



# Me, my life, my wallet

**KPMG Global  
Customer Insights**

[kpmg.com/customerinsights](https://kpmg.com/customerinsights)











# The multidimensional customer

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

**Y**ou already know that customer behavior is changing. Power has shifted from companies to consumers, the mobile phone has become the remote control

of our lives, trust in institutions and traditional advertising has diminished. Customer trade-offs and decisions are more opaque and moving faster.

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

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

It's time for a new approach. One that employs a multidimensional framework to engage what is now a multidimensional consumer.

## Genesis of our findings

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

we embarked on a multifaceted research program to validate our thinking and bring to bear the voice of the consumer.

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

## Five Mys

[Presenting the Five Mys — a framework to help navigate the complexity of consumer decision making](#)

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

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

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

And our research has led us to focus on five key dimensions of customer behavior — motivation, attention, connection, watch and wallet. Considering any one of these dimensions in isolation tells only one aspect of a customer's

story. Together, however, they enable companies to navigate the complexity of consumer decision making, and build a richer understanding of changing attitudes, needs and behavior.

- » **01 My motivation** Trust, authenticity and social values are critical but intangible motivators of the choices today's consumers make.
- » **02 My attention** The fight for consumer attention has never been more intense, exacerbated by unprecedented volumes of content at our fingertips.
- » **03 My connection** Today's technology connects humans to information and each other 24/7, driving shifts in our social interactions and behavior.
- » **04 My watch** The companies that understand the constraints of time and anticipate how that changes across life events are best placed to engage customers in the moments of greatest impact and to meet their needs head on.
- » **05 My wallet** How consumers adjust their share of the wallet across life stages and pivotal life events is changing, creating a ripple effect of change across not just one, but all categories to which they allocate their money.

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

## Customer wallet

[Introducing the customer wallet — the reality of how we spend and save](#)

## Defining the Five Mys

**My motivation** – Characteristics that drive behavior and expectations

**My attention** – Ways we direct our attention and focus

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

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

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

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

When, where, how and why we spend is becoming more complex, influenced by a greater variety of forces and greater availability of choice. It's becoming less predictable, as demographic and economic shifts challenge the accuracy of legacy earning and spending trends. And the trade-offs we're willing to make across different

categories are constantly evolving, powered by mass adoption of new technologies and the rise of the on-demand economy.

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

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

### Generational surfing

Introducing generational surfing — the unpredictability of our life patterns

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

But things are no longer happening at the same time, or in the same order, as with

earlier generations. Life stages are shifting and extending, and life events aren't as reassuringly predictable as they once were.

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

In the third part of this report, we explore how life events are "drifting" among generations and reveal where our research has found new, pivotal life events that introduce new forces on the customer wallet.

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

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

## The three dimensions of how customers make decisions

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



Source: GMC



## The multidimensional customer

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# Me, my life, my wallet





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## The perfect storm

### The perfect storm 86–89

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# Highlights

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

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

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

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

**Avantika, 25, millennial**  
Pastry chef, Mumbai, India

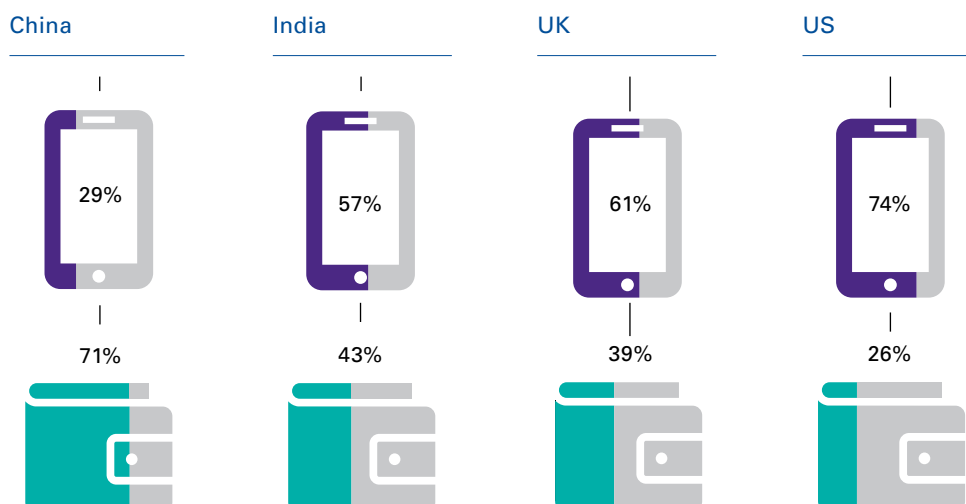
## While greater anxiety is associated with losing one's wallet globally, the connectivity of people in China swings the balance the other way

■ Percentage who would rather lose phone

■ Percentage who would rather lose wallet

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

**Zi, 28, millennial**  
Curator, Taiyuan





>1 in 4

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

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

**Emma, 34, millennial**  
Life coach, Norfolk, US

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

**Annie, 23, millennial**  
Student, Hebei, China

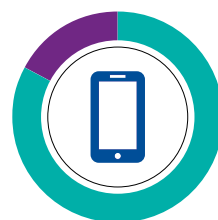
“  
My phone is my alarm clock, so the first thing I do in the morning is check what notifications I got. If I posted an Instagram before I went to bed, I want to check if I have a lot of likes in the morning.”

**Kelly, 30, millennial**  
Marketing, New York, US



88%

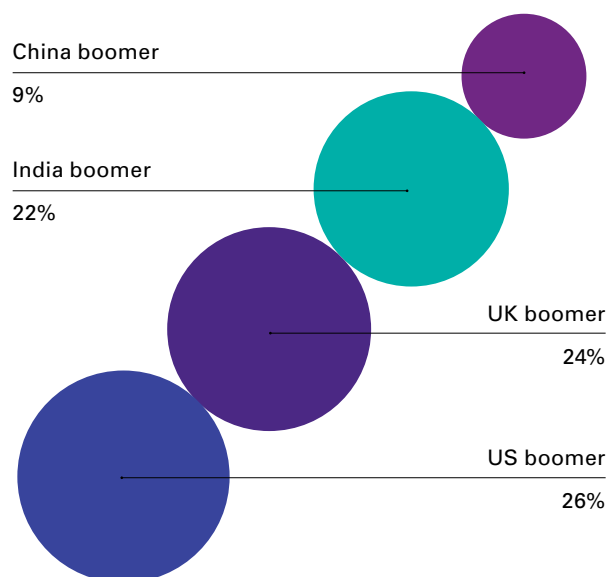
of people in China use WeChat or Alipay to purchase goods or services



83%

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

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



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

**Helen, 52, boomer**  
Teacher, Guangzhou, China

## Trust in platforms and devices used regularly

### US



79%



use platforms\*

22%



have complete trust in platforms

19%



use a smartwatch regularly

54%



use a tablet regularly

### UK



73%



use platforms\*

28%



have complete trust in platforms

71%



use their laptop regularly

60%



use a tablet regularly

### China



91%



use platforms\*

64%



have complete trust in platforms

21%



use a smartwatch regularly

48%



use a portable battery regularly

### India



88%



use platforms\*

28%



have complete trust in platforms

14%



use a feature regularly

38%

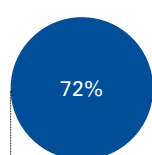


use a mobile website hotspot regularly

\* Adoption rate for the highest used platform

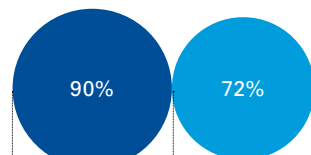
## Payment methods used

### US



use credit cards

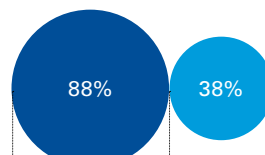
### UK



use debit cards

use PayPal

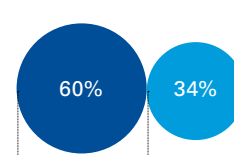
### China



use WeChat or Alipay

use bank's mobile app

### India



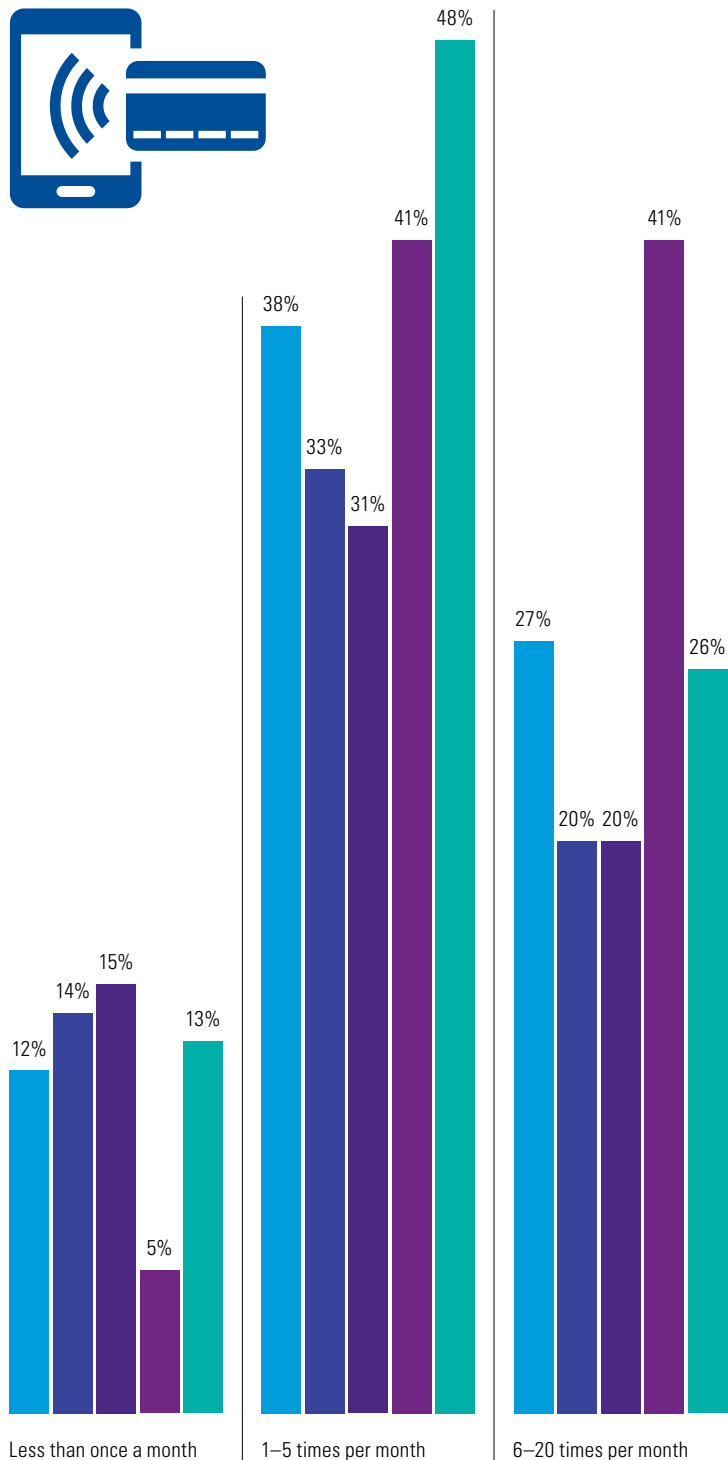
use PayTM

use Bank's mobile app



Frequency of using mobile device to pay  
for goods and services

■ Total ■ US ■ UK ■ China ■ India



Percentages rounded to nearest whole number



“

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

**Emma, 34, millennial**  
Life coach, Norfolk, US

# Paying attention to the right signals

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

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

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

## Short-wave signals

Short-wave signals emanate from micro events and extracts of information that tell the complex story of our lives as consumers. They include with whom we connect and follow and our social media

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

**Colleen Drummond**

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

likes and interactions; the information and media we consume; where we go, when and how we get there; what we buy, when and where we buy it, whether online or offline; and where we have it shipped, how often we reorder it and how we pay.

The vast data trails emerging from our deepening relationships with technology and the pervasiveness of our devices provide contextual data or clues on almost all facets of our lives.

This short-wave data reveals what we did, but it doesn’t explain our underlying motivations or divulge the “why” behind our decisions. Making decisions based on this data likely assumes the future looks like the past.



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





## Long-wave signals

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

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



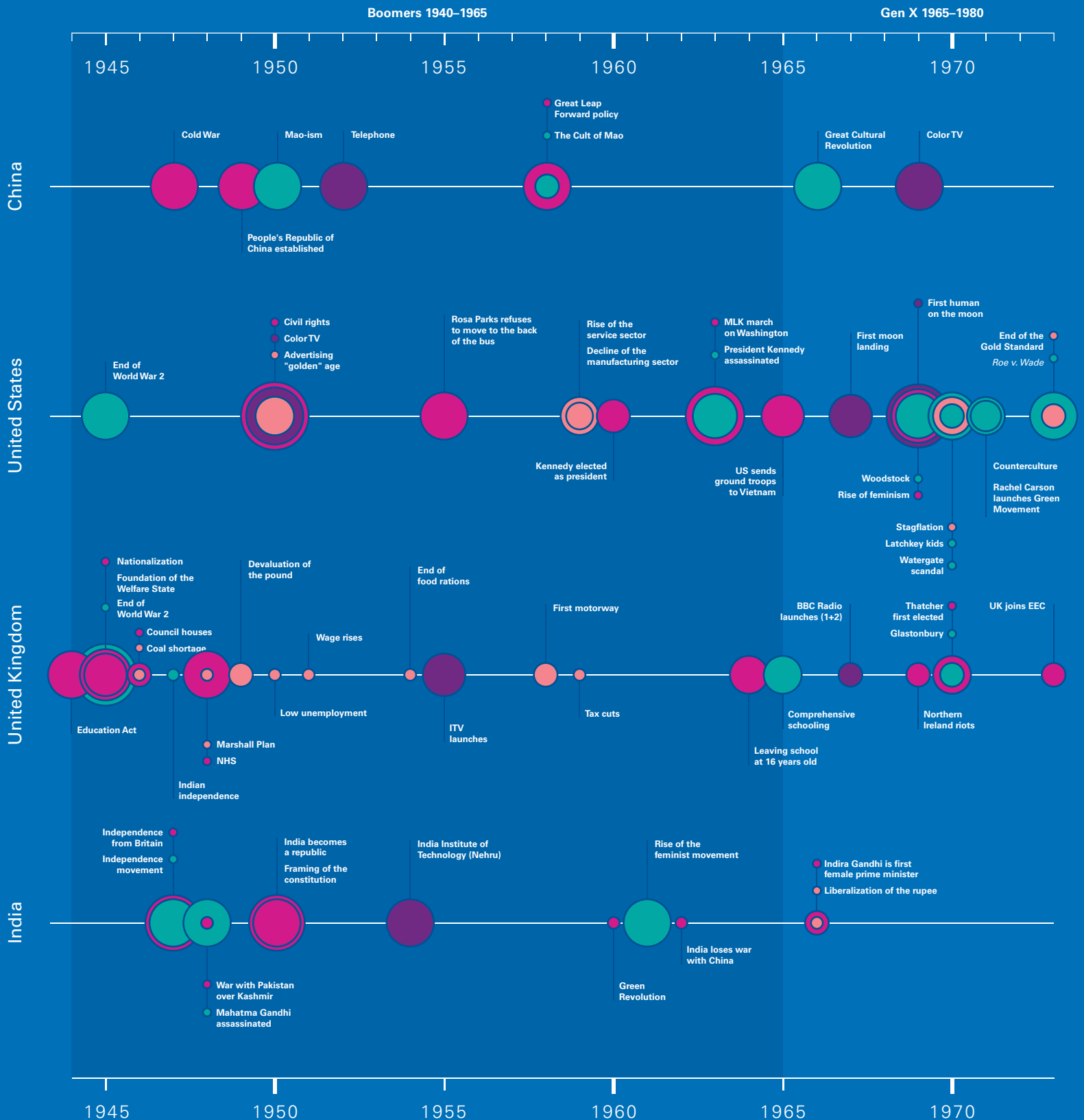
Consider Steve and Jane, two boomer parents. They married early, secured blue-chip jobs, bought a house and had two children. They invested and lived through the highs and subsequent lows of the dot-com bubble and bust. After 9/11, they purchased a bigger house to secure a tangible place in an uncertain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

## Short- and long-wave signals combined

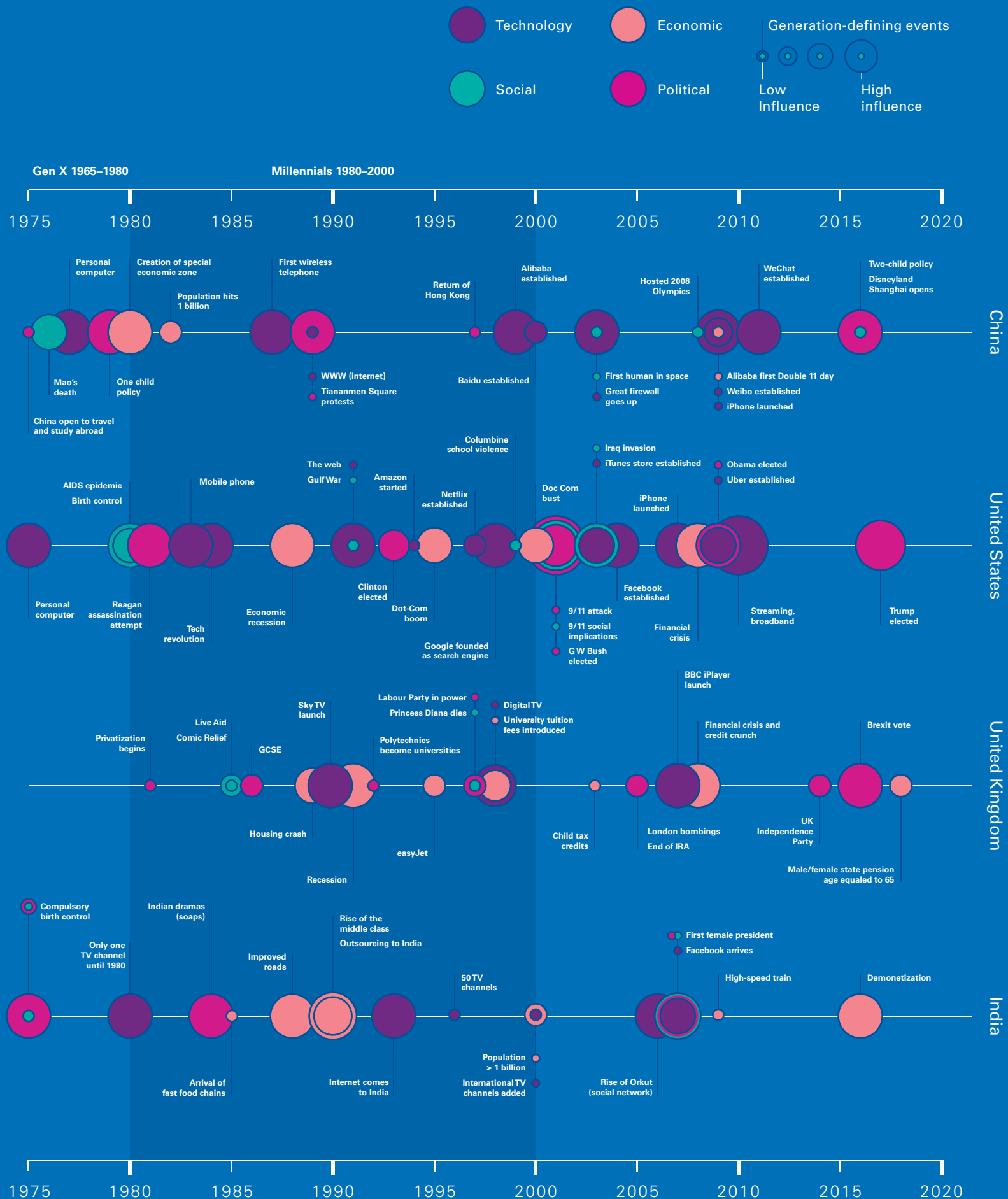
Short- and long-wave signals are each important, but the real power lies in putting them together to understand the macro and the micro in context. Finding the right ways to mine and analyze these signals will help companies better predict their customers’ changing needs and expectations, and what’s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

# STEP events

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







# Understanding the Five Mys

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

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

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

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



## My motivation

Characteristics that drive behavior and expectations

# 70%

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

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



## My attention

Ways we direct our attention and focus



41%

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

Source: KPMG global consumer survey, 2017

## My connection

How we connect to devices, information and each other



30%

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

Source: KPMG global consumer survey, 2017

## My watch

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



48%

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

Source: "Top Attractors" survey, LinkedIn, 2016

## My wallet

How we adjust our share of wallet across life events



77%

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

Source: Institute for Fiscal Studies, 2017



# My motivation

## Characteristics that drive behavior and expectations

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

For companies, the message from consumers is simple:

### Make it easy.

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

### Know me.

Show me that you know me as well as the data you already have about me, the preferences I've already revealed and how I engage with you. Don't ask me to reenter information I've already given you. But I may be willing to share more information if that means you can give me better insights, know my challenges better and deliver the value I need on my terms.

### Value me.

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



## Business impact

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



**Our best experiences have become our expectations** 

### Questions to ask

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





# My attention

Ways we direct our  
attention and focus

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

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

## Information overload

The sheer volume of information, communication, content and media that we're exposed to every day is nothing short of an all-out assault on our attention.

Consider these statistics:

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



## Business impact

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

## Questions to ask

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







# My connection

## How we connect to devices, information and each other

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

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

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



## Business impact

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

### Remote control

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

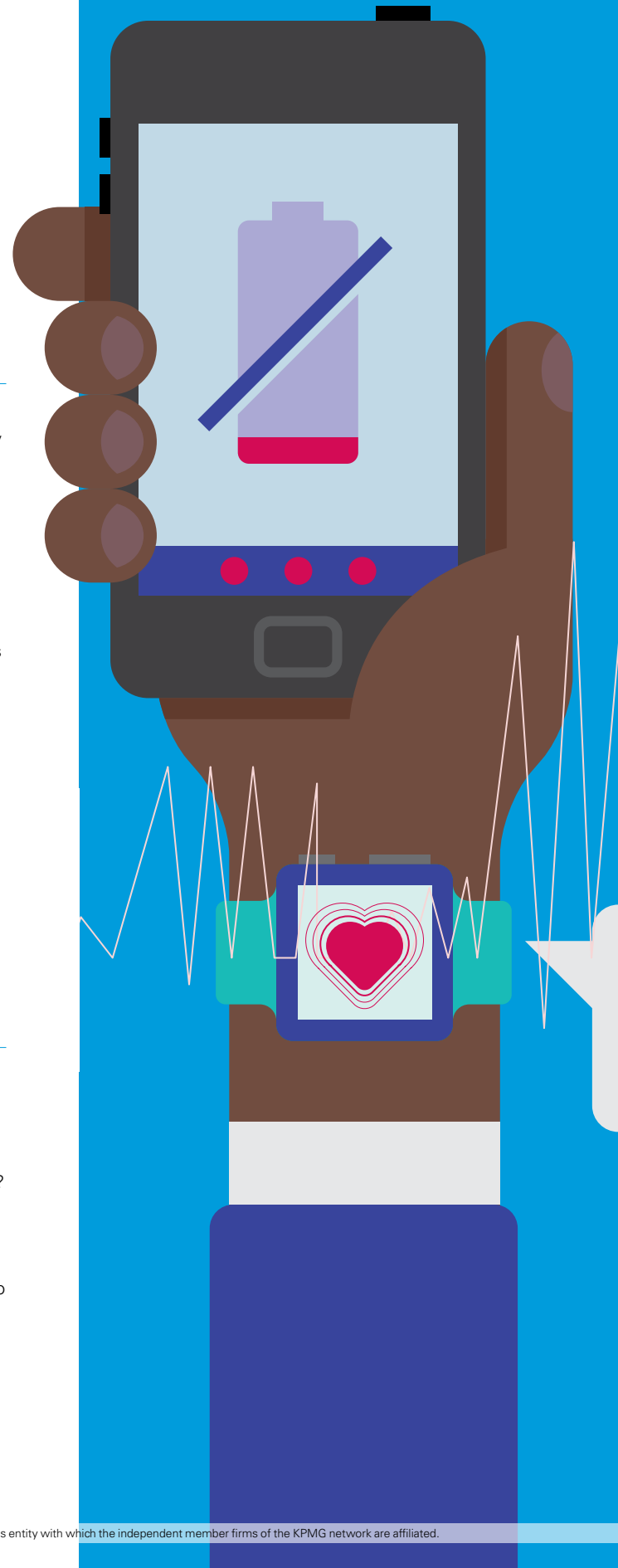
- » Remembering contact information
- » Way-finding and navigating to a new destination
- » Managing a calendar
- » Consuming music, photos and videos
- » Ordering and paying for goods and services

To the more significant aspects such as...

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

### Questions to ask

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



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

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

Mobile devices have enabled ubiquitous connectivity, giving rise to what some call "nomophobia" or no mobile phobia, a term coined in 2008 by YouGov, an international data and analytics group.

While there is some debate over whether the feelings meet the clinical definition of a phobia, some of us feel truly fearful and anxious about the prospect of losing connection to our digitally powered lives. According to our survey, 42 percent of Indian consumers told us that they feel a strong sense of anxiety when they leave their device at home, also found evident among 36 percent, 35 percent and 21 percent of Chinese, US and UK consumers, respectively.

On the other hand, some of us feel irritated and overwhelmed by the prospect of constant connectivity itself — the inability to unplug and switch off, the feeling of being trapped by pervasive access to our work emails or the unspoken social pressure to respond immediately to a WhatsApp message because we know the sender can see the read receipt, indicating we've seen it.

Having our phones with us not only provides a sense of comfort and basic security, but it's also the tool that many of us have to use to help manage our lives because we've offloaded so many critical tasks.

When that's suddenly removed, we sometimes feel helpless and desperate. In our survey, for instance, 71 percent of respondents in China said they'd rather lose their wallet than their phone.

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

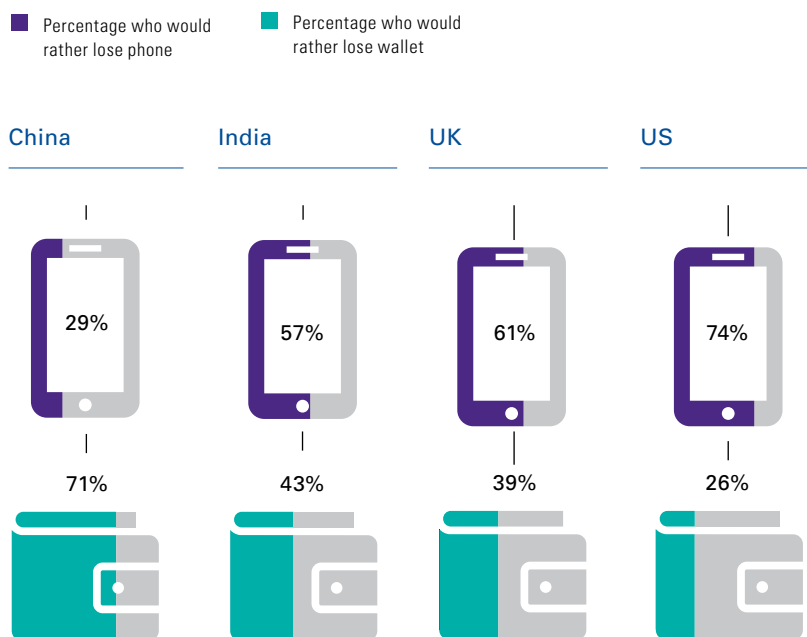


# Disconnection anxiety

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

## Anxiety over losing phone versus wallet

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



30%

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

“

**I panic when I leave my phone.**

**I feel handicapped.”**

**Anchint, 27, millennial**  
Airbnb employee,  
Calcutta, India



## My watch

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

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

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

#### Questions to ask

- » How do I reduce the time and effort it takes for my customers to purchase or engage with me?
- » How do we discover the pockets before pivotal life events?
- » How do I start to build in these pockets as part of my segmentation strategy?
- » For the customer who places a premium on time, what are the opportunities to deliver a differentiated experience?
- » What are the ways to demonstrate value with my customers early in their experience with me and throughout the journey?
- » How do I apply the same thinking across my organization and make it easier for my teams to connect with my customers?
- » How can I help them prepare for life events?



### Business impact

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







## My wallet

### How we adjust our share of wallet across life events

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

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

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

#### Questions to ask

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



### Business impact

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

# The Five Mys profiles

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

## Millennial comparison: India



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

### My connection

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

13%

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



### My motivation

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



### My attention

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



51%

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

### My wallet

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

21%

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



### My watch

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





On paper, Shikha and Aanchal are one and the same. Both are female millennials around the same age. Both are single, living in first-tier cities in India. And both are earning a comparable wage in skilled, professional roles. But a deeper look at their Five Mys reveals very different drivers resulting in very different patterns of behavior.

Shikha is fundamentally driven by social connection. She values organic produce and provenance, investing time researching honest and

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

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

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



#### Aanchal, 31, millennial

Data analyst,  
Bangalore, India  
Single

#### My connection

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



#### My motivation

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



#### My attention

"I try to follow headlines but wouldn't spend hours reading on the net. I prefer to read fiction — it's meditation for me."



#### My wallet

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

17%

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



#### My watch

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

13%

of Indian millennials' budget is allocated to leisure and entertainment



Continued from 24–25

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

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

The primary driving force influencing Tom's wallet, beyond his football passion, is the life event we call FROOM (Fear of Running Out Of Money). Part of a generation that's living longer than their

## Boomer comparison: UK



**Tom, 68, boomer**  
Manchester, UK  
Retired,  
Married

### My motivation

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

### My connection

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

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

### My attention

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

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

### My wallet

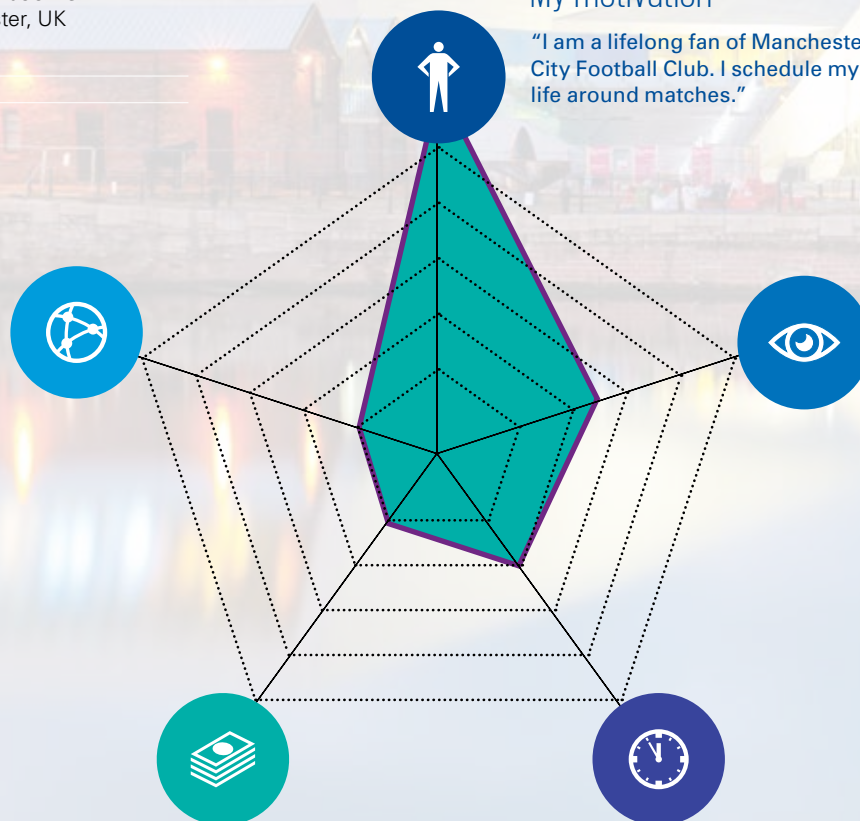
"I am worried about outliving my pension. Now that I'm retired, I have more time than income."

Boomers in the UK report that

**82%** of their wallet goes toward necessities (vs. luxuries)

### My watch

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



retirement incomes were intended to support, he's keeping a sharp eye on his pension income, all too aware of the potential impact of medical and care costs, with a spouse going through a recent period of illness. He's part of the minority of UK boomers who shun social networks and online platforms, generally avoiding both the cost and complexity of new technologies. Consequently, he has a virtually nonexistent digital footprint.

In contrast, Bob's focus is family, and this has a profound impact on his behavior, his choices and his wallet. An active user of technology and social media, he's adopted behaviors from his grandchildren to enhance his connection to them. He's keen to ensure his time and money are allocated to family and values making a difference to them more than investing in experiences or products and services for his own enjoyment. ■



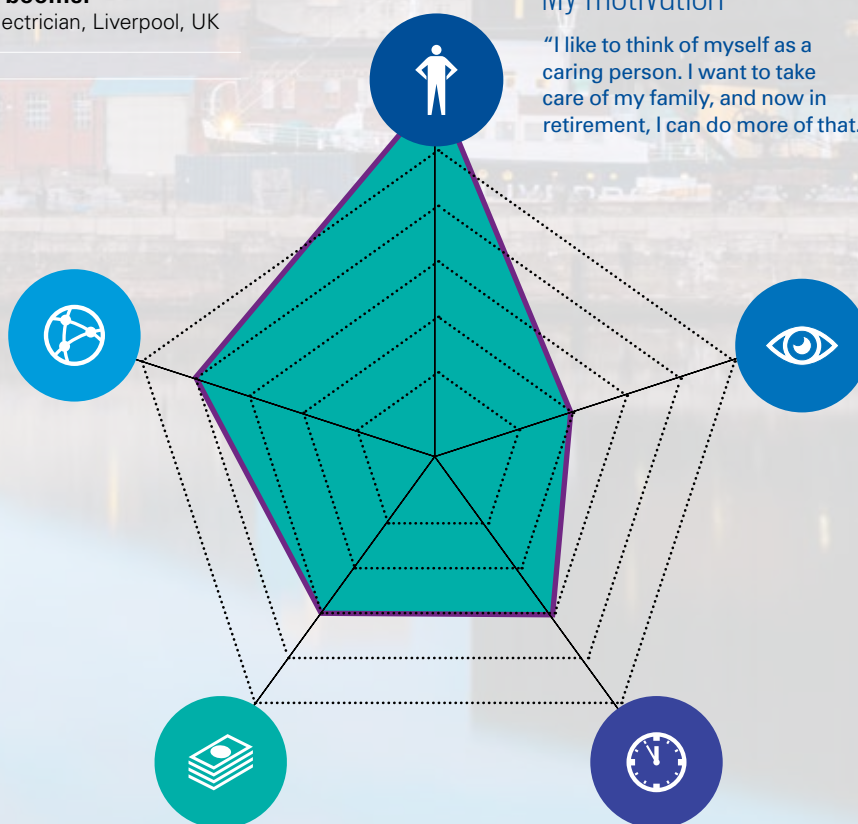
**Bob, 73, boomer**  
Retired electrician, Liverpool, UK  
Married

## My connection

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

59%

of boomers in UK report that they use Facebook



## My motivation

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

## My attention

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

## My wallet

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

Boomers in the UK report that only

7%

of their wallet goes toward savings and investments (next generation's inheritance)

## My watch

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

# Customer wallet

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

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

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



22%

of millennials identify their parents as a source of income

In India, the figure is as high as

35%

“

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

**Brittany, 25, millennial**

Event planner, Miami, US

In terms of watch and wallet, we found these trade-offs especially evident in our respondents with young families. For them, their family is one of the primary drivers behind a budget for groceries and other necessities. However, the family also drives a desire to pay for premium on-demand and delivery services that bring speed, ease and convenience to shopping and meal times. These responses appear to be directly at odds with their cost-saving behaviors.

“

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

**Avani, 37, Gen X**

Entrepreneur, Delhi, India

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

“

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

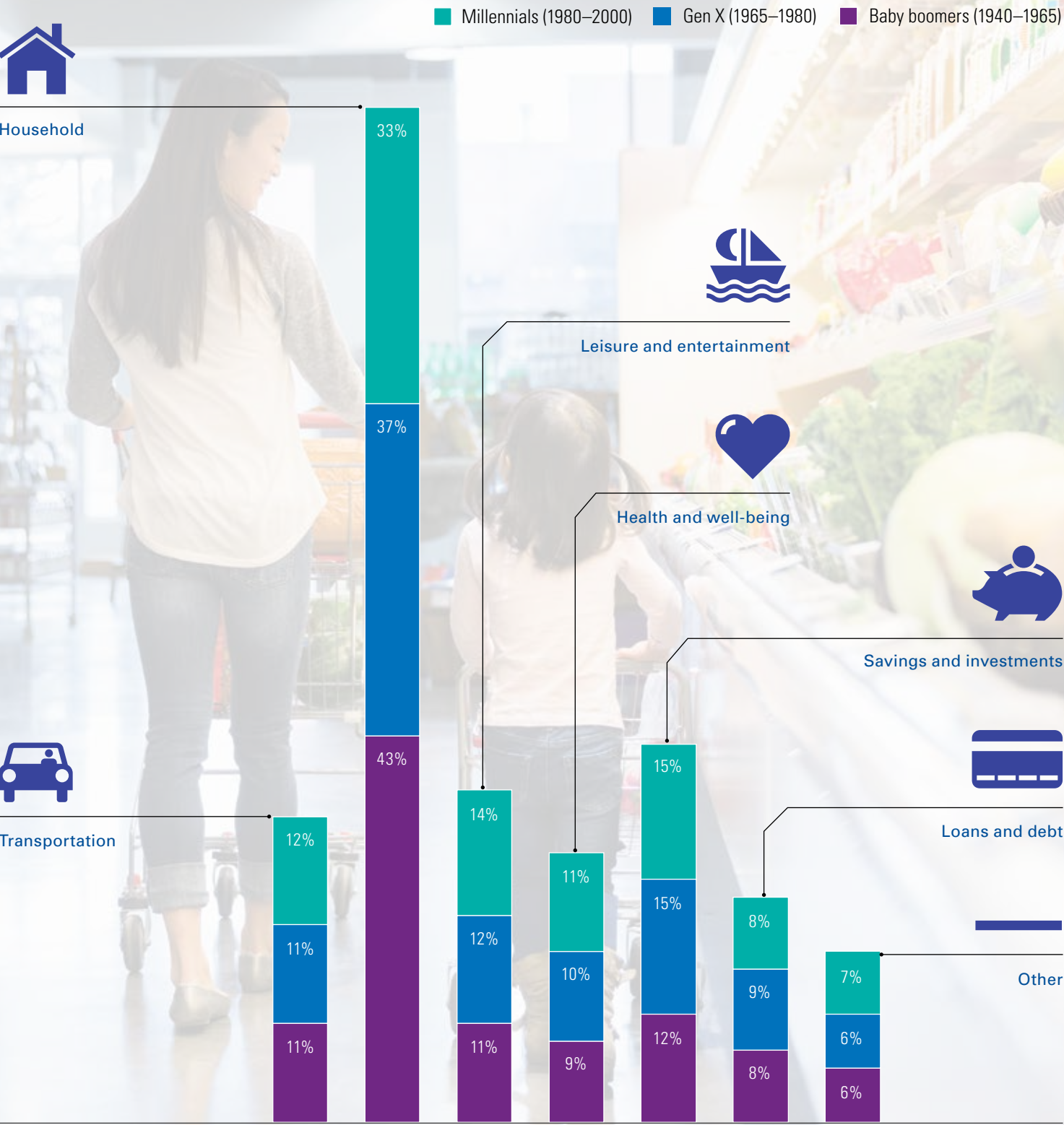
**Jia, 25, millennial**

Travel blogger, Delhi, India



# Share of wallet by generation

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



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

# The customer wallet

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



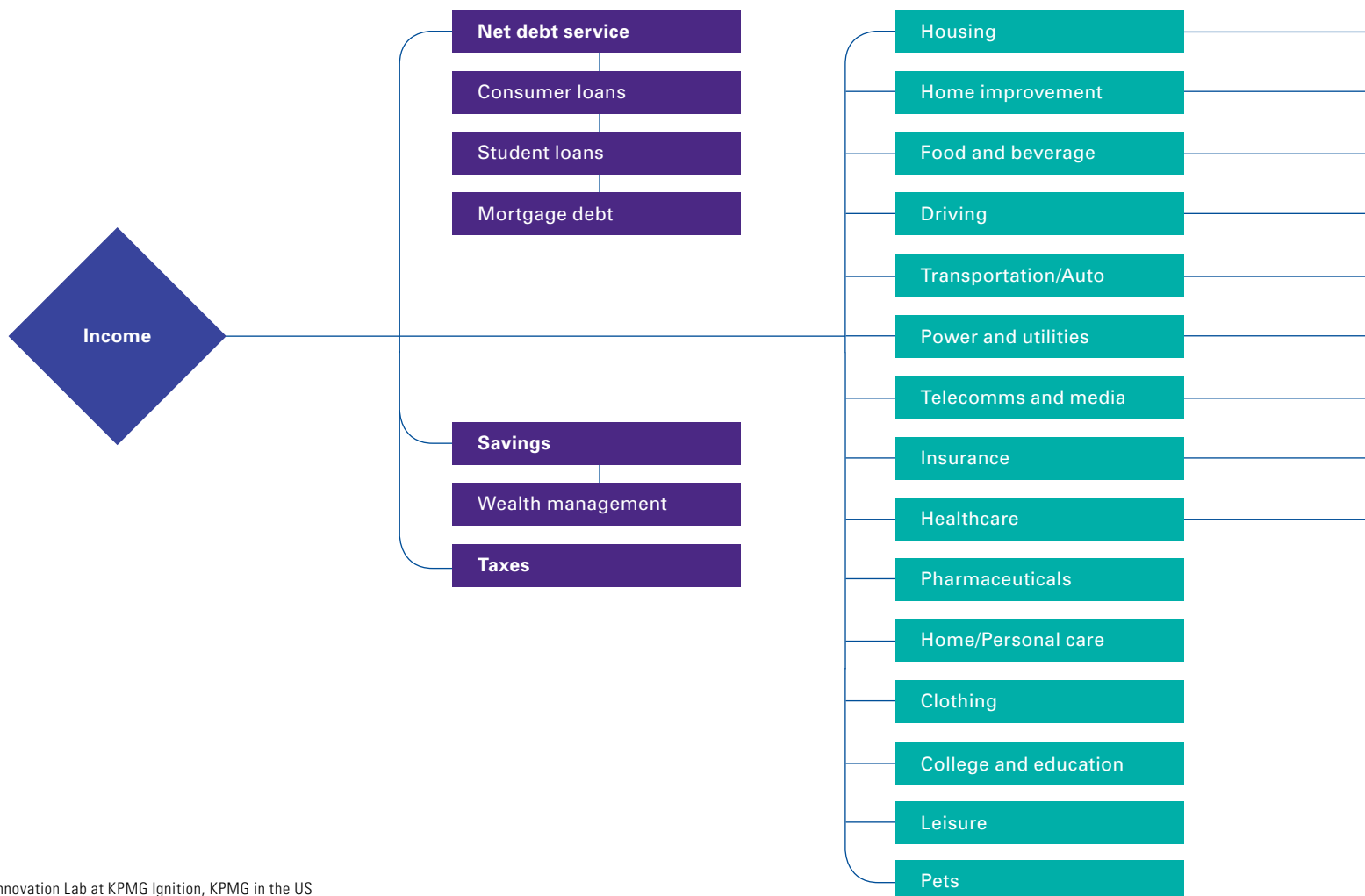
Income



Consumption



Spend mix



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



## New customer value chain/changing channels

### New ways to explore, buy and receive products and services



#### Explore

How we discover a need for certain products and services

- » Inspiration
- » Information
- » Personalization



#### Plan

How we compare options and make trade-offs and decisions

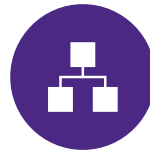
- » Influencers
- » Aggregators and curators
- » Tools to plan and manage



#### Purchase

The buying process and experience

- » Frictionless experience including in store
- » Unlimited channel options
- » Automated and consumer lock-in



#### Products and services

The products and services to meet our new needs

- » Customer-centric value props
- » Bundling of products and services (DIFM)
- » Personalization and convenience



#### Receive

The way products and services are delivered to us

- » On-demand delivery
- » Flexible pick-up
- » Flipped store model



#### Engage

How relationships we build with brands and providers influence decisions

- » Social and brands that tell a story
- » Customer service
- » Instant gratification and loyalty

**Increased expectations:** Frictionless experiences, know me better, bring me value

Payments

Loyalty programs

Delivery

Platform business models

## Share of wallet

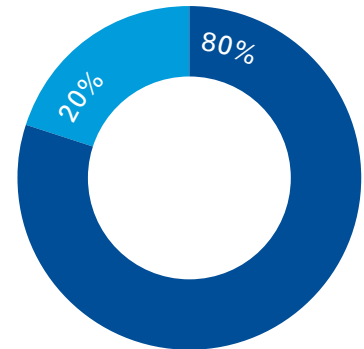


Luxuries

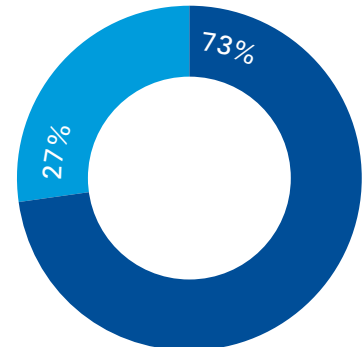


Necessities

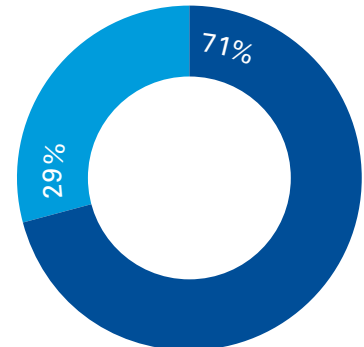
### Baby boomers (1940–1965)



### Gen X (1965–1980)



### Millennials (1980–2000))



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



# Generational surfing

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

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

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

It's a similar story for companies. The big waves are their customers' life stages, including young adulthood, young

parenthood, empty nesting and retirement. The companies that understand these stages and look for patterns of change will be primed to succeed at generational surfing, whether this means adapting to a customers' needs as they move from one life stage to another or serving one life stage and catching the wave of each new generation entering it.

## Shifting life stages

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

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

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

Meanwhile, new stages are emerging. Baby boomers are redefining their next life stage

Continued on 34–35





Continued from 32–33

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

### Moments that punctuate lives

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

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

**Teens are increasingly putting off traditional markers of adulthood** – Twenty years ago, getting a driver's license was considered a pivotal moment on the journey to adulthood and liberation. Notwithstanding the differences between individuals in rural and urban locations, you could predict it would happen between the ages of 15 and 18, depending on country driving laws.

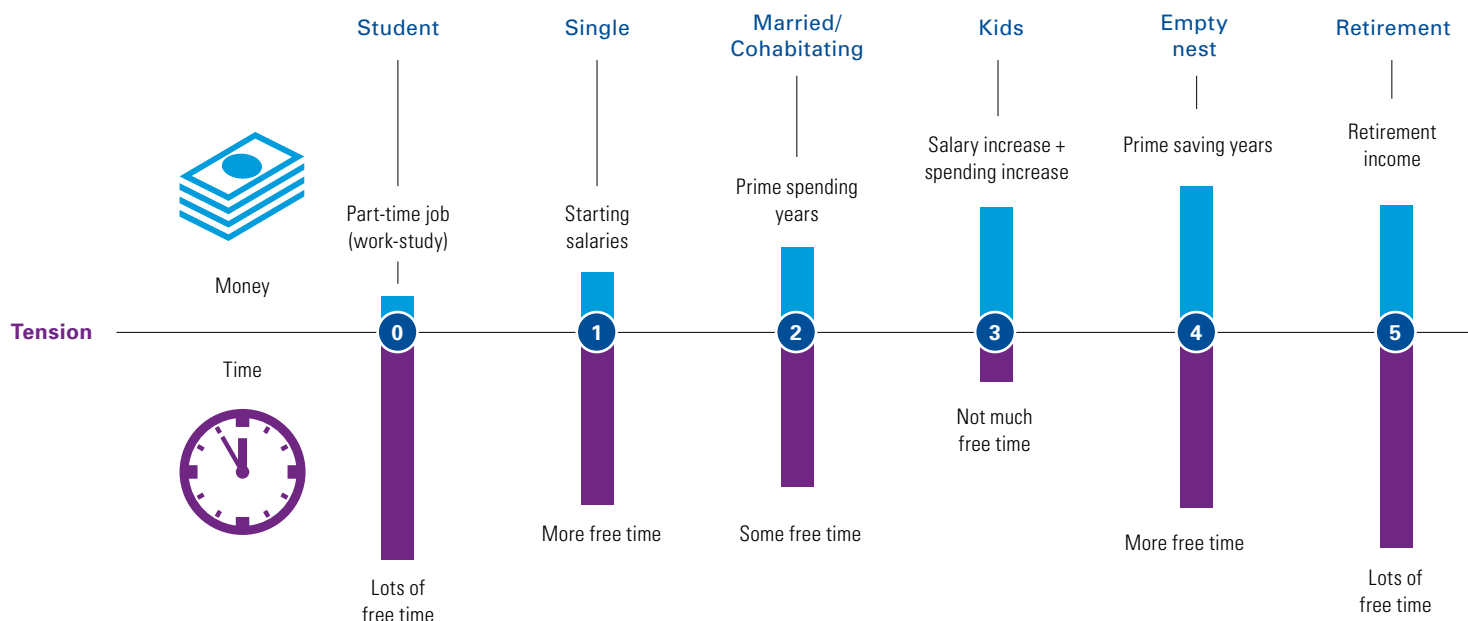
You could predict the increased cost of insurance and the financial support needed to buy a car. You could predict how driving and transport patterns would change in given parts of the country. You could anticipate how the newly qualified driver's spend mix would evolve, as they suddenly had to factor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

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

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



### The trade-off between time and money between generations







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

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

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

## Delayed gratification

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

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

### New life events

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

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

**Free of student debt** – Indian millennials are entering young adulthood already carrying a significant debt burden, due to the requirement for college loan EMIs (equated monthly installments) to be paid off the moment graduates take their first job. In contrast, UK and US students can accumulate alarming loan debts as they progress through university, with no fixed repayment period and the prospect (for many) of living for decades with this debt. In the US alone, student debt has grown to more than \$1.3 trillion, an increase of over 80 percent since the Great Recession of 2008. And the implications can be far reaching. While education costs have always been a factor in life, the sheer scale of modern student debt has made paying off a student loan a major event in its own right. Behaviors are altered and a new window of opportunity is opened for credit card companies, banks and retailers to engage a receptive and newly financially liberated audience.

**Unretirement** – Almost 20 percent of Americans aged 65 and older remain employed, with three in five retirees citing financial problems as their main reason for working past 65. Compounding the situation, 60 percent of US households have no

Continued on 36–37



“  
**While certain life stages may be enduring, the way different generations approach and move through them is showing signs of change**  
”

Continued from 34–35

money in a 401(k) or similar retirement account, while in the UK, the state pension age is being raised from 65 for men and 60 for women to 68 for both by 2039, presenting UK retirees with the prospect of several unplanned years of unfunded retirement income. In contrast, 36 percent of US retirees worked past 65 mainly because they enjoy their jobs or want to stay involved, while in India 66 percent are opting to continue working in some capacity to keep active and engaged.

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

#### **Thinking differently about patterns of consumers' lives**

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

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

# Western baby-boomer echo effect

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



**B**ehavior transfers between millennials and their baby-boomer parents are happening more rapidly than in the past. Technological improvements and economic

realities have entwined two of the largest generations in Western history and, as a result, are accelerating the rate of technology adoption.

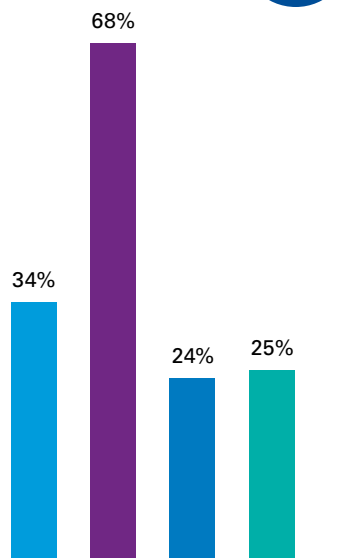
Technology is enabling closer connections between these two generations. Some 30 to 40 years ago, when boomers were in college, making contact with their silent-generation parents typically involved a short phone call on a rotary phone, down the hall from their dorm room, with a line of people behind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



### Technology adoption lag in the boomer generation

■ China ■ India  
■ UK ■ US

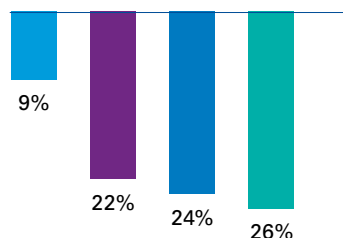
#### Millennials living with parents



#### Boomer laggards



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



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

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

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

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

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

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

Changes in purchasing behavior can even go further than just what content the family consumes. Millennials have shared the wonders of Amazon Prime and Prime Now with their boomer parents, showing them how to get the necessities delivered and save them a trip to the store.

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

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

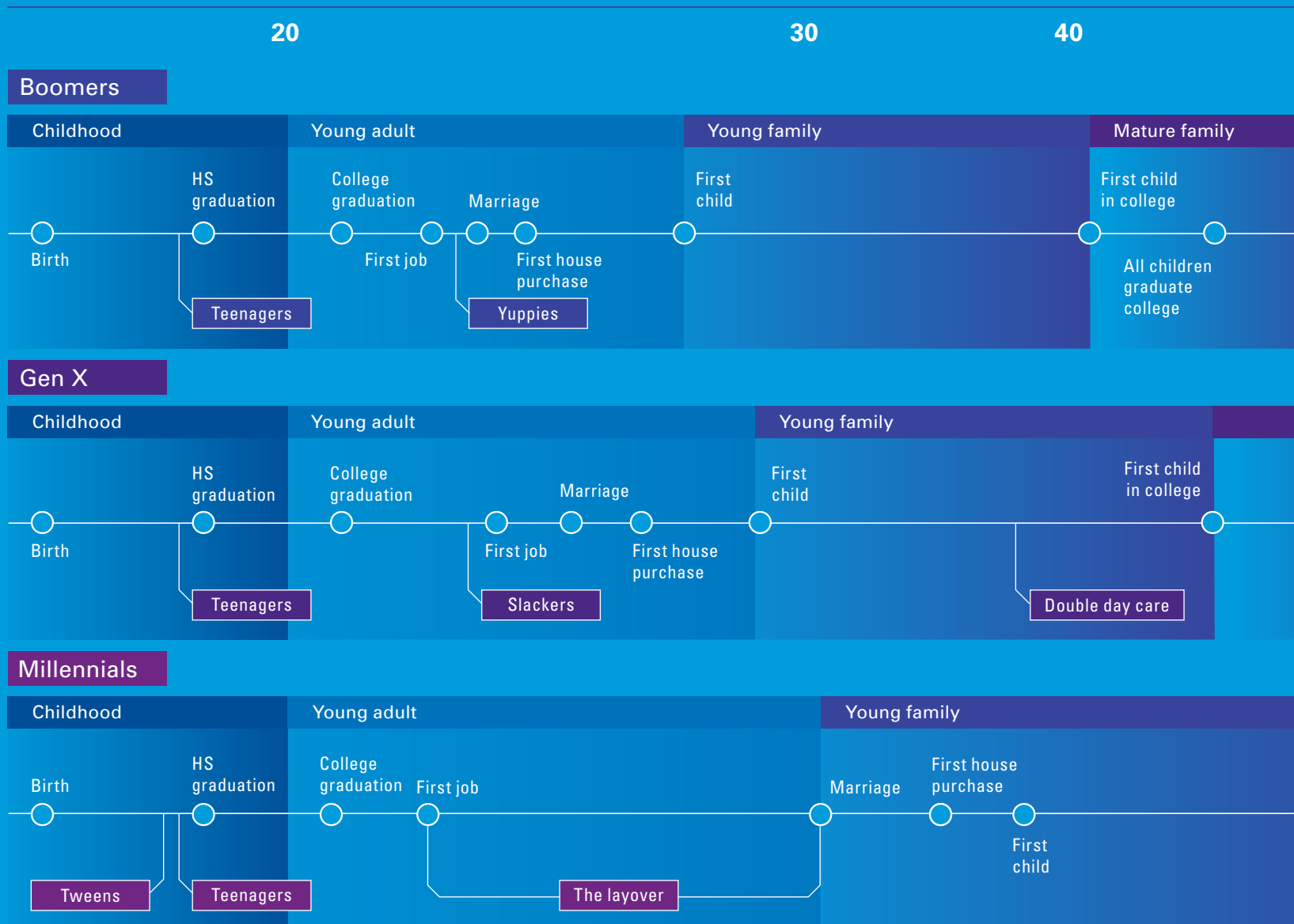
With the baby-boomer echo effect, we’re seeing boomers adopt technology at a higher rate, upending assumptions about their behaviors and expectations. ■



# Life event drifts

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

Average age



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

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

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

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

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

On average, millennials are

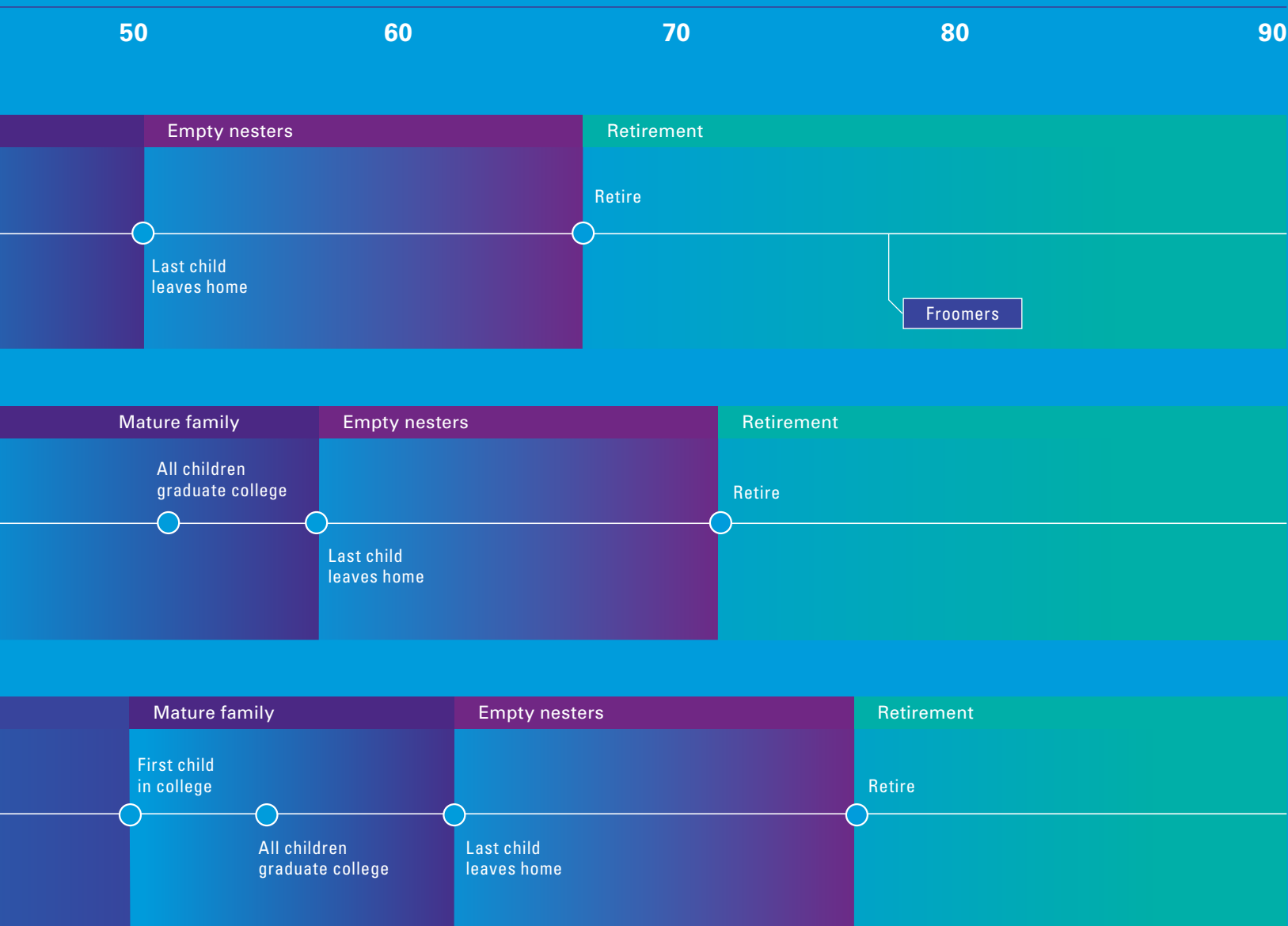
10 years

older than boomers when they have their first child

On average, millennials are

10 years

older than boomers when they buy their first home



# Customer-centric ecosystem: from push to pull to predict

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

**U**nderstanding consumers' lives. Traditionally companies focused primarily on their own slice of their consumers' lives and wallets — what their customers bought through point of sale, loyalty programs and promotions — and used that information to improve campaigns and engagement.

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

As companies capture an increasing amount of data on their customers and get smarter at extracting insights from it, they can assemble those insights to form a more precise, often real-time understanding of what their customers want.

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

Thus companies have evolved from marketing or “pushing” products they hoped would find buyers to “pulling” customers into new ways of experiencing a personalized offering. Now the challenge and opportunity is to predict where the customer is going next, so they can get there first.

## To do that, companies need to understand:

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

## From push to pull to predict

### Push — where we've been:

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

### Pull — where we are:

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

### Predict — where we need to go:

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

## Using the insights throughout the organization and the ecosystem.

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

The new era is not only about engaging with customers differently but also building products differently based on real-time customer insights. From there, companies can leverage those insights across the organization, within the supply chain and among partners, to create a value exchange with the customer and others in the ecosystem that have a shared interest. ■



