



# Ethical CX

## The New Differentiator

## The Widening Ethical Vacuum

Ethics in business is not a new concept. Still, there is a growing concern in the marketplace that many companies accepted by consumers as their preferred brands now face an ethical crisis. The ethical crisis is evident in many everyday interactions with these companies leading consumers to become growingly disenchanted with the rhetoric of looking after their best interests when the opposite appears to be practised on mass.

This paper argues that ethics in business is reaching new low levels not seen before. The ethical vacuum has been created by the availability of many advanced technology solutions such as sophisticated algorithms and A.I. to predict customer behaviour. How these technological tools get used and *if* they should be used for certain outcomes are the types of questions not being asked. The primary objective of these tools is to acquire new customers and increase spending ultimately.

On the surface, it appears there is no dilemma. Every commercial business is driven to grow and increase profitability, so where is the problem? The issue lies when a company uses technology to exploit human psychological vulnerabilities for its gains and often to the detriment of its customers. The documentary that aired on Netflix called the *Social Dilemma* uncovered the levels of manipulation applied by tech giants such as Facebook, Google, Twitter and Instagram to increase the monetisation of their platforms by exploiting carefully researched psychological vulnerabilities. The ethical question that needs to be asked is whether it is acceptable for a company to apply highly manipulative tactical and strategic initiatives to exploit human vulnerabilities such as fear. Whether it is the fear of missing out, being alone, strangers or losing lifestyle and freedom, these are regularly being exploited for monetary gain using sophisticated software algorithms.

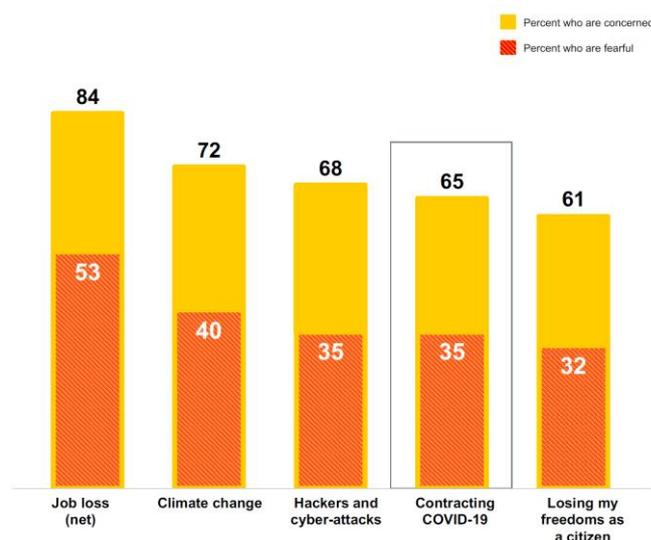
## The Wizard Behind the Curtain

Just like in the *Wizard of Oz*, the manipulation is unseen, hidden behind a curtain. The concealed nature of software code existing beneath the surface of where customers interact, enabling organisations greater freedom to undertake far greater manipulation of their customers' vulnerabilities. The invisible nature of software algorithms coupled with the fact that government regulations cannot control the application of these algorithms has created the perfect environment for wizards to establish themselves as master manipulators of their respective kingdoms. However, once customers become aware of the manipulation behind the curtain, there is often a swift response towards the deception. The Edelman trust

barometer<sup>1</sup> identified that 71% of customers would lose trust in a brand forever if they perceive that a brand is putting profit ahead of people. However, the strong sentiment against being deceived by a brand is also equally strong for brands that demonstrate ethical behaviour. A survey undertaken by KPMG in 2020 identified that 90% of consumers surveyed are willing to pay more for ethical retailers.<sup>2</sup>

## Ethics is the Path that Leads to Trust

Earning customers' trust should be the primary objective of any organisation that wants to dominate in its sector. However, traditional means of attaining that trust through providing excellent products and services at a competitive price point is no longer sufficient. Consumers have changed what they value more so than ever due to a number of significant and profound changes. The pandemic has heightened the fear of losing jobs (84%)<sup>3</sup>, home and contracting COVID-19. (65%). Add on top of that the plethora of fake news, conspiracy theories, climate change, hacking, and the incompetence among some government leaders in their handling of the crisis, and what you end up with is a consumer that is now sceptical, fearful of the future, and highly mistrusting. The majority of consumers (86%)<sup>4</sup> are now expecting companies to lead on societal issues and for CEOs to be vocal on one or more societal challenges. The battering of life-impacting changes experienced over the past 18 months has driven consumers to actively seek changes that overcome their fears and concerns. Businesses that embrace ethical practices and proactively provide solutions to these problems will gain new trust from consumers and be in better shape to achieve future customer loyalty.



Source: Edelman 2021 Trust Barometer

## Ethical Customer Experience is the New Differentiator

Understanding the changing landscape shaping consumer fears and concerns creates an opportunity to redefine your customer experience practices and areas for differentiation. Ethical Customer Experience (ECX) is a new way to shape the organisation and its thinking around customers. ECX is about

<sup>1</sup> <https://www.edelman.com/trust/2020-trust-barometer>

<sup>2</sup> Source: KPMG Me, My Life, My Wallet 2020

<sup>3</sup> Source: Edelman 2021 Trust Barometer

<sup>4</sup> Source: Edelman 2021 Trust Barometer , p.35

shifting the mindset of everyone in the organisation towards the importance of ethical practices, especially when interacting with customers and managing customer data.

An educational program needs to be matched with a realignment of internal values to fill the vacuum in ethical practices towards customer management. CEOs need to support customer experience practitioners by demonstrating the importance of ethical behaviours in all aspects of the business. The message needs to be reinforced in areas of the business where unethical behaviours are easily hidden in software coding and sophisticated machine learning algorithms used to exploit consumer vulnerabilities.

Ethical CX acknowledges that just because an organisation has both the technology and insights to actively manipulate its customers for greater profit, it should *not act on it if* it infringes on the customers' rights, well-being, and expectations. Ethics in customer experience management needs to go beyond legal obligations. The core of ECX is about having an internal creed that provides guidance for all staff about where the boundaries exist for customer management. The creed should provide clarity to staff on what constitutes an unethical practice that has crossed the company's ethical boundaries. For example, we know from the research that 98% of customers are concerned about using their personal data<sup>5</sup>. Ethically a company needs to define the boundaries for the use of customer data to ensure it complies with its creed. It might stipulate that personal data can be used to create a highly relevant personalised journey for the customer, but the boundary *not* to be crossed could be set at using this data to deliver advertisements based on search history. The ethical boundaries set should be based on both the company's core values systems and reliable customer research. Almost 70% of customers actively avoid advertising on the Internet.<sup>6</sup> This customer insight is an example of how a company can set the ethical boundary for the use of personal data that will also help build trust with their customers.

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Kinetic Consulting Services is a boutique business growth consultancy providing private and public sector clients with the full suite of consulting services to accelerate growth, build brand value, and achieve market differentiation. Kinetic has offices in Dubai and Sydney Australia.

<sup>5</sup> Source: KPMG Me, My Life, My Wallet 2020

<sup>6</sup> Source: <https://www.edelman.com/trust/2020-trust-barometer>