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# Customer Connections

## Competing in the New Reality

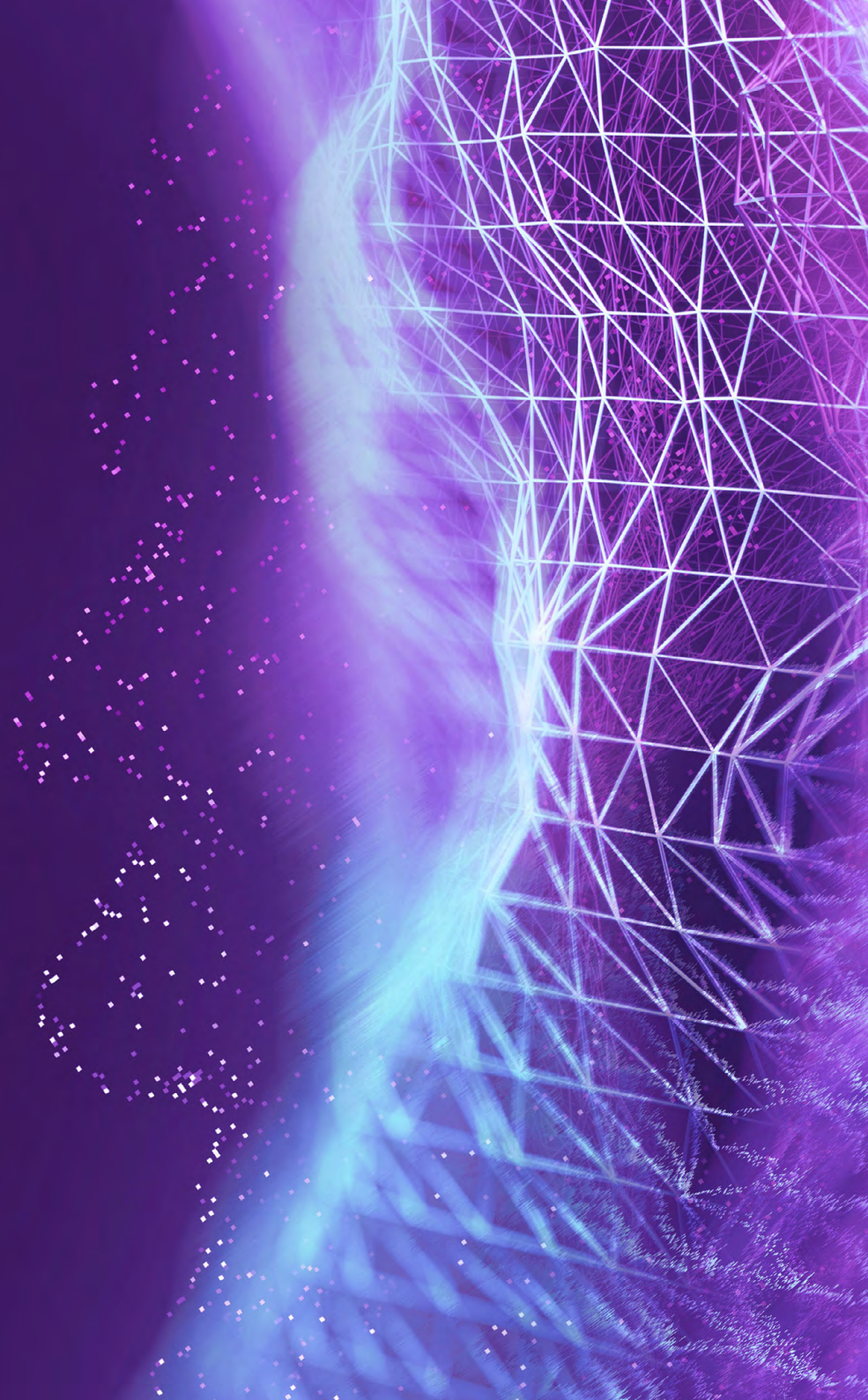
Insights and Analysis, Wave 2

**19<sup>th</sup> May 2020**

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# New Customer New Rules

**As we try to figure out what the new post-crisis reality will look like, what is already clear, however, is the dawn of a New Customer; with changed priorities, spending patterns, needs and deeply held values. As these emerging changes become the new norms, they will define the next era of business.**

KPMG's Insights Tracker provides ongoing analysis to help understand how to compete in this New Reality. The data covers:

- **Demand.** The shape and intensity of demand remains challenging. Looking at recent weeks via social media analytics we can see continued, strong demand for banking, streaming and online food. This contrasts with well documented issues across airlines and holiday providers, but also declines in telecoms and non-grocery retail.
- **Business focus.** Nearly half (42%) of business leaders are now looking strategically at recovery and a New Reality. For example, in recent KPMG capital markets analysis, we are seeing 42% of new equity being raised to fund "opportunistic growth and acquisitions". However, many executive teams (58%) remain focused on crisis reaction and resilience (see page 4 for more information).
- **Customer values.** Resilience remains a key priority for customers too. For the second wave of analysis running, customers want brands to prioritise protecting jobs and livelihoods first and foremost. Support for key workers remains strong, although has started to wane.
- **Service levels.** Fatigue is now setting in with over half of customers (56%) less positive than in April about their current experiences. Those who are less positive are finding this new and largely digital way of interacting harder.
- **Experience priorities.** Businesses still need to focus on the basics. The Six Pillars of experience excellence describe best practice in customer interactions. In this latest wave it shows that Time and Effort and Resolution are clear priorities. However, remarkably, businesses are now outperforming pre-crisis levels for Integrity, Personalisation and Expectations.

## About the insights

Fortnightly data analysis into...



Survey insights collected in association with Dynata.

“As we begin to adjust to a New Reality, the New Customer is emerging. One with different demands, behaviours and values. Businesses need to look carefully at their plans to ensure they can accommodate this changing customer, and ensure they can thrive in the future.”

**Tim Knight, Partner**

# Signals of demand

**The route to predictable demand remains uncertain in most sectors. Close monitoring of market signals, customer sentiment and internal data is more important now than ever before.**











For a cross-sector view, our top-level analysis uses social media signals to compare recent category interest levels to pre-crisis levels from February. As a lead indicator, this helps us understand where consumer demand is waning or increasing. This reveals particular volatility in sectors like mainstream retail and telecoms, where the analysis shows signs of further weakening of demand in the last part of April.

How sectors are reacting varies. Restaurants, for example, have been quick to respond to consumer pent-up demand by switching their usual in-house services to offer takeaway services instead for favourite meals. Utility and telecoms providers will be looking at ways to extend their portfolio beyond offering energy and telecoms services, as working from home usage increases. With the growing interest in insurance, providers have an opportunity to look at their protection packages and how they can support emerging needs and risk appetites.

Reading the signals helps understand when to return to market. For instance, holiday and flight providers need to guide when it's best for their business to press the marketing button. Whilst the release from lockdown will be the largest signal, underlying and potentially permanent changes in spending patterns remain the unknown factor.

What is clear, however, is that the brands that compete best in the New Reality will be those that understand and adapt to these changes.

**Social media demand analysed per week versus pre-crisis in February 2020.**

		March Week 1-2	March Week 3-4	April Week 1	April Week 2	April Week 3	Segment
Online Food		Higher Demand	Higher Demand	Same Demand	Higher Demand	Higher Demand	Good Demand
Utilities		Higher Demand	Same Demand	Higher Demand	Higher Demand	Higher Demand	
Banks		Higher Demand	Higher Demand	Higher Demand	Higher Demand	Same Demand	
Streaming		Higher Demand	Higher Demand	Higher Demand	Higher Demand	Same Demand	
Restaurants		Less Demand	Less Demand	Slightly Less Demand	Higher Demand	Higher Demand	Increasing Demand
Insurance		Less Demand	Slightly Less Demand	Higher Demand	Less Demand	Higher Demand	
Telecoms		Higher Demand	Higher Demand	Less Demand	Slightly Less Demand	Slightly Less Demand	Waning Demand
Retail		Slightly Less Demand	Higher Demand	Higher Demand	Less Demand	Less Demand	
Holiday Providers		Same Demand	Less Demand	Less Demand	Less Demand	Less Demand	Poor Demand
Airlines		Same Demand	Less Demand	Less Demand	Same Demand	Less Demand	

\*Social Media over 1m posts from January 2020 to April week 3.

# Connecting to the New Customer

## Tomorrow's business leaders will be those that outperform during recovery.

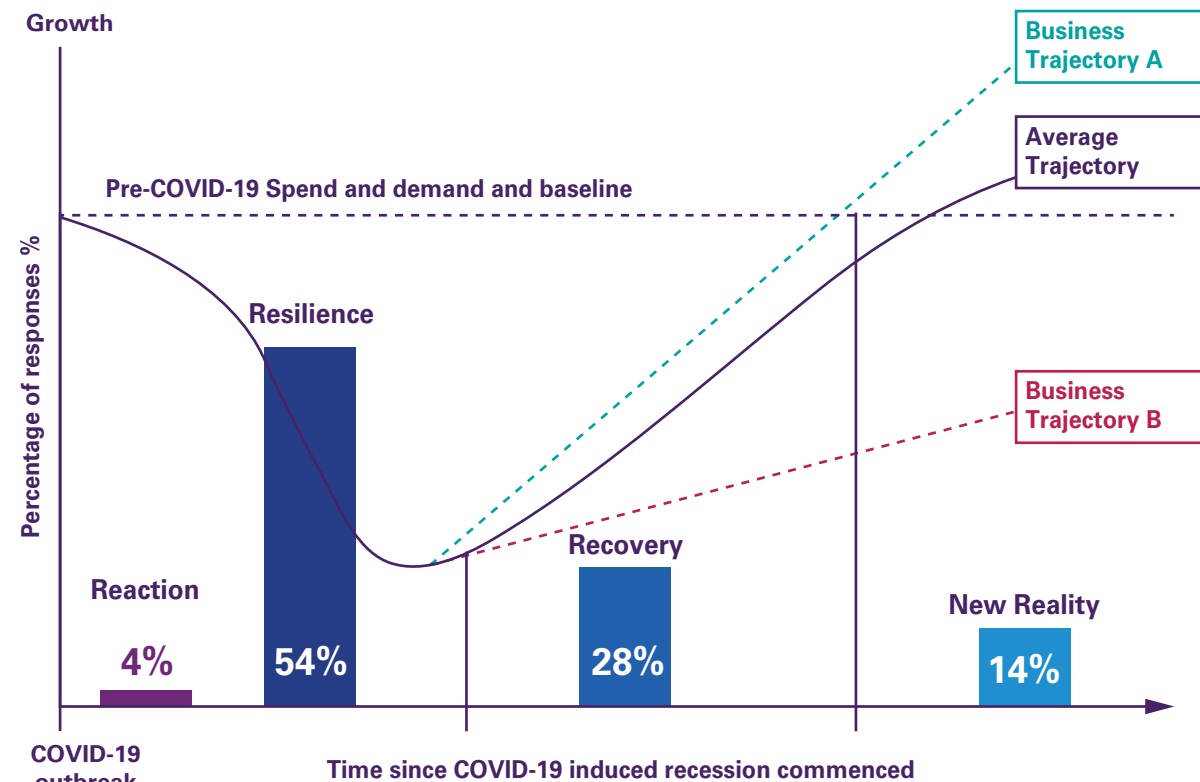
For the first time in 75 years, the whole world faces a new, unprecedented reality. Unlike any other period in history there are no reliable market signals, customer insights or competitor best practices to guide businesses on precisely how to act.

The early business reaction to the crisis was characterised by a heavy inwards focus on protecting fundamentals, the safety of employees, livelihoods and ensuring resilience plans. KPMG's polling of business leaders shows two-thirds of executive teams (58%) are still primarily focused on these activities.

However, 42% have moved on to externally focus on Recovery or New Reality planning, a figure that has steadily increased over the last two weeks. These teams are facing the uniquely complex and pervasive challenge of understanding their New Customer, and adapting their enterprise to compete in the New Reality.

The choices these teams make will define two distinct, emerging trajectories: type A businesses, which overperform in the Recovery phase, and type B, which fail to understand or adapt in time.

% of business in each phase taken from KPMG spot poll of 619 respondents on 6th May 2020



Source: KPMG Economic Outlook April 2020



### Reaction

Urgent, critical and enterprise focused – how do we protect our people and our customers; business continuity and liquidity?



### Resilience

Considered, reactive measures – how do we optimise financial, operational and commercial resilience? How do we manage risk?



### Recovery

Market focused – what are the quick wins and adaptations needed to maximise our sales trajectory and return to performance?



### New Reality

Customer focused – how can we adapt business models for long-term cost savings to drive growth, competition and brand purpose?



## Business Trajectory A

Type A businesses rely on a working assumption that *'things will never be the same again'*. Type As will use this crisis as a means of reconceiving and reinventing their business to accelerate transformation programmes and embrace new ways of working permanently. Everything will be on the table.

- They will start with where the business is today, map where it needs to be and will balance saving the ship with what is needed to create a new and better one.
- Type A businesses will redefine their organisational purpose in light of both a new economy and a new set of customer needs.
- They will pioneer a cultural revolution aimed at empowerment, enablement and engagement, with the customer at its core.
- They will move hearts and minds to a New Customer oriented operating model, championing a spirit of iteration and experimentation to optimise tactics that work.
- Drawing on deep insight into the problems that customers face and will respond with purpose-inspired solutions and designs.
- They will design costs out through the new optimised model rather than just cutting them.
- They will seek to rapidly adopt AI, digital and technology as key processes to providing resilience and speed to market.

## Business Trajectory B

The Type B businesses will rely on a working assumption that *'the world will revert to where it was'* and this will shape and define the mental model of the leadership team.

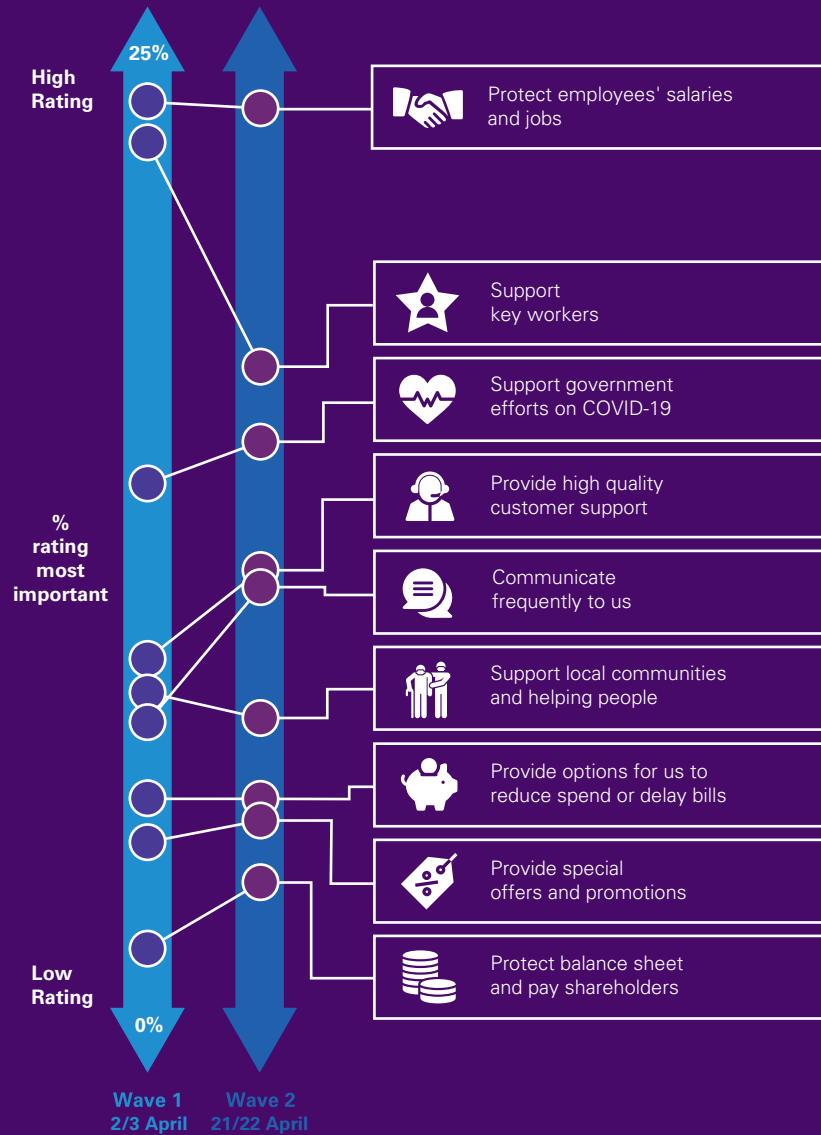
- This business trajectory will fixate on reacting to the crisis, with their entire focus being on saving the ship.
- They will start on what we have now and will have a greater focus on cost cutting, investment deferral, liquidity and solvency to the exclusion of the New Customer. This will lead to frantic revenue generation activity and an acceptance of sub-optimal customer experiences as a result.
- There will be continued adherence to the previous operating model and loyalty to previously successful behaviours. They will fail to test if those behaviours will be valued in the new world.
- Customer knowledge will be rooted in the pre-crisis understanding and will fail to take into account the changes and needs of the New Customer, instead of challenging the orthodoxies of the past and getting to grips with the New Reality.

# Choose your path today

**Whilst every analysis shows demand is still uncertain, businesses can set-up for success today. Key questions include:**

- Are the right customer insights and market signals being collected?
- Are the key recovery decisions mapped and well understood?
- Has the right cross functional decision model been set-up?
- Are the dependencies mapped and understood?

## COVID-19 Customer priorities for business



Wave 2 data is based on what are the single most important priorities that businesses should be focusing on right now compared to Wave 1 which was focused on the top three things.

# What matters most?

**Of those customers polled, doing the right thing for employees and the wider community remains a top priority. However, customers increasingly want businesses to address, prioritise and meet their needs more effectively and to restore a return towards business as usual.**

Across the board there have been some modest shifts in what matters most to customers, indicating that acting in the best interests of employees and communities continues to remain a significant influencing factor in securing future customer and commercial success.

However, in the process of resetting expectations, customers are looking for greater support from businesses, especially as financial pressures and uncertainty about the future starts to arise.

There is a growing frustration amongst customers who are wanting their specific needs to be acknowledged, yet not at the cost of negating access to those vulnerable customers who need these services most.

In this New Reality, retaining customers will be key, placing a greater importance on managing current and rising customer expectations and providing the necessary support that can fulfil these needs.

Never has it been more important for businesses to remain both consistent in communicating regularly with customers (be it via email or notifications), whilst also finding ways to provide quick-win solutions by optimising channels to field, manage and resolve evolving customer priorities.

Future thinking Type A businesses who want to be 'best in class' will be alert to these shifts and will be looking towards how they can improve the services they offer through alternative channels. They will also be continuing to live up to their brand promise and, as a result of these efforts, will be in a better place to understand, serve and nurture the New Customer.

# Service levels and future behaviour

**Compared to the last wave of analysis in early April, customers are becoming less tolerant, reporting they find it harder to deal with businesses. Left unresolved, these pain points could reduce share of market, limit future cost savings, affect competitiveness and diminish retention.**

During the early weeks of the crisis, many brands reported increases in their NPS and CSAT scores, as customer patience was high. This was reflected in our research, where two-thirds reported the same or better experiences with businesses.

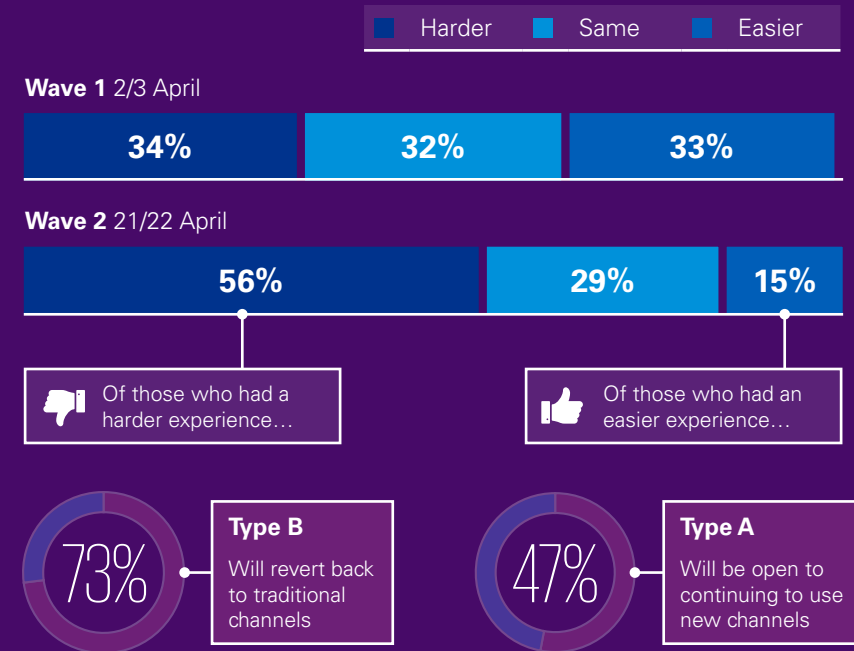
This initial response to lockdown was quintessentially British: customers remained tolerant and forgiving of not being able to access the services they needed easily, acknowledging that businesses were facing complex and unprecedented challenges.

KPMG's research shows this is waning, with 56% of UK customers now reporting difficulty. For affected businesses, a continued failure to address service levels is likely to leave the door wide open for Type A competitors to steal market share. If patience continues to run thin, it has the potential to reset the landscape and rank order of British brands. Conversely, although switching levels may be low currently, any brand loyalty earned at this time is more likely to hold greater worth in the future.

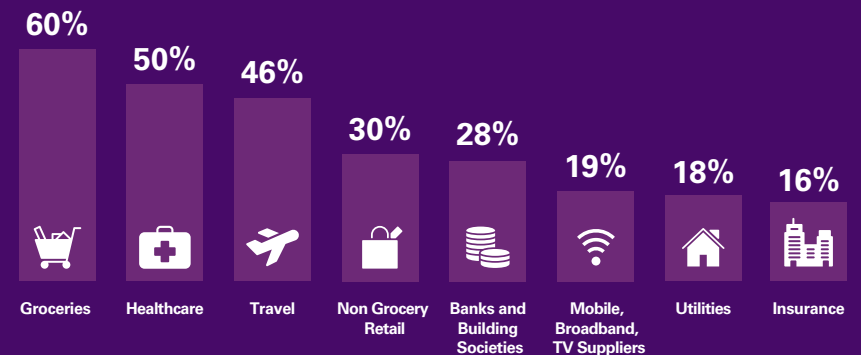
This potentially affects future operating costs. By locking in new digital channels to market, businesses can permanently reduce both fixed costs and failure demand. Nearly half of customers are open to permanently using new digital channels, although this is dependent on positive interactions.

Time is of the essence. Already we are seeing that grocery, healthcare and travel sectors are beginning to face this challenge. Others have slightly more time to identify issues and ready themselves to resolve these challenges before their customer base disperses.

## Customer experience – COVID-19 versus pre-pandemic

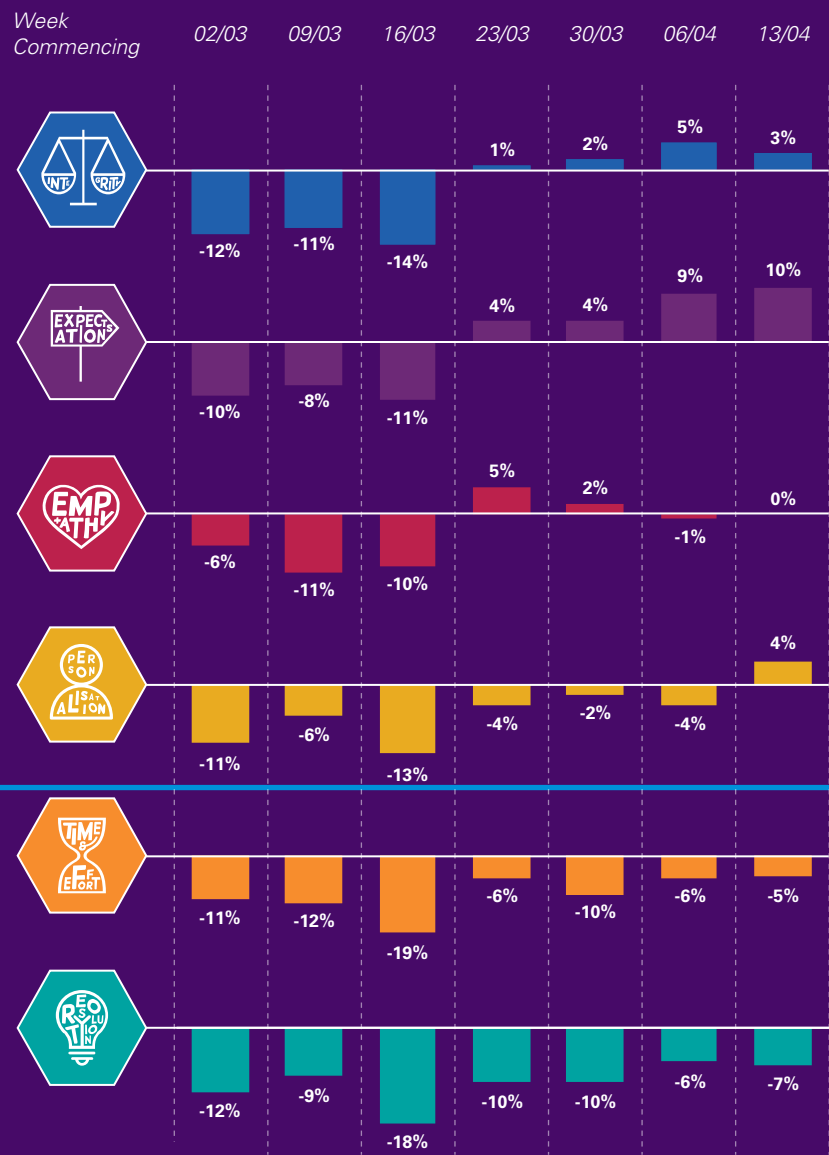


## Sector difficulty – % harder to deal with versus pre-pandemic



## Monitoring The Six Pillars of Experience Excellence

Social media Six Pillar scores – all industries week stated versus February 2020



\*Social Media over 1m posts from January 2020 to April week 3.

# Customer experience

**To improve service levels and lock in low-cost behaviours, businesses need to focus on the right customer priorities. The Six Pillars of Experience – summarised below – can help navigate this.**

In response to the crisis, most businesses have performed well, prioritising what matters most to their customers. Social media analytics show they have clearly upheld their Integrity and managed Expectations. In many instances, brands have outperformed pre-crisis levels, showing how some have visibly risen to the challenge, winning respect and loyalty in the process.

So, where is it going wrong and where do leaders still need to focus? The pillars of Resolution and Time and Effort continue to underperform, with customers finding it increasingly challenging to access the services they need.

Causes vary, from long waiting times on call centres to inadequate delivery services with no alternative options to mitigate these experiences. However, the analysis of overall service levels (previous page), shows tolerance is waning. With many trialling new channels for the first time, getting these issues resolved quickly will help towards purposefully shaping future customer behaviour.

Adopting a Type B mindset, that waits post-crisis to resolve these problems, may be too late for many businesses. As the New Customer becomes more defined in the coming weeks, there is every likelihood that the competitive order of UK brands will be reset.



Customer Experience  
Excellence Centre



### What are The Six Pillars?

The Six Pillars describe best practice in customer interactions. They are a simple toolkit that business leaders can use to navigate the crisis and build lasting, long-term customer connections.



# Additional Resources

## Our Customer Connections series forms part of KPMG's wider resources to support organisations as they respond to COVID-19.

In our forthcoming bi-weekly publications, we will continue to explore the New Customer behaviours, needs and attitudes that are evolving and what this means in the New Reality.

### In addition, the following resources are already available:

- **A guide to maintaining Enterprise resilience** from a financial, operational and commercial perspective.
- **Employee Connections** – Principles for best practice employee experience during uncertain times.
- **Customer Connections** – Customer best practices to guide immediate crisis response.

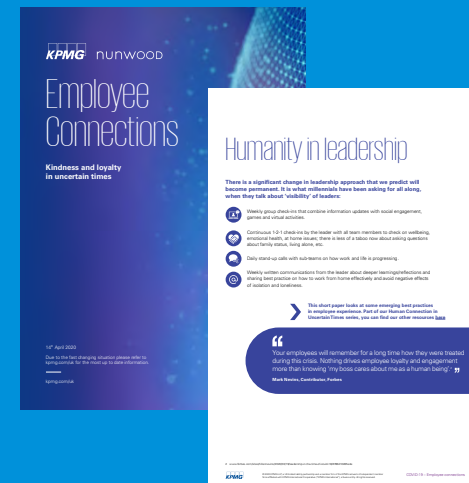


Further resources are available through **The Customer Experience Excellence Centre**, our leading think tank on global customer best practice, based on 3 million evaluations across 24 markets.

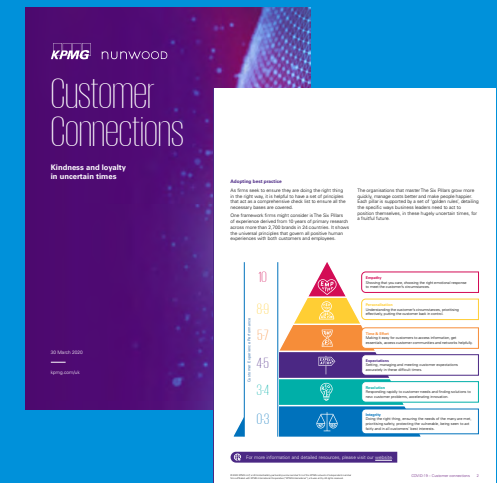
## Enterprise Resilience



## Employee Connections



## Customer Connections



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