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Overview
Consumers in Hong Kong have become more savvy and selective when making financial decisions

1. Consumers are experiencing economic constraints and are prioritising value for money

The financial position of consumers in Hong Kong has been negatively impacted by COVID-19. On average, 41 percent
d of survey respondents in Hong Kong admit that they are being more selective in their purchases and expect this to continue in the mid-term.

According to our analysis, consumers in Hong Kong have significantly reduced their spending in luxury and non-essential goods and have re-allocated this spending to day-to-day essentials such as groceries.

Source: 1 Consumers and the new reality, COVID-19 pulse survey, Wave 5 update, KPMG International, Sep 2020. Q: To what degree do you feel your spending behavior has changed since the start of the COVID-19 situation?

2. Consumers are becoming more digitally savvy and value the ease with which they can interact with organisations through digital channels

Consumers in Hong Kong are increasing the use of digital platforms to purchase goods. We have noted that consumers value a good digital experience and are spending more with companies that provide this experience. In addition, consumers have shifted their preferred payment methods to those that offer better rewards for online spending.

3. Trust is key and consumers are willing to spend with brands that are aligned with their values and priorities

Trust in a brand has become a key experience driver for consumers. In light of COVID-19, companies that are empathetic to their consumers’ priorities (i.e. personal safety) in addition to delivering a consistently positive experience have experienced increased loyalty. Consumers have demonstrated strong preferences to organisations they trust to be able to provide consistent high-quality experiences during these challenging times.
Overview

Our analysis of transactional data reveals how the Hong Kong consumers’ spending behaviour has changed.

Consumer spending in non-essential goods has dropped as a consequence of COVID-19.

<table>
<thead>
<tr>
<th>Essentials</th>
<th>Eating Out</th>
<th>Groceries</th>
<th>Transport</th>
<th>Utilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Essentials</td>
<td>Health and Beauty</td>
<td>Vacation</td>
<td>Shopping/Leisure</td>
<td></td>
</tr>
<tr>
<td>HK COVID Cases¹</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

As a result of COVID-19, consumers in Hong Kong have changed their spending behaviour. Our analysis of spending data² since September 2019 indicates the following:

- Consumers have focused their spending on essential products such as groceries.
- There has been a significant drop in non-essential products as consumers continue to postpone big purchases.
- We have observed indications of “COVID-fatigue” as evidenced through a slight recovery in non-essentials spending after the Second Wave.

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Source:
1 Hong Kong Department of Health
2 gini Transactional Data 2019-2020
Key findings – Retail
As consumers spend less on luxury, value for money has become a key purchase driver.

Luxury retailers have yet to recover from the impact of COVID-19.

- Since the first wave of COVID-19 in late January 2020, we observed a drop in consumers’ spending in non-essential products such as luxury retail products.

- Luxury fashion retail sales have remained significantly lower compared to September 2019, while non-luxury fashion retailers are faring slightly better.

- Consumers in Hong Kong value free delivery, special offers and discounts, as household spending has tightened.

Value for money, the ease of the shopping experience and product quality have become key purchase drivers.

Source: Consumers and the new reality, COVID-19 pulse survey, Wave 5 update, KPMG International, Sep 2020; Q: 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: gini Transactional Data 2019-2020
Consumers have accelerated their use of online channels for retail purchases

Key findings – Retail

Grocery retailers that provide strong online experiences have captured market share while physical-only retailers are clearly losing out.

Online shopping for groceries and non-grocery retail has increased.

73% of consumers have used online channels as frequently or more often than before to buy groceries

84% are likely to continue using online channels to buy groceries in the future

75% of consumers have used online channels as frequently or more often than before to buy non-grocery retail

97% of those likely to continue using online channels to buy non-grocery retail in the future

Source: gini Transactional Data 2019-2020

Source: Consumers and the new reality, COVID-19 pulse survey, Wave 5 update, KPMG International, Sep 2020; Q: How have your shopping habits with grocery retailers/non-grocery retailers changed during COVID-19? And how likely is it that you will continue using these methods in the future, once all restrictions are lifted?
Consumers continue to show a willingness to spend with brands and experiences they trust

- Online food delivery services have built up a strong foundation of loyal consumers during this period. These organisations have consistently delivered high quality experiences aligned with their brand promise of providing food in a fast, convenient, and safe (via social distancing) manner.

- These organisations are now evolving and expanding their services to other areas such as grocery delivery as they build on the trust and loyalty they have established with consumers.
Key findings – Financial Services
In Financial Services, the Hong Kong consumer places importance on the value, quality and experiences of the products and services they receive.  

- Consistent with overall consumer trends, value for money, quality of products and services, trust and a great customer experience are most important to consumers.
- Financial Services organisations will need to continuously deliver in these areas to capture and retain leading positions.
- Although “value for money” in Financial Services is not as tangible to end consumers compared to retailers, leading organisations are becoming more creative in communicating this value to their clients.
- By leveraging strong partnerships, leading organisations remain relevant to the end consumer by providing value through an ecosystem with multiple engagement points in the overall client journeys.

**Source:** Consumers and the new reality, COVID-19 pulse survey, Wave 5 update, KPMG International, Sep 2020

Q: Which of the following is important to you now when buying a product or service?
Consumers in Hong Kong are showing preferences for payment options that award their online shopping behaviours.

Consumers have shown increasing appetite for cards with generous cash rebates, particularly on online spending, beating those offering travel loyalty benefits.

- Hong Kong credit card usage trends show that the new realities of online shopping has also impacted consumers’ decisions on their payment preferences.

- Credit cards that have been marketed as providing more rewards for online purchases have overtaken cards that provide less valued rewards due to the current situation (i.e. travel).

- We expect this trend to continue as leading Financial Services have accelerated their partnerships with many online retailers and food delivery companies.

Source: gini Transactional Data 2019-2020
Consumers expect banks and insurers to deliver enhanced digital experiences

Leading financial services organisations are providing enhanced digital experiences to their consumers. Consumers are expected to continue the increased usage of digital channels for standard activities. As a result, leading organisations are taking this opportunity of increased consumer digital engagement to focus on providing improved personalised, digitally enabled and efficient experiences.

Banking consumers in Hong Kong are expected to continue using digital channels for standard daily activities.

Insurance consumers in Hong Kong are also expected to continue to engage through digital channels.

Q: Considering the following methods of communication with your bank, which method did you mainly use before and during COVID-19?

Q: Considering the following methods of communication with your insurer, which method did you mainly use before and during COVID-19?
## Key findings – Financial Services

Consumers place a high level of trust in banks and expect banks to be digitally secure

As consumers in Hong Kong expect an increased level of digital engagement and experiences with their banks, there is a need for banks to continue to maintain the highest levels of cybersecurity. From our survey, consumers want banks to focus on digital security first, and this underpins their trust in the organization.

### Areas of greatest importance to the consumers’ digital experience

<table>
<thead>
<tr>
<th>Area</th>
<th>Percentage</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>DIGITAL SECURITY</td>
<td>67%</td>
<td>“Ensure security of my personal information”</td>
</tr>
<tr>
<td>SEAMLESS INTERACTIONS</td>
<td>41%</td>
<td>“Let me be able to continue what I want to do across different devices (e.g. PC, tablet, phone)”</td>
</tr>
<tr>
<td>PERSONALISED EXPERIENCES</td>
<td>32%</td>
<td>“Provide me more personal services and products that are relevant to me”</td>
</tr>
<tr>
<td>24/7 CUSTOMER SERVICE</td>
<td>29%</td>
<td>“Offer me 24/7 live chat customer service support”</td>
</tr>
</tbody>
</table>

Source: Consumers and the new reality, COVID-19 pulse survey, Wave 5 update, KPMG International, Sep 2020

Q: 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?

### Areas where banks should focus on to continue providing a great digital experience.

<table>
<thead>
<tr>
<th>Area</th>
<th>Percentage</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Better functionality on their website and app</td>
<td>45%</td>
<td></td>
</tr>
<tr>
<td>Provide digital security to protect my account(s)</td>
<td>42%</td>
<td></td>
</tr>
<tr>
<td>Clear direction about how I should contact them at the moment</td>
<td>41%</td>
<td></td>
</tr>
<tr>
<td>Advice to avoid online fraud and scams</td>
<td>30%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Consumers and the new reality, COVID-19 pulse survey, Wave 5 update, KPMG International, Sep 2020

%. Shows top mentions. Q: Thinking about as a customer, what type of things do you think that banks should be focusing on now, as a result of COVID-19?
Key focus areas
Organisations need to rethink their value propositions to adapt to changing behaviour and continue focusing on enhancing digital experiences.

**Key focus areas**

1. Consumers are experiencing economic constraints and are prioritising value for money

   Organisations will need to:
   - Consider and enhance its offerings to remain relevant to the consumer and their changing behaviour
   - Provide consumers with value in every touchpoint in the end-to-end customer journey
   - Partner with others in the eco-system to further strengthen the value of the overall experience for the consumer

2. Consumers are becoming more digitally savvy and value the ease with which they can interact with organisations through digital channels

   Organisations will need to:
   - Move beyond basic digital experiences and functionalities to meet increasing consumer expectations
   - Ensure consistent and customer-focused messaging across digital and traditional channels
   - Understand the changing digital customer journey and proactively invest for the future consumer

3. Trust is key and consumers are willing to spend with brands that are aligned with their values and priorities

   Organisations will need to:
   - Understand their consumers’ priorities and continue to focus on the areas that have established trust in the brand
   - Translate brand values into the consumer experience
   - Continue to prioritise digital security and protection of the consumers’ data with the expectation that online transactions and activities will continue to increase
Methodology overview
Methodology overview

We have conducted consumer research to better understand the impact of COVID-19 in Hong Kong consumers’ changing spending behaviours to enhance customer experiences across a number of different sectors.

Consumer behaviour data (customer needs and expectations during COVID-19, purchase drivers, channels interaction and trust).

**Survey participants**

12,334 consumers globally; representative sample of 1,000 in Hong Kong, across four sectors (grocery, non-grocery, banks and insurance)

**Dates**

May – September 2020

**Collection method**

Online-based questionnaire to track customer trends

**Participating territories**

Canada, US, Brazil, France, Germany, Italy, Spain, UK, Mainland China, Hong Kong (S.A.R), Japan and Australia

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**Transactional data**

**Time period segmentation:**

From September 2019 to August 2020

**Sample size:**

~8,000 consumers

**Age break-down**

- 18-25 – 34%
- 20-25 – 30%
- 30-35 – 17%
- 35-45 – 15%
- 45-60 – 4%

**Data anonymised**