McKinsey & Company

Digital sentiment survey Germany

Understanding the new digital user.

June 2020

Authors

Gérard Richter

Niko Mohr

Executive Summary

The COVID-19 crisis has provided us with a sudden glimpse into a future world—one in which digital has become central to every interaction. This has forced both organizations and individuals further up the digital adoption curve almost overnight. The usage and demand of digital products and services has been tremendously accelerated through the corona crisis. Instead of months of discussions, decisions were made quickly and implemented within weeks. Customer behaviors and preferred interactions have changed significantly and, while they will continue to shift, the uptick in the use of digital services is here to stay.

In order to analyze digital sentiment in Germany and the potential impact of COVID-19, we launched a representative survey among 1,200 German consumers to examine how digital consumer usage behavior has changed since the outbreak of the pandemic, find out how satisfied consumers are with the digital services from various sectors, and estimate how lasting any changes in behavior will be.

Key results:

1. Since the outbreak of the COVID-19 pandemic, 9 out of 10 consumers have been using digital services, media, and channels.
2. The growth in digital channel usage has drastically increased amongst all age groups, highest for the under 25s also more than doubled (107%) for the over 65s.
3. 75% of first—time users plan on continuing to use digital channels after the crisis.

Introduction

German society and its economy are trying to get back to a new normal. Germany has unveiled a EUR 130 bn package of tax and spending measures designed to boost the country's economic recovery. European travel warnings have been lifted and restaurants, bars, and fitness studios have reopened in most of the country.

In particular, consumer businesses that rely on customer traffic seem to breathe a little easier since the recent lockdown easing. However, demand recovery for most businesses will be unpredictable (uneven across geographies, sectors, product categories, and customer segments) and slow to return to pre—crisis levels. The latest survey among medium—sized German enterprises has shown that more than 60% of participants expect a decline in turnover for the second half of 2020.[1]

The same survey has, however, shown that revenue—positive Mittelstand enterprises increased customer contact during the crisis. Furthermore, Germans are going digital in a sustainable manner. For many, digital behavior is still evolving as the crisis is far from over and social distancing rules still apply. The path to an even more digitized German population is at the same time an opportunity and a challenge. Companies need to offer a digital user experience to convince customers to return—even if their brick-and-mortar stores are inviting, without a digital element business owners risk losing customers both off—and online.

Digital will undoubtably play a center-stage role for a successful recovery: Improving business operations and decisions with analytics needs to start with an understanding of the new digital habits of the German consumer. The more progressively enterprises conceive their digital projects, the better their outlook.

1. Jürgen Meffert, Niko Mohr, Gérard Richter (2020), "How the German Mittelstand is mastering the crisis"
Title: https://www.mckinsey.com/business-functions/mckinsey-digital/our-insights/how-the-german-mittelstand-is-mastering-the-covid-19-crisis

Method

In order to analyze digital adoption and digital channel usage in Germany both before and during the pandemic we launched a set of surveys:

- **Respondents:** +1,200 German users, 18-85 years old.
- **Survey phase:** May 4 to May 10.
- **Survey interests:** Digital consumption pre—, during, and anticipated post-COVID-19.
- **Main industries surveyed:** Banking, insurance, grocery, apparel, entertainment, social media, travel, telco, and the public sector.
- **Digital consumption includes:** Searching for information; looking for advice / recommendations, contracting / purchasing specific products or services; performing an action regarding a product; canceling a product or service; checking information about a purchase; other.

Digital adoption is increasing

Digital adoption[1] of German consumers has increased from 61% to 89% during the COVID-19 crisis.

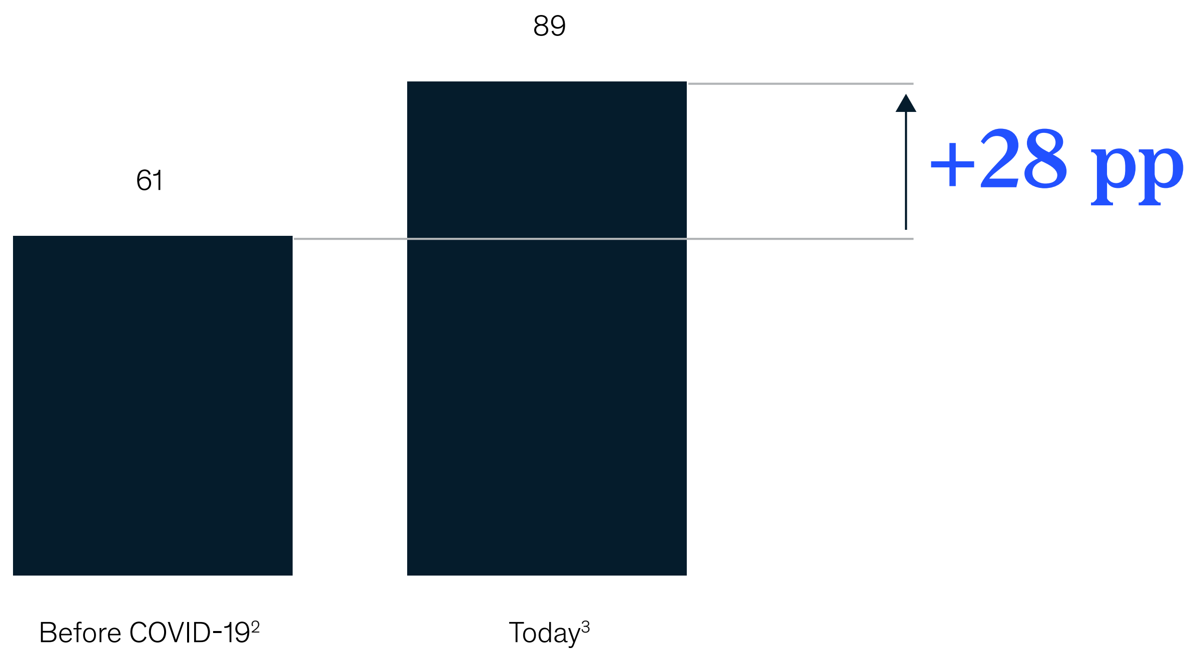
This significant increase demonstrates that now is the time to reassess digital initiatives—those that provide near-term help to employees, customers, and the broad set of stakeholders to which businesses are increasingly responsible and that position you for a post-crisis world. In this new world, some things will snap back to previous form while others will be forever changed. Playing it safe now—as understandable as it may feel to do so—is often the worst option.

9/10 consumers have been using digital services, media and channels since the outbreak of the COVID 19 pandemic.

1. Digital adoption: Percentage of users who have used/visited digital channels (i.e. web, app) in the last 6 months (from the date of the survey).

Source: McKinsey & Company COVID-19 digital sentiment insights – survey results for German market

Digital adoption[1]
Percentage of users that accessed at least 1 service



1. Consumers using at least 1 digital service in the last 6 months. Industries: banking, insurance, grocery, apparel, entertainment, social media, travel, telco carriers, utilities, and public sector.
2.The difference between digital usage during the last 6 months and usage specifically during COVID-19.
3. Includes industries visited digitally in the last 6 months.

Q1: Which of the following industries have you used/visited digitally (mobile app or website) in the last 6 months?
Q2: Which of these services did you start to use digitally during COVID-19?

Source: McKinsey & Company COVID-19 digital sentiment insights – survey results for German market.

Germans of all ages are going digital

Alongside an overall increase in digital adoption (~120% growth), consumers have been using digital channels to access more types of industries during COVID-19 (from 2.1 to 4.6 industries accessed per user).

During the crisis, many Germans have been seeking out entertainment on streaming services and looking to connect with one another on social media channels. Offices and schools have become virtualized and people shop for groceries online—if delivery slots are still available.

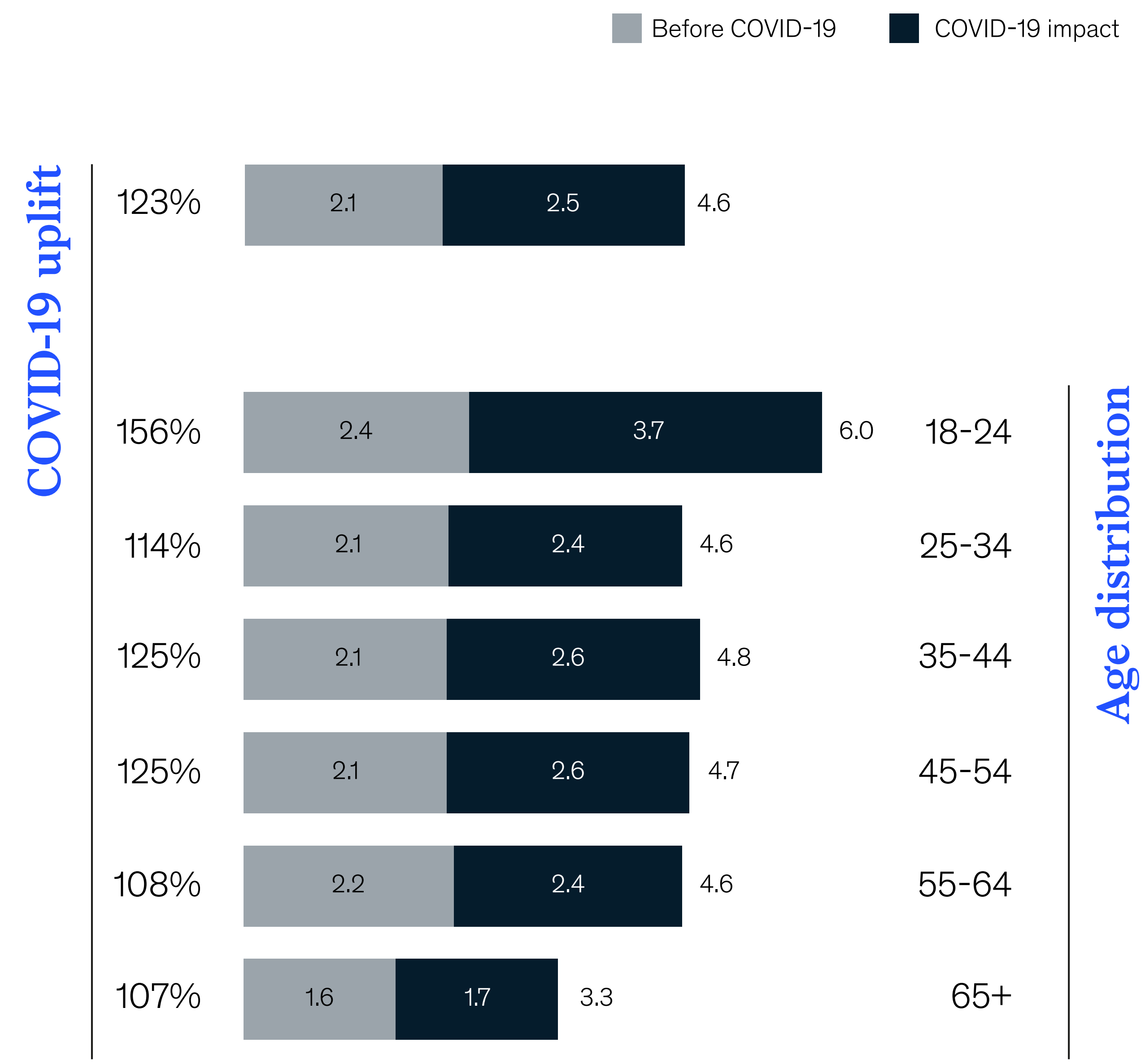
This trend has affected all age groups: growth in digital adoption is highest in 18 to 24-year-olds (156%), but the figure has also more than doubled for the over 65s (107%).

Drastical increase of digital adoption amongst all age groups.

Source: McKinsey & Company COVID-19 digital sentiment insights – survey results for German market

Digital channels usage

Number of industries accessed digitally (of 10 surveyed)[1]



1. Totals may vary slightly due to rounding.

Source: McKinsey & Company COVID-19 digital sentiment insights – survey results for German market.

What actions are Germans performing online?

What are German consumers doing online? What actions do they perform?

Our heat map shows the type and frequency of various digital actions carried out by consumers in relation to a number of industries. Typical actions vary for the different industries—for example, 40-50% of German users are looking for recommendation and advice when performing a digital action related to the insurance, travel, telco carriers, or utilities sectors. Digital marketers and experience designers need to be clear on their digital customer journeys. There is a lot potential to support potential clients seeking advice and create a positive perception of the brand.

Questions these teams need to ask themselves are:

1. Are we still providing appropriate digital support to regular and first—time users as their needs evolve?
2. Do we need to adjust our digital channels and offerings to the new consumption cycle?
3. Is our technological infrastructure futureproof in light of recent changes?

Source: McKinsey & Company COVID-19 digital sentiment insights – survey results for German market

Performed digital actions

Percentage of actions done per industry

Percentage usage: 0-30 | 30-60 | 60-100

	Banking	Insur-ance	Grocery	Apparel	Enter-tainment	Social Media	Travel	Telco carriers	Utilities	Public Sector
Searching for information	60	63	50	52	40	42	67	69	65	66
Looking for advice / recommendations	25	50			32	33	46	43	44	38
Contracting / purchasing a specific product or service	10	23	64	67	10		11	22	21	
Performing an action regarding a product	41	33						37	38	
Canceling a product or service	5	16			9		36	7	8	
Checking information about a purchase			35	34						
Others[1]		5	0	0	60	71	15			51

Q: Which actions do you perform most?

US: Multiple answers: e.g., searching for information, looking for advice, enjoying the product.

1. Other includes communicating with friends and family, enjoying products, and working remotely.

Source: McKinsey & Company COVID-19 digital sentiment insights – survey results for German market.

User experience is key

Satisfaction for first-time users is high across all industries, although it is slightly lower for the travel, public sector, and grocery industries. New digital consumers are particularly satisfied in banking, which has a ~95% or higher satisfaction rate. Grocery ranks slightly below average despite its large increase in new digital users.

For unsatisfied users, ease and product availability (particularly in grocery and apparel) are the main areas for improvement. Levels of dissatisfaction vary across industries. In service-oriented industries (e.g. banking, insurance, utilities and public) usability is key. This is different in product oriented industries (e.g. grocery, apparel, travel, telecomm) where productg availability seems to be more important.

The results demonstrate that the consumer or user should always be the center of attention especially as most companies are currently trying to close the digital gap. The individual user experience for digital applications is becoming increasingly decisive. If they are not pleasant and easy to use, users (and valuable customers) will quickly disappear from the scene. Now is the time to try new things, learn from mistakes, and shape the future positively.

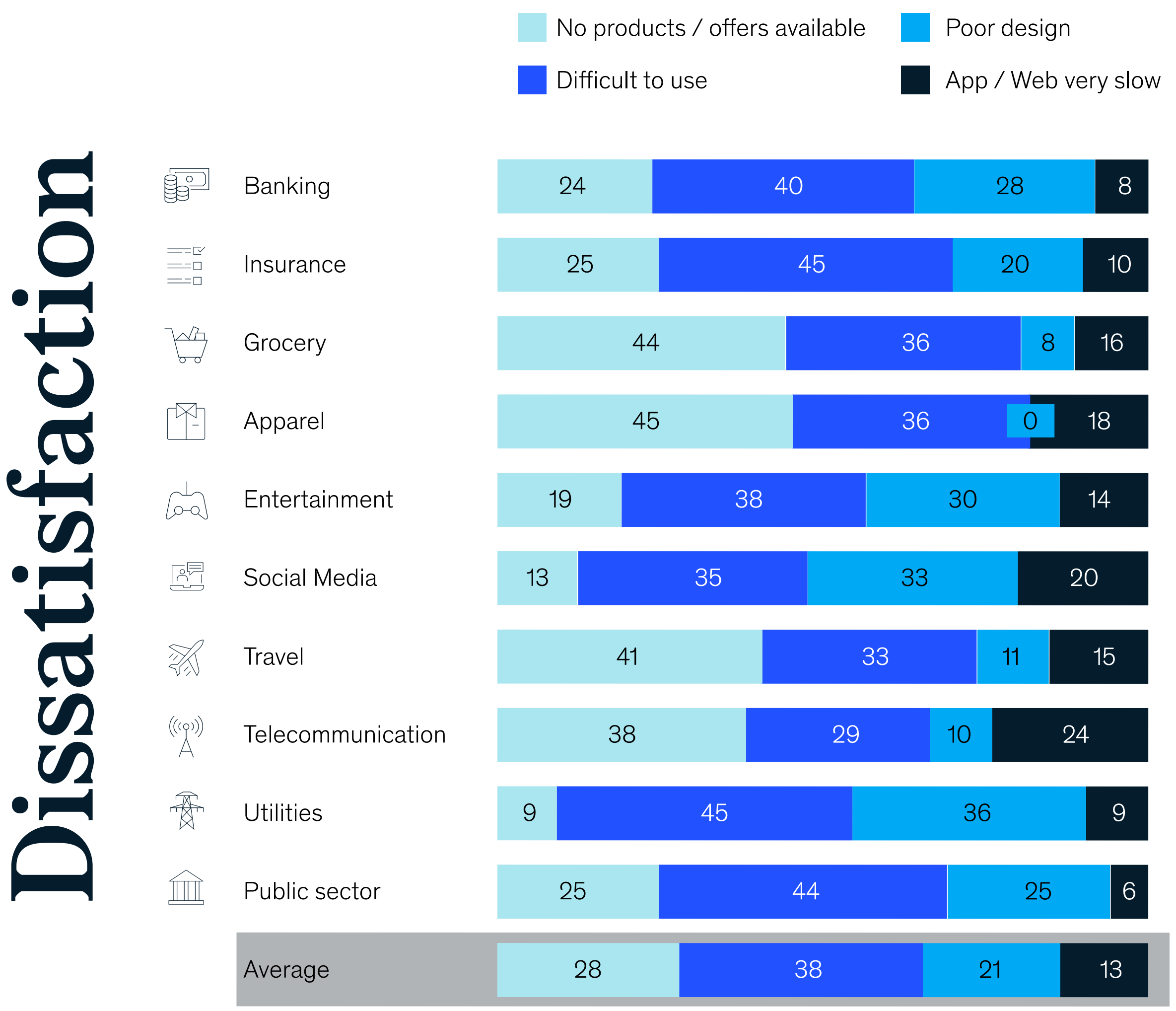
90%

of German consumers are satisfied with the digital user experience.

Source: McKinsey & Company COVID-19 digital sentiment insights – survey results for German market

Main reasons for dissatisfaction with digital products / services for first time users

Percentage of users by reason of dissatisfaction for each industry



Q: What are the main reasons for your dissatisfaction?

US: Multiple answer: app / website very slow; bad-looking design; hard to use; bad overall experience; no products available.

1. Respondents who stated negative overall experience as main cause for dissatisfaction, not providing a specific reason.

Source: McKinsey & Company COVID-19 digital sentiment insights – survey results for German market.

Lack of trust is a showstopper

Not every German switched from analog to digital during the pandemic. About 10% do not use digital channels. However, 37% of these non-users actually have a concrete need for these services. The reasons for this are: perference for call centers (41%), usability problems (23%), unavailability of the service (16%) and trust issues (20%).

A deeper look at the reasons why the respondents prefer call centers over digital channels shows that the preference of human interaction (44%) and easiness or speed (43%) are equally important reasons.

These customer requests should be taken just as seriously as trust issues. Further digitizing and offering new online services has increased cyber risk. Agile, DevOps, and other methods enable organizations to test, refine, and release new products and functionality more rapidly and frequently than ever before. However, the speed and frequency of releases can come into conflict with established methods of handling security and compliance.

DevSecOps can be a contemporary solution. It is based on the principle of integrating development, security, infrastructure, and operations at every stage in a product's life cycle, from planning and design to ongoing use and support. This enables engineers to tackle security and reliability issues more quickly and effectively, making organizations more agile and their digital products and services more secure and reliable.

It's not just the fear of data breaches through hacks but a lack of confidence in the adequate and compliant processing of data. A relevant set of German consumers simply do not trust companies to handle their data and protect their privacy. Leading companies are building "privacy by design" into consumer-facing applications, with such features as automatic timed logouts and requirements for strong passwords. It is important for organizations to communicate transparently: customers should know when and why their data are being collected. Many companies are adding consumer privacy to their value propositions and carefully crafting the messages in their privacy policies and cookie notices to align with the overall brand.

Source: McKinsey & Company COVID-19 digital sentiment insights – survey results for German market

Reasons for not using digital channels
Percentage of users by category and industry

Percentage of respondents

	I prefer to use the call center	It's too difficult to use / I do not know how to use it	Do not trust the online channel	The service was not available online	Customer need but not used
Banking	32	20	30	18	54
Insurance	50	17	21	12	37
Grocery	28	25	25	22	34
Apparel	37	26	19	18	34
Entertainment	43	27	16	14	32
Social Media	35	22	28	15	33
Travel	43	21	19	17	29
Telecommunication	51	22	15	12	39
Utilities	53	21	13	12	37
Public sector	33	27	18	22	42
Average	41	23	20	16	37

Top-3 sectors with trust issues

Not to provide personal data	Social Media 59%	Public sector 52%	Insurance and travel 48%
Cyber attacks / fraud	Telco Carriers 51%	Banking 49%	Utilities 44%

Q: Why are you not using the following industries digitally even after the COVID-19 restriction?
US: Multiple answer: no need to use the service, I prefer to call the call center, I don´t know how to use it/too difficult, I do not trust the online channel, service was not available online.

Source: McKinsey & Company COVID-19 Digital sentiment insights: survey results for German market.

Digital spending is rising

63% of consumers using digital channels for the first time have purchased products. The top three sector drivers for this were entertainment (e.g. streaming services), apparel and groceries. Germans that did not really use digital channels in advance of the crisis have turned to digital and started spending money. This should be a wake up call for every company that doesn't offer its products or services digitally, or is not currently planning on creating new digital businesses.

Our latest survey among the German Mittelstand has shown that creating new digital businesses separates the wheat from the chaff. Among our survey respondents, 68% of enterprises with positive revenue expectations are building new digital businesses.[1] They are formulating new solutions to both help resolve the crisis and reimagine their industries in the aftermath. They iterate rapidly and work in an agile fashion rather than engage in lengthy planning processes. Companies that innovate from necessity towards digital need to keep a couple of questions in mind:

1. How will your customer needs change as we head into a post-crisis "new normal"?
2. How will you create human—like interactions with customers you will never meet?
3. How will you bring out digital products in days or weeks, as your competitors are aiming to do?

1. Jürgen Meffert, Niko Mohr, Gérard Richter (2020), "How the German Mittelstand is mastering the crisis"

Please set following link behind the article title: https://www.mckinsey.com/business-functions/mckinsey-digital/our-insights/how-the-german-mittelstand-is-mastering-the-covid-19-crisis.

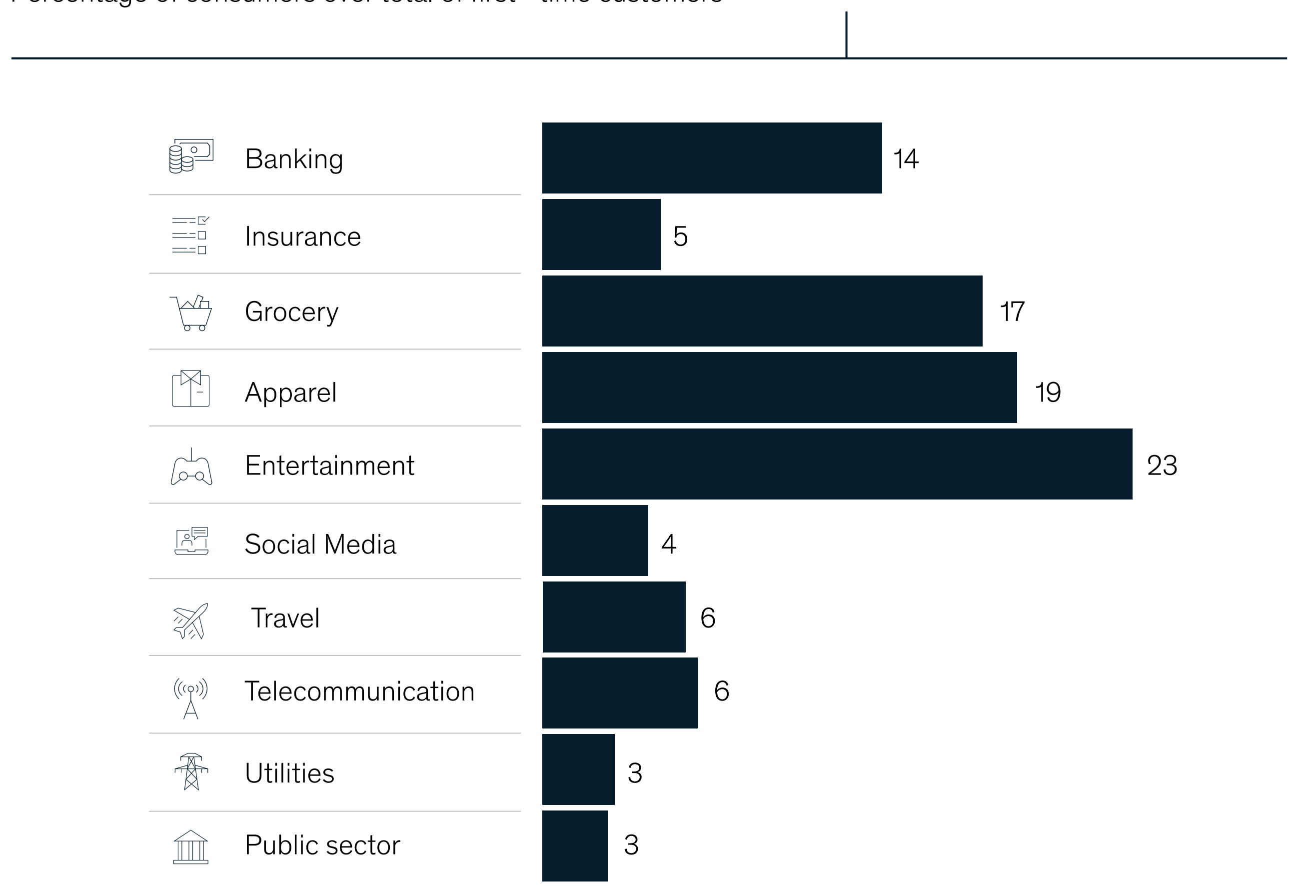
Source: McKinsey & Company COVID-19 digital sentiment insights – survey results for German market

Purchasing in digital channels

Percentage of consumers using digital for the first time during COVID-19

Industry with the highest spending per user on digital products / services during COVID-19

Percentage of consumers over total of first—time customers



Q: In which industries have you spent money on a digital solution?

US: Multiple answers allowed.

Source: McKinsey & Company COVID-19 digital sentiment insights – survey results for German market.

Staying digital

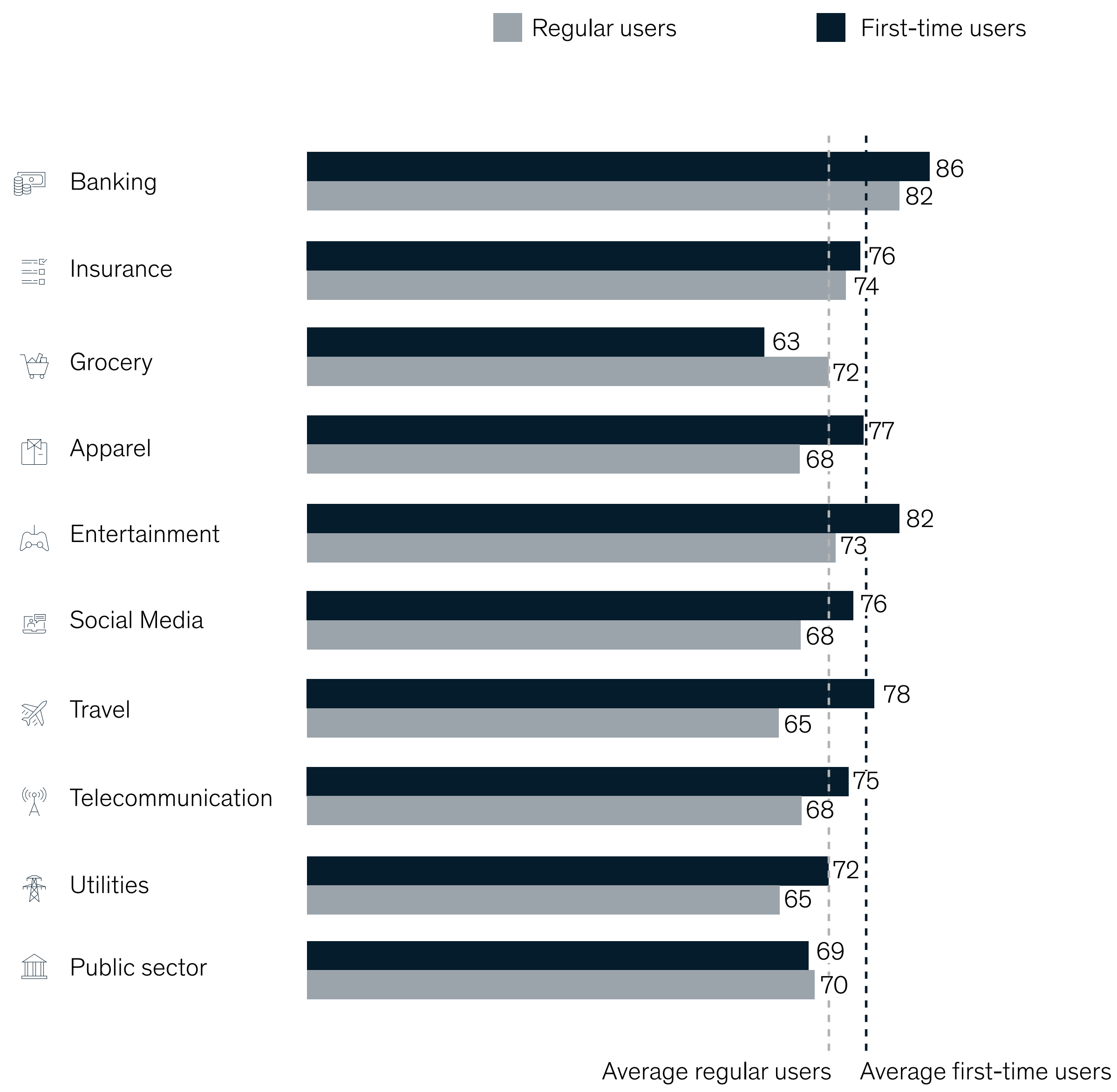
Customer behaviors and preferred interactions have changed significantly, and while they will continue to shift, the uptick in the use of digital services is here to stay. COVID-19 has also boosted digital usage amongst regular consumers: On average 72% of regular users plan to keep up their new digital behaviors after the crisis. When it comes to first-time users, around 77% are planning to continue using digital channels after COVID-19. Despite seeing an unprecedented growth in digital adoption, the grocery sector is the only sector where first-time users anticipate below average engagement with 63% after COVID-19.

This new digital normal underlines the necessity to innovate and make business digital. The time of pilot projects has come to an end. Robust ideas and promising concepts need to be realized with regards to the current challenges.

Source: McKinsey & Company COVID-19 digital sentiment insights – survey results for German market

Digital channel attachment per industry after COVID-19

Percentage of users planning to continue using digital solutions with the same frequency or higher



Q: Which of these services do you plan to continue using after the COVID-19 crisis?

US: Please select all that apply (banking, insurance, grocery retail, apparel retail, media and entertainment, social media communication, travel, telecommunication carriers, utilities, public sector, none).

Source: McKinsey & Company COVID-19 digital sentiment insights – survey results for German market.

Summary

A crisis like the one we are currently experiencing is by definition unpredictable. We can't know with certainty its duration or severity, but we can begin to think about what the next normal might look like. A starting point for this could be to look more closely at behavioral changes. The representative McKinsey digital sentiment survey with a focus on Germany brought to light that Germany is going digital in a sustainable way.

Germans of all ages have increased their digital adoption tremendously, and state that they are planning on keeping their new habits. This new digital reality is not a turnaround from former developments: the pandemic is rather accelerating the pace of the digital transformation – among companies as well as consumers. This acceleration is already evident across sectors and geographies. We have leapt 5 years forward in consumer and business digital adoption in a matter of around 8 weeks. Companies have digitized at least some part of their businesses to protect employees and serve customers that are facing mobility restrictions as a result of the crisis.

Leaders who want to succeed in the next normal should take at least the following three action:

1. Quickly adjust their digital agendas to meet new customer needs and behaviors.
2. Re-ignite former discussions and concepts on going digital and quickly implement.
3. Tune organizational models and tech stacks to operate as quickly as possible while remaining effective.

This is all has been confirmed by our survey focusing on the German Mittelstand, too, where it clearly became obvious that the winners invest substantially more into digitizing their business – and the time is now!

Authors and contributors

Authors

Gérard Richter, Senior Partner, Frankfurt

Niko Mohr, Partner, Duesseldorf

Acknowledgements

We want to thank the European and especially the team of McKinsey Digital Spain for their various contributions to this publication.

Media contact

Philipp Hühne

Philipp_Huehne@mckinsey.com

Layout

Maria Alcalde Resano