and shared by us all as individuals and consumers. Yet the origins of the term seem somewhat paltry in today's context, where UGC is enacting significant influence on how Chinese consumers search for, evaluate and act.

TikTok and Little Red Book are two such examples. TikTok, or *Douyin*, which less than 2 years following launch became the world's most downloaded app in the first quarter of 2018, enables its 500 million monthly active users to create and share music-enhanced video content and has spawned numerous viral trends, as well as careers. Little Red Book, or Xiaohongshu, meanwhile, connects millions of Chinese consumers, who share content, ideas, recommendations, bargains and shopping tips, and help drive fashion, luxury and beauty sales. A more advanced version of its Western equivalent Pinterest, Xiaohongshu has quickly established itself as the world's largest community-based e-commerce platform and recently completed a funding round with a



of Chinese consumers think chatbots are 'cool', ahead of a global average of 24%

“

[Artificial intelligence] can do lots of things that people don't want to do, and they provide more precise ability to help people to solve problems. I do think that AI will make our life easier in the future. ”

Angel, 52, Shanghai

\$3-billion valuation, led by Chinese retail behemoth Alibaba.

This growth in social e-commerce isn't the preserve of China's growing middle class and more affluent population. Pinduoduo, for instance, an e-commerce platform that leverages the social habits of our second, more value-driven group of Chinese consumers — to whom it has brought consumption opportunities and options previously out of reach — processed 5.3 billion transactions in 2017, less than 2 years after being founded.

The rise of such UGC platforms is fostering a growing trust in key opinion leaders (KOLs), who are increasingly able to monetize their status, with brands clamoring to leverage their influence over Chinese consumers. And their commercial reach goes far beyond the Instagram and Pinterest influencers of the West, with KOLs active in almost every sphere of China's online life, extending into such areas as business and finance, not just the lifestyle niche inhabited by social influencers in the US and Europe.

“China's consumers enjoy novelty,” said Jessie Qian, head of consumer markets, KPMG China. “Combined with the vast scale of this dynamic market, this means innovators can quickly achieve huge scale.”

What does all this mean? We already know that Chinese consumers are mobile-centric; little surprise that, according to our survey, 73 percent would rather lose their wallet than their

phone, in stark contrast to any other country surveyed. We already know that super-apps and mega-platforms play a significant role in their lives. But the seemingly unrelenting, ubiquitous nature of technology in this market means Chinese consumers' time and attention is more fragmented than ever, more complex to understand, and more challenging for organizations to secure.

From mega-platforms to super-ecosystem

Meanwhile, China's two most dominant internet platforms, Alibaba and Tencent, are continuing their vast ascent beyond the internet into the physical world, striving to extend and

“

She's a famous user who has, I think, more than 1,000 followers and she introduce many makeup, and I followed her and I bought some lipsticks, which is really hot. ”

Wang, 27, Xiamen



54%

of Chinese consumers say they're actively saving for retirement — the highest among our eight countries surveyed

strengthen their walled ecosystems.

The power of these platforms is already beyond question. Consider that Alibaba alone reported sales of \$25 billion on China's latest Singles' Day shopping event, more than three times the 2017 Cyber Monday sales of all US online retailers combined.

However, in spite of their sheer scale and dominance, neither player is willing to rest on their laurels, in recognition of constantly evolving and evermore demanding Chinese consumers.

Both are in a constant search to enhance and enrich the customer experience. Increasingly connecting the digital and 'real' world with value-adding services that further permeate the Chinese consumer's life, from physical retail to food delivery to leisure pursuits such as cooking classes. Aggressively hunting for new innovations and hanging on to their entrepreneurial origins by running extensive investment portfolios, spanning start-ups and new technologies across both the related and the abstract, from auction firms to estate agents to film studios. Encouraging new consumption behavior through subsidies, even as their cost advantage, such as heavily subsidized logistics, is being eroded by an evermore connected nation.

"The dominant players already benefit from a strong network effect, but they want to reinforce that and ensure their platform not only caters to every consumer whim, but also leading and shaping consumption behaviors," says Wei Lin, partner and Global Strategy Group consumer & retail advisory lead, KPMG China.

These mega-platforms already have the most critical resource to stay ahead of the competition — data — and they are collecting it to a scale and level of granularity that few other companies could comprehend. As our survey revealed, China's consumers



are more prepared to trust their information to tech companies than any others we polled. “Data is an incredible resource for any company, but the Chinese internet companies have an enormous amount of it and are very skilled in using data to build compelling services,” said Anson Bailey, consumer & retail leader, Asia Pacific, KPMG China.

Growth, but at what cost?

Scratch the surface of this dynamic market and a conundrum emerges.

On the one hand, increasingly connected Chinese consumers, with an already insatiable appetite for technology, seem a ripe prospect for domestic and foreign brands seeking growth. On the other, however, with such dramatic advances in technology and the convenience offered by the mega-platforms, China’s consumers have become more demanding, with ever-increasing expectations, and arguably increasingly spoilt for choice.

“The real disruptor in mainland China is the consumer,” added Zinke. “The Chinese consumer is ahead of the curve and is providing a glimpse into the future for the rest of the world. The change and disruption being witnessed in this market is not caused by technology, it is being accelerated by it.”

The cost of switching between brands and retailers is minimal. New entrants compete fiercely on price, driving down the concept of loyalty, and putting pressure on margins and company profitability. Superior experiences, deep personalization and smart technology are the entry point for any brand or business. But the future growth of this nation, 40 percent of whom, official figures suggest, are yet to be digitally connected, may come at a cost.

“The 21st century will undoubtedly be looked upon as the Asian century,



“

I wish there was a way to stop text messages from coming through. So in China ... spam comes in the form of SMS text messages, and there’s just no way to stop it. I get about 15 to 20 a day. It’s really invasive. ”

Daniel, 30, Shanghai

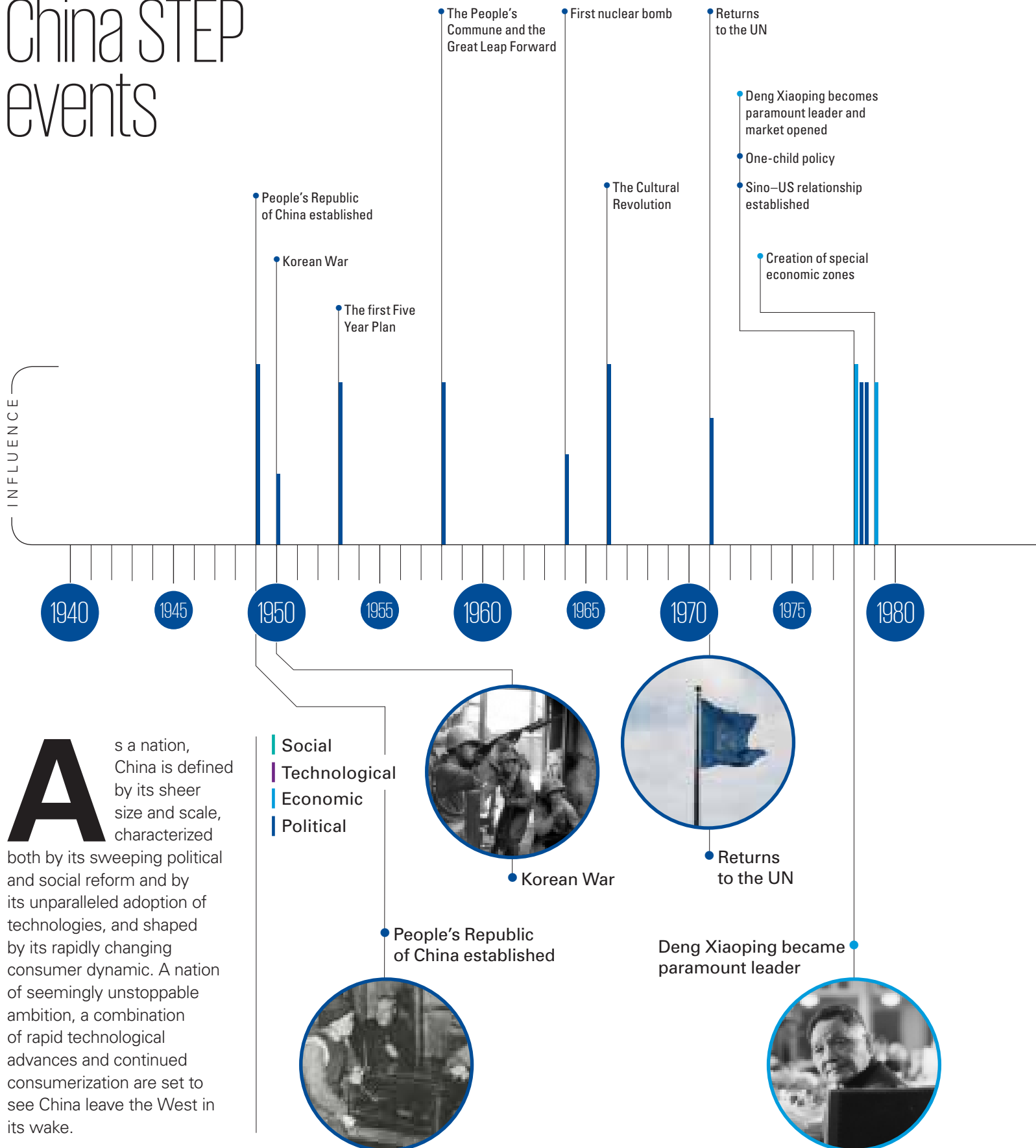


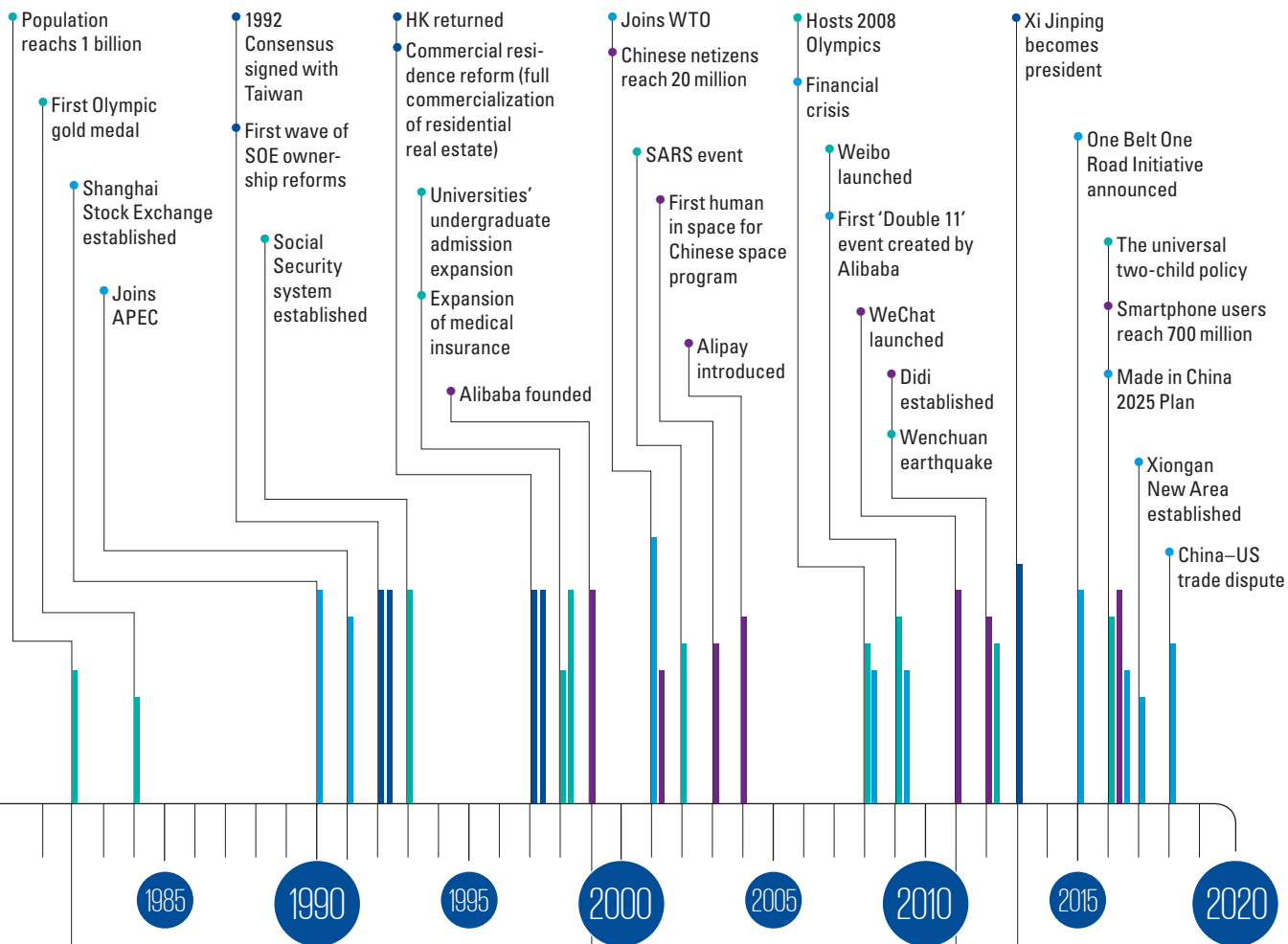
79%

of Chinese consumers say they follow people that curate information for them — markedly ahead of a global average of 45 percent

as a more energized and confident young consumer is met by an emerging stronger ecosystem and new operating models across the region,” commented Bailey. “Expectations are rising sharply, leaving some at risk of falling behind as the Asian consumer becomes ever more demanding in areas such as e-commerce fulfillment. Yet progressive retailers and e-commerce players, those who learn to collaborate and integrate, are able to develop innovative solutions to respond to these pressures. Increasingly, the globally-minded, tech-savvy consumer is no longer confined to the West — organizations around the world need only look to the East as the consumers of China and Asia truly come of age.”

China STEP events





Population reaches 1 billion



Alibaba founded



WeChat



Xi Jinping becomes president

China: emerging themes



My motivation

- » Product discovery and purchasing is through domestic social media platforms
- » Brands and logos are a source of social capital
- » Established, larger brands are more trusted to keep data safe

9 in 10

would trade their personal data to a company for:



better customer experience and personalization

37%



better products and services

24%



better security

18%

“I won't let out my data easily unless I trust the company. I would prefer to trust a chain or a famous company.”

Wanqing, 23, Guangzhou



My attention

- » Unwanted brand communication often comes via phone calls or messaging
- » Respondents feel their time is wasted by irrelevant or intrusive advertisements
- » Information filtering is used, but there is a preference for bespoke solutions so useful information is not blocked

75%



like to have their information filtered in some way

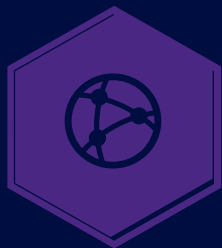


90%

do not feel they have caught up with all they need to know each day

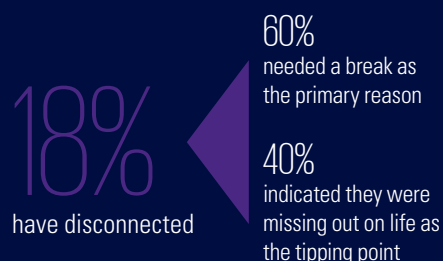
“Sometimes I feel interrupted and bothered by pop-up game advertisements because my time and attention are consumed.”

Bobby, 40, Wuhan



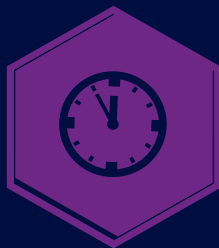
My connection

- » Voice assistants are predominantly seen as a novelty, with state restrictions on certain services limiting their usefulness
- » Intentional disconnection is uncommon and is generally unwelcome
- » Messaging is seen as a convenient and less intrusive form of communication



“ Sometimes you need to control the quantity of all this information you receive. It is very important for you to balance your life. ”

Godfrey, 30, Guangzhou



My watch

- » Work and family take up significant amount of respondents' time
- » Time is an important commodity, with complaints about not having enough common
- » Media consumption and leisure often fit around these responsibilities and are measured on whether they were a valuable use of time



a day worked on average, but people would prefer to work 7.8 hours a day



a day spent on life on average (one of the lowest countries)

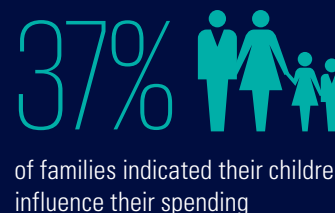
“ I spend too much time working. ”

Ziyu, 26, Guangzhou



My wallet

- » Quality is important. Buying cheap necessities is seen as a false economy
- » The hunt for the best for children means budgeting is often neglected
- » Investment is seen as important, with property particularly popular



“ I think that it's the quality of the daily necessities. I wouldn't compromise on the quality of daily use items. ”

Biwan, 31, Beijing



NOS FROMAGES

MOF Robbichon, Brie de Meaux, Cantal _____ 4.50

NOS DESSERTS

MEDE au chocolat croulant, glace vanille _____ 5.50

ULEE a la queue de vanille _____ 5.50

UGAT saumon chocolat, am _____ 3.80

au vin de Brumilly, van _____ 3.50

parlons _____ 3.50

LANT & DANANI

DE aux POMMES

BLANC au MIEL

MAND

MAND

au vin de Brumilly



France: Long live difference

French consumers may hold the key to worldwide trends in e-commerce

Independent-minded and suspicious of overt digital marketing, French consumers are determined to assert their identity online as well as offline.

For companies wanting to access their wallets, these attitudes are a challenge. Consumers in France are tired of being a data point in a marketing database and want their online life to be personalized and human, not corporate. As such, rather than being a throwback to the past, consumers in France may be a signpost to the future.

"French consumers have embraced technology, but they are doing it on their terms," said Emmanuel Hembert, advisory lead, consumer & retail, KPMG in France. "They have an enthusiasm for e-commerce and the digital world more broadly, but they want to retain their individuality as they enjoy its benefits."

“

The French consumer abhors clumsy online marketing and prefers to do their own searches online. They like to feel free as they deepen their involvement with the digital world. A company that is smart enough to win the sophisticated French consumer can win any consumer worldwide. ”

Jay Nirsimloo, Chairman and CEO, KPMG in France

In line with this, French consumers' attitude towards the digital world is an intriguing mix. In our online survey, more people cited "missing out on real life" for disconnecting than in any other country. They were also the country most likely to find it "creepy". In addition, France has been at the forefront of efforts in Europe to reign back the power of US tech giants such as Google.

Top-five e-commerce market

Yet consumers are enthusiastic about online services that meet their needs. The country is among the top five biggest users of e-commerce in

“

I still like to see and compare and make the decision myself. I think it's part of the shopping experience. ”

Antoinette, 31, Paris



44%

of French consumers expressed distrust in advertising, the highest among our eight countries surveyed

the world. Indeed, France was first with a national online commerce network — French consumers started to access online services and make purchases of physical goods in 1981 — and today the infrastructure for online access and secure payments is world class. With three decades of e-commerce history, it should be no surprise that online purchasing is not limited to millennials; 75 percent of people aged 65-plus are buying online, according to one survey.

However, high levels of online spending do not mean French consumers have left behind their traditional discerning attitude. Our survey showed they don't like aggressive advertising. Instead, any firm wanting to access French wallets needs to develop more sophisticated messaging that allows consumers to discover, or believe they have discovered, their products. They want to feel their purchases are an extension of their personality, rather than being driven by an algorithm.

This is particularly important in clothing, which industry data shows is the most common category of purchase, aided by free shipping and easy returns to stores. However, online grocery sales are more significant than some data suggests. French consumers have fallen in love with a multichannel proposition of ordering goods online and then driving to collect them from a store or a dedicated pick-up point.

Retailers boast that the consumer does not even need to get out of their car, but in reality most do as this multichannel format combines the convenience of online ordering with the ability to check whether produce meets French consumers' exacting standards of freshness before accepting the order.



Indeed, this fluid movement between digital and physical worlds, common in advanced e-commerce markets, is particularly prevalent here. More than any other developed country polled, French consumers are likely to use social media to inform real-world, physical purchases.

New gadgets from abroad

They are also, more than in any other developed country, keen to be the first with a new gadget, a trait that plays both to their acceptance of technology and the desire, again, to express personality through their wallet.

Linked to this, French consumers are prepared to buy from online retailers outside their home country, mainly from the UK, Germany, the US and, more recently, China, to get access to unique products. This puts pressure on local businesses to offer best-in-class service — and many have responded.

Some local players such as FNAC are going head-to-head with the US giant with a wide range of products and prices. However, there is a thriving array of smaller, boutique offerings, with a curated product range, that cater to the desire for individuality.

Of course, with their decades of experience, French consumers know how valuable their data is to an online vendor. They also show low levels of trust, particularly in banks, tech and telecoms companies. Yet compared to their counterparts in the UK and the US, they are much more prepared to disclose that data in return for personalized products, services or security. Sure, some will also give up data in exchange for reduced prices, but this kind of bargain-hunting mindset was much more common in other developed countries.

It's a stereotype of old Hollywood movies to show the French as



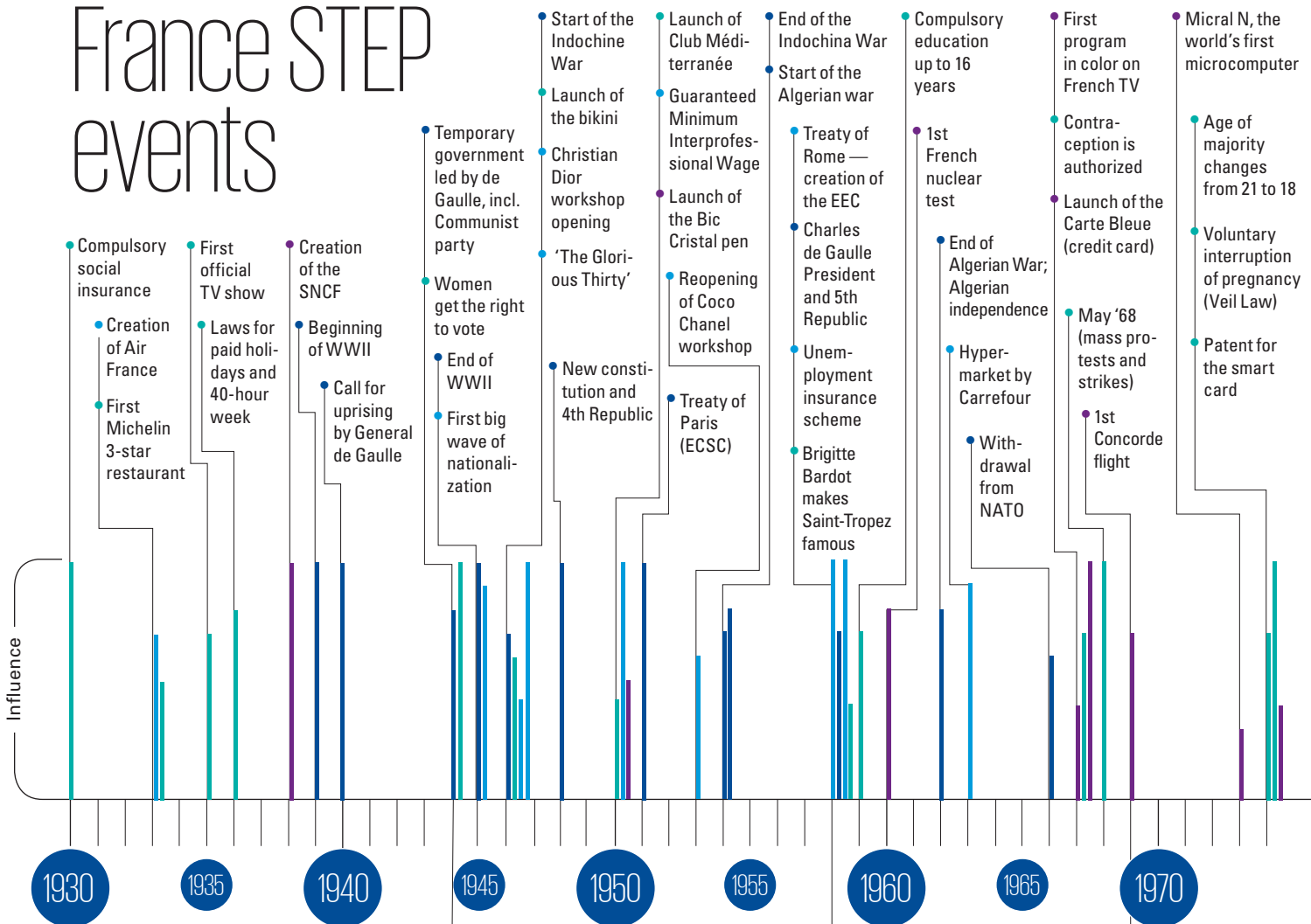
of French consumers believe companies should pay them for using their data

“Sometimes I buy from an online Chinese retailer, and I buy from China directly, so it's much cheaper than any other things on other websites, but you just have to wait for delivery. But if you're not in a hurry it's really cheap. ”

Louis, 25, Paris

sophisticated. But in terms of their attitude towards the new world of commerce, it is accurate. Some were paying for digital services years before the World Wide Web went public. Understanding French consumers is not easy, but insights here have a double benefit: they not only unlock one of the world's top-five online marketplaces, but they help show the direction other consumers may yet evolve.

France STEP events



Over recent decades, the life of a French citizen has been shaped and influenced by a range of diverse factors. Culture and fashion, progressive steps in equality, technological and transportation advances have all played a role. Recently, though, the country has seen a changing political landscape with conservative right-wing parties gaining influence and entering the mainstream, a more divisive political undertone, and a backdrop of a number of terrorist incidents — all of which are challenging what it means to be a part of French society in the 21st century.

- Social
- Technological
- Economic
- Political

Women get the right to vote

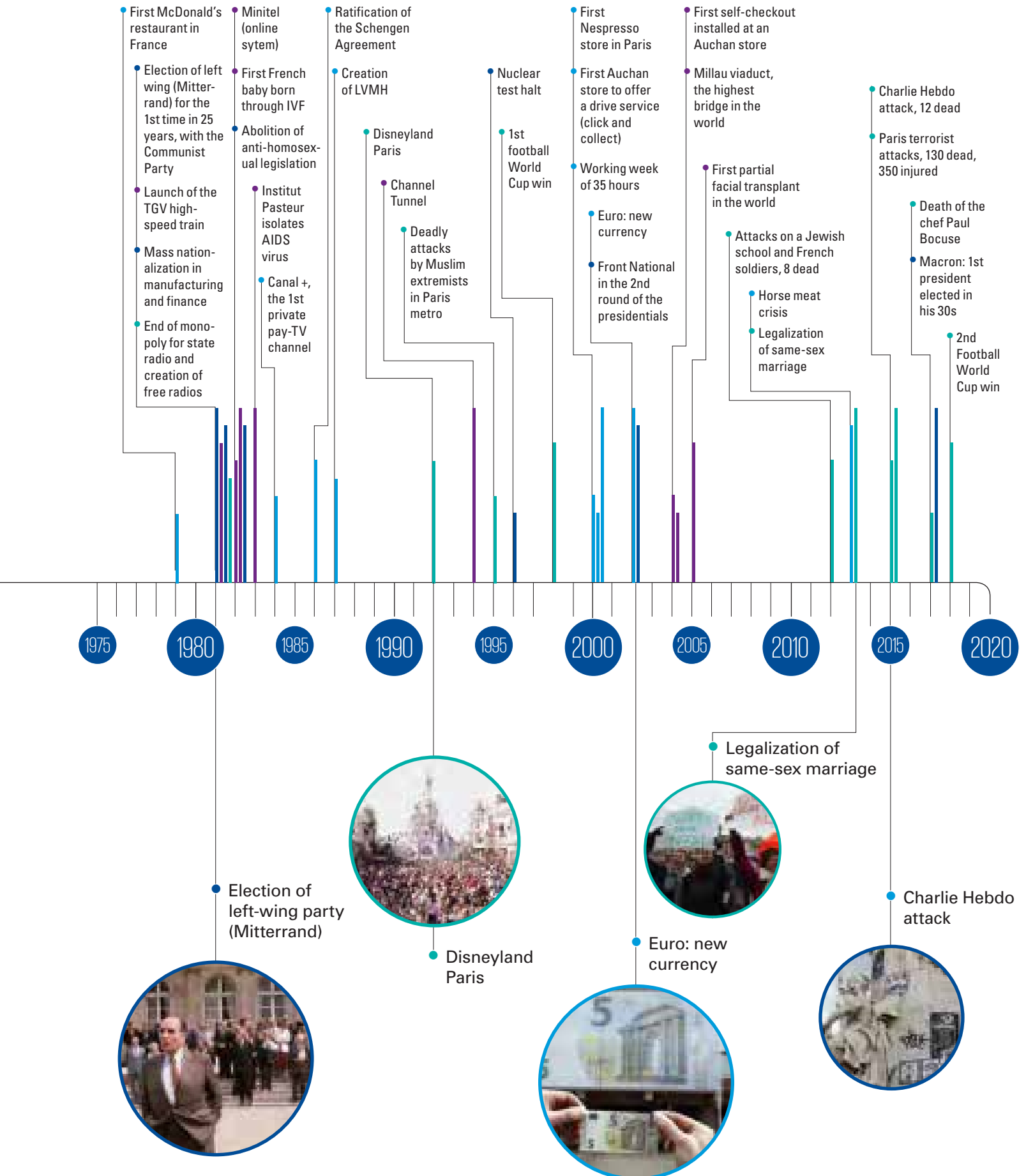


Brigitte Bardot makes Saint-Tropez famous



First Concorde flight





France: emerging themes



My motivation

- » Consumers are willing to consider incentives in exchange for their data
- » The primary need is a feeling of trust that the brand will act responsibly, then a data sharing relationship can begin
- » Data sharing can be used to make consumers feel more valued by the brand and increase engagement

2 in 3

would trade their personal data to a company for:



better security

17%



money

13%



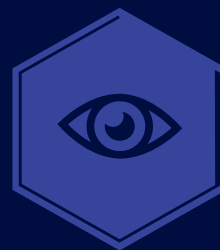
better products and services and better value/prices

12%

“

I'm a bit anxious this company will trade the data ... but several times when I have given my birthdate to companies, I received special gifts for my birthday and it's a good customer appreciation. ”

Marc, 60, Paris



My attention

- » Consumers feel overwhelmed by volume and reliability of information in modern era
- » There is a tendency to opt in and out of notifications as circumstances require
- » Brand communications need to be truly value-adding to win consumers' attention

1 in 3



can't determine what information is trustworthy



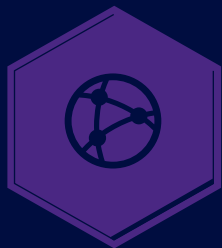
1 in 3

feel they missed out on some things they wanted to get to at the end of the day

“

For Facebook Messenger, for WhatsApp, for everything on my phone, I have no notifications. I only see the notifications when I choose to open the app. ”

Jade, 26, Lille

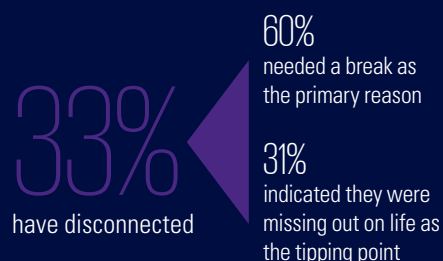


My connection

- » Consumers view disconnection positively, as a way to get away from the stresses of modern life
- » Context is critical to connection, but consumers feel that current technology isn't responding to context well enough
- » Consumers are looking for technologies that help them make the most of their life, not take it over

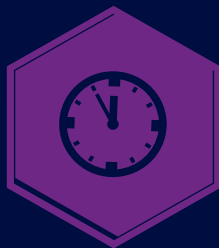


would rather lose their phone than wallet



“ I don't feel every day that I am a slave to my phone, but I confess that I have these moments when I'm away that are also nice. ”

Marie, 31, Paris



My watch

- » Facilitated by flexible technology, working hours are expanding
- » But this flexibility also allows people to tailor their working conditions to better suit their preferences
- » The challenge lies in making sure one can successfully balance work and play



a day worked on average, but people would prefer to work 7.5 hours a day



feel their work schedule leaves them enough time for their personal life

“ I work from home. It's difficult because it requires you to manage your time and freedom. I would like to work in a coworking space ... you can see people, have a social life. ”

Jacqueline, 33, Poitiers



My wallet

- » Spending is contingent on social obligations — life stage, networks and work impact heavily
- » Consumers leverage community-based forums that aggregate coupons to save money
- » Digital platforms allow consumers to take advantage of time and distance-dependent price differences



of families indicated their children influence their buying/spending

Shopping is evenly spread:



“ We have an app, and you can buy food just before it goes off, like when the shops can't sell it anymore, for really low prices. I like it and it's good for the planet. ”

Agathe, 22, Lyon

India: Subcontinent of richness and complexity

Soon to be the world's most populous market, India holds great potential for companies ready to adapt and invest in the long term

It is true that this vast country of 1.3 billion is a complex mix of languages, religions, castes, professions, demographics and more. When viewed as a consumer market, India is a varied and rich patchwork of communities, segments and cohorts.

From the perspective of the digital world, it is possible to fall into the trap of oversimplifying the same into two groups based on behavior. To begin with, this may transcend some of the complexity, but it will not be the right way to view this consumer base in the medium to long term.

Outsiders are familiar with the first group. Connected Indians in the major cities have mobile as their way of life; they have restructured their life choices around digital services in the pursuit of convenience. These are the ones who dominate our online survey that shows, for instance, tremendous

enthusiasm for digital-only services, including virtual personal assistants, as well as digital and real-world hybrids, such as drone delivery, which will be invaluable in India's crowded streets, if they can be made to work.

But there is another Indian consumer, who will experience a greater revolution than even this. In the vast expanse of mainland India, consumers are getting

“

The Indian consumer is difficult to understand, and as the online revolution progresses beyond the big cities and starts gaining momentum in the country's heartland, they are getting more complicated still. The rewards for companies who take time to learn, though, are substantial. ”

Arun M. Kumar, Chairman and CEO, KPMG in India





new choices for the first time, with information at their fingertips that can break the information asymmetry that disenfranchised them as a customer for decades. This is a huge group as more than 80 percent of the population live outside the 10 largest urban centers.

“With digital services moving from the big cities into India’s heartland, the type of growth of the market will change,” said Avi Ranade, partner and head of customer & channels, KPMG in India. “The consumer in a second-tier city will be very different to one in Mumbai and the rural consumer is different again. This makes the Indian market yet more complex.”

“

These days, everything you can get it at home. You can do online shopping. Those guys will just come in, you can try the clothes and then you can send it back. I think convenience is the most important thing for me and it’s just followed by pricing.”

Aanchal, 33, Bangalore

2019 elections

With the upcoming parliamentary elections in 2019, India’s government has plenty of incentive to invest in infrastructure, both digital and physical, that will facilitate this broadening access. The government will continue to assist small and mid-sized businesses, for instance, and encourage the digitization of the agricultural sector that accounts for 50 percent of the workforce.

Also, several programs that started in the last few years, such as the Jan Dhan Yojana financial inclusion program, are maturing. All this fuels consumerism, and changes spending habits and buying behaviors of the mass population.

Rural economies are also being helped by new payment channels, which make it easier for young city dwellers to send funds to their families elsewhere. A breakthrough would be WhatsApp, the country’s most popular messaging app, adding wallet and payment services for its 200 million Indian users. This would make remittances easier, but would also mean families back in the villages would need to be online to receive funds, further broadening the digital reach into the country’s heartland.

It would be a mistake, however, to take services that have worked elsewhere and expect them to capture this vast market without a rethink. Indian motivations and life goals are unique, with time pressure a particular issue.

In our online poll, 51 percent of urban respondents said they worked 6 days a week, more than twice any other country polled. Urban Indians are increasingly cash rich but time poor, so a global retailer selling do-it-yourself furniture, for example, needs to think about adding a do-it-for-me option at additional cost. There is an



increasing class of consumers who will also switch to brands that can deliver a personalized, multichannel experiences even if it means paying a little more.

Companies also need to understand consumption patterns. Some 44 percent of Indian survey respondents said they shop daily or biweekly, more than in any of the other countries. Corner stores that offer free, informal credit and a selection of products fine-tuned to neighborhood tastes are a surprisingly formidable competitor to the big e-commerce platforms, especially with last-mile logistics remaining a problem in rural areas.

Increasingly, the giant online players realize that instead of competing, they need to leverage the strengths of this unique, 12-million-strong network of local stores, using them as delivery agents and places where unwanted products can be returned.

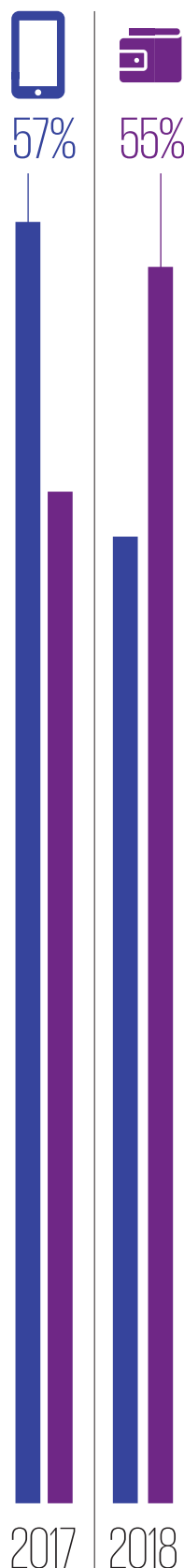
Digital entertainment

Among the sectors seeing toughest competition is digital entertainment, with more than 20 players vying for attention. Telecom provider Reliance Jio, with its global and local tie-ups, has changed the way in which the populace use their phones. Local players with rights to Hindi blockbusters and the IPL cricket tournament that transfixes the nation in April and May, are going up against Netflix other major video streaming services.

A range of different business models including freemium and subscription only are competing, but whichever triumphs, the result will be the same: a wider adoption of digital services with some element of payment.

There are many other sectors where services have yet to scratch the surface of the vast potential, such as healthcare and education.

Would rather lose:



“

I used to watch whatever was on TV but now I can use my smartphone, and there are applications, I have Netflix. So, I'm more addicted than before. ”

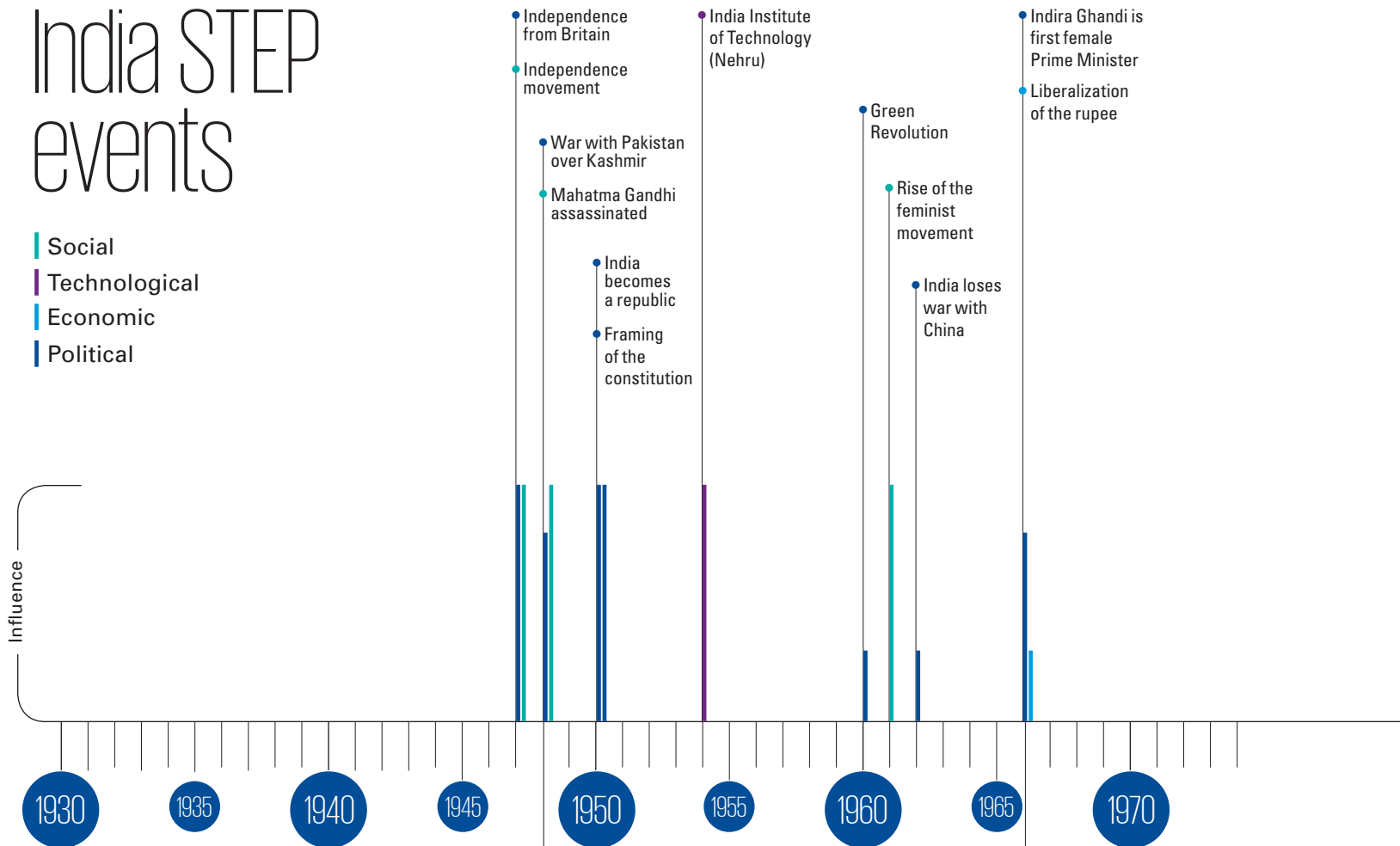
Aakrity, 28, Gurgaon

Our online survey showed Indian consumers are prepared to trust. Banks, in particular, are seen as trustworthy institutions, with tech firms and telecoms providers not far behind. Trust, however, takes time to build, but just seconds to break.

Companies chasing what will soon be the world's most populous market need to focus on the long, not short, term and make difficult choices on who they will serve and how they will be served, investing in supply chain and logistics to make it work seamlessly. Indian consumers are not forgiving because, more than ever, they have a choice.

India STEP events

- | Social
- | Technological
- | Economic
- | Political



The India of yesteryear is in many ways becoming a distant memory. The arrival of internet connectivity helped spur change on a revolutionary scale, connecting corners of this vast nation of more than 1.3 billion consumers and opening the country to a world of technologically fuelled economic and societal opportunity. Mass urbanization, rapid growth of the middle class, widespread adoption of mobile and smartphone technology — with more still yet to come.



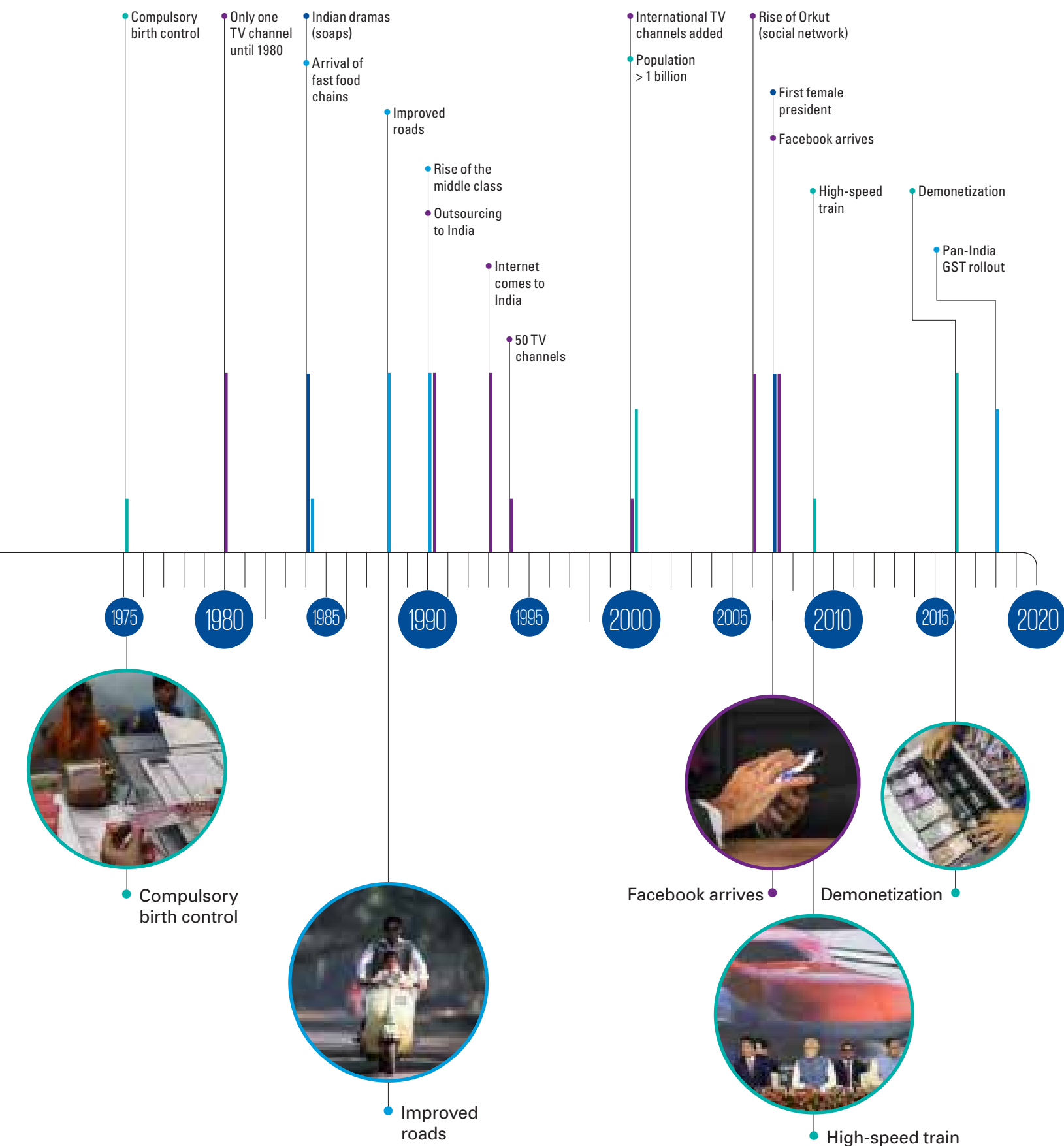
• Mahatma Gandhi assassinated



• War with Pakistan over Kashmir



• Indira Gandhi is first female Prime Minister



India: emerging themes



My motivation

- » Logistics cannot meet appetite for international brands and products
- » Desire for price comparison facility
- » Branded apparel popular but evidence of negative sentiment from younger consumers



87% would trade their personal data to a company for:



better customer experience and personalization

26%



better products and services

24%



better security

21%

“I wish there was easier transportation and delivery from services and products abroad ... there's a lot of additional shipping and then there's problem of customs.”

Himani, 30, New Delhi



My attention

- » Effort to regulate data flow with technology, such as ad blockers, but feeling that it is futile
- » Targeted marketing activity that aligns with consumer interest is valued
- » Conventional channels preferred to SMS messaging and phone calls for brand communications



58%

will most likely view brands on social media that “offer deals or discounts”

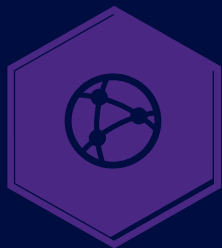


13%

will most likely view brands on social media that “showcase cool content”

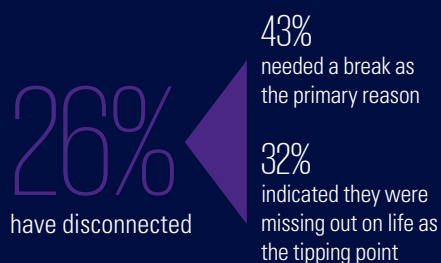
“I do some amount of screening ... but I think it is grossly inadequate [given] the level at which I'm operating.”

Deepak, 63, Mumbai



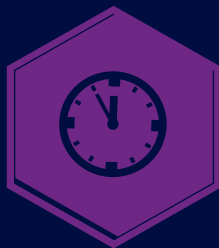
My connection

- » AI seen as a great way to make life easier in the future
- » Voice messages viewed as perfect compromise of the intimacy of voice and the convenience of messaging
- » Ability to disconnect from the internet/devices for short periods of time highly prized



“I’m much more comfortable being disconnected if I’m abroad. If I’m in India, I [need] to be connected and know what’s happening.”

Leela, 26, New Delhi



My watch

- » Life stages become less rigidly defined for younger generations, with marriage and children delayed
- » Older Indians feel less restricted by their age
- » Drive among the younger generations to start their own businesses



“My mom used to tell me, it was very common for anybody who was 22 and getting married and having a child at 23. For my age group, I got married at 27 and my sister got married at 28.”

Aanchal, 33, Bangalore



My wallet

- » Strong desire for quality food, whether in restaurants or grocery stores
- » Drive to make investments, with property highly prized
- » Health and well-being deemed to be important alongside material wealth for urban and financially independent consumers



“I try to seek [quality] for everything.”

Kamal, 26, New Delhi

UAE: Purchasing power worth fighting for

The United Arab Emirates (UAE), on its way to becoming a leading e-commerce hub, is a pathfinder for other regions

The UAE's population of around 9.5 million is modest, but its residents' wallets are worth fighting for.

Adjusted for purchasing power, gross domestic product (GDP) per capita is higher than that of Switzerland, and many UAE residents, 36 percent of whom are 20 to 34 years old, enjoy a high disposable income.

Destination malls such as Dubai's Mall of the Emirates, with its indoor ski slope, and Abu Dhabi's Yas Mall, connected to a Ferrari-branded theme park, have captured a significant part of the consumer wallet. They have accomplished this by understanding the motivations of UAE consumers, who often combine shopping, leisure and a meal with family or friends with a full-day experience.

“

The consumer in the United Arab Emirates has grown accustomed to a superb physical experience, enjoying some of the world's most iconic malls. Matching this experience in the digital world is tough but necessary if consumers are to switch to more spending online. ”

**Nader Haffar, CEO,
KPMG in the Lower Gulf region**





Dubai, the most populous city and home to approximately one-third of the UAE's residents, has positioned itself as a regional shopping hub with its largest mall, Dubai Mall, receiving 80 million visitors a year.

While physical retail is a finely tuned concept, digital offerings are still developing. A 2017 YouGov survey showed just 49 percent of consumers with internet access were making online purchases at least once a month.

Enthusiastically connected

One fuel for such growth is that UAE consumers are not only connected, but enthusiastically so. In our online survey, 48 percent thought a smartphone that could work out a schedule was "cool", a level of enthusiasm for digital-world innovation beaten only by the smartphone-crazy consumers of China and India. In addition, there is a high level of trust in tech companies:



60%

of UAE consumers say they have trust in the government, the highest of our eight countries surveyed and significantly ahead of a 37% global average

in the same survey, 58 percent said they would entrust tech companies with their data, for instance, a much higher proportion than seen in developed markets.

When asked about trading their data for personalization or better deals, UAE consumers were midway between the privacy-conscious Europeans and the more carefree consumers in China or India, with 23 percent saying they would not trade their data at all.

Reflecting this potential, the local landscape for e-commerce is changing fast. This year also saw the launch of Noon, a \$1-billion e-commerce venture backed by, among others, Saudi Arabia's Public Investment Fund and Mohamed Alabbar, chairman of local property giant Emaar Properties. In 2018, Noon made a move by partnering with a major American multinational e-commerce corporation, enabling delivery of products from around the globe.

While Dubai has positioned itself as a regional brick-and-mortar shopping hub, the UAE is also well on its way to becoming the leading regional e-commerce hub.

The challenge for e-commerce platforms lies in providing a population, accustomed to superb offline customer experiences, the same online experience, which is not easy. For example, last-mile logistics can be a challenge, even though approximately 50 percent of the UAE's population resides in its two largest cities. Delivery agents frequently combat logistical challenges, such as uncooperative building security guards, by directly calling recipients; however, delays and miscommunication impact deliveries. While still an issue, some such logistical challenges are being addressed by vendors offering GPS-guided delivery services.

UAE consumers are hesitant,



in some cases, about online payment. A 2017 YouGov survey found a market split between those enthusiastic about the latest payment methods, such as mobile wallets and contactless payments, and 25 percent who did not use a credit card.

Digitized public services

With this as a background, UAE consumers are being nudged online by the digitization of public services. Dubai, in particular, is keen to be one of the world's first smart cities, which not only involves big-ticket projects, such as automated transport, but also the digitization of everyday interactions with the government. Government services, such as permit renewals, utility payments and even reporting of crimes, are now available as online services.

In a time-poor environment — our survey showed 41 percent of consumers working six days a week, more than any developed market — the chance to save time is a powerful draw into the online world.

Despite the growth of online retailers and increased willingness to pay using electronic means, malls will likely remain at the center of consumers' leisure time. Top-end destinations are attempting to retain and expand their consumer base, using apps, Bluetooth beacons and other technologies to augment the consumer experience digitally, while simultaneously providing more detailed data to retailers.

Given the sheer size of the UAE's malls, technological solutions, such as indoor positioning systems like GPS working inside the mall, are a great help. Among those to have installed them is Dubai Mall, which has no less than 1,200 stores and 200 food and beverage outlets. While some malls continue to focus on experience,



54%

of UAE consumers feel they work too much or more than they'd like to, second only to India in our survey

“

The UAE's highly connected population is already comfortable accessing government services digitally. These factors set the scene for rapid, broad-based growth in digital commerce. ”

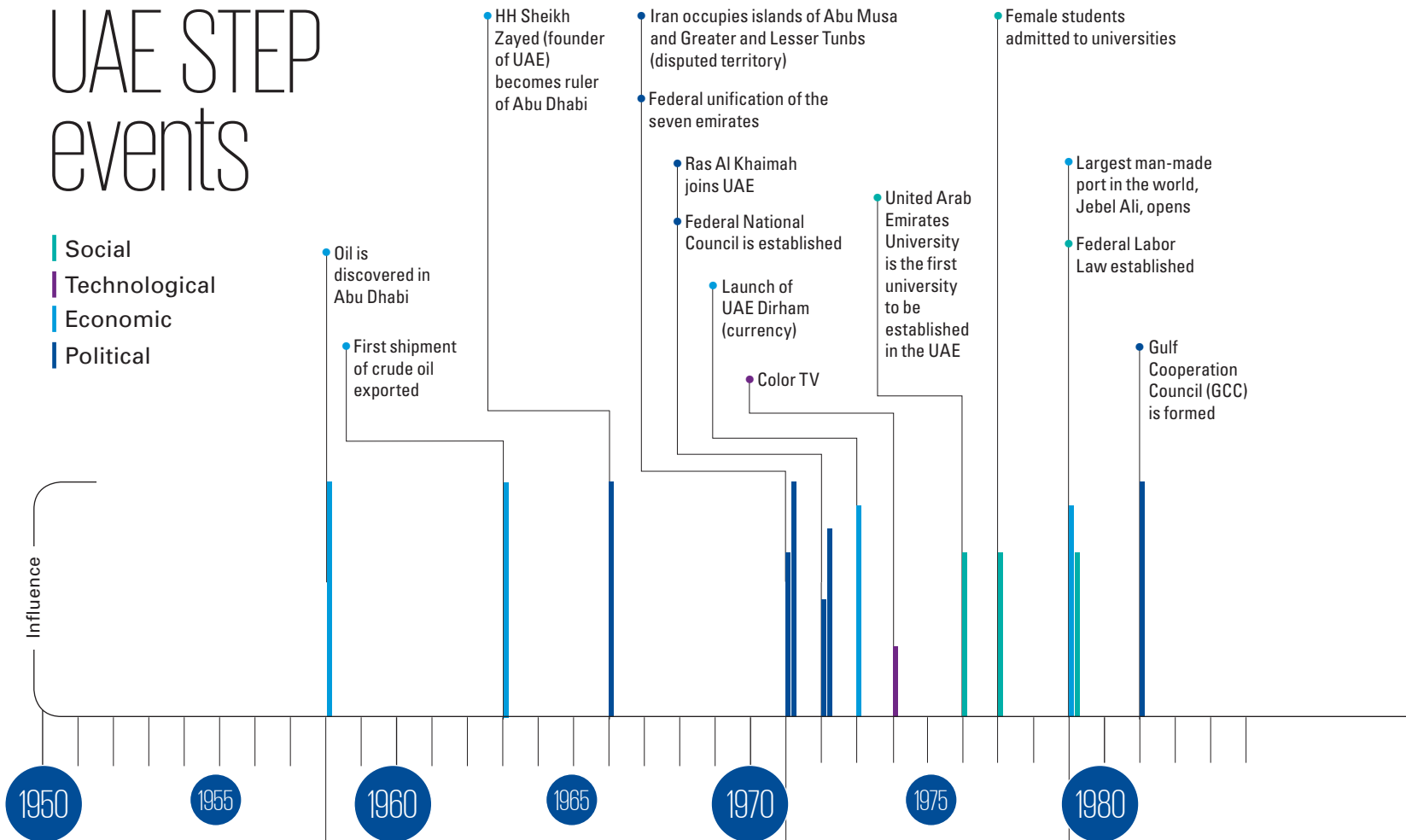
Farhan Syed, partner and head of digital and innovation, KPMG in the Lower Gulf region

others are focusing on value, geared towards offering outlet prices, but still including leisure facilities to service social and family needs.

More broadly, UAE consumers may prove to be a pathfinder for others in the region, not just in electronic retail, but in broader digital services. With a high disposable income, limited free time and an enthusiasm for technology, they represent an attractive market for both innovative, digital-only services and those that connect the digital and physical worlds.

UAE STEP events

- | Social
- | Technological
- | Economic
- | Political



For a country less populous than Belgium, the UAE boasts a scale far greater than its size might suggest. Following its independence some 50 years ago, the oil-rich collection of seven Emirates has witnessed rapid progression, from construction of ports, man-made islands and some of the world's tallest and most iconic buildings, to the world's largest fleet of the world's largest passenger airplane, to investment in smart technologies spanning the nation. And as the UAE approaches World Expo 2020 with much build-up, its economic, technological and societal transformation shows no signs of abating.



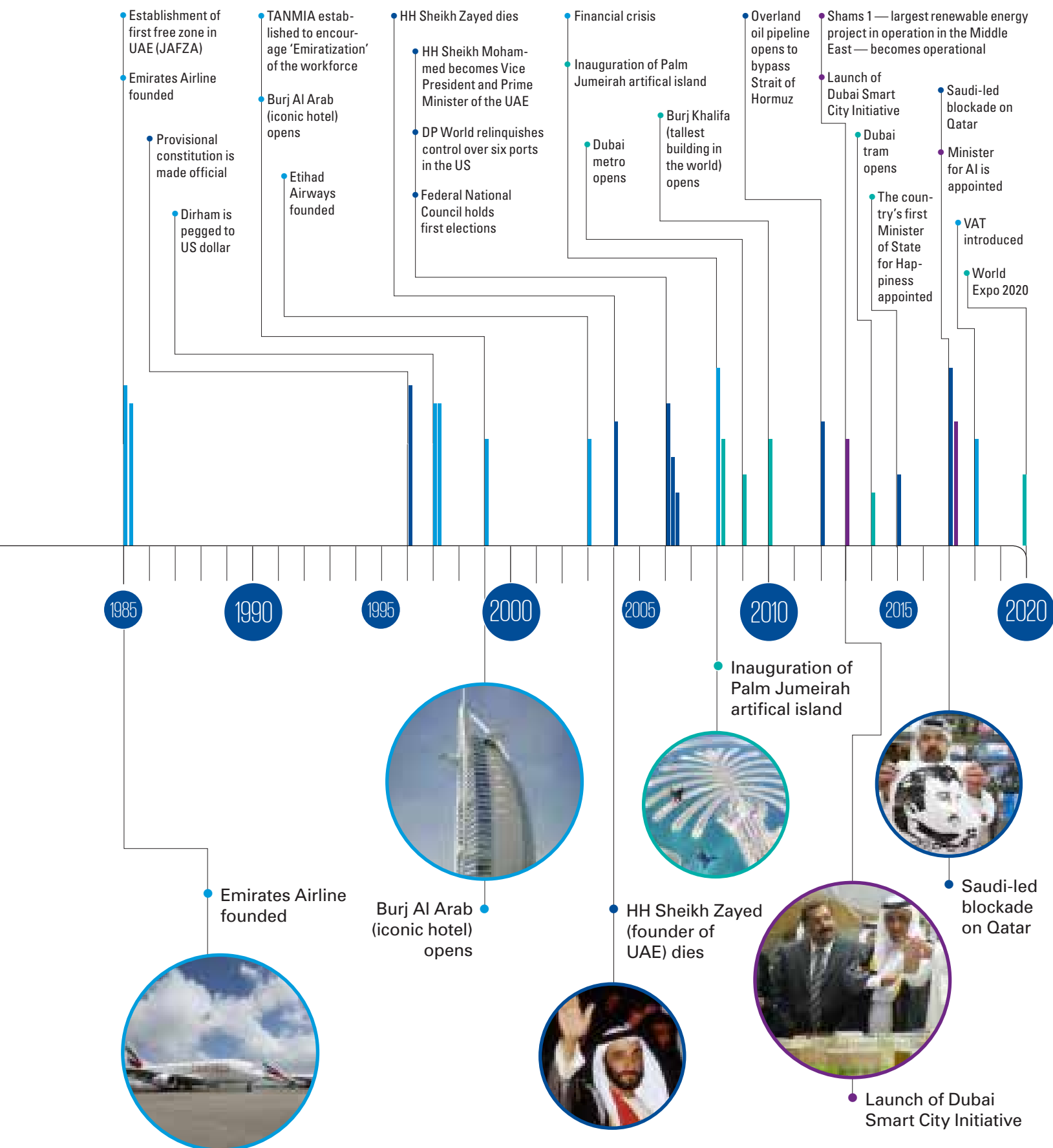
Independence from Britain, formation of UAE



Oil is discovered in Abu Dhabi



Largest man-made port in the world, Jebel Ali, opens



UAE: emerging themes



My motivation

- » Experience/expertise drives trust in brands and industries
- » The government is the most trusted and provides the best experience
- » Brands are a symbol of status, but this is diminishing among younger generations



22% would not trade their personal data to a company for:



better products and services

26%



better security

24%

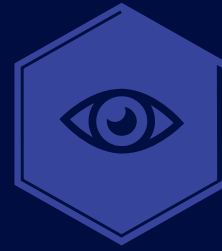


better customer experience and personalization

21%

“Hard to pinpoint one single status symbol [in the digital world] — in my opinion, it’s more of a lifestyle your online presence suggests you have.”

Sarah, 34, Abu Dhabi, UAE



My attention

- » Generally not overwhelmed by information
- » Strong appetite for curation — even by AI



63%

will most likely view brands on social media that “offer deals or discounts” (highest country)



97%

receive their news online

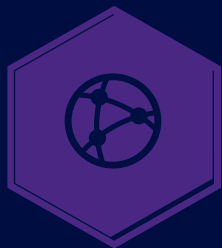


93%

receive their news on social media

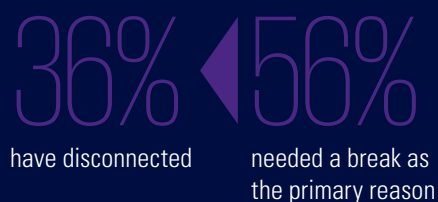
“I try to limit the number of mobile apps I use and the websites I frequent. Also I don’t use several social media platforms in order to control my time spent online as well as the information inflow.”

Pooja, 32, Sharjah, UAE



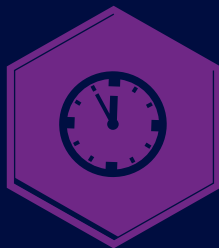
My connection

- » Happy with emerging tech other than self-driving cars
- » Many in the country have not disconnected for any reason



“I try to ‘disconnect’ from checking social media updates or feeds on a weekly basis. This was inspired by a phase of 2-3 months where I did not check social media feeds — it felt great and peaceful, which is why I am trying to incorporate disconnection as part of my routine.”

Anjali, 34, Dubai, UAE



My watch

- » Many still, with the megamall culture in country, shop exclusively offline
- » Their tendencies lean more towards Western than Eastern
- » Culture of longer working hours and weeks places a significant premium on their personal and leisure time



“We’ll invest less time on basic things and be more inclined towards delivering better products/services.”

Giorgio, 35, Dubai, UAE

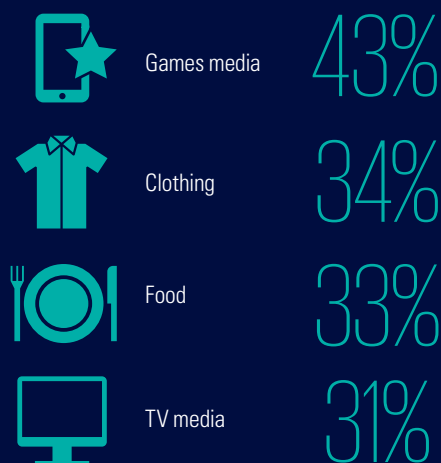


My wallet

- » Many are more anxious than in the past
- » Most don’t feel they’ll be able to retire



of families indicated their children influence their spending. The child’s involvement is “often” or “all the time” among:



“I would say work and money at this point in time. Stress is a factor of course, but not a constant.”

Amr, 27, Sharjah, UAE





UK:

Consumer relationships increasingly demand trust

The fast-paced and noisy consumer landscape in the UK commands that businesses engage with their customers on a more personal level, or risk being overlooked. That requires both the sharing of personal data and winning the trust of consumers. However, in the UK mistrust and subsequent consumer anxiety are on the rise, so therein lies the challenge

Hardly a day passes in the UK without a high-profile data breach or a major hack. And the consequence?

A population that is both wary and reticent to share personal data.

Our latest research highlights that levels of anxiety have reached an all-time high, with some 40 percent of consumers more anxious this year than last about possible misuse of their data. The KPMG research also shows that not only is mistrust widespread across sectors, it is also endemic in such fields as advertising, with only 15 percent of the UK population expressing trust in advertising messages.

"When it comes to online and social media, consumers believe there is much to be frightened about," said Adrian Clamp, partner and head of

“

We remain a digitally astute nation, however, the UK consumer mind-set is shifting. Data privacy is a key concern, and consumer trust is at an all-time low. Organizations need to truly understand their consumers' behaviors and values, if they are really going to exploit the value of personalization and drive growth. ”

Bill Michael, Chairman, KPMG in the UK



“

Just because something is necessarily the cheapest thing going doesn't mean I want it. I actually will look to a brand and first of all I want to know that I think that brand's a decent brand. ”

Adam, 33, Cardiff

customer advisory, KPMG in the UK. “Unauthorized tracking of online habits, identity theft, hacking of personal data and misappropriation of credit card details all play their part in the rapid decline of brand trust.”

But mistrust isn't exclusively linked to personal data. It stems as much from perceptions about how large companies and institutions are perceived to be behaving — simply



38%

of UK consumers ranked trustworthiness as the number one driver of their loyalty to a brand — the highest of our eight countries surveyed

put, consumers want to know that they're a company's priority

Tellingly, our research reveals only one in 10 UK consumers are willing to trade their personal data for improved products and services, over half would not want to release mobile data and nearly a third do not want firms to contact them directly on social media.

Trust agenda

Little surprise, then, that firms are increasingly considering how to articulate a trust agenda both internally and externally, and how to convey their trustworthiness to consumers in the most genuine manner, with a key focus on transparency.

Firms such as Marks & Spencer Food have laid out ethical and trustworthiness credentials with 'Plan A', their commitment to the provenance of their produce and the standards by which it is created. Cleverly, they have not claimed the high ground; they have simply increased their commitment every year to doing the right thing, in the right way. The result has been a significant increase in the level of trust they enjoy from their customers.

Our research highlights that for millennials a sense of trust is inextricably linked to the purpose of the organization they are dealing with. And this sense of purpose doesn't necessarily have to be socially or environmentally oriented, but can be a commitment to meet the needs of a particular consumer group in a special way. But what is critical is that the company clearly and unequivocally puts the needs of its customers before its own.

In the UK, for instance, one of the longest-established online grocery retailers has shown how committed they are to delivering on the promises they make to their consumers. From

pricing to their 98 percent accurate delivery time, every aspect of the experience is carefully orchestrated to build trust.

And our research shows that two of the critical factors for success in marketing to millennials are the ability to get their attention and the need to make them feel valued as individuals.

And herein lies the issue for UK organizations. Firstly, winning the battle for attention requires relevance and relevance requires knowing what is going on in consumers' lives. Secondly, to make consumers feel recognized as individuals requires that we show we know them deeply, not superficially. Neither of these are possible without personal data and, as our research shows, consumers will not reveal critical items of personal data to organizations they do not trust.

Virtuous and vicious cycles

We are, therefore, witnessing both a virtuous cycle and a vicious cycle, and we need to understand and be able to manage both.

The virtuous cycle is driven by earned trust. Consumers give away personal data so their experience is more personalized; the more personalized the experience, the more trust is created; the more trust that is created, the more data that is given. The vicious cycle is simply the reverse. The second their data is misused, there is an instant loss of trust.

As the saying goes, "trust is earned in drops and lost in buckets". It requires us to identify trust-eroding moments and put them right while, at the same time, maximizing the positive impact of trust-building moments.

Trust is the fundamental requirement for any form of relationship and our research shows that it is the base-level upon which



27%

of UK consumers say they trust the government, versus a global average of 37%

“

Well, the best thing they could do is try and target it to something I would like to buy, but I guess the worst thing would be transferring it on to other companies, which I wouldn't be happy with. ”

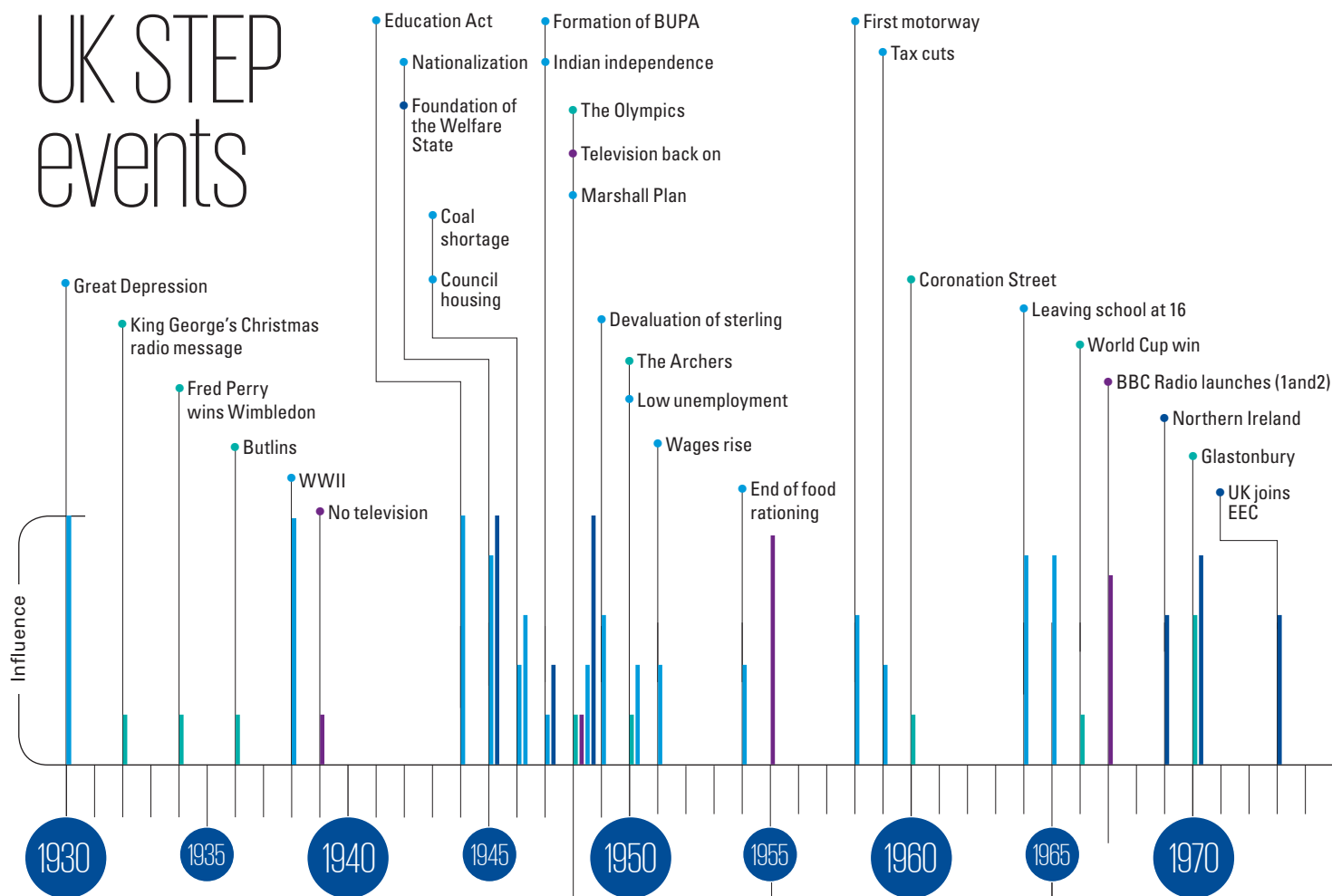
Rachel, 34, Belfast

great experiences are built. In the world of personalization, customer relationship management and advanced analytics, it has become the single-most important currency. None of the commercial value inherent in these exciting new tools can be realized unless consumers are prepared to release their personal data and involve brands in the minutiae of their lives. Therein lies the challenge.

"Our *Me, my life, my wallet* research clearly shows that in today's world, trust has become the imperative not just for success, but for staying in business," Clamp concluded.



UK STEP events

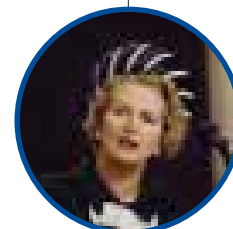


In years gone by, the UK consumers' rapid adoption of technology and connectivity, and their seemingly insatiable appetite for digital innovation, would have been highlighted as perhaps one of the most defining characteristics of this nation. But in recent years, economic disruption, austerity, societal divisions and political turbulence — not to mention Brexit — have cast a far greater impact on the attitude and outlook of the British consumer.

- Social
- Technological
- Economic
- Political



ITV launches



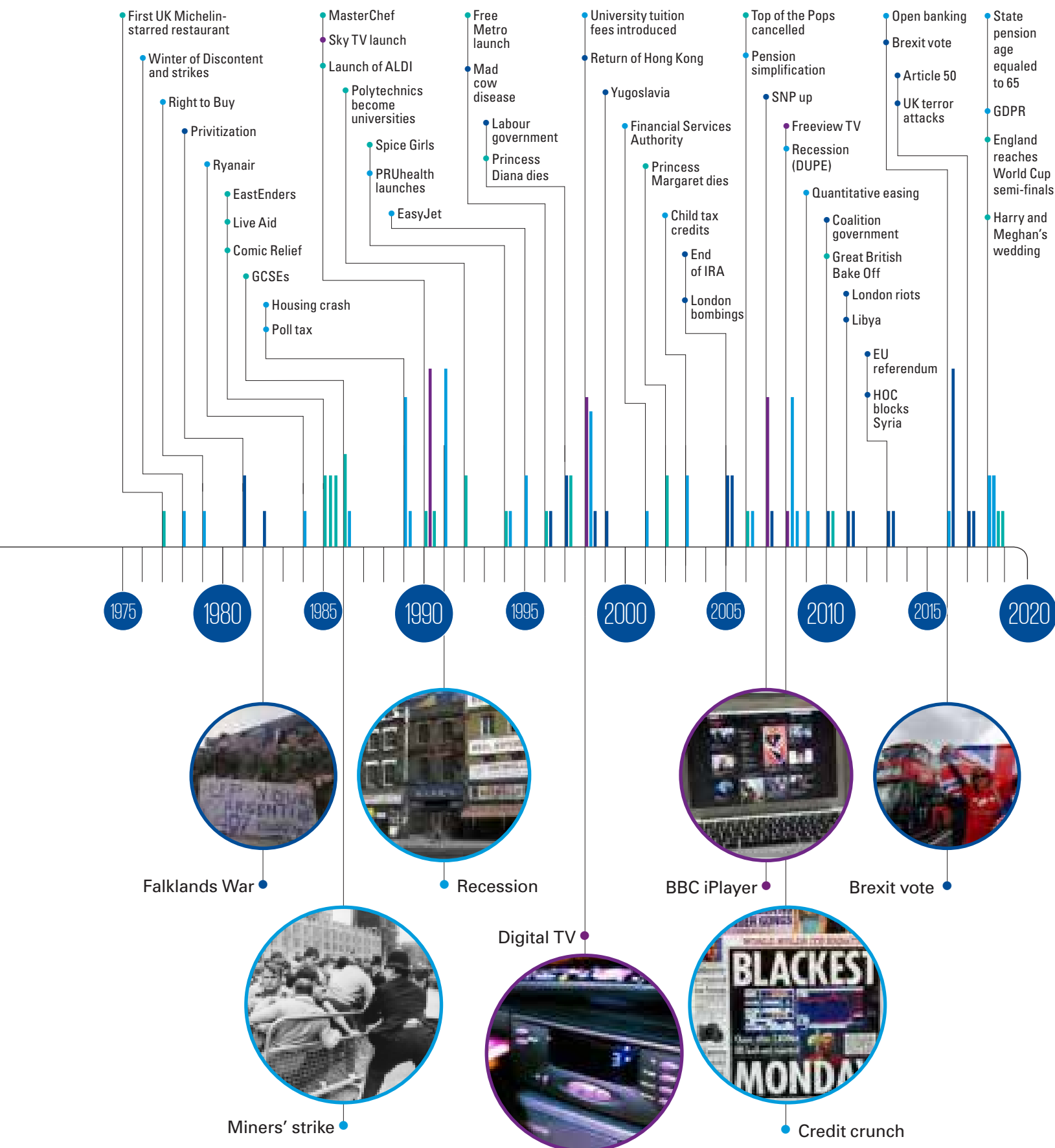
Thatcher



NHS founded



Comprehensive schooling



UK: emerging themes



My motivation

- » Delayed gratification in purchasing
- » Want a good deal and product quality is important
- » Logos don't matter



50%+

can tell what is trustworthy

66%

would trade their personal data to a company for:



money (compensation)

18%



better values/ security

14%

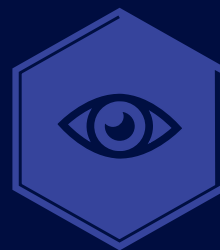


better security

14%

“
I don't mind. They can have it, anything they want. I'd give them anything for anything. ”

Louise, 32, Leeds



My attention

- » Cutting back on social media
- » At best indifferent to online advertising
- » Stay informed on economic and political developments



57%

will most likely view brands on social media that “offer deals or discounts”

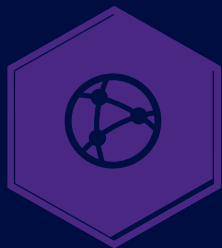


18%

say social media does not influence their perception of brands

“
I found that I was spending too much time on social media and things so I quit [one platform] and signed out of [another] on my phone now. ”

Paul, 30, Belfast



My connection

- » AI is currently used mainly for basic interaction, easy commands and entertainment
- » Staying connected is the status quo, disconnecting is a conscious decision
- » While voice calling is falling out of favor, messaging has become more fractured with people using different platforms



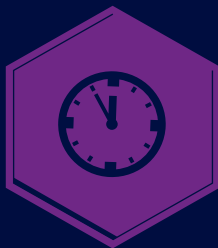
would rather lose their phone than their wallet

1 in 3 have taken their child's phone away for:

58% punishment 31% overuse 11% misuse

“ I don't mind being disconnected, but when it happens and you don't know it is about to happen, it's really disruptive. ”

Amy, 27, London



My watch

- » Reticence about using automated purchasing services due to limit on ability to buy spontaneously and change purchases
- » Willingness to delay purchase until discount or sale to get better value for money
- » Knowledge that decision to delay was good or smart choice gratifying

46% feel their work schedule leaves them enough time for their personal life

8.1h a day worked on average, but people would prefer to work 6.9 hours a day

7h a day spent on life, but would prefer 7.5 hours a day (highest life preference across countries)

“ [Since retiring] I'm in a beneficial position where I've got the time, but I've also for the first time not gotten minimum things to pay out, but still, sort of, money coming in. ”

Jane, 60, Midlands



My wallet

- » People tend to make trade-offs across categories to allow them the luxuries they want in their life
- » People don't like to compromise on food and well-being as they are linked to their overall sense of happiness
- » Brits feel empowered by being in a position where they don't have as many outgoing costs and can rely on money from investment

Of those that said children impacted their spending, the top three were the following:

| | | |
|--|-------------|-----|
| | Clothing | 23% |
| | Media games | 21% |
| | TV media | 18% |

“ With studying/wedding planning, I can't afford to do as many holidays, or buy expensive things, as I used to be able to a couple of years ago. ”

Maya, 30, London





US:

Shifting expectations

US consumers are increasingly carrying their opinions with them when they spend, adding complexity to a market that is already a patchwork of geographies, age groups, ethnicities and more

Choice. It used to be something we craved. The hallmark of a modern, progressive and consumer-empowered society. But for today's US consumers, it's become almost overwhelming. An unprecedented array of options. A fragmented media and information landscape. A plethora of brands and channels vying for their attention and access to their wallets.

As a consequence, US consumers are applying an ever-greater range of filters to their purchasing decisions. It's no longer enough for a product or service to fulfill its functional promises. Product and service proliferation along with increased reach have created a myriad of options. Mass connectivity and penetration of smart devices put scores of alternatives just a tap or a click away, while one of the most popular online retailers alone now offers more than 500 million product lines in this one country.

Increasingly, choice is no longer shaped by the traditional battlegrounds of price, availability, user experience or distribution alone. Across the country, a more values-based influence on purchasing has broken out of the millennial age bracket with which it is often more associated. It now plays a role across both younger and older generations, in part due to the echo effect of younger generations, increasingly in greater proximity to their parents as a result of delayed life events, determining the direction of the family dollars.

“

Over the last year, the US economy has proven its resilience across a range of measures, but presuming that this upwards trajectory will naturally translate into improved revenue growth isn't a foregone conclusion. The companies thriving in today's marketplace are taking steps to ensure they understand the consumer of today, and tomorrow, and are adjusting their business models accordingly. ”

**Lynne Doughtie,
Chairman and CEO,
KPMG in the US**



“

[Burt's Bees] were one of the first companies [I saw] that were starting to advertise they didn't test on animals and they used natural products. So I chose to go with them and it kind of snowballed into choosing more like that. When I go to the grocery store, I try to buy cage-free eggs or something that seems as though it's treating the people and animals involved well ... ”

Stacy, 31, New York, NY

According to recent Forrester Research, almost seven out of 10 US millennials actively consider company values when making a purchase and this is spreading to older generations. In the same research, the firm says 2017 marked a tipping point for Gen X, with more than half of US consumers in this cohort applying the same purchase considerations as their millennial counterparts.



47%

of US consumers say they're willing to pay more to an ethical retailer that gives back to society

Today's consumer is weighing a much broader range of factors covering a wide range of a brand's conduct in the community and across stakeholder groups writ large. These factors include an organization's sponsorships, endorsements and the causes or influencers with which it seeks to align itself. Also, how a company treats its staff, ranging from gender pay gaps to the minimum wage or contract terms, its supply chain and sourcing practices. And its environmental policies and impact. Some or all of these factors, and more, no longer merely shape brand perceptions or the abstract concept of corporate reputation, they are having a very real impact on where and with whom consumers choose to open their wallet.

From product to brand to soul

Great product form and function is no longer enough. Nor is the status associated with a brand and its explicit or implied positioning. Consumers are increasingly placing their trust and their dollars with the companies that behave ethically with suppliers and staff; that produce their products in a sustainable way, minimizing their environmental impact or even creating a positive footprint; whose advertising features real people representative of real consumers, rather than supermodels; and that engage obviously and positively within their communities and with their customers.

Moreover, this change is being exacerbated by changes in media and information consumption patterns. Brands cannot ignore the rise of the internet, along with its well-documented bots and biases, filtering and echo-chamber effects. Notably, among those we surveyed in the

US, four out of 10 Americans said an engaging social media presence was important among the brands they frequently purchase, slightly higher than those in other developed Western countries.

It's also important to recognize that the rise of the world's largest demographic grouping — millennials — occurred in tandem with the increasing pervasiveness and influence of social media platforms. The co-evolution of this younger generation and their distinctive set of values, alongside the means to project and share it with an almost limitless audience, set the stage for something of a ladder effect, where consumer decision-making progressed from product features to brand values to the need for increasing transparency of the soul of an organization.

In this high-feedback environment, the transgressions (and triumphs) of companies wanting to capture the consumer are quickly circulated, perhaps magnified or even exaggerated, among groups of concerned consumers.

"The media and information diet of the American consumer, if there even is such a singular notion, has shifted dramatically over recent years," said Julio Hernandez, customer advisory lead, KPMG in the US. "Filter bubbles are far from a theoretical notion. Influencers affect far more than likes and follows. Social media, regardless of the consumer's platform of choice, is profoundly shaping our versions of reality. To target the right consumer, with the right messages and experiences at the moments that matter most, is no longer attainable through demographics alone. It's imperative that organizations take account of who and what is reaching and influencing their customers or risk falling out of the conversation."



4 out of 10

American consumers say an engaging social media presence is important among the brands they frequently purchase from

“

If I can afford to make the purchase, I would rather choose to purchase from the socially conscious company than not ... ”

Victoria, 36, Miami, FL

What to make of all this?

In addition to the traditional imperative of satisfying the particularities of consumers' needs, companies now have to meet consumers' expectations around a myriad of other aspects. Satisfying the need alone isn't always enough anymore, but expectations vary from consumer to consumer. And these aren't tangential to the business of serving consumers; these shifting expectations are permeating across the US consumers' Five Mys.

As the online revolution swept across the US with dramatic adoption rates and e-commerce cemented its role in household



purchasing behavior, two of the Five Mys — watch and wallet — became critical sources of differentiation and competitiveness. Whoever could get the product delivered fastest and most reliably, and could meet or beat the prices so readily compared by this connected consumer, could stand apart from the competition.

But now competing on the watch and wallet alone isn't enough. Swift delivery, ease of returns and competitive pricing have become

“

I know during June, they sell LGBT products for Pride Month, so that's kept me as a loyal customer to them. Apart from the convenience and the prices they offer, I know I could get something down the street at another store that's closer, but just because this retail store does that, it got my loyalty ... ”

Carlos, 35, Miami, FL



20%

of the US population lived in multi-generational households, as of 2016

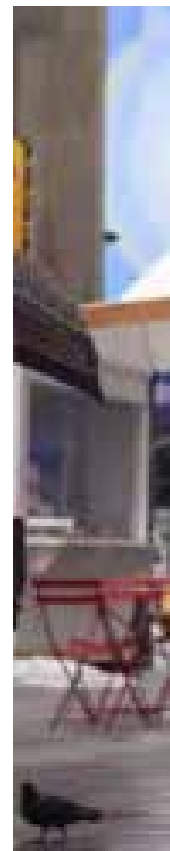
commoditized; they're now simply the table stakes. And while not every organization is able to meet these expectations, and some are simply dropping out of the race, the consumer expects more. The three other mys — motivation, attention and connection — are becoming increasingly prominent in how consumers make choices, and this is emerging as the new battleground for organizations.

It is beginning to require companies to be much more nuanced in their approach and positioning, frequently so much so that some are forced to choose serving one segment over another as it proves impossible to meet opposing, incompatible sets of expectations with one single brand. In this regard, brand values, whether declared, associated or perceived, play an increasingly important and potentially dividing role.

Companies used to be able to segment consumers based on age, gender, socioeconomic, geography and behavioral characteristics, among other factors. Yet, increasingly, that is no longer the case. And a company's own employees are often standing up and expecting their leaders to take a stance on the issues of the day.

For companies wishing to tap into the world's largest consumer wallet, the changing dynamics of this new world add nuance, opportunity and risk. A stance that resonates with one group of consumers may repel others. Also, positions that are fringe today may become mainstream tomorrow and vice versa. Social media network effects can rapidly magnify, and often exaggerate, controversial issues and the positions companies have taken on them.

What is clear is that for many consumers, who have many options of what and where to buy, a significant proportion are applying





new factors in their decision-making process. It has become more than simply satisfying a need; it's now about both meeting expectations and a sense of shared identity, including whether an organization holds the same values as its consumer and the identity, offline or online, the consumer wants to project. In turn, this raises the bar not just for the type, level and content of communication, but most importantly for the need for organizations to clearly define, and cleanly position, its stance, its DNA and its soul.

"Over the last year, the US economy has proven its resilience across a range of measures," said Lynne Doughtie, chairman and CEO, KPMG in the US. "But presuming that this upwards trajectory will naturally translate into improved revenue growth isn't a foregone conclusion. The American consumer is evolving



Almost

7 out of 10

US millennials actively consider company values when making a purchase

“

I probably check online before I buy anything ... ”

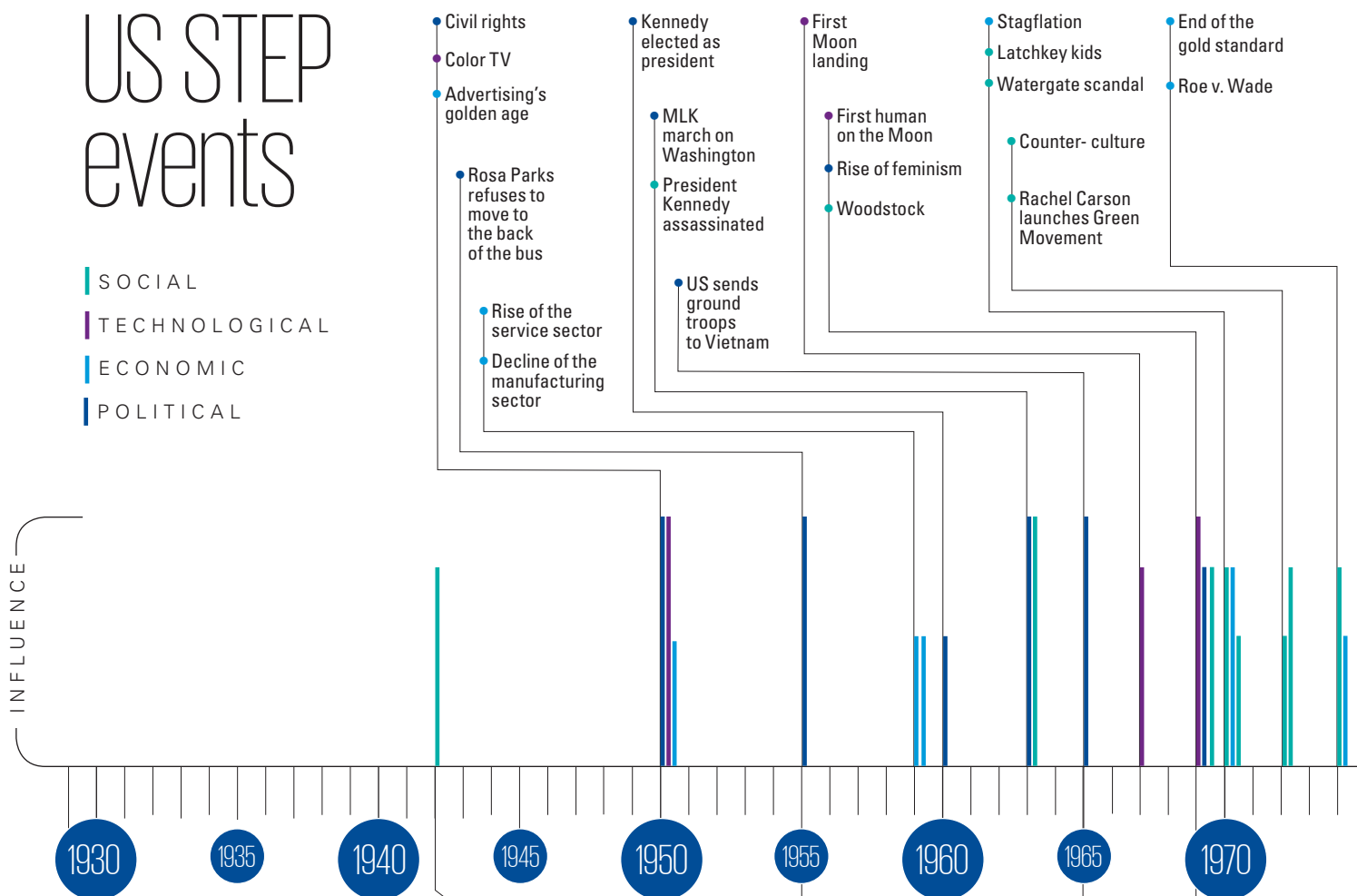
Stacy, 31, New York, NY

once again, no longer making choices in the way they once were. To overlook these new expectations is to risk falling out of step with both the consumer of today and tomorrow.”

There is no simple answer. But it has become inescapable that companies must be cognizant of all facets impacting a consumer opening their wallet. Empathy, sensitivity, and societal and cultural awareness have become key to navigating this new environment, recognizing that choosing to be transparent or choosing to take a stance may be a tricky balance between endearment and alienation of the consumer.

US STEP events

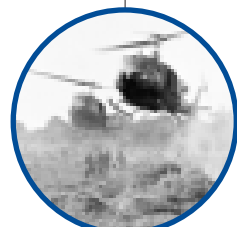
- SOCIAL
- TECHNOLOGICAL
- ECONOMIC
- POLITICAL



Long heralded as a hotbed of progress, technology has been a consistent force in shaping the lives and behavior of the US consumer. Home to a 'who's who' of technology titans that continue to dominate and shape the stock market, the US consumer — with their enthusiastic adoption of new technologies and brands — has been something of a testing-ground for innovations, new experiences and new ways of connecting with the world around us for generations, and continues to export paradigm-shifts around the globe.



End of WWII



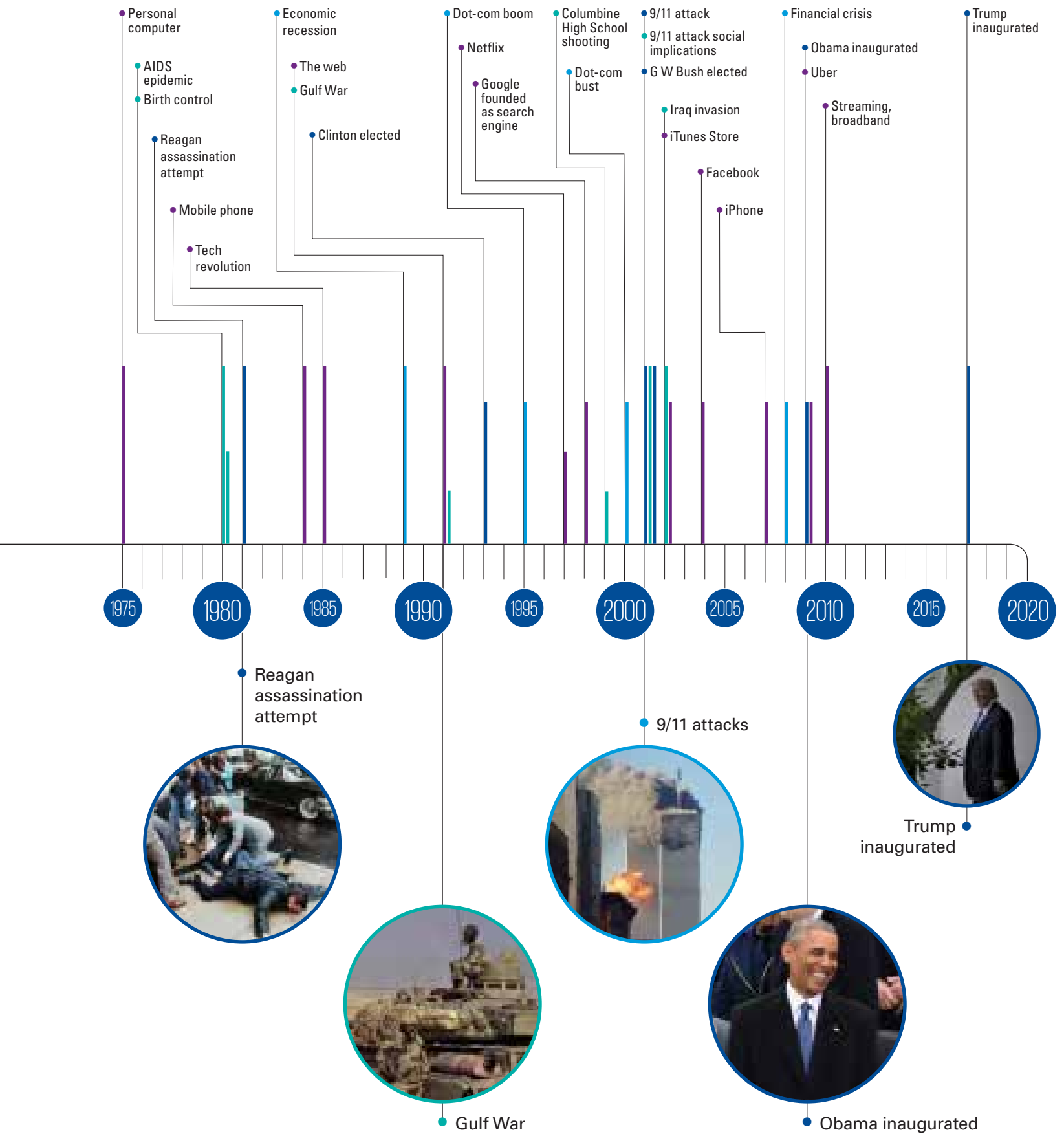
US sends ground troops to Vietnam



Rosa Parks refuses to move to the back of the bus



First human on the Moon



US: emerging themes



My motivation

- » Digital status derives from many followers and quality photos/posts
- » Some price comparison, but default is to shop online
- » Creeped out by targeted mobile ads for things they have only spoken about

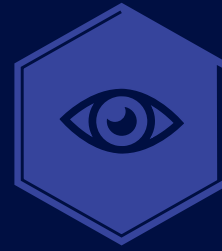


would trade their personal data to a company for:



“It’s really creepy to know I’m always being watched. I fully accept and realize I am being watched, but it’s just, don’t remind me.”

Calvin, 24, MA



My attention

- » Emails are most received and least desired form of communication
- » Being informed is getting tougher, so focus on only a few interests
- » People disengage from the news but are still informed through social media



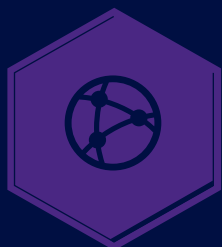
will most likely view brands on social media that “offer deals or discounts”



will most likely view brands on social media that “showcase cool content”

“With the widespread usage of social media, big news is spread very easily. I don’t think I’ve lost anything ... sometimes it can be too much.”

Steven, 25, Canton, OH



My connection

- » Disconnection is pleasant but temporary; modern life demands devices
- » Voice assistants either loved or hated, whether at home or on-the-go
- » Texting is preferred, but video calls are best for close conversations



would rather lose their phone than their wallet

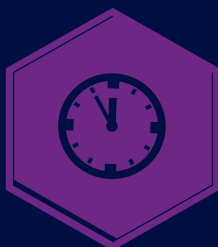


of US consumers say they've intentionally disconnected from devices, social media, news, information and/or online life

“

I am a phone person. I pick up the phone and I call ... but if it's a young person in their 20s or 30s and they start by texting, I will text ... I find that that's what they prefer. ”

Aimee, 49, Frisco, TX



My watch

- » 'Investment' is about putting time into relationships and self-improvement
- » Age is just a number and a state of mind
- » Retirement is boring, so they want to work at something they love until they die



feel their work schedule leaves them enough time for their personal life



a day spent on health (highest country on health)

“

I think young is a feeling. My mom is 64 and feels 32. So she can still own that. ”

Victoria, 37, Miami, FL

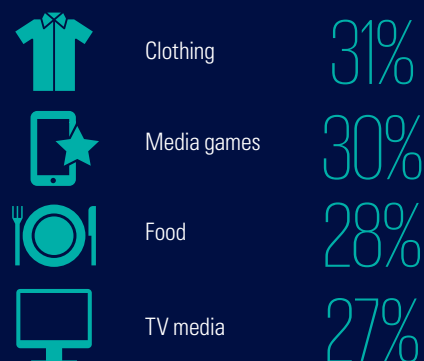


My wallet

- » Marrying, moving and having kids are the biggest shocks to money
- » Lack of funds and know-how prevent more financial investment
- » Guilty pleasure purchases are excellent food and drink (esp. alcohol)



of families indicated their children influence their spending often with the following:



“

I would rather spend more money on a good meal, a ride and some decent wine. ”

Karen, 38, Omaha, NE

The wake-up call

You may not know it, but you have already been disrupted

"The pace of change has never been this fast, yet it will never be this slow again." So remarked Justin Trudeau, prime minister of Canada, at the 2018 World Economic Forum summit in Davos.

It's one thing to recognize that disruption is happening, across organizations, sectors and geographies. But it's quite another to acknowledge we ourselves have been disrupted, and therefore our business strategies and related tactics have to meet our current state, both opportunities and threats, as well as the continuing transformational disruptions to come. Are you prepared? It's insufficient to just talk about 'innovation' or 'digital'; we also have to be able to execute.

When we talk to business leaders around the globe, we find

consistent agreement that we're in a transformational time — with most believing we will see more change in the next 2-3 years than in the last 50. But too many executives also say that their companies haven't been, or somehow won't be, affected. Not only do we strongly disagree — we think this is evidence of a significant and dangerous disconnect. Our world has been turned upside down. Companies and industries are not just 'in disruption', a verb, they are disrupted — a noun! And this upheaval and transformation will continue.

So what's next?

For starters, we need to find out what we're missing. Too many organizations' business models are still based on selling to baby boomers, quite possibly because the CEO population is still mostly



boomers. Their strategies are based on a belief that we have always done it this way and have been successful; that boomers have the lion's share of wealth and assets and therefore should be prioritized. But our research shows that marketing to people who have money isn't nearly as important as marketing to those who are spending money.

Today, it's not only boomers or Gen X, but millennials and Gen Z who are spending, and they also have influence on their parents' wallets and the choices that open and close them. Gen X, all too often labeled a forgotten or overlooked generation, shouldn't become your forgotten or overlooked customer. As the 'sandwich' generation, who are taking care of their parents as well as their children, they are most in need of products and services, and they can pay for them.

What's more, many of them are moving into business leadership roles or already have them. They're in their peak employment and earning years, and in spite of their history of unfortunate timing, they stand to inherit a significant transfer of wealth over the next decade. Soon, if not already, they'll be making the decisions that will affect your organization's future.

Fundamental, not fleeting, impact

To survive, every company needs to recognize the effects of these



23%

of global CEOs believe their organization exceeds its customers' expectations for a "personalized" experience

“

This is a time that demands new, creative and fresh thinking in the face of unparalleled disruption and transformation. It's imperative that executives wake up and confront, and importantly define, the problem. Build strategies based on the new realities of their consumers, not just those they've served in the past. And then execute with both determination and discipline. ”

**Willy Kruh, Global Chair, Consumer & Retail,
KPMG International**





demographic shifts, shift in life events, monumental evolution in customer experience design, and the impacts and opportunities stemming from AI and deep personalization, and how technology is forever altering how we all live our lives.

Author Michael Lewis provides a useful analogy with his book about US baseball, *Moneyball*, in which he tells the story of how the Oakland A's front office took advantage of more analytical gauges of player performance to field a team that could better compete against richer competitors in major league baseball. It's the infancy of how analytics and deeper insight can win over gut instinct and 'tired and time-old methods'. And with a team of players many other teams didn't want, using these tactics, they won and won and won.

"This is a time that demands new, creative and fresh thinking in the face of unparalleled disruption and transformation," argues Willy Kruh, global chair, consumer & retail, KPMG International. "It's imperative that executives wake up and confront, and importantly define, the problem. Build strategies based on the new realities of their consumers, not just those they've served in the past. And then execute with both determination and discipline."

It starts with gaining a fresh perspective on what's really driving consumers' choices today and how that might evolve tomorrow. With understanding the realities of our multidimensional consumers and abandoning the outdated reliance on fragments of 'insight' in favor of a more holistic picture. With acknowledging that we're dealing with more demanding, empowered and informed consumers than ever before, and embracing the pace,

“

We need only look to the defining moments in our own lives, to what's influencing where and how we choose — or not — to open and close our wallets, to the behaviors of our children. Every day we're faced with brands that exceed our expectations with world-class experiences, and those that miss the mark. It's time to ask ourselves — which do we want to be for our consumers? ”

Colleen Drummond, Head of Innovation Labs, KPMG in the US



1 in 5

global CEOs say emerging or disruptive technology poses the greatest threat to their organization's growth

agility and potential for revolution this may require.

Only then can companies hope to chart a course to growth that leaves their competition a distant memory. Consider the many questions in this publication and put these important tools to work for you.

Last year, KPMG released a report entitled *Think like a start-up*, advocating that companies should create a blank canvas and challenge whether they need to recreate themselves. The call to arms was to ask: If you had to do it over again, what would you do with your business? How would you use technology today? How would you think about clusters of consumers and which demographics would you seek to serve?

Stand still at your own risk. And stop hitting the snooze button.

“

Disruption and transformation are among the most common — if not overused — terms in today's boardroom. However, it's one thing to talk about it, and another altogether to act. It's crucial for leaders to avoid the trap of acknowledging disruption, while naively presuming — or hoping — that it won't happen to them. No company in no sector around the world can claim immunity from the implications of a changing consumer. ”

Julio Hernandez, Customer Advisory Lead, KPMG in the US

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.

Building on our multilayer research framework, as well as design-thinking practices developed by KPMG Innovation Labs for our inaugural *Me, my life, my wallet* report, we've gone further this year by talking to, surveying and conducting ethnographic research with more consumers in more markets around

the world. 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.

We combine this developing picture and the ethnographic findings to inform questions for our primary

“

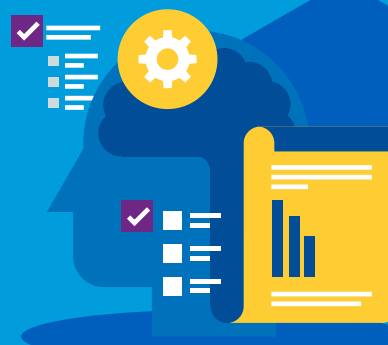
We start with trends research because that is where the early signals appear. The fringes of behavior and the outlier activities of today can be the major trend waves of tomorrow. In addition, we layer in neuroscience, ethnography and historical research, which are critical components to enhance the quality of our insights ... ”

Colleen Drummond,
Head of Innovation Labs,
KPMG in the US

Quantified
and historical



Scientific





Ethnography



Survey

Trends analysis



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 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 is a unique and multi-layered approach that includes:

- » Inputs from a survey of 18,000 online consumers in 51 countries by geography, generation and product category
- » Inputs from our *Global CEO Survey* of 1,300 business leaders from around the world
- » Inputs from our *Global Consumer Executive Top of Mind Survey* of 526 senior executives from 31 countries where 60 percent expect the market to become more volatile
- » Two new surveys of approximately 25,000 consumers from Brazil, Canada, China, France, India, the UAE, the UK and the US across demographics and life stages
- » In-depth ethnographic interviews with 196 consumers in Brazil, Canada, China, France, India, the UK and the US
- » Quantified evidence of trends over time
- » Neuroscience theory and frameworks behind decision-making and behavior
- » Extensive industry sector disruption research

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