KPMG Customer First Podcast Transcript

Ethics for a New Era

Tim

Welcome to this KPMG Customer First podcast where we're going to be debating how leading businesses are building integrity, and earning trust. My name is Tim Knight, I'm a partner in KPMG's Customer Consulting business, based out of the UK, and for the last 12 years I've been working on our Global Customer Experience Excellence program, looking at best practice around the world. Now, over this time, we've seen the environmental and social practices of organizations have a growing impact on consumer spending and attitude. And indeed, we've seen that magnified by COVID. Indeed, over half the people we surveyed in our recent research said they've changed their purchasing decisions based on their perceptions of an organization's environmental and social commitments. Customers are emerging from lockdown, reporting changed mindsets, changed values and changed attitudes. And the majority now tell us that they will pay more to do business with an ethical brand. Even the most value conscious are telling us they want to see purpose ahead of profit. For business leaders, the ESG agenda plays a pivotal role here. Customers are looking more deeply at this than ever before, and asking more acutely whether or not leading brands are living up to their obligations. It's also interesting to note that consumers believe they will be living their lives very differently for the foreseeable future. They have a deeper appreciation of family, of friendship and of health. Indeed, many have seen the pandemic as an opportunity to reset their values and reset their world views. So businesses are facing customers who are more selective in their decision making than ever, and indeed giving preference to brands they trust. Success and failure is more visible than ever before. The challenge for business leaders has never been so great.

So with this increased focus on integrity and trust, how are the world's best brands rising to the challenge? Joining me to discuss the topic today, Samantha Gloede, a managing director at KPMG in the United States, and Vamsi Duvvuri, also a managing director at KPMG in the US. Sam, Vamsi, welcome. I wonder Sam if we might start with you and start by facing into the questions around purpose and ethics. As I've mentioned in opening, ethical standards are clearly under the spotlight more than ever in the new reality. How are business ethics linked to the wider business agenda of commerce resilience?

Samantha (03:07)

Thanks, Tim. What we're seeing is that success is no longer measured in purely financial terms. Business leaders are increasingly focused on the human and environmental dimensions of value creation. Sustainable high performance demands responsible practice and the trust of stakeholders across a range of pressing social issues from climate change to diversity and inclusion, right through to modern slavery. Living through the turmoil of the past six months, we've been faced with a global pandemic, coupled with political and social unrest. Consumers are increasingly purchasing from organizations whose values and purpose reflect their own motivations and worldview, and consumers have a lot of choice now and they are exercising it. Organizations need to be able to measure and report on their contribution to society, their impact on the environment and their overall brand integrity in order to compete. They need to be purpose-led. This purpose needs to be intrinsically built into their strategy for enterprise resilience. Some examples include partnering with third parties to meet customer demand, but also meeting customer preferences, and this needs to be closely monitored to ensure organizational integrity. Additionally, understanding customer needs and preferences contributes to building a strong customer experience. However, proper processes need to be in place to protect organizations from any form of reputational damage. Examples include data breach, fraud and third party risks.

Tim (04:49)

Sam, that's fantastic. And just to reflect upon that for a moment. Clearly, there's an enormous challenge for business leaders there. Has that become harder or easier over the last 10 months, reflecting upon the pandemic and the impact of COVID-19 on the way business leaders have acted?

Samantha (05:06)

Yeah, I actually don't think it's a case of whether COVID-19 has made it easier or harder for organizations to demonstrate their trust and integrity. I think this new reality, as well as the intense focus on social justice, has really forced organizations to ensure that they're demonstrating brand integrity and stakeholder trust. Their customers, employees and other stakeholders are demanding it and they expect it now. I would say that the demonstration of this is easier for those organizations who are already well on their way to driving a strategy around trust and brand integrity, to demonstrate that their business is purpose-led. For those organizations who have not intentionally considered this as part of their business strategy, it's going to be very difficult for them to authentically demonstrate this to their stakeholders.

Tim (05:54)

Fantastic. Thank you, Sam. Vamsi, I wonder if I might bring you in for a view here. One of the big challenges that business leaders have grappled with around brand integrity has been how they deal with process and use customer data. I wonder if you might point to any emerging themes or considerations in that regard, please?

Vamsi (06:13)

Absolutely. When we think about how organizations use consumer data, I think there are two important dimensions that we need to think about, and we help our clients think about. One is, what type of data are we talking about? Are we talking about demographic and basic information that is more readily available? Or are we talking about some of the more personal characteristics of people that may be very personal to me, depending upon who I am, versus somebody in a different generational category who may have a different opinion about that data? The things that we're talking about are behavioral attributes, why we do certain things, and what do we care about? So that's our first dimension. The second dimension is, how are we going to use that data? And again, there are three categories there. One is 'you're using my data to inform experiences that I experience as a consumer'. That's very personal, that's really important. However, there could also be inferences that they use from my data to inform experience, and that's what they call 'lookalike modeling'. And then finally, there is data applied to a very broad customer set. Those are more around strategic planning and broader customer insights. So as we think about those two dimensions — who I am, and what data are you talking about — and how it is applied in various scenarios, I think there's a lot of sensitivity around who's using the data. And it depends on the customer persona, right? For example, in healthcare, data is extremely private, and extremely sensitive. And so how it's used, you want to make sure that you have the right governance structure, while in some of the more broader applications, clients have really pushed the envelope in terms of what type of insights they can derive. And finally, and let me take an example, to make this point real. Think about a few years ago, how we used to do blood tests or heart rate monitoring on an X-Y axis, highly accurate if I went to a doctor poor experience on a Y axis. Now think about today. I'm wearing a watch, I have a really accurate, precise heart rate monitoring system, but my experience is almost seamless, right? So using data and using technology to evolve the experience without pushing that boundary and going over that line of using data incorrectly is really important for organizations. Some clients have figured it out, some are still on their way to figuring it out.

Tim (08:43)

That was really helpful, Vamsi. I wonder if we could just reflect on a point that Sam was exploring a moment ago, which was, as business ethics get placed increasingly under the spotlight, that place is an increased demand on leaders. And if we were to reflect upon data and IT leaders in business, what has increased focus meant for their roles? And how are we seeing that change within the enterprise?

Vamsi (09:12)

Absolutely. One of the biggest areas where we see technology leaders investing more and more in understanding employee behaviors, as they use various systems and data points about customers: system usage, data usage, data catalogs and log analysis are some of the bigger use cases that we are delving into nowadays. And it's really important because it's not just about establishing a process that says, this is how you use the data. You should be able to look back and say, 'is that processing actually followed or not? What are some anomalies?' And we have some really good client stories where we are actually leveraging that log data to proactively monitor and highlight events that may require a human intervention or human audit. Technology is really driving the capability to do these types of analyses, look for anomalies and patterns, and then ensure that it increases the confidence that the data is being used appropriately by the right people for the right applications.

Tim (10:14)

And I guess one of the other key points is that's got enormous meaning for the customer, but enormous meaning for the employee as well and the colleagues that we're asking to work with data in a new way and to, in a sense, uphold their own integrity through the process. And this moves us on to a second topic for conversation, which is, 'how do these changes in integrity and trust play into the customer and employee experience?' Now, in our global work, and we've talked a lot already about integrity, both in business, in ethics and in data. In our global work, integrity is one of The Six Pillars we point to as being absolutely foundational to everything we do. But there are five others, which include empathy and how businesses manifest compassion. And I guess, Sam, maybe starting with that point, because empathy and compassion has been one of the traits that we've seen businesses show more than ever, through the pandemic. How can we, as we face into this new reality, how can brands demonstrate their compassion towards both customers and employees? And what kind of lessons could we reflect upon that they've learned over the last year?

Samantha (11:21)

I think it's very important that organizations don't lose sight of the enormity of the stress and anxiety that their customers and their employees have and continue to experience during this crisis that could be related to their health and safety, significant financial challenges, social isolation, childcare, and home schooling. Everything is coming together all at once, and so organizations need to allow the customer experience journey to continuously evolve to stay aligned to the customer expectations in a really volatile time. Those stakeholders are pretty fragile right now. Customers and employees need to continue to recognize and feel aligned to the brand's integrity. But while there is a need for that agility and adaptation during turbulent times like this, organizations need to remain steadfast and true to their purpose and values. And with their purpose and values, and the voice of their organization at the core of everything that they do, and with everyone that they partner with, they need to be authentic. They need to be transparent with their stakeholders, and they must continue to align their purpose and values with their customers' expectations and values.

Tim (12:35)

It's really helpful to reflect upon, if you look at some of our recent global research, we've heard nine in 10 customers telling us they will pay more for an organization's services if they can demonstrate those traits and visibly demonstrate them. Vamsi, maybe just reflecting upon that from a point of view of safety and wellbeing. These are the key priorities for customers now, more than ever, and there's every likelihood that will continue well into the future. What kind of innovations are we seeing in that regard? And what kind of innovations are we seeing around both customers and employees?

Vamsi (13:08)

Let me first start on the customer side, because some of the principles apply on the employee side as well. I think one of the biggest areas of innovation we're seeing is how technology is being leveraged to be more proactive for customer needs, whether that's within a service interaction, whether it's in a product experience, or whether that is in how customers are expressing their satisfaction or their discontent. And what I mean by that is some of the most leading customer service companies are really interacting with the customer when they want. They've invested in automation technologies, for example, because they realize the 24 hours in a day has not changed, but the time that people used to have to do certain things, like calling upon an 800 number to get help, those moments have disappeared because we're staying in one place most of the time, just being on conference calls, being on different meetings, etc. And so the biggest trend is how service has moved from synchronous to asynchronous, which is almost like texting a friend: you don't almost feel it. I know big banks have implemented it, big technology companies have implemented it, airline companies. Think about that right now: not a lot of people are flying right now, but a great example was how you can actually chat with an agent via text to make updates to your itinerary. So that's really one of the ways technology is being leveraged to improve experiences that is so personal, and so appropriate for the time that we're in right now. On the other side, on the employee side, one of the things that we see is, magically people have found creative, innovative ways to collaborate with each other, although the way they used to work for the last many years has completely changed. A client of mine — a healthcare company — mentioned that the amount of movement they have made towards advanced technologies in the last six months was equal to something that they did in the last decade, and that's because it was, although forced, people found very genuine ways of collaborating, building and delivering outcomes to the business. Part of that is actually going to stay with all of these companies. They've figured out new ways of working, they've figured out new ways of collaboration, and we see that being enabled by technology through video conferencing, through calls, through other systems that they have implemented which allow for online collaboration and things like that. I think the biggest piece that is coming out of that is leveraging a multi-dimensional approach rather than a uni-dimensional approach, which is focusing on technology not just for the sake of technology, but bringing in experience, bringing in outcomes and results, bringing in measurement of behaviors and satisfactions, both on the customer side and on the employee side. We have numerous examples of those, both within our firm and our clients.

Tim (15:56)

It's fascinating to reflect upon, Vamsi, that this challenge of how do you create a human touch in an increasingly digital future is even more pronounced than ever. We heard from Satya Nadella talking about two years' worth of digital transformation occurring every two months. But the sheer pace of change has just accelerated massively. And I guess if we see some of that as being semi-permanent — that's switched online, certainly amongst key segments — and demographics being greater than previously anticipated, the reality is that many organizations are seeing a massive decline in traditional channels. They're seeing fewer physical or telephony opportunities to interact directly with customers. I guess, Sam, reflecting upon that change in channel behavior, the fact there are just so many fewer physical interactions occurring, does that reduce the ability for an organization to build trust with its customers?

Samantha (16:53)

Yeah, I think with less of a physical presence, an organization's digital presence and the customer experience is absolutely critical. Organizations need to be nimble and agile in embracing new technologies to improve the customer experience. However, they need to ensure that cyber and technology risks are well considered up front to safeguard customer data and reduce the opportunity for fraud and other financial and cyber crimes. This is going to be important to organizations across all sectors, but it will be driven by different customer expectations and risk points in each. For example, in life sciences and healthcare right now, there is significant motivation for fraud and cybercrime around COVID vaccinations, treatment, research and development. So IP and manufacturing security and integrity is absolutely critical right now. The public not only expects it but is really depending on that. Supply chain resilience is high on the list, because our hospitals and our communities are dependent on the availability and integrity of PPE and COVID treatments and vaccines. In consumer and retail, there's unprecedented demand on digital procurement, so the payment platforms and the customer interfaces need to be seamless and secure. Another example in banking and in the energy sector, we now have traders operating in a remote environment, so trader surveillance considerations are increasingly important. You can see from these examples that this digital presence is just increasing the importance of having stakeholder trust. It's really just absolutely critical in this environment.

Tim (18:38)

It's really interesting, isn't it, to reflect upon how close the two themes of managing risk and building trust are, and how much cross-category innovation there is in those two areas. There are clearly some areas which are more important than others. What's absolutely critical for businesses to get right to the moment?

Vamsi (19:01)

I think there are five key moments that matter more than some of the other moments. When people interact — when customers interact with companies or employees interact with each other — that's a key moment. How they're interacting with each channel, and the purpose and the length of interaction is extremely important, especially where we are today. How technology and data is being leveraged to make that interaction experience better is a big challenge that companies must get right. How we collaborate, because collaborating isn't an activity that I can do myself, we're often in a very small, same group. And so how do you bring in diverse perspective and collaborate, globally, in this changing environment? This often gets lost with it. For me, one of the key points is how do we learn? Not just academically, but how do we learn from our collective experiences by listening to employees and customers so that we are able to shape our agenda, our proposition, differently? Those models have changed as well. And more importantly, as a builder, I always think about how do I get my team to solve a specific problem. I haven't met my team for the last nine months. Most of them actually are in the same city, but I haven't met them. So how do we build? How do we keep pace of building something that matters to the customer, while doing that in a completely different environment?

I think it all comes down to the experience. You need to think about the moments where the experience of the person matters, whether that's an employee or the customer. And then, how are you able to enrich that experience, either by doing something, or maybe more importantly, by not doing something and let it happen on its own, organically, can make a big difference. And again, technology is an enabler. It is very important to know who the person is, why do they care about those experiences, and then decide what is the most appropriate treatment that you should or shouldn't do in that situation?

Tim (20:51)

It's fascinating, isn't it, to reflect upon your point there about collaboration and building with your team. One of the great requirements of creating external trust is, of course, that we have internal trust and maintaining that internal trust, that close collaboration, that way of working that's so pivotal to many of us in unusual times, is clearly absolutely key. How's it playing out with clients? Sam, reflecting on all those conversations you're having with clients at the moment, what's the biggest theme that's coming out?

Samantha (20:21)

When an organization earns and deserves the trust of their stakeholders, they create a solid platform for responsible growth, confident decision making, bolder innovation, and sustainable advances in resiliency, performance and efficiency. During turbulent times, the obvious threats to growth range from regulatory change and disruptive technology to cyber attacks and climate change. An organization's agenda on trust enables them to anticipate, embrace and optimize risk, generating value and competitive edge across the enterprise. It also helps organizations to bounce back faster from random and unpredictable events like a global pandemic or environmental disasters.

Tim (22:03)

Thank you, Sam. That's a fantastic summary and Vamsi, maybe I could ask for the same from you: any closing remarks or indeed key thoughts from your client conversations?

Vamsi (22:12)

The biggest trend we're seeing is, from an investment perspective, clients are investing more in improving experiences across the front office, whether that's within marketing, sales, or service, but enabling experiences for technology and investments that go there. But the key difference is how they're approaching that. These are not big whizz-bang investments, these are more agile, iterative, user-tested and customer-tested approaches. So that's actually a really big and great trend to see. But if I could bring it all back together, I'm an engineer, surrounded by engineers, and the three biggest patterns that I see from a systems perspective, as a whole system, is resilience. Instead of having monolithic structures, there are these organic groups that are more resilient to shocks and surprises. And obviously, in the environment we are in, more resilient organizations are better adaptable, and have done really well. Connected to that is those organizations or clients want to be more self organizing as well, which is, instead of doing a very top-down policy, process-driven methodology, it's empowerment at the right level, so people can make the decisions at the right time, driven by a common value and vision rather than very procedural. And then finally, organizations that are hierarchical, not in the negative connotation, but hierarchical in the sense that only the right data and information is provided to the folks to empower them to make their decisions while abstracting away other complexities of their organizations, is really how organizations are being resilient, self-organizing, very creative, very innovative, and still able to make an impact to the end consumer through better experiences, and to the employees through better employee experience.

Tim (24:00)

Thank you. And I guess to conclude on that, from my point of view, we've heard throughout just how important trust, integrity and business ethics are to businesses in order to maintain their competitiveness, in order to be adaptable, in order to build resilience, but also to communicate their humanity and their purpose to the market and to their stakeholders. I was much taken with the point that this is an organization-wide, enterprise-wide commitment. It's got to be, as you talked about in opening, Sam, coded into the purpose of the organization but also the processes of the organization, and that clearly extends deeply into data processes, as well as other offline processes. Because employee experience is, of course, the physical manifestation of those processes: how it looks, sounds and feels to each of us is really going to make a difference. And increasingly, that's about continuing to maintain humanity in an evermore digital future. It falls for me to say at this stage, thank you ever so much to both Vamsi and Sam for joining us today. And thank you everyone who's dialed in to hear this Customer First podcast. Goodbye.