



# KPMG Customer First Podcast Transcript

## Buying into Brands

Jo: Welcome to the Customer First podcast where we're going to be talking about how consumers are increasingly buying into brands.

In the light of COVID-19 we've seen the emergence of a new type of customer. For this customer, the decision-making process is driven by, yes, the traditional values of convenience, price and certainty, but also increasingly purpose, integrity, reputation, safety and security. In this new reality, we're seeing customers buying into brands rather than simply from them. And in our latest consumer research whilst 88 percent of consumers still buy brands based on their needs. 80 percent of people, a comparable percentage prefer to buy from and into the brands whose actions align with their beliefs and values. They are buying into brands they feel connected to. This shift was, as many of us know, detectable before the impact of COVID-19. But COVID really rocketed this change, and our research suggests that 90 percent of customers are willing today to pay more for ethical retailers. And whilst 78 percent report that they're worried about the global economic situation today, this belt tightening has interestingly not led to movement away from ethical shopping experiences. In fact, two thirds of those surveyed say that the environmental and ethical practices of the company have an impact on whether they will buy from them.

So the role of the corporate social responsibility manager has grown more crucial, as the impact of the climate crisis becomes clearer, and consumer behavior is increasingly driven by ethical and environmental concerns.

Customers are absolutely shopping with their consciences and not just their wallets. This brings us back to the importance of brand purpose and DNA. Understanding what a brand stands for and integrating it into an organization is what sets it apart from competition. And some organizations struggle to translate this within their business and amongst their customers.

So how do you go about getting buy in? And what does this mean in practice? Joining me to explore this topic today are Edgar Molenaars, Partner with KPMG in the Netherlands, and Carmen Becker, a partner with KPMG in Australia, I'm delighted to have you both here with me today.

Building on this idea of environmental, social and corporate governance (ESG), and the rising importance of that. Carmen, what do you think has grown, has driven the growth in that importance in particular; what factors have driven that change?

Carmen (02:52)

Thanks Jo. It's such a great discussion point right now, because we're seeing the importance of ESG in companies and the factors driving this importance, such as brand, purpose and reputation, are really becoming boardroom discussions and part of the decision-making process. Alongside things like safety, security, convenience and certainty. When we talk to customers, and particularly referencing our global CEE report of this year, these things are part of the new value equation that customers are thinking about when thinking about which companies to invest in, or buy from, and to associate themselves with.

Edgar (03:35)

And to add to what Carmen already said, I think it makes sense the factors that have driven this rise in conscience, that people are more conscious on the things that companies actually do in society as a whole. And what also could be a reasonable truth is that the intrinsic differences between services and products are declining. You could say that we're all doing a great job when it comes to customer experience, we're also producing products and delivering products and all of that. And if that is the truth, then it is also likely that people tend to choose on other elements than just the intrinsic values of a product or a company. So then, it becomes much more important what the company stands for, and the point of view of the company in society in the category as a whole. So pragmatic reasons like that could also be the driving force in this whole pattern that we're seeing now.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2021 Copyright owned by one or more of the KPMG International entities. KPMG International entities provide no services to clients. All rights reserved. KPMG refers to the global organization or to one or more of the member firms of KPMG International Limited ("KPMG International"), each of which is a separate legal entity. KPMG International Limited is a private English company limited by guarantee and does not provide services to clients. For more detail about our structure please visit our website.

Carmen (04:21)

And Edgar I think what's been interesting with COVID, the acceleration of this trend, really, when you're stuck at home, when you're in lockdown, you trust those that are closest to you and those that are serving your community around you.

Edgar (04:39)

It makes sense from a human perspective, you will do that with people as well.

Carmen (04:45)

Exactly. Your local company delivering restaurant quality food to your door or you're picking it up from a little hatch during lockdown really changes your perspective on what's important in the company and how they relate to you. So I do think the ESG trend, although it already hit the boardrooms has been absolutely accelerated by COVID due to this closeness that people have felt to each other and to the brands and companies that serve them in times of trouble.

Jo (05:10)

Certainly, I think one of the really interesting points that you both make, and certainly one of the things, I think that that we've seen, has been the rising importance of the S element of ESG. So those social factors that you mentioned, Carmen. So, if I'm hearing you correctly, there are two key things that we talked about, firstly, that those ESG purchase drivers are intrinsically becoming more valued by consumers. But secondly, you make a good point that, perhaps because of growing parity amongst both products and services, in what they're delivering an absolute, the ESG wrapper, if you like, becomes a more important differentiator for brands. And given that context, what guidance can you give to businesses that are looking to really accentuate and think about how they develop their own ESG position, and really own a point of competitive differentiation in that space.

Carmen (06:05)

To respond to this behavior, or the changing behaviors, you have to, of course, get to know your customers and get to know your new customers. So staying on top of what matters to them, and therefore how you communicate with them around the topics that matter is important. But brands also really need to understand and believe their own purpose. They need to demonstrate that purpose and they need to live the purpose. What does your brand stand for over and above profit? And to differentiate yourself, you need to establish that as something different to you and your counterparts, or those in the similar category. You need to think about how can I give back? And what am I giving back? And then how am I communicating that to my audiences who value that?

Edgar (06:49)

Yeah, so the recommendation that I always give to brands in general is be as simple as possible to go back to your core essence, which is basically who you are and what you stand for. And consider yourself not as a brand, or a corporate, but as a human being, which in essence, a brand is perceived as human, like my customers and clients. And if you do that, it becomes a little bit easier to think of your point of view on each and every societal or category topic. Because you can do that as a human being as well. And it's not about being right or choosing the point of view that everyone is using now, you need to get as close as possible to your own heart. And if you do it like that, then you create a real genuine purpose, which is the basis of the brand DNA. But brands tend to make it way too complicated. And they act like corporates, and they have all kinds of departments creating purposes or linking purposes to organizational leavers, which at a certain point in time you need to do. But to start you need to go back to the essence of the company itself, and maybe even go back to the original brand story of the founder. And just think about what the founder or the brand's DNA, so to speak, stands for and challenge yourself to create this purpose or point of view, based on actual situations, actual societal issues, actual things that are happening throughout the company, and in society as a whole.

Carmen (08:13)

And I think COVID has given us a really interesting way of looking at this in companies, because I don't know if this happened in your market, but certainly in Australia, in Asia Pacific, we had a lot of brands going on to television, purpose-led advertising campaigns, some very good and some very unusual. I think it's a very interesting thing to think about your brand purpose and position. And think about how you're actually demonstrating that in the media, you don't always have to be very vocal about it, it can be something that you just share, one to one with your customer, you don't necessarily have to do a big campaign. And if you do a big campaign, to really think about what you're saying, and to check that the message is the right thing to say at that moment.

Jo (09:00)

Both of the comments that you're making there really lend themselves to this idea of consumers buying into companies versus buying from them. And you've both given some great tips as to how businesses can start thinking about translating that into what it might mean for them in practice. But how might a business with a limited budget, especially in the current kind of financial situation, how might a business prioritize where they might activate that message and how they might ensure that those messages land at the moments that really matter for consumers?

Carmen (09:33)

The other way that brands really need to demonstrate their purpose, especially in times of crisis, is by showing — really showing how they react to the crisis — and helping their customers and their stakeholders through that crisis.

Edgar (09:46)

True, and we've seen that a lot during COVID-19, especially in our market. We've seen a lot of brands that used purpose-led advertising in those times. And in some cases, it definitely worked, especially in the cases where you wouldn't expect a brand to use a more purpose-led type of advertising. We had an interesting pharmacy brand, which is normally very low price driven and they used a different approach during COVID, used their own employees that acted in the campaign and it worked out really well. However, a lot of brands that kind of did the same during COVID-19 received pushback because of the fact that people were feeling okay, but why are you doing this now? And we haven't seen this from you before? And why are you showing off, in that sense, only through advertising? And how come I don't see this in the store or in a digital experience. So that brings it back to where do you show your purpose? Will you do it through advertising? Or will you do it in the actual experience as well? So is it just words or is also the deeds that you're showing.

Jo (10:52)

Such a good point. I think in the UK we saw an absolute outpouring, I would say, of brand activity that really demonstrated the core character of many of our nation's favorite brands. We had forecourt retailers who turned their areas into drop off and pickup areas for groceries, we had pub chains who started retailing the basics to keep local communities going. And so many brands lent into that provided, generously donated clothes, generously donated toiletries, personal care items, everything that was going to be needed to getting that hospital up and running within 14 days, it was really quite amazing. And what I thought was particularly interesting there was the response, not only that consumers gave to those brands driving that activity — which I'm sure was one of the reasons why they felt compelled and able to do it — but massively the internal employee pride that was triggered by that. It became almost a badge of loyalty to be working for a brand that was able to bring their purpose to life in this way during that kind of critical crunch time. And I think we see that as being a particularly important aspect of bringing your brand to life and articulating your purpose. It's creating this very relevant employee experience as well. I think integrity is absolutely key, we need to make sure that when brands are coming to the fore with their character and their purpose and bringing that to life in experience or communications or campaigns, that it is genuinely exactly as Edgar said at the beginning, part of their kind of authentic self. And that has been, that is visible through a period of time, not just in a moment of time. I think that is a really good example of what I might call a trust building event. And something that companies can think about as a way of landing their purpose, with a real moment, with real magnitude. Can we just talk about some other businesses that have maybe created similar moments in time, where they've been able to really create a trust building event and develop and showcase their integrity.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2021 Copyright owned by one or more of the KPMG International entities. KPMG International entities provide no services to clients. All rights reserved. KPMG refers to the global organization or to one or more of the member firms of KPMG International Limited ("KPMG International"), each of which is a separate legal entity. KPMG International Limited is a private English company limited by guarantee and does not provide services to clients. For more detail about our structure please visit our website.

Carmen (12:59)

There are some that are born out of integrity and creating that trustworthy event, some that have giving back as core to their purpose and we all know and love some of these brands, particularly in the fashion, in shoes and in hiking equipment space. We know how those brands are created around a purpose and created to have integrity at their core. Does your demonstration of integrity match the values that I've known as a consumer for the time that I've known you? And if they do, then you know that brand, you feel trust, you feel closeness and you feel that integrity has remained the same. And one of the facts we see through the CEE report is that integrity is the strongest driver of advocacy. INPS, across 18 of the 27 markets that we surveyed, said this is very important for brands to really remain true to what they stand for.

Edgar (13:56)

I think there's a growing siloism in the definition of purpose itself, the way it's being perceived more and more nowadays, is that it is indeed about the emotional element and the integrity part of it, and that makes sense. If I explained purpose to clients, I always explain there's two elements of purposes, the functional element and there's an emotional element. The functional element of purpose is literally, what do you deliver? What is your role in the category on a functional level for me as a person? In addition to that there's the emotional element of purpose, which is what role do you play in my life on an emotional level? And brands tend to choose the emotional angle more than a functional angle. And again, for many of those brands, it makes sense. And it's also valid to choose the functional purpose only as well, if you do it correctly. And rightly, there's nothing wrong in doing that. Where it does go wrong is if you choose the emotional angle of the purpose, which doesn't come from the heart, you don't deliver the purpose itself through experiences, products and the way you act in society. And then it goes terribly wrong. We've got some painful examples over the past couple of months in our country. Two examples of one of the most successful retail brands in our country, it's a department store, actually. It's a traditional shop so you don't have a huge online experience at all, they just have the kind of brick stores. What they did during COVID is the minute COVID set in, they forced their suppliers to deliver the goods in a different way, they forced their suppliers to accept terms and conditions that weren't necessarily in the favor of the suppliers. So the payment went, I think it went from 30 days to 90 days. And that is the traditional way of acting when you look at restructuring companies in times of crisis. And it got an incredible pushback, because people didn't accept that. They said, okay, you are hugely successful, you need to take responsibility, but what you do is you're making your small suppliers suffer from something that you don't suffer from yourself.

Carmen (15:55)

I think that's interesting Edgar, because there's multiple ways of thinking about trust building events. There's sort of two classifications isn't there, the public trust building event, where you have to publicly come out and say what you're doing in a certain situation. But also that individual trust building moment, day by day, action by staff, where trust is created in the organization as a whole, and this rapport is built with customers. So how do you respond to my complaint? How do you help me through an individual crisis such as I can't pay my bill, or I'm going into hardship or I can't get my delivery on time? So those pillars that we think about in our experience report and pillars around time and effort and also around meeting my needs, do what you say you'll do and that sort of behavior builds trust over long term. So building an experience that is reliable, functional, simple to use, seamless, that answers customers' needs day in, day out — and also being there when they need you when they may fall into a crisis situation themselves — really builds that ongoing day in, day out level of trust.

Edgar (17:10)

A beautiful example also during COVID from a travel brand. It was a founder brand in this case and they just opened a brand new hotel and of course, there wasn't any guests at all because of the simple fact that COVID set in. And then [the owner] decided on a personal note, he said okay we are suffering with hospitalizing people, you can use my hotel, transform it to a hospital — not for the very severe, sick people but the people that are already recovering, they can stay in my hotel free of charge and all of that, and he took responsibility. And that's a beautiful example of acting on, on beliefs that you have on a personal level. And in this case, the brand itself was equal to the person itself.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2021 Copyright owned by one or more of the KPMG International entities. KPMG International entities provide no services to clients. All rights reserved. KPMG refers to the global organization or to one or more of the member firms of KPMG International Limited ("KPMG International"), each of which is a separate legal entity. KPMG International Limited is a private English company limited by guarantee and does not provide services to clients. For more detail about our structure please visit our website.

Jo (17:53)

So many great examples of how companies build trust. A question for you both though, how do companies rebuild trust after they've had a problem, if they've maybe not acted in quite the right way? Or there's been an incident which has damaged their reputation? How do you quickly move to rebuild trust?

Edgar (18:10)

These examples that I just spoke about, brands immediately acted upon the pushback that they got. And especially the department store, they immediately apologized, changed the terms and conditions and connected to their suppliers, made arrangements with the suppliers that weren't able to pay or needed to change because of individual reasons, all of that. So they immediately turn around and that is, I think, the most important way to act when trust is declining, or you receive pushback from clients or society.

Carmen (18:41)

I completely agree, I think speed is of the essence and complete transparency. Because if you aren't transparent, the whistleblowers or people within the company, or people that can see that your behavior is not transparent will say something. Because people are interested, really interested in brands and businesses doing what they say they will do, being transparent, being open and acting with integrity. So when they're not, like in the past, for example, you might not have got called out for not telling the whole story or not telling the whole truth. But now if you're holding something back and people know about it, they are going to talk about it. So you need to assume that anything that happens will be public knowledge. Edgar, the other thing I was thinking about when discussing brands and customers and crises, is we're talking about the front office. The other thing that needs to be well thought through by businesses and brands is the middle and back office. So do you have the right systems, the right technologies, the right processes, capabilities and people to support what you're trying to do at the front end with the customer? You can't have a strong brand, and a strong position in market that can be maintained without building the engine room that can drive that.

Edgar (20:13)

That's an important element where it often goes wrong. For the simple reason that changing the front office part is easier than changing the mid and the back end part of organizations. However, you need to do both because otherwise, on the front part, you're promising things that you can't deliver from the mid and the back end.

Jo (20:31)

Guys, absolutely fascinating. So great to connect with you again and talk about this super important topic. We know that our clients are demanding more in terms of purpose and brand, we know that's coming from a place where consumers are demanding more. And we can see from our discussion today just the many examples of how businesses can lean into that, be it from how they bring it to life from their purpose, how they embed that in experience, how they take that through to communications and their marketing right through to where it all starts in the middle and back office and bring that to life with so many examples from across the globe. It's been a truly heartwarming half an hour. Thank you so much for joining me. I look forward to see you both again in person one day, hopefully not too far away and stay safe.

Carmen (21:15)

Thank you very much for having us.

Edgar (21:16)

Thank you, Jo.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2021 Copyright owned by one or more of the KPMG International entities. KPMG International entities provide no services to clients. All rights reserved. KPMG refers to the global organization or to one or more of the member firms of KPMG International Limited ("KPMG International"), each of which is a separate legal entity. KPMG International Limited is a private English company limited by guarantee and does not provide services to clients. For more detail about our structure please visit our website.

Throughout this document, "we", "KPMG", "us" and "our" refers to the global organization or to one or more of the member firms of KPMG International Limited ("KPMG International"), each of which is a separate legal entity.

KPMG International Limited is a private English company limited by guarantee and does not provide services to clients. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm.