



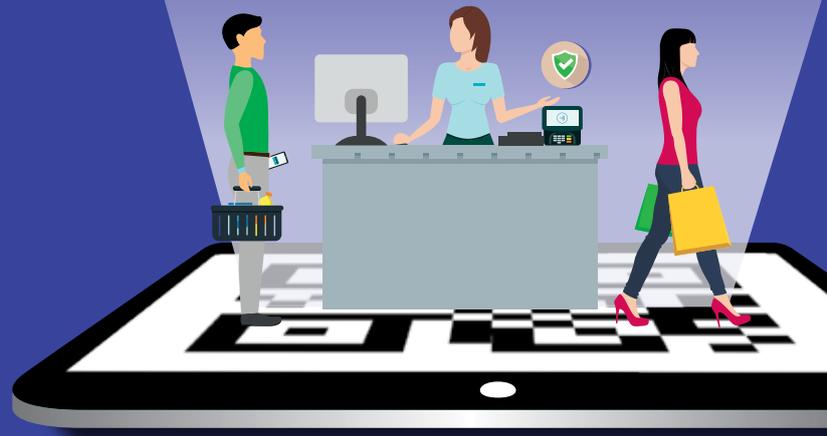
Customer first

*Building a trusted and connected
customer experience in China*



KPMG China Customer
Experience Excellence report

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Foreword

In our first *KPMG China Customer Experience Excellence* report, we look in detail at the state of customer experience in China to understand what market leaders are doing to drive success.

Many of our clients prioritise customer centricity and are continuously looking to improve customer experience. In order to accomplish this, organisations need to have an up-to-date understanding of their customers and readily adjust their operations to meet customers' needs.

The *KPMG China Customer Experience Excellence* report focuses on mainland China and Hong Kong customers to find out what they value most when interacting with brands, and understand what other factors are important for organisations to successfully deliver a market-leading customer experience. To explore the topic, KPMG China took part in a survey of over 5,000 customers, who were asked questions about more than 200 brands across mainland China and Hong Kong. It was conducted in parallel with research in 13 other countries, as part of KPMG's wider customer experience excellence programme.

Understanding what drives customer experience is important – KPMG therefore defined Six Pillars of customer experience excellence based on more than eight years of global research across multiple markets. The Six Pillars represent six fundamental elements which define a great customer experience, and serve as strong predictors of commercial success. Our research has demonstrated that organisations which consistently incorporate these elements throughout their customer strategy cultivate stronger relationships with their customers, receive more positive feedback, and as a result, improve their business performance. Therefore, the best brands are continually evolving and investing to meet changing customer demands.

While technology has played a pivotal role in reducing time and effort, and improving convenience for customers, creating a personalised offering, engendering trust and delivering a brand promise that resonates with customers are also shown to be immensely important.

Looking ahead, the Greater Bay Area (GBA) initiative will be the next force of change for customers in mainland China and Hong Kong. Improved infrastructure and transport connectivity means that companies which optimise their customer strategy accordingly will be better positioned to maximise the new business opportunities available.

We hope our insights provide you with a more comprehensive view of what successful customer experience looks like, and how brands in mainland China and Hong Kong can benefit. We would welcome the opportunity to discuss our findings with you.



Reynold Liu

Head of Management Consulting,
KPMG China

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About this research

Global Customer Experience Excellence (CEE) programme

Since 2010, KPMG's *Customer Experience Excellence Centre* has been researching best practices in customer experience across the UK and US markets, and has recently expanded its research across the globe.



China CEE survey

This is the first China CEE survey under the global CEE programme. The survey covered the following:



*Including 4,118 respondents from mainland China and 885 respondents from Hong Kong

Survey methodology

The research for this report was collected via an online survey, completed in December 2017. A nationally representative consumer sample was targeted in terms of age and gender.

To participate in the research and to be able to respond to questions on a specific company, respondents must have interacted with that company in the previous six months. An interaction is defined as making a purchase, using the company's products and services, contacting a company with a query, or even browsing their website. As such, not all respondents will have been existing customers of the brand they evaluated.

The rankings for this report are determined by the customer experience excellence (CEE) scores of the brands surveyed. In order to be included in the final rankings, each brand must have achieved a minimum of 100 consumer responses.



CEE scores

The CEE score is derived for each brand through a weighted average of the brand's score for each of The Six Pillars. The weighting is calculated through regression analysis to understand the relative importance of each pillar in driving the two commercial outcomes measured in the analysis: advocacy and loyalty.



Advocacy

To understand the respondent's likelihood to recommend a brand, we ask them to rate how likely they would be to recommend each company to a friend or colleague.



Loyalty

To understand the respondent's likelihood of repurchasing, we ask them to rate how likely they are to continue buying goods/services from each company in the future.



Critical incident technique questioning

An open question is included to encourage respondents to share more about their experience with a particular brand. Example responses cover details of a specific experience, what happened and how it made them feel about the company.

Note: The methodology was developed by KPMG's Customer Experience Excellence Centre. Mentions of individual companies should not be interpreted as an endorsement by KPMG.

Executive summary

As leading organisations shift towards customer-centric business models and adopt customer-focused strategies, customer experience has become an important marker of a brand's success. Delivering exceptional customer experience has been shown to drive brand loyalty and brand advocacy, which in turn, drive revenue and growth.

Our research shows that across all sectors, customer experience leaders in mainland China are those who have successfully leveraged technology to improve their interactions with customers and drive operational efficiency to improve their customer offerings. The adoption of mobile technology was also shown to be particularly important for brands in mainland China, given that over 95 percent of internet users in China access the web using a mobile device.¹ In fact, many of the top brands in this year's study were recognised for offering an exceptional mobile application, including Alipay and WeChat Pay.

When compared to their mainland China counterparts, Hong Kong consumers currently place greater emphasis on personal interactions, and they are more accustomed to interacting with brands offline rather than online. The brands that are achieving customer experience success in Hong Kong – such as SF Express and Starbucks – have adopted a holistic approach by delivering an omnichannel strategy where digital technology has helped personalise the experience and save customers' time and effort.

Globally, the brands that triumph are experts of The Six Pillars of customer experience excellence, which serve as the backbone of an exceptional customer experience. These six discrete, fundamental components of an ideal experience are: Personalisation, Integrity, Expectations, Resolution, Time and Effort, and Empathy. In mainland China and Hong Kong, Integrity is the leading pillar of customer experience excellence, and is key to establishing and maintaining customer relationships. Integrity precedes trust, and trust precedes customer commitment. Correspondingly, in KPMG China's *2018 China CEO Outlook Survey*, China CEOs regarded brand reputation as an important factor in business and customer growth.² It is therefore unsurprising that Integrity was identified as a key strength of customer experience leaders in our CEE survey.

Customers also demonstrated a strong desire for localised products and services, particularly in the mainland China market. As a result, 'glocalisation' – the design and adaptation of products or services to reflect both local cultures and a brand's international identity – has proven to be a popular and successful tactic to satisfy customers in mainland China and Hong Kong.



¹ 'The 41st China Statistical Report on Internet Development', China Internet Network Information Center, January 2018, <http://omji24q1y.bkt.clouddn.com/The%2041st%20China%20Statistical%20Report%20on%20Internet%20Development.pdf>

² 'Collaborating and innovating for growth: 2018 China CEO Survey', KPMG China, June 2018, <https://home.kpmg.com/cn/en/home/insights/2018/05/china-ceo-outlook.html>

Key highlights



1 Enabling technology

Successful companies are leveraging the latest technology to deliver quicker, easier and more personalised experiences



2 Integrity is key

Integrity is key to establishing and maintaining customer relationships, and is demonstrated strongly by leading brands



3 Human touch

Despite the offline-to-online trend, customers still desire human interaction, particularly in Hong Kong



4 Glocalisation

Adaptation of products/services to reflect local cultures is a successful tactic, especially in mainland China



5 Seamless interactions

Customers expect a consistent experience from brands, regardless of the channels they use

The Six Pillars of customer experience excellence

The Six Pillar model of customer experience was developed to provide a precise and practical definition of the emotional outcome a successful experience needs to deliver. Neither the definitions associated with existing ways of explaining customer experiences, nor the associated measures (such as NPS or CSAT) were sufficient for defining what a good customer experience looks like. Most evidence was largely anecdotal rather than data-driven.

Based on eight years of research and more than 2 million evaluations across multiple markets, KPMG's *Customer Experience Excellence Centre* has identified, defined and validated six fundamental components of every great customer experience – The Six Pillars of customer experience excellence. They are inextricably intertwined, and when combined, provide a powerful mechanism to describe how well customer experience is delivered across channels, industries and organisations.



Personalisation

Using individualised attention to drive an emotional connection



Integrity

Being trustworthy and engendering trust



Expectations

Managing, meeting and exceeding customer expectations



Resolution

Turning a poor experience into a great one



Time and Effort

Minimising customer effort and creating frictionless processes



Empathy

Achieving an understanding of the customer's circumstances to drive deep rapport

Source: KPMG's Customer Experience Excellence Centre

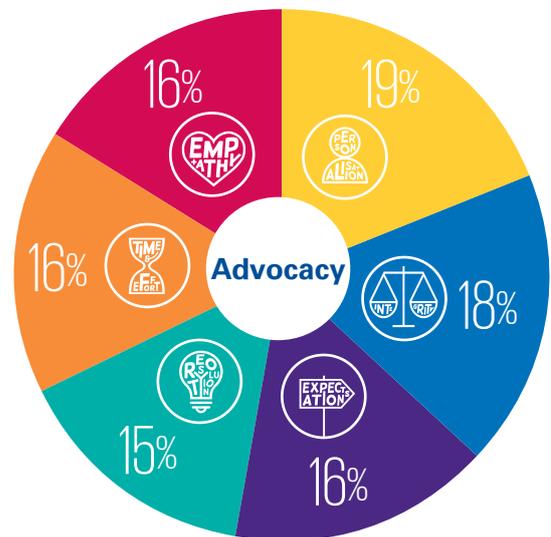
Importance of The Six Pillars on loyalty and advocacy

Not only do The Six Pillars define customer experience excellence, but they are also a predictor of commercial success, with strong performance across The Six Pillars improving loyalty and advocacy.

In contrast to some of the other markets, in mainland China, the impact of The Six Pillars on driving loyalty and advocacy was more evenly distributed. That being

said, Personalisation was found to be the leading pillar in driving advocacy in mainland China, while Integrity was relatively more important in building loyalty. Brands that performed well on these pillars demonstrated their ability to build customer trust and deliver their services in line with each customer's unique needs.

Importance of The Six Pillars in driving customer loyalty and advocacy (mainland China)



- Personalisation
- Integrity
- Expectations
- Resolution
- Time and Effort
- Empathy

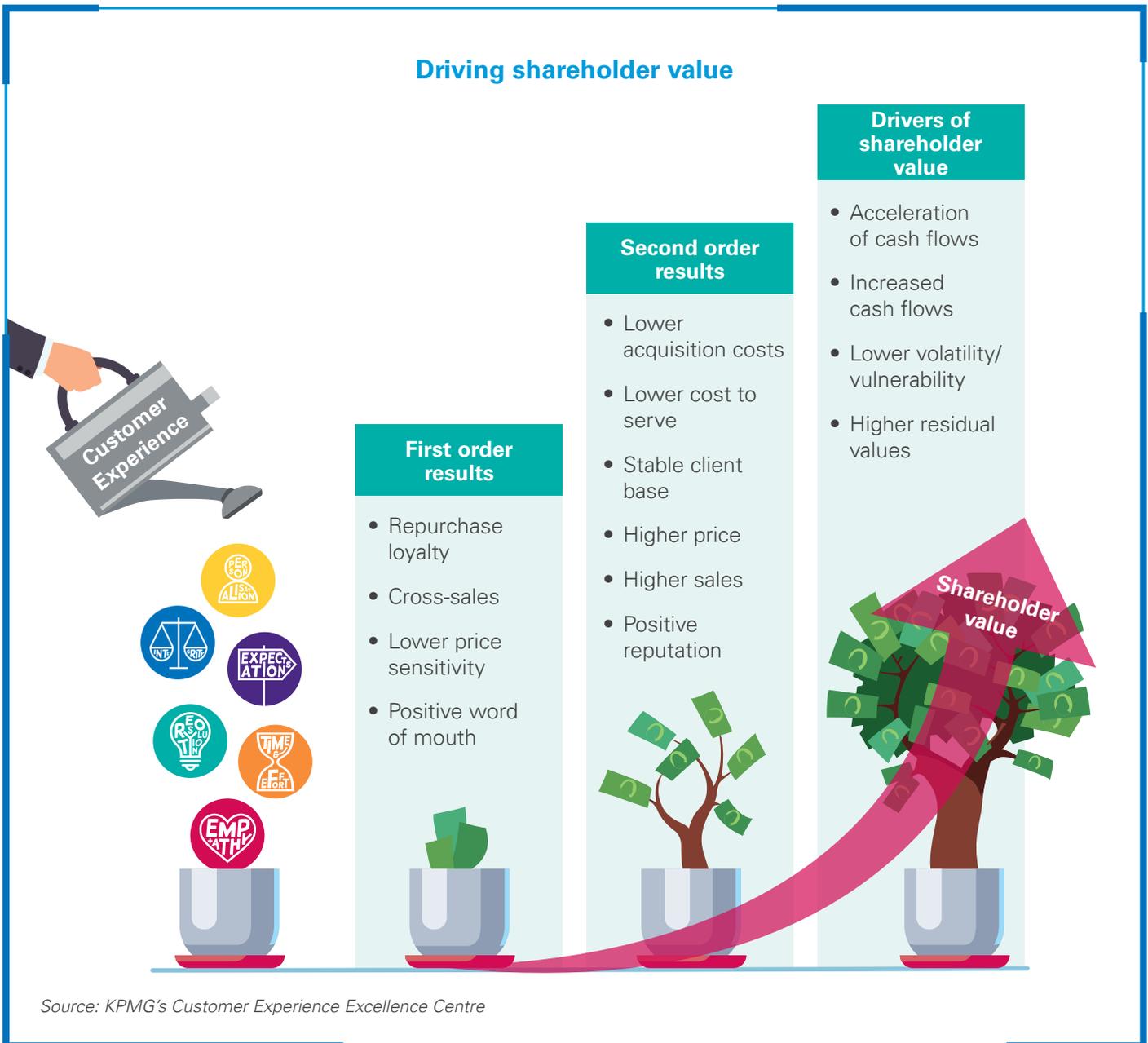
Source: KPMG's China Customer Experience Excellence research, December 2017

Tying customer experience with financial performance

Brands which master delivering an outstanding customer experience have the foundations to build a loyal customer base. These customers are more likely to repurchase and be less price-sensitive, and are also more receptive to cross-selling. They then become brand evangelists, attracting new customers through word of mouth. In the long term, this reduces

the cost of retention and acquisition, strengthens brand value, and increases sales; and eventually delivers better financial outcomes for the business.

The following conceptual model draws on KPMG's *Customer Experience Excellence Centre's* research to illustrate the economics of customer excellence.



Mainland China insights



Mainland China sector overview

The China market is one of the most rapidly growing markets in the world. As the disposable incomes of the mainland Chinese population grow, consumers now have the ability to allocate a greater proportion of their earnings to travel, luxury retail and financial products. Brands are vying for a share of the Chinese consumer's wallet, leading to increased competition and brand scrutiny.

“The customer experience leaders demonstrate that for Chinese brands to progress, there should be three key areas of focus: a desire to innovate and continue leveraging digital and mobile technologies, a commitment to integrity, and the ability to offer premium experiences to meet growing customer expectations.”

Reynold Liu

Head of Management Consulting, KPMG China

Another notable change in consumer lifestyle is that much of their daily life and interaction has migrated online. Popular platforms such as WeChat, Alipay and Taobao have revolutionised how brands interact with Chinese consumers. Their user-centric approach has been hugely popular, as reflected by WeChat's 1 billion monthly active users.³ Their success has shaped the way Chinese consumers expect to interact with brands, and raised the bar for excellent customer experience, both locally and globally.

Our survey results reflect that the most highly rated sectors have closely monitored these changes in customer behaviour, and succeeded by responding and adopting the necessary changes in an agile manner. The top-performing sector in mainland China was the travel and hotels sector, comprising mainly hotels and airlines. The consumers surveyed perceived the hotel industry's ability to personalise and provide uniquely Chinese experiences globally to be particularly compelling.

The non-grocery retail sector came second in our rankings, driven by luxury brands, which strive to deliver impeccable customer experience for their high-end customers. Supported by the strong performance of mobile payments, the financial services sector came in third. The logistics sector scored lowest of all the sectors surveyed, as it struggled to uphold high-quality, timely service for customers while keeping pace with the massive growth in the volume of deliveries, driven by the boom of online retail and e-commerce.

Based on our survey results, of The Six Pillars, Chinese consumers prioritise Personalisation and Integrity the most. Although the survey shows that the best brands in China demonstrate a commitment to Integrity, there still appears to be room for greater improvement in the Personalisation pillar. With upcoming initiatives such as the GBA initiative and smart cities, the Chinese consumer will become increasingly digitally connected. Brands should continue to leverage emerging technology to deliver an integrated omnichannel approach that addresses customers' desire for personalised experiences, both online and offline.

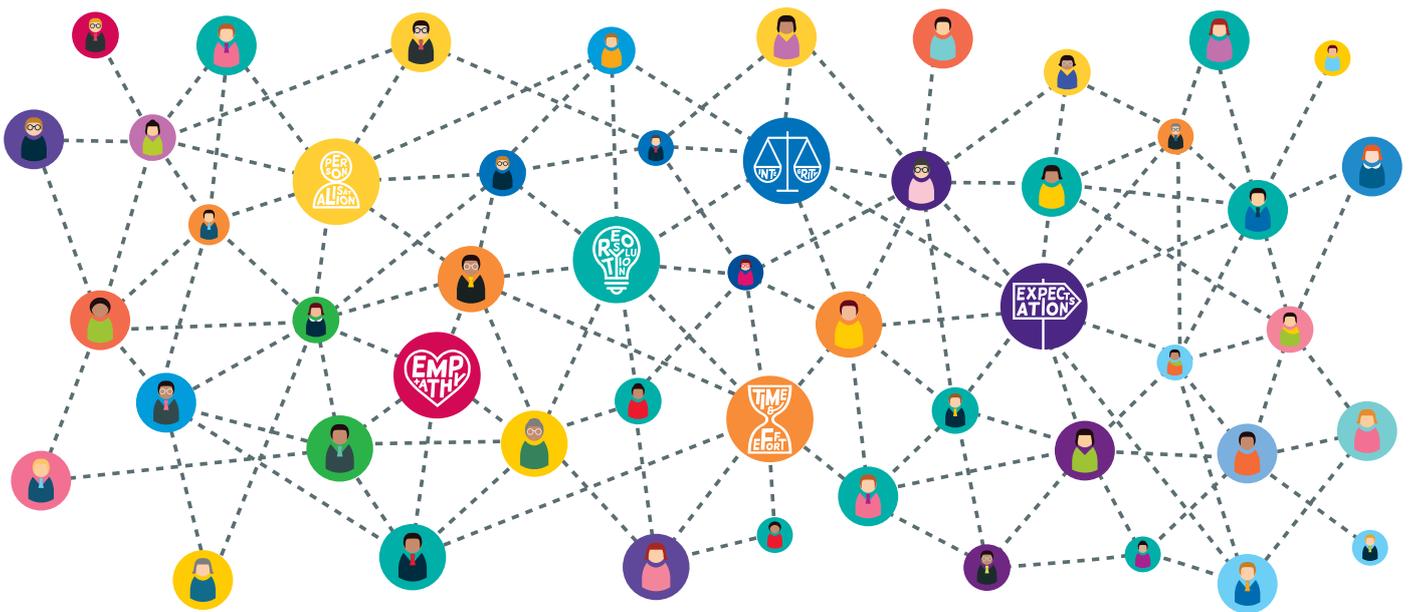
³ 'Tencent Holdings Limited 2017 annual report', Tencent Holdings Limited, 31 March 2018, <https://www.tencent.com/en-us/articles/17000391523362601.pdf>



Sectors by performance in mainland China



Note: The CEE score is derived via a weighted average of the brand's score for each of The Six Pillars.



Mainland China sector focus

Financial services

In mainland China's financial services sector, mobile payments delivered the strongest customer experience. The performance of these fintech companies is setting a high standard for other brands in the financial services sector. In the eyes of mainland Chinese consumers, banks come in a distant second in terms of customer experience, followed by insurers.

Arguably, one of the reasons for this ranking discrepancy within this sector stems from the companies' beginnings. Alipay, WeChat Pay and other fintech companies have a comparative advantage as they are part of a newer crop of technology companies that have built their services around the customer, whereas traditional banks and insurers tend to adhere to long-established processes designed to address organisational needs. That being said, we also see that the financial services sector is becoming increasingly customer-centric, with brands providing more efficient and personalised customer service as well as more customised financial products.

Banking and payments

Going cashless and digitalised

The payments industry has raised the bar for customer experience, not just within financial services, but also in the wider market. Online and mobile payment services are user-friendly, accessible and convenient, and provide regular offers and promotions that are appealing to a large consumer base. Millennials in particular are more accustomed to a cashless lifestyle and using mobile payment facilitators.⁴ According to KPMG research, 88 percent of Chinese consumers use WeChat Pay or Alipay to pay for goods or services.⁵ Ultimately, the ubiquity of mobile payments challenges the need for traditional banking services such as cash withdrawals/deposits and for products such as credit cards, debit cards and cheques.

Virtual banks or direct banks such as MyBank and AiBank, which are backed by some of the mainland's largest companies, could also be potential disruptors in the space. They offer services via online banking and are not tied to any physical branches, allowing customers to conduct all banking activities over the internet – particularly useful given its accessibility and convenience for their growing digitally savvy, connected customer base.

⁴ '2017 Mobile payment usage in China report', China Tech Insights, August 2017, https://www.ipsos.com/sites/default/files/ct/publication/documents/2017-08/Mobile_payments_in_China-2017.pdf

⁵ 'Me, my life, my wallet', KPMG International, February 2018, <https://home.kpmg.com/xx/en/home/campaigns/2017/11/me-my-life-my-wallet.html>



“The payments industry has raised the bar for customer experience, not just within financial services, but also in the wider market.”

Leveraging emerging technologies

To keep up with the fierce competition from mobile payment companies and virtual banks, an increasing number of traditional banks continue to invest in the power of technology to streamline the customer experience. Bank of Communications (BoCom) and China Merchants Bank (CMB) were among the top performers in the financial services sector. CMB as well as other banks are taking steps to reduce customers' time and effort by launching facial recognition technology at ATMs, shortening wait times and enabling cash withdrawals without a physical card. The bank has also introduced robo-advisors to online wealth management platforms to reduce the need for branch visits and face-to-face advice. In addition, BoCom has tried to reduce customers' time and effort by enhancing the interactive experience and user-friendliness of their mobile application, which can handle over 320 banking functions.⁶

The human connection

Targeted human interaction is still the key ingredient for building trust with customers and creating emotionally meaningful customer experiences, and is a competitive advantage that traditional banks can deliver against online payment firms.⁷ There are opportunities to provide personal service and bolster customer relationships through an old hand in the world of banking – the relationship manager. Recognising the crucial role of relationship managers, BoCom has invested in strengthening their relationship manager teams through training.⁸

While increasingly digitising processes, customers still expect banks to provide some in-person tailored services for certain account management activities such as mortgage, loan and wealth management matters. That being said, there are now fewer customers who prefer to visit bank branches for more routine procedures such as money transfers. In addition to digital initiatives, banks should identify and prioritise touchpoints where human interaction is valued by customers.

⁶ 'Bank of Communications: 2017 Interim Report', Bank of Communications Co., Ltd., September 2017, <http://www.bankcomm.com/BankCommSite/shtml/zonghang/en/3182/3195/3197/85283.shtml?channelId=3182>

⁷ 'Mainland China Banking Survey 2017', KPMG China, July 2017, <https://home.kpmg.com/cn/en/home/insights/2017/07/2017-mainland-china-banking-survey.html>

⁸ 'Bank of Communications: 2017 Interim Report', Bank of Communications Co., Ltd., September 2017, <http://www.bankcomm.com/BankCommSite/shtml/zonghang/en/3182/3195/3197/85283.shtml?channelId=3182>

Mainland China sector focus



Insurance

Compared with its mainland China banking and payment counterparts, the insurance industry has a lot to learn from leading brands in terms of delivering a great customer experience. Many insurance companies included in our survey were rated below the study average against the pillars of Integrity, and Time and Effort, and only one insurer ranked in the top 50.

Customer-first approach

However, insurers are undergoing an era of customer-centric transformation. PICC, the only insurance company in the top 50, has made significant progress in shifting towards a customer-centric model. Their digitalisation strategy aims to save customers' time and effort by developing a centralised online and mobile self-service platform where customers can easily access their services. PICC also performed well against the Empathy and Resolution pillars. During the Lunar New Year travel rush, PICC offered a free helicopter rescue service in case of major accidents, and set up free emergency pit stops on the ground for travellers who needed roadside assistance.⁹ Their customer-centric philosophy has served them well, as the group saw double-digit growth in their profits last year.¹⁰

Insurance innovation

One of the most compelling examples of innovation within the insurance space is Tencent-backed ZhongAn, which is China's first online-only insurer. By enhancing their technology offering and implementing artificial intelligence (AI), ZhongAn is able to provide customised pricing for each customer. Additionally, the Shanghai-based insurer has pioneered innovative insurance policies. Instead of relying on a single proprietary platform, ZhongAn has partnered with almost 200 companies – including some of the largest Chinese technology companies – to establish various online ecosystems where they can offer their insurance products to different consumer segments.¹¹ For instance, ZhongAn sells its best-selling return shipping insurance, a product mostly unheard of outside mainland China, directly on Alibaba's Taobao.

⁹ 'PICC launches "land and air escort service" during the Lunar New Year travel rush', People's Daily, 6 February 2018, <http://gx.people.com.cn/n2/2018/0206/c179430-31227501.html>

¹⁰ 'PICC: Annual Report 2017', The People's Insurance Company (Group) of China Limited, 2018, <http://www.picc.com.cn/res/PICCCMS/structure/079a2e300e5ad34beecbd5ca7c2d0b76.pdf>

¹¹ 'Post hearing information pack of Zhongan Online P&C Insurance Co., Ltd.', The Stock Exchange of Hong Kong Limited, 2017, <http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0928/LTN20170928047.pdf>

Case study



“Alipay has many diverse functions. There are discounts and you can collect points for payment, as well as pay for bills and bicycle sharing services. There are also charitable activities that I can participate in.”

Mainland China respondent

Alipay

Alipay was a standout brand in this year's mainland China analysis, with excellent performance across all Six Pillars. Having been established in 2004 as the mobile and online payment arm of Taobao – a dominant online marketplace in mainland China – Alipay has since evolved beyond financial services to provide its 520 million users with a trusted platform to perform a number of day-to-day activities such as booking travel and hotels, hailing rides, ordering food and scheduling doctors' appointments.¹² The convenience this affords Alipay's customers is reflected in its Time and Effort score, which was notably higher than the survey average.

Trusted platform for online transactions

A key contributor to Alipay's success is its emphasis on building brand trust and integrity. From the outset, Alipay was designed with customer confidence in mind. One of the challenges of online shopping is to assess the quality and authenticity of a product without being able to view it in person. Alipay has helped ease customers' concerns by delaying payment to the seller until the buyer has received the products in the condition described.

“Your security, our responsibility”

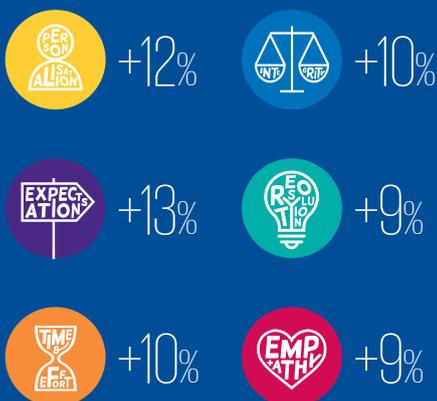
Processing tremendous numbers of transactions daily, Alipay adopts industry-leading cybersecurity technology to deliver their brand promise of “Your security, our responsibility”. It has developed a risk monitoring and management system that conducts real-time big data analysis to identify suspicious transactions and users. This allows Alipay to prevent fraudulent behaviour and rectify problems before their customers even notice.

Constant connection

Mainland China boasts the largest mobile payment market in the world,¹³ with almost 753 million people using their mobiles to access the internet in 2017.¹⁴ With Chinese consumers becoming increasingly dependent on their mobile devices – 71% would prefer to lose their wallet rather than their phone – customer experience leaders like Alipay are making sure they go where their customers do.¹⁵ Whether it is making inflight purchases, shopping at European luxury boutiques or claiming tax refunds at the airport, Alipay is exceeding customer expectations by expanding its overseas offerings to provide a familiar and reliable platform to a growing number of Chinese travellers.

Alipay Mainland China CEE

The Six Pillars:
Scores vs industry average



¹² 'Alipay homepage', AliPay, accessed on 15 June 2018, <https://intl.alipay.com/>

¹³ 'eMarketer releases new global proximity mobile payment figures', 12 February 2018, eMarketer, <https://retail.emarketer.com/article/emarketer-releases-new-global-proximity-mobile-payment-figures/5a821109ebd4000744ae4118>

¹⁴ 'Five surprising facts about China's internet users', Man-Chung Cheung, eMarketer, 26 February 2018, <https://www.emarketer.com/content/five-insights-on-how-china-s-internet-have-grown-in-the-past-year>

¹⁵ 'Me, my life, my wallet', KPMG International, February 2018, <https://home.kpmg.com/xx/en/home/campaigns/2017/11/me-my-life-my-wallet.html>



“ Millennials are an important and influential customer segment in the retail market. They have grown up as a generation highly accustomed to smartphones, digital payment and social media, and identify with brands that share their values. ”

Jessie Qian

Head of Consumer and Retail,
China, KPMG China

Spotlight

Customer experience is at the heart of **Chow Tai Fook Jewellery Group's** brands, products and services. To personalise customer offerings, they have adopted a multi-brand strategy with the launch of House 1929, Jewelria and SOINLOVE, among others. In addition, as part of their Smart+ initiatives, the company has rolled out a smart device – Smart Tray – that leverages RFID technology and big data analytics to track the most viewed and best-selling products. Having access to these customer insights has empowered front-line staff to better serve their customers, and has also helped optimise the product range in-store.

Non-grocery retail

Mainland China is currently home to some of the most engaged and active shoppers in the world. Overall, non-grocery retail is among the leading sectors in our research, driven by the performance of luxury brands. It is a particularly interesting segment for Chinese consumers, given millennials' growing demand for luxury brands and more broadly, shopping.¹⁶

The buying habits of this younger generation of luxury shoppers are more likely to be influenced by social media and digital content.¹⁷ As a result, social media marketing and experiential marketing events are increasingly used to drive customer engagement. For example, Dior, one of the pioneers of WeChat marketing, offered unique handbags during the Qixi Festival, and allowed customers to interact with Dior representatives through WeChat prior to placing their orders. Our research suggests that Chinese consumers value consistent brand interaction and localised content, as some of the most successful brands in our survey have a robust presence on social media.

Millennials are also choosing brands which share the same values that they do. One particular aspect is product quality and sustainability. Younger consumers are concerned with the authenticity of products, as well as the sourcing of materials from both a quality and ethical standpoint.¹⁸ This is especially important for the luxury retail sector – nearly all luxury retail brands in our top 50 scored highest in the Integrity pillar.

Across the non-luxury retail landscape, customers consistently demand better, more frictionless experiences. Recent technological developments have improved consumers' time and effort in their shopping journey, which is particularly valued for non-luxury purchases. Retailers are also working to provide more personalised experiences for customers both offline and online. An interesting case is Nike – one of the top retail brands in our survey – which has developed a digital ecosystem that cultivates a sense of community for runners both online and offline. The Nike Run Club mobile application provides recommendations to help runners join clubs, attend events and connect with fellow runners in their local area.¹⁹ E-commerce giants such as Alibaba and JD.com have also heavily invested in advanced targeting and deepening their understanding of consumer behaviour to provide more tailored product recommendations.

¹⁶⁻¹⁷ 'China's Connected Consumers: The rise of the Millennials', KPMG China, December 2017, <https://home.kpmg.com/cn/en/home/insights/2017/12/china-s-connected-consumers.html>

¹⁸ '2018 Global CEO Outlook: Growing Pains', KPMG International, May 2018, <https://home.kpmg.com/xx/en/home/insights/2018/05/ceo-outlook.html>

¹⁹ 'Nike+Run Club', Nike, Inc., accessed on 21 June 2018, https://www.nike.com/cn/zh_cn/c/running/nike-run-club

Case study



“ I like JD.com because of their quick delivery. If I need anything urgently, I buy it from JD.com. ”

Mainland China respondent



JD.com

JD.com, China's largest online and offline retailer (by revenue), placed in the top 50 of our mainland China CEE study.^{20,21} With heavy investment in the latest technology, the e-commerce giant scored strongly on all Six Pillars, particularly Time and Effort.

Same-/Next-day delivery promise

In the e-commerce world, JD.com is renowned for its nationwide logistics network and rapid delivery. Of the orders placed by their 300 million-plus active customers, over 90% can be delivered either on the same day or the day after the purchase.²² The speed of delivery and fulfilment is a clear differentiator in customer experience, especially within the e-commerce sector.

To enable this, JD.com has invested in developing its own logistics – with its own warehouses, sorting centres, delivery stations, fleet of trucks and delivery personnel – allowing the e-commerce giant to own the journey from ‘click’ and ‘purchase’ down to the last mile delivery to the customer. The efficiency in tracking and delivering packages is also supported by JD.com’s automated sorting centre. The centre processes about 9,000 parcels hourly, and can handle more than four times the number of packages compared to manned centres, with enhanced accuracy and reduced error.²³

Drone delivery in daily operation in rural areas

More recently, JD.com has been looking at new technology to improve the delivery process in China’s rural interior, where complex terrain and poor infrastructure can make the last mile delivery a challenge. JD.com’s self-developed fleet of delivery drones is used daily to dispatch parcels from regional delivery stations to JD.com’s dedicated “village promoters” in each village, who then deliver parcels directly to customers. This allows customers in remote areas to benefit from the convenience of online shopping, and also helps JD.com shorten delivery times and save costs.²⁴

JD.com Mainland China CEE

The Six Pillars:
Scores vs industry average



²⁰ 'Fortune Global 500', Fortune, accessed on 22 August 2018, <http://fortune.com/global500/list/filtered?sector=Technology&industry=Internet%20Services%20and%20Retailing&hqcountry=China>

²¹ 'JD.COM corporate factsheet', JD.com, accessed on 27 August 2018, <http://jdcorporateblog.com/factsheet/jd-com-factsheet/>

²² 'AI is the future of Chinese retail, says JD.com's head of robotics', AI Business, 14 September 2017, <https://aibusiness.com/ai-future-chinese-retail-jd/>

²³ 'JD.com opens first unmanned sorting center', Fan Feifei, China Daily, 3 August 2017, http://usa.chinadaily.com.cn/epaper/2017-08/03/content_30344503.htm

²⁴ 'JD.com's drone delivery program takes flight in rural china', JD.com, 11 November 2016, <https://jdcorporateblog.com/jd-coms-drone-delivery-program-takes-flight-in-rural-china/>

Mainland China sector focus

Grocery retail

The increased adoption of mobile payments and e-commerce has also transformed the grocery landscape in mainland China, with a marked increase in online sales signalling a shift from offline to online. Revenues generated from physical grocery retail stores grew by only 0.3 percent in Q1 2017, while the sale of grocery products via e-commerce platforms increased by 35 percent in the same time period.²⁵ However, despite surging revenues, the grocery retail sector did not perform as well as other sectors in our survey.

The shift from offline to online

Grocery shopping is traditionally an offline segment, and this comes with its benefits to customer experience. Physical retail outlets enable customers to examine produce to ensure high quality and consistency of products, which is particularly important to mainland Chinese consumers. However, the younger Chinese demographic has demonstrated a stronger preference for purchasing produce online, and shoppers generally value the convenience of delivery along with the wider selection available online.²⁶ Chinese consumers also look for outlets with a wide range of products. Both bricks-and-mortar stores and online retailers have recognised this trend, and many now offer premium products from countries around the world.²⁷

Of The Six Pillars, grocery retailers received the highest scores in Time & Effort. Survey respondents said that it was easy to find what they wanted among a wide range of products in physical stores. Online grocery platforms also performed well, given their user-friendly digital services and quick delivery. E-commerce giant JD.com, for example, is personalising its customer experience and simplifying the ordering process by offering a one-touch purchase device. This allows buyers to pre-set their shopping preferences online and place a repeat order of a specific item with the click of a button – without having to go through the entire search and payment stages again.²⁸

²⁵ 'With supermarkets operating in the e-commerce space, we analysed the top 5 brands in the Chinese market', Adele Yuan, Tencent, 12 May 2017, <http://tech.qq.com/a/20170512/007000.htm>

²⁶ 'Report on online fresh groceries: The rapid emergence of the "Supermarket + Restaurant" model as e-commerce giants become top players', Zhou Jingjie, Xinhuanet, 9 January 2018, http://www.xinhuanet.com/tech/2018-01/09/c_1122234181.htm

²⁷ 'Reinventing grocery retail', 28 January 2016, HKTDC, <http://hkmb.hktdc.com/en/1X0A512V/inside-china/Reinventing-Grocery-Retail>

²⁸ 'Launch of JD.com One-Button allows customers to enjoy a one-click smart shopping experience', JD.com, 26 November 2015, <http://www.jd.com/news.aspx?id=26717>



“The younger Chinese demographic has demonstrated a stronger preference for purchasing produce online.”

Looking through the lens of technology

Technology has also led to the creation of ‘New retail’. For example, Hema Supermarket, an Alibaba-backed chain with 47 stores across mainland China, is a hybrid of a supermarket, restaurant and digital platform, all powered by an app-based e-commerce platform. It also provides 24-hour delivery services – customers within a three kilometre range can expect delivery in as little as 30 minutes.²⁹

Another example is Alibaba’s 2017 investment of USD 2.88 billion in Sun Art Retail Group, one of the largest grocery retailers in mainland China. In collaboration with Alibaba, Sun Art is launching the Taoxianda service in most of its hundreds of hypermarkets under the RT-Mart and Auchan banners by the end of 2018, in order to provide an integrated online and offline experience.³⁰

Customers are also demanding more transparency when it comes to the origin of products being sold to them and the integrity of the supply chain. To address this, JD.com has developed solutions for both in-store and online purchases. The company established 7Fresh, which has piloted a ‘magic mirror’ system. After scanning the product in-store, the magic mirror provides real-time information from the system, including place of origin, supplier and product characteristics.³¹ JD.com also worked with beef producer Kerchin, using blockchain technology to track the production and delivery of frozen beef. This reassures customers of the trustworthiness of their products, and improves brand trust.³²

²⁹ ‘Hema kicks off 24-hour delivery service’, Christine Chou, Alizila, 2 April 2018, <https://www.alizila.com/hema-kicks-off-24-hour-delivery-service/>

³⁰ ‘Alibaba tech brings RT-Mart from old to new retail’, Jenny W Hsu, Alizila, 12 June 2018, <https://www.alizila.com/alibaba-brings-rt-mart-from-old-to-new-retail/>

³¹ ‘Fixated on Amazon? Focus on Alibaba and JD.com instead’, Jon Bird, Forbes, 7 April 2018, <https://www.forbes.com/sites/jonbird1/2018/04/07/fixated-on-amazon-focus-on-alibaba-and-jd-com-instead/#7976a11c8ebb>

³² ‘JD uses blockchain to increase traceability of its supply chain’, Song Jingli, China Daily, 14 November 2017, http://www.chinadaily.com.cn/business/tech/2017-11/14/content_34527309.htm

Mainland China sector focus



“ Using WeChat to place an order with SF Express is quick and convenient. Their parcel collection and delivery is efficient, and they have a good reputation among my friends and colleagues. ”

*Mainland China respondent
(SF Express)*



Logistics

In the first five months of 2018, the mainland China logistics sector grew by 7.1 percent year-on-year.³³ Brands vying for market share should focus on customer experience to create competitive advantage. While the logistics sector as a whole was rated lowest in our study, there were some standout brands. SF Express, a Shenzhen-based logistics firm, was one of the sector leaders, along with international logistics companies DHL and FedEx, which all ranked within the top 50. These three brands outperformed their peers in all Six Pillars, especially the Expectation pillar.

A fundamental customer expectation regarding parcel delivery is that you receive your goods on time, at the requested location, and in the condition in which they were shipped. While the ability to consistently provide fast and reliable service is key to winning customer trust, there are challenges in the delivery process that cannot always be controlled. Logistics providers need to manage customers' expectations by providing accurate information upfront, proactively updating them, and offering solutions with clear instructions. A notable pain point in the logistics industry is delivery failure, which drives up costs and can leave customers feeling disappointed and frustrated. Brands can prevent this by enabling more transparency in parcel tracking, greater flexibility in delivery times (e.g. night-time delivery), and precise timing of pickup and delivery.

Through its integration of WeChat, SF Express has enabled customers to make delivery service requests, track the status and location of parcels, and manage orders.³⁴ SF Express's WeChat service also further reduces customers' time and effort in placing and tracking orders. The brand scored higher in the Integrity pillar than its industry peers, with multiple respondents in our survey demonstrating a high level of trust in SF Express. Our respondents often described the brand as "reliable" and appreciated their ability to safeguard customers' parcels.

Logistics companies such as ZTO Express, another brand backed by e-commerce giant Alibaba, are investing in technology to ensure that customers' expectations for speedy shipping are not compromised by the burgeoning volume of deliveries. To cope with the rising delivery volume, Alibaba plans to add 1 million smart logistics vehicles to the market. By using advanced big data and algorithms, delivery routes for couriers can be optimised and hence the speed and efficiency of delivery can be improved.³⁵ One of the main technological focus areas for the logistics industry will be drones. They have the ability to deliver parcels to remote areas in a much shorter time than couriers, helping to address the delays and costs associated with the 'last mile'.³⁶ As China's delivery industry struggles to keep up with growing parcel volumes because of staff shortages, fierce competition and thinning margins,³⁷ technological advancements such as these will help logistics brands meet growing customer expectations, while still maintaining profitable growth.

³³ 'The logistics market overall performed well in January to May', China Federation of Logistics & Purchasing, 28 June 2018, <http://www.chinawuliu.com.cn/lhkhx/201806/28/332413.shtml>

³⁴ 'SF WeChat Self Service', SF Express, accessed on 21 June 2018, http://www.sf-express.com/cn/en/dynamic_function/order/weChat/

³⁵ 'Alibaba to deploy 1 million smart delivery vehicles to improve logistics efficiency', LiTao, SCMP, 23 May 2017, <http://www.scmp.com/business/companies/article/2095270/alibaba-deploy-1-million-smart-delivery-vehicles-improve>

³⁶ 'JD.com's drone delivery program takes flight in rural china', JD.com, 11 November 2016, <https://jdcorporateblog.com/jd-coms-drone-delivery-program-takes-flight-in-rural-china/>

³⁷ 'China's deliverymen face robot revolution as parcel demand soars', Brenda Goh & Pei Li, Reuters, 10 November 2017, <https://www.reuters.com/article/us-singles-day-china-logistics/chinas-deliverymen-face-robot-revolution-as-parcel-demand-soars-idUSKBN1DA0RN>

Case study



“The difference between a good and an excellent company is that excellent companies pre-empt and direct customers’ needs. We are committed to achieving this excellence.”

Li Guan

Deputy Chief Operating Officer,
SF Express

SF Express

SF Express was one of the leading logistics brands in our survey, ranking in the top 50 of the mainland China study, and also performing remarkably well in the Hong Kong market. Founded in 1993, it is one of the largest courier and logistics companies in mainland China. For SF Express, delivering on time is not enough – their vision is to become “the most trustworthy logistics-based business partner.”³⁸

Customer-centric culture

“The difference between a good and an excellent company is that excellent companies pre-empt and direct customers’ needs. We are committed to achieving this excellence,” says Li Guan, Deputy Chief Operating Officer, SF Express. A key driver of the company’s success in delivering customer experience excellence stems from a deeply rooted customer-centric culture.

As well as engaging its customer services representatives and sales teams to develop a customer service mindset, SF Express has also coached its couriers to develop an empathetic and customer-centric approach to their work. As e-commerce flourishes, SF Express has recognised that providing standardised, fast and reliable delivery, and keeping the parcels in good condition, are important to meet customer expectations. Offering personalised delivery service is also key to gaining a competitive advantage in the new era.

When things go wrong, SF Express goes above and beyond to ensure that customers benefit from the same speed and convenience in resolving their issues. They will also continue to streamline their ‘Fast claim settlement’ and refund systems, which are already very competitive in the industry in mainland China.

Early adoption of online channel

SF Express understands how widespread mobile adoption has revolutionised the way customers interact with companies. Having the option of placing orders via online channels such as WeChat saves customers time and effort compared to using traditional methods. SF Express has also taken this integration a step further by opening up communication channels between couriers and customers, which allows them to communicate directly online. This helps customers resolve issues more efficiently as it eliminates the middleman, which in this case is the SF Express Customer Service team.

³⁸ ‘Brand philosophy’, SF Express, accessed on 13 June 2018, http://www.sf-express.com/hk/en/about_us/about_sf/brand_idea/

SF Express Mainland China CEE

The Six Pillars:
Scores vs industry average



Mainland China sector focus

Restaurants and fast food

The performance of the restaurants and fast food sector indicated room for improvement when it comes to delivering a good customer experience. As one might expect, fast food and coffee shop brands outperformed restaurants when it comes to Time and Effort, helping to raise this pillar's overall score for the sector. However, the sector as a whole did not perform as well as some of the other sectors on Time and Effort. This may be attributable to a customer base, so accustomed to having a plethora of products and services just a click away, expecting the same convenience and control that brands in other sectors have been able to offer through digital channels.

The need to integrate technology into their customer interactions in order to 'keep up' with customer experience market leaders has been recognised by many brands in the restaurants and fast food sector. As in many other sectors, online-to-offline (O2O) technology is changing the way restaurants, coffee shops and fast food chains engage with their customers. From restaurant selection to reservations to ordering and finally paying, O2O technology has the potential to make the dining experience more convenient across the entire customer journey. Mobile ordering, for example, has quickly become the new normal, offering customers both fast food and 'slow' food options that are delivered to their doorstep or workplace at the click of a button, significantly reducing customers' waiting time and effort.

Technology adoption to improve the customer experience can be found on the floors of fast food chains and restaurants. As McDonald's embarks on its ambitious expansion plan announced in mid-2017 to add 2,000 restaurants in mainland China, the American fast food giant is also planning to increase the proportion of its 'Experience of the Future' outlets to over 90 percent.³⁹ This model includes greater use of technology than in its more traditional outlets, with the availability of self-order kiosks, mobile ordering and payment, as well as the adoption of AI. According to our respondents, McDonald's wide-spread implementation of digital channels was particularly well received, which in turn enhanced the overall customer experience.

³⁹ 'China to get 2,000 more McDonald's restaurants in next five years', Lam Ka-sing, SCMP, 8 August 2017, <http://www.scmp.com/business/companies/article/2105946/china-get-2000-more-mcdonalds-restaurants-next-five-years>





“When I was ordering, the barista remembered my previous drink order and special requests. I really appreciate this attentiveness.”

*Mainland China respondent
(Pacific Coffee)*

Pacific Coffee, one of the top brands in the restaurants and fast food sector in our study, also held the top sector score for the Personalisation pillar. Baristas remembering customers’ special requests on return visits was cited as one of the factors contributing to the likelihood of recommending the brand to others. This shows that while technology can help enhance many aspects of the customer journey, human interaction is still incredibly important to keeping customers engaged.

To provide a more localised experience, a number of global pioneers in the industry have adjusted their product offerings to the tastes of mainland Chinese consumers. A good example of glocalisation is from Starbucks. The American coffee chain introduced a product line called Teavana, which embraces the trend of blending fresh fruit juice with Chinese tea flavours.

Hai Di Lao, a chain of Chinese hot pot restaurants, takes a different approach to impress customers. Understanding the frustration of waiting for a table, the popular restaurant offers those customers waiting in line a whole range of services, ranging from manicures to hand massages, and even free snacks and drinks. During the meal, a server performs the ‘noodle dance’ for diners, which is praised by many customers as a theatrical experience.⁴⁰ Hai Di Lao’s distinctive service style exceeds customers’ expectations of what a typical restaurant offers, and creates a special memory for customers to share and talk about.

⁴⁰ ‘Company introduction’, Hai Di Lao, accessed on 26 June 2018, <http://www.haidilao.com/sg/index.php?m=content&c=index&a=lists&catid=2>

Mainland China sector focus

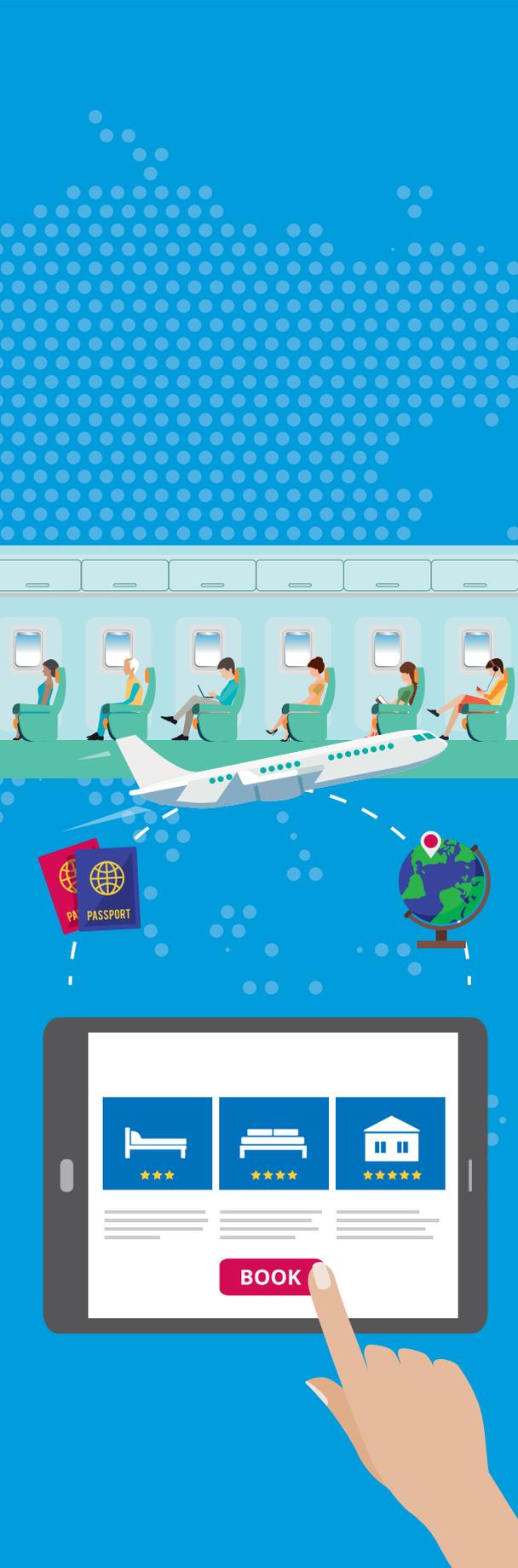
Travel and hotels

Chinese tourists represent the highest international per trip spending in the world – with 130 million international trips and over USD 115 billion spent on outbound tourism in 2017.⁴¹ Brands have capitalised on this massive, growing customer segment, and are tailoring their customer experience to meet the unique needs and desires of the Chinese consumer.

Chinese customers rated hotels and travel as the top-performing sector in our study, partly driven by the strong performance of the hotel brands. The sector also held the top score for all but one of The Six Pillars, and was a standout performer on the pillars of Expectations and Personalisation.

Although Chinese consumers increasingly travel overseas, familiar cultural experiences abroad continue to resonate with them. Understanding this, leading hotel brands such as Sheraton and Hilton have begun to ‘glocalise’ across their properties internationally. This approach introduces products or services which are tailored to satisfy Chinese tastes, while maintaining the business’s individual branding.

One example is Hilton’s Huanying service. Launched in 2011, the service aims to provide a consistent set of amenities and service standards rooted in Chinese culture for Chinese guests travelling outside of China. This includes having a Chinese-speaking team member at all major properties, providing traditional Chinese cutlery and Chinese-language newspapers on request, as well as ensuring the availability of a Chinese breakfast.⁴²



⁴¹ 'Ctrip and China Tourism Academy's joint travel report on 2017 outbound tourism', PR Newswire, 1 March 2018, <https://www.prnewswire.com/news-releases/ctrip-and-china-tourism-academys-joint-travel-report-on-2017-outbound-tourism-300606489.html>

⁴² 'Tea and slippers: The hotel industry's pursuit of the Chinese traveller', Sarah Zheng, SCMP, 13 December 2016, <http://www.scmp.com/business/global-economy/article/2053918/tea-and-slippers-hotel-industrys-pursuit-chinese-traveller>



“ Comfortable,
relaxing and elegant.
I feel at home when I
stay at the Hilton.”

Mainland China respondent
(Hilton Hotels & Resorts)

Spotlight

Hilton Hotels & Resorts has continued to enhance its customer experience, and is rapidly expanding in mainland China – having opened its 100th property in the country in 2017. Leveraging data from Hilton Honors, Hilton’s loyalty programme, the hotel chain can recognise different customer profiles and subsequently provide the most relevant offers to its members. The group can also use data from its mobile app, HHonors, to determine a guest’s preferences during their stay so that hotel staff can customise their experience accordingly.

Similarly, Sheraton recognises the need for a local touch, and has implemented initiatives in its newly built hotel in San Gabriel, Los Angeles to attract and cater to Chinese tourists. The property offers a uniquely Chinese experience delivered via Mandarin-speaking concierges, an authentic and high-end Sichuan restaurant, and a stand-alone WeChat account to communicate with its Chinese clientele.⁴³

An optimal customer experience for airlines is markedly different. Chinese customers value safety and flight punctuality (including appropriate communication in case of delays), as well as diverse in-flight services. Air China – China’s state-owned airline – performed better than its peers in the Integrity pillar, and the brand was seen as one of the most trusted air travel options according to our respondents. If there are delays, it is essential for airlines to proactively communicate this information, and offer travellers the necessary customer assistance to reduce their feelings of disruption and anxiety. In light of recent air safety issues, airlines and even online travel agents that act with integrity by prioritising transparency and the safety of their passengers, are favourably received.

⁴³ ‘New San Gabriel Sheraton offers robots and high-end food to attract Chinese tourists’, Hugo Martin, Los Angeles Times, 24 February 2018, <http://www.latimes.com/business/la-fi-travel-briefcase-sheraton-san-gabriel-20180224-story.html>

Hong Kong insights



Hong Kong sector overview

Hong Kong is widely considered to be Asia's global city and financial hub, attracting expats and tourists from all over the world due to its vibrant and dynamic culture, bustling shopping malls, and metropolitan lifestyle.

“*Consumers in mainland China and Hong Kong are among the most active internet users and mobile adopters in the world. Engaging with customers on digital channels has never been so important. Brands that offer quick, easy and user-friendly mobile and online products and services will achieve greater success.*”

Anson Bailey

Head of Consumer and Retail, ASPAC, KPMG China

Although the Hong Kong consumer is extremely digitally savvy (with over 90 percent of households maintaining regular fixed-line internet connections),⁴⁴ the penetration of mobile payments is substantially lower in Hong Kong than in mainland China.⁴⁵ One contributing factor is that Hong Kong customers still enjoy the convenience of the Octopus card, which was initially designed to store value for public transportation, and is now accepted at a variety of merchants across Hong Kong. Another factor is that cashless solutions need to be further developed and better marketed. Cash remains the major payment method for many local restaurants, small businesses and taxis in Hong Kong.

Hong Kong, like mainland China, is seeing the rise of millennials and their influence on other customer segments. Millennials in Hong Kong are more willing than other age groups to provide feedback – both positive and negative – on social media. Given this trend, brands need to reinforce their presence on social media, and be prompt and transparent in resolving customer service issues through various channels to maintain brand reputation.

Similar to mainland China, Integrity and Personalisation were the biggest drivers of customer experience excellence in Hong Kong. In a market where consumers are constantly provided with new choices and options, brands that deliver on trust and provide transparency on their products and services are often able to build stronger customer advocacy and brand loyalty.

The next most important pillars for Hong Kong consumers are Expectation and Resolution, whereas mainland China respondents prioritised Time and Effort. Hong Kong consumers have a high expectation that their needs will be met in a timely and efficient manner across all industries, and are less tolerant of service disruptions than mainland Chinese consumers. Similarly, when issues arise, it is important for brands to demonstrate their agility and trustworthiness by delivering an effective resolution.

Moving forward, the development of the Greater Bay Area (GBA) will continue to shape standards of customer experience excellence as the population becomes more physically integrated and digitally connected with the wider region. The GBA may also accelerate Hong Kong's technology adoption, which is supported by Hong Kong's smart city ambitions and the government's HKD 50 billion investment in innovation and technology as part of its 2018 budget.⁴⁶ We expect that the initiative is likely to impact the logistics and financial services sectors the most, as their customer base will be able to access their services with greater convenience.

⁴⁴ 'Key Communications Statistics', Office of the Communications Authority: The Government of the Hong Kong Special Administrative Region, accessed on 15 June 2018, https://www.ofca.gov.hk/en/media_focus/data_statistics/key_stat/

⁴⁵ 'More than half of bank customers ready to embrace virtual banking, J.D. Power finds', J.D. Power, 5 March 2018, <http://www.jdpower.com/press-releases/2018-hong-kong-retail-banking-satisfaction-study>

⁴⁶ 'A Lens on the Greater Bay Area', KPMG China, April 2018, <https://home.kpmg.com/cn/en/home/insights/2018/04/a-lens-on-the-greater-bay-area.html>

Hong Kong sector focus

Financial services

As one of the most vibrant international financial centres in the world, Hong Kong has a significant financial services sector, both in size and importance. With the development of fintech and increased expectations resulting from technology innovation in other sectors, financial institutions are quickly recognising that they need to adapt. While being a globally recognised brand is important, customers are now demanding more personalised products and services, and are interacting with brands on their own terms, in their own time.

Banking and payments

According to the survey, banks performed relatively better than insurance companies, and in particular, scored higher on Integrity on average. Much of this can be attributed to the banking landscape, which comprises financial institutions that are well-established in the market.

In recent years, banks have increased their investment in technology and innovation to better engage with their customers digitally. Many of the banks, including Citibank, HSBC and DBS, have enabled Touch Login service, a biometric technology for clients, where they can use fingerprint authentication to securely log in to their mobile app, which makes access to banking services more convenient and efficient. Citibank has also invested in other digital initiatives – such as its smart chatbot service via Facebook Messenger – which allows customers to check their bank records more easily.⁴⁷ However, despite investments in technology, many banking services still require face-to-face interaction, driven by more complicated products and the Hong Kong regulatory landscape.

The Octopus card, a reusable contactless stored value card, was introduced in 1997, and has defined the expectations of Hong Kong consumers for convenience for everyday transactions. The adoption of other mobile payment solutions has been slow, though competition has increased in recent years, with the introduction of mobile payment options such as Google Pay, Alipay and WeChat Wallet into Hong Kong. Alipay, which was one of the top-performing brands in our mainland China survey, has built partnerships with thousands of merchants in Hong Kong, geared towards mainland Chinese users and tourists. To keep up with this trend, HSBC has developed 'PayMe', a peer payment transfer mobile app, and has expanded its functionality to be used as a payment option on e-commerce platform HKTVmall. Many see this as HSBC's first step towards entering the mobile payment market.

Hong Kong's banking sector will soon witness the arrival of virtual or digital-only banks amid a drive by authorities to encourage greater use of technology in financial services. The Hong Kong Monetary Authority has already started accepting applications, and may grant

⁴⁷ 'Citi joins chatbot arms race, unveils Facebook Messenger tie-up that will launch later this year', Laurie Chen, 25 June 2018, SCMP, <https://www.scmp.com/business/banking-finance/article/2152242/citi-joins-chatbot-arms-race-unveils-facebook-messenger-tie>



“Increased customer demand, government initiatives and growing competition have helped Hong Kong’s mobile payment market make significant progress over the last 12 months. However, to initiate a fundamental change in customer behaviour, brands need to understand local payment habits and work closely with merchants to promote and facilitate mobile payment solutions.”

Paul McSheaffrey

Head of Banking & Capital Markets, Hong Kong, KPMG China

Spotlight

Hong Kong-based fintech start-up **gini** aims to change the way the city’s millennials manage their personal finances. Their all-in-one mobile application can centralise personal finances by linking multiple bank accounts, providing insights into their overall spending habits, and offering attractive deals based on a user’s transaction habits. The company also plans to incorporate AI technology to automatically identify potential areas of savings for users.

licences within 2018. In mainland China, online payment companies have been seen to bring great convenience to customers’ lives; similarly, it is expected that the arrival of virtual banks in Hong Kong will also raise the bar on Time and Effort in the sector by enabling customers to conduct all banking activity online.

Insurance

Historically, much of the interaction that insurers have with customers has been focused on the point of sale and during the claims process. However, insurers are quickly beginning to realise that the customer’s journey when purchasing insurance begins long before that.

With a high internet adoption rate, Hong Kong consumers are beginning their insurance journey by spending more time conducting their own research, and have higher expectations of receiving clear and transparent information from insurers. AIA Hong Kong has recognised this, and compiled and launched the AIA Glossary, which explains certain terms commonly used in insurance documents. This improves the transparency of insurance products and builds integrity for the brand.

With the rise of technology, both insurtech and technology innovation are being considered along various touch points of the customer journey – and are being tipped to help with providing efficiencies for insurance processes and better customer insights, as well as supporting in delivering an omnichannel experience.

Most insurers in Hong Kong have started to introduce chatbots and online services such as e-claims and real-time status updates to allow customers to access service enquiries 24 hours a day.

AXA Venture Partners, with offices in Hong Kong, Paris, San Francisco, New York and London, is the venture capital arm of AXA. The firm scans the market for companies that leverage differentiated technology and scalable business models to drive innovation in insurance. These partners can then be introduced to AXA as potential customers, strategic partners or distributors.⁴⁸ One recent example is an agreement with AI platform Neura, which helps subscribers improve their health by monitoring and analysing behaviours, and offering incentives to make lifestyle changes.⁴⁹

Looking ahead, insurers will need to find ways to connect with customers, so they can gain deeper insights, provide seamless support and pre-empt coverage needs. While insurers such as Manulife, AXA and AIA have all released mobile apps for lifestyle and wellness, the challenge will be ensuring that Hong Kong consumers are comfortable with how insurers are collecting their data – and see the value this will bring.

⁴⁸ ‘AXA Venture Partners homepage’, AXA Venture Partners, accessed on 16 June 2018, www.axavp.com

⁴⁹ ‘AXA Strategic Ventures rebrands as AXA Venture Partners’, 11 April 2018, AXA Venture Partners, <https://www.axavp.com/wp-content/uploads/2018/04/PR-Rebranding-final.pdf>

Retail & logistics

Hong Kong is Asia's global hub for fashion and retail, and local customers' tastes reflect a similar sophistication. Given the city's fast-paced lifestyle, Hong Kong consumers value an efficient, seamless customer experience that reduces their time and effort.

Interestingly, despite being one of the world's most densely populated cities, Hong Kong consumers continue to appreciate stores with a physical presence. Bricks-and-mortar stores perhaps lend themselves well to the culture of the city – where small urban homes and tight spaces encourage most of the population to frequent the city's numerous large shopping malls, eateries and bars.

Retail

Hong Kong consumers are less accustomed to purchasing new products and services online compared to their mainland Chinese counterparts. However, more broadly, e-commerce adoption is growing, and online stores from across the region such as ZALORA, are becoming increasingly popular with Hong Kong consumers. Much of this has been driven by providing quick delivery and hassle-free returns.

Carousell, a mobile app that offers an online peer-to-peer marketplace, is also growing in popularity with Hong Kong consumers. The company emphasises speed and convenience as being important differentiators. To post a listing on the marketplace can take as little as 30 seconds, and offers users a simple and almost immediate way to declutter their lives.

As many Hong Kong shoppers still prefer in-person purchases, human interaction and engagement is particularly important, as it enables brands to deliver a more personalised and meaningful experience to customers. More brands in Hong Kong are employing experiential marketing events like pop-up stores to allow customers to experience a product more intimately. For example, a recent pop-up event hosted by luxury brand Chanel served to educate Chanel loyalists about its founder Coco Chanel, instead of solely promoting its latest products. This not only strengthens brand equity, but also improves customers' emotional connection with the brand.





“ Given how easy it is to essentially transact or do anything on mobile, customers are not only utilising in-web/in-app chats to raise questions, but are also expecting quicker responses. ”

Brian Sze

General Manager, Carousell,
Hong Kong

Logistics

The growth of online retail is reshaping consumer shopping habits, and introduced competition, which is providing customers with better variety and options beyond the Hong Kong market. From the customers' perspective, delivery of goods is part of their shopping journey, and this means the customer experience delivered by logistics companies can significantly impact the assessment of the overall customer experience delivered by a brand. As a result, brands and retail logistics companies have to tailor their offerings and work together to deliver a consistent and seamless customer experience.

Understanding the busy lifestyle of Hong Kong consumers, SF Express has been collaborating with 7-Eleven to give customers the opportunity to collect their parcels from approximately 120 7-Eleven convenience stores in Hong Kong. Self-pick-up points truly boost customer experience by making the process more convenient, and reducing customers' time and effort.

Hong Kong sector focus

“More recently, the rise in popularity of food delivery mobile apps is also showing a shift towards meeting Hong Kong consumers’ expectations on food convenience.”

Restaurants and fast food

Despite economic fluctuations over the last decade, spending on food and beverage by Hong Kong diners has remained stable. On average, consumers allocated 10-15 percent of their income to eating out.⁵⁰

Similar to mainland China, coffee houses performed well in our Hong Kong CEE survey. As one of the leading customer experience brands in our survey, Starbucks is rated particularly well against the pillars of Expectation, and Time and Effort. It has substantially improved customer experience through its mobile app, and has racked up over 240,000 active users in Hong Kong.⁵¹ Also, instead of lining up, customers can place an order and pay prior to reaching the coffee shop, then walk into the store to collect their order when it is ready, without having to wait in line.

In addition to enhancing customer experience via digitalisation, some global fast food chains in Hong Kong also offer menus that are customised to local tastes in order to appeal to local diners. Seasonal menus featuring the latest food trends are also particularly appealing to Hong Kong consumers’ constantly changing tastes.

More recently, the rise in popularity of food delivery mobile apps such as Foodpanda and Deliveroo is also showing a shift towards meeting Hong Kong consumers’ expectations for food convenience. These apps allow customers to order from multiple restaurants, satisfying dining needs quickly and conveniently. Deliveroo has a real-time delivery tracking feature, which can predict the road traffic in the delivery area as well as the customer traffic at respective restaurants, so that it can produce an accurate estimate of the delivery and processing time, which helps manage customer expectations.

⁵⁰ ‘Hong Kong major report – Hunger for growth – Unlocking opportunities in Hong Kong F&B retail September 2016’, CBRE, September 2016, <https://www.cbre.com.hk/en/research-reports/Hong-Kong-Major-Report–Hunger-for-Growth–Unlocking-Opportunities-in-Hong-Kong-FB-Retail-September-2016>

⁵¹ ‘Starbucks promises coffee delivered to your doorstep’, Zen Soo, 21 March 2017, SCMP, <http://www.scmp.com/business/companies/article/2080274/starbucks-promises-coffee-delivered-your-doorstep>





Travel and hotels

For decades, Hong Kong has been perceived as a key travel hub, connecting travellers in Asia to the rest of the world. Given its strategic location, it is not surprising that Hong Kong consumers view travelling as a key part of their lifestyle, and have high expectations for a seamless and hassle-free travel experience.

While delays, long check-in times and queues at customs are common customer pain points, Hong Kong International Airport (HKIA) has long been known for its efficiency and service. However, as international travel continues to increase, consumers are expecting more from their travel experience – and expect airports to offer more services and better facilities, particularly when they are in transit. With growing competition around the region, including expansion at Singapore’s Changi Airport, and a new USD 12.9 billion airport due to open in Beijing in 2019, HKIA has recently invested in additional facilities for passengers in transit, and provided movable check-in kiosks to airlines to shorten the waiting time at check-in.^{52,53} Furthermore, by using the ‘MyTAG’ service – a feature which is enabled by electronic tags that provide real-time location tracking based on RFID technology – passengers can now receive notifications on HKIA’s mobile app once their baggage has arrived at the terminal.

At the same time, airlines are also quickly recognising that customer expectations apply along the entire travel journey. Of The Six Pillars, airlines in Hong Kong performed better on Integrity and Time and Effort, with airlines investing in digitalisation to provide customers with a wider array of services, even when they are not in the air. One example is Hong Kong Airlines, which introduced ‘WeFound: Lost Property’, which allows customers to search specific travel dates and routes to identify items they left behind on a plane.

From the moment that consumers begin to plan their trip and search for flights and accommodation, through to their taxi to the final destination, there are a number of elements that add to their overall travel experience. Looking ahead, airlines, airports, hotels, travel agencies and other parties that facilitate this journey will need to work closely in alliance to deliver a great end-to-end customer experience.

⁵² ‘Free showers, faster Wi-Fi and revamped boarding gates at Hong Kong Airport, but upgrades may be too little, too late’, Raymond Yeung & Danny Lee, SCMP, 26 January 2018, <http://www.scmp.com/news/hong-kong/economy/article/2130601/free-showers-faster-wi-fi-and-revamped-boarding-gates-hong>

⁵³ ‘Hong Kong International Airport reinvents check-in with new adaptable kiosks powered by Amadeus’, Emma Symington, Amadeus, 31 October 2017, <https://amadeus.com/en/insights/press-release/hong-kong-international-airport-reinvents-check-in-with-new-adaptable-kiosks-powered-by-amadeus>

“Identifying customers’ preferences and matching our services and benefits with these preferences is the key to winning customers’ hearts and loyalty.”

Stanley Kan

Director of Service Delivery,
Hong Kong Airlines

Case study



Hong Kong Airlines

Hong Kong Airlines was one of the rising stars in the travel sector of the CEE survey. The full-service airline recently transitioned from being a regional to a global carrier – expanding its routes across Asia Pacific, as well as to Los Angeles, Vancouver and San Francisco. Despite its increased international network coverage, Hong Kong Airlines was ranked the world’s most punctual Asian airline in 2017.⁵⁴

Listening to customers

Hong Kong Airlines understands the importance of customer experience, and strives to put customers first when making strategic decisions and technology investments. To understand customers’ needs, the airline also conducts regular surveys and interviews at different touchpoints of the customers’ journey. This provides valuable insights on areas of improvement so they can continuously enhance their customer experience.

Searching online for your lost property

Losing things or leaving them on the plane can quickly turn a great trip into a stressful travel experience. To address this, Hong Kong Airlines introduced an online lost property query system called WeFound that allows customers to view photos of all lost property the day after the flight. This has greatly reduced customers’ time and effort spent searching for lost items, as they can identify them without travelling back to the airport. The company was awarded the 2017 Hong Kong Awards for Industries: Innovation and Creativity Certificate of Merit from the Hong Kong General Chamber of Commerce for this innovation.

Creating memories with Hong Kong Airlines

“The future is personal – customers increasingly demand personalised service and want to be regarded as individuals,” says Stanley Kan, Director of Service Delivery, Hong Kong Airlines. To personalise experiences for customers, Hong Kong Airlines launched the ‘Sweeten You Up’ service for couples and families in 2015. This includes tailor-made in-flight marriage proposals, personal greeting cards, celebratory cakes and more to help customers create a special in-flight memory with loved ones.

With a strong customer-centric culture and continuous innovations to enhance customer experience, Hong Kong Airlines continues to grow quickly in Hong Kong’s competitive aviation market.

⁵⁴ ‘OAG Punctuality League 2018: On-time performance for airlines and airports and Top 20 busiest routes’, OAG Aviation Worldwide Limited, January 2018, https://www.oag.com/hubfs/Free_Reports/Punctuality_League/2018/PunctualityReport2018.pdf?hsCtaTracking=355de328-d17a-4f61-9f5b-137270b39310%7Cf2bdd8b5-dbe9-49fd-9563-aa256d348cfa

Key takeaways

Mainland China and Hong Kong share a number of common customer experience best practices. Through the lens of The Six Pillars, we can look into the differences to find out what is at the heart of customer experience for each respective market.

“ Organisations striving for growth are realising the importance of ‘customer first’ – this extends beyond customer experience and becomes the blueprint that helps transform their people, culture and operations.”

Isabel Zisselsberger

*Head of Customer and Operations,
Hong Kong, KPMG China*

Integrity was the most important pillar in driving customer loyalty for both markets. Nonetheless, customer needs are affected by their distinctive environments, which then shape their perception of Integrity. For mainland Chinese consumers, Integrity is endorsed by their confidence in the authenticity of products and services. Furthermore, given the high level of digital penetration and increasing concern about data security in mainland China, necessary precautions and security measures are required to assure customers that their assets and information are protected. These initiatives will continue to be crucial to cultivating strong brand trust.

For Hong Kong consumers, Integrity is strongly linked to a brand's reputation, along with a higher emphasis on the Expectations pillar compared to mainland Chinese consumers. With their fast-paced lifestyle and high-density city, Hong Kong consumers demand that brands consistently deliver a frictionless experience and be agile to resolve any issues promptly. As Hong Kong will be increasingly connected to mainland China through the Greater Bay Area initiative, it is foreseeable that digitalisation in Hong Kong will accelerate and close the gap in technology utilisation between the two markets in the near future. Brands will need to continue to innovate and facilitate customer experience by leveraging the latest technology.

Therefore, when designing the road map to customer experience success in mainland China and Hong Kong, companies should take into consideration the individual attributes of both markets and the wider trends in the region. Additionally, a holistic strategy – ‘connected enterprise’ – should be devised in order to align the customer strategy from the inside out. The following checklist can help you shape your approach to transforming your customer experience strategy.



Customer experience excellence checklist

Understanding customer experience excellence

- Do we understand how and why we perform as we do across The Six Pillars?
- How do we embrace excellence and learn from the best?
- How can we use The Six Pillars to create a competitively differentiated experience?
- Are we implementing in the correct sequence of maximum customer impact?

The economics of customer experience excellence

- Are we clear on the value customers perceive that we create for them?
- Do we understand the lifetime value of each customer, and treat them accordingly?
- Are we sure our customer experience is optimised, neither over- nor under-engineered?

Creating the customer-centric organisation

- Are we clear on our customer strategy?
- Do we have a plan for customer experience transformation?
- Does our organisation design accelerate or hinder the achievement of our strategy?
- Are we disconnected cross-silos? What is our connection plan?
- What do we need to do to align the employee experience with the customer experience?
- Do we empower and enable our people, and are they clear on the boundaries for decision-making?
- Do we operate as a 'team of teams'?
- Do we reward customer-centric behaviour?

Going 'glocal'

- What is our international agenda?
- What do we universalise and what do we localise?



Understanding your customers – customer insights

- Do we really understand our customers?
 - Is everyone in the organisation able to describe our customers' distinctive needs?
 - Do we synthesise customer insight through an insight ecosystem?
 - Do we systematically collect customer information and use it to drive our day-to-day decisions?
 - Do we act on customer feedback and use it to drive continuous improvement?
-

Fragmenting customer journeys

- Do we have a clear understanding of the customer journey, including the moments of pain and delight?
 - How will platforms play out in our industry? What is our platform participation strategy?
 - How can we reassemble customer journeys in new and creative ways?
 - Which touch points should we prioritise and infuse with a human touch?
 - How do we build an ecosystem of partners and derive value from them?
 - Do we have an omnichannel approach – internally across all online and offline channels, and externally with any partnerships, alliances and vendors?
-

Creating the intelligent customer experience

- Are we testing and trialling new technologies?
 - Do we have a view as to the customer life problems we can fix?
 - Are we developing our digital spine – uniting front, middle and back office, and enabling customer self-service?
-

Trust-based brand building

- Do we have a trust building agenda?
- Do we understand the trust building and trust eroding moments that occur in our customer journeys?

Mainland China CEE Top 50 results

Sector key:

 Financial services	 Grocery retail	 Non-grocery retail
 Restaurants and fast food	 Logistics	 Travel and hotels

Top 50 (listed in alphabetical order)

adidas 	Agricultural Bank of China 	Air China 	Airbnb 	Alipay 
ANTA 	Apple Store 	Bank of Beijing 	Bank of China 	Bank of Communications 
Burberry 	Cathay Dragon 	Chanel 	China CITIC Bank International 	China Eastern Airlines 

(Listed in alphabetical order)

China Merchants Bank 	China Southern Airlines 	Chow Sang Sang 	Chow Tai Fook 	Coach 
DHL 	Dior 	FedEx 	Giorgio Armani 	Gucci 
Herborist 	Hilton Hotels & Resorts 	Holiday Inn 	Hong Kong Airlines 	Hugo Boss 
JD.com 	Jinling Hotel 	Li-Ning 	Lukfook Jewellery 	Maxim's Cakes 
New Balance 	Nike 	Pacific Coffee 	Pala Hamburger 	PICC (The People's Insurance Company of China) 
Puma 	SF Express 	Shanghai Pudong Development Bank 	Sheraton 	Starbucks 
Sun-high 	Suning.com 	Tmall 	Uniqlo 	WeChat Pay 

About KPMG China

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In 1992, KPMG became the first international accounting network to be granted a joint venture licence in mainland China. KPMG China was also the first among the Big Four in mainland China to convert from a joint venture to a special general partnership, as of 1 August 2012. Additionally, the Hong Kong office can trace its origins to 1945. This early commitment to the China market, together with an unwavering focus on quality, has been the foundation for accumulated industry experience, and is reflected in the Chinese member firm's appointment by some of China's most prestigious companies.



About our Customer Advisory practice



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Digital disruption and rising customer expectations are creating a competitive market environment, where loyalty is hard won and easily lost. If you cannot deliver what your customers want, when and where they want it, they will approach someone who can. Yet, there is no point in creating a breakthrough customer experience if the new business model runs at a loss.

Our KPMG Customer Advisory practice offers a suite of services that can help you achieve profitable, sustainable growth through customer-centric thinking. This is all about getting close to your customers – and staying there.

We work collaboratively to help you:

- Embed customer service excellence and drive loyalty
- Drive customer revenue and growth in traditional and disruptive channels
- Optimise customer experience across channels
- Design and implement new operating models to address cost pressures while meeting customer expectations
- Deliver an exceptional digital experience
- Manage the innovation process to capitalise on market disruption and uncertainty.

Our team can support you throughout your customer transformation journey – starting from customer experience design, to optimising your operations, using technology as an enabler, and gaining data-driven insights – to help you build a connected enterprise that can achieve long-term growth.

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