



Me, my life, my wallet

**What's really driving
consumers' decisions?**

**Global executive summary
— China edition**

KPMG International
Global Customer Insights
Second edition

kpmg.com/customerinsights



For organizations faced with an already demanding consumer with rising expectations, our global research provides a fresh approach to help understand the complex, underlying and interconnected drivers of human decision-making.

Today's consumer grows more complex by the day. Tomorrow's consumer is less predictable than ever. And the collision of geographic, geopolitical, demographic and technological revolutions has created a 'perfect storm' that's making customer centricity a prerequisite for survival, far from simply a management ideal.

In the second edition of *Me, my life, my wallet*, we've continued our exploration of the multidimensional customer — what's truly driving behavior and choices — and how this is set to change as the customer of tomorrow emerges. We've built on the first edition's unique and multilayered research methodology developed by KPMG Innovation Labs with an even more ambitious research endeavor, drawing on new insights from across the KPMG network. This year's edition is based on ethnographic interviews and an online survey, conducted during 2018, by GLG and Foresight Factory on behalf of KPMG International for *Me, my life, my wallet*. The survey included nearly 25,000 consumers across Brazil, Canada, China, France, India, the UAE, the UK and the US.

The research explores six key themes of critical importance to organizations and institutions around the world.



Trust

Understanding consumers' explicit and implicit expectations regarding their data, and the need for organizations to rebalance permission and presumption.



Data

Uncovering the stark realities of the data trail consumers create across devices, interactions and key life stages.



Wealth and retirement

Questioning the potential impact of a looming savings crisis and rethinking retirement in an era of unretirement.



Generational surfing

Challenging the Boomer and Millennial hype and looking at the overlooked Generation X and the behavior transfer to Generation Z.



The customer of the future

Connecting the need to understand consumers more intimately with the ability to deliver more personalized experiences in today's hyperconnected and informed world.



The B2B customer

Recognizing that rapidly changing consumer motivations and expectations are permeating the workplace, and applying a consumer behavior lens in a B2B context.

Highlights

- **We live in anxious times and younger generations are feeling it.** Forty-seven percent of consumers worldwide feel more anxious than last year, and the same number feel more anxious than 5 years ago — especially the Millennials at 51%, compared to only 36% of Boomers.
 - **Consumers are eager for all kinds of new technologies that make their life easier.** Two-thirds of consumers are interested or very interested in technology — and even more so in China (81%) and India (83%). And the majority of AI, voice and machine-learning 'new tech' is considered 'cool' rather than 'creepy' — particularly virtual personal assistants (42%), fraud detection on credit cards (43%) and smart home devices used for security (42%).
 - **Consumers love access to information — but increasingly need a break.** Seventy-six percent of consumers like having access to lots of information; however, 29% sometimes feel overwhelmed. In fact, 30% of consumers say they intentionally disconnect from technology, with over half (54%) saying it is because they need a break.
 - **Huge concerns surround the use of data and hacking.** Globally, 51% of consumers are anxious about identity theft, 48% about the hacking of financial, medical, or other personal info online, 46% about the theft of credit card details when shopping online, and 38% about the unauthorized tracking of their online habits by companies, governments, and criminals. And concerns run surprisingly higher among digitally native younger generations, with Millennials consistently the most anxious.
 - **Consumers are aware of the breadth and value of their data.** Globally, 73% of consumers are okay with sharing some aspects of their data and personal information, although they want to see value from its use. And financial data isn't the biggest concern when it comes to safety — 72% of consumers don't trust anyone with their social media data, 68% don't trust others with their search or browsing history and 81% don't trust behaviorally tracked ads.
 - **Trust varies widely by industry ...** Globally, the majority of consumers trust banks (59%), healthcare providers (60%) and technology companies (54%). Advertising (26%) and government (37%) are trusted the least.
- ... and by the type of data being shared.** Consumers are more likely to trust companies with the data that is directly relevant to the service they are providing. For example, 71% of consumers trust banks with their financial data, but only 9% would trust retailers with this info. Likewise, 47% of consumers trust telecom providers with their mobile data, but only 8% would trust advertisers.

Explore the full *Me, my life, my wallet* report, including an in-depth look at these themes, alongside comprehensive country-by-country analysis, at www.kpmg.com/customerinsights.



The research across eight global markets provides an in-depth look at the STEP (social, technological, economic and political) events influencing consumers of today and tomorrow, and spotlights emerging patterns of behavior around the world.



Brazil



of Brazilians gave their first child a smartphone at the age of six or younger, and that number rises to 53% for the second child and 65% for the third

“Despite the economic downturn, Brazil’s consumer has fallen in love with mobile technology, and this has led to a complete realignment of purchasing behavior. A return to robust economic growth would allow them to act on these motivations fully for the first time, creating enormous opportunities for companies that have laid the groundwork in time.”

Charles Kriek
Chairman and CEO,
KPMG in Brazil

Canada



of Canadian consumers don’t trust anyone with their social data, ahead of the global average of 36%

“The Canadian consumer has increasing expectations of value in a very diverse market. Only companies with a deep understanding of local consumer motivations and priorities will win in this thriving market.”

Elio Luongo
CEO, KPMG in Canada

China



of Chinese consumers would trade their personal data for better customer experience and personalization, compared to the global average of 15%

“The scale and sophistication of China’s online environment is unique — and the story is ongoing. China’s consumer chases novelty, giving new players plenty of opportunities to enjoy astonishing growth rates. The players that dominate this, the world’s largest online market, must reinvent themselves continually to stay ahead.”

Benny Liu and Honson To
co-Chairmen,
KPMG China

France



of consumers in France say they would not trade their data, compared to 24% globally

“The French consumer is frustrated by clumsy online marketing and prefers to do their own searches online. They like to feel free as they deepen their involvement with the digital world. A company that is smart enough to win the sophisticated French consumer can win any consumer worldwide.”

Jay Nirsimloo
Chairman and CEO,
KPMG in France

India



of Indian consumers feel overwhelmed by the volume of available information

“The Indian consumer is difficult to understand, and as the online revolution progresses beyond the big cities and starts gaining momentum in the country’s heartland, they are getting more complicated still. The rewards for companies who take time to learn, though, are substantial.”

Arun M. Kumar
Chairman and CEO,
KPMG in India

UAE



of consumers in the UAE find virtual personal assistants ‘cool’

“The consumer in the UAE has grown accustomed to a superb physical experience, enjoying some of the world’s most iconic malls. Matching this experience in the digital world is tough but necessary if consumers are to switch to spending more online.”

Nader Haffar
CEO, KPMG in the
Lower Gulf

UK



of UK consumers say their data is not for sale

“We remain a digitally astute nation, however the UK consumer mind-set is shifting. Data privacy is a key concern, and consumer trust is at an all-time low. Organizations need to truly understand their consumers’ behaviors and values, if they are really going to exploit the value of personalization and drive growth.”

Bill Michael
Chairman, KPMG in the UK

US



of US consumers find the prospect of drone deliveries ‘cool’

“Over the last year, the US economy has proven its resilience across a range of measures, but presuming that this upwards trajectory will naturally translate into improved revenue growth isn’t a foregone conclusion. The companies thriving in today’s marketplace are taking steps to ensure they understand the consumer of today, and tomorrow, and are adjusting their business models accordingly.”

Lynne Doughtie
Chairman and CEO,
KPMG in the US



China: Solving the conundrum

With a growing, well-connected and increasingly discerning middle class, China is the great prize of the East

China's breakneck transformation into one of the world's leading digital economies shows no signs of abating. Quite the contrary, it continues to evolve and set new and often leading trends globally, within an increasingly complex landscape as consumers, technologies and businesses continue to respond to, and create, change.

Despite its sheer size and scale — China is home to the world's largest single collection of citizens and has a growing internet population outnumbering the United States, Indonesia and Brazil combined — winning over Chinese consumers is by no means guaranteed. In fact, accessing the customer wallet, maintaining or growing that share of wallet and fostering loyalty are all becoming harder day by day.

Two consumer stories

To understand the consumer is to understand China's future and this is borne of two very different paths.

First are those consumers trading

up. Characteristically middle class and above, they tend to reside in tier-one and tier-two cities, such as Beijing, Shanghai, Shenzhen, Hangzhou and Nanjing, and are typified by higher and increasing disposable incomes, busy lifestyles, and westernized consumption habits driven by access to premium and foreign brands and lifestyle experiences.

In contrast, the second path sees a more value-driven, rather than quality or brand-driven, consumer. Typically middle class and below, these consumers reside in tier-three, four and five cities, and tend to face shorter working hours,

“

The scale and sophistication of China's online environment are unique — and the story is not over yet. China's consumer chases novelty, giving new players plenty of opportunities to enjoy astonishing growth rates. The players that dominate this, the world's largest online market, must reinvent themselves continually to stay ahead. ”

Benny Liu and Honson To, Chairmen, KPMG China



“Normally, yes, I get information about products and service on my social media, especially WeChat and Taobao. And then as all of us know, WeChat plays a very important role in our life and work. Everyday, every hour, yes we use it.”

Godfrey, 30, Guangzhou

yet a further stretched family budget, and therefore both the incentive and time to seek value-for-money brands, experiences and retailers.

Despite this distinctively dual-track development of Chinese consumers, and the very different five mys that organizations will encounter in seeking to understand the individuals behind these profiles, they do share one clear commonality as technology is playing an increasing and profound role in addressing the twin constraints of watch and wallet.

“It’s easy to understand the allure of the increasingly affluent middle-class consumer, dominant and growing

79%

of Chinese consumers say an engaging social media presence is important among the brands they consistently purchase from

across China’s sprawling first and second tier cities,” notes Christoph Zinke, Head of Global Strategy Group, KPMG China and Asia Pacific. “But it would be a mistake to overlook the less affluent yet equally motivated citizen across all tier cities. They’re increasingly connected, increasingly graduating from feature phones to smartphones, and have new and unmet needs in equal measure — even if different to their more affluent peers.”

New influence

The rapid growth and deep societal influence of social media is evident all around the world, but few countries can match China’s dramatic adoption rates.

Take WeChat, the country’s leading super-app, discussed in detail in our inaugural Me, my life, my wallet report. Far from its origins as a humble messaging app, its function now

permeates seemingly all aspects of the Chinese consumer’s life, from shopping to travel, or payments to gaming. And in the seven short years since its launch, it has amassed a staggering one billion monthly active users.

Yet beyond what may now be considered traditional social media, Chinese consumers are also at the forefront of the true social revolution of user-generated content (UGC).

This entered the mainstream in the mid-2000s, an expression coined to somehow respond to the growing democratization of information, media and content, and to label the resulting outputs created and shared by us all as individuals and consumers. Yet the origins of the term seem somewhat paltry in today’s context, where UGC is enacting significant influence on how Chinese consumers search for, evaluate and act.

TikTok and Little Red Book are two such examples. TikTok, or *Douyin*, which less than two years following launch became the world’s most downloaded app in the first quarter of 2018, enables its 500 million monthly active users to create and share music-enhanced video content and has spawned numerous viral trends, as well as careers. Little Red Book or Xiaohongshu, meanwhile, connects millions of Chinese consumers, who share content, ideas, recommendations, bargains and shopping tips, and help drive fashion, luxury and beauty sales. A more advanced version of its Western equivalent Pinterest, Xiaohongshu has quickly established itself as the world’s largest community-based e-commerce platform and recently completed a funding round with a \$3-billion valuation, led by Chinese retail behemoth Alibaba.

39%

of Chinese consumers think chat bots are ‘cool’, ahead of a global average of 24%

“[Artificial intelligence] can do lots of things that people don’t want to do, and they provide more precise ability to help people to solve problems. I do think that AI will make our life easier in the future.”

Angel, 52, Shanghai

This growth in social e-commerce isn’t the preserve of China’s growing middle class and more affluent population. Pinduoduo, for instance, an e-commerce platform that leverages the social habits of our second, more value-driven group of Chinese consumers — to whom it has brought consumption opportunities and options previously out of reach — processed 5.3 billion transactions in 2017, less than two years after being founded.

The rise of such UGC platforms is fostering a growing trust in key opinion leaders (KOLs), who are increasingly able to monetize their status, with brands clamoring to leverage their influence over Chinese consumers. And their commercial reach goes far beyond the Instagram and Pinterest influencers of the West, with KOLs active in almost every sphere of China’s online life, extending into such areas as business and finance, not just the lifestyle niche inhabited by social influencers in the United States and Europe.

“China’s consumers enjoy novelty,” said Jessie Qian, head of consumer markets, KPMG China. “Combined with the vast scale of this dynamic market, this means innovators can quickly achieve huge scale.”

What does all this mean? We already know that Chinese consumers are mobile centric; little surprise that, according to our survey, 73% would rather lose their wallet than their phone, in stark contrast to any other

country surveyed. We already know that super-apps and mega-platforms play a significant role in their lives. But the seemingly unrelenting, ubiquitous nature of technology in this market means Chinese consumers' time and attention is more fragmented than ever, more complex to understand, and more challenging for organizations to secure.

From mega-platforms to super-ecosystem

Meanwhile, China's two most dominant internet platforms, Alibaba and Tencent, are continuing their vast ascent beyond the internet into the physical world, striving to extend and

54%

of Chinese consumers say they're actively saving for retirement — the highest among our eight countries surveyed

strengthen their walled ecosystems.

The power of these platforms is already beyond question. Consider that Alibaba alone reported sales of \$25 billion on China's latest Single's Day shopping event, more than three times the 2017 Cyber Monday sales of all US online retailers combined.

However, in spite of their sheer scale and dominance, neither player is willing to rest on their laurels, in recognition of constantly evolving and evermore demanding Chinese consumers.

Both are in a constant search to enhance and enrich the customer experience. Increasingly connecting the digital and "real" world with value-adding services that further permeate the Chinese consumer's life, from physical retail to food delivery to leisure pursuits such as cooking classes. Aggressively hunting for new innovations and hanging on to their entrepreneurial origins by running extensive investments portfolios, spanning startups and new technologies across both the related and the abstract, from auction firms to estate agents to film studios. Encouraging new consumption behavior through subsidies, even as their cost advantage, such as heavily subsidised logistics, is being eroded by an evermore connected nation.

"The dominant players already benefit from a strong network effect, but they want to reinforce that and ensure their platform not only caters to every consumer whim, but also leading and shaping consumption behaviors," says Wei Lin, strategy practice leader, KPMG China.

These mega-platforms already have the most critical resource to stay ahead of the competition — data — and they are collecting it to a scale and level of granularity that few other companies could comprehend. As our survey

revealed, China's consumers are more prepared to trust their information to tech companies than any others we polled. "Data is an incredible resource for any company, but the Chinese internet companies have an enormous amount of it and are very skilled in using data to build compelling services," said Anson Bailey, Consumer & Retail Leader, Asia Pacific, KPMG China.

Growth, but at what cost?

Scratch the surface of this dynamic market and a conundrum emerges.

On the one hand, increasingly connected Chinese consumers, with an already insatiable appetite for technology, seem a ripe prospect for domestic and foreign brands seeking growth. On the other, however, with such dramatic advances in technology and the convenience offered by the mega-platforms, China's consumers have become more demanding, with ever-increasing expectations, and arguably increasingly spoilt for choice.

"The real disruptor in mainland China is the consumer," added Zinke. "The Chinese consumer is ahead of the curve and is providing a glimpse into the future for the rest of the world. The change and disruption being witnessed in this market is not caused by technology, it is being accelerated by it."

The cost of switching between brands and retailers is minimal. New entrants compete fiercely on price, driving down the concept of loyalty, and putting pressure on margins and company profitability. Superior experiences, deep personalization and smart technology are the entry point for any brand or business. But the future growth of this nation, 40 percent of whom, official figures suggest, are yet to be digitally connected, may come at a cost.



“She’s a famous user who has I think more than 1,000 followers and she introduce many makeup and I followed her and I bought some lipsticks, which is really hot.”

Wang, 27, Xiamen



“I wish there was a way to stop text messages from coming through. So in China ... spam comes in the form of SMS text messages, and there’s just no way to stop it. I get about 15 to 20 a day. It’s really invasive.”

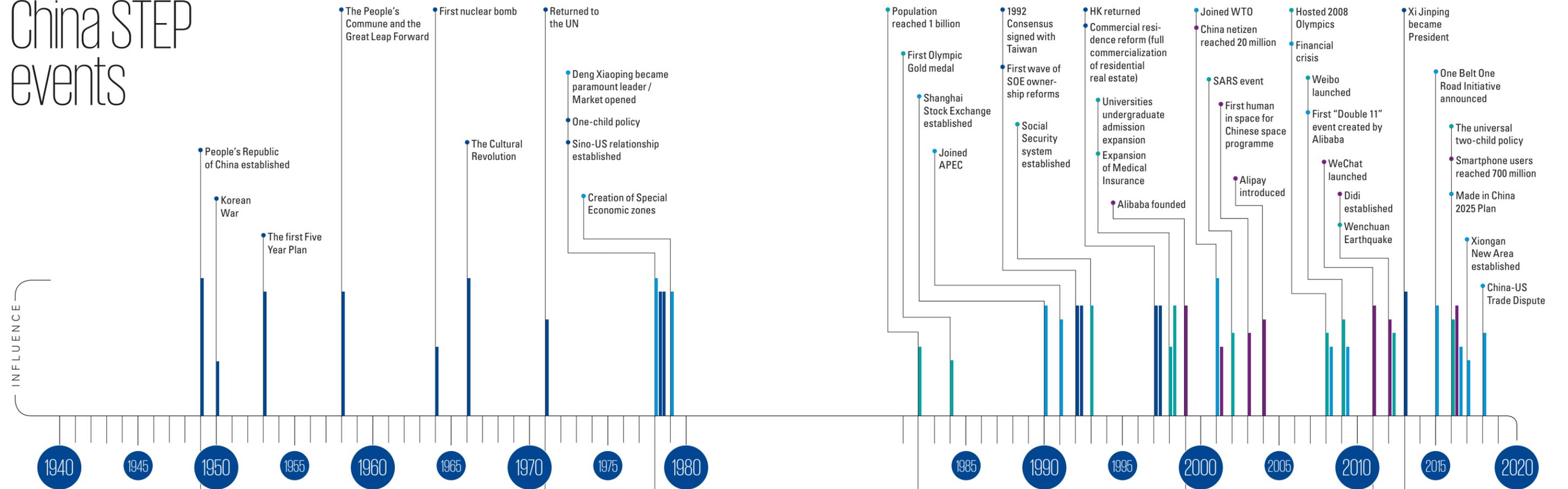
Daniel, 30, Shanghai

“The 21st century will undoubtedly be looked upon as the Asian century, as a more energized and confident young consumer is met by an emerging stronger ecosystem and new operating models across the region,” commented Bailey. “Expectations are rising sharply, leaving some at risk of falling behind as the Asian consumer becomes ever more demanding in areas such as e-commerce fulfillment. Yet progressive retailers and e-commerce players, those who learn to collaborate and integrate, are able to develop innovative solutions to respond to these pressures. Increasingly, the globally-minded, tech-savvy consumer is no longer confined to the west — organizations around the world need only look to the east as the consumers of China and Asia truly come of age.”

79%

of Chinese consumers say they follow people that curate information for them — markedly ahead of a global average of 45%

China STEP events



As a nation, China is defined by its sheer size and scale, characterized both by its sweeping political and social reform and by its unparalleled adoption of technologies, and shaped by its rapidly changing consumer dynamic. A nation of seemingly unstoppable ambition, a combination of rapid technological advances and continued consumerization are set to see China leave the west in its wake.

- Social
- Technological
- Economic
- Political

● People's Republic of China established

● Korean War

● Returned to the UN

● Deng Xiaoping becomes paramount leader

● Population reaches 1 billion

● Alibaba founded

● WeChat

● Xi Jinping becomes president

- People's Republic of China established
- Korean War
- The first Five Year Plan
- The People's Commune and the Great Leap Forward
- First nuclear bomb
- The Cultural Revolution
- Returned to the UN
- Deng Xiaoping became paramount leader / Market opened
- One-child policy
- Sino-US relationship established
- Creation of Special Economic zones
- Population reached 1 billion
- First Olympic Gold medal
- Shanghai Stock Exchange established
- Joined APEC
- 1992 Consensus signed with Taiwan
- First wave of SOE ownership reforms
- Social Security system established
- HK returned
- Commercial residence reform (full commercialization of residential real estate)
- Universities undergraduate admission expansion
- Expansion of Medical Insurance
- Alibaba founded
- Joined WTO
- China netizen reached 20 million
- SARS event
- First human in space for Chinese space programme
- Alipay introduced
- Hosted 2008 Olympics
- Financial crisis
- Weibo launched
- First "Double 11" event created by Alibaba
- WeChat launched
- Didi established
- Wenchuan Earthquake
- Xi Jinping became President
- One Belt One Road Initiative announced
- The universal two-child policy
- Smartphone users reached 700 million
- Made in China 2025 Plan
- Xiongan New Area established
- China-US Trade Dispute

China: emerging themes



My motivation

- » Product discovery and purchasing is through domestic social media platforms
- » Brands and logos are a source of social capital
- » Established, larger brands are more trusted to keep data safe

9 in 10

would trade their personal data to a company for:



“ I won't let out my data easily unless I trust the company I would prefer to trust a chain or a famous company. ”

Wanqing, 23, Guangzhou



My attention

- » Unwanted brand communication often comes via phonecalls or messaging
- » Respondents feel their time is wasted by irrelevant or intrusive advertisements
- » Information filtering is used, but there is a preference for bespoke solutions so useful information is not blocked



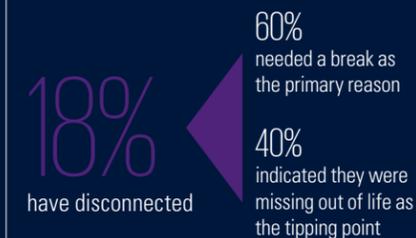
“ Sometimes I feel interrupted and bothered by pop-up game advertisements because my time and attention is consumed. ”

Bobby, 40, Wuhan



My connection

- » Voice assistants are predominantly seen as a novelty, with state restrictions on certain services limiting their usefulness
- » Intentional disconnection is uncommon and is generally unwelcome
- » Messaging is seen as a convenient and less intrusive form of communication



“ Sometimes you need to control the quantity of all this information you receive. It is very important for you to balance your life. ”

Godfrey, 30, Guangzhou



My watch

- » Work and family take up significant amount of respondents' time
- » Time is an important commodity, with complaints about not having enough common
- » Media consumption and leisure is often fits around these responsibilities and is measured on whether it was a valuable use of time



a day worked on average, but people would prefer to work 7.8 hours a day



a day spent on life on average (one of the lowest countries)

“ I spend too much time working. ”

Ziyu, 26, Guangzhou



My wallet

- » Quality is important. Buying cheap necessities is seen as a false economy
- » The hunt for the best for children means budgeting is often neglected
- » Investment is seen as important, with property particularly popular



“ I think that it's the quality of the daily necessities. I wouldn't compromise on the quality of daily use items. ”

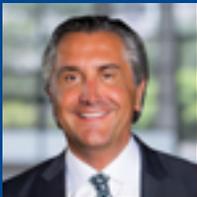
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