



Customer Connections

Competing in the New Reality

Global Insights and Analysis, Wave 1

1 July 2020

Due to the fast changing situation please refer to kpmg.com/uk for the most up to date information.

[kpmg.co/uk](https://kpmg.com/uk)



Foreword

As UK lockdown measures ease, many businesses are opening their doors on changed markets and transformed customers. Others continue to adapt to this New Customer, trading off temporary measures with the permanent changes required to their business models, workforce and forecasts.



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Survey insights collected in association with Dynata

Since April, KPMG has analysed social, survey and economic insights on the New Customer. In this latest report, we have extended our coverage beyond the UK, to 11 additional global markets, looking at both international and local implications for business leaders. Several themes are apparent:

- 01 A New Customer continues to emerge.**
Early changes that were reported in behaviours, values, needs and preferences during COVID-19 are continuing to manifest around the globe. The New Customer behaves differently, is more digitally-savvy, value-conscious and principled.
- 02 Experiences must adapt, focused on minimising time and effort.**
The New Customer values ease of interaction highly, driving preference and action. This is reflected in changing channel behaviour, which has switched significantly away from face-to-face and telephony to lower-cost digital alternatives.
- 03 We are entering an Integrity Economy.**
Businesses need to deliver a new experience, anchored in trust. In the short-term, this means ensuring safety. In the medium-term, it means standing for purpose above profit. This demands a different enterprise model and leadership style.
- 04 Each sector faces unique challenges.**
This wave of reporting focuses in on key considerations for retail, consumer, insurance and banking organisations.
- 05 In the UK, businesses are competing for less.**
Almost half of customers are already reporting they are worse off financially. Eight in ten have limited their spending, focusing on savings and home improvement. How this changes as lockdown eases will define the shape of the emerging economy.

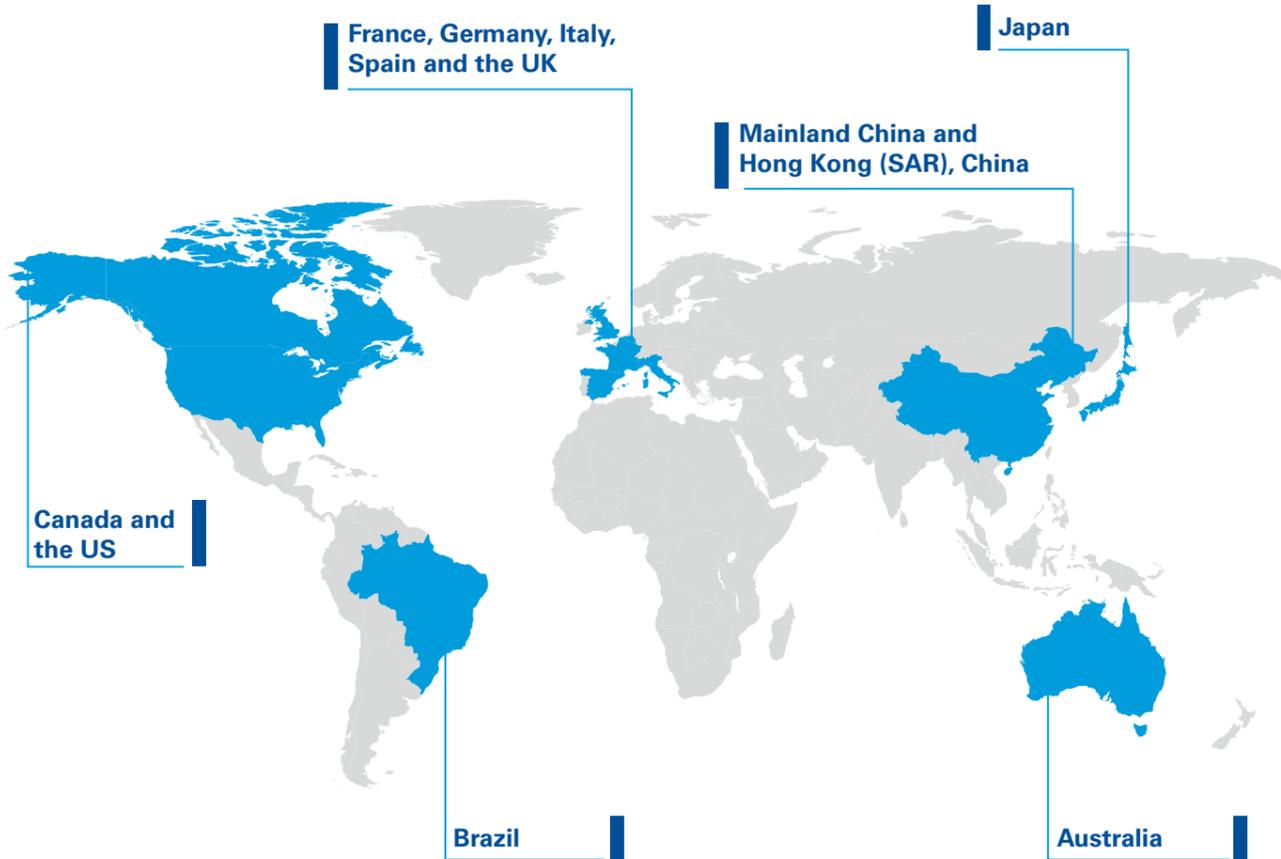
The New Customer is not fully defined. As COVID-19 continues to impact global markets, our future reports will focus on understanding the level of change. However, it is already certain that almost every enterprise will need to adapt profoundly to compete in this New Reality.

Methodology

Methodology Overview

Understanding the lasting impact of COVID-19 on customers' needs, behaviours and preferences.

Participating countries, regions and territories



Interviews —
12,334 consumers
Representative sample of ~1,000
per market



Dates —
29 May–8 June 2020



Collection method —
Online-based questionnaire



Wave 1 of 6 —
Six waves of Interviewing,
fortnightly over three months



Broad sector coverage

- Respondents had to have had an interaction with the sector in last 6 months
- Mobile/TV/broadband
- Utilities
- Travel and tourism
- Leisure and entertainment
- Grocery retailers
- Non-grocery retailers
- Banks
- Insurance



Key topics covered

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



Tracking customer behaviour

This study will continue to track customer trends over six waves of surveying, spanning June, July and August 2020.

This is augmented with social media analytics and economic data, where relevant.



Additional resources

KPMG helps business leaders compete by

1. Understanding the New Customer
2. Designing competitive experiences
3. Adapting their enterprises.

Please see page 32-33.

Meet your New Customer who is financially constrained and more savvy

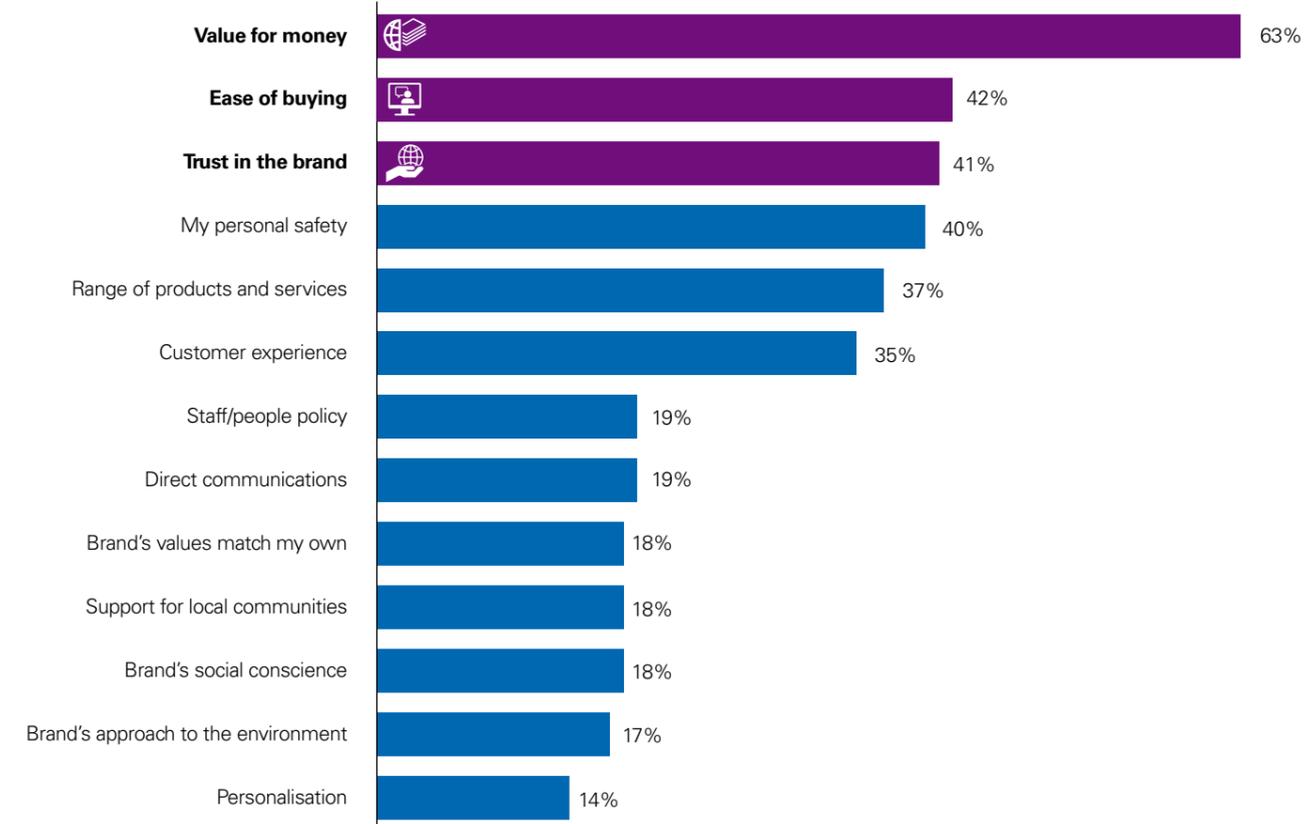
Globally, a New Customer is emerging — one that is financially constrained, more advanced in their use of digital technologies, more thoughtful and selective in their decision-making, and keen to see COVID-19 as an opportunity to reset values in the world.

The changes we're seeing are likely not short term. Most customers believe they will be living their lives very differently for the foreseeable future. Businesses will be faced with new challenges in this New Reality. Our research identifies three areas to inform organisations' decisions and plans:

- 01 The economic impact of COVID-19 will influence behaviours for some time to come.**
 On average, 40 percent of respondents are financially constrained and are, therefore, reducing their discretionary spend. New and persistent consumer segments have emerged based on the economic and psychological impact of COVID-19. Those most affected (economically and psychologically) are less inclined to pay a premium for branded products or nice-to-have experiential factors, and are deferring non-essential purchases.
- 02 The New Customer is digitally savvy and embraces the ease with which they can interact with organisations through digital channels.**
 Organisations have responded to COVID-19 with high levels of innovation, including greater digital access to purchasing and customer support. Customers of all ages are keen for this to continue.
- 03 Customers increasingly purchase from organisations they trust, at a time where trust is becoming more complex to build.**
 Historically, trust was driven by whether organisations delivered on the brand promise. Now, trust is multidimensional and nuanced: trust that companies will continue to put the customer's needs first, trust that the customer will be safe dealing with them and trust that their data will be secure and protected. In addition, younger respondents are concerned about a company's environmental and social practices.

Throughout this document, "we", "KPMG", "us" and "our" refer to the network of independent member firms operating under the KPMG name and affiliated with KPMG International or to one or more of these firms or to KPMG International.

Key purchase drivers



% = proportion of consumers who rate each as important in their decision-making
 Which of the following is important to you now when buying a product or service?
 Source: Consumers and the new reality, KPMG International, June 2020

Organisations must focus on digital enablement of their customer and be clear on where they need to win the customer's trust. Each of the trends identified in our study accelerated with the beginning of COVID-19. This study confirms that they are persistent both over time and geography, and that their combined impact on customers' behaviours has stark implications for organisations. Companies can no longer protect their price positioning with experiential factors (e.g. in-store coffee shops) that now have less direct benefit to the customer.

Key findings — all sectors

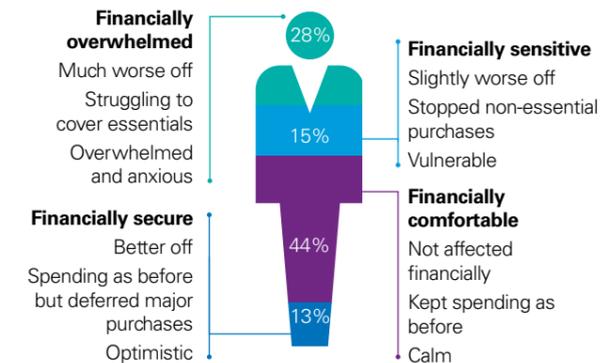
New segments emerge as attitudes shape spending

Customers' spend is impacted by both the decrease in disposable income and the psychological impact of COVID-19. We see new segments arise, separated by their need to group products and services into categories of necessity, with spend moderated by financial attitudes. Overall, four in 10 are financially worse off, with another 13 percent deferring major purchases.

Customers in Germany, France and Hong Kong (SAR), China feel more calm and secure, fitting into the financially comfortable category. In Brazil, Japan, Italy and Spain, more customers have stopped all non-essential purchases and are more selective, feeling more financially overwhelmed and financial recovery being the priority.

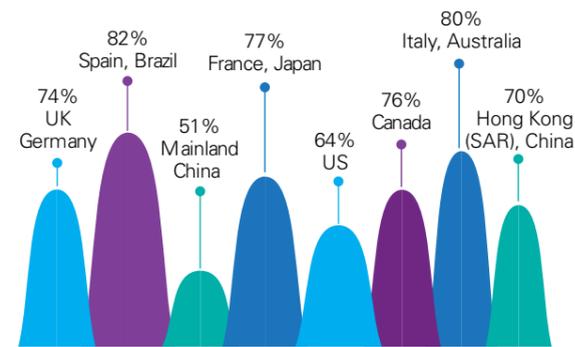
Value for money, and its corollary price, is the single most important factor in decision-making, with nearly half of respondents saying that it is more important now than pre-COVID-19, and is true for all markets included in this study. This is a direct result of the financial concerns that now affect two-fifths of customers.

Just over half of customers feel financially comfortable or secure versus 43 percent who feel overwhelmed or vulnerable



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

Value for money (63 percent) is the most important purchase driver, with country variation shown below. Forty-seven percent say value for money is more important as a result of COVID-19



Which of the following is important to you now when buying a product or service?
 Source: Consumers and the new reality, KPMG International, June 2020

Organisations will need to rethink their business and operating models. The customer's search for value for money is much more than just short-term margin dilution. It is a fundamental change in purchase priorities and will be prevalent for 12 months or more.

Key findings — all sectors

A digitally savvy customer emerges

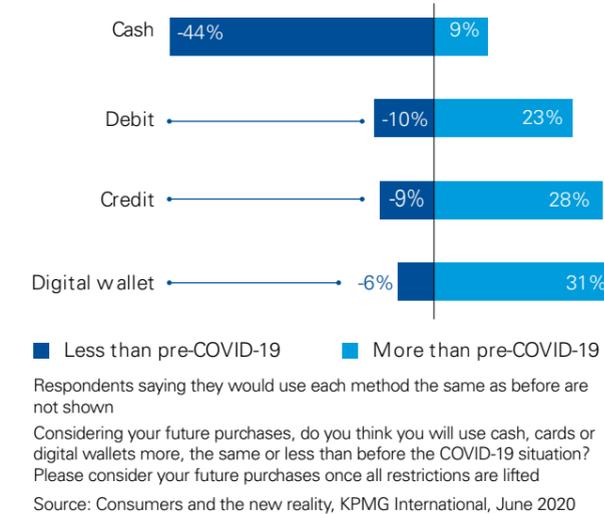
COVID-19 has amplified the need for easy access to products and services and relevant information. The majority of customers are now comfortable using online channels, reducing physical purchase occasions and are gravitating towards touchless shopping and contactless payments.

Ease, therefore, is at the heart of a digital shift, which touches all parts of society irrespective of age. While the overall trends are as we would expect, there are some interesting nuances we see emerging. For example, younger customers below the age of 45 are more likely to turn towards those channels they use most to communicate with their friends and families, such as messenger apps (+9 percent for 18-44 year olds vs. +3 percent for 45+ year olds) or social media (+4 percent

for 18-44 year olds vs. +1 percent for 45+ year olds). Overall, we see a threefold increase of customers claiming they will use social channels as their main means of communicating with organisations in the New Reality post-COVID-19.

This shift to digital interactions is also prevalent in how customers wish to pay, where digital payment types are on the rise. Online purchasing and contactless payment options have become the norm for most customers, with the desire for safe, contact-free purchase options reinforcing this trend. In mainland China, customers intend to make much greater use of digital wallets. This trend is also more prevalent in Hong Kong (SAR), China and Brazil.

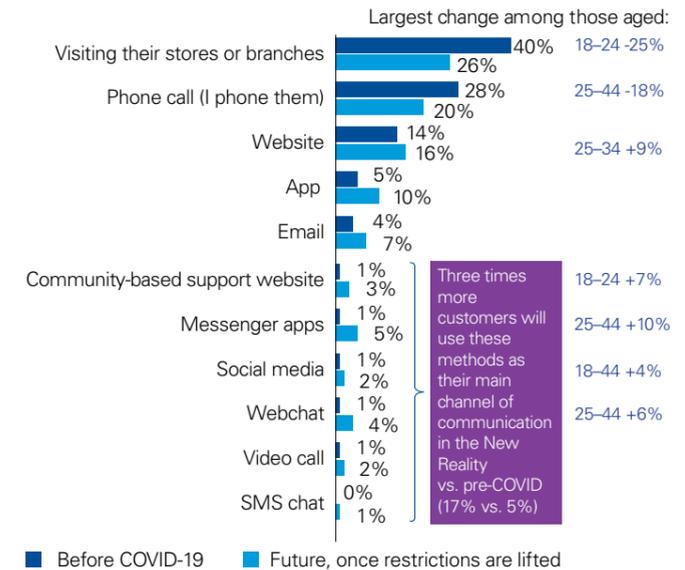
Customers believe that they will use cards and digital wallet options more than cash for future purchases



Organisations will need to invest in new digital methods of communication and payments.

Organisations will have to consider releasing cash from existing channels and shifting into digital. Prioritising digital security will be key.

In the future, the main channel of communication for customer support is likely to be increasingly digital, often with a human touch



Thinking again about [SECTOR], when you need support and contact organisations, what was your main way of communicating (before/now/future)?
 Source: Consumers and the new reality, KPMG International, June 2020

Key findings — all sectors

Brand trust is multidimensional

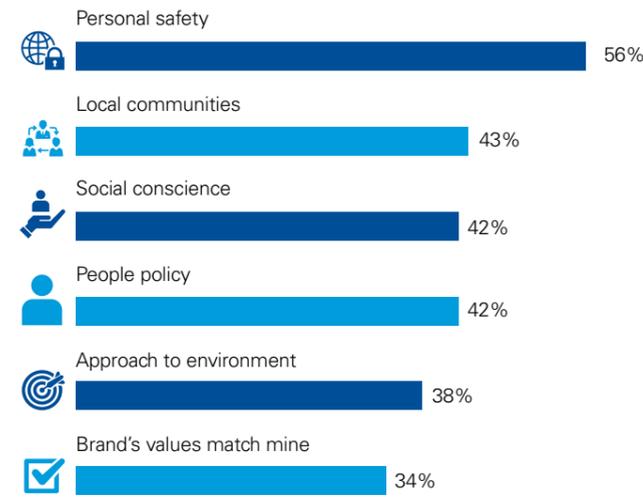
Trust, the third key factor influencing customers' purchase decisions, is also not a new concept. However, probably for the first time, customers have seen organisations put the well-being of their customers and their employees ahead of profit. "Acting in my best interest" is a key driver of trust.

Consequently, trust between a customer and an organisation has become increasingly multidimensional and contextual. Will I be safe when I interact with them? Can I trust them to put my well-being before profit? Will my data be safe? Will they behave creditably when it comes to their environmental and social obligations?

On balance, most organisations have fared favourably in the eyes of the customer. We see a net increase in trust of +3 percent, with some significant market variations (see next page). From a sector perspective, it is the grocery sector that has seen the greatest improvements in consumer trust (+8 percent), possibly as their immediate actions were most visible during lockdown periods across the globe.

Trust, and its various components, have become a much more critical factor in influencing customer decision-making. While 'personal safety' (+56 percent) has increased most in importance, we see an increase in consideration of all elements of trust, from caring for the local community, to caring for colleagues, and to caring for the planet.

Trust in the brand is impacted by perceptions of safety, as well as an organisation's conduct towards their community, employees and the environment



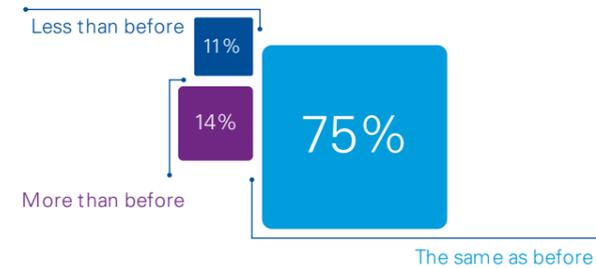
All these factors are significantly more important to customers now than pre-COVID-19, much more so to those **aged 18-44** compared with those **aged 45+**

% is those saying more important

Thinking again about those same things, have they become more or less important to you as a result of COVID-19?

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

On balance, slightly more customers are trusting of organisations now compared with before COVID-19



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

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

Organisations will need to review their sense of purpose and ensure it is aligned to the unique environmental and social impacts that the individual company can make. Tight adherence to social distancing and personal safety will be demanded across every interaction. Organisations will need to identify where they can build trust and ensure that actions that erode trust are eradicated.

Key findings — all sectors

Country focus

The stage of virus maturity, along with cultural factors, the government response to COVID-19 and average age of population, all impact customers' decision-making.

Currently at the epicentre, **US** customers are more willing to adhere to social distancing rules and less concerned about environmental and social policies at this stage.

At the start of the easing of restrictions, **UK** customers will follow government guidelines of staying at home as much as possible, with a higher proportion of customers who will keep working from home in the future.

After Germany, **France's** population feels less financially affected by COVID-19.

Once the epicentre of COVID-19 and one of the most affected countries, **Italians** declare they have been strongly financially hit by the situation. However, customers are ready to go back to their previous behaviours with extra caution.

Japan is the most cautious country in terms of social distancing, financials and behaviour. **Japanese** customers feel much more economically impacted and are much less likely to rate customer experience as important (14 percent).

A population that declares to have been only slightly financially affected, **Hong Kong** (SAR), China is also almost back to normal levels and perceive customer experience (57 percent) as more important now.





Physical retail most under pressure

Nowhere is the combined impact of the global consumer trends more noticeable than in the consumer and retail sectors. The convenience that is afforded by shopping online is a key driver of increased use of digital channels, both for grocery and non-grocery purchases.

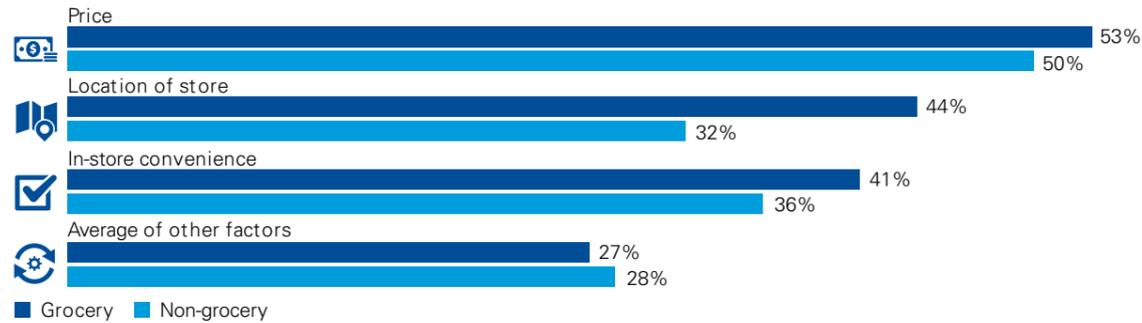
This favours online stores. One in five customers claim that they shop for groceries at online stores (35 percent for non-grocery), while the large offline stores are frequented much less. This trend is set to continue, with almost one in two customers who changed their shopping habits claiming that their new behaviour will persist.

Brazil, Hong Kong (SAR), China, Spain and mainland China saw the highest net increases in use of online services of large grocery retailers, while Japan saw a net decrease in its use. On the other hand, there's a higher net use of online shopping services, such as Amazon vs. retailers in the non-grocery space, with highest increases in Brazil, Canada, Hong Kong (SAR), China and the UK.

At the same time, customers will go to physical stores only when the price is right, when it is convenient and when it is safe to do so. They expect retailers to ensure physical safety, which is now top of mind when asked about what stores should do.

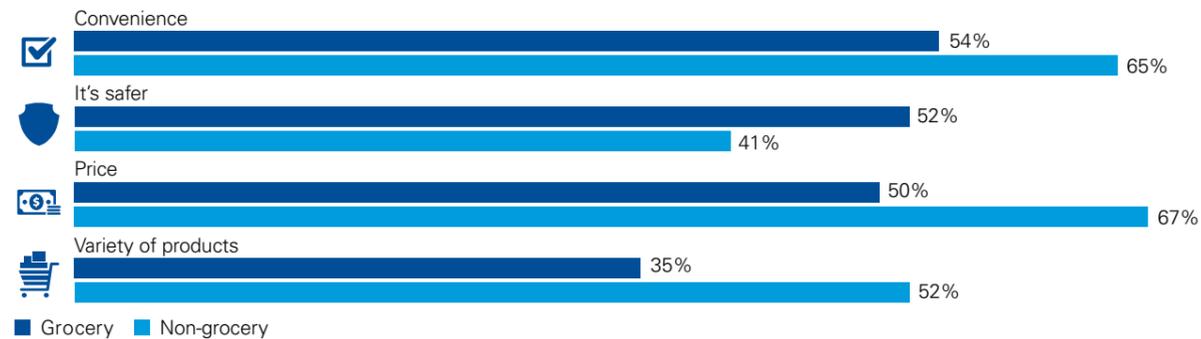
Social distancing is particularly important for customers in the UK, the US and Japan, while German consumers place greater importance on retailers providing free deliveries and discounts.

Factors that influence decisions to go to a store



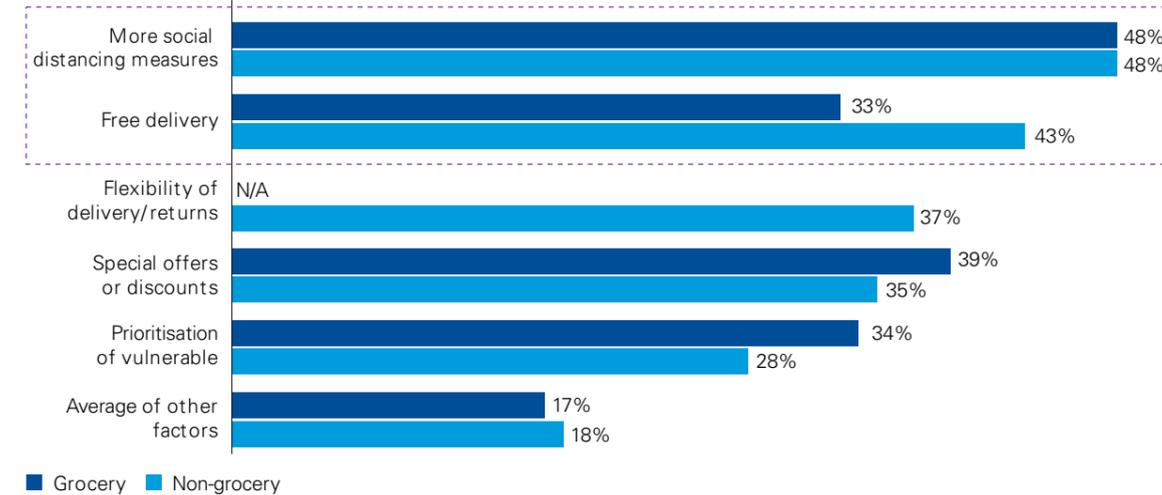
What are the factors that influence your decision to go to a grocery/non-grocery store?
Source: Consumers and the new reality, KPMG International, June 2020

Factors that influence decisions to buy online



What are the factors that influence your decision to buy groceries/non-groceries online?
Source: Consumers and the new reality, KPMG International, June 2020

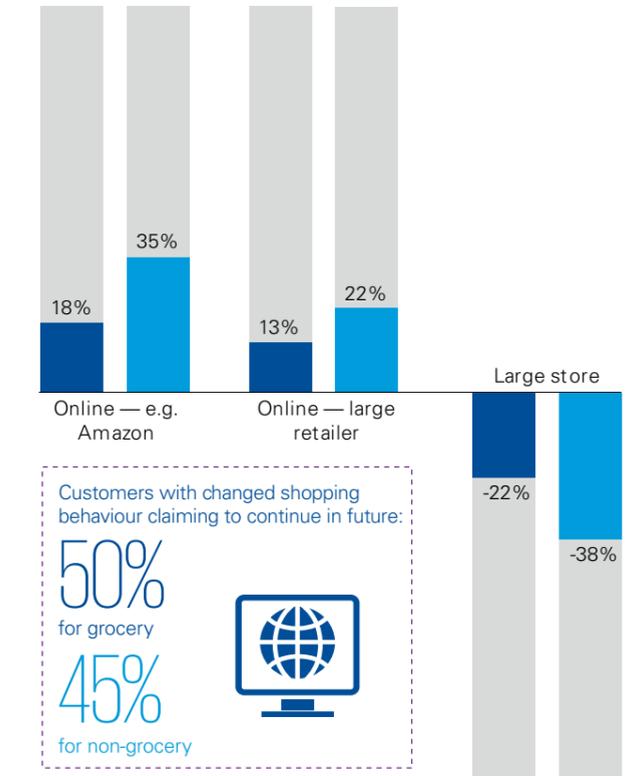
Types of things customers expect retailers to be focusing on



% shows top three mentions
Thinking about you as a customer, what types of things do you think grocery/non-grocery retailers should be focusing on now?
Source: Consumers and the new reality, KPMG International, June 2020

Physical retail will need to offer customers new reasons to purchase offline. With price and convenience being key to customers' decision making, retailers will need to develop their online and last mile logistics and delivery capability and manage the balance between home delivery and in-store product ranges.

Change in shopping habits during COVID-19



Customers with changed shopping behaviour claiming to continue in future:

50% for grocery
45% for non-grocery



% shows the net change (% used more, minus % used less)
How have your shopping habits with grocery/non-grocery retailers changed during COVID-19?
And how likely is it that you will continue using these methods in the future, once all restrictions are lifted?
Source: Consumers and the new reality, KPMG International, June 2020



Going local

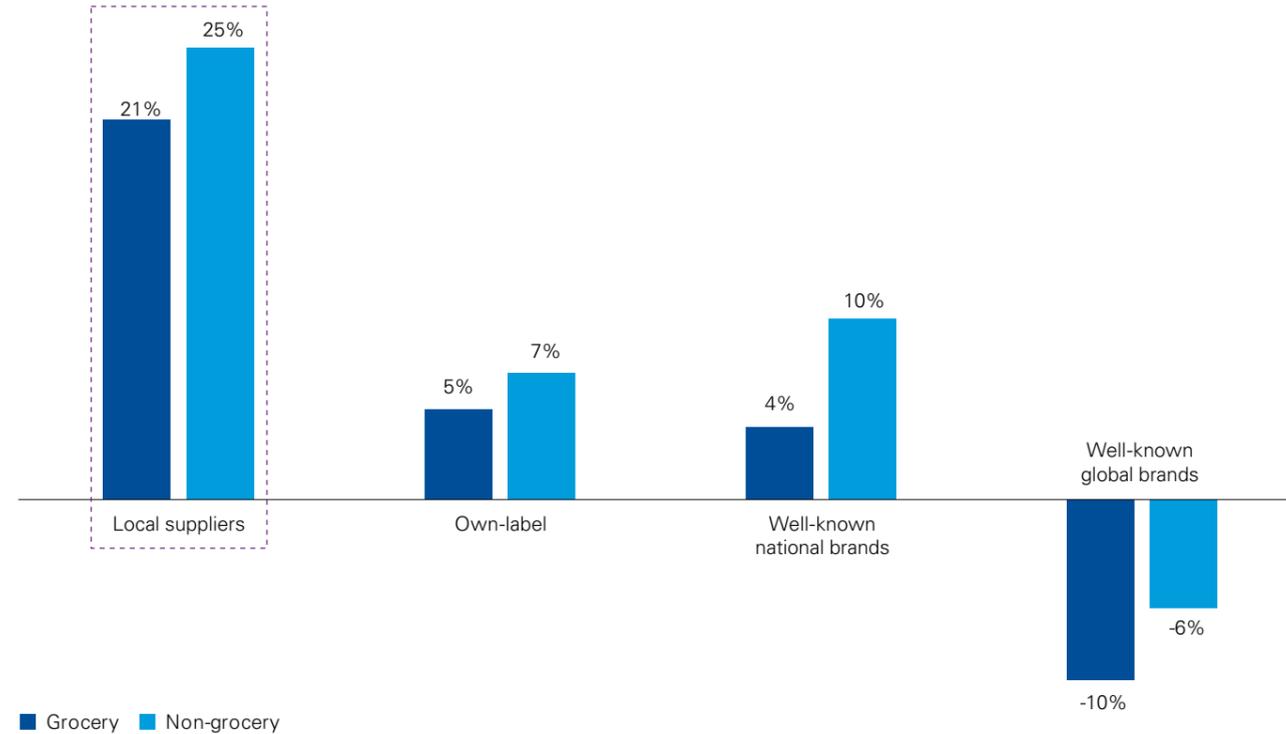
Customer perceptions of retail brands are changing, and many claim to be more willing to use their local suppliers compared with well-known global brands in the future.

Although we saw an overall dip in local buying in the immediate aftermath of COVID-19, increased time at home and restrictions on travel have focused attention on concern for the locality.

Local shops have fostered new relationships as they care for the vulnerable and the elderly, providing welcome delivery services. Of those who will prioritise shopping locally, about nine in 10 are willing to pay more for local products, where their spending has a noticeable impact on the local economy and where they can trust the provider.

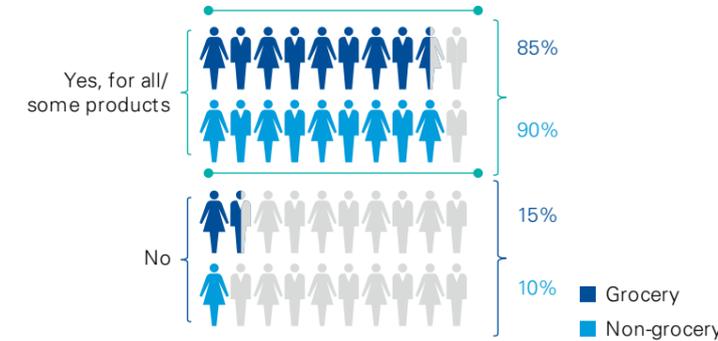
This is bound up in a much greater sense of place, community spirit and concern for the environment with respondents wanting to see greater support from retailers for local communities and nearly one in four interested in their own country's products.

How do customers think their brand preference will change in the future, in the New Reality post-COVID-19?



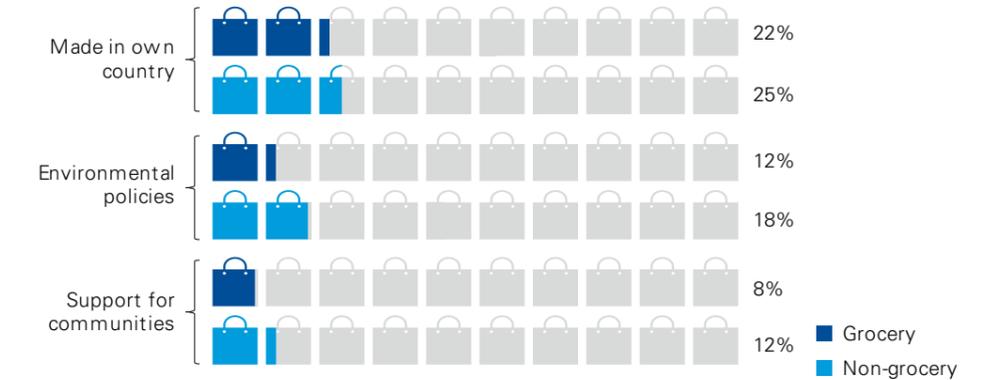
% shows the net change (% more likely to use, minus % less likely to use) post-COVID-19) Thinking about your personal preferences in grocery/non-grocery shopping, how do you think your brand preference will change in the future, once all restrictions are lifted, compared with before the COVID-19 situation? Less/same/more
Source: Consumers and the new reality, KPMG International, June 2020

Will customers be willing to pay more for locally sourced items?



% of those more likely to buy from local suppliers in future
When you buy from local grocery suppliers, would you be willing to pay more for locally sourced produce?
Source: Consumers and the new reality, KPMG International, June 2020

What is important to customers when choosing a product and brand?



What is important to you when choosing a product and brand when grocery/non-grocery shopping?
Source: Consumers and the new reality, KPMG International, June 2020

The trend towards local products may revitalise tertiary high streets, which have seen a decline over the past years. Organisations will need to align their supply chains to the growing trend of a desire for localness. This is more than just sourcing — companies will need to be demonstrably supporting communities, new community networks and being locally relevant.



Digital banks are the main beneficiaries

Customers expect their banks to be focusing on digital security and personal safety.

Value for money and focus on price play out similarly in retail banking. Price (interest rates) is still a big determinant of product selection.

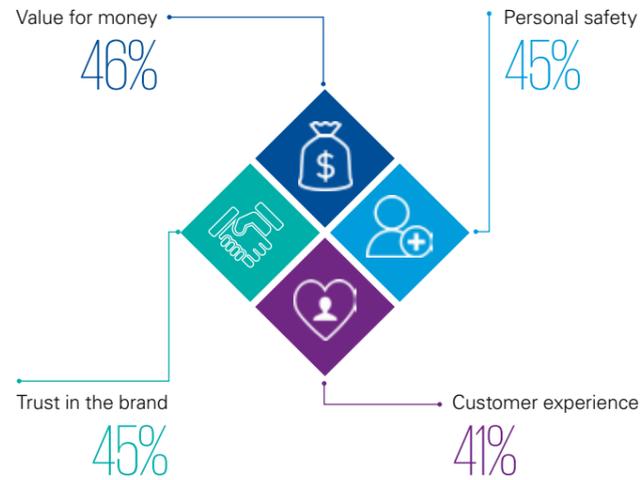
Ease of access (personal safety) is a priority for customers alongside better functionality on website, apps and proactive communications with regards to the effect of COVID-19 on their service offering.

Trust in the brand (45 percent) is one of the key attributes for the banking industry, with the research showing a net improvement in trust for own bank (+15 percent), with virtually all consumers saying they trust their bank at least as much as before COVID-19 (96 percent). Chinese and Brazilian customers trust banks to a higher degree, whereas those in France less so.

In retail banking, the trend towards increased trust is directly benefiting new and digital banks, with a net positive effect, double that of traditional banks. In the banking sector, customers want banks to prioritise digital security, as well as prioritising vulnerable and frontline workers.

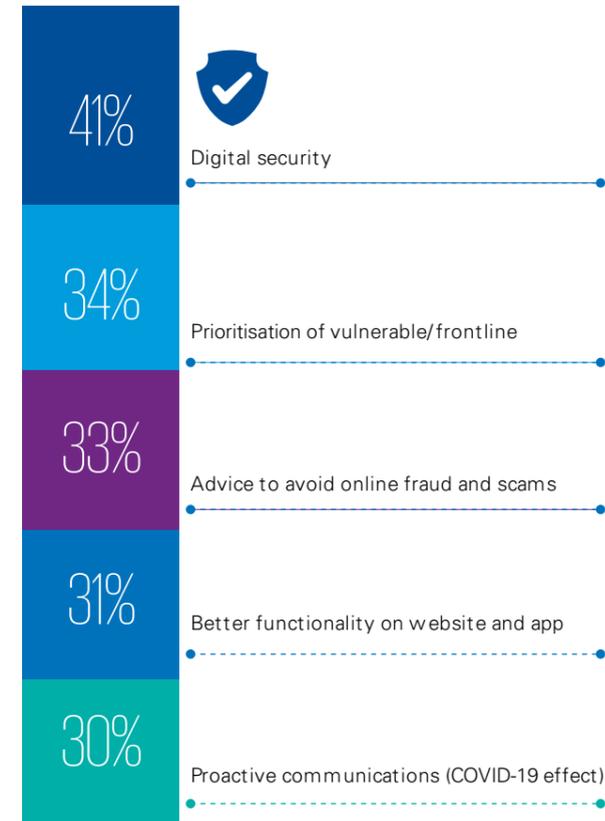
One in 10 are considering switching banks as a result of COVID-19, and of this group, four in 10 are more likely to move to digital banks, especially in Australia and Brazil.

Value for money, safety, trust and customer experience are important for customers when buying from banks



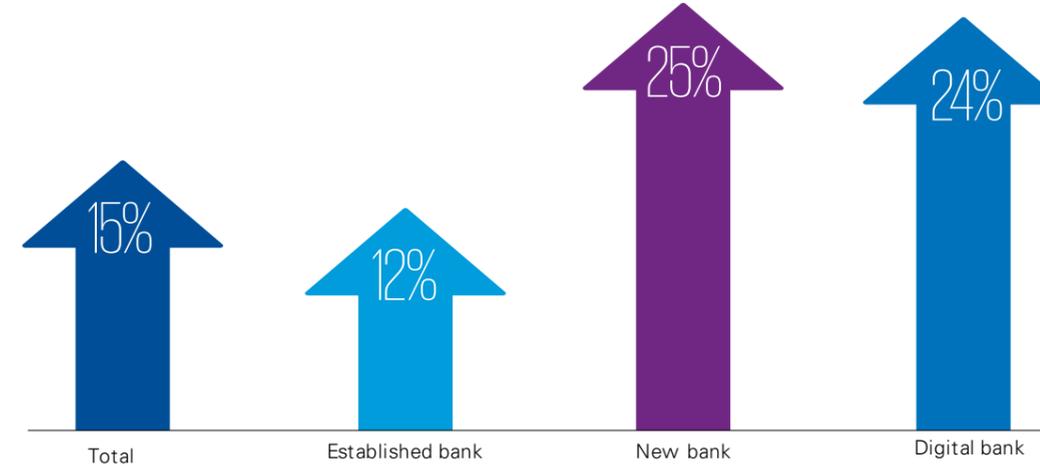
Which of the following is important to you now when buying a product or service?
Source: Consumers and the new reality, KPMG International, June 2020

Customers expect banks to prioritise digital security



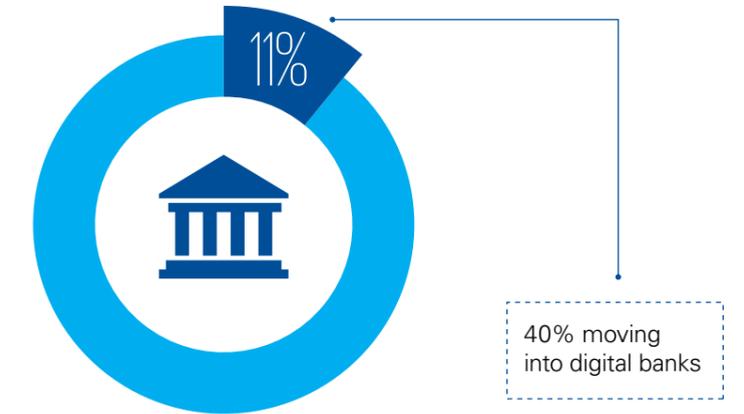
% shows top three mentions
Thinking about you as a customer, what type of things do you think that banks should be focusing on now?
Source: Consumers and the new reality, KPMG International, June 2020

Net improvement in confidence and trust in new* and digital banks



*New bank is one launched in the last 15 years with both branches and digital
% shows Net confidence = More confident – Less confident
How would you rate your confidence in your own bank compared with before the COVID-19 situation?
Source: Consumers and the new reality, KPMG International, June 2020

One in 10 are considering switching banks as a result of COVID-19



Are you more likely to consider switching banks in the future as a result of COVID-19?
Which type of bank do you think you are most likely to switch to?
Source: Consumers and the new reality, KPMG International, June 2020

Established banks must work harder to compete on trust. New and digital banks should look to promote those key purchase drivers that play well to their offer (e.g. digital security, ease of use, as well as value for money).



Sector focus
Banking

'Seamless' omnichannel experiences

Personal safety (45 percent) and customer experience (41 percent) are two important attributes for the banking sector (see page 12). Use of multiple channels for different activities is now expected.

With the temporary closure of branches across the world during COVID-19 comes a lasting change in how customers will interact with their banks.

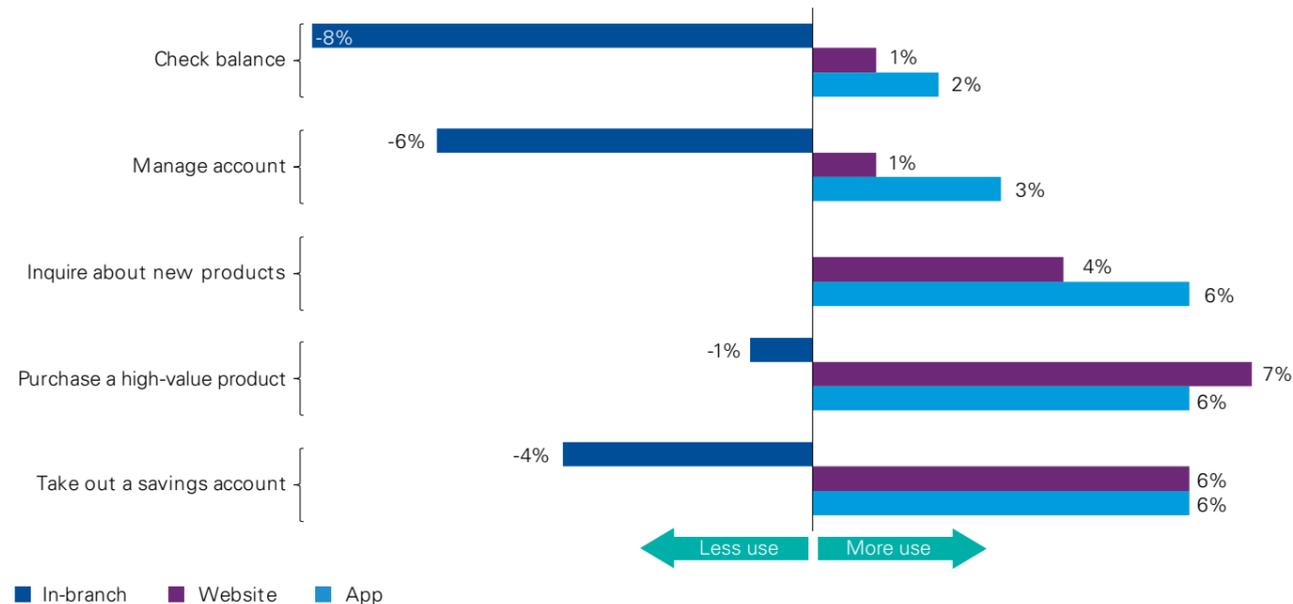
Customers are telling us that even after current restrictions are lifted, they will continue to use website and app channels more, especially for interactions relating to purchasing high-value products or savings accounts.

However, many anticipate still going to a branch — up to a third will return to doing so, and they expect their safety to be of paramount importance to banks.

This indicates a broadening of channels used by customers, rather than the abandonment of traditional

channels. This is evident when asking customers about their needs when interacting with banks online: customers require the ability to switch device and/or channel as they require, to get their needs fulfilled.

Once COVID-19 restrictions are lifted, banking customers expect to continue using digital more



Which methods of communication would you use to interact with your bank(s)... a. Before COVID-19. b. And which ones will you be more comfortable to use in the future, after COVID-19, once all restrictions are lifted?

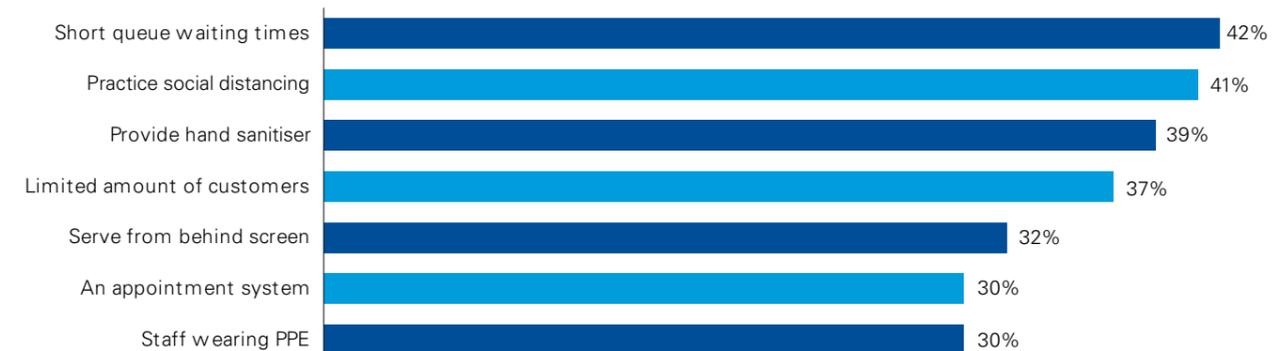
Source: Consumers and the new reality, KPMG International, June 2020

The ability to work across multiple devices with a true omnichannel experience is key to encourage online use



What do you think that banks could do to improve the online experience?
Source: Consumers and the new reality, KPMG International, June 2020

For those who would return to a branch, there must be assurance that branches will not be crowded — personal safety



What would a bank need to do to encourage you to go back to a branch, once all restrictions are lifted?
Source: Consumers and the new reality, KPMG International, June 2020

Banks need to re-assess their channel mix. Has the purpose that each channel serves changed? Can banks deflect investment from traditional channels into a more robust, customer-centric omnichannel offering?



Sector focus
Insurance

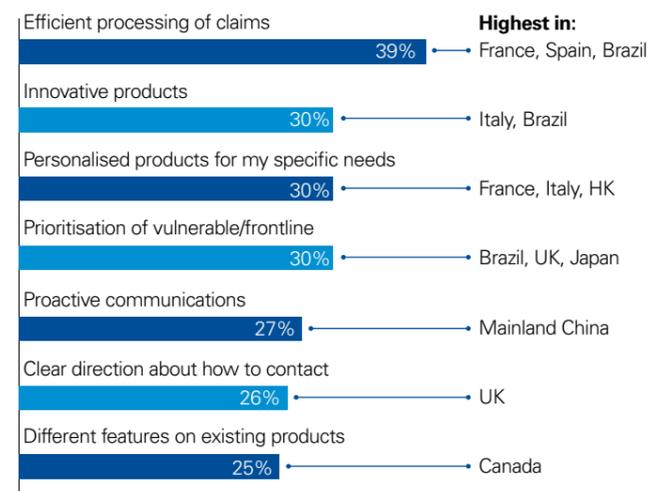
Customers need to secure against future risks

Customers expect the impact of COVID-19 to last. Almost half expect that normal life will not resume for at least 6 months, especially those aged 45+.

This likely underpins many customers' increased need to secure against unforeseen events. A quarter of customers have acquired and/or are considering an insurance policy as a direct result of COVID-19, notably car and life. Acquisition has been highest in mainland China, Italy and Brazil to date, with the lowest rates in each of Japan, Australia and the US.

Where customers need to claim, efficient processing of claims remains critical — especially in the current environment, where delays in pay-outs may have severe implications for customers' personal financial situation. Customers also state an increased preference for using digital channels to settle claims (+6% web, +3% app).

Efficient processing of claims should be the number one priority according to consumers

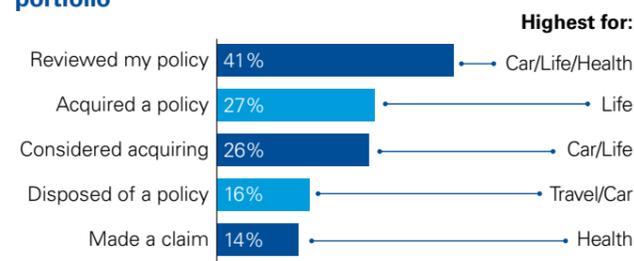


% shows top three mentions
Thinking about you as a customer, what types of things should insurance companies be focusing on now?
Source: Consumers and the new reality, KPMG International, June 2020

The insurance sector should expect continuous increased activity around customer acquisition and churn.

Organisations which will succeed are those who maintain customer trust (for example, by processing claims efficiently).

COVID-19 has driven a number of insurance customers to review at least one current policy and consider their portfolio



And for each of these types of insurance policies, which of the following have you done as a result of COVID-19?
Source: Consumers and the new reality, KPMG International, June 2020



Sector focus
Insurance

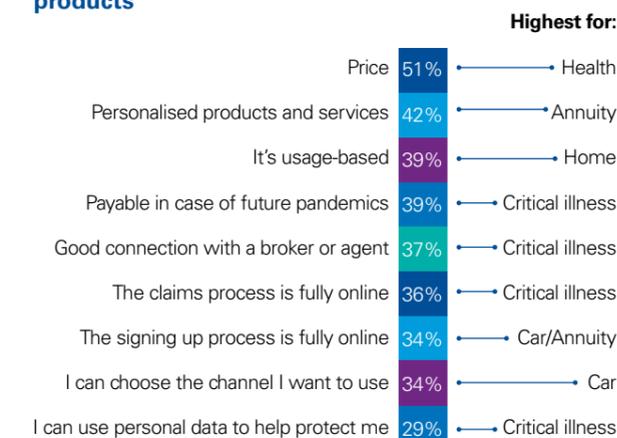
Trust remains strong, yet more is needed

While policy choice will continue to be price-driven, 42 percent are looking for a more personalised product and indemnities against future pandemics. The latter being a direct consequence of many policies not paying out due to exclusion clauses.

Trust in insurance companies appears not to have been damaged (+4% points net improvement in trust), however, it is clear that customers are impacted. A third now request proactive communications on the effect of COVID-19 on the service offered and want to understand how exactly their policies have been affected and what they are covered for and what they are not.

Clarity on what is and isn't covered will help insurance businesses further build trust. The benefits will be in both greater societal awareness of the need to secure against unforeseen events, and greater customers willingness to provide personal information. Two in five consumers are willing to share more data with insurers, if the value is clear to them. However, nearly half are looking to keep their data more private, indicating that firms need to explain the benefits of data sharing to engender greater trust in the sector.

Price will be the key purchase driver for insurance policies, as well as demand for more personalised products



And thinking about the next time you choose a policy, which of the following do you think will be most important in your selection?
Source: Consumers and the new reality, KPMG International, June 2020

As many people are happy to share their personal data as not, with two-fifths saying they would do so in order to improve their experience



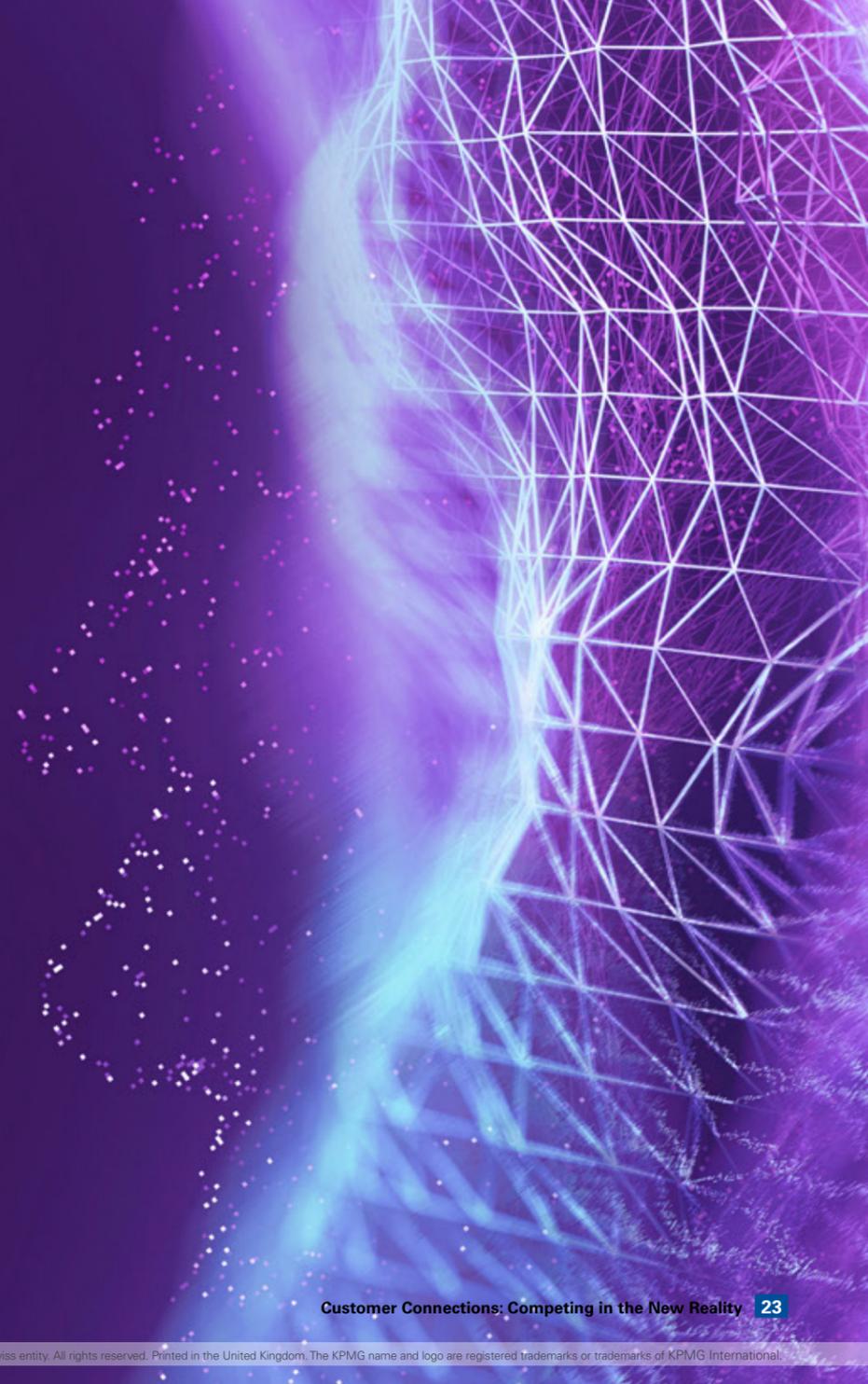
■ I would always share my data
■ I would be happy to share my data if it will improve my experience
■ I would not be happy to share more of my data
■ I want to share less of my data
■ I don't know

To what degree do you feel comfortable with companies having access to your spending and behavioral data in exchange for your personal convenience and safety/well-being?

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

Organisations need to be transparent about what is and isn't covered. This will be critical to support customers in a time of lasting uncertainty.

Spotlight on the UK



Britain reopens for business

The global COVID-19 tracking study highlights three formative influences on customer behaviour. The harsh economic realities will constrain customer spend and lead to a focus on price, the ease of interaction using digital channels will be a priority and trust in how an organisation conducts different aspects of their business will all collectively be the key determinants of supplier selection.

The UK mirrors these findings. As organisations come to terms with a New Reality their recovery strategies require rapid adaptation to the New Customer.

KPMG's weekly tracking poll results show that a significant number of businesses are now transitioning from the immediate pressure of fortifying operational resilience to planning for recovery.

Customers meanwhile still feel vulnerable, safety obsessed and are seeking to restore control to their lives. Responding to the New Customer's changed needs, values and preferences is unlikely to be simply restoring business as usual.

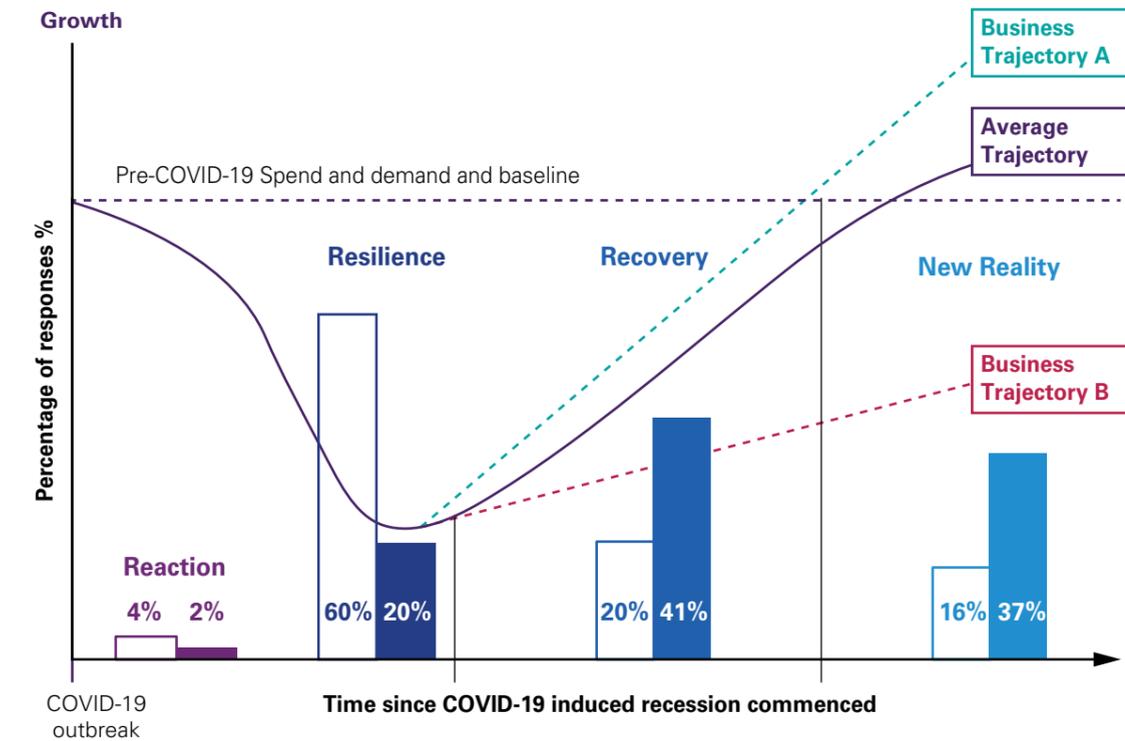
Companies will need to deeply understand their New Customer, develop appropriate experiences and engagement strategies and then consider the business model needed to deliver them.

Consequently, as businesses plan their COVID-19 recovery we can see two trajectories emerging.

Type A businesses plan for where the customer is going to be post crisis and rely on a working assumption that 'things will never be the same again'. Type As will use this crisis as a means of reconceiving and reinventing their business to accelerate transformation programmes and embrace new ways of working permanently. Everything will be on the table.

Type B businesses are shaped by the prevailing belief that things will return to normal and the customer will revert to pre-COVID-19 behaviours. The working assumption is that 'the world will return to where it was' and this will shape and define the mental model of the leadership team.

% of business in each phase taken from UK KPMG spot polls - 29th April vs 24th June 2020



Source: KPMG Economic Outlook April 2020



Reaction

Urgent, critical and enterprise focused – how do we protect our people and our customers; business continuity and liquidity?



Resilience

Considered, reactive measures – how do we optimise financial, operational and commercial resilience? How do we manage risk?



Recovery

Market focused – what are the quick wins and adaptations needed to maximise our sales trajectory and return to performance?



New Reality

Customer focused – how can we adapt business models for long-term cost savings to drive growth, competition and brand purpose?

In the UK, what matters most to the New Customer?

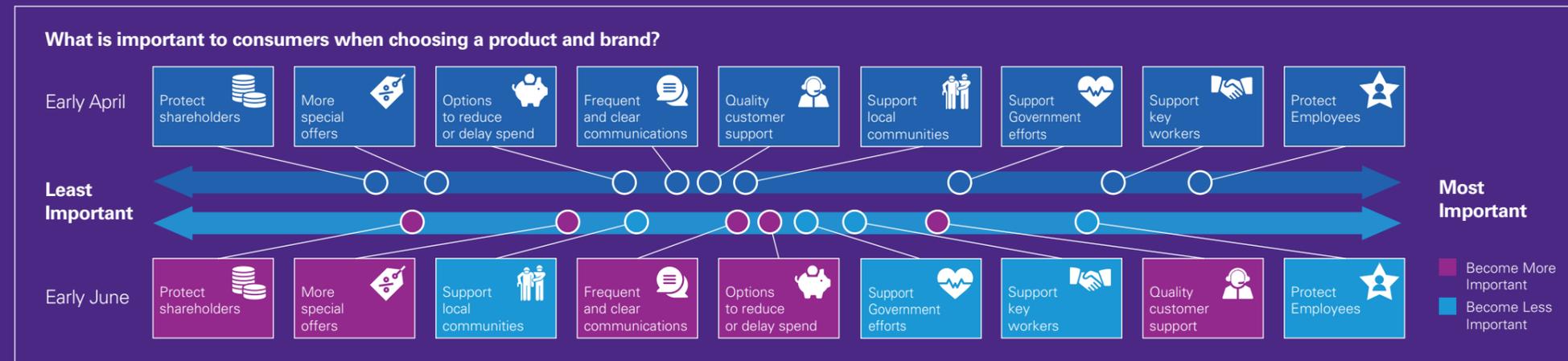
As we move through the COVID-19 curve, customer priorities are evolving.

In a similar way to companies, customers are moving along an emotional curve from their immediate reaction to COVID-19. They are having to take precautionary safety measures coupled with the worry of the unknown, through to thinking about their financial position, to their recovery and how to deal with their future reality.

Many customers are still in the resilience phase, where financial and economic considerations are paramount. Spend will be deferred, the focus is still on essentials and customers are uniquely aware of the need to improve their savings and cash reserves.

So, they are still very concerned about value, keen to see offers that reduce their weekly bills and keen that their investments continue to provide financial support; this is especially true for those planning for, or in, retirement.

As companies and governmental organisations have rapidly responded to the needs of the population at large many of those initial "reaction" concerns have now been assuaged. Consequently, they are now less concerned about the support for Government efforts, the safety of the local community and the key workers and employees exposed to potential safety issues. Whereas their immediate planning horizon was initially day-to-day, they have reached a point now where they are actively thinking more long-term and planning for a COVID-19 shaped future.



Customer spend

For the foreseeable future customers will be spending less. Discretionary items will be deferred and big ticket items postponed indefinitely.

As a society, lockdown fatigue has set-in and we are all keen to return to a more normal way of living. Customers have become increasingly concerned with the profound financial consequences this pandemic has had. This will have a major impact on future spending patterns.

Already, expenditure is being minimised, with 8 in 10 customers limiting their spend and where possible accessing payment holidays on mortgages, loans and car finance. With 47% of the adult UK population feeling worse off, the economic consequences of the pandemic is yet to flow through into jobs and the threat of redundancies, therefore spending will be constrained for some time.

Customers are seeking to restore their finances and 20% suggest they will be increasing their level of savings.

When we look at the customer demand and planned expenditure in the new normal versus pre-pandemic, we can see, unsurprisingly, that the hospitality sector will be hardest hit. Around half of customers say they will now spend less on visiting bars and clubs (54%), going to the cinema (53%), having meals out (51%), going to the gym (49%) and taking overseas holidays (46%).

In contrast, the categories with the largest planned increase in spend are domestic holidays, home improvements and eating in. Despite most planning to decrease spending on overseas holidays, 15% are planning the opposite - to increase spend in this area as soon as they are able.

Customer finances – how have they been affected?



Customer demand – planned expenditure in the 'new normal' versus pre-pandemic



Rapid channel adoption

As more customers start to switch out of traditional bricks and mortar outlets and phone channels, delivering a personalised digital experience has become increasingly important.

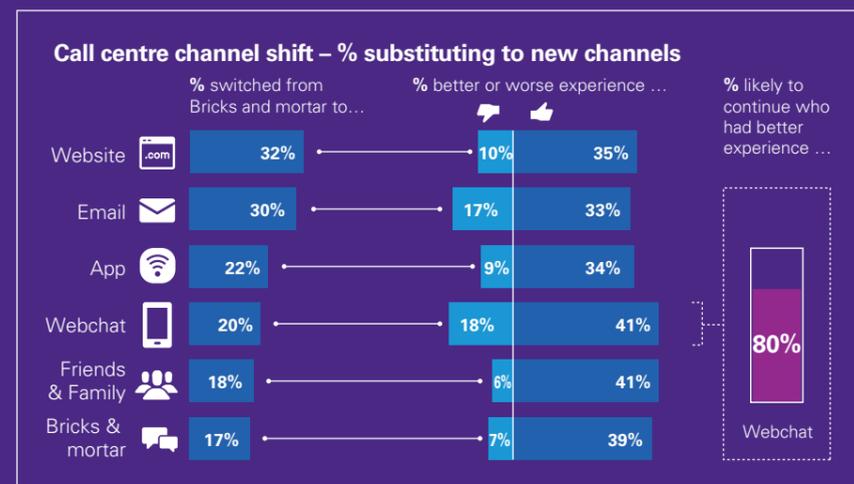
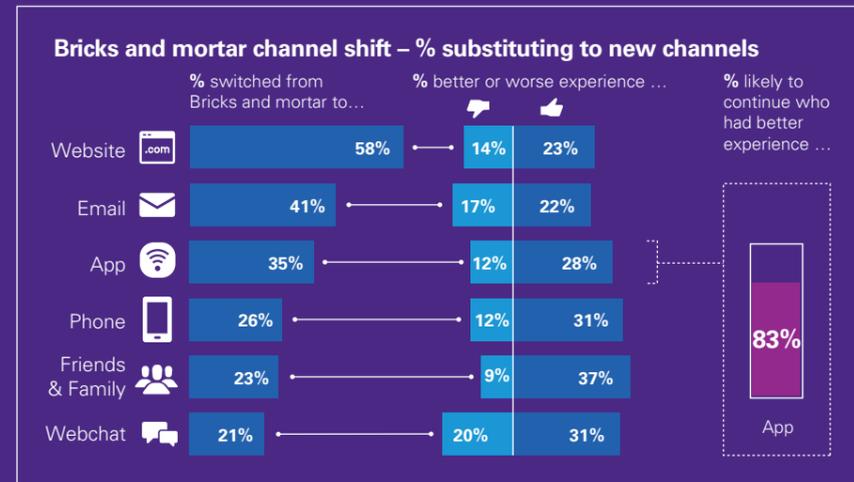
In our **Wave 1 report findings** we saw 89% of customers had already changed the way they deal with businesses and had migrated to new digital channels. This has been exacerbated by store and branch closures that have forced customers to go digital, with nearly 60% switching to websites, 41% to email correspondence and 35% downloading new apps to get things done

However, there is a demographic fragmentation on the choice of digital channels. For older customers, many of whom were going online and using websites for the first time, the ease, convenience and safety has reset their views of how you can interact with retailers. For younger customers social mechanisms and apps were the preferred method for contacting organisations.

This wave of research suggests that 80% of customers intend to stay with the new channels they have become familiar with.

For all age groups the role of the internet as a socially connective mechanism has meant largescale adoption of video conferencing technologies, local WhatsApp groups and Facebook pages have accelerated the sense of local community and provided new ways of communicating.

In these uncertain times customers seek and value the ability to interact with other people, either by phone, video, via chat and where possible face to face. As we prepare for the 'new normal', hyper personalisation will be vital- finding new ways to personalise and add functionality to digital service and support channels will be key.



Customer experience

Unsurprisingly lockdown restrictions have made it harder for many customers to go about their daily lives.

Traditional bricks and mortar channels have been particularly hard hit, with stores and shops either closed or having to implement strict social distancing procedures to meet safety guidelines. Even firms with a strong online presence have struggled to meet demand. These have all contributed to the deterioration in customer perceptions of the quality of the customer experience.

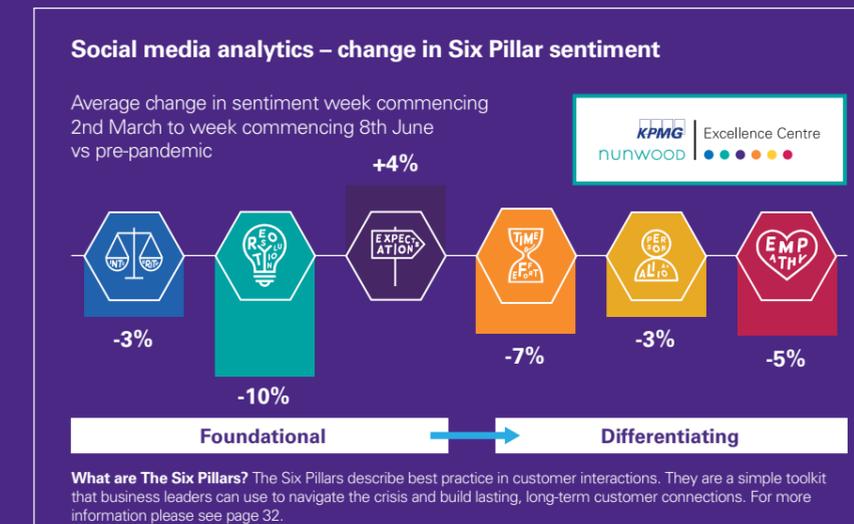
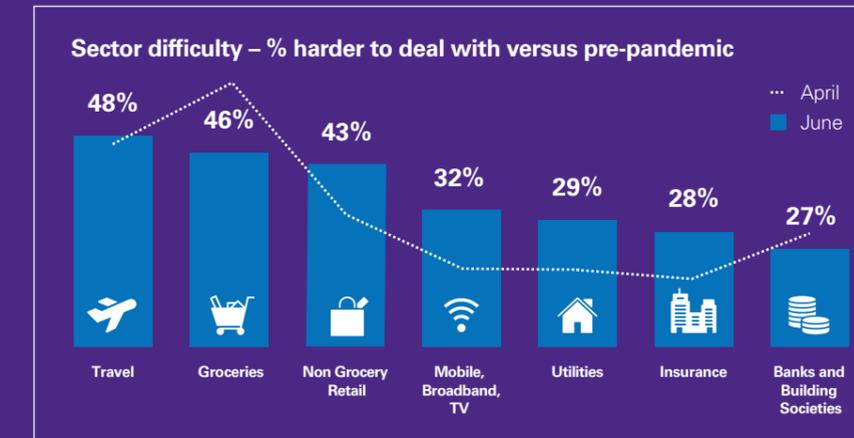
Customer feedback and social medial analytics all point to it being more difficult to deal with businesses than before the pandemic, with 48% of travel, 46% grocery and 43% non-grocery retail being hardest hit. As well, customers wishing to reach their bank or insurance broker remains difficult.

For the first time, customers are seeing queues to get onto websites, restrictions on both products and home delivery. For customers that have booked travel and holidays they are having to accept credit notes for cancelled trips (where refunds are not made available online).

Contact centres have been difficult to access as companies either furlough workers or have them working from home. High demand, lower capability and less visibility on customer journeys has severely impacted the quality of the telephone experience.

The impact of these experiences is further evidenced in the KPMG Nunwood Six Pillar sentiment scores on customer experience – with particularly low scores for Time and Effort as firms are difficult to access, Resolution where it is difficult to get problems fixed, and Empathy as under pressure staff react to being inundated, consequently scores are being affected negatively.

As customer demand starts to bounce back, businesses whilst strictly enforcing safety regulations will need to assess their business priorities with an emphasis on digitising and streamlining the experience.



Brand values

At the heart of every successful brand relationship is trust. But the basis for trust is changing as increasingly customers seek companies that share their values.

A new set of customer values are emerging which are shaping fundamental changes in purchase priorities and brand choice. Financial constraints, provenance and localness are weakening traditional brand loyalty. In fact, over a third of respondents are now seeking out lower cost, non branded items. Customers want low prices, but they also want to deal with suppliers that have a strongly developed social and environmental purpose. This is now not an either or; a growing number of customers want both.

COVID-19 has raised the level of importance that business must give to environmental, social and local agendas. It can no longer be solely the preserve of the CSR department, 62% of customers are wanting to see real business commitment in reducing their environmental impact on the world.

For the first time customers have seen organisations act selflessly, putting customers and employees ahead of profits. This is no longer a nice to have – in the future it will be a condition of doing business. Organisations that backtrack on the behaviours they have demonstrated through the pandemic will struggle to retain customer trust.

Importantly, customers are still concerned about the quality of the experience, but what constitutes a good experience is evolving. Easy digital access, frictionless ecommerce and safe and secure payment systems all safely cyber protected are now minimum standards.

Customers have seen organisations adapt their procedures to individual circumstances. Shopping hours for key workers, the vulnerable and the elderly accelerate an already evident trend, for example, supermarkets providing specific shopping times for autistic customers. Over a third of customers want to see increased personalisation and greater recognition of their unique circumstances.

In our latest Customer Experience Excellence research findings brands that responded positively to these changing customer values have seen double digit improvements in both their rankings in the index and in their Net Promoter Scores.

Sector difficulty – % harder to deal with versus pre-pandemic



Brand values – Top 5 long term brand levers



% Top 2 Box Importance

The future of socialising

As the government moves to Phase 3 of the lockdown roadmap and businesses reopen, we've yet to realise the psychological impacts of the pandemic and what this may mean as we all return to a 'new normal'.

Already, we can see that 38% will be highly cautious and limit social interactions, half the UK adult population will be evaluating and managing the risk of 'going out'. So, 88% of the UK population will be cautious as lockdown restrictions begin to be lifted. This has significant implications for any business where social interaction occurs. Retaining customer trust will be predicated in ensuring a safe, social environment.

This is not unique to the UK. Across the world we are seeing many countries facing what is being coined as a 'social recession' which may have a profound and long-lasting impact on customer behaviour.

This presents a significant challenge for business leaders who are already faced with the difficulty of predicting levels of demand; complying with social distancing guidelines; protecting customers and employees and readying operations to re-open in a cost-effective manner.

As businesses begin to re-open, customers are starting to predict what future experiences will look and feel like. In our latest research, 40% of customers feel their experience will be worse in the 'new normal' compared to pre-lockdown. They are raising concerns around queues, wait times, the atmosphere in bars and restaurants and not being able to interact with others as before.

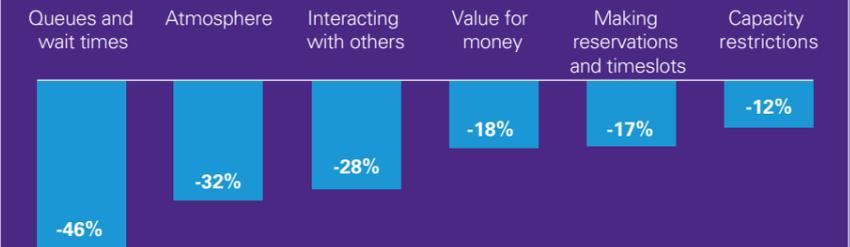
Customer attitudes - relaxing lockdown rules



New normal – impact on customer experience

4 in 10 think the customer experience will change for the worse as things begin to re-open after lockdown

Net impact on quality of experience - % better - worse ...



The KPMG Nunwood Excellence Centre is a leading think tank on global customer and employee best practice, based on c.4 million evaluations across 34 markets to date. With extensive research coverage throughout the crisis, the Centre offers a comprehensive view of best practice in adapting to the New Reality.



In the New Reality, the Excellence Centre can provide organisations with:



Access to ongoing consumer insights

The Connected Customer, insights and analytics tracker incorporates 8 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.

We can help you to apply this knowledge to your organisation. For more information please visit our Global Insights page [here](#).

Understanding the New Customer

Our Customer Connections series forms part of KPMG's wider resources to support organisations as they respond to COVID-19.

In our forthcoming publications, we will continue to explore the New Customer behaviours, needs and attitudes that are evolving and what this means in the New Reality.



New Customer

The changing behaviours, values, needs, preferences and spending patterns, alongside the Environmental, Social and Governance agenda.



Six Pillar Experience

The new experiences that businesses will need to create to respond to the changing customer.



Customer-centric Enterprise

How this impacts future operating models. The New Customer will link to every business decision.

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