



Consumers and the new reality

COVID-19 pulse survey

Wave 5 update

KPMG International

home.kpmg/consumersnewreality

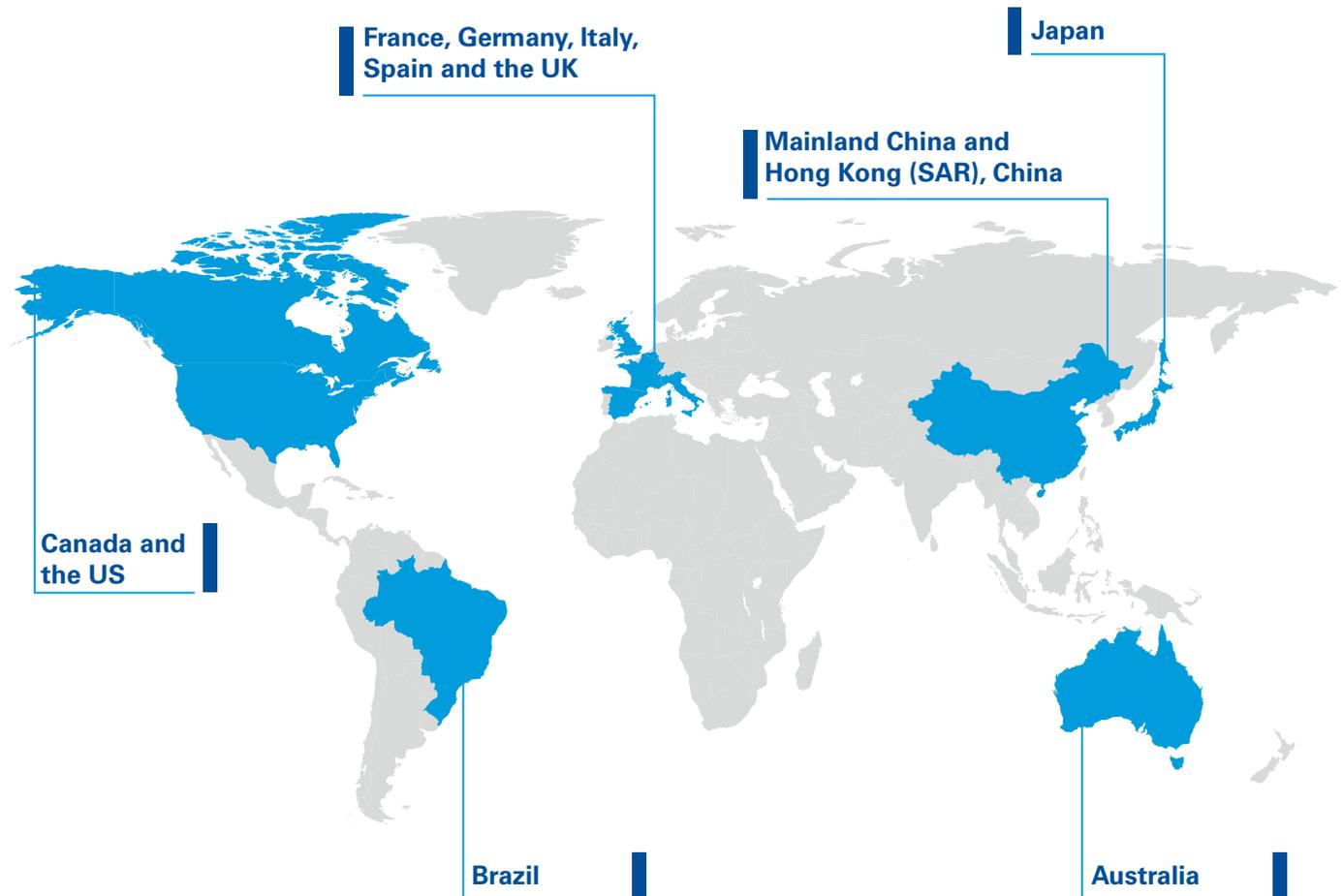


Methodology overview

To understand the lasting impact of COVID-19 on consumers' needs, behaviors and preferences, KPMG International has sponsored a consumer pulse survey of over 70,000 consumers across 12 markets in six separate waves over 4 months. Each wave set out to determine how the evolution of COVID-19 is affecting consumer behavior and in turn, what implications this will have for organizations.

This executive summary includes data from the Wave 1 to Wave 5 consumer pulse surveys, which took place between 29 May – 24 August 2020.

Markets covered in the survey



Consumers expect to live with COVID-19 for the long term

In our most recent consumer pulse survey*, we see consumer expectations for the new normal extend to 12 months or more and the underlying findings from the last report have now become part of everyday life. Overall, the combination of basic consumer needs of value and convenience indicates serious consequences ahead for the economic fortunes of individual markets.

Personal safety has transformed consumer behavior, supplier selection and channel use.

Consumers are increasingly prioritizing personal safety in light of COVID-19. This comes at a time when organizations may be less rigorous in imposing safety measures, which is resulting in an erosion of trust.



Customers continue to be preoccupied with their financial situation and value for money.

Purchasing will be further curtailed for the foreseeable future as customers choose to save and pay down debt rather than spend.

Ease of purchasing is making an economic impact.

The flight to digital will have a significant financial impact on retailers as, for many, this is their least profitable channel.

*Wave 5 data was collected from 14–24 August 2020

Organizations which are most likely to prosper over the long term are those that: 1) **adapt their business models** and embrace the right type of partnerships to respond to the new reality, 2) **rethink their cost of doing business** across multiple facets, 3) **demonstrate their purpose** and prioritize personal safety for their employees and customers and 4) **understand who their customers are**, that their needs are changing quicker and brands will need to adapt faster to meet their expectations.

What has changed since our first report in July 2020?

Attitude towards financial situation remains unchanged



43% are financially overwhelmed or sensitive (same as W1*)

Value for money remains the #1 driver of purchase decisions and remains unchanged at 63 percent. It is followed by ease of buying at 40 percent, which falls 2 percent since W1 (May/June).

Tailoring products to individual circumstances is key for banking (49 percent) and insurance (32 percent).

Savings is now a priority



+7% vs. W1

Savings is now #1 priority for disposable income

Consumers are viewing the effects of COVID-19 to be more long lasting and they're starting to think about their financial future. Insurance purchases are up 5 percent to 32 percent, as consumers want additional security. In addition, one in six consumers who own a credit product have taken or applied for a payment deferral, as they struggle financially.

Where budget and restrictions allow, eating out (35 percent) and holidays at home (32 percent) are the most popular indulgences. But both fall in priority since W1 (-7 percent and -4 percent respectively).

Consumer confidence is down

Net spend is expected to be down

22%

over the next 6–12 months (vs. pre-COVID-19)



Consumers have lost confidence as they evaluate the impact of COVID-19 in their daily lives and are less inclined to go out and resume life as it was.

- One in five consumers (21 percent) are inclined to stay at home, a 3 percent increase vs. our first report.
- Twelve percent more consumers think COVID-19 will last more than a year (32 percent) vs. W1.
- Home has now become the new hub, where work, entertainment, study and socializing activities take place.
- Non-essential spend is expected to be a third lower than pre-COVID-19 over the next 6–12 months (-34 percent).
- Net trust in companies is now negative vs. pre-COVID-19 at -4 percent. This is a drop of 7 percent in just 11 weeks.

Personal safety regarding COVID-19 becomes a basic expectation



3rd in ranking
Personal safety rises in the hierarchy of purchase drivers (consistent at 40%)

Consumers need more reassurance regarding personal safety to come back to stores, branches and outdoor venues.

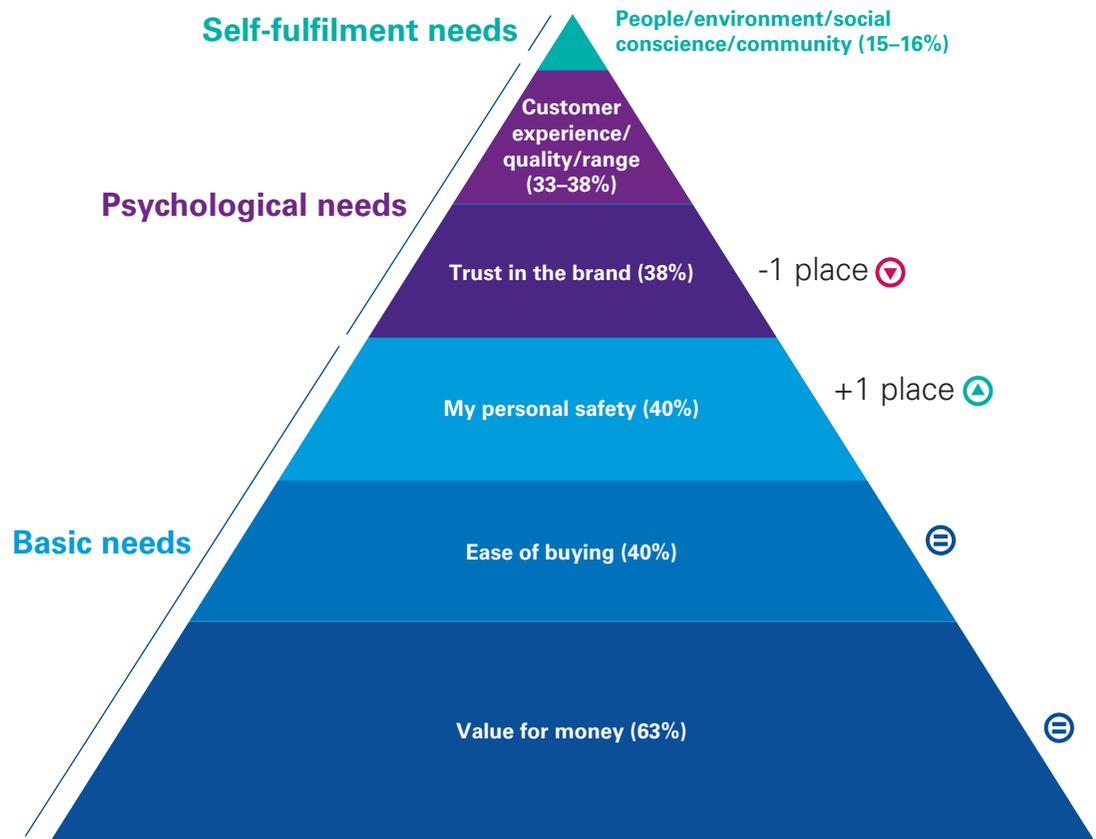
Grocery shopping baskets remain larger, with a +11 percent expected net spend vs. pre-COVID-19. However, consumers are shopping less frequently, a -17 percent net frequency vs. pre-COVID-19.

There's a strong interest in local suppliers, as net likelihood to use more in the future rises 18 percent in the grocery sector and 20 percent for the non-grocery sector vs. pre-COVID-19.

Safety is one of the drivers of this trend (37 percent grocery, 38 percent non-grocery).

*All percentages are comparisons between W5 (14–24 August) and W1 (29 May–8 June)

Safety is now a top three purchase driver



Percentage showing proportion of consumers who rate each as important in their decision-making
Which of the following is important to you now when buying a product or service?

Source: Consumers and the new reality, KPMG International, August 2020

Change in ranking vs. W1

Personal safety moves into the top three purchase drivers.

Personal safety is a new consumer expectation that is perceived to be a basic need alongside value for money and ease of buying. These basic needs must be met before consumers are able to consider psychological needs such as a great customer experience or the needs of others.

Consumers continue to be thoughtful in their purchase decisions, with all the factors illustrated on the left significantly more important than pre-COVID-19. Personal safety has become a clear barrier to getting back out to stores, branches and out-of-home venues.

Organizations must work much harder to reassure potential consumers that their personal safety is paramount and find new ways of engaging them to ease the anxiety around in-person interactions.

Consumers have lost confidence

Since our first report, published in July 2020, consumers have lost confidence in their interactions with the outside world.

They are less inclined to go out and more likely to feel that the impact of COVID-19 will last more than a year.

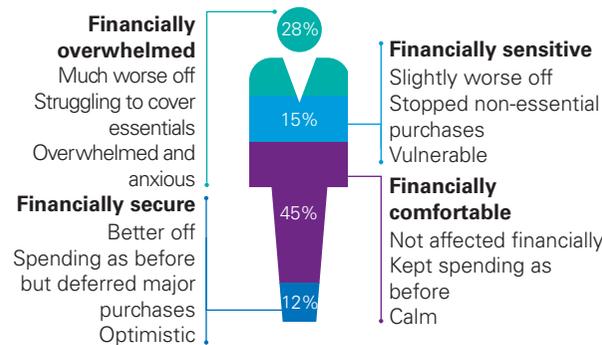
Overall net spend across all categories in the next 6–12 months is 22 percent lower vs. pre-COVID-19 and spend on non-essential purchases, is expected to drop by 34 percent.

Globally, 21 percent of consumers want to stay at home as much as possible (+3 percent vs. W1).

A third (32 percent) now think the situation will last more than a year, a rise of 12 percent vs. W1. This is seen most among the financially overwhelmed (39 percent).

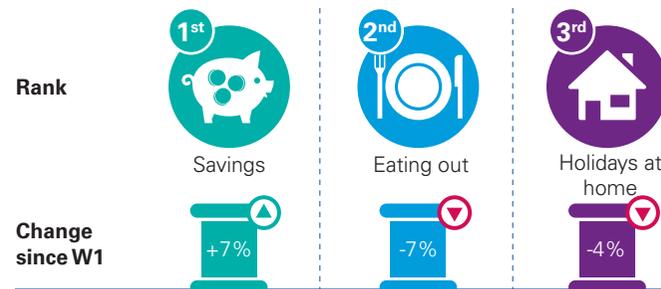
Organizations will need to focus on reassurance and implement initiatives that restore consumer confidence.

Financial outlook remains weak with 43 percent feeling overwhelmed or vulnerable.



To what degree do you feel the COVID-19 situation is affecting your household finances?
 To what degree do you feel your spending behavior has changed vs. before?
 How do you currently feel about your financial wellbeing?
 Source: Consumers and the new reality, KPMG International, August 2020

Fewer people want to spend on eating out or holidays, with saving taking more of a priority vs. W1.



Now that restrictions are being lifted in many countries and territories, which of the following might you want to prioritize if you were able to financially? (Top three)
 Source: Consumers and the new reality, KPMG International, August 2020

Who is the most cautious?

Those more likely to want to stay at home are younger consumers (25 percent, 18–44 years old vs. 18 percent 45+ years old) and those in Hong Kong (SAR), China (33 percent), the US (32 percent) and Brazil (31 percent).

This group is more inclined to be found among the financially overwhelmed or sensitive (24 percent).

Whereas older people (32 percent 45+ years old vs. 28 percent 18–44 years old), the financially secure or comfortable (32 and 33 percent respectively), Italians (45 percent) and those in mainland China (41 percent) are the most likely to want to return to pre-COVID-19 habits with extra caution.

This belief that COVID-19 will last more than a year is higher among those aged 45+ vs. younger consumers (35 percent vs. 28 percent) and most evident in Japan (44 percent) and Canada (43 percent).

This is more commonly felt among the financially overwhelmed (39 percent) and sensitive (34 percent).

The decline in net spend is expected to be highest in France and Japan (-28 percent respectively).

Non-essential spend is expected to fall most steeply in Spain (-43 percent) and France (-40 percent).

Brand trust has declined

As consumer confidence dips, companies may have not reacted strongly or quickly enough to counteract concerns.

In our first report, net trust across all sectors globally, was stronger than pre-COVID-19 (+3 percent). Now, net trust has declined to -4 percent.

Mainland China stands out as being exceptionally trusting of organizations at this time (up 27 percent vs. pre-COVID-19).

However, all other markets see a negative net trust of between -2 percent in the US and -15 percent in France vs. pre-COVID-19.

The drop in net trust over the past couple of months since W1 has been greatest for Spain and Italy (-15 percent and -13 percent respectively).

Grocery and non-grocery retail, early beneficiaries of consumer trust, have suffered the most. The two sectors new to our survey, Entertainment & Leisure and Travel & Tourism, have also suffered a significant drop in trust vs. pre-COVID-19.

Net trust by sector now vs. pre-COVID-19.

	W1	W5	Change
 Grocery	8%	-2%	-10%
 Non-grocery	3%	-5%	-8%
 Banking	1%	-2%	-3%
 Insurance	4%	1%	-3%
 Entertainment & Leisure	n/a	-15%	n/a
 Travel & Tourism	-9%	-15%	-6%

Percentage showing net trust, i.e. trust more than before minus less than before
And to what extent do you trust each type of company now, compared with before the start of the COVID-19 situation?

Source: Consumers and the new reality, KPMG International, August 2020

Companies must do much more to build trust.

Organizations need to clearly communicate and demonstrate their ongoing commitment to rebuilding trust.

Net trust decreases vs. W1



Net trust in companies is now -4% vs. pre-COVID-19, a drop of -7% in 11 weeks.

Percentage showing net trust, i.e. trust more than before minus less than before
And to what extent do you trust each type of company now, compared with before the start of the COVID-19 situation?

Source: Consumers and the new reality, KPMG International, August 2020

Market focus

COVID-19 and each market's response to the continuing situation, are affecting consumer confidence in different ways.

Consumer confidence in **Australia** falls (-7 percent), as 65 percent now think the situation will last up to a year or more. We also see a +11 percent increase of those who will work from home more in the future vs. W1 (40 percent) and they consider savings their highest priority (47 percent vs 36 percent), the highest of all markets.

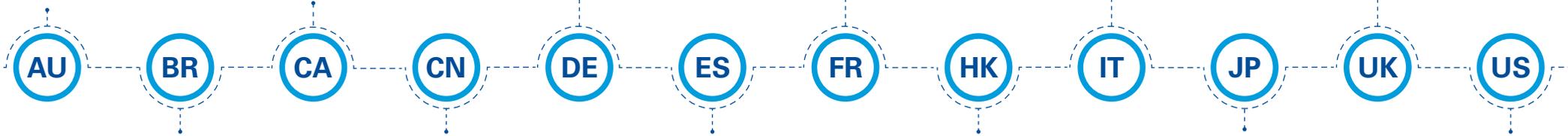
Consumers in **Canada** are more likely to believe that the situation will last longer-term with 43 percent saying a year or more vs. 32 percent globally. As a result, savings are an especially high priority (44 percent vs. 36 percent), as well as eating in (32 percent vs. 27 percent).

Germany continues to be in a strong position, with a slight increase in consumers who will stay at home more. Along with mainland China, they see the smallest fall in overall spend (-16 percent vs. -22 percent) and will prioritize entertainment activities such as eating out (32 percent), holidays in their country (31 percent) and holidays abroad (29 percent), over savings (24 percent vs. 36 percent).

France is the least trusting now vs. pre-COVID-19 (-15 percent vs -4 percent) and the only market to have been spending less on groceries (-1 percent vs. +11 percent), with non-grocery spending at -40 percent vs. pre-COVID-19 (vs. -34 percent globally).

Italians declare they are almost ready to go back to pre-COVID-19 behaviors with extra caution, however most think they will be affected for 1 year or more (63 percent). Italians are the second least trusting now vs. pre-COVID-19, after France (-13 percent vs -4 percent).

Mid-holiday season, **UK** consumers were the most likely to have changed their position vs. W1, with +12 percent now wanting to return to pre-COVID-19 habits. Holidays abroad are a higher priority (31 percent vs. 24 percent), despite 70 percent believing that the situation will last a year or more (vs. 61 percent globally).



Consumers in **Brazil**, another current epicenter, are also more inclined to stay at home (31 percent vs 21 percent), are more financially affected than other markets and less trusting of organizations (-7 percent net trust vs -4 percent).

Consumers in **mainland China** are less inclined to stay at home, with 41 percent ready to return to their pre-COVID-19 habits and only 13 percent thinking the situation will last more than a year. Chinese consumers are also exceptionally trusting now vs. pre-COVID-19 (+27 percent vs. -4 percent).

Much more inclined to want to go out and about (38 percent vs 28 percent), **Spanish** consumers are nevertheless the second most likely to be financially overwhelmed, (35 percent vs. 28 percent globally), are one of the least trusting (-10 percent vs. -3 percent) and have seen the biggest drop in non-grocery spending of all markets (-43 percent vs. -34 percent).

Hong Kong (SAR), China consumers are more concerned about their personal safety, with 33 percent now declaring they will stay at home (a +13 percent increase, the biggest vs. other markets). Therefore, it sees the biggest growth in net grocery expenditure of all markets (+33 percent vs. +11 percent), and a +12 percent growth in their interest to eat in.

Japanese consumers continue to feel cautious about their situation. Forty-four percent think the situation will last more than a year, the highest overall. Trust falls (-4 percent now) and they see the biggest decline in net overall spend (-28 percent) compared with before COVID-19. They will prioritize eating in at 44 percent and savings at 40 percent (biggest growth +20 percent, +14 percent respectively vs. W1).

With continuing high cases in the **US**, consumers are more likely to want to stay at home (32 percent vs. 21 percent), yet slightly more optimistic regarding the potential duration of COVID-19, with 27 percent thinking it will last more than a year (vs. 32 percent globally).



Sector focus Consumer and Retail

Trust in retail has been eroded

Retail, and grocery retail in particular, was initially seen positively during the COVID-19 situation. Trust in these sectors was higher than any other — however as time has passed, this trust has eroded with a significant decline compared to W1 (-10 percent for grocery, -8 percent for non-grocery). Net trust is now negative for both sectors.

Decline in trust is seen across all markets. Even those with current high net trust, such as mainland China (currently at +15 percent net trust) have seen a negative change (-11 percent for grocery, -8 percent for non-grocery).

Net trust has declined for both grocery and non-grocery retail — with more customers now saying they have less trust in the sector than before.



Percentage showing net trust, i.e. trust more than before minus less than before
And to what extent do you trust each type of company now, compared with before the start of the COVID-19 situation?

Source: Consumers and the new reality, KPMG International, May–August 2020

Trust is driven by retailers demonstrating the same values that customers hold themselves — customers are expecting retailers to focus even more on protecting customer safety.

#1 driver of trust in grocery retail (#2 non-grocery)



Brand's values
match my own

#1 focus expected by customers:

More social distancing
and hygiene safety
measures in store

Increase in
importance since
May/June +4%



Drivers analytics, importance of purchasing attributes against trust in sectors
Which of the following is important to you now when buying a product or service?
Thinking about you as a customer, what type of things do you think grocery/non-grocery retailers should be focusing on now, as a result of COVID-19?

Source: Consumers and the new reality, KPMG International, May–August 2020

Retailers need to demonstrate that they are still taking personal safety seriously in order to rebuild consumer trust.

It requires a restoration of visible aspects of customer safety that were evident during periods of lockdown.



Sector focus
Consumer and Retail
Grocery

Grocery baskets are larger, but filled less often

Consumer spend has increased — reflecting the necessity faced by many customers to consume more at home.

This is in contrast to spend on non-grocery — across almost all markets, particularly Hong Kong (SAR), China (+33 percent), mainland China (+24 percent) and Brazil (+19 percent vs. pre-COVID-19). France is the exception (-1 percent).

Customers are shopping less often and are much more thoughtful about where they choose to shop — especially in Canada and France, where frequency is even further reduced (-45 percent and -29 percent respectively vs. pre-COVID-19).

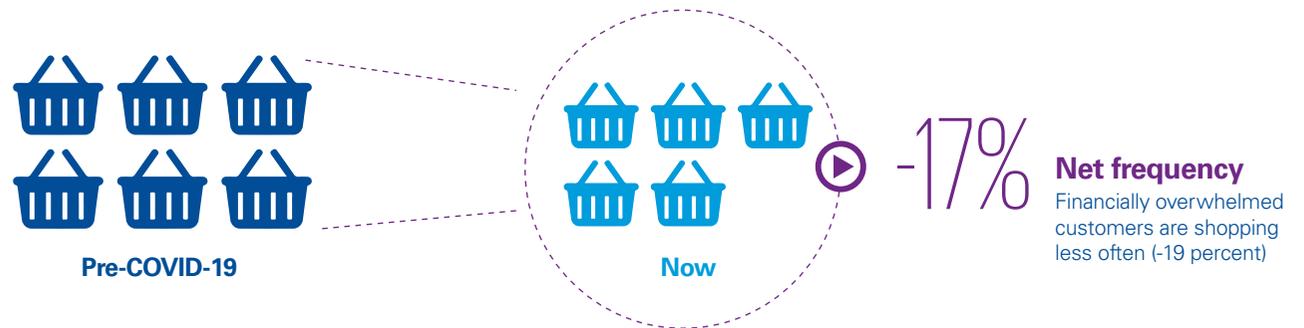
Grocery spending is up despite a loss of trust.
Retailers will need to better understand the motivations behind this behavior if they are to encourage customers to stay loyal once restrictions are lifted.

Net spend on grocery is expected to increase as more customers consume at home...



Percentage showing net spend, i.e. spend more than before minus less than before
And thinking about your monthly spending, how do you think this will change in the next 6–12 months compared with before COVID-19?
Source: Consumers and the new reality, KPMG International, August 2020

... but they are shopping less often than before COVID-19.



Percentage showing net frequency, i.e. shop more often than before minus less often than before
Are you shopping for groceries more often, the same or less often now than before COVID-19?
Source: Consumers and the new reality, KPMG International, August 2020



Sector focus
Consumer and Retail
Non-grocery

Dramatic drop seen in non-grocery spending

Customers believe they will spend far less in the future on their non-grocery retail.

This pattern is reflected in all markets. Retailers need to consider what steps can be taken to restore customer confidence.

Similar to grocery, personal safety is a key driver of customers to online channels and a necessity in store.

Decreased spend on non-grocery is seen across all markets. US (-20 percent), Germany (-25 percent) and mainland China (-25 percent) see a slightly smaller degree of reduced spend but still significant compared with pre-COVID-19.

Major reductions are seen in spend on non-grocery retail...



Pre-COVID-19



Next 6-12 months

-34%

Net spend total

Even financially comfortable/secure customers predict they will spend less (-23 percent vs. pre-COVID-19).

Percentage showing net spend, i.e. spend more than before minus less than before
And thinking about your monthly spending, how do you think this will change in the next 6-12 months compared with before COVID-19?
Source: Consumers and the new reality, KPMG International, August 2020

... with the majority of customers either stopping or reviewing non-essential spending.

1 in 5

customers stopped all non-essential spend (21%)



2 in 5

customers more selective in all their purchases (42%)

To what degree do you feel your spending behavior has changed vs before?
Source: Consumers and the new reality, KPMG International, August 2020

Non-grocery retailers need to provide compelling reasons as to why customers should visit their stores or websites and make purchases in the short-term.



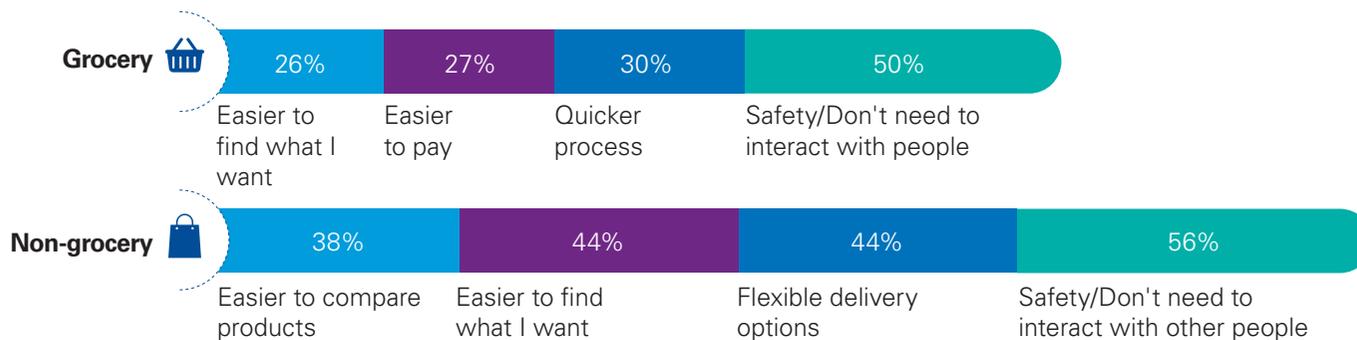
Sector focus Consumer and Retail

Website channels have risen in use for retail while use of large stores has fallen dramatically.



How have your shopping habits with retailers changed during COVID-19?
Source: Consumers and the new reality, KPMG International, August 2020

Use of online channels is driven by a desire for personal safety and convenience of the channel. For grocery, safety is even more of a concern for financially overwhelmed customers (53 percent).



Why do you think you will continue buying online/your groceries more online?
Source: Consumers and the new reality, KPMG International, August 2020

With digital the undisputed channel of growth and being a key way to meet customers' new expectations, brands must ensure their online offerings are easy to use and integrate seamlessly with their overall omni-channel offering.

The profitability of the channel will also need to be reviewed carefully as in many cases, online is far superior to the physical store.

What does this mean that the role of the physical store? Do retailers need to think about how to best use their physical space to maximize their returns? The industry will also need to assess many of its traditional KPIs such as sales per square meter and how they suit this new reality.



Sector focus Consumer and Retail

Only 1 in 3 customers express a strong desire to return to large supermarkets/stores in the future — there is still a lot to do to build consumer confidence.



■ Grocery ■ Non-grocery

Do you miss going to supermarkets/large retail stores as often as you used to? Answering Yes, and seeking to return as soon as possible.

Source: Consumers and the new reality, KPMG International, August 2020

Customers expect visible evidence that retailers are addressing their expectations for safety, before they would be more willing to return.

What would convince you to return to large stores?

Grocery

- 1 Sanitized baskets/trolleys
- 2 Provide hand sanitizer
- 3 Enforced social distancing
- 4 Lower prices
- 5 Staff wearing PPE

Non-grocery

- 1 Enforced social distancing
- 2 Provide hand sanitizer
- 3 Limited number of customers
- 4 Lower prices
- 5 Sanitized baskets/trolleys

What would a supermarket/large store need to do to encourage you to go back to a store, in the near future?

Source: Consumers and the new reality, KPMG International, August 2020

Customers state a willingness to return to stores but only if their concerns over personal safety are alleviated. This will require detailed store planning to improve safety by minimizing touchpoint exposure and reducing potentially harmful interactions.



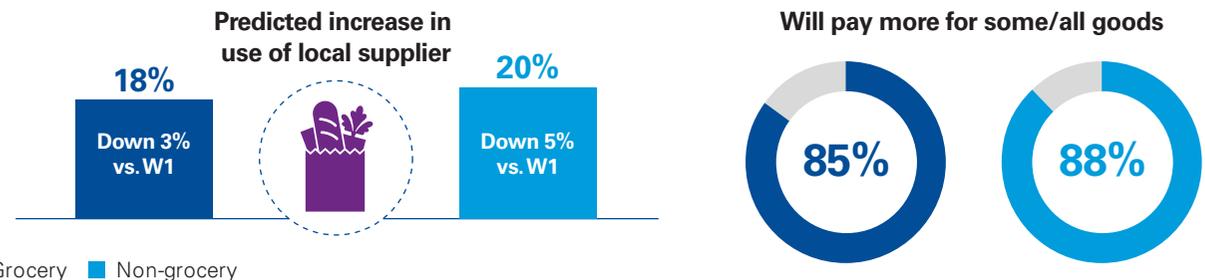
Sector focus Consumer and Retail

Consumers will pay more to support their community

While value for money remains the most important driver of consumption retailers and suppliers should try and avoid a race to the bottom. We are experiencing a significant trend towards supporting local suppliers and this could offer an opportunity to counteract this price pressure. Many consumers tell us that they would pay more to support their local community. This may have implications for large retailers who could partner with local suppliers and global brands who may consider localizing their brand strategy.

Support for local suppliers has continued over the past months, with a strong desire to support the community as well as the perception that local goods are higher quality. Predicted use of local suppliers has decreased slightly over the past months, but still remains high.

Consumers continue to feel strongly that they will make greater use of local suppliers in the future and they are also still willing to pay more for goods when they do.



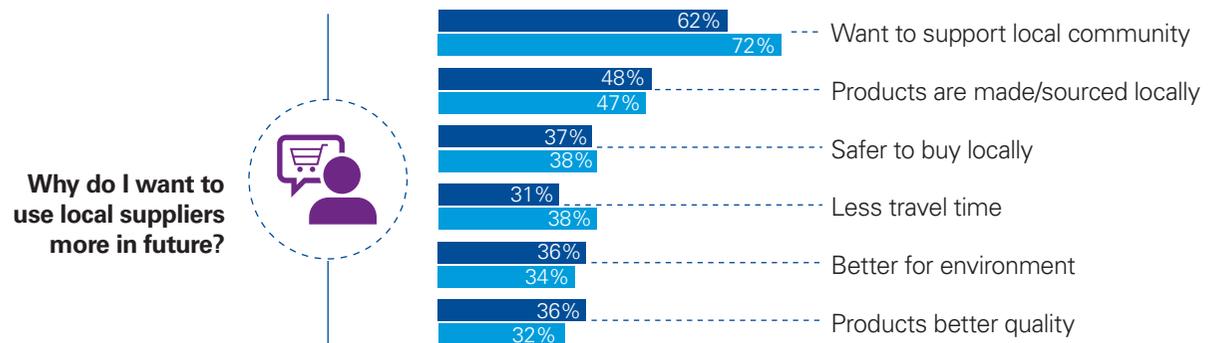
■ Grocery ■ Non-grocery

Percentage showing the net change (% more likely to use, minus % less likely to use) post-COVID-19) Thinking about your personal preferences in grocery/non-grocery shopping, how do you think your brand preference will change in the future, once all restrictions are lifted, compared with before the COVID-19 situation? Less/same/more

When you buy from local suppliers, would you be willing to pay more for locally sourced products in the future?

Source: Consumers and the new reality, KPMG International, August 2020

Beneath the surface desires to support the local community, there is an undercurrent of safety conscious behavior — including perceived safety of buying locally, and wishing to travel less distance.



Why do you say you will buy more from local suppliers once all restrictions are lifted?

Source: Consumers and the new reality, KPMG International, August 2020



Sector focus
Banking

Knowing consumers is not enough: understand them

Banking customers, more than ever, want to feel in control. They want to be equipped to make sensible decisions about their future and they want proactive communications to help guide them on their way.

As consumers continue to be economically affected, banks will need to understand their clients' challenges in order to meet their financial commitments.

1 in 6 of consumers who own a financial product, have applied for a payment holiday in the last 6 months (17 percent).

Higher in mainland China and Brazil (34 percent respectively) and for those 18-44 (25 percent). Financially secure customers are more likely to have applied for a payment holiday (24 percent), as they are more likely to own such products (47 percent vs. 43 percent total).

20% of consumers who own a financial product think companies should have done more to understand and accommodate their needs during COVID-19.

18% of consumers who have applied for a payment holiday will likely struggle to pay back, especially those who took out overdrafts (25%), mortgages (21%) and car finance (20%).

For each of the following financial products, which of the following applies to you?
To what extent do you agree that organizations have done enough to understand and accommodate your changed circumstances and needs during the COVID-19 situation?

How likely are you to be able to pay the money back as originally planned?

Source: Consumers and the new reality, KPMG International, August 2020

Half of all banking customers expressly ask for products and services tailored to their personal circumstances

		Highest in:
Offer tailored products and services to my personal circumstances	49%	Mainland China (66%)
Option to adapt my online account settings	40%	Italy (60%)
Send me relevant information	38%	Spain (47%)
Provide saving recommendations based on personal spending patterns	35%	Mainland China (47%)
Know me and my history when dealing with me	35%	Canada (47%)
Provide personalized analysis of spending patterns	25%	Hong Kong (SAR), China (43%)

Many banks aim to provide their customers with a tailored offering and service online. Which of the following are most important to you, when interacting with banks online?

Source: Consumers and the new reality, KPMG International, August 2020

It is more critical than ever for banks to have a deeper understanding of their customers and offer more personal experiences.

It is especially important to offer new and more complex services, previously branch-based, online.

Enabling customers to self-serve and solve queries more quickly can help organizations drive down costs by up to 25 percent.*

* Source: KPMG Nunwood UK CEE report 2020

The banking industry was already facing extensive disruption and change. COVID-19 provides a chance to reset the role of banking in the mind of the customers and align it with providing tailored solutions. Integration, proactivity and purpose are the new watchwords.

Personalization should be based on a deep understanding of the individual customer's circumstances, a humanized and easy experience, especially for those new to digital channels. This is more relevant to those aged 45+, who still value a telephone number to contact banks (27 percent).



Digital banking has been fast-tracked

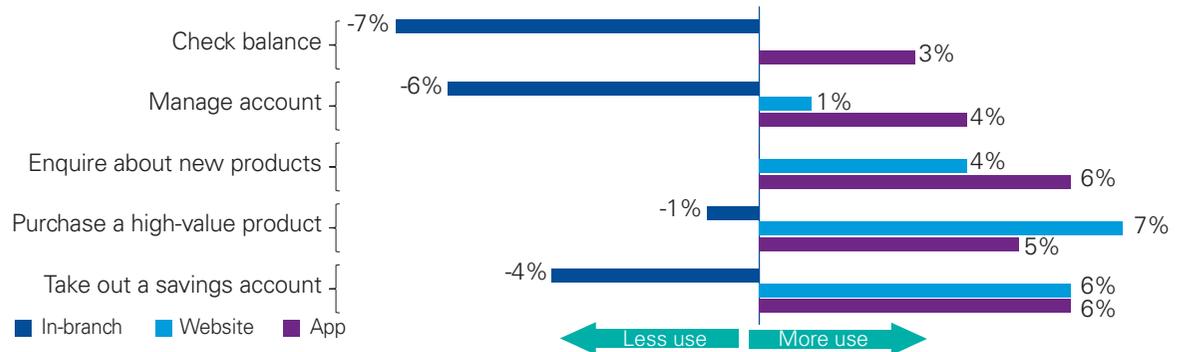
Despite the restrictions being lifted, banking is expected to become ever less branch-centric with consumers looking to securely access personalized products and services online.

Many banks will need to further evolve their channel strategy and advance their digital investment. In the COVID-19 new reality, consumers will use branches less (-4 percent on average) and shift into digital channels like websites and apps (+4 percent, +5 percent). This trend has been consistent through all waves of this research, suggesting these changes are permanent.

This trend is most evident for purchasing new products (+4 percent website, +6 percent app), including high-value products, like mortgages (+7 percent website, +5 percent app) and savings (website and app both +6 percent).

— For purchase of high-value products, we see Canada (+12 percent) and Japan (+10 percent) leaning toward websites while apps are more popular in Spain (+12 percent) and mainland China (+10 percent) Hong Kong (SAR), China (+8 percent).

The trend towards digital interactions, seen in our first report, continues to be evident. Once COVID-19 restrictions are lifted, banking consumers expect to continue using digital more.



Which methods of communication would you use to interact with your bank(s)... a. Before COVID-19. b. In the future, after COVID-19, once all restrictions are lifted? Percentage showing net change i.e. will use in future, minus used before.

Source: Consumers and the new reality, KPMG International, August 2020

— For purchase of new savings products, there is a higher interest from financially secure customers (+16 percent), leaning towards apps.

Security of personal information is important for more than half of banking customers. Reassuring the 45+ age group is key to encourage digital channel use.

Security is particularly important for countries with higher usage of new and digital banks: Hong Kong (SAR), China (67 percent), Spain (61 percent), Japan (60 percent), Brazil (59 percent) and mainland China (58 percent), as well as for financially overwhelmed (59 percent) and comfortable (58 percent) consumers.

Alternatively, 24/7 webchat availability is key for those aged 18–24 (43 percent vs. average 30 percent for those aged 25+).

Omnichannel experiences are more relevant for financially secure consumers, with higher interest in being able to complete tasks across devices (39 percent) and offering video-call appointments for high-value products (24 percent).

Using data & analytics and investing in leading edge technology platforms need to be at the core of how banks change and commercialize digital banking in the future — or risk being disintermediated by new entrants.



Sector focus Insurance

Consumers demand more from insurers

The insurance industry has a key role to play in supporting customers and societies through COVID-19 and the recovery.

Insurance customers are becoming more demanding of their insurance companies, with more people seeking greater ease and clarity through:

- improved functionality on digital platforms
- proactive communication on the effect of Coronavirus on their service offering and
- prioritization of frontline workers (+3–4 percent demand vs. W1 for each factor).

Overall, insurance ownership is down slightly, driven by travel insurance which saw a 6 percent drop vs. W1, the highest drop is in Spain (-14 percent) and the UK (-10 percent).

Overall, customers most want insurers to prioritize key workers, to tailor and innovate products for our new reality and to improve the ability to digitally submit claims information.

- 33%** Prioritization of key workers
- 32%** Personalized products for my specific needs
- 32%** Better ability to submit claims digitally
- 31%** Innovative products to respond to our new reality

Thinking about you as a customer, what type of things should insurance companies be focusing on now, as a result of COVID-19? Please select the top three most important to you and rank them in order of importance.

Source: Consumers and the new reality, KPMG International, August 2020

There is an increased tendency vs. W1 of customers wanting to make a digital claim (via website or app) in the future.



- An increase of +3% for a website, up to +9% vs. pre-COVID-19
- An increase of +2% for apps, up to +6% vs. pre-COVID-19



- An increase among those wanting to use website is highest in the UK (+18%) and Australia (+13%)
- For apps, the highest is in Brazil (+10%), Spain (+9%) and Hong Kong (SAR), China (+9%)

Considering the following methods of communication with your insurance company. Before COVID-19, which method did you mainly use to do the following? And which one will you use in the future, after COVID-19 and once all restrictions are lifted?

Source: Consumers and the new reality. KPMG International. August 2020

Insurance companies must rapidly adapt to the changing circumstances, introducing new digital tools, updating ways of interacting with customers and innovating products to meet new customer needs.

Increasingly, insurance products are being sold through a digital first advice approach.*

This creates greater efficiency, better value for money and reduced distribution costs for the insurer.

* Source: KPMG Nunwood UK CEE report 2020

Trust in the insurance sector is higher than other sectors, with customers looking to providers to support them in a more personalized way.



Unlike other sectors, insurance has maintained a positive net trust in comparison with pre-COVID-19 (+1% vs. -4% across all sectors). While this has eroded slightly over the last few months (-3% vs. W1), this is less marked than for other sectors.

And to what extent do you trust each type of company now, compared with before the start of the COVID-19 situation?

Source: Consumers and the new reality, KPMG International, August 2020



Sector focus Insurance

Demand for insurance is up

COVID-19 has led to an increased customer desire to secure against unforeseen events. Where customers need to make a claim, efficient processing of claims remains critical — especially in the current environment, where delays in pay-outs may have severe implications for customers' personal financial situation.

New activity, resulting from COVID-19, is now more directed towards acquisition than policy review or consideration vs. W1.

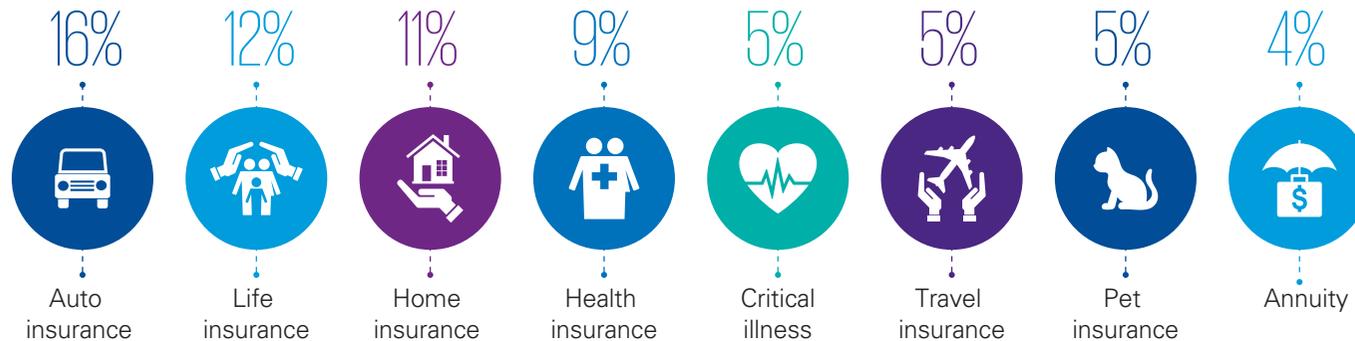
+5%	Acquisition	And for each type of insurance policies, which of the following have you done as a result of COVID-19?
-2%	Consideration	
-4%	Review	

Source: Consumers and the new reality, KPMG International, August 2020

Acquisition was focused around auto insurance (which was +5 percent vs. W1), the highest is in Italy (43 percent) and Brazil (27 percent) vs. 16 percent globally. Smaller increases of 1-2 percent were seen for life, home, health, pet and annuity insurance vs. W1.

Financial security is, perhaps unsurprisingly, linked with insurance ownership — those who feel secure are more likely to have invested in life, health, critical illness, annuity and travel insurance. Financially comfortable consumers invested in home and travel insurance. Yet those financially overwhelmed also have a greater tendency to own life insurance.

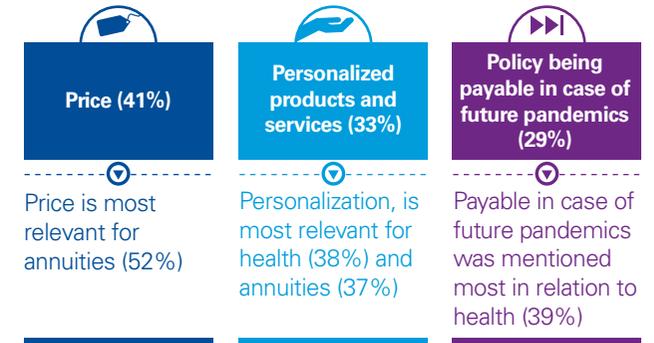
Auto, Life and Home insurance products are the key beneficiaries of COVID-19 in terms of purchase.



And for each of these types of insurance policies, which of the following have you done as a result of COVID-19?

Source: Consumers and the new reality, KPMG International, August 2020

Factors important during consideration of a policy:



And thinking about the next time you choose a policy, which of the following do you think will be most important in your selection?

Source: Consumers and the new reality, KPMG International, August 2020

Insurers have to consider in their product mix, the increased interest in auto and home insurance, as consumers face lifestyle changes and acquire these products to avoid public transportation and car pools. Life insurance is typically viewed as a grudge purchase, but now even the financially overwhelmed are spending on life insurance.



Sector focus Travel & Tourism

Travel faces a long road to recovery

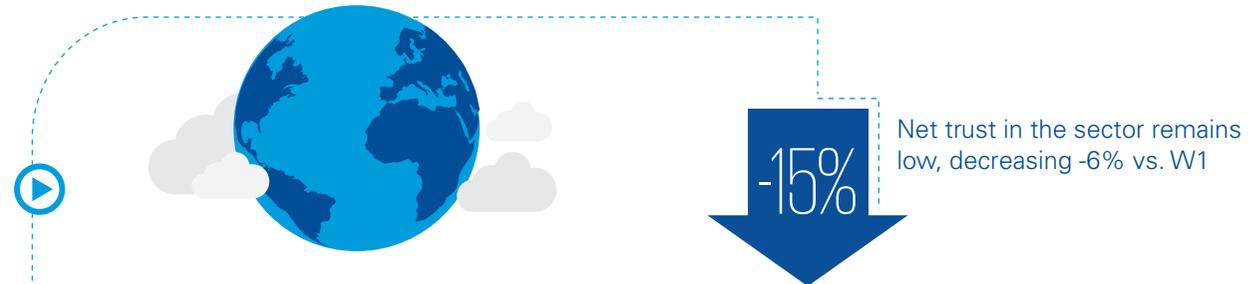
COVID-19 is expected to have a long-term impact on the Travel & Tourism industry as companies work on regaining lost trust.

The travel industry was one of the hardest hit industries in the world. Only two in five consumers are confident to go back to this sector, fewer in Japan (29 percent), and Hong Kong (SAR), China (34 percent) and more in Brazil (54 percent), Italy (53 percent) and France (51 percent).

Consumers say the industry's key priorities should be the flexibility of refunds (46 percent) and hygiene measures (44 percent). The former is especially relevant as consumers have been particularly affected by a long and complicated refunds process. This has higher relevance in Australia (60 percent), Hong Kong (SAR), China (53 percent), Germany (52 percent), France (51 percent) and the UK (51 percent).

Addressing concerns around hygiene and personal safety, when flying or staying at hotels, is critical to improve confidence to resume tourist activities. This is particularly important for Canada (56 percent), mainland China (53 percent) and the US (51 percent).

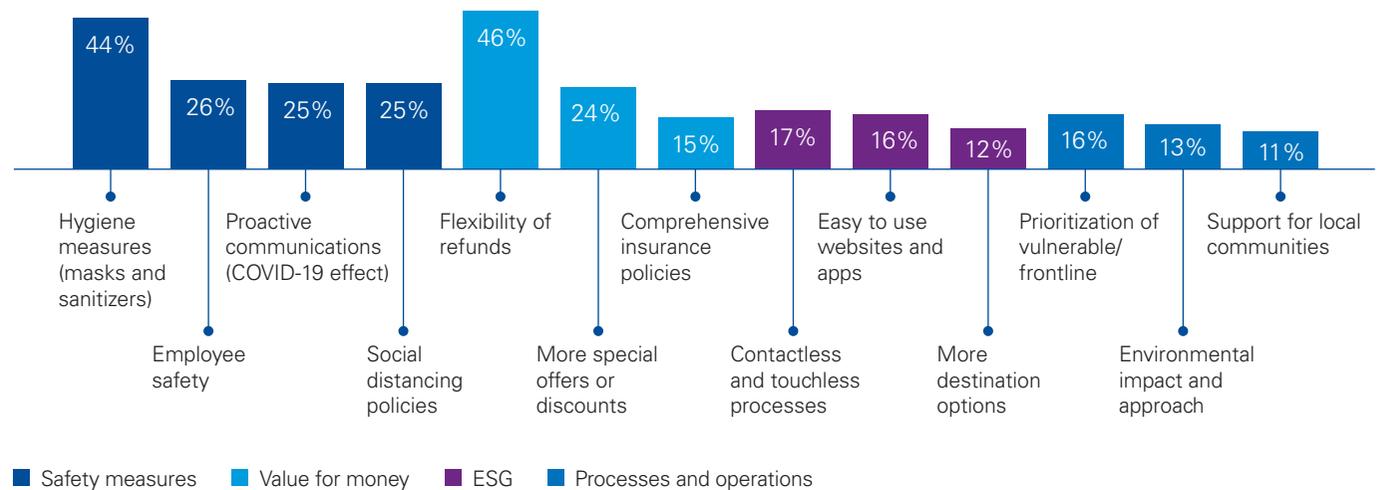
Trust in the sector is low vs. pre-COVID-19, as the industry continues to face challenges with the ongoing situation.



Percentage showing net trust, i.e. trust more than before minus less than before and to what extent do you trust each type of company now, compared with before the start of the COVID-19 situation?

Source: Consumers and the new reality, KPMG International, August 2020

Trust can be improved by focusing on implementing safety measures and improving refunds policies and process.



Percentage showing top three mentions

Thinking about you as a customer, what type of things do you think the travel and tourism sector should be focusing on now, as a result of COVID-19?

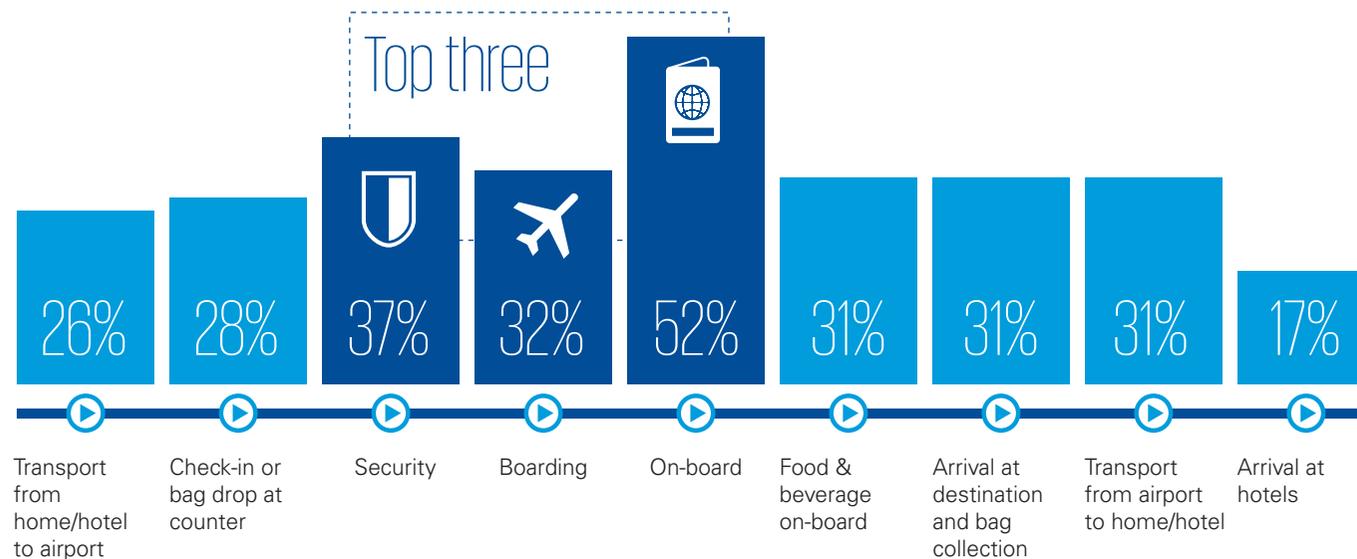
Source: Consumers and the new reality, KPMG International, August 2020



Sector focus Travel & Tourism

When thinking about flying again, customers are mostly worried about the on-board experience (52 percent).

Percentage showing proportion of people worried about each stage of the customer journey when flying.



Percentage showing those who are worried about this step of the journey
Some people might be cautious about going on holiday abroad at the moment. Thinking about a typical trip abroad, would you be particularly worried about any of the following?

Source: Consumers and the new reality, KPMG International, August 2020

After some weeks of stop-start progress, travel restrictions start to slowly ease and consumers are now facing a new and different travel experience vs. pre-COVID-19.

About half of consumers are mostly worried about the on-board experience on a flight, with 55 percent expecting a limited number of customers on the flight. In second place, the security process (37 percent) at the airport is a concern for consumers; this is particularly high for consumers in Spain (58 percent) and Italy (54 percent). Forty-nine percent of consumers are expecting enforced social distancing policies in the airport.

To rebuild consumer trust, Travel & Tourism organizations need transparent communications of refunds and vouchers policies, setting clear expectations on next steps and a clear timeline, especially for airlines. They will also need to inspire confidence in the safety of their operations and processes, with visible hygiene and safety measures in place.

Eighteen to 44 year olds are more worried than those aged 45+ about the security in the airport process (40 percent vs. 33 percent).

The emotional impact towards the industry has been shaped by travel disruptions and how companies reacted initially. Twenty-eight percent of customers feel trusting, especially in mainland China (47 percent) and the US (42 percent) and 26 percent feel calm, mostly in mainland China (41 percent), Italy (36 percent) and Spain (35 percent). However, 21 percent feel frustrated, and this is higher in the UK and Australia (34 percent respectively). For those financially overwhelmed, sentiment is more negative, with 30 percent feeling frustrated and 22 percent confused — likely due to the challenges of getting refunds and vouchers, at a critical time when they most need it.



Sector focus Travel & Tourism

Holidays at home: staycations are on the rise

As the travel industry faces high levels of disruption and uncertainty remains due to safety concerns and COVID-19 measures abroad, local holidays are replacing airline travel.

Those who had their travel plans disrupted had to adjust their plans.



Have you done any of the following as a consequence of COVID-19?
Respondent can choose multiple options

Source: Consumers and the new reality, KPMG International, August 2020



Top three priorities

Holidays at home remains a high priority in future planned expenditure, after savings and eating out.

There is an appetite to travel if reassurance can be given regarding security. Many consumers are now planning to take a holiday locally (22 percent) taking into account how the local COVID-19 situation develops, and 21 percent have already booked a local holiday. This can help to support the local tourist industry.

As mentioned previously, reassurance on safety measures is key: clear communications and messaging that destinations/facilities are COVID free and that all necessary measures is in place are key to encourage hotel bookings. Providing sanitizer (45 percent), enforcing social distancing at hotels (44 percent), additional cleaning during the stay (44 percent), limiting the number of customers at any one time (43 percent) and staff wearing PPE (42 percent) would help customers see tangible measures in place.

High levels of disruption in the industry.

63%

of consumers had holidays booked
— UK (79%)
— Germany (73%)
— US (73%)



40%

A trip abroad
— UK (64%)
— Germany (61%)



31%

A trip in their own country or territory
— US (50%)
— Japan (46%)

82%

face cancellations and postponed travel dates

Were you planning to go on holiday between the start of COVID-19 and December 2020? What happened to your plans since the start of COVID-19?

Source: Consumers and the new reality, KPMG International, August 2020



Sector focus Travel & Tourism

About half of consumers (47 percent) expect to start booking tourist activities in the next 3 to 6 months, but a quarter (23 percent) will only be considering doing so a year or so from now.

47%



Financially secure customers are more likely to book in the next 3-6 months (52 percent)

There is less resistance and a more positive attitude towards hiring a car and taking a train than flying.



15%

Do not feel confident to hire a car

Confidence to hire a car is 42 percent and higher in Brazil (59 percent), Italy (53 percent) and Australia (51 percent).



19%

Do not feel confident to take a train

Confidence to take a train is 38 percent and higher in France (50 percent) and Italy (46 percent).



23%

Do not feel confident to fly

Confidence to fly is 41 percent, however resistance is also higher at 23 percent, with German (32 percent) and UK (30 percent) consumers saying they do not feel confident to fly.

For those who would return to the hospitality sectors, hotels will be the first option. One in five are not yet confident in using self-catering accommodation.



10%

Do not feel confident to stay in a hotel

Overall confidence to stay in a hotel is 56 percent, and is higher in Germany (67 percent) and France (66 percent).



12%

Do not feel confident to stay in a hotel with own-cooking facilities (e.g. Extended-stay hotel)

Overall confidence to stay in a hotel with own-cooking facilities is 48 percent and higher in Spain (62 percent).



18%

Do not feel confident to stay in a self-catering venue

Overall confidence to stay in a self-catering venue is 40 percent and is higher in Brazil (57 percent).

Would you be confident to do each of the following when this is allowed?

Source: Consumers and the new reality, KPMG International, August 2020

Consumers still face uncertainties with international travel, a third of consumers expecting COVID-19 to have an impact on their lives for over a year and many having safety concerns.

This will continue to have a major economic impact on countries and travel businesses for some time.



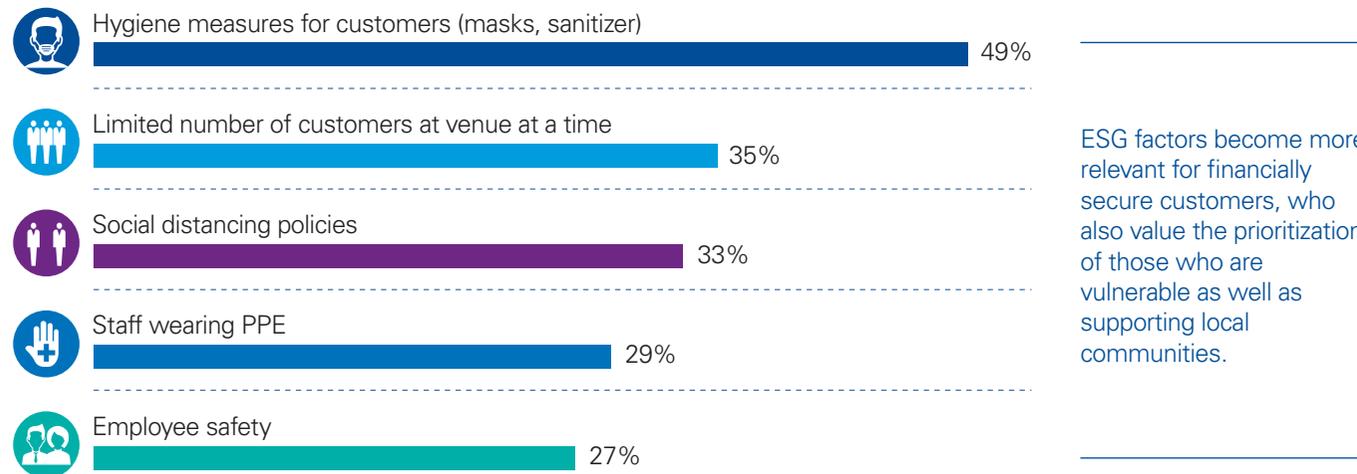
Sector focus Entertainment & Leisure

Personal safety is key, and customers need reassurance that measures are being put in place to make them feel taken care of. Use of masks and sanitizers are the norm now, and social distancing policies are expected for customers to return to venues. All these factors are particularly important for those aged 55+.

Net use of food delivery, take-away and click-and-collect has been 7–11 percent higher (vs. pre-COVID-19), with higher usage amongst those aged 18–44 and those working from home more frequently now than before.

Cheaper prices (43 percent), reduced delivery fees (40 percent) and information on actions taken in light of COVID-19 (36 percent) would encourage more regular use of delivery services. A food hygiene certification would be an additional incentive for consumers in mainland China (63 percent), Brazil (46 percent) and Spain (46 percent).

Consumers expect entertainment and leisure venues to focus on personal safety and measures to protect customers and employees.



ESG factors become more relevant for financially secure customers, who also value the prioritization of those who are vulnerable as well as supporting local communities.

Percentage showing top three mentions

Thinking about you as a customer, what type of things do you think venues should be focusing on now, as a result of COVID-19?

Source: Consumers and the new reality, KPMG International, August 2020

Organizations (restaurants, cafes, pubs, bars) need to adapt their operations and turn to delivery, take-aways and click and collect. Clear communications about the visible and tangible safety measures in place will also be key to instill confidence in consumers who are avoiding the 3 Cs: crowded places, close contact and confined spaces.



Sector focus
Entertainment & Leisure

Home is the new hub

Home becomes the “center of operations” as all activities take place in one place: home office, home-schooling, eating and cooking at home, exercising and online socializing.

There are 3 big drivers of this shift away from the out-of-home entertainment and leisure industry, to in-home.

Firstly, with 43 percent of consumers financially affected by COVID-19, spend on non-essentials has decreased.

Secondly, with safety concerns as mentioned in the previous section, we would not expect consumers to go back to entertainment venues as often as they did before COVID-19.

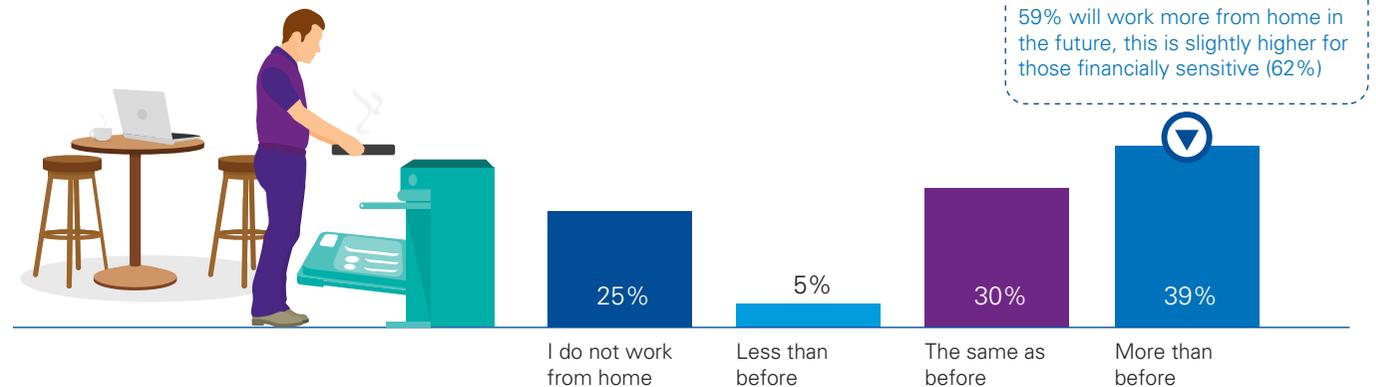
In general, 35 percent of consumers say they will visit entertainment venues less, slightly more negative for cinemas (40 percent) and pubs or bars (39 percent), as well as in Japan (47 percent), mainland China (43 percent), Hong Kong (SAR), China (42 percent) and Brazil (41 percent).

Finally, we are now witnessing behavioral changes. Research suggests that consumers need an average of 66 days* to form new habits. With over 5 months in the Western world and over 8 months in the East, most consumers have now adjusted their behaviors, routines and expectations.

Thirty-nine percent of workers are working from home more now. Fifty-nine percent of this group expect to maintain this routine in the future, once all restrictions are lifted. This is particularly high in the US (74 percent), the UK (73 percent), Germany (69 percent), Italy (69 percent) and Spain (68 percent).

Source: Psychcentral, Need to Form a New Habit? Give Yourself At Least 66 Days, John M. Grohol, Psy.D.

More consumers are working from home now and two in three plan to work slightly more or mostly from home in the future.



How has the frequency of working from home changed for you since the start of COVID-19 situation compared to before? And what do you think will happen in the future after COVID-19, once all restrictions are lifted?

Source: Consumers and the new reality, KPMG International, August 2020

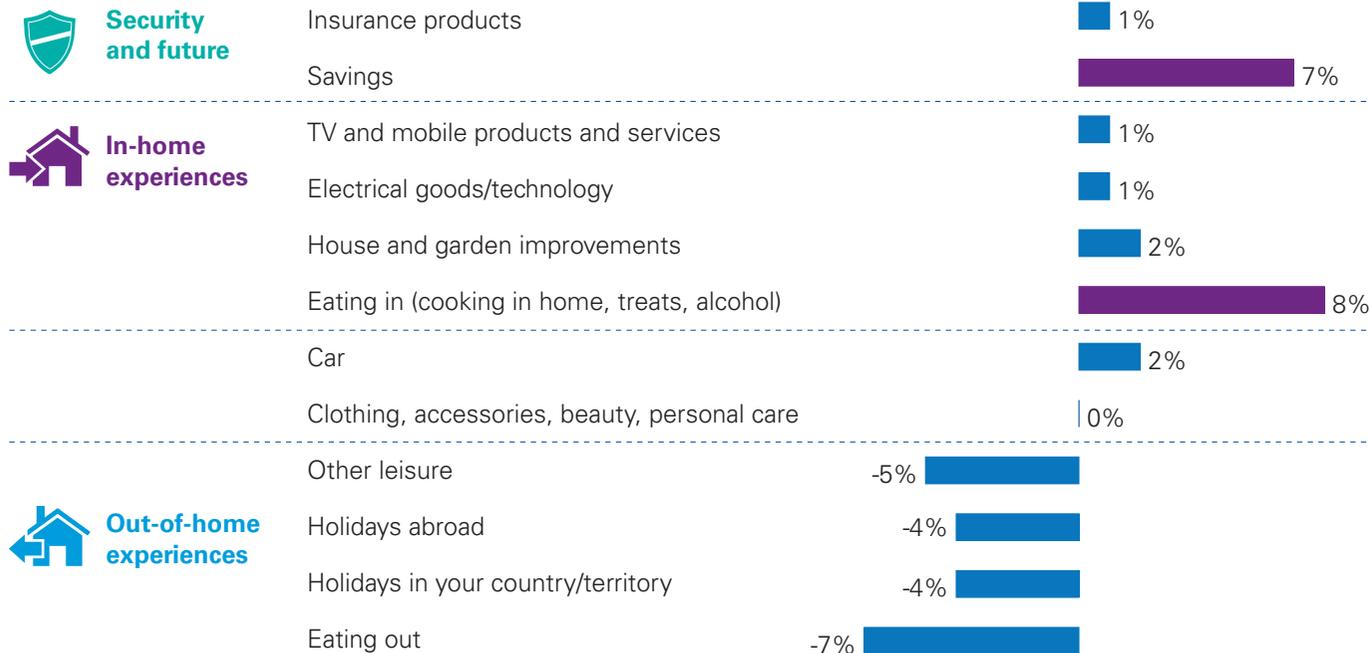


Sector focus Entertainment & Leisure

As a consequence of changes in attitudes and behaviors, consumers are re-thinking their spending patterns in the future, moving away from non-essential purchases and activities. Even though many people are looking forward to eating out (35 percent) and booking holidays at home (32 percent), savings has now become the top priority for consumers (36 percent), especially for those financially overwhelmed or sensitive (47 percent, 43 percent respectively).

We can also see a shift from prioritizing dining-out, with a fall of -7 percent vs. our first report, whereas eating-in has grown +8 percent, with more consumers cooking at home and a net spending increase of +11 percent on groceries.

Investment in in-home experiences has grown in opposition to out-of-home consumption.



Percentage showing change W1 — May vs August 2020

Purple bars highlight biggest changes vs W1

Now that restrictions are being lifted in many countries and territories, which of the following might you want to prioritize if you were able to financially?

Source: Consumers and the new reality, KPMG International, August 2020

Organizations will need to adapt their strategies and adopt a hybrid model to be where the customer is.

Understanding the new consumer mindset, and their concerns about the trade off between safety and social interactions will become more critical than ever as there's a growing expectation for COVID-19 to have a longer effect than initially expected. Offering face-to-face interactions and in-home experiences is the new opportunity to engage with consumers, limiting their physical interactions while accounting for the need for social interactions.

Consumer pulse survey details



Interviews —

Over 60,000 interviews to date
Representative sample of
~1,000 per market per wave



Dates —

Wave 1: 29 May–8 Jun
Wave 2: 12 Jun–22 Jun
Wave 3: 26 Jun–6 Jul
Wave 4: 10 Jul–20 Jul
Wave 5: 14 Aug–24 Aug



Collection method —

Online-based questionnaire



Wave 1 to 5 —

To date, five waves of
interviewing, over 3 months



Broad sector coverage:

- Respondents had to have had an interaction with the sector in the last 6 months
- Mobile/TV/broadband
- Utilities

Deep-dives into:

- Grocery retailers
- Non-grocery retailers
- Banks
- Insurance
- Travel & Tourism
- Leisure & Entertainment



Key topics covered:

- Purchase drivers
- Channel interaction
- Trust
- Sector focus
- Profiling
- Demographics



Tracking consumer behavior

KPMG International have tracked consumer trends over five waves of interviewing during June, July and August 2020, with Wave 6 planned for September.



Next report

Our next report, after Wave 6, will continue the themes of what is driving purchase decisions and the barriers that organizations need to help consumers overcome.

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