

# Meet your New Customer.

Competing in the new reality.



# Contents

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<b>01</b>	Introduction	04
	Meet your New Customer	04
	Foreword	06
	Competing in the new reality	08
	About the Excellence Centre	10
	About this year's research	11

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<b>02</b>	Competing in the new reality	12
	Understanding the new reality	16
	The Integrity economy	19

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<b>03</b>	The New Customer	22
	What defines the New Customer?	25

<b>04</b>	<b>The Six Pillar Experience</b>	<b>34</b>
	The 2020 top ten	<b>39</b>
	The Six Pillar Experience - what's changed?	<b>45</b>
	Retrospective: what defined the reaction phase	<b>47</b>
	The golden rules of The Six Pillars	<b>48</b>
	Examples of pillar excellence during COVID-19	<b>56</b>

---

<b>05</b>	<b>Building the Connected Enterprise</b>	<b>60</b>
	The eight capabilities of the Connected Enterprise	<b>62</b>
	Key questions	<b>64</b>
	Workforce considerations	<b>66</b>
	Sector considerations	<b>69</b>
	Next steps for leadership teams	<b>75</b>

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<b>06</b>	<b>Further resources</b>	<b>76</b>
	2020 top 100 results	<b>78</b>

# Meet your New Customer



## 90%

of customers are willing to pay more for ethical retailers.

Source: KPMG Me, My Life, My Wallet 2020



## 71%

of customers say if they perceive that a brand is putting profit over people, they will lose trust in that brand forever.

Source: Edelman Trust Index

Over a third feel it is more important that the brand's values match their own - 52% for ages 18-34.



## 63%

of customers see value as the differentiator on product or service choice now.

## 91%

of the UK population do not want the country to return to the way it was pre-COVID-19 (YouGov).

Perceptions of safety drive trust.

## 56%

say personal safety is more important as a result of COVID-19.



## 41%

are working from home more, 56% believe this will continue.

## 56%

say the environmental and social practices of a company have an impact when choosing to buy from them.

Source: KPMG Me, My Life, My Wallet 2020



# 43%

want to see greater support from retailers for local communities. Of those that shop local, 90% are willing to pay more for local suppliers.



Consumer spending could fall by **9.5%** and only rise 1.3% from this figure in 2021  
Source: KPMG UK Economic Outlook June 2020.

# 47%

of customers state they are worse off financially than they were prior to COVID-19.

# 42%

are more concerned about how their suppliers treat their staff.

# 98%

of customers are concerned about their personal data and what happens to it.

Source: KPMG Me, My Life, My Wallet 2020



# 58%

have changed their channel of interaction and become multimodal, moving from telephone to digital means of interaction (significant uptake in community customer apps and messaging).

UK GDP could decline by

# 7.2%

in 2020 and only rise by 2.8% in 2021.

Source: KPMG UK Economic Outlook June 2020

“Most severe economic downturn in modern times”

Source: KPMG UK Economic Outlook June 2020

Unemployment could average 8.6% this year and rise to 11% in 2021.

Source: KPMG UK Economic Outlook June 2020



# 80%

intend to stay with the new channels that they have become familiar with.

Customers will spend primarily on essentials.

Source: KPMG UK Economic Outlook June 2020



Customers will rein in discretionary spend, particularly in hospitality and travel.

Source: KPMG COVID-19 Global Tracker unless otherwise indicated

## 01

Foreword

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**Globally, a new and changed customer is emerging.**

This New Customer looks and behaves differently. They have less to spend, are increasingly digital and display unfamiliar patterns of demand. They have specific physical needs, driven by social distancing. Most businesses are already hurrying to reconfigure to meet these immediate challenges.

For most of us, however, this is a prelude to more seismic disruption. Scratch the surface and the New Customer has profoundly changed; a generation of forced evolution has occurred in a handful of months. There has been a global psychological shift in values, beliefs and needs. Existing trends have been accelerated and new ones introduced. Customers feel more vulnerable, insecure and less in control than ever before. Values have evolved, with renewed demands that brands put integrity and purpose before profit. The basis for many customer decisions has shifted.

These are the fundamentals that every business is built upon. To compete and grow, every enterprise has been fine-tuned over many years around customer assumptions that may no longer hold true. CEOs and customer leaders have never faced a challenge of this nature: most are still determining the impact of the New Customer and depth of change required. Prior to the start of 2020, customer experience was the only way to differentiate your brand among a sea of sameness. Now the challenge is not just to stand-out, but to reinvent, innovate and transform.

To help business leaders compete in this new reality, we've taken a special approach to our 11th annual review of UK customer excellence. This year's report focuses specifically on how organisations have performed during the COVID-19 period. Through the lens of best practice and against the backdrop of an emerging new reality, it looks at three important themes:



### The New Customer.

How have customers changed? Not just superficially and behaviourally, but how have the values and beliefs that shape long-term needs and demand shifted?



### The Six Pillar Experience.

How must what businesses offer customers evolve? For the last 20 years, offers have been synonymous with experience. The Six Pillars have been repeatedly established as the universal qualities needed to deliver excellence, create loyalty and drive growth. They are more relevant than ever, providing businesses with an essential way to navigate the coming change. UK Plc has rallied in adversity, offering a better experience founded on increased Empathy, Integrity and Resolution. The question is: can it be sustained?



### The Connected Enterprise.

How should CEOs adapt or transform their enterprises to compete for this New Customer? To thrive (or even survive) in this new reality, it is already clear that enterprises will need to be more connected, digital and customer-centric than ever before. When you couple the New Customer with the changed workforce, this ultimately touches every function, not just the front-office.

For the organisations able to navigate these challenges, there are opportunities to accelerate economic recovery, lock in long-term cost



**It is not the most intellectual that survives; it is not the strongest that survives; but the species that survives is the one that is able best to adapt and adjust to the changing environment..."**

**Leon Megginson**  
(1963)

savings and create enormous value, for both shareholders and society. We have already seen many brands re-writing their reputations and positions in this year's rankings.

Intriguingly, the leaders in this year's report share a common characteristic: they were already well adapted to respond to this challenge. These are companies that are innovative, flexible, responsive and agile, companies that are intimately close to their customers and their changing needs and internally connected along a digital spine. This has ensured they have been uniquely well prepared for the move online, with a culture of experimentation, learning and adaptation that enables a rapid response to changing needs.

For many others, emulating these business models is no longer discretionary, but a critical imperative. For these brands, there is much to be learnt from our dissection of these leading companies. The report examines the lessons from their operating models, their approach to change and the culture that supports it. Some industries are more stricken than others, but even in these, it will be the fittest and most suited to adaptation that will survive.

Every past recession has been a crucible of innovation and change. The present downturn promises to be one of the most intense but also an opportunity for many brands to engage with a New Customer and re-define what their enterprises stand for.

**David Conway**

**Tim Knight**

# Competing in the new reality

The rules of competition have changed. Almost every major organisation will need to re-engineer how it interacts with the New Customer, changing its offer: its experience. To guide this, this year our special report examines four critical topics that arise as a result of COVID-19.



## The new reality

The new landscape and economy that every business is facing into.

### What is the new environment in which businesses and customers interact?

For the post COVID-19 company, success will depend on how deeply they understand the economic and social impact that is shaping their New Customer, as well as the changing market and competitive landscape.



**Political**



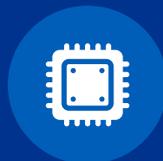
**Social**



**Legal, tax, regulatory**



**Economic**



**Technological**



**Environmental**





## The New Customer

The changing behaviours, values, needs, preferences, spending patterns as well as the Environmental, Social and Governance (ESG) agenda.

**Do we understand, better than our competitors, how COVID-19 has changed our customer?**



## The Six Pillar Experience

The new experiences that businesses will need to create to respond to these changing customers.

**What does this mean in terms of the experience we need to deliver in future?**



## The Connected Enterprise

To deliver this experience, enterprises will need to be more customer-centric, connected, digital and efficient than ever.

**How do we re-engineer our business, connecting every function to compete in this new reality?**

## Why compete?

2x

The top 100 brands achieved a year-on-year average profit growth that was double that of the bottom 100 brands.



3x

Within the top 100, the brands positioned 1 – 10 achieved 3x the revenue and profit growth of brands positioned 91 – 100.

£m

Leading players can improve experience and reduce costs by up to 25%.

Source: KPMG Nunwood 2017 CEE. The Connected Experience Imperative. The data is based on 5-year trends 2012 – 2017. It showed the economic impact of connecting customer, experience and enterprise.

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# About the Excellence Centre

The KPMG Nunwood Excellence Centre is an international think tank, dedicated to helping members turn customer best practice into effective business results.



# About this year's research

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To navigate a New Customer, we've changed some key elements of our approach this year:



## The New Customer

- The 2020 CEE research has been augmented with additional research and data signals to explore the New Customer, including:
  - Global Insights from primary research in 12 markets, assessing global consumer behaviour in the new reality.
  - KPMG's Me, My Life, My Wallet research – a consumer behaviour model.
  - Social listening – focusing on Six Pillar sentiment scores.
  - Economic analysis from KPMG UK's Economic Outlook, June 2020.

### The focus of this research.



## The Six Pillar Experience

- The 2020 UK Customer Experience Excellence (CEE) research was conducted between 17th April - 1st May, exploring experiences with organisations within the previous two months (historically this has been six months).
- This provides an assessment of the reaction and resilience of organisations since the initial spread of COVID-19 in the UK.
- 13,031 UK consumers were interviewed.
- 278 brands are included in the final rankings.
- This forms part of the 2020 Global Customer Experience Excellence research, spanning 27 markets.



## The Connected Enterprise

- Eight critical capabilities are identified based on global research conducted by KPMG International in conjunction with Forrester in 2018/2019.
- Additional insight is sourced from primary research through direct interviews and visits with leading companies, across multiple countries.
- Priorities sourced from KPMG CEO Outlook Report conducted annually.

## 02



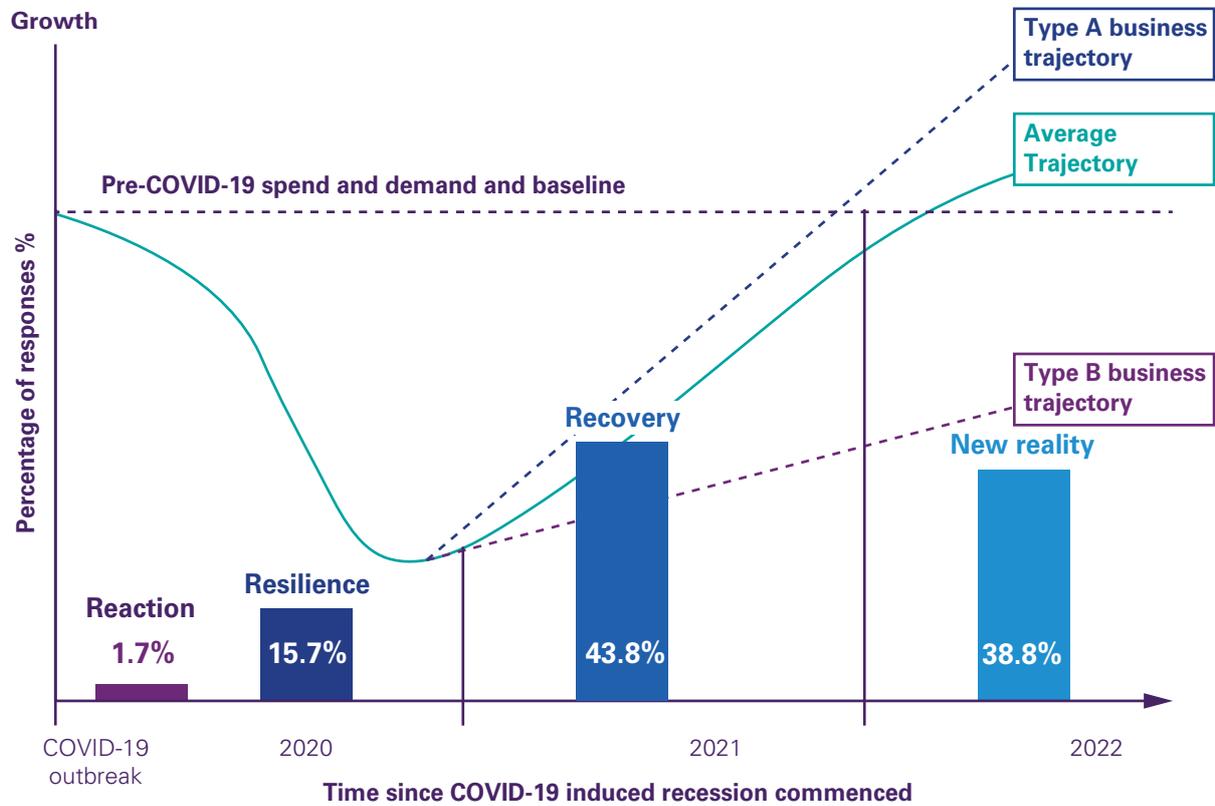
# Competing in the new reality

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**Canadian ice hockey player, Wayne Gretzky, in describing his outstanding success observed that “A good hockey player plays where the puck is. A great hockey player plays where the puck is going to be”.**

And so it is with companies planning their COVID-19 recovery. Type A businesses plan for where the customer is going to be post crisis, Type B businesses plan for where the customer was pre crisis.

% of business in each phase taken from KPMG UK spot poll - 8 July 2020



<p><b>Reaction</b></p> <p>Urgent, critical and enterprise focused - how do we protect our people and our customers; business continuity and liquidity?</p>	<p><b>Resilience</b></p> <p>Considered, reactive measures - how do we optimise financial, operational and commercial resilience? How do we manage risk?</p>	<p><b>Recovery</b></p> <p>Market focused - what are the quick wins and adaptations needed to maximise our sales trajectory and return to performance?</p>	<p><b>New reality</b></p> <p>Customer focused - how can we adapt business models for long-term cost savings to drive growth, competition and brand purpose?</p>
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Source: KPMG Economic Outlook April 2020

## Type A businesses



Type A businesses focus on competing for a New Customer.



The organisation design is based on deep insight into the problems customers face and how they respond rapidly to solve them. It champions a spirit of iteration, experimentation and optimises around tactics that work.



The working assumption is that things will never be the same again and this is an opportunity to reconceive and reinvent the business. Everything is on the table. M&S, for example, has launched its “Never the same again” transformation programme (Source: M&S press release, 20th May 2020).



It uses the burning platform created by the crisis as a springboard to moving hearts and minds to a New Customer oriented operating model.



Leaders of Type A businesses are seeking to balance saving the ship, with what is needed for a new and better one.



The focus is on designing costs out through the new optimised model rather than just cutting them. This promotes the twin objectives of highest quality experience and lowest cost.



It starts with what needs to be, rather than what is. There has been a discontinuous shift in the economic world, therefore there also needs to be a discontinuous shift in how the organisation acts and shapes its response to the new reality.



There is rapid adoption of AI, digital and technology in key processes to provide resilience and speed to market.



In a purpose-driven world, firms are revisiting and refining their organisational purpose in the context of their societal and environmental impact.



Type A businesses start an internal cultural revolution, aimed at empowerment, enablement and engagement, with the customer as the beating heart.

## Type B businesses



Type B businesses focus on protecting an existing model.



There is a focus on frantic revenue generation activity and an acceptance of suboptimal customer experiences as a consequence.



They allow fixation on reacting to the crisis to cloud their foresight. Their entire focus is on saving the ship.



There is continued adherence to the previous operating model and loyalty to previously successful behaviours, failing to test if those behaviours will be successful in the new reality.



The working assumption is that the world will revert to where it was. This belief shapes the mental model of the leadership team.



Customer knowledge is rooted in the pre-crisis understanding and modified through the crisis, leading to a refinement of an existing model, not the reinvention of a new and more relevant one.



It starts with what we have, and focuses on cost cutting, investment delay, liquidity and solvency, to the exclusion of the New Customer.



There is a failure to challenge the orthodoxies of the past and get to grips with the new reality.

# Understanding the new reality

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**A generation of change has occurred in a handful of months. To compete, business leaders must navigate upheaval across many political, economic, social, technological, legal and environmental (PESTLE) factors.**



## Political

- Response to possible second wave, targeted lockdowns, delays in vaccine
- High levels of Government debt – implications for taxation and disposable income
- Financial and economic stimulus packages
- Political, supply chain protectionism
- Brexit financial outcome



## Economic

- Future shape of GDP growth forecast
- Impact of additional lockdowns
- Decreases in consumer spend
- Consumers refocused on price and value
- Back to basics approach for companies, revenue, cost containment, rebuilding corporate balance sheets
- Investment constraints – selective digital investment a priority
- Long term economic scarring for travel and hospitality



## Social

- New values: environmental and social
- Rise of the community and a sense of place
- Memories of good and bad COVID-19 experiences influence future behaviours
- Less commuting
- Unemployment – class of 2020 struggle for jobs, acceleration of automation
- New employment practices, flexibility, home working
- Diversity no longer optional



## Technological

- Cyber security, data management in home working environment
- Acceleration of automation, digital transformation, channel integration
- Focus on agility and flexibility
- Data integration across all systems and processes, single view of customer and their behaviour
- Experience feedback systems drive improvement
- Supply chain risk management
- 5G adoption



## Legal, tax and regulatory

- Global tax raising – implications of corporation tax
- From liquidity to solvency
- Windfall and wealth taxes under consideration
- Onshoring – supply chain protection
- Digital taxation mechanisms being discussed
- Environmental taxes
- Risk and governance processes review



## Environmental

- ESG (Environmental, Social and Governance) now mainstream
- ESG purpose now central to recruiting talent
- Sustainable business practices now central to the brand
- Prioritisation of clean forms of power (wind, solar, EVs)
- Corporate responses to climate change
- Waste management – continued focus (e.g. packaging)
- Less long-haul travel
- Use of local products and suppliers

## Spotlight on:



## Key learning points:

- An exemplar Type A business, everything on the table
- A drive to accelerate change as a result of COVID-19
- An emphasis on rapid decision making

### M&S and M&S Food rank 9th and 11th respectively in the 2020 index.

In his May 2020 briefing to shareholders, Steve Rowe, CEO, M&S remarked, "During the crisis we have all had to work differently and customers have rapidly changed habits and may never shop the same way again. We intend to use the learning from the crisis and have drawn up our 'never the same again' agenda to accelerate transformation. The crisis illustrated how differently we can use technology, run stores, and make decisions fast. In a business with a history of slow cultural change, we intend to use these lessons to ensure that as lockdown eases, we are never the same again in culture, organisation and work habits".

The M&S top team has been streamlined to accelerate decision making, Store managers have

been empowered to take greater control of their businesses with less oversight from head office.

Decisions previously taken at the leadership level have been delegated to category and store management.

Digital has moved to the forefront of planning and consolidated under a single transformation team, bringing together data, online development and technology.

A faster, 'near-sourcing' supply chain will be developed particularly for the online business.

M&S is interesting in that every aspect of their business has come under scrutiny, they have looked at their New Customer and their historic inhibitors, such as culture and decision making, and taken radical steps to build a new, more customer-centric business.

“

**I made purchases online as a gift for a friend during lockdown. I was kept informed regarding dispatch and they delivered by the due date as promised.”**

UK CEE 2020 respondent



Non-grocery retail

9<sup>th</sup>

of 278 brands



10

places from 2019

### The Six Pillars: Scores vs industry average



+7%



+7%



+5%



+6%



+6%



+8%

# The Integrity economy



## Integrity

Being trustworthy and engendering trust

**For the last ten years these reports have underlined the enduring power of purpose: brands that stand for more than profit outperform the market. Customers experience this as Integrity, which forms the foundation for everything else the business does. Organisations increasingly manage this via Environmental, Social and Governance (ESG) initiatives, but purpose and integrity is often much broader, forming the basis for fast growth enterprises and strong internal cultures.**

Post COVID-19 public health and safety, the state of the labour market, good governance, and societal imbalances will be near term priorities for businesses and Governments. In the new reality, the move towards high-integrity business has truly come of age. For many businesses the starting point for responding to the new reality needs to be purpose. The research into the New Customer shows that we are entering an “integrity economy”, one where the ethics of an organisation are as important as its products and services. As Mary Portas describes it, people are moving from “buying from to buying into”. (Source: Raconteur article, December 2019)

**We are entering an “integrity economy”, one where the ethics of an organisation are as important as its products and services.**

With some 64% of the UK population now more concerned about the provenance of the companies they deal with (source: KPMG COVID-19 Global Tracker), the responsibilities an organisation has towards its communities, and its social and environmental impact, can no longer be left to the Corporate Social Responsibility (CSR) department, it needs to be front and centre as part of the company’s brand, delivered through communications but fundamentally made real every day through the experiences it delivers.

Through COVID-19, the triple bottom line of people, profit and planet has become more important than ever. For our leaders it has long been the way they see the world. They realise that the relationship between the three is symbiotic, a focus on people and planet can reduce costs and engage more customers in the brand, as CEO of Interface, Ray Anderson, describes. He sees sustainability as “a better way to bigger profits.” He also writes that “Done right, sustainability doesn’t cost. It pays.” (Source: A Better Way, Try It, 2003)

IKEA, for example, set out to be 100% powered by renewable energy by 2020 and now generates more renewable energy than it uses. The retailer has invested in 70,000 solar panels for its stores, selling the extra energy, generating a new revenue stream. (Source: IKEA website)

M&S Food, through its Plan A programme, constantly reminds its customers, often subliminally, through in-store posters, of what it is doing every day to deliver on its responsibilities towards the environment, supplier and customer welfare.

For first direct, it is “pioneering amazing service”. For Lush, it is “making a difference to the world through the choices we make as a brand”. For Monzo, it is being “focused on solving problems, rather than selling financial products. We want to make the world a better place and change people’s lives”.

For customers of purpose-driven organisations, if the organisation disappeared tomorrow, then the world would miss something meaningful.

Purpose is the organisation’s “why”, it sits alongside the “what” - the mission and the “where” - the vision. It answers the question: “Why do we exist beyond what we make, do or sell?”

Purpose goes beyond brand positioning and is reflective of the values, culture and ethos of

the organisation. It is the fundamental source of authenticity and the platform that brings the brand alive throughout the customer experience. Purpose is the great connector and it is important because it has an integrating, aligning and cohesive effect across all customer touchpoints.

Today, business and societal impact must go hand in hand. Consumers are too informed; too connected and too sceptical in this information age to fall for a brand that claims to be pursuing a profound “purpose” when what it’s really after is a stronger P&L.

As human beings we are inspired by purpose, it is the satisfaction we achieve over and above our employment. It creates advocates of both employees and customers.

As a first step towards recovery, firms need to be clear on the relevance of its purpose to its new customer.

### Purpose-driven organisations are characterised by the following:



#### Led from the top

It is the CEO who sets the purpose agenda, articulating ideas that go far beyond the business impact. For organisations such as Lush, Amazon and Specsavers it is the founder who wraps business around a purpose. For organisations such as first direct, where the purpose was established in 1989, it is the role of each incoming CEO to make it relevant for the current age.



#### Open

Businesses need to be open about how the purpose they have subscribed to connects to their business, while at the same time, creating a positive impact on society. A sound storytelling approach is essential, one that clearly and simply paints a picture to explain why shared value creation is beneficial to everyone involved.



#### Participatory

Today’s consumers know that actions speak louder than words, and they want their own actions to make a difference. That’s why successful brands provide them with opportunities to engage, to co-create. It is no accident that many of the top companies in this year’s ranking foster customer engagement where participation and involvement are a way of life.

## Spotlight on:

# Starling Bank

## Key learning points:

- A belief that good business and ethics go hand in hand
- Importance placed on fairness, transparency and inclusion
- The sense of purpose and values evident through COVID-19

**Starling Bank grew out of the need to create a new type of bank, to make banking more inclusive by putting customer needs first. The bank believes that good business and ethics go hand in hand and businesses should be aware of their social, economic and environmental impact and their responsibilities to pursue the social good.**

Their purpose is translated into behaviours through their values system, a belief in transparency, fairness and inclusion. This means no hidden or high fees and no hard sell. Vitality, it also means listening to their customers.

Their purpose and values pervade all aspects of their business, from a workplace culture of compassion and non-discrimination, to the selection of supply chain partners who are themselves committed to operating under ethical and environmental standards equivalent to their own, including fair treatment of customers, employees and other stakeholders.

It also extends to who the bank will have as customers. They refuse to work with organisations that use excessive power to systematically promote public behaviour that is harmful to individuals, groups or to the whole of society to maximise their profits (Starling Bank cites examples such as tobacco companies or arms manufacturers). They

will not invest in such organisations or take investment from them.

Their purpose and values are translated into public campaigns such as financial literacy and treating all customers fairly, where they stand up for causes related to their business. For Starling Bank it all starts at the top: CEO Anne Boden has taken time to publish a book "The Money Revolution: Easy Ways to Manage Your Finances in a Digital World", aimed at extending the nation's financial understanding. (Source: Starling Bank website)

This sense of purpose has been evident in how Starling Bank has responded during COVID-19. As a fully digital bank, Starling was well placed to operate remotely and so was able to focus on how else it can support its customers. The bank introduced Connected Cards to aid payment to those supporting people who were self-isolating and introduced the Starling Coronavirus Support Scheme, offering interest holidays to those in financial difficulty.

“

**For me they're one of the banks of the future with helpful staff, intelligent answers to questions and no pressure to try and get you to take on further products.”**

UK CEE 2020 respondent



Financial services

3<sup>rd</sup>

of 278 brands



New to 2020 study

## The Six Pillars: Scores vs industry average



## 03



# The New Customer

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**To compete in this new reality, business leaders must embrace the New Customer. Much has been written in the past on digital disruption and “the age of the customer”. Everything suggests these previous movements, whilst relevant at the time, will be merely historical footnotes to the level of change businesses may now face.**

Through the difficulties of COVID-19, a new, changed customer has arisen with new and adapted behaviours; some of the behavioural traits were already present but have been accelerated or sharpened; some are timeless, long term, habitual psycho-social behaviours, but many behavioural attributes and refinements to purchase behaviour are new.

This New Customer will be a hybrid mix of all of these and represents a shift in paradigm as to what it means to be a customer in a post COVID-19 world.

## The customer evolution

### Customer 1.0

(Pre 1950s)

Customers benefited from the production or delivery capability of the business. They had little choice and bought products that were available and the best that could be achieved at the time.



### Customer 2.0

(1950 - 2000)

The principles of Customer 1.0 were still alive, supported by the development of consumerism and marketing. The concepts of brand first emerge, and customer demand for products and services were heavily driven by marketing.



### Customer 3.0

(2000-2015)

The principles of Customer 1.0 and 2.0 continue, but expanded by the explosion of globalisation and the internet. Customer retention and loyalty are key features, and the focus of competitive action is on delivering the best possible customer experience.



### Customer 4.0

(2015 - 2020)

The principles of Customer 1.0, 2.0 and 3.0 continue to evolve, but are now complicated by vast choices, online platforms and the emergence of a new type of customer. Influenced by Millennial and Generation Z values, the New Customer is one whose personal goals outweigh persuasive marketing. One who seeks to influence and be influenced by other customers. One who employs very new ways of working and thinking, who has high expectations that a provider will change the way they deliver to fit with their needs. Where the customer's journey is their unique journey, where businesses play a part in enabling them to achieve their goals.



### Customer 5.0

(2020+)

The principles of Customer 1.0, 2.0, 3.0 and 4.0 continue to evolve but are now focused by COVID-19. The majority of customers will have moved online, reduced their physical purchase occasions and gravitated towards touchless shopping and contactless payment. Self-service will prevail in a multitude of different ways and the desire to feel safe and secure will be ever present for the foreseeable future. Purchasing patterns have changed in obvious behavioural ways as consumers shift from discretionary spend to essentials. Value and price will now be at least as important as other aspects of the experience. They are also changing more deeply, psychologically, as the New Customer is more purpose-driven and demands integrity. A company's environmental and social credentials will become an increasingly important factor in purchase decisions.



## Spotlight on:

# Netflix

## Key learning points:

- Rapid response to the challenges of COVID-19
- World leading Personalisation
- Engaging content people want to talk about

**According to respondents to the Customer Experience Excellence research, Netflix offers an exceptional customer experience, intuitively filling its customers' homepage with suggestions tailored especially for them and enabling them to watch their favourite shows seamlessly across multiple devices.**

The streaming service gained more than double the number of expected new subscribers by reacting quickly to the challenges of COVID-19. The psychological tendency to binge watch content that appeals is uniquely served by Netflix's approach. Its Party application is a great example of Six Pillar innovation during the lockdown, allowing subscribers to watch films and series with friends, synchronising playback and enabling live chat as a "virtual movie night".

Netflix also notified its customers early on in lockdown that it had reduced transmission quality to limit bandwidth use of the internet, ensuring availability for other essential uses.

“

**I'm currently subscribed to Netflix as part of a package deal and I'm impressed with the amount of quality programmes and films available. As a result of the current coronavirus situation it has been a godsend - one of the things that keeps me sane during this difficult time."**

UK CEE 2020 respondent

Like many other studios and networks, Netflix shut down production on original content since 13 March, but recognising the challenges this caused for workers, set up a \$100m fund for those whose jobs were directly affected. (Source: Guardian article, March 2020)

Netflix's success has been built on an obsession with putting the consumer at the centre of everything it does. Whether it's refusing to show ads, making all episodes available at once, or making it easy to cancel subscriptions at any time, Netflix consistently puts the wishes of the consumer first and subsequently reaps the rewards of an outstanding experience.

"At Netflix, we're acutely aware that we are fortunate to have a service that is even more meaningful to people confined at home, and which we can operate remotely with minimal disruption in the short to medium term. Like other home entertainment services, we're seeing temporarily higher viewing and increased membership growth." **Netflix statement** (Source: Guardian article, March 2020).



Entertainment and leisure

15<sup>th</sup> of 278 brands



16 places from 2019

### The Six Pillars: Scores vs industry average



+12%



+9%



+11%



+10%



+11%



+8%

# What defines the New Customer?

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**As part of KPMG's global customer research, we have examined what drives customer behaviour in 16 markets. There are five consistent factors that allow us to understand the New Customer, their motivations and behaviour.**

Each of these has changed in profound ways due to COVID-19. To compete in the new reality, this is the essential starting point for every business leader.



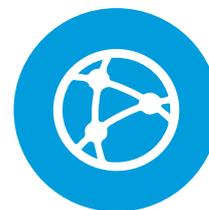
### **My Motivation:**

Characteristics that drive behaviours and expectations



### **My Attention:**

Ways we direct our attention and focus



### **My Connection:**

How we connect to devices, information and each other



### **My Watch:**

Characteristics that drive behaviours and expectations



### **My Wallet:**

Characteristics that drive behaviours and expectations



### My Motivation:

Characteristics that drive behaviours and expectations

Personal risk is shaping many consumer decisions. COVID-19 has left consumers worried about the safety implications of all transactions: the physical risk in stores and, as customers do more online, the possibility of cyber risk. Health and mortality has been threatened like never before, universally and pervasively.

Businesses will therefore need to be increasingly cognisant of both the triggers that impel purchase decisions and the risk factors in customers' minds as they move through different stages of the path to purchase. When designing experiences, "protect me" now needs to be as important as "know me" and "value me".

Purchase triggers are still shaped by conscious and subconscious life and personal goals that guide and prioritise purchase decisions. Harvard Business School Professor Theodore Levitt once remarked that we don't buy ¼ inch drills but ¼ inch holes (Source: Harvard Business Review, 16 January 2006). Charles Ronson (Revlon) memorably remarked that "in the factory we make cosmetics, in the store we sell hope." These are solutions to problems, physical and emotional, conscious and subconscious. Arguably it has always been thus, however in a world of brand extension and "peak stuff", the desire to solve problems has been lost and the promise of new technologies to solve new societal problems for customers remains unfulfilled.

### Data foundations

Companies now need to solve the safety problems alongside solving customer life problems:



98%

of customers are concerned about their personal data and what happens to it.



56%

of consumers are more concerned now about personal health and safety when they interact with a company.



30%

do not want to share more of their data, and 16% want to share less of their data.

Source: 1. KPMG Me, My Life, My Wallet  
2. KPMG Global Insights Tracker



### My Attention:

Ways we direct our attention and focus

Companies are learning to target the moments that matter to their customer to gain their attention. However, the moments that matter to consumers have changed during COVID-19, as have the mechanisms by which that attention can be gained, particularly for the younger customer.

Our brains come pre-equipped with an attention filter. It allows us to navigate our lives much of the time on autopilot, yet shifts us to a more considered position when something salient or relevant occurs. It's why we can suddenly hear our name mentioned across a crowded and noisy room. Clearly COVID-19 has dominated our attention for some time and will continue to shape what we think is relevant to us.

Consumers will be attracted to things that have relevance to their life goals, life problems and desire for emotional

satisfaction. However, they have a growing defence against "persuasive messaging". Millennials and Generation Z are advertising cynics, with only 13% believing the messaging within adverts (Source KPMG: Me, My life, My Wallet).

Education versus selling. The one critical distinction which every company selling a product or service to Gen Z needs to be aware of is their reluctance to be sold to which, coupled with the speed with which they adopt and discard social media apps, makes them the hardest group to reach. The idea that the conversation between companies and their customers has moved from monologue to dialogue is already something of a cliché, but it is particularly relevant to Gen Z who want to engage - be it as influencers, co-creators, presurers, customners - but on their own terms.

#### Data foundations



52% of consumers want apps to filter relevant information to them automatically.



58% have changed their channel of interaction and become multimodal, moving from telephone to digital means of interaction (with a significant uptake in community customer apps and messaging).

Source: 1. KPMG Me, My Life, My Wallet  
2. KPMG Global Insights Tracker



### My Connections:

How we connect to devices, information and each other

COVID-19 has made a significant impact on brand loyalty. Nielsen states that only eight percent of the world's consumers now self-identify as 'brand loyalists' (Source: Consumer Disloyalty is the New Normal, Scott McKenzie, 2019). More digital interactions mediated by search engines and paid for ads, when coupled with an inherent desire for immediate satisfaction, is disintermediating brand loyalty.

Connections happen at three levels. Firstly, the psychological connection with a brand and its products and services, secondly, the associations we make around the brand, and thirdly, the connections an individual has with their network of influencers.

We are not only less convinced by brands, we are much more influenced by our social group. Social recognition – the envy of our friends that leads to improvements in self-esteem – has become much more important than simple product satisfaction. Loyalty to our social connections and a sense of belongingness to a social

group has become more important than brand loyalty. In short, other people's behaviour matters. Social proof is now a vital element of purchasing.

Generation Z are more sceptical of the traditional celebrity influencer than millennials (only one-in-10 of their top influencers became famous in the traditional way). Many follow people on Snapchat, YouTube, Instagram, TikTok etc who look like them and they prefer content that is real, raw and captures the present moment, rather than the staged, glossy selfies that became fashionable among millennials.

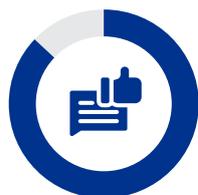
We are swayed by first person stories which is why we respond to reviews. That requires marketers to tell a better story. Recent events have shown that such a story can be reduced to seven words, "stay home, protect the NHS, save lives"

### Data foundations



78%

Price (78%) and quality (68%), (value) are key influencers.



87%

are influenced by others before making a major purchase.

Source: 1. KPMG Global Insights Tracker  
2. KPMG Me, My Life, My Wallet



**My Watch:**

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

COVID-19 has reset how we view time. Described by some as an infinite present, it means we are looking for an order today, receive today (ideally) but at a minimum, receive tomorrow. Many companies have evolved same day delivery systems in response to the safety needs of customers.

The frenetic pace of life, the exponential increase in choice, the growing sophistication of digital technology and our 'always on' lifestyles have led to a phenomenon called 'time poverty' in which we feel we have less time that is under our individual control. This can influence our behaviour in many ways, leading us to prioritise convenience (click and collect), speed (meal delivery) and

ease (a preference for virtual contact over personal, a trend which may change as virtual relationships became obligatory during the pandemic).

In addition, we thirst for information but we want it baby style, pureed to its most simple and easy to digest. Dictated by our circumstances, urgency, immediacy and instant gratification all play a part in shaping our perceptions of time. We favour short periods of intense joy over long periods of moderate happiness. (duration neglect, peak end rule).

Millennials and Gen Zers are especially likely to appreciate organisations that made conspicuous efforts not to waste their time as customers.

**Data foundations**



74% of the older generations have ordered online.



No. 1 Safe, rapid home delivery has been the major factor in driving this change and the choice of supplier.

Source: KPMG Global Insights Tracker



### My Wallet:

How we adjust our share of wallet across life events

Whilst some of the population may have prospered over recent months, the majority haven't. Previous economic shock waves (2008/9 and 2001/ 2002) have shown a value-based segmentation model emerge depending on a consumer's disposable income and their need to protect their families for the future.

New segments have emerged, for many 'people' products will be grouped into categories of necessity (essentials, treats, postponables, expendables) and moderated by their financial attitudes.

In the UK, 47% are financially worse off, 81% have reduced their spend, only 19% have continued spending as before.

#### Data foundations

The KPMG COVID-19 Global Tracker identifies the following segments in the UK:



28%

#### Financially overwhelmed.

Stopped all non-essential purchases, feel vulnerable, financially hit, furlough payments, redundancy looming, etc. saving in anticipation.



13%

#### Financially sensitive.

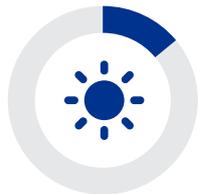
Resilient and optimistic about the long-term future, economising, but secure financially, in danger of slamming on the brakes if things get tougher.



46%

#### Financially comfortable.

Secure and able to ride out the bumps but more selective in their purchases, looking for value.



13%

#### Financially secure.

Carrying on as usual, still focused on experiences, but have deferred major purchases, will only change spend on redundancy.

## Spotlight on:

# Tesco Mobile

## Key learning points:

- Regular communication to customers, providing an update on both mobile and store actions
- Following the mantra of being “helpful” by assisting customers through COVID-19
- Finding unique ways to bring the brand alive by helping customers

## Tesco CEO Dave Lewis has driven the concept of being “helpful” throughout Tesco. It is for individual stores and businesses to find ever more impactful ways.

For Tesco Mobile, this meant recognising their unique position as the main means of communication and contact for their large base of customers, and being “helpful” by:

- Giving all 5.2 million Pay Monthly, SIM only, Business and Pay-As-You-Go Tesco Mobile customers free and ‘unlimited’ evening and weekend calls effective while the Coronavirus lockdown is in place. (Source: Tesco Mobile website)
- Giving its customers free access to support websites including NHS, mental health advice and government guidance without affecting their data allowance.
- Customers did not need to do anything to activate the offer, they could simply go ahead and make calls and Tesco sorted out the charges element.

“At Tesco Mobile we always want to support our customers in the most helpful way. In these unprecedented times we’ve seen a huge increase in our customers using their minutes allowance with relatively little change to data usage or text messaging, so free minutes felt the best way to help all of our customers right now. We wanted everyone to have a chance to talk to their loved ones for free each day, especially the most vulnerable and those in isolation. We put our customers first and know that now, more than ever, every little helps.”

Tom Denyard, CEO of Tesco Mobile.

“

**They have been very attentive with regards to my phone bill and text me regularly to notify me of any changes, especially during the COVID-19 crisis when they have given me extra time to phone people at certain times.”**

UK CEE 2020 respondent



Telecoms

13<sup>th</sup> of 278 brands



21 places from 2019

## The Six Pillars: Scores vs industry average



+10%



+11%



+9%



+10%

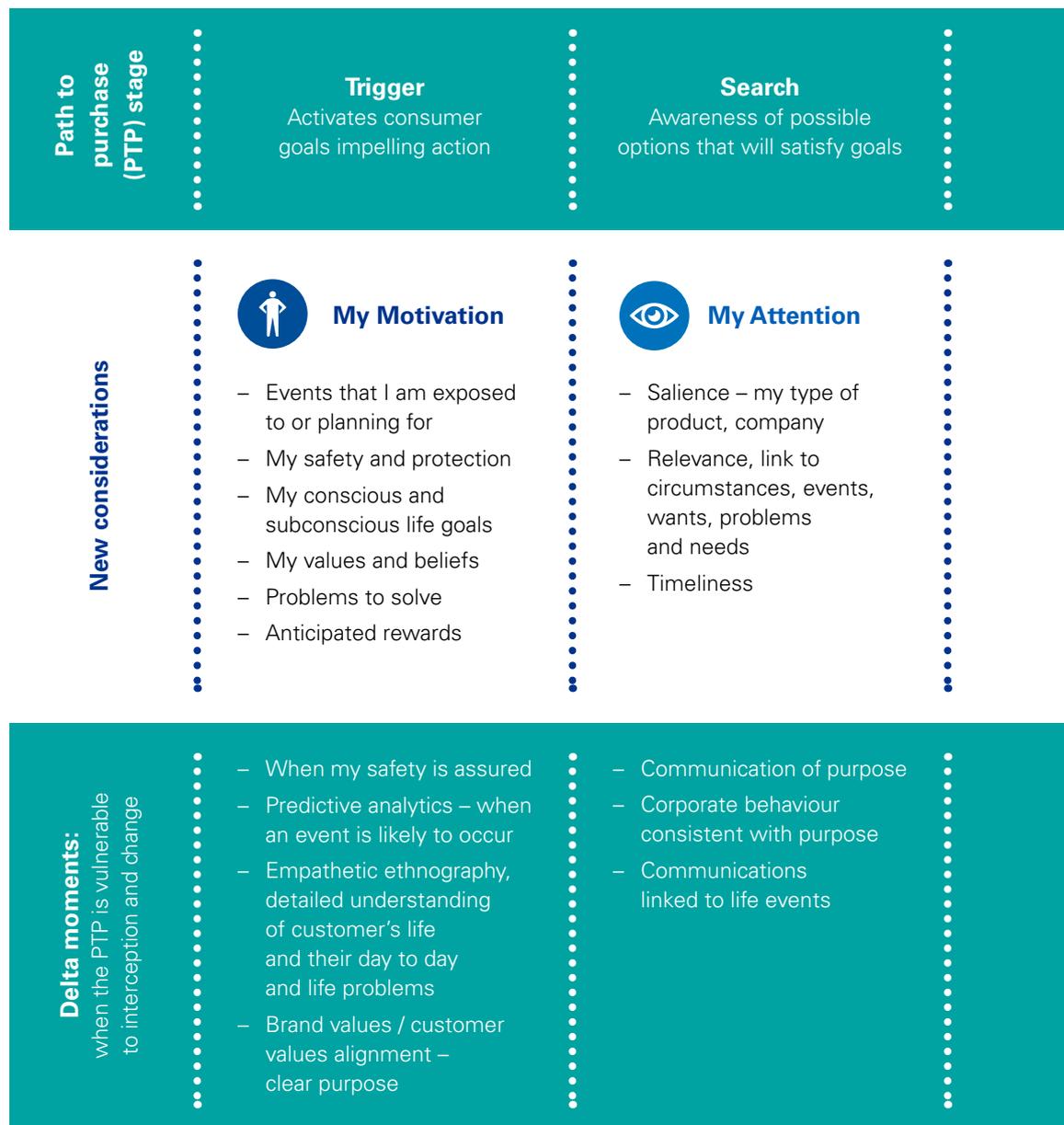


+9%



+11%

The Me, My Life, My Wallet framework is helpful in categorising consumer behaviour, but what is important is how it plays out across the path to purchase. Habits formed over the last few months may be difficult to impact. Nielsen has identified the concept of “omega rules,” the heuristics we as humans use on autopilot to guide habitual behaviour and “delta moments.” It is those specific points in the purchase cycle where the customer is more responsive to new stimuli and can be encouraged to re-evaluate their purchase criteria and question habitual behaviour.



COVID-19 has accelerated the need for companies to:

1. show that they share the same values as their customers
2. know when they can provide proactive support at relevant times in their customers' lives
3. harness the influencing network their customers are part of.

In the financially constrained times ahead, when competition for wallet share will be intense, firms must be able to demonstrate greater value than their competitors. This can only come from really knowing their customers' lives and how they go about making purchases.

### Consideration

Decision mediators for assessing alternatives

### Purchase

The dynamic balancing of inhibitors and selection

### End

Immediate post-purchase reflection



#### My Connection

- Information
- Decision formation and concurrence with relevant group
- Impact on self esteem



#### My Watch

- What can I afford?
- Is my time worth more or less in the context of this purchase (do it myself, or get someone else)



#### My Wallet

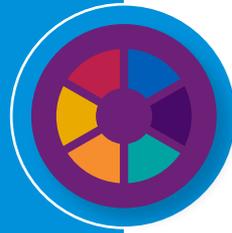
- Reaction of my social group
- Delivered against expectations
- Fulfilled my mental use case

- Timely communications
- Education not sales
- Communications via influencers and targeting relevant social groups
- The marketing of envy

- Purchase point interception – reduce inhibitors
- Value based experience
- Understand competitive forces for wallet share

- Post purchase reinforcement
- Avoid cognitive dissonance
- Exceed expectations

## 04



# The Six Pillar Experience

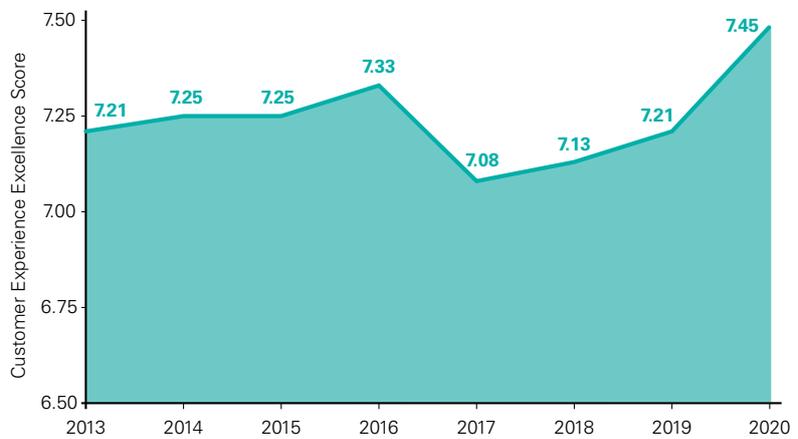
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**Faced with a New Customer, every business leader needs to re-evaluate their offer: their experience. This spans products, sales, service, marketing and countless other interactions. The experience is the layer between the New Customer and the high performing business of the future. It is the focus of our 11-year Customer Experience Excellence programme and is more important this year than ever before. Getting this right is the key to competing in the new reality.**

This year's Customer Experience Excellence research has shown that the customer experience leaders have demonstrated significant resilience.

Overall the level of customer experience performance has increased across the UK, with the Customer Experience Excellence (CEE) score increasing 3% since 2019, to reach the highest CEE score recorded since the research began. However, this increase should be viewed in the context of lowered consumer expectations as organisations grapple with the challenging circumstances.

### UK overall customer experience performance



This increase has been evident across all but one sector - travel and hotels - which has arguably faced some of the greatest challenges as a sector over recent months. Logistics, the public sector and restaurants and fast food all see the greatest overall increase, at 5%. The question is: can this be sustained?

Industry	CEE Metric (vs previous %)	2020 sector ranking
Grocery retail	+4%	1
Financial Services	+4%	2
Restaurant & Fast Food	+5%	3
Non-Grocery Retail	+3%	4
Telecoms	+3%	5
Entertainment & Leisure	+2%	6
Utilities	+3%	7
Logistics	+5%	8
Travel & Hotels	0%	9
Public Sector	+5%	10

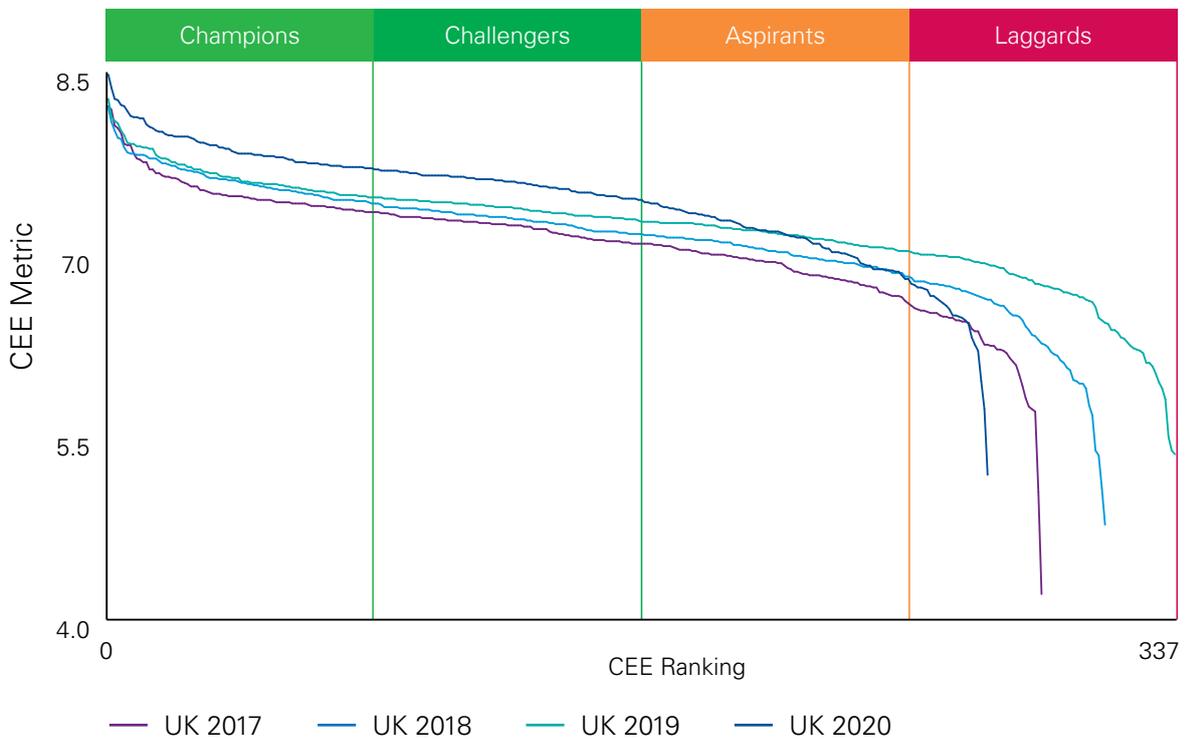
**Six Pillar performance: % difference vs 2019**

There has been an increase in performance across all of The Six Pillars in the 2020 research, with Resolution and Empathy seeing the greatest improvement (5% average increase across all brands). These pillars represent the key elements of customer interaction for brands during COVID-19, setting new standards in the unprecedented situation.



**The customer experience curve**

The customer experience curve is steeper in 2020 than in previous years. Whilst the top performing organisations (champions and challengers) have scored higher than last year, the lower performing organisations (the aspirants and laggards) will have to work harder to catch up. 23 companies moved up 100 places or more in the 2020 rankings.



## Looking at the leaders in the 2020 rankings:



**first direct** tops the index for the 5th time in 11 years, attributing its adaptability and responsiveness to the development of “agile at scale”. Whilst growth in customer numbers may be slower than some banks, first direct’s products per customer ratio vastly exceeds the industry average. The bank has financially optimised around a particular size of customer base, with its breadth of relationships driving profitability, not absolute customer numbers.



**American Express** continued its inexorable climb up the league table. Its long-term commitment to a superior customer experience is recognised by its customers.



**M&S and M&S Food** continue to provide excellent service and are in the process of radically redefining their business as they commence their “never the same again” transformation.



**New challenger bank** and new entrant to the index, **Starling**, enters the top 10 alongside Monzo. Both banks have a similar focus on solving customer life problems through innovation, though differing in product and customer growth strategies.



**John Lewis & Partners, Waitrose and M&S Food** are trialling new “experience playgrounds” as they initiate new test and learn retail pilots, taking on the challenge of reimagining what a high street store needs to do to operate synergistically with online.



**Retailers Lakeland and Lush** paused their businesses to keep their customers and employees safe, but then successfully restarted online.



**Côte Brasserie** effectively pivoted its business to an upmarket pre-prepared meal delivery enterprise and jumped some 139 places in the index.

**This year’s Customer Experience Excellence research has shown that the CX leaders have demonstrated significant resilience**

## Spotlight on:

# Leon


**Key learning points:**

- Purpose based business
- Customer agenda set from the top
- Agile, flexible business model
- Empathy and Integrity at the fore of its COVID-19 response

## Fast food restaurant Leon made the most significant rank improvement in this year's research, moving some 204 places.

In 2004, Leon co-founders Henry Dimpleby and John Vincent set out to redefine and re-create fast food as "fast food with a purpose". They envisioned the new fast food as a good life, a life in which one feels good without feeling guilty. It was about changing fast food for the future, "giving children better fast food than we had as children." Leon is named after John Vincent's father.

It is a business that is based on continuous learning and adaption. Continual refinement ensures that the business, its menu and how its staff behave with customers are kept relevant and superior to competitors.

“

**The staff at Leon always make the experience personal. They ask about allergies, preferences and always offer advice.”**

UK CEE 2020 respondent

One year after its first location opened, Leon was awarded "Best New Restaurant in the UK" by the Observer Food Monthly. In 2006 it officially became a 'chain' brand. In 2008, Leon published its own cookbooks and launched brand collectibles in 2011.

Now with a repertoire of 65 UK restaurants, Leon's reaction to COVID-19 has been a demonstration of Integrity and Empathy. Its restaurants remained open for takeaway and delivery as long as possible, serving thousands of meals to NHS workers at a 50% discount, turning its restaurants into shops in a bid to ease food concerns as panic buying increased, and adding fresh food to its click and collect platform.

Through lockdown, the fast-food chain turned its business to deliver restaurant quality food boxes, pledging to donate any profits made during this time to the FeedNHS campaign.



Restaurant and fast food

45<sup>th</sup> of 278 brands

↑ 204 places from 2019

### The Six Pillars: Scores vs industry average



# The 2020 top ten

**The leaders in the 2020 ranking have all adapted their customer experience in response to the unique circumstances their customers face. A combination of concern for their people and their customers, together with their commitment to societal wellbeing, has shaped their responses in different ways.**

Each of the top 10 companies has increased their Customer Experience Excellence score since 2019.

## 01: first direct



Held position from 2019



Financial Services

The UK bank first direct has been number one in the UK for customer experience five times in the last 11 years and is a global exemplar of what constitutes customer best practice. In common with many banks, first direct moved quickly to protect its customers against negative economic consequences with fee free overdrafts, loan repayment holidays and lower insurance payments. Its agile at scale operating model allowed the bank to very quickly scale up a dedicated, empowered team to empathetically respond to their customers' difficulties. Proactive engagement, strong communications and a highly committed team meant their customers continued to receive outstanding service at a time when they needed it most.



**Always a great experience when I have to contact first direct about anything (which is rare). I'm currently re-mortgaging with them and as always their staff have been an absolute pleasure to deal with."**

UK CEE 2020 respondent

The following underpin first direct's approach to the customer:

- A strong sense of mission and purpose, with c.3,000 people committed to the customer.
- People first. first direct has three critical metrics: How are our people feeling? How are our customers feeling? What is our commercial performance?
- Active nurturing of the culture. The culture is recognised by the leadership team as a critical part of the employee experience and is carefully nurtured to ensure it continues to be relevant for today's challenges.
- Deep knowledge of the customer and a clear target experience. first direct knows exactly what customers are seeking physically, rationally and psychologically and are very diligent in delivering the target experience.
- Constant physical reinforcement – symbols and totems to ensure the brand purpose is always uppermost in their people's mind.

## 02: QVC UK



places from 2019

Non-grocery  
retail

Under the hashtag #QVCAwaysWithYou, QVC laid out its commitment to the personal wellbeing of its customers and its people as the UK went into lockdown (Source: QVC UK website). Openness and transparency as to the level of support it was able to provide at any given time ensured that its customers' expectations were appropriately set, whilst digital support ensured that customers were able to make, track and return items as normal. Historic investments in social commerce to "create a discovery-led shopping experience" proved beneficial, as customers turned to social media during the crisis.

To ensure they continued to take care of team members both behind and in front of the camera, QVC reduced live airings and some shows were pre-recorded. However, recognising that it was the unique onscreen relationship that customers valued, QVC maintained its live shows for as long as possible.



**I've never had to contact them once in all the years I've been a customer, as I always order online and it's a very quick and easy process, whether on the app or full website. Their post-sale communications are always quick and informative so you don't need to contact them. Finally, their delivery service is always reliable and on time. I've never had to query or complain about anything."**

UK CEE 2020 respondent

## 03: Starling Bank



New to 2020 study

Financial  
Services

Intriguingly, Starling and Monzo became challenger banks at roughly the same time. Both are tech based and entirely customer focused. This is not surprising as Starling is led by Anne Boden and Monzo's CEO, Tom Blomfield, was once her employee. As a technology-based pure play digital bank, Starling has been singularly able to support its customers during the crisis.

Starling announced on 8 April its Connected Cards scheme for those with personal accounts at the bank. This allows customers to order a second card - the Connected Card - that is linked to their account, but which can be used by friends, neighbours and community volunteers to shop for them during self-isolation.



**I use Starling as my main bank. Everything about them is clear and straightforward. I can conduct all aspects of my finances from my mobile phone and have no fear of hidden or excessive charges."**

UK CEE 2020 respondent

Other initiatives include allowing cheque processing via mobile phone. Starling Bank is the first digital-only bank to allow this - and participating as a lender in the government-backed Coronavirus Business Interruption Loan Scheme (CBILS).

Starling has grown steadily with over one million customers and £1bn in assets and it has been more successful than many of the challenger banks in capturing the primary current account relationship. (Source: Starling Bank website)

Starling's API allows third-party companies to link up with the app, such as PensionBee, Churchill and Flux, among others. Starling has made big progress with third-party services, with its Marketplace already built into the app with a selection of partners covering bill management, insurance, receipts, savings and more. This means customers can add and manage such services, be it signing up for an ISA or tracking receipts, directly via the app. This is the promise of open banking, and with Starling it's becoming a reality.

## 04: John Lewis & Partners



9 places from 2019



Non-grocery retail

John Lewis & Partners was one of the first retail chains to close its doors as COVID-19 began to spread in the UK, protecting both its partners and its customers. For some respondents to our research their rating of the retailer is a halo recollection of what a great experience looks like, for others it reflects how that experience has continued to be delivered online.

As the stores shut down, John Lewis & Partners continued to demonstrate its values, putting together care packages to deliver to NHS facilities around the country, donating tablets to local hospices to help patients stay connected with loved ones, and setting up a hardship fund to help take care of any John Lewis Partners in need.

The retailer also introduced a virtual appointments service with nursery, home and styling partners, to continue to offer a personal service for its customers.

The store closure curtailed the development and testing in the short term of an innovative retail concept located within the John Lewis

& Partners Southampton store - an "experience playgrounds" concept which is designed to bring John Lewis and Waitrose closer together.

The new concept includes stay and play gadget areas, a new farm shop from the partnership's Leckford Estate, a roof garden, the first ever Waitrose Cookery School inside a John Lewis store, beauty and fashion gift experiences including a personal styling package, and specialist gardening talks and home consultations about garden redesign. (Source: John Lewis & Partners press release, November 2019)



**I bought a new television on their website recently. The delivery process was very smooth. I was kept up to date with both the day and time of the delivery right up until less than 30 minutes before the TV arrived. As always with John Lewis, a great service. I will definitely use them again."**

UK CEE 2020 respondent

## 05: Lush



2 places from 2019



Non-grocery retail

As the world looks towards companies with a strong sense of purpose, there are few businesses more purpose driven than Lush. When COVID-19 was first identified as a UK threat, they offered customers and non-customers the ability to wash their hands using the instore facilities to prevent its spread.

Proving the safety of its people is more important than profit, they took the difficult decision to pause their online presence to protect their staff. Only once suitable protections and procedures were in place, they reopened online.

It is a brand where ethics drive every decision. In late 2019 they withdrew from a number of social media accounts and said in a statement that it was getting harder and harder to talk to customers directly and that they were "fighting with algorithms that increasingly push people to pay for brand promotion" - not something they wanted their customers to experience. (Source: Prweek website)

Lush is a brand that is reinventing retail. Its new Liverpool store is based on in-store theatre that inspires, entertains and educates consumers in creative ways through the products or services on offer. The new store offers customers a reason to visit – an experience they can't get online - from a permanent florist to a hair salon, a tea and coffee kiosk and a spa area where luxury services such as massages and facials are on offer. It is this kind of innovation and creative thinking that is required to tempt shoppers away from their sofas and back onto the high street.



**Lush are a phenomenal company and I will always support them. I admire everything that Lush do. Their customer service team are always very personable, kind and almost feel like reliable friends."**

UK CEE 2020 respondent

## 06: Monzo



4 places from 2019



Financial Services

Tom Blomfield, Monzo's CEO, set the tone for the bank's COVID-19 response by forgoing his salary for a year. As a digital bank it is well positioned to support its customers through the pandemic. However, alongside its digital support, it also set up an internal response team dedicated to supporting the customer and getting them the right information at the right time. Advice is available from specialists in three areas: financial difficulties, vulnerable customers and bereavement.

Monzo reassured its customers that it was business as usual for the bank during lockdown, as its website noted "many of us who work at Monzo routinely work from home anyway. So, we're especially well-equipped to keep Monzo running as usual, even if we can't make it to the office". (Source: Monzo website)



**Monzo are quite possibly one of the best banks out there. I love the app and how easy it is to use and they seem to want to keep all their customers safe."**

UK CEE 2020 respondent

Monzo prides itself on offering something different to the legacy banks. According to a YouGov poll it is one of the most recommended brands in the UK and in its 2019 annual report it noted it was recruiting some 200,000 new customers per month, with over 3 million users of its coral credit card. (Source: YouGov press release, November 2019)

## 07: Lakeland



1 place from 2019



Non-grocery retail

Whilst several CEOs took on the personal mantle of communicating directly with their customers as the country went on lockdown, for Lakeland CEO, Catherine Nunn, it was business as usual. Communicating with customers was already how she conducted business. With the advent of COVID-19, Nunn took a leading role in appraising customers in detail of each of the steps that Lakeland was undertaking to keep both staff and customer safe. Like Lush, Lakeland ultimately decided to pause its online operation to protect its people. (Source: Lakeland press release)

Lakeland attributes its success to hard work and a belief that it's the honesty and core values upon which it has built its business that make Lakeland an extraordinary place to work and shop. Lakeland's values are what they believe in, how they shape their behaviours and actions and help them focus on doing things the right way.



**I'm always satisfied with Lakeland's service and products. I understand the need to reduce the amount of orders they process during this time, in order to make sure everyone that works for them is safe."**

UK CEE 2020 respondent

Everybody has an important part to play in bringing this Lakeland difference to life for both customers and employees. Lakeland is a community, all working together to give their customers extraordinary service, whether that be in their contact centre, distribution centre, their stores or head office.

## 08: Côte Brasserie



139

places from 2019

Restaurants  
and fast food

Perhaps unexpectedly, a national restaurant chain makes it into the 2020 top 10, rising some 139 places.

Côte Brasserie believes that ensuring a great customer experience is vital and that begins the moment the customer walks into one of the Côte restaurants. In the highly competitive dining industry first impressions really count. The first impression needs to validate the choice the customer has made in dining there – psychologically, a poor first impression amplifies the diner's insecurity in the choice they have made, and the restaurant is on the back foot thereafter.

Opulent restaurant designs, a warm welcome, client recognition and great food all combine to create a great experience. Table management technology enables servers to manage bookings, orders and cash out, leaving the servers free to focus on doing great things for customers.



**I eat here regularly and enjoyed our last meal with them just before the COVID-19 lockdown. Very impressed with the new delivery service from Côte Brasserie following the lockdown. This has enabled my vulnerable elderly parents to enjoy a special meal at a time when they have been locked away from the outside world."**

UK CEE 2020 respondent

Unlike many restaurants that closed whilst the country remained on lockdown, Côte Brasserie pivoted quickly into home delivery, enabling online ordering of fresh produce boxes, alongside some of its most popular dishes designed to be finished in home. Ensuring the highest safety standards, customers are reassured that their delivery meal has been created in the most hygienic way possible, whilst providing a sense of dining out whilst staying in.

## 09: M&S



10

places from 2019

Non-grocery  
retail

The M&S "never the same again programme" sums up the position of many companies as they begin to reimagine their businesses and prepare for post crisis transformation. For M&S, this promises to be a complete overhaul of the entire shopping experience.

In his 2019 Chairman's address, Archie Norman described the root and branch transformation that was in train. Starting with fixing the basics, improving the retail estate, redesigning the supply chain and upscaling the technology platform. But underpinning this is connecting the stores with the centre and putting the customer at the heart of executive decision making, though the "Voice of the stores" linking employee and customer feedback. (Source: M&S annual report, 2019)



**M&S have been so good with how they have handled the coronavirus situation and I think that their stores and staff have been amazing."**

UK CEE 2020 respondent

COVID-19 has provided a platform for M&S to build on the quality of its customer experience with improved propositions and a new, more relevant, business model.

## 10: American Express



4 places from 2019



Financial  
Services

American Express has undertaken a series of measures to help employees, cardholders and merchants get through the COVID-19 pandemic, both from a financial and public health standpoint.

In common with other banks, American Express moved quickly to ensure that its customers were supported during the crisis. Providing payment holidays and waiving interest and late fees for customers in difficulties ensures that their customers can weather out the financial storm. Higher contactless thresholds meant touch free payment and extended reward periods allow customers longer to collect reward points.

The card company has moved just about all customer service and travel operations to virtual, home-based operations and committed to no COVID-19 related layoffs in 2020. The company will continue to pay salaries of employees diagnosed with COVID-19, as well as workers forced to quarantine or take care of family members. The firm is also fully covering out-of-pocket medical and pharmacy costs related to the virus for its staff.

This is in keeping with American Express' intense focus on customer experience. Prior to COVID-19, American Express made notable changes to its business practices, not least in the way it trains its staff to deal with customer enquiries. The contact centre employees, now referred to as Customer Care Professionals, are specifically taught to adapt their interactions depending on the personalities of the individual customer they are dealing with. Moreover, the team members make every effort to ensure that issues are resolved at first contact; there is no pressure for staff to reduce their call time averages and the staff are empowered to do whatever is necessary to ensure the customers go away satisfied.



**I rang them up to see if they could help me during the coronavirus lockdown and they offered to lower my minimum monthly payment for 3 months which eased my money worries."**

UK CEE 2020 respondent

# The Six Pillars of Experience - what's changed?

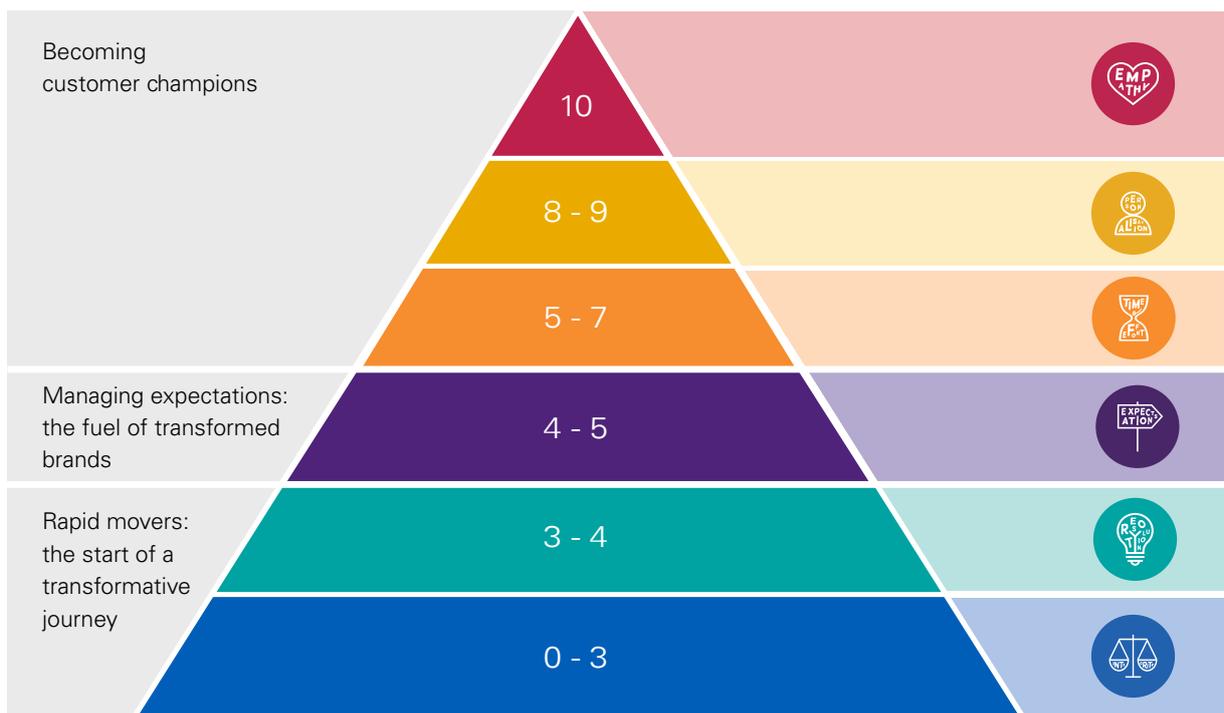
**The Six Pillars define excellence in both customer and colleague experience excellence. They show business leaders specifically what they need to create in order to compete for the New Customer. This year's research shows that they are more relevant than ever, but now have additional requirements attached.**

The Six Pillar hierarchy spotlights where organisational efforts can be best expended. Removing the causes of mistrust, unresolved issues and mis-set expectations fixes the basics. Advocacy

is driven when the customer finds the organisation easy to use, suited to their personal circumstances and feels the organisation cares about them. The Six Pillars of Experience enable organisations to determine the actions that will improve advocacy, Net Promoter Scores (NPS) and loyalty.

The basis of all relationships is trust and in this new world it is more important than ever. Resolving the unique issues that have arisen quickly and systematically, ensuring expectations are accurately set, making life easy for customers, ensuring their circumstances shape their experiences and engaging them empathetically is vital pre, during and post COVID-19.

## The Six Pillar Hierarchy



Together, The Six Pillars of experience have a high explanatory power for advocacy and loyalty scores. As a reminder from previous research, we see that those companies who master The Six Pillars outperform those who do not:

## Customer experience economics - key facts

We have consistently tracked the link between customer experience and commercial outcomes. Our analysis shows an ever stronger relationship between the quality of the customer experience and the financial performance the firm enjoys as a consequence. Consumers are increasingly migrating their custom to the firms that create compelling experiences. Customer experience is instrumental to financial success.

### Revenue growth over the last five years



UK top 10 brands achieved 10x the revenue growth of their FTSE 100 counterparts



UK top 100 brands achieved 1.5x the revenue growth of the bottom 100 CEE brands



Within the top 100, the brands positioned 1 - 10 achieved 3x the revenue and profit growth of brands positioned 91 - 100



The 10 brands who have transformed their performance since 2013 achieved 4x the revenue growth of the remaining top 100 brands

### Year-on-year cost reductions



CX leaders deliver high quality experiences at lower cost through advocacy and loyalty.



Digital adoption, self-service and first time resolution can drive down costs by up to 25%.

The revenue growth analysis is based on publicly available financial information for the FTSE 250 and CEE measured organisations. Not all organisations have publicly available financial information. This analysis takes into account the latest available figures at the time of publication. All data is collected by KPMG Global Services team.

# Retrospective: what defined the reaction phase?

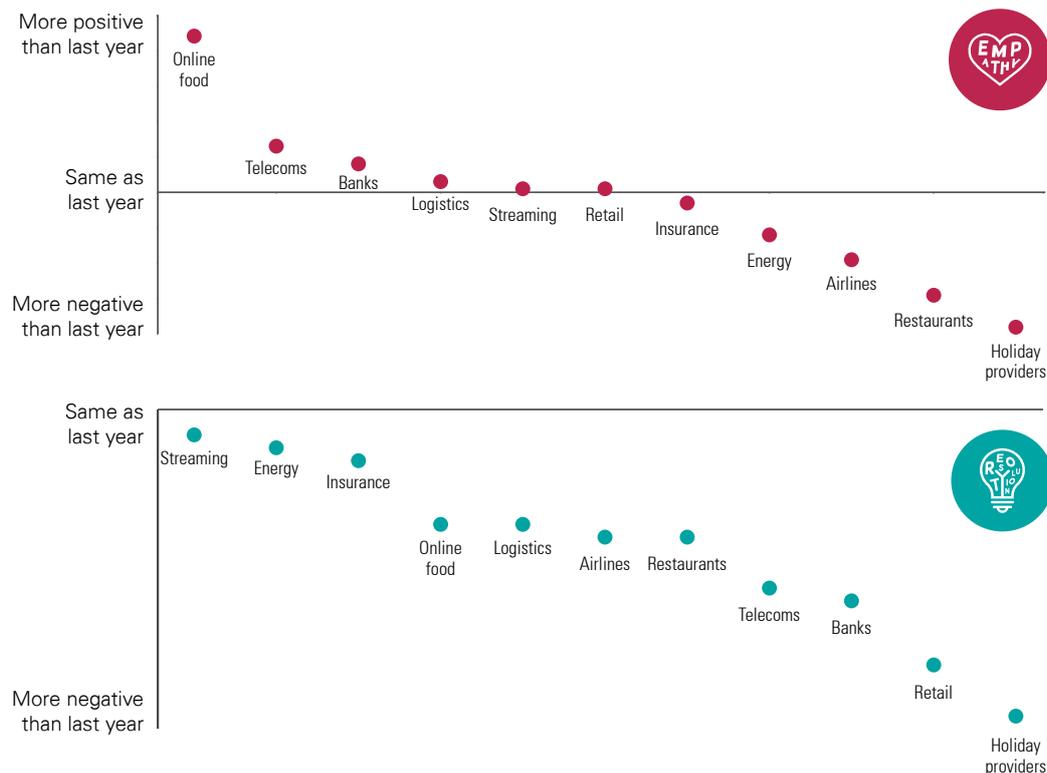
**Customer perceptions of how organisations initially reacted to COVID-19 were evident from social media. As the pandemic developed, customers broadcast their experiences to their social networks and the result was brand forming, influencing the thoughts and actions of others.**

Social media analytics showed that customers were primarily preoccupied with two of the Pillars, Resolution and Empathy. For Resolution, customers were focused on how, given the constrictions, firms

adapted to a new normal and removed customer issues. Talking positively about those that adapted well and negatively about organisations such as travel and holiday companies where providers struggled to meet incoming customer queries.

Empathy is important to customers in the normal course of events. However, it is even more important that companies show they care when things are so difficult. Interestingly, Empathy works two ways and customers put themselves in employees' shoes and were concerned not only about themselves, but also about how companies were treating their staff.

## Social media sentiment by The Six Pillars across time



# The golden rules of The Six Pillars



## Integrity

Being trustworthy and engendering trust

**Trust is an outcome of consistent organisational behaviour that demonstrates trustworthiness. There are trust building events where organisations have the need to publicly react to a difficult situation. And, trust building moments, where individual actions by staff add up to create trust in the organisation as a whole. Behavioural economics teaches us that we trust people we like. The ability to build rapport is therefore critical in creating trust.**

### The golden rules for Integrity

Behind each of the pillars sits a set of golden rules which detail the behaviours that organisations should encourage, coach and design to deliver pillar excellence.

The research this year has demonstrated that there is a clear hierarchy of golden rules for consumers, and that every golden rule is deemed to be more important now than they were three months prior to the research, before facing the challenges of COVID-19.

1	Do the right thing for me personally
2	Be seen to be doing the right thing for customers in general
3	Stand for something more than profit
4	Have not been associated with negative stories on the TV, internet or in the newspapers
5	Are recommended by my friends or family
6	Take corporate social responsibility seriously
7	Contribute to my local community



### COVID-19 learning



Possibly for the first time, customers have seen organisations put their customers and their people's wellbeing before profit. Organisations have acted compassionately and sensitively to the factors that affect trust in the organisation's approach to its customers. Organisations will need to be careful they do not undermine the newly acquired trust if they revert to previous behaviours.



Prior to COVID-19, trust in an organisation was often binary - "do I trust them or not?" As a result of COVID-19, trust between a consumer and an organisation has become more multidimensional, fragmented and contextual. As customers have moved online they have become more judgemental and evaluative about the risk involved (for customers, trust is the removal of risk) in different aspects of the relationship. In what circumstances do I trust them? Will I be safe when I interact with them? Can I trust them to put my wellbeing before profit? Will my data be safe?



Customers during lockdown have become more aware of environmental behaviour and are now more questioning as to whether firms behave creditably when it comes to their environmental and social obligations. Integrity and trust are anchored in an organisation's purpose. It sets an ethical standard that the business must live up to. Purpose, particularly amongst millennials and generation Z, has increasingly become a strong factor in selecting providers and COVID-19 has accelerated this amongst older age groups too. Firms who have demonstrated resilient moral principles, a commitment to humanity, the environment and social aims are those that now many consumers are gravitating towards.



## Resolution

Turning a poor experience into a great one

**Customer recovery is highly important. Even with the best processes and procedures, things will go wrong. Great companies have a process that not only puts the customer back in the position they should have been in as rapidly as possible, but they also make the customer feel really good about the experience. A sincere apology and acting with urgency are two crucial elements of successful resolution.**



### COVID-19 learning



Respondents to the research talk about it being difficult to get in telephone contact with suppliers and some industries heavily reliant on contact centres have struggled to keep up with the demand. Few, if any, board level risk management practices anticipated a global pandemic and customers have been left worried and concerned.



Conversely, some organisations have become increasingly inventive in how they engage with their customers. Video access to staff has given much greater reassurance to customers that their problems are being solved. It is said that "necessity is the mother of invention": COVID-19 has driven rapid innovation as customer problem solving has come to the fore. Thinking about solutions rather than products is fertile ground for innovation. Further, the problem-solving mindset has accelerated decision-making and execution.



Historically, when it comes to Resolution the focus has been on service recovery. But companies that exhibit a problem-solving mentality internally also exhibit the same mentality when focusing on product and service development. They are turning poor life experiences into better ones.

### The golden rules for Resolution

1	Own the resolution and fix with urgency
2	Keep me fully informed of issue resolution progress
3	Offer a warm and sincere apology
4	Go the extra mile if required
5	Provide a temporary solution while trying to resolve the problem
6	Assume my innocence



## Expectations

Managing, meeting and exceeding customer expectations

**Customers have needs and they also have expectations about how these needs will be delivered. Customer satisfaction is the difference between expectation and actual delivery. Understanding, delivering and, if possible, exceeding expectations is a key skill of great organisations. Some organisations are able to make statements of clear intent that set expectations (e.g. “never knowingly undersold”), others set the expectation accurately (“delivery in 48 hours”). And then delight the customer when they exceed it.**



### COVID-19 learning



Many CEOs have been particularly focused on communicating directly with their customers, setting and then resetting expectations as the situation continued to change by week and varied dramatically by region. For our CEE leaders, ongoing, non-sales led communication was already a way of life; for others, a circumstance-driven necessity. There are few companies now that do not understand the need to be clear on the expectations they need to set. And the vital role communication plays in enabling customers to plan their lives.



Grocery retailers generally have been widely praised by respondents to the research for the timeliness and comprehensiveness of their customer communications. Proactive expectation setting communications will now be expected as standard.



Customer expectations have become fluid, shaped by the events around them and the responses of their different suppliers. Understanding these changing expectations is a vital component of designing solutions.

### The golden rules for Expectations

1	Do what they said they would
2	Provide a consistent service every time I use them
3	Use plain English – no jargon
4	Keep me informed as to what is happening when I have a query or place an order
5	Check whether I’m happy with their product/services
6	Set my expectations accurately



### Time and Effort

Minimising customer effort and creating frictionless processes

**Customers are time-poor and are increasingly looking for instant gratification. Removing unnecessary obstacles, impediments and bureaucracy to enable the customer to achieve their objectives quickly and easily have been shown to increase loyalty. Many companies are discovering how to use time as a source of competitive advantage.**



### COVID-19 learning



Home delivery has become a way of life, for which access to information, support and expertise is vital, but unfortunately for many companies this proved - initially at least - to be in short supply. COVID-19 has amplified the need for easy access to products and services, convenience and relevant information. Many customers are now comfortable using online, are reducing physical purchase occasions and are gravitating towards touchless shopping and contactless payment. They want to feel safe and secure when making payments digitally.



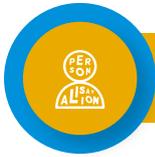
Most consumers have changed their main channel of interaction and become multimodal, happy to use any channel that is most convenient at that point in time. Consumers, especially younger ones, intend to make greater use of social media, particularly community customer apps and messenger, as well as email, webchat and digital media. Visits to branches/stores and making telephone calls will reduce across all ages. (Source: KPMG COVID-19 Global Tracker)



Digital capability has become critically important. Online purchasing and contactless payment options have become the norm for most consumers and the desire for safe, contactless purchase journeys is now mainstream.

### The golden rules for Time and Effort

1	Provide the information and answers I need when I contact them
2	Minimise waiting times
3	Manage queues and call waiting effectively
4	Explain exactly what I need to do next at all points in my task or purchase
5	Make my time investment feel worth it
6	Offer alternative ways to complete my task or make my purchase



## Personalisation

Using individualised attention to drive emotional connection

**Personalisation involves demonstrating that you understand the customer's specific needs and circumstances and will adapt the experience accordingly. Use of name, individualised attention, knowledge of preferences and past interactions all add up to an experience that feels personal. It makes the customer feel important and valued and begins to build an emotional connection.**



## COVID-19 learning



Many firms have responded to COVID-19 by recognising the personal circumstances of customers, from front line health workers who need special access to goods and services, the elderly or vulnerable who require additional support and assistance, to those who are working from home. Experiences that are tuned to personal circumstances are now critical.



Rarely in recent history have customers felt less in control. The need to be in control and to be able to accurately predict the future is a basic human psychological need. Putting a customer in control means understanding their individual circumstances and equipping them to be better educated, better enabled and to feel that they can make forward facing decisions. This means providing circumstance-based relevant information and education.



Customers during the crisis described the feeling of being in an "infinite present," unable to see beyond tomorrow. Our leaders have been focused on ensuring that, as far as possible, customers can take control over their lives.



Customers want greater Personalisation, not technological but personal. They want experiences that are more strongly tailored to their circumstances, that make them feel valued and important and put them back in control.

## The golden rules for Personalisation

1	Offer products or services relevant for me
2	Understand my specific personal needs
3	Make me feel valued
4	Treat me as an individual
5	Know who I am from my customer history when I'm dealing with them
6	Make me feel in control
7	Show an interest in me



## Empathy

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

**Empathy is the art of letting the customer know that you can genuinely understand what it is like to be in their shoes. Empathy creating behaviours are key to establishing a strong relationship and involve the telling of personal stories that reflect back to the customer how you felt when in similar circumstances. Then going the extra step because you understand how they feel.**



### COVID-19 learning



Kindness is an unusual word when describing the behaviours of the corporate world, but many firms have acted with care and compassion as they contributed to the collective effort.



Many companies have made contributions, financial and in kind, to those who need it most. These actions show that they understand the hardships their customers are facing.



Staff experiencing the same circumstances as their customers have been able to immediately connect around a shared experience.



The lockdown has created a shared customer experience for everyone. It means companies and their leaders have been able to share their customers' world view and react accordingly.



Empathy means putting yourself in your customers' shoes, demonstrating that you understand what they are experiencing and that you care about a positive outcome. Consumers are gravitating towards companies that show they care.

### The golden rules for Empathy

1	Understand my particular situation
2	Explain things in a way I can easily understand
3	Demonstrate they care
4	Acknowledge how I'm feeling and act appropriately
5	Invest time to understand me and my needs
6	Provide the right emotional responses for my situation
7	Willing to bend the rules to help me out

## Spotlight on:

# Wagamama

## Key learning points:

- Get the basics right, consistently
- Rapid response to COVID-19, keeping customer interest and a sense of anticipation whilst closed
- Fuelling strong social media positivity
- Values and behavioural-based recruitment

**It has long been known in the restaurant industry that customer loyalty is a result of creating an exceptional experience across several key factors. The restaurants that provide good food, value for money, friendly and attentive staff, fast service and a good menu variety are the restaurants that continue to thrive. According to respondents of the Customer Experience Excellence research, Wagamama is exceptional at delivering on this.**

The Casual Dining Index reveals some key findings about how diners are increasingly relying on social media, and particularly Tripadvisor, to research before they book. Three in four of those who responded to the Casual Dining Index survey claimed to read reviews on a restaurant before booking. And almost half (44%) made their choice based on

the reviews they read. It's clear that having a positive overall Tripadvisor presence is a key part of success.

Cleverly, Wagamama has deployed online tutorials on a regular basis on social media since the start of lockdown, providing a guide as to how to make your favourite Wagamama dishes. Previously somewhat coy about the recipes, Wagamama realised that continuing the experience whilst closed kept them in their customers' mind and created a heightened sense of anticipation for when they reopened. (Source: Wagamama website)

Wagamama is very careful through its recruitment and staff selection process to employ exactly the right people. Interestingly, one of the key questions asked of potential recruits is "if you are asked to serve food you think is not up to standard, what would you do?" The mantra is a simple one, if you are not proud of it, don't serve it.

“

**I love their food and love that they are doing cooking videos online during lockdown. They've been great to watch and I'm planning on buying their cookbook now.”**

UK CEE 2020 respondent



Restaurant and fast food

14<sup>th</sup> of 278 brands



64 places from 2019

## The Six Pillars: Scores vs industry average



+5%



+5%



+7%



+4%



+6%



+5%

# Examples of pillar excellence during COVID-19

**Throughout the crisis, companies all over the world have reacted with humanity and kindness.**

The examples detailed below are just some of the demonstrations of pillar excellence that have been evident across sectors in the UK in recent months:



## Integrity



### Waitrose

A £1 million community support fund was provided to individual Waitrose shops to be used as direct aid for the community.



### John Lewis & Partners

John Lewis & Partners put together care packages to deliver to NHS facilities around the country to say thank you.



### Deliveroo

Deliveroo gave away 500,000 free meals to NHS heroes working on the frontline.



### Co-op

Co-op pulled its Easter TV ad and instead donated the ad campaign budget to food charity Fare Share.



### Aviva

Aviva donated £15m to the Red Cross and NHS Charities.



## Resolution & Innovation



### Dyson

Dyson converted its electric car assembly plant to respirator manufacturing.



### Morrisons

Morrisons launched a new range of simple-to-order food parcels which were available for delivery by DPD, providing more deliveries outside of the standard slots.



### Banks and building societies

Banks and building societies started offering payment holidays and fee free overdrafts for customers finding themselves in financial difficulty.



### Mercedes

Mercedes & UCL developed an NHS approved medical device in less than five days, designed to help patients with severe breathing issues.



## Expectations



### Tesco

Tesco reacted quickly to changing customer demand, putting the needs of the many first and restricting the products manufactured by its suppliers to the essentials. It changed pack sizes and restricted purchasing to three similar items, whilst rolling out protective screens for employees on the front line. Ongoing, its weekly customer update emails from CEO Dave Lewis set out the efforts the retailer is making for customers, colleagues and the community.



## Time and Effort



### Amazon

Prioritisation triage and rapid responsiveness to meet customer needs meant that Amazon focused its warehouses on priority items only.



### British Gas

British Gas engineers supported struggling food banks by delivering food parcels. Working with the Trussell Trust, a charity that manages food banks across the nation, engineers stepped in to help fill the gaps of the many food bank volunteers over 70 and isolating at home.



## Personalisation



### Starbucks

Starbucks extended its mental health benefits as a demonstration of its understanding of the personal impact of isolation. In partnership with Lyra Health, Starbucks started to offer its partners and family members personalised, confidential mental health care.



### Supermarkets and retailers

Grocery retailers offered specific opening hours for elderly and vulnerable customers, along with NHS employees.



## Empathy



### Sainsburys

Increased availability of slots for elderly and vulnerable customers, thus prioritising their delivery needs over regular shoppers.



### Aldi

Aldi offered its staff a bonus to say thank you for working hard during the pandemic.



### FirstVet

FirstVet offered free video appointments with vets for those self-isolating with pets.



### M&S

M&S gave its staff a 15% pay rise for working during lockdown.



### Homeserve

Homeserve offered free emergency home repairs for the NHS and social workers, covering the cost of up to 10,000 emergency repairs across the UK.



### Admiral Insurance

Admiral Insurance offered customers a £25 "Stay at Home" refund in recognition of fewer customers driving.

## Spotlight on:

# Hilton

## Key learning points:

- Doing the right thing comes before profit
- Utilising its unique range of assets to help the global effort during COVID-19
- Empowering local teams to respond as creatively as possible

## Hilton has a range of assets around the world that have been used to help and support local communities and the vulnerable during COVID-19, putting doing the right thing before profit.

Hotels in the United Kingdom partnered with social enterprise Open Kitchens, opening up enough kitchen space to accept deliveries of up to 10 tons of surplus food per week. This has enabled the initiative to provide 50,000 more free meals a month to those in need, using produce which would previously have had to be thrown away.

The Conrad London St. James, in the Hilton family of brands, donated 50 computers to the White Horse Federation, a multi-academy trust that supports primary, secondary, and special schools in the south of England. With schools currently closed and pupils in the UK being home-

“

**We were booked to visit a resort at the breakout of the pandemic in the UK but unfortunately had to cancel and have received a refund. Hilton always acts professionally and gives the impression of valuing each customer.”**

UK CEE 2020 respondent

schooled, the devices will be given to disadvantaged children who don't have access to a computer at home. (Source: Hilton press release)

Springboard, a hospitality charity program in the United Kingdom that provides training and support to unemployed people looking to improve their career prospects, needed an influx of volunteers to assist trainees in the wake of COVID-19. Hilton team members were quick to answer the call. Hilton volunteers are supporting the charity with the day-to-day running of its business, as well as helping run webinars and mentoring sessions with members.

Hilton also partnered with American Express to donate 1 million hotel room nights for NHS workers to stay, to separate from their families to keep them safe. In London, Hilton Canary Wharf and The Waldorf Hilton teamed up to donate much needed soft furnishings for medical staff in Newham Hospital's on-call rooms.

Corporately, Hilton collected all the individual efforts that their various enterprises were embarked upon and communicated them around the world to spark ideas as to how their businesses could help. Hundreds of stories and ideas were collected and disseminated. They took considerable pride in how their employees were creatively responding to a global need.



Travel and hotels

24<sup>th</sup> of 278 brands



11 places from 2019

## The Six Pillars: Scores vs industry average



+14%



+18%



+14%



+14%



+11%



+16%

## 05

# Building The Connected Enterprise

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**COVID-19 has changed the rules. From a new economic and environmental reality has emerged a New Customer, one whose behaviour and values has changed immeasurably in a short period of time. The New Customer's expectations of the type of experience they look for is now vastly different to their expectations earlier in the year. Companies need to assess this change in terms of their own capability to respond and determine how their enterprise model needs to adapt if they are going to be successful, post COVID-19.**

Earlier in this report we identified the mindsets governing the responsive postures of two types of businesses, Type A and Type B. For Type A businesses everything is on the table, they are thinking through how to rebuild their companies from the ground up, to be more resilient, more agile and more responsive to changing customer requirements. Type B businesses, by contrast, expect the world to return to the previous normal. Depending on the industry and company type both may be valid. However, for many companies caught in a strait jacket of silos and departments, a Type A mindset is the only solution.



**When you are faced with the closure of your business, you suddenly make very fast decisions and you realise that its actually OK to go out and try things and break business models. Without doubt the lockdown has made us make changes that have benefited our business”.**

**James Lipscombe**  
CEO, Chesterford Group

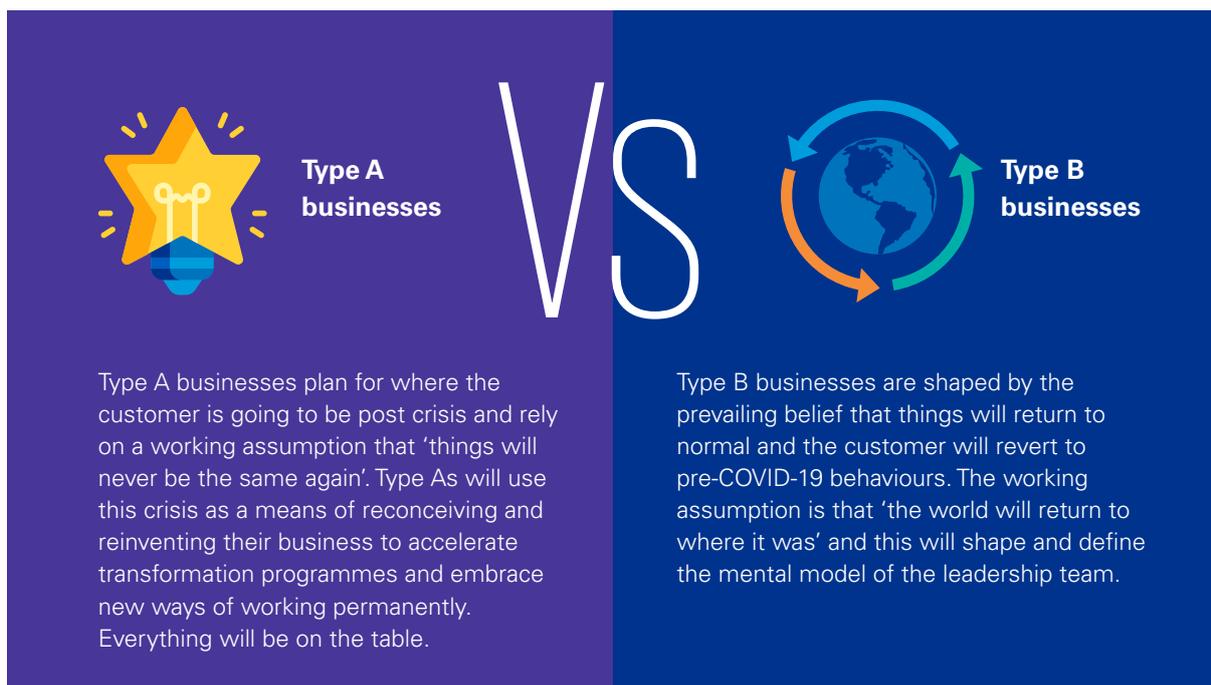
As firms globally adjust to a substantial pause in business, now is the time to rethink the business in terms of its economic engine, its operating model and its organisation design.

Some change has already occurred as businesses have had to respond in the moment. With necessity being the mother of invention, organisations have been surprising themselves by the speed with which they have been responding to the crisis. Ways of working that they had attempted to introduce into their culture for years suddenly gained traction and companies found they were achieving the unimaginable in days rather than months. Tools for remote interaction were rapidly rolled out to connect the workforce. New delivery mechanisms for customers were mobilised in days, physical changes to customer environments

were rolled out almost overnight. However, for this to be sustained and form the new operating model, enterprise level change is required.

Companies that are designed to be agile, responsive and digitally enabled have been able to mitigate the effects of COVID-19 and lockdown. These organisations show a high level of synergy where each core capability within the business has a mutually beneficial, self-reinforcing effect. To compete in an ever-evolving marketplace, leading organisations will need to be highly digital, resilient and adaptive.

Research conducted globally by KPMG in conjunction with Forrester shows that there are eight capabilities that organisations need to attend to if they are going to be truly customer centric.



## The eight capabilities of the Connected Enterprise

### Insight driven strategies and actions

The first rule of customer experience is “know your customer”. It is no longer enough to have a passing understanding of customer needs, it requires a deep understanding of a customer’s life and the translation of that understanding into decision making, prioritisation and experience design. Vitally, individual customer knowledge is needed to personalise the experience.

### Innovative products and services

A deep understanding of the customer’s life drives innovation. A problem-solving mindset is required which, when coupled with a strong sense of purpose provides focus, and a test and learn mindset enables continual refinement.

### Experience centricity by design

The experience must be intentional, not the default outcome of multiple internal processes. It is how the brand promise is delivered at each touchpoint. How the brand is made real for customers every time they interact, such that a strong relationship is formed.

### Seamless interactions and ecommerce

The provision of a frictionless end-to-end customer journey, with safe, secure payment options. Where cyber security is the number one attribute.



The New Customer

## Responsive operations and supply chain

COVID-19 has graphically demonstrated the need for organisational flexibility and responsiveness as companies pivot to maintain customer relationships. Alongside this, increased online purchasing has shown that traditional notions of supply chain need to be extended to the last mile. It is the end-to-end delivery of the experience that drives advocacy and loyalty.



## Aligned and empowered workforce

Employees underpin great experiences. The employee experience must enable the target customer experience to emerge and it requires leaders, employees and the working culture to be aligned through a brand purpose and a set of values that both inspire and shape behaviours. Where leaders seek to enable rather than control and where employees can make the judgements and decisions that customers expect at the point of interaction.



## Digitally enabled technology architecture

An architecture that is built around the customer and is responsive to their needs and preferences. Supported by an agile implementation mindset. Where new technologies and new products and services can be implemented rapidly.



## Integrated partner and alliance ecosystem

The ability to identify and leverage synergies with third parties. It is not always feasible for a company to do everything itself. The move to platforms is driving wider partnerships to satisfy related and often interconnected customer needs.



# Key questions

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**To fully understand the impact on your organisation and exploit the opportunities that the new reality will bring, you need to look at all aspects of your operating model holistically. However, there are so many decisions across the enterprise that it is hard to know where to start - here are some of the top short term and long-term decisions and considerations to kick start your decision diagnostic.**

The following questions will help sequence and prioritise activity. For some businesses the answers will be a catalyst for change and improvement, whilst for others they will trigger a need for rapid transformation.



## Insight driven

- Do I understand my New Customer?
- Do I have the right data to make decisions?
- How can I monetise data?
- How can I scale my data operations?



## Innovative products and services

- How should I disrupt my current offering?
- How can I promote rapid innovation?
- How can innovation be embedded for the long term?
- Does my product strategy meet my business goals?



## Experience centricity by design / brand

- What are the ESG activities that will improve brand engagement?
- Does our purpose support the values of the New Customer?
- How does my brand strategy need to change?
- Does my brand come alive for customers at each touchpoint?



### Seamless interactions and ecommerce

- How do I maintain excellent service remotely?
- How do I integrate ecommerce into my channels?
- Does my segmentation need to change?
- Should I retain my virtual contact centre?



### Digitally enabled technology architecture

- How do we accelerate digital transformation?
- How do we exploit emerging technology?
- How do we connect front, middle and back office to connect the enterprise?
- What are the critical change priorities now?



### Responsive operations and supply chain

- How do I keep my operations running?
- How do I secure my future supply chain?
- How do I flex my supply chain to meet demand?
- Should I shift to a more Direct to Customer (D2C) model?



### Integrated partner and alliance ecosystem

- Are my partners and alliances operationally reliable?
- What eco systems have the greatest value?
- Does the portfolio of partners meet the customers' needs?
- Are we prepared for a new platform-based world?



### Aligned and empowered workforce

- Does our workforce strategy sustain continuity?
- What adaptation is needed for employee experience to maintain customer experience?
- How flexible is the new workforce?
- What new skills and capabilities are required?

# Workforce considerations



## Aligned and empowered workforce

- Does our workforce strategy sustain continuity?
- What adaptation is needed for employee experience to maintain customer experience?
- How flexible is the new workforce?
- What new skills and capabilities are required?

**One of the eight capabilities that has undergone rapid change in a short period of time is workforce and the employee experience. Consequently, we have subjected it to a more detailed examination.**

COVID-19 is set to change the workplace as we know it for good. Many firms who have moved to a remote working model will never look back.

The working experience of many employees can be vastly different from one person to the next. Some are working longer hours than ever before; others are furloughed and struggling to keep a sense of purpose or optimism about their future. Some are living alone in isolation, others are in shared accommodation. Many are juggling home-schooling and remote working in a way that no one could have imagined just a few months ago.

A few weeks into the lockdown, companies were surprising themselves by the speed with which they were responding to the crisis. Ways of working that they had attempted to introduce into their culture for years had suddenly gained traction and they were achieving the unimaginable in days rather than months. Tools for remote interaction were rapidly rolled out to connect the workforce.

Research across UK businesses identified four employee dimensions of change:



### **Sustainable**

Historical power imbalance between hierarchy, gender, age, ethnicity, office location and personalities is significantly reduced when working together online. New voices are being heard, with the potential to make workplaces more inclusive and accessible.



### **Employee experience**

More leaders than ever have been showing they care about employee wellbeing through their actions. They are seeing the benefits through phenomenal commitment, flexibility and productivity.



### **Flexible**

Having strived for greater pace, productivity and responsiveness over the past few years, mindsets have shifted enormously regarding the art of the possible. Practices such as short-term, bite-sized goal setting, little and often communication and regular reviews are helping teams achieve more with less.



### **New skills and capabilities**

Through lack of commuting, online development and more focused and efficient meetings, leaders and employees are saving hours a week that can be redirected either into their wellbeing or alternative work endeavours such as personal development and growth.

The research asserts that there is a limited window of opportunity to bounce back and transform before old cultural norms start to reassert their grip. Conversations need to be had now to capitalise on positive behaviours developed during lockdown, and fully embed them into the day-to-day relationships that will determine the culture in the new world of work.

The return to work will be challenging. Who, how, when and where are all fundamental questions, alongside the mental health and wellbeing of employees. It requires a bottom-up rethink of how companies re-engage with their employees and how the circumstances of the last few months can be a force for positive change.

Source: Culture Evolution in the Workplace, Pecan Ltd. May 2020

## Spotlight on:

# Welsh Water

## Key learning points:

- Strong social and environmental purpose
- Strong sense of place and community
- Unique alignment of commercial and customer objectives
- Lead the industry on Integrity and Empathy, the critical success factors of a company managing in a pandemic

**Unusually amongst water companies, and more widely across utilities, Welsh Water is a form of mutual. A non-profit business that reinvests any surplus profits back into the business and refers to its three million members rather than customers. (Source: Welsh Water website)**

This alignment between its commercial aims and its members has generated extraordinarily high levels of Integrity and trust, with a score some 13% higher than the industry average.

With high levels of satisfaction, loyalty and advocacy, Welsh Water is unique amongst utilities. It sees itself at the very heart of the communities it serves.

However, it is how the organisation demonstrates care for its customers and its empathetic approach that really sets it apart, evident through a score for the pillar of Empathy that is 13% higher than the industry average.

“

**Welsh Water do the best for their customers. They resolve any problems quickly, fix broken pipes and leaks within a day. Their service team are also incredibly helpful.”**

UK CEE 2020 respondent

Care for vulnerable customers is written into the corporate DNA and was a feature of Welsh Water's approach long before COVID-19. Its people are trained to look for signs of vulnerability and are empowered to take action to help. Dedicated to removing water poverty, employees are trained to advise customers on money saving and benefits opportunities. With over 100,000 customers on social tariffs and debt relief plans, Welsh Water has a clear social and environmental purpose and it works with over 180 partners to ensure that its support services are widely visible and available.

In response to COVID-19, Welsh Water began offering both households and business customers help with their water bills - providing advice, lower payments or a payment holiday to help those experiencing financial difficulties. Reinforcing the sense of community, the water supplier also set up a £300,000 community fund to help foodbanks and community projects struggling during this period. (Source: Welsh Water website)



Utilities

17<sup>th</sup> of 278 brands

100 places from 2019

## The Six Pillars: Scores vs industry average



# Sector considerations

**In order to compete in the coming months and years, organisations must adapt to a New Customer more rapidly than ever before.**

This means being extremely clear on what they need to offer - defined as a Six Pillar Experience - in order to build an enterprise that is lean, digital and fit-for-purpose. Clearly this is not a one-size-fits-all model: there are important considerations at a sector level.

## Grocery retail

+4%  
2020 vs 2019  
sector CEE score



### The New Customer

- Online expansion
- Delivery expansion
- Personal space - social distancing continues
- Appreciates essentials
- Price: own label versus brands
- Social mindedness
- Sustainability and the environment



### The Six Pillar Experience

- Touchless/contactless
- Localness, sense of community
- New social networks (e.g. neighbourhood WhatsApp groups)
- Brand provenance and origins change selection criteria



### The Connected Enterprise

- Protecting supply chain in event of second wave
- Ensuring end to end digital support of customer journeys
- Responding to the desire for local sourcing
- Optimising brand versus own label
- Decarbonisation and ESG strategy
- Closing the loop on "Take, make, waste" product lifecycle

### Key capabilities required



**Seamless interactions and ecommerce**



**Responsive operations and supply chain**

## Non-grocery retail

+3% 2020 vs 2019  
sector CEE score



### The New Customer

- Financial constraints limiting big purchases
- The “home haven” reacting to changing nature of the home (office, school, restaurant, gym)
- Increasing take up of individual hobbies and sports activities
- Desire for treats
- How do UK consumers segment on sustainability issues? Are their attitudes to sustainability reflected in their purchasing behaviours?



### The Six Pillar Experience

- Experience “playgrounds” - test and learn
- COVID-19 signage and safety
- Online for big ticket items – white goods, furniture
- Fashion, health products and cosmetics wider online usage
- Accelerated demise of high street unless physical retail reinvented



### The Connected Enterprise

- Digital platforms become prevalent - need to boost online
- Customers expect ethical supply chains
- Reimagine experiences
- Broken/constrained supply chains – local sources of production
- Stabilise operations for new normal
- Merger and acquisition opportunities

#### Key capabilities required



**Digitally enabled technology architecture**



**Integrated partner and alliance ecosystem**

## Logistics

+5% 2020 vs 2019  
sector CEE score



### The New Customer

- Trust and integrity of delivery firms
- Rapid growth in online purchasing



### The Six Pillar Experience

- Track and trace sophistication
- Next day delivery the standard
- Greater incidence of at home delivery
- Expansion from increases in online



### The Connected Enterprise

- New processes and simplified procedures for delivery
- Sourcing constraints, border controls, quarantine
- Airline and air cargo impacts
- Scalable IT infrastructure, automations and robotics
- Merger and acquisition opportunities

#### Key capabilities required



**Responsive operations and supply chain**

# Financial services

+4% 2020 vs 2019  
sector CEE score



## The New Customer

- Focus on value
- Savings, re-establishing financial security
- Desire for control
- Wider consideration of protection and risk-based insurance policies (e.g. critical illness)
- New segmentation models and archetypes based on economic / risk impact



## The Six Pillar Experience

- Desire multi-functional online capabilities
- More than online automation of existing processes, fintech attitude to customer life problem solving
- Role of branch versus new digital technologies



## The Connected Enterprise

- Role of branches
- Ultra-low interest rate environment
- Streamlined innovation and agile at scale implementation
- Cost reduction – design out cost rather than just cut
- Property estate and virtual working
- Revenue ROE planning

### Key capabilities required



**Insight driven**



**Innovative products and services**



**Experience centricity by design / brand**

# Travel and hotels

No change 2020 vs 2019  
sector CEE score



## The New Customer

- Insecurities around travel
- Geographic constraints
- Overseas health insurance state offered
- Focus on air quality and pathogens



## The Six Pillar Experience

- Long time recovery, domestic first and then internationally
- COVID-19 protections and safety
- “Health passports”
- Second wave impacts with sudden shutdowns



## The Connected Enterprise

- Heavily impacted
- Merger and acquisition
- Critical mass
- Utilisation and asset optimisation
- Flexibility bankruptcy
- Governmental support
- Redundancy and role shedding

### Key capabilities required



**Integrated partner and alliance ecosystem**



**Innovative products and services**

## Entertainment and leisure

+2% 2020 vs 2019  
sector CEE score



### The New Customer

- Greater adoption of live streaming
- Awaiting return to attend live sport
- Less participation in team sport
- Boom in online content usage



### The Six Pillar Experience

- Pent up desire for novel non-home experiences
- Time to establish trust in travel and geo COVID-19 restrictions
- Less business travel
- Content gap due to pause



### The Connected Enterprise

- New business models
- Cost management critical as is new ways of utilising assets e.g. airlines using passenger aircraft for cargo
- Restrictions on live entertainment
- Physical restrictions

#### Key capabilities required



Seamless interactions and ecommerce



Integrated partner and alliance ecosystem

## Restaurant and fast food

+5% 2020 vs 2019  
sector CEE score



### The New Customer

- Nervous - social distancing impact
- Order from home
- Pre-prepared meals delivery



### The Six Pillar Experience

- Gradual reopening
- Adapted to new normal
- Customers need to feel in control
- Delivery/takeaway expansion



### The Connected Enterprise

- New business models
- Cost management critical as is new ways of utilising assets e.g. airlines using passenger aircraft for cargo
- Restrictions on live entertainment
- Physical restrictions

#### Key capabilities required



Integrated partner and alliance ecosystem



Innovative products and services

# Public sector

+5% 2020 vs 2019  
sector CEE score



## The New Customer

- Increased focus on value for money
- Want to do all things online
- Telemedicine and health support
- Cyber security, privacy concerns
- Renewed sense of community



## The Six Pillar Experience

- All consumers now expect a good experience
- Reshaped sense of place and public service delivery



## The Connected Enterprise

- Manage run down of COVID-19 emergency schemes
- Manage impact of diversion from business as usual
- Responding to new normal
- Growth in COVID-19 specific schemes
- 10 million UK workers on government funded schemes
- Investment (NHS, Police)

### Key capabilities required



**Digitally enabled technology architecture**



**Aligned and empowered workforce.**

# Utilities

+3% 2020 vs 2019  
sector CEE score



## The New Customer

- Search for value
- Vulnerable, insecure
- The desire for environmental and societal purpose from providers
- Payment deferrals
- The green economy - heightened awareness of decarbonisation



## The Six Pillar Experience

- Help with my home haven
- Solve my problems with home appliances
- Service responsiveness



## The Connected Enterprise

- Agile at scale
- Online maximised
- Streamlined and customer first
- Profitability

### Key capabilities required



**Experience centricity by design/brand**



**Responsive operations and supply chain**

## Telecoms

+3% 2020 vs 2019  
sector CEE score**The New Customer**

- Future home working
- Bandwidth and internet needs
- Video conferencing and socialising
- Track and trace app

**The Six Pillar Experience**

- Withdrawal of data limits and usage restrictions
- Fee schedules and pricing
- Seamless interface for problem resolution
- Gamification of user experience
- Opportunity to boost brand through helpfulness

**The Connected Enterprise**

- 5G/Change in data usage
- Network usage and resiliency
- Cost containment and infrastructure investment
- Supply chain restrictions
- Single view of the customer across all lines

**Key capabilities required**

**Integrated partner and alliance ecosystem**



**Innovative products and services**

# Next steps for leadership teams

**The New Customer has the potential to disrupt every enterprise. How well businesses compete in this changed environment will determine future viability and growth. The following checklist summarises some of the main considerations most leadership teams will face:**

To access further tools and best practices to help build this strategy, please **contact the KPMG team**.

## Checklist

-  **Response.** We have formed a cross-functional group (a "go forward team") outside of BAU to strategically, but rapidly, review our response and success plan.
-  **Perspective.** We have conducted a PESTLE analysis and assessed which themes relating to the new reality will impact our business the most.
-  **Front-office decisions.** We have mapped the immediate decisions that we will need to make around the New Customer across sales, service and marketing, including pricing and CX.
-  **Middle and back-office decisions.** We have linked these to implications for operations, supply chain, corporate services and finance.
-  **Enterprise capabilities.** We have answered the eight connected capability questions and have developed an action plan with a clear set of priorities.
-  **Workforce & employee experience.** We have a view on how workforce-customer interactions have both changed. Future employee experience supports customer strategy.
-  **Data & signals.** We have carefully organised research, operational data and other signals against the above decisions and others we need to make. We have cut down on anecdote.
-  **Insight gaps.** We have a plan to fill any gaps in our insights – for instance lack of strategic understanding of New Customer segments, needs and growth opportunities.
-  **Purpose.** We can clearly articulate the social relevance and purpose of our brand in the new reality, plus its role in the wider ESG agenda.
-  **Cost savings.** We have a clear plan to capitalise on changes in customer behaviour to rapidly find new cost savings or efficiencies. We have reset our change portfolio.
-  **Growth narrative.** We have integrated the above strategy into a growth narrative for investors, identifying market opportunities for corporate development.

# Further resources

**Our Customer Experience Excellence report forms part of KPMG's wider resources to support organisations in the new reality.**

For our latest insights please visit [here](#).

The following resources are available:



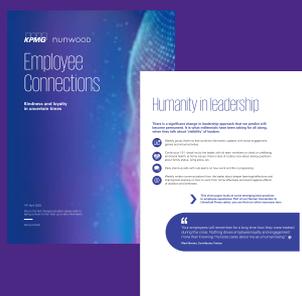
## Customer Connections: Competing in the New Reality

Global and UK insights - exploring the New Customer behaviours, needs and attitudes that are evolving in the new reality



## Customer Connections

Customer best practices to guide immediate crisis response



## Employee Connections

Principles for best practice employee experience in uncertain times

## In the new reality, the Excellence Centre can provide organisations with:



### Access to ongoing consumer insights

The Connected Customer, insights and analytics tracker incorporates eight waves of consumer research and social media analysis that monitors customer sentiment during COVID-19. It's purpose is to help organisations to keep informed of customers' changing demands, values and experience priorities in the new reality.



### An understanding of global best practice

Research coverage of 27 markets from April to June this year will provide a view of best practices around the world and explore how organisations are reacting and adapting for the new reality, including markets already emerging from the crisis.



### A perspective through the lens of The Six Pillars

The Six Pillars describe best practice in customer and employee interactions. They provide a simple toolkit that business leaders can use to navigate the crisis and build lasting, long-term customer and employee connections.

For more information please visit the **Customer Experience Excellence Centre**

## Acknowledgements

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**KPMG nunWOOD** | Excellence Centre  
**2020 UK Top 100 Results**

**Sector Key:**

- Financial services
- Travel and hotels
- Utilities
- Logistics
- Non-grocery retail
- Telecoms
- Public sector
- Grocery retail
- Entertainment and leisure
- Restaurants and fast food

**Change vs 2019:**

- Up
- Down
- Non-mover
- New to analysis

**01.**

**first direct**

2020 UK Customer Experience Excellence Centre Leader

<b>02.</b> QVC UK	<b>03.</b> Starling Bank	<b>04.</b> John Lewis & Partners	<b>05.</b> Lush	<b>06.</b> Monzo	
<b>07.</b> Lakeland	<b>08.</b> Côte Brasserie	<b>09.</b> M&S	<b>10.</b> American Express	<b>11.</b> M&S Food	
<b>12.</b> Joules	<b>13.</b> Tesco Mobile	<b>14.</b> Wagamama	<b>15.</b> Netflix	<b>16.</b> Nando's	
<b>17.</b> Welsh Water	<b>18.</b> Miller & Carter	<b>19.</b> National Trust	<b>20.</b> The Body Shop	<b>21.</b> M&S Bank	
<b>22.</b> Premier Inn	<b>23.</b> ASOS	<b>24.</b> Hilton Hotels & Resorts	<b>25.</b> Aldi	<b>26.</b> Bupa	
<b>27.</b> giffgaff	<b>28.</b> John Lewis Finance	<b>29.</b> Skipton Building Society	<b>30.</b> Waitrose & Partners	<b>31.</b> Waterstones	
<b>32.</b> Yo! Sushi	<b>33.</b> Next	<b>34.</b> Krispy Kreme	<b>35.</b> Nationwide Building Society	<b>36.</b> ao.com	
<b>37.</b> Screwfix	<b>38.</b> Apple Store	<b>39.</b> PayPal	<b>40.</b> FatFace	<b>41.</b> Amazon	
<b>42.</b> Specsavers	<b>43.</b> Churchill	<b>44.</b> River Island	<b>45.</b> Leon	<b>46.</b> Dorothy Perkins	
<b>47.</b> Prudential	<b>48.</b> Ted Baker	<b>49.</b> Octopus Energy	<b>50.</b> New Look	<b>51.</b> Holiday Inn Express	
<b>52.</b> Marriott	<b>53.</b> Zara	<b>54.</b> Greggs	<b>55.</b> Costa Coffee	<b>56.</b> Selfridges	
<b>57.</b> Thorntons	<b>58.</b> Holiday Inn	<b>59.</b> Subway	<b>60.</b> Caffé Nero	<b>61.</b> Tesco	
<b>62.</b> TGI Fridays	<b>63.</b> Pret A Manger	<b>64.</b> Sainsbury's	<b>65.</b> Argos	<b>66.</b> Primark	
<b>67.</b> Domino's Pizza	<b>68.</b> Starbucks	<b>69.</b> Asda	<b>70.</b> Boots	<b>71.</b> Lloyds Bank	
<b>72.</b> Clarks	<b>73.</b> Barclaycard	<b>74.</b> Superdry	<b>75.</b> McDonald's	<b>76.</b> Schuh	
<b>77.</b> IKEA	<b>78.</b> Matalan	<b>79.</b> Samsung Store	<b>80.</b> Halifax	<b>81.</b> TK Maxx	
<b>82.</b> Iceland	<b>83.</b> Barclays	<b>84.</b> hmv	<b>85.</b> Farm Foods	<b>86.</b> H&M	
<b>87.</b> LV=	<b>88.</b> Sainsbury's Bank	<b>89.</b> Royal London Group	<b>90.</b> JD Sports	<b>91.</b> Tesco Bank	
<b>92.</b> Beefeater	<b>93.</b> Morrisons	<b>94.</b> Royal Mail	<b>95.</b> Lidl	<b>96.</b> Zizzi	
<b>97.</b> LloydsPharmacy	<b>98.</b> NS&I	<b>99.</b> Northumbrian Water	<b>100.</b> Green Flag	<p>Access the <b>KPMG Nunwood Excellence Centre</b>  <a href="http://www.nunwood.com">www.nunwood.com</a></p>	



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