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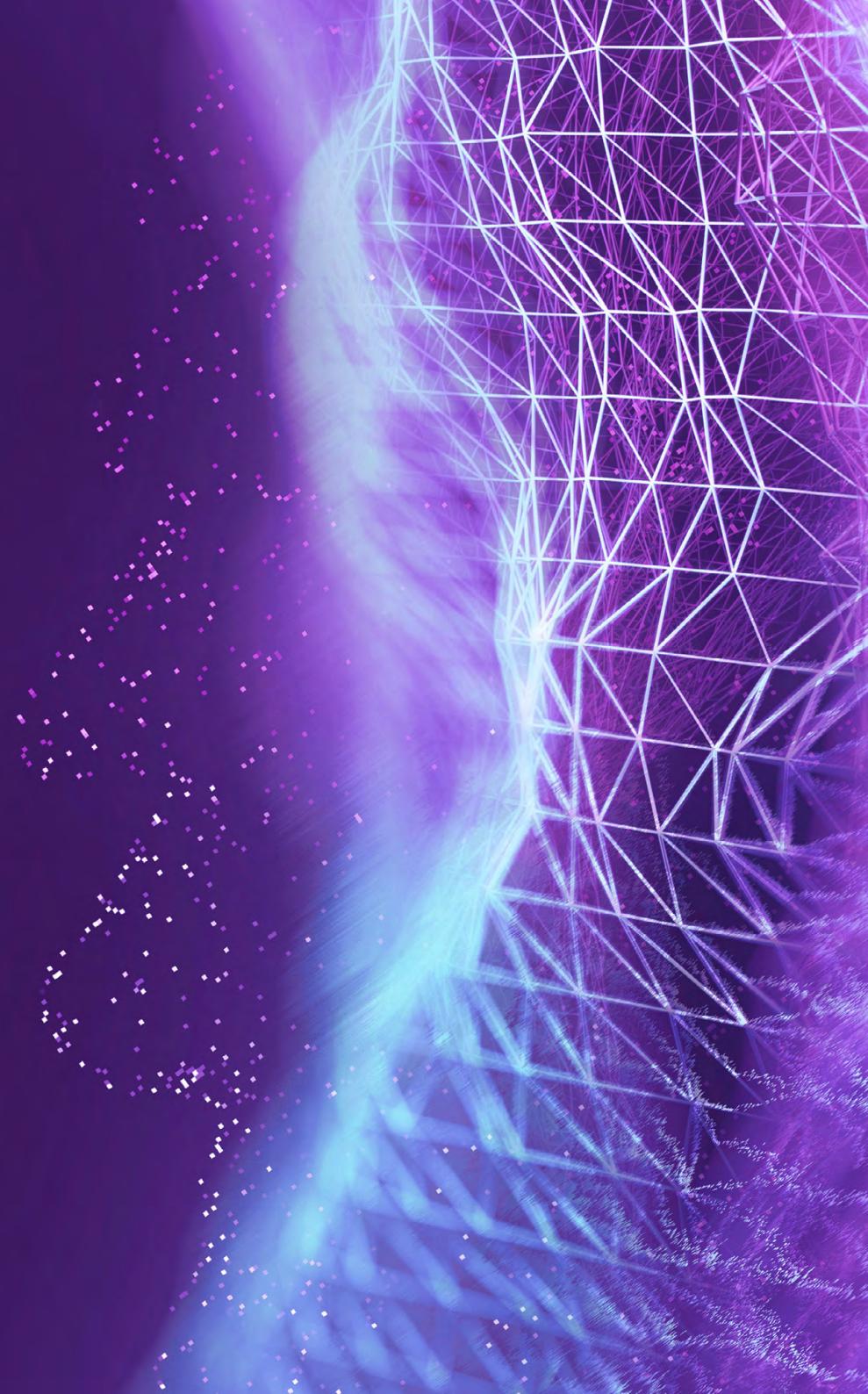
Customer Connections

Competing in the New Reality

Insights and Analysis, Wave 2

19th May 2020

Due to the fast changing situation please refer to kpmg.com/uk for the most up to date information.



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:

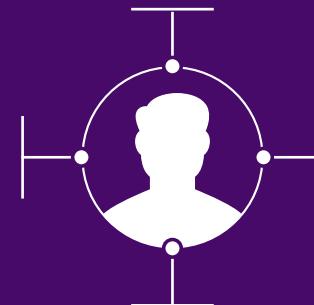
- Demand.** The shape and intensity of demand remains challenging. Looking at recent weeks via social media analytics we can see continued, strong demand for banking, streaming and online food. This contrasts with well documented issues across airlines and holiday providers, but also declines in telecoms 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...

What customers feel

Structured surveys to 1,000 UK customers



What customers do

Behavioural and economic signals

What customers say
Social media analysis of millions of interactions

How businesses are responding

KPMG polls with business leaders

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.

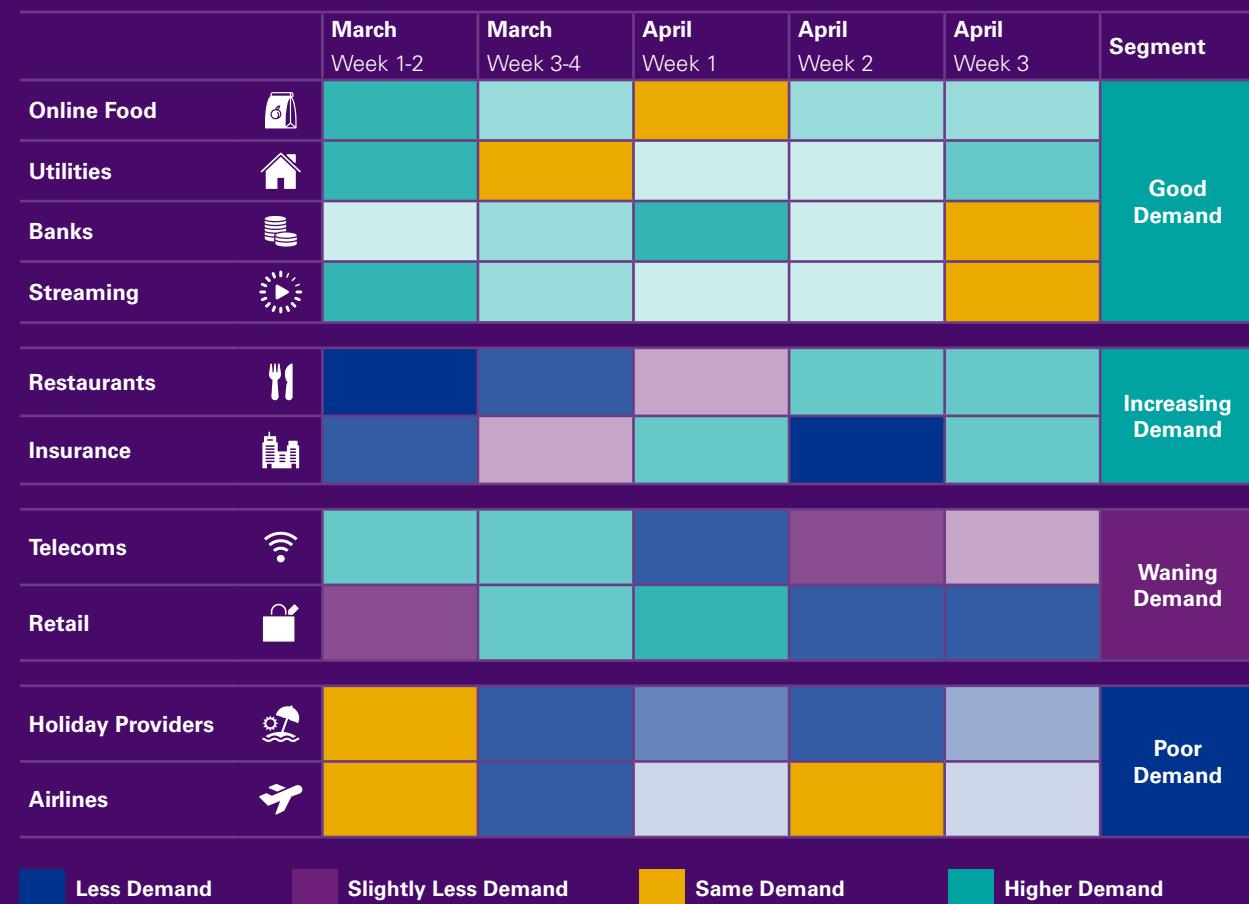
For a cross-sector view, our top-level analysis uses social media signals to compare recent category interest levels to pre-crisis levels from February. As a lead indicator, this helps us understand where consumer demand is waning or increasing. This reveals particular volatility in sectors like mainstream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



*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.

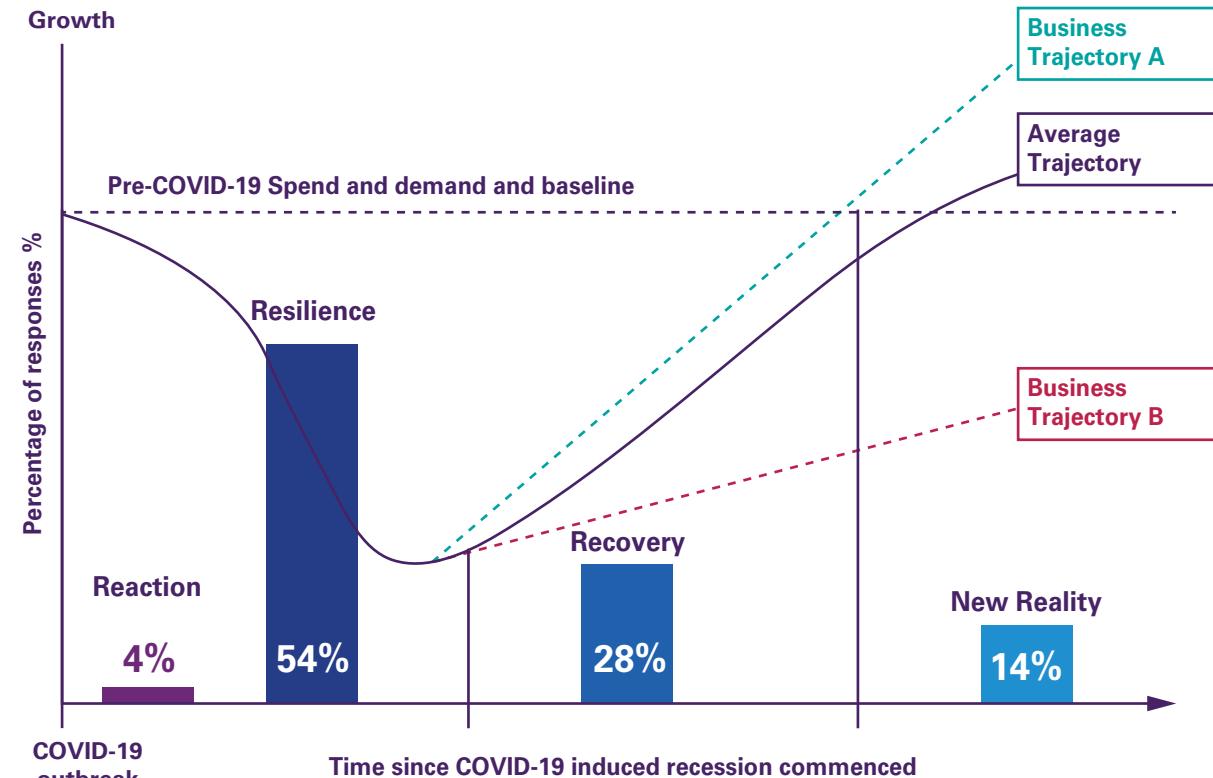
For the first time in 75 years, the whole world faces a new, unprecedented reality. Unlike any other period in history there are no reliable market signals, customer insights or competitor best practices to guide businesses on precisely how to act.

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 over-perform 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 adaptions 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.

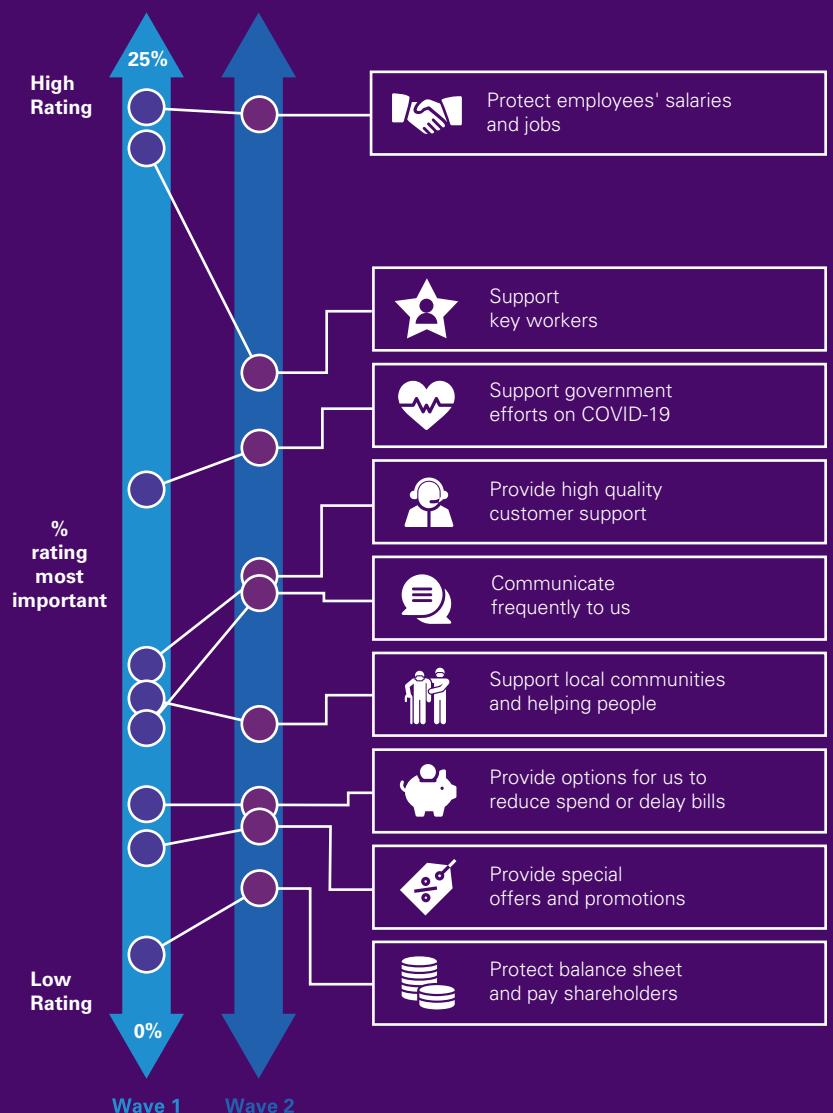
- This business trajectory will fixate on reacting to the crisis, with their entire focus being on saving the ship.
- They will start on what we have now and will have a greater focus on cost cutting, investment deferral, liquidity and solvency to the exclusion of the New Customer. This will lead to 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.

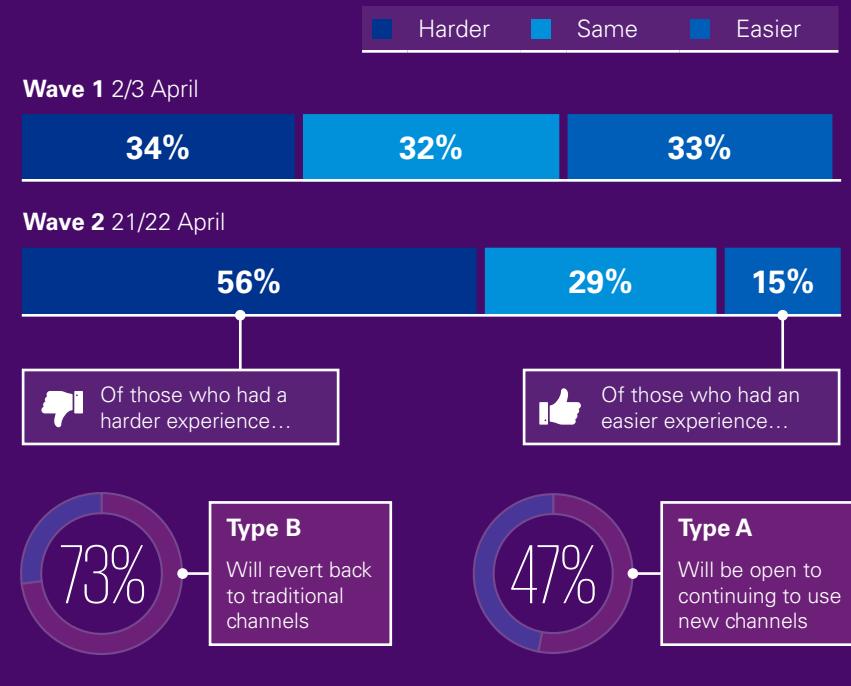
This initial response to lockdown was quintessentially British: customers remained tolerant and forgiving of not being able to access the services they needed easily, acknowledging that businesses were facing complex and unprecedented challenges.

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.

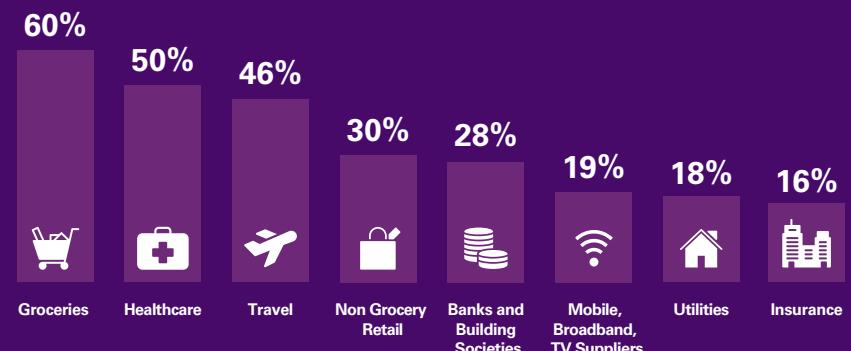
This potentially affects future operating costs. By locking in new digital channels to market, businesses can permanently reduce both fixed costs and failure demand. Nearly half of customers are open to permanently using new digital channels, although this is dependent on positive interactions.

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.

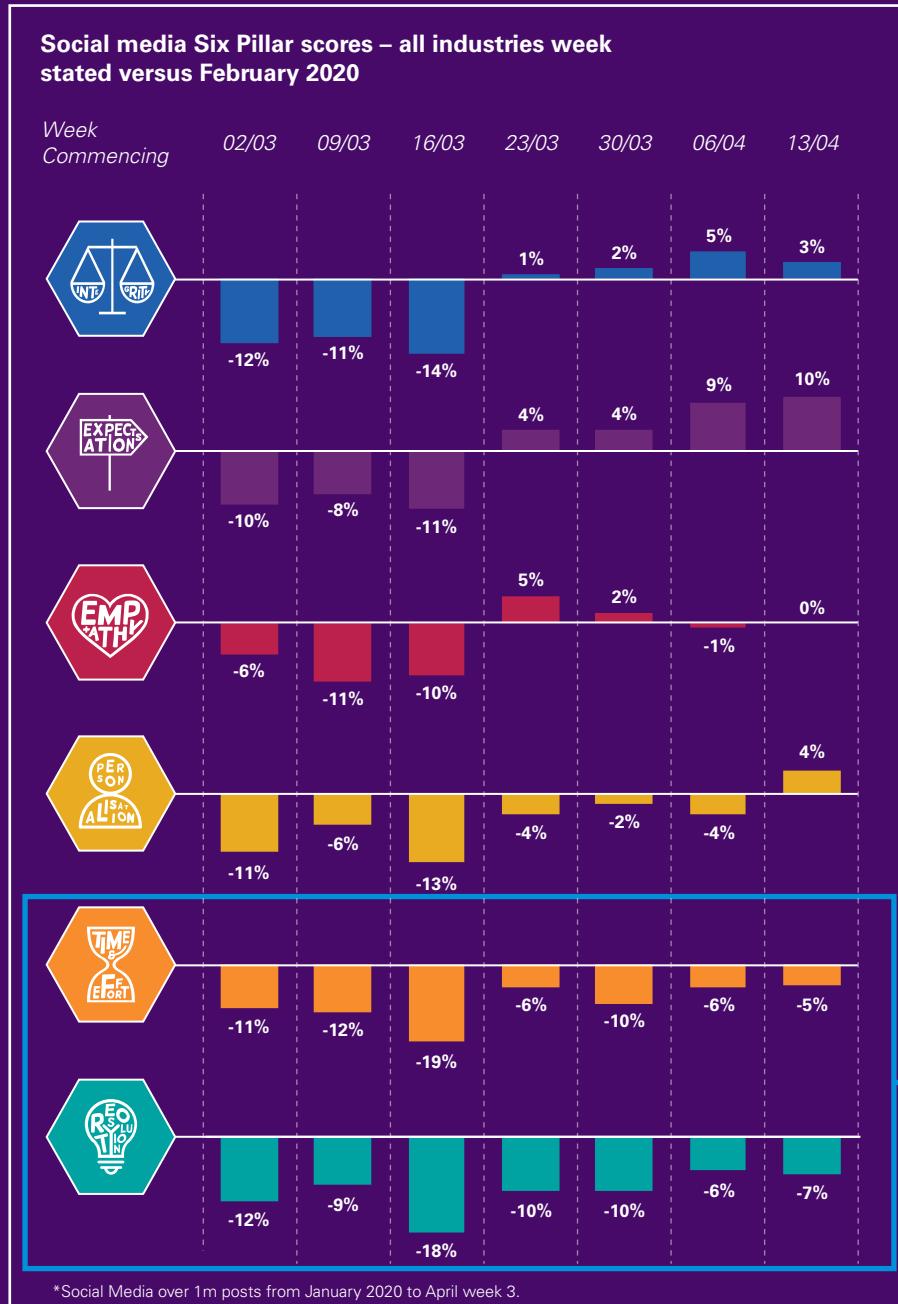
Customer experience – COVID-19 versus pre-pandemic



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



Monitoring The Six Pillars of Experience Excellence



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.



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:

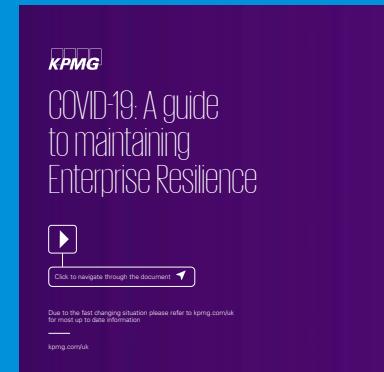
- **A guide to maintaining Enterprise resilience** from a financial, operational and commercial perspective.
- **Employee Connections** – Principles for best practice employee experience during uncertain times.
- **Customer Connections** – Customer best practices to guide immediate crisis response.



Customer Experience Excellence Centre

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



KPMG

COVID-19: A guide to maintaining Enterprise Resilience

Click to navigate through the document

Due to the fast changing situation please refer to kpmg.com/uk for the latest information

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Commercial resilience

Markets, products and services Customer experience and behaviours

Challenges and concerns

- Customer emotions, needs and behaviours are driving rapid changes in consumption, product and service demand
- The rules of engagement with customers have seemingly changed, with new consumer needs and attitudes driving new consumption channels at pace, particularly to those most vulnerable
- To navigate this crisis of consumption, companies will need to:

 - Re-imagine their products and services
 - Innovative pipelines will need to be accelerated to meet new consumer needs

Industry Insights

- Businesses are rapidly changing operating procedures to reflect new customer needs and behaviours, including new product and capabilities towards customer experience and behaviour, and new service models to reflect specific segments and needs
- A "think to leads" approach on experience, prioritising insights, empathy and innovation
- Firms are rapidly redesigning journeys to reflect new consumer needs, online channels and fulfilment capabilities
- Firms are equipping and enabling employees to work from home as they adapt to the new normal

How KPMG is helping?

- COVID-19 specific checklist for customer experience, using KPMG's framework's Six Pillars best practices
- Market trends and behavioural insights, capturing emerging customer needs and needs
- Rapid mobilisation of new customer operations, channels and technologies to support the new reality
- Assistance prioritising short-term cost out, whilst maintaining ability for long-term growth
- Support to consumer behaviour monitor across multiple markets to understand changing consumption patterns
- Customer contract commercial and legal review and advice

Customer contract commercial and legal review and advice

Smart Medium Large Very Large Customer is helping? Customer

A selection of 100+ resources available on the KPMG website for COVID-19 resilience, including this document. © 2020 KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. Printed in the United Kingdom. The KPMG name and logo are registered trademarks or trademarks of KPMG International.

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Employee Connections



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Employee Connections

Kindness and loyalty in uncertain times

1st April 2020

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Humanity in leadership

There is a significant change in leadership approach that we predict will become permanent. It is what millennials have been asking for all along, when they asked for "a leader of humanity".

1. Daily check-ins with the complete information update with social engagement, personal and virtual activities

2. Continuous 1:1 check-ins by the leader with all team members to check in on well-being, mental health, and to discuss any challenges they are facing, including questions about family status, living alone, etc.

3. Daily stand-up calls with sub-leads on how work is progressing

4. Weekly virtual communications from the leader about deep interconnections and how to work together to be more effective, and reduce negative effects of isolation and loneliness.

This short paper looks at some emerging best practices in employee experience. Part of our Humanity in leadership framework, you can find our other resources [here](#).

Mark Reeves, Leadership Partner

Adopting best practice

As firms seek to ensure they are doing the right thing for their employees, it is important to remember that this is a comprehensive checklist to ensure at the minimum, the right thing is done. Each pillar is supported by a set of golden rules, defining the best practice for that specific pillar. This is to ensure, in these highly uncertain times, for the right thing is done.

The organisations that master The Six Pillars grow more rapidly, and are better positioned to succeed. Each pillar is supported by a set of golden rules, defining the best practice for that specific pillar. This is to ensure, in these highly uncertain times, for the right thing is done.

For more information and detailed resources, please visit [our website](#).

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Customer Connections



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Customer Connections

Kindness and loyalty in uncertain times

20th April 2020

Adopting best practice

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