

What's next for digital consumers

Consumers say they will spend less time in digital channels once the pandemic ends. Here's what it means for companies.

by Neira Hajro, Klemens Hjartar, Paul Jenkins, and Benjamim Vieira



Introduction

The COVID-19 pandemic has driven rapid adoption of digital channels across countries and industries, but digital's growth has plateaued in the past six months and may begin to slip back once the pandemic eases—even as total digital adoption stays well above prepandemic levels. That's one of the findings from a new McKinsey survey of global consumer sentiment conducted in April 2021. Companies can look to hold on to newly digital consumers by improving digital experiences, investing in “phygital,”¹ and putting consumer trust at the heart of all they do.

The survey suggests that industries across regions experienced an average of 20 percent growth in “fully digital”² users in the six months ending in April 2021, building on previous gains earlier in the pandemic. During that same time period, it was primarily younger people joining the ranks of digital users.

But, with consumers having reached high levels of digital penetration in most regions and industries, the acceleration into digital channels now seems to have leveled off in both Europe and the United States, with consumers in some industries saying that they will be using digital channels less frequently once the pandemic ends. As a result, even as total digital adoption remains above prepandemic levels, many industries and regions may see a modest negative net change in postpandemic digital use relative to 2020.

The industries most vulnerable to the loss of digital consumers may be those that saw the biggest gains in digital adoption during the pandemic. New adopters had little choice during lockdowns but to embrace digital channels, and the channels they entered were more likely to have been newly built and with a less satisfying user experience than established ones.

While differences arise between countries, regions, and industries, consumers tend to have similar expectations everywhere, according

to our survey. Furthermore, consumers who had previously been limited (or at least accustomed) to more local, physical-world offerings before the pandemic (for instance, in education and healthcare) have learned to access those services digitally and, given digital's borderless nature, to access them globally, too—even as their local providers made more of those services available digitally themselves. Once exposed to best-in-class experiences and offerings across industries and around the globe, ever more digitally savvy consumers may be reluctant to settle for less.

Companies can respond by addressing the areas that matter most to digital consumers. According to our survey, these include improved user experiences, better offerings, heightened security and privacy, and phygital expertise, among other approaches. Innovations in digital services may hold the key to further penetrating digital channels, and to staying competitive in the ones that companies have already entered. Moreover, companies moving boldly in digital tend to see excess returns, in part through a virtuous circle that emerges: as more customers use digital channels, organizations learn from behavioral data to further improve digital offerings, which in turn draw more users. This opportunity might be particularly promising in industries most at risk of losing newly acquired digital users.

The following charts examine the survey findings³ and shed light on digital users as they emerge from the COVID-19 pandemic into a postpandemic “next normal.”

¹ “Phygital” refers to the blending of digital experiences with physical ones through unique and often interactive experiences for the user, sometimes requiring real-time interactions with a person—through chat, call centers, or remote advice.

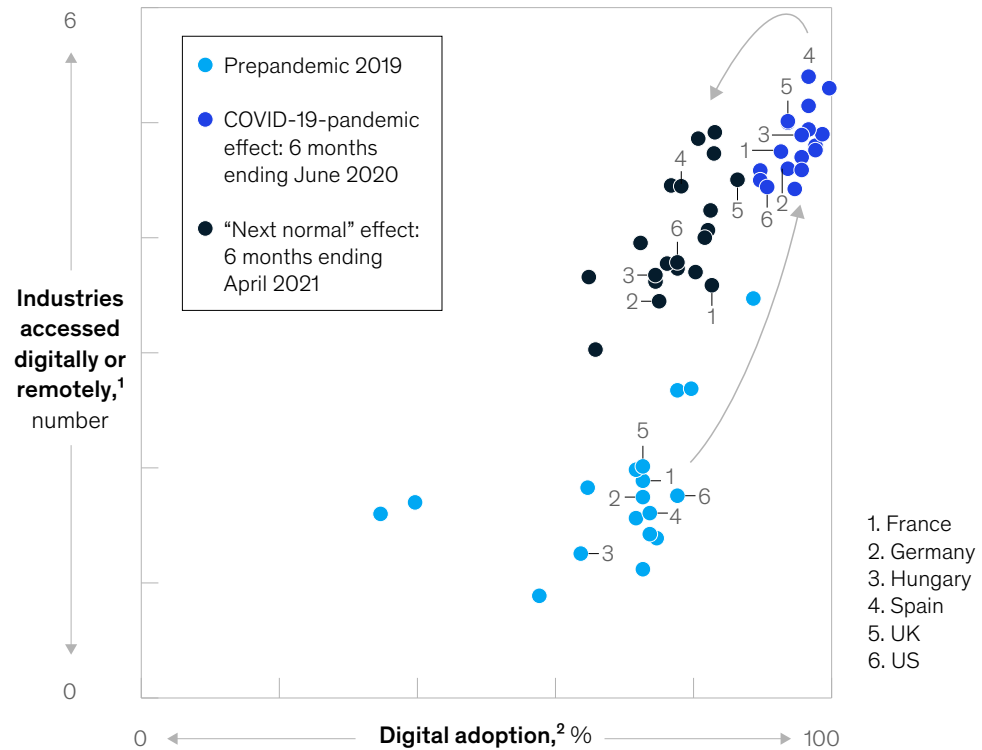
² In this survey we contrasted three types of interactions: “fully digital,” such as those taking place on websites and mobile apps, as well as through virtual assistants; “digital with human assistance,” such as those occurring through call centers, live chat, and email; and “physical interactions,” such as those taking place in stores, bank branches, or at shopping stands, carts, and outlets.

³ For more about our survey methodology, see our “About the research” section following the final chart in this presentation.

Slipping back. The COVID-19 pandemic has driven unprecedented numbers of consumers into digital channels, but some consumers have begun using those channels less in the six months leading up to April 2021. That may be unsurprising given that consumers during lockdowns had little choice but to shop online, and to turn to at-home-entertainment options. Now that consumers have more freedom to choose, they may express a preference for more physical-channel interactions in certain industries.

The pandemic has accelerated digital adoption, but physical channels are making a comeback among European and US consumers.

Digital adoption in Europe and US



¹Questions: Which of the following industries have you used or visited (remotely, online, or in person) in the past 6 months? How have you interacted with these industries in the past 6 months? Which of these services have you started to use digitally during COVID-19?

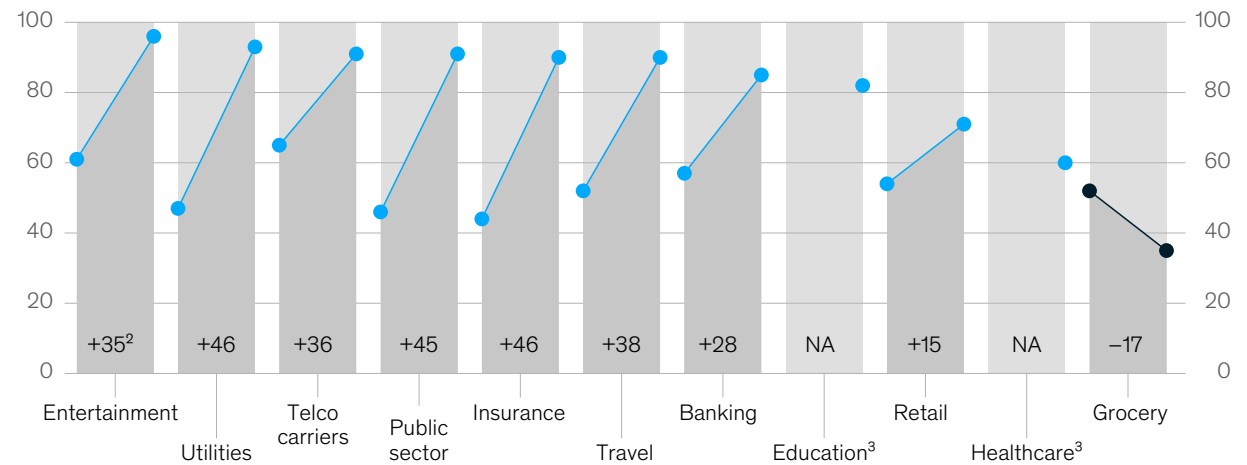
²Percentage of users surveyed who used at least 1 industry through digital or remote channels prior to COVID-19.

Source: McKinsey Global Digital Sentiment Insights survey

The pandemic effect. In the six months prior to April 2021, European and US consumers continued to embrace digital channels, as they had done since the start of the pandemic, in nearly every industry. But not all industries experienced the same growth in digital adoption. In both Europe and the United States, digital adoption grew fastest in the utilities and travel industries, which each jumped 46 percent, as well as in the public sector, which grew 45 percent. Digital adoption grew less in the apparel and general retail and telecommunications industries. Grocery, meanwhile, saw increased digital adoption last year, according to our 2020 survey results,⁴ but has since experienced a decrease in fully digital behavior. When it comes to growth rates, it's worth noting the obvious: industries that are highly digitized already, such as entertainment, have less room for further growth than industries with low digital adoption, such as grocery.

Digital adoption grew in Europe and the United States in the six months prior to April 2021, with the exception of grocery.

Digital adoption¹ by industry in Europe and US, %



¹Percentage of users surveyed—for Europe and the United States—who used at least 1 industry through digital or remote channels in the past 6 months. Questions: Which of the following industries have you used or visited (remotely, online, or in person) in the past 6 months? How have you interacted with these industries in the past 6 months?

²Percentage-point difference between the number of remote users in 2021 minus those in 2020, considering only Europe and the United States.

³No data available for this industry, which was not included in our 2020 survey.

Source: McKinsey Global Digital Sentiment Insights survey

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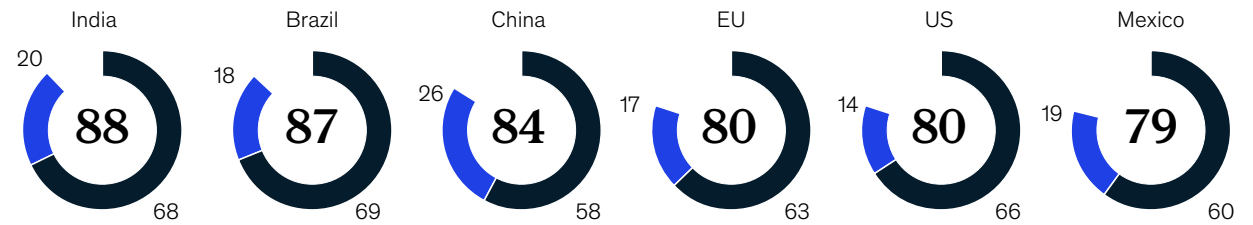
⁴ Santiago Fernandez, Paul Jenkins, and Benjamim Vieira, "Europe's digital migration during COVID-19: Getting past the broad trends and averages," July 24, 2020, McKinsey.com.

Developing world gains. Developing countries such as Brazil, India, and Mexico have seen higher growth in digital adoption than developed ones have during the past six months, which may reflect a “catching up” effect, since developed countries were further ahead in their pace of digitization, and in the percentage of adults with internet access. It follows that developed countries may see a deceleration in digital adoption sooner than developing countries will.

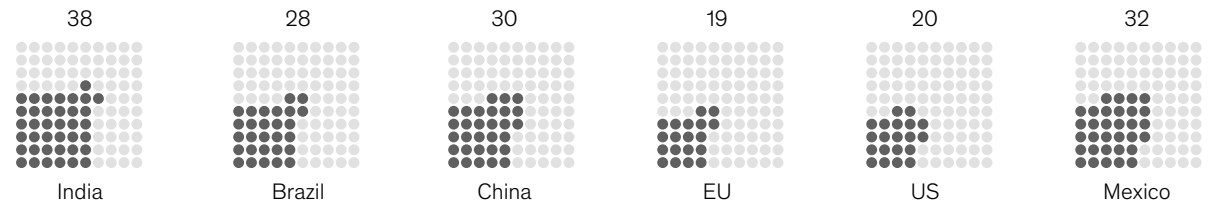
Developing countries such as Brazil, India, and Mexico have had faster rates of digital adoption in the past six months.

Digital adoption by region in 2021,¹ %

● Fully digital ● Remote and assisted digital



New digital users added in past six months,¹ %



Industries accessed digitally,¹ number

4.5 4.4 3.3 4.0 3.8 4.0

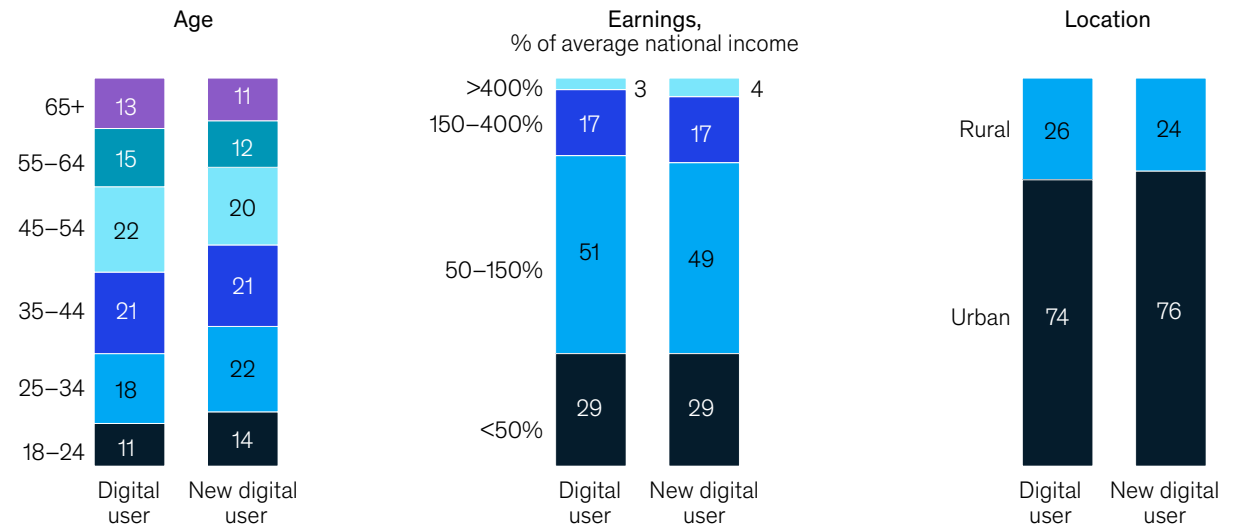
¹Percentage of users surveyed who used at least 1 industry through digital or remote channels in the past 6 months, per country/region. Questions: Which of the following industries have you used or visited (remotely, online, or in person) in the past 6 months? How have you interacted with these industries in the past 6 months? Which of the following industries have you used or visited digitally for the first time in the past 6 months?
Source: McKinsey Global Digital Sentiment Insights survey

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The new digital users. This survey also helps shed light on the newest digital consumers—people who engaged with at least one new digital channel in the six months preceding the survey. On average, these consumers, at 42 years of age, were about three years younger and roughly 3 percent wealthier than other digital users. These new digital consumers also make use of digital channels more frequently than their peers, while spending an average of about 4 percent more. The survey also indicates that the pandemic has done little to increase digital adoption among lower-income populations. This finding may concern executives and policy makers alike.

The new digital user tends to be somewhat younger and slightly wealthier than other digital users.

Demographics of digital users and new digital users,¹ %



Note: Numbers may not sum to 100%, because of rounding.

¹Digital users" are respondents who used at least 1 digital service in the past 6 months. "New digital users" are respondents who used at least 1 digital service for the first time in the past 6 months.

Source: McKinsey Global Digital Sentiment Insights survey

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Why digital—and why not. Even if most consumers were driven to digital channels because of the COVID-19 pandemic, the majority of those who continue using those channels will do so for convenience. Other consumers simply prefer the experience of going to a physical store.

Some consumers were driven to digital channels because of the COVID-19 pandemic or for convenience, but others still prefer physical channels.

Perspective on digital services

● Industry more affected by given reason ● Industry less affected by given reason

Main reasons to switch to digital¹

45%

COVID-19 pandemic and related issues

- Education
- Grocery
- Healthcare
- Entertainment
- Telco carriers

43%

Greater convenience and availability

- Banking
- Entertainment
- Telco carriers
- Utilities
- Education
- Healthcare

Main reasons not to switch to digital²

48%

Prefer to go to the store

- Grocery
- Retail
- Banking
- Travel
- Utilities

24%

Favor talking with a human

- Insurance
- Travel
- Utilities
- Grocery
- Retail

5%

Find digital difficult to use

- Banking
- Entertainment
- Utilities
- Grocery
- Retail

¹Question: Why did you start using these services digitally?

²Question: Why are you not using the following services digitally?

Source: McKinsey Global Digital Sentiment Insights survey

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The postpandemic effect. The pandemic may have accelerated all things digital, but consumers paint a different picture of the postpandemic future, saying that in some industries they will reduce their use of digital channels. Even accounting for the difficulty that survey respondents experience when predicting their own future behavior, this finding may concern companies looking to maintain the advances in digital adoption they made during the pandemic.

In some industries, consumers say they will use digital channels less often once the COVID-19 pandemic ends.

Frequency of expected use after the COVID-19 pandemic ends,¹ percentage-point change

Same frequency as prepandemic,² %

Industry	Frequency of expected use after the COVID-19 pandemic ends, ¹ percentage-point change	Same frequency as prepandemic, ² %
Travel	28	58
Banking	10	80
Telco carriers	3	80
Entertainment	2	77
Grocery	1	64
Utilities	1	81
Insurance	1	78
Retail	-3	70
Public sector	-4	73
Education	-4	67
Healthcare	-7	55

¹Average of all countries surveyed: Brazil, China, European countries, India, Mexico, and the United States. Question: How frequently do you plan to use these digital services when the COVID-19 pandemic is over?

²Difference between users planning to increase use of an industry's digital channel compared with those planning to use it less frequently, holding aside those who said that they will use it the same amount.

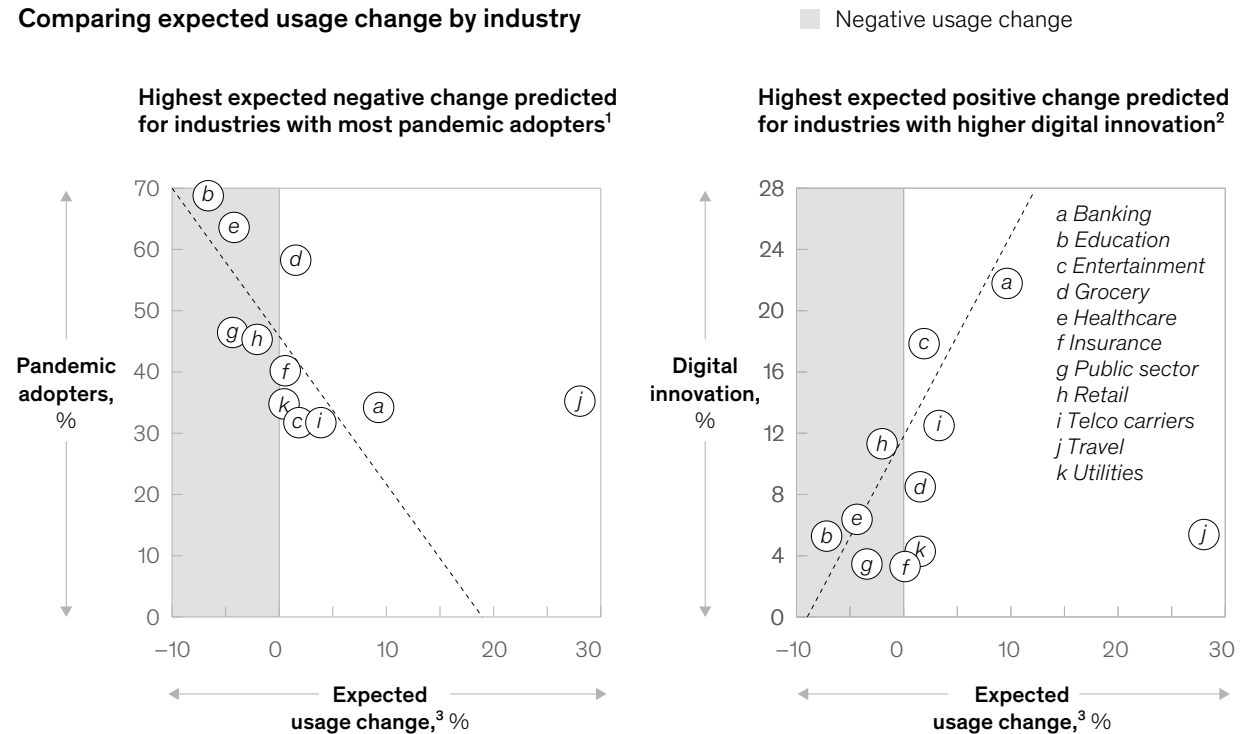
Source: McKinsey Global Digital Sentiment Insights survey

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Innovation as a driving force. Industries that gained the most new digital consumers because of the COVID-19 pandemic may be most at risk of losing them once the pandemic ends. This is perhaps because during lockdowns their new users had little option other than to adopt digital channels—and because the channels they adopted were likely to have been developed quickly, and perhaps not as well, in industries in which physical channels had been more widely used before the pandemic. Companies can respond by addressing what digital consumers say matters most. Our analysis correlates improvements in digital services with consumers' expected usage—the number of consumers saying that they will increase their use of a digital channel after the pandemic, minus those who say that they will use it less, holding aside those predicting the same amount of use. This correlation shows expected usage rising as digital innovation increases.

Companies can help keep their customers who became digital adopters by innovating their digital services.

Comparing expected usage change by industry



¹Questions: How frequently do you plan to use these digital services when the COVID-19 pandemic is over? Why did you start using these services digitally?

²Question: What industry do you consider the most digitally innovative?

³Difference between users planning to increase use of an industry's digital channel compared with those planning to use it less frequently, holding aside those who said that they will use it the same amount.

Source: McKinsey Global Digital Sentiment Insights survey

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Improve digital services and experiences.

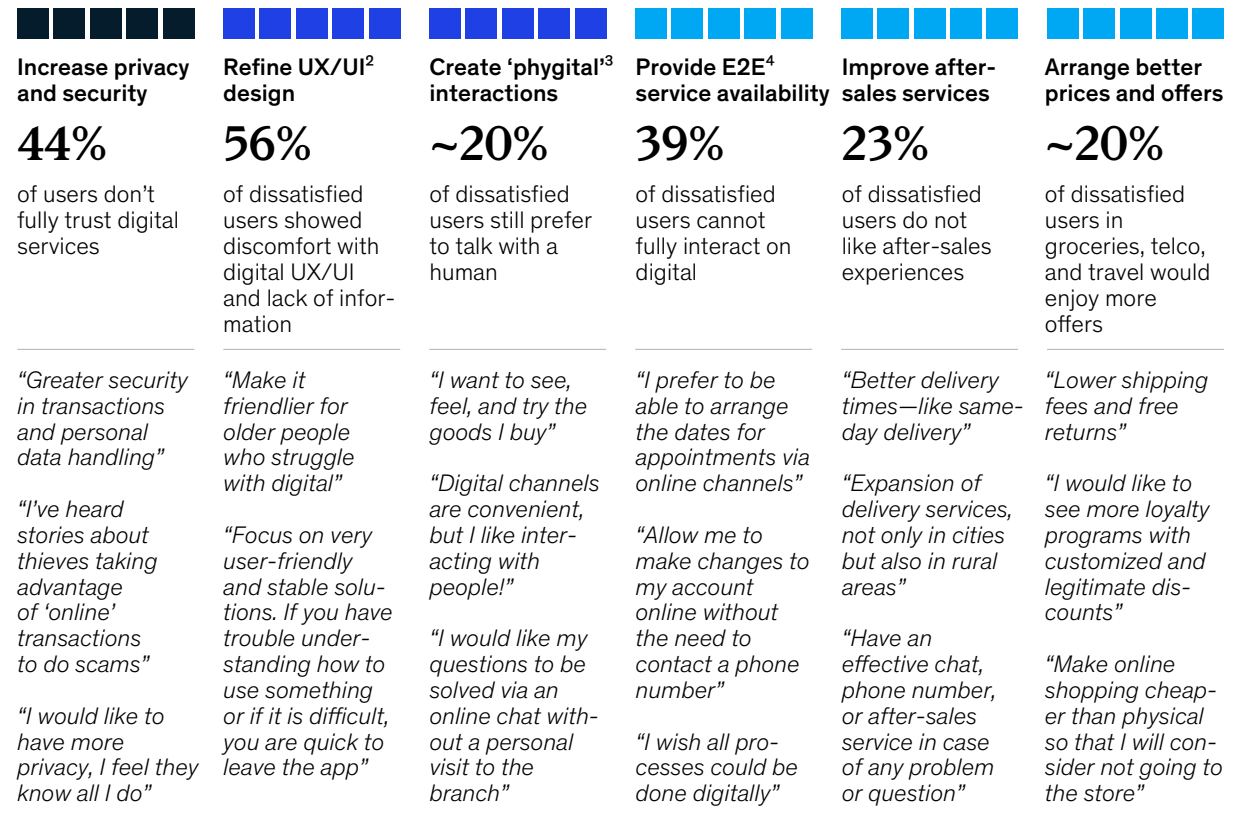
Companies can improve their digital services by innovating around the three dimensions that consumers say matter most:

- Improve trust in digital services by increasing privacy and security. About 44 percent of consumers surveyed don't fully trust digital services.
- Improve the user experience in digital channels by refining user interfaces (UX/UI) and by creating phygital interactions, at least some of which (for example, high-ticket or complicated-to-purchase items) may involve a human agent. About 56 percent of dissatisfied users conveyed discomfort with digital UX/UI or lack of sufficient information about, for instance, products and services.
- Improve the end-to-end consumer experience by making all products and services digitally available, by improving after-sales services, and by offering better prices and deals in digital channels. Some 39 percent of dissatisfied users say that they can't accomplish everything they intend in digital channels, and roughly 20 percent of dissatisfied users want to mix online chat with a human into their digital interactions.

Companies can innovate their digital services in six different areas.

Six innovations¹

● Trust ● Channels ● Experience



¹Question: What should companies do better for you to consider using their digital services?

²User experience—user interface.

³Physical plus digital.

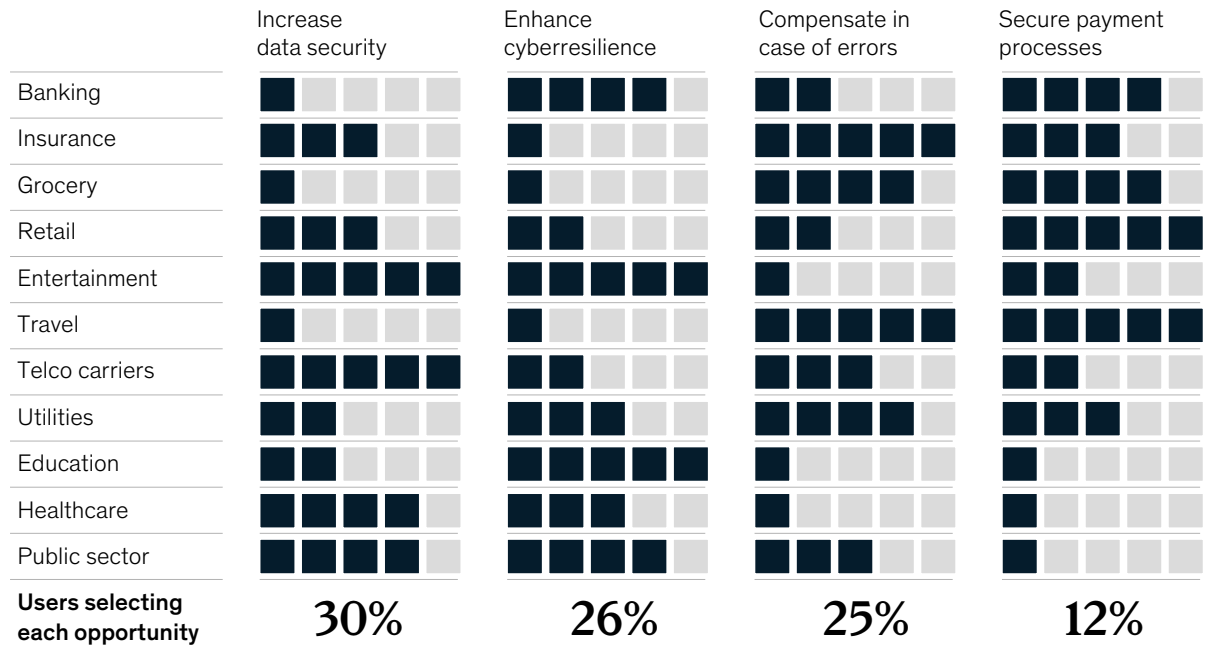
⁴End to end.

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Win consumer trust. Some 44 percent of digital consumers say that they don't fully trust digital services. The ways companies can build trust with consumers differ by industry. While overall consumer trust in banking is the highest among all industries, consumers say that they want more secure payment processes from banks. Personal-data security is top of mind for consumers of the education, entertainment, and telecommunications industries, along with the public sector. When it comes to grocery, insurance, travel, and utilities, on the other hand, consumers were most concerned with being reimbursed for returned purchases, overcharges, or undelivered services.

What's needed to win the trust of digital consumers varies by industry.

Main opportunities to increase trust¹



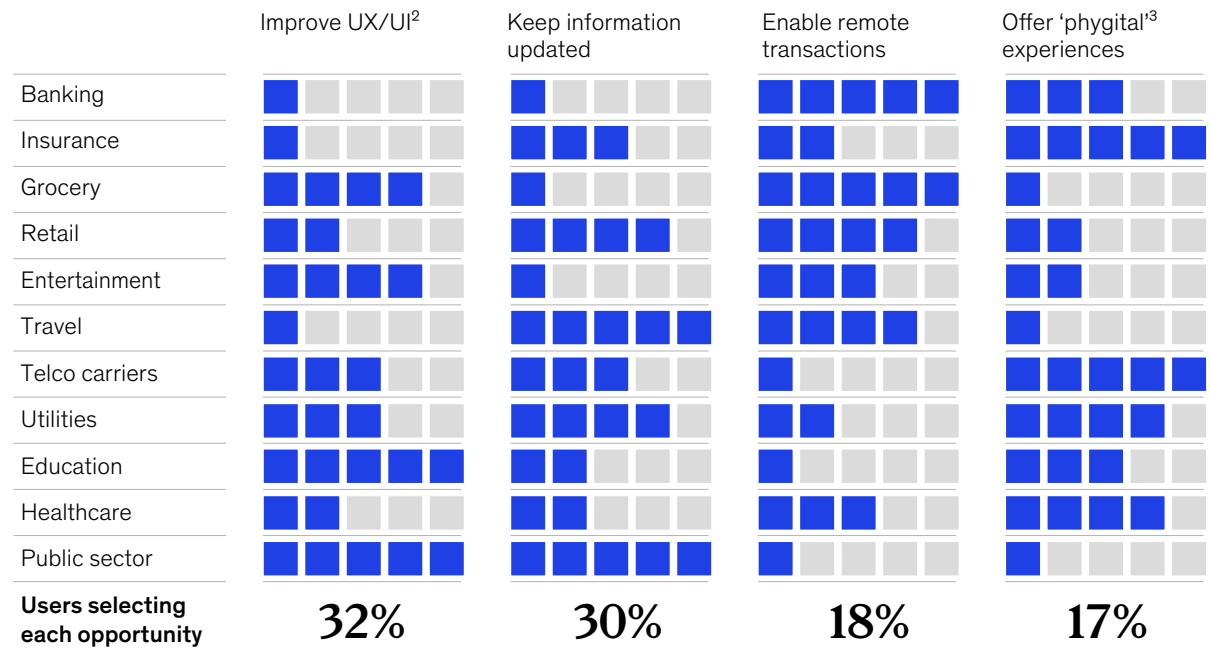
¹Opportunities ranked according to percentage of industry's users identifying it as an opportunity. Question: What is the most relevant reason for you not to trust these services?
Source: McKinsey Global Digital Sentiment Insights survey

Improve the consumer experience.

When it comes to boosting consumer satisfaction in digital channels, more than twice the number of consumers say that improving user interfaces is most important. This includes providing more of the information that consumers need to make decisions—such as information regarding products and services, warranties, and returns. Consumers say that user interfaces need the most improvement in the education, entertainment, and grocery industries, along with the public sector. The insurance, travel, and utilities industries, as well as the public sector, could benefit by updating information more thoroughly and frequently. Education, healthcare, insurance, telecommunications, and utilities would generate higher consumer satisfaction through phygital experiences.

Digital consumers want better user interfaces and more frequent updates to online information.

Opportunities to increase satisfaction with digital channels¹



¹Opportunities ranked according to percentage of industry's users identifying it as an opportunity. Question: What is the main reason for your dissatisfaction?

²User experience—user interface.

³Physical plus digital.

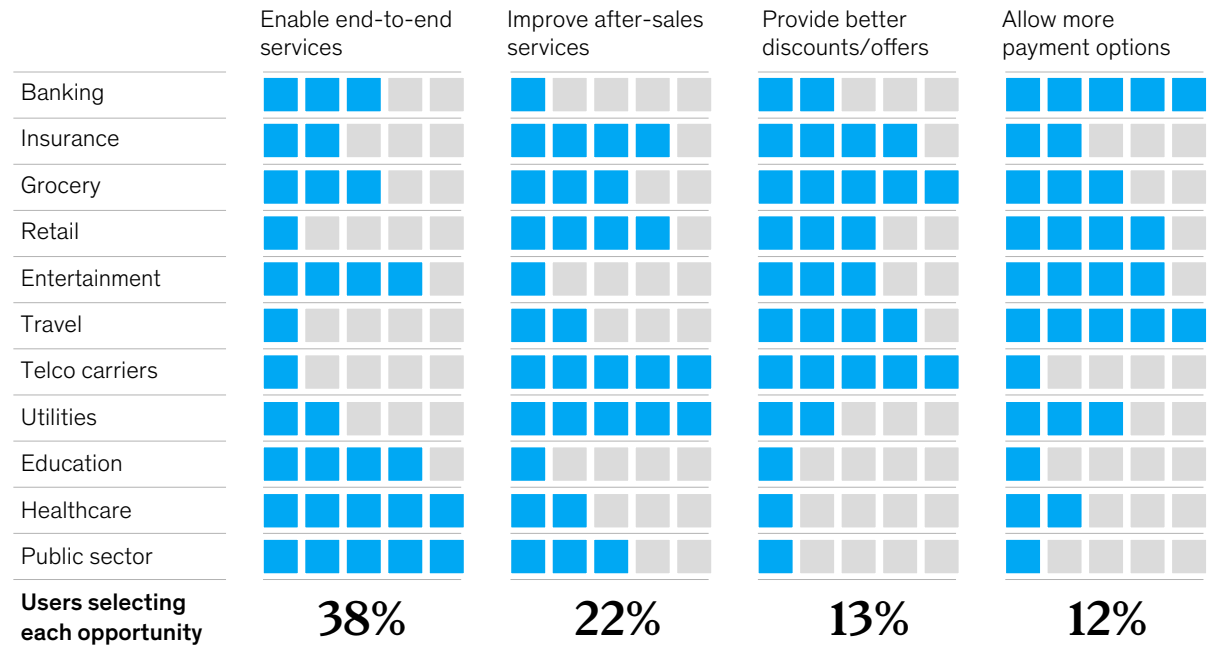
Source: McKinsey Global Digital Sentiment Insights survey

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Lead consumers from end to end. More than twice the number of consumers say that the best way to improve the user experience is by offering fully end-to-end digital services—including services offered after the sale—with less friction along the way. This finding once again varies by industry. In the education, grocery, and healthcare industries, along with the public sector, consumers want a more complete digital journey, from initial awareness to the end of the sale and beyond. In the apparel and general retail and telecommunications industries, better after-sales service will improve the user experience, according to the survey. Banking and travel customers want more payment options, while consumers in the grocery, insurance, telecommunications, and travel industries prefer better product and service offerings at discounted prices.

Digital consumers want more end-to-end services, including after a purchase.

Opportunities to increase overall experience¹

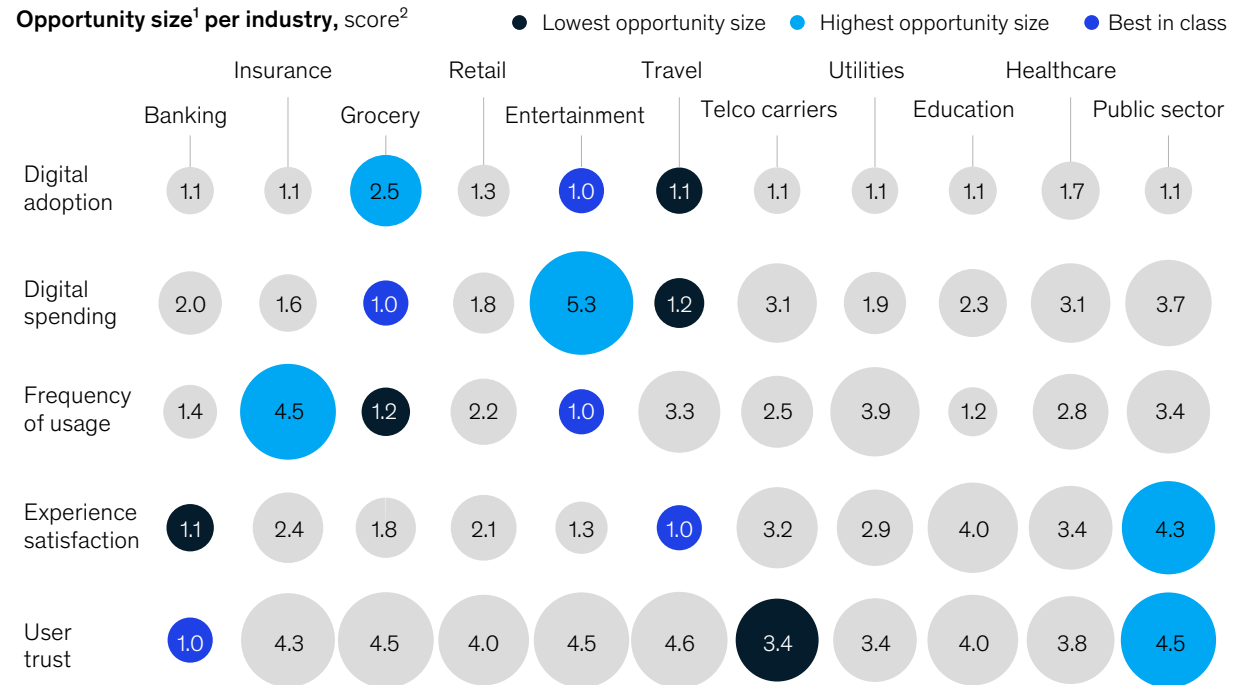


¹Opportunities ranked according to percentage of industry's users identifying it as an opportunity. Question: What is the main reason for your dissatisfaction?
Source: McKinsey Global Digital Sentiment Insights survey

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Learning from others. Locked down at home during the pandemic, consumers learned to reach beyond local offerings (for example, in education and healthcare) to seek best-in-class offerings and experiences wherever they might be offered—even from across the globe. For companies, this new behavior means that the number of competitors has effectively increased and now includes not just local but global peers, as well as best-in-class companies in other industries. Consumers now bring best-in-class expectations to each of the digital channels in which they consume. Lessons for executives include finding best-in-class offerings and experiences no matter where they reside and bringing customer data into every decision that touches their customers.

Companies can look outside their industries to find best-in-class opportunities.



¹Questions: Which of the following industries have you used or visited (remotely, online, or in person) in the past 6 months? How have you interacted with these industries in the past 6 months? How often do you interact with these industries per month (on average)? Approximately how much money have you spent on these industries through digital channels in the past 6 months? How satisfied are you with the experience of the digital channel (eg, web) from the companies you interact with in each industry? How satisfied are you with the overall digital experience in the services provided by the companies in the industries that you are using remotely/digitally? How much do you trust these digital services (eg, handling of personal data, safety of payment process, protection against cyberattacks, response in case of an error or incident)?

²Reflects opportunity to improve relative to best in class in a given dimension, calculated as maximum value per dimension divided by industry value, with values based on country averages.

Source: McKinsey Global Digital Sentiment Insights survey

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About the research

McKinsey used the following methodology for the online survey, which was conducted in April 2021 and which provides the data for this article.⁵

Sample: About 29,000 respondents in 24 countries were surveyed in April 2021. Respondents were balanced by age and gender, with less than 2 percent variation relative to any given country's demographics. Survey respondents were recruited⁶ by open enrollment, by invitation, and through certified providers. All respondents were verified prior to taking the survey. The scope of the survey included:

Digital sentiment: We surveyed respondents' level of *consumption of digital services* by industry in the six months leading up to April 2021, as well as their forecast for how much they will consume in the six months after April 2021. We also surveyed respondents' *modes of digital consumption*, including channels (such as fully digital versus digital with human assistance versus fully physical) and other customer-related dimensions, such as perceived innovation, satisfaction, trust, and so on.

Industries surveyed: Industries surveyed included banking, education, general retail, government/public sector, healthcare, insurance, media and entertainment, retail grocery, telecommunications, travel, and utilities.

Countries surveyed: Countries surveyed included Austria, Belgium, Brazil, China, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, India, Italy, Mexico, the Netherlands, Norway, Poland, Portugal, Romania, Spain, Sweden, Switzerland, the United Kingdom, and the United States.

⁵ The survey was conducted online and was limited to users with internet access.

⁶ The recruitment process for the survey was controlled by an independent panel per country as per ESOMAR directions.

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