TECHONOMY NYC

Who Can You Trust in an Age of Transparency?

Speakers:

Tim Baxter, CEO, Samsung North America

Marta Tellado, CEO, Consumer Reports

Moderator:

Josh Kampel, Techonomy

(Transcription by RA Fisher Ink)

Kampel: Marta Tellado is the CEO of Consumer Reports and Tim Baxter is the CEO of Samsung North America.

Baxter: Great to see you.

Kampel: Please sit. I started talking a little yesterday when I had Mike Federle and Jim McCann about trust and about the Edelman Trust Barometer that they put out early in the year and really got me thinking about where are we in the world with trust, trust in companies, trust in government, trust in media—so, it was great to be able to bring together a media company and a brand to talk about this idea.

And Tim, I want to start with you. I mean, the trust barometer shows that there's a declining trust in brands. Do you feel that as running a huge multinational brand here in the U.S.? Do you see that and what are those implications?

Baxter: Well first of all, thanks for having us. I think it's fair to say that there's been no shortage of headlines relative to trust in the business, in the political, in the media landscape—so, maybe more so than we've ever seen in the past. And Samsung was part of the headlines especially two years ago with the recall of the Note 7. And you know what? We learned a lot. We listened a lot. We engaged a lot. And I think as a result of it, we're a better company for it. And trust was a critical part of that.

As reference, when we went through this, we learned a heck of a lot about crisis management, about owning the problem, about identifying the root cause, about identifying the fix, and communicating why this isn't going to happen again—and continuing to communicate to consumers, channel partners, government, media, and especially your employees. So learning crisis management was a big part of that. Learning that this was the first true digital recall—and

what I mean by that is the device at which it was being recalled is the device you could actually communicate directly to those consumers with. And we did that with some 20 million or so instant messages and other forms of communications that helped us get about 97 percent of those devices back and to put that into context, the average recall gets lucky if it gets 20 percent back.

We also engaged with consumers in new and interesting ways. We had a hand-raiser program where we engaged with over 10 thousand consumers impacted by this who said, "Yes, I want to communicate with you." So we learned a new way to communicate with them. I held breakfasts, lunches with consumers—so we brought together a thousand people participated in a video streaming session that we had when we identified the root cause on it. So we learned how to engage and all of that enabled us to, within months, resume four of the five metrics back to where it was prior to that. I think it was Forbes recently—had us rated as one of the top most reputable companies—and they referenced how we managed that crisis as a way.

So yes, we understand the importance of trust, how easy it is to lose it, how important it is to reengage in gaining it back.

Kampel: Right. And Marta, we talked about the Samsung recall and I don't want to go too deep in there—but, you know, when you talk about trust in media, the interesting thing I saw in the same Edelman Trust Barometer was usually media and platforms—social—have tracked similarly. This is the first year there was a huge divergence in trust in journalism versus platforms. Talk a little about Consumer Reports role—obviously, you're a very trusted brand as far as media goes—and how you've seen that divergence on crowd sourcing and social versus true journalism.

Tellado: It's great to be here, Josh. I'm loving that you have an entire day devoted to social impact and companies that have a higher responsibility to consumers. And to the last conversation, I think it is government and business, but I think there's three legs to that stool and the one we focus a lot on is consumers.

You called us out as a media company and I kind of want to take a pivot and say we do a number of things. And obviously, from the beginning, our bedrock has been transparency and trust—and building that trust—and we do that with an incredibly rigorous research, data collection, and testing facility that we do. We test over 8,000 products and services a year. In addition to that, we also do really deep investigative reporting where we most recently looked at algorithms that drive car insurance pricing.

And I would say the third piece of that is we're also very on top of as we get the data and get the research from our testing and from our investigative reporting, where do we need to standards? Where do we need to see rules? Where do we need to see whether they are voluntary or driven by government?

And so it's those three things I think for us that build trust in the community that we've built that we call Consumer Reports. It is a membership organization and people sign up because they come to us and they see an organization that puts them first. We don't take advertising. We're a social enterprise—we have a double bottom line. We absolutely have to be competitive and put products and services in front of consumers that empower them so that we have a level playing field when they're there. And those products and services and their membership have to fuel our budget so that we can actually be out there on the front lines doing what we need to do to change that.

So the question you put on trust and platforms, I think Tim said it best as well. There isn't a day that goes by that there are headlines that rattle the public and consumers and so the question is, well who do they trust? And I think we've seen in the last two years a 54 percent spike in our traffic to our site where people are trying to access information and I think what they're telling us is that they value quality and they value trustworthiness. And when you have a flood of information from platforms and you're seeing data breaches in a variety of different episodes.

And we can talk about the phone because I think it's an excellent example. I think what they're saying is we're lacking—and I think the polls show this—there's a lack of trust in our institutions. But, that doesn't mean consumers are complacent. I think I put a little more credit into consumers' ability to make change happen. And we're seeing a lot of change. As nefarious as some of the platform behaviors that we're seeing in terms of what is a real review versus a fake review, what is a pay-to-play review versus one that is driven by rigor and testing and science. I think the world of recalls has been really instructive in the last year and I think your example is a good one. We did poke Samsung and we have a very—I would say it's a positive tension relationship. I think—

Kampel: Well, and I think—one of the things we talked about is that there is an interesting relationship. While you were viewing the products, you're also feeding back information from the reviews, what you're hearing from consumers. And Tim, how does that feedback then play into the product roadmap and how does that—

Baxter: No, I think that's a great question and I think healthy tension is the right description of the relationship. We have seen—I think Marta and the team have done a great job evolving from what we grew up with as that physical paper—the physical magazine—into a digital world. As a brand, we get feedback from their test results. Our engineers our keened in right in on it—our product development is keened right in on it. And when we see things we don't agree with, we challenge it. We don't challenge it to say change the rating; we challenge to say how are you testing on that?

And we share—they share with us the testing concepts on it so we can understand that, our engineers can understand that. Sure we get feedback about a particular feature and what goes on. And at the same time, we share technology roadmaps to help them think about, well, the

way you maybe tested a CRT tube television is different to a flat television or a 2K to a 4K or a smartphone that was used for voice to another. So we try to collaborate around that and we do collaborate on that which enables that, I think for us both to prepare for the future.

But we will—when they see something they don't understand, they'll challenge us and ask us questions about how that is working and they keep that and do that in a very arms-length effective manner. But we'll push each other and I think that makes us better for the better of the consumer and the better of the devices.

Kampel: And I think that's what we talked about. At the end of the day it's about the consumer, right? You're both serving the consumer with content, with devices—for you both to succeed, it's really about serving—you know, putting the consumer first.

Tellado: That's right and I'd like to think when we're at the table poking and prodding that that's the consumer at the table.

Baxter: Yes, yes.

Tellado: And I think given the millions of surveys and our pulse on consumer sentiment, I think we can, with them, represent their needs. And that's what really has to be present. I think we're on this interesting precipice because we know that there are so many recalls out there. And one of the challenges to recall is there has always been—well, announcing a recall is one thing—executing it is quite another.

There's still people driving around with Takata airbags. The example of the phone was—I think you voluntarily said, "We're going to pursue this recall." So what did we do as a way to test that? We sent out our secret shoppers and our secret shoppers went out and said, "Hey, look, we're still finding your phones out there." So that's an opportunity to call Tim's shop back up and say, "This isn't good enough." The example in the 98 percent is when you are able to take a smartphone and brick it and that's it. The recall is done. That's pretty remarkable.

So, there are some opportunities, I think for us, around safety and health and fairness in the market place that while technology is a challenge, can also be a benefit to us.

Baxter: Right, yes.

Kampel: And Tim, one of the things we talked about is that shopper journey has radically change, right? So how the shopper used to go into the retail store and talk to a person on the floor and get feedback, then maybe stop by another store. Talk a little about how the idea of digital and reviews online and ecommerce has changed that journey.

Baxter: Yes. We track this and we do a study on this every couple of years and it's fascinating to see what the shopper journey and how that has evolved. And it was about nine years ago, I think, when we did our first one when I joined Samsung or shortly thereafter. And in

televisions, the average life cycle—the average purchase process as you go through that funnel was upwards of a six-month process. The consumer did a little bit of research, visited four or five different stores, went to a few sites to learn about it and that took this process quite a bit.

Fast forward today, that same process is about 25 percent as long, so you're doing it in weeks as opposed to months. They're not going to four or five locations—they're touching 39 different locations, whether it be physical or digital and it's in a very interactive manner and looking for inputs from social media, from friends, from the floor salesman, from folks like Consumer Reports and others. And so it's much more iterative, number one.

Number two, we think about the industry we're in is rapidly changing—we're on the cusp of really big change—as you think about most of us, we want to connect our devices more and more and the day of buying a television just to watch television or a phone to just talk or a refrigerator to store foods is changing.

Consumers want these things to be more connected. They want to be connected to their car, to their work, to their home—and so, we have to think about these not as transactions or a life cycle managing a product, but it's a consumer experience journey and it's very iterative and you have to think about all the devices that are part of that. We sell 500 million connected devices a year. We're working to connect them better.

Kampel: Right.

Baxter: We're also trying to—

Kampel: And you know, it's interesting—so Marta, you touched on earlier standards, right? So, you're talking about Internet of Things, we're connecting all these billions of devices, now we're opened up to huge new opportunities and challenges, right?

Tellado: Yes.

Kampel: This sharing of data for better outcomes but on the other side the privacy and security issues related to connecting these devices. And this is something Consumer Reports is looking at, you know, beyond the physical device, is how now are these devices connected, what are the standards around security and data privacy that we need to put in place?

Tellado: So, what we do know is that there aren't many standards and rule around data privacy and security. And I think that that is a baseline question for all of us. I think it's on us and we have to think about that. For Consumer Reports as well as for Samsung, in a world of connected devices—Tim, you said you consumers want connected devices—and I guess I would say we have to interrogate that a little bit and say, okay, consumers want connected devices, but what do we know about those connected devices? How transparent are manufacturers about the data they are collecting and how accessible is that data to consumers? And do I

actually want my thermostat to communicate information that I may not be home during the day or for that week and I'm away.

There aren't a whole lot of standards and protections out there for consumers right now. And that's something that we are looking very hard at and one of the ways we do it of course is by advocating for those standards, but the other is to try to create a race for the top and we've done that through what we call a digital standard. Our digital standard project is an open source collaborative that we're doing with a number of other organizations to try to create and to incentivize a digital standard so that when consumers around the market looking for a smart TV, they have a sense of "Is this smart TV protecting my data and privacy?" And so we just launched a couple of tests around smart TVs and Samsung was among them. And we did ask some pretty hard questions of you all around your smart TVs—we're still waiting to hear back, but I'm sure team is going to get back to us on some of the vulnerabilities.

[LAUGHTER]

Baxter: I think we answered that one.

Kampel: But no, you see especially around connected car, obviously, we've all seen in mission critical systems hacks going on and taking over—

Tellado: That's right.

Kampel: I think as we do connect these devices, it will continue to be a new challenge for companies that are traditionally in hardware business—they're now obviously in software and security business as well.

Tellado: And I guess I would just say we really do need to be vigilant about this because one thing is certain. The pace at which these innovations are taking place, the pace at which we're seeing these technologies evolve—our regulatory bodies are not keeping pace, and it's impossible for them to keep pace, so where do we do that?

To speak to the theme of your afternoon—your morning—data and technology for social good is really a remarkable possibility for us but are the incentives out there to really drive that? And I would say that no, the incentives are more on the side of technology to amass information to sell products to market to people and I think that's where the trust piece comes in.

Unless we sort of really lock arms on this and think about what are those standards and how do we move forward in a way that creates some transparency for consumers, I don't know that we're going to get there.

Kampel: So Tim, obviously with the recent Facebook hack and the response of Facebook—the delayed response of Facebook—you talked about getting out in front of the recall. What would you tell other leaders as far as when you're dealing with a crisis like that—now we've seen

companies do it well—really, what's the playbook? How do you really think about regaining that trust?

Baxter: We learned quite a bit in that process and the first is to say, "I own it." Right? And like I said, it is that four steps from owning it to really getting after the root cause. And for us, it took a while to get to the route cause, but we're going to take the right amount of time to do this. We're going to bring back all these units in the process. But it is those four steps of owning it—and that means apologizing and talking directly to those impacted—understanding the constituencies in the process and they aren't necessarily those you come to mind right away with just the consumer, right? It's your channel partners, it's the government, it's regulatory, it's PR, it's media—it's all of that. And I'm communicating that you know what the fix is, right? And telling them why it's not going to happen again.

I mean those are the four steps. And what I learned in the process and watching others that are going through it is that it usually gets worse before it gets better.

Kampel: Yes.

Baxter: Almost always.

[LAUGHTER]

And I can say from experience, it is. But you have to be comfortable with that discomfort. You've got to be able to embrace it. One of the things we learned most is that we operated in basically a war room for almost 120 days and we worked like a startup. This is a big company. We literally were in this room and we had PR here, we had channel folks there, we had sales people, product, legal, others—and it was operating in a non-linear fashion, almost like you were a small startup and the amount of work you could get done in that, in that crisis, in that time, was something that was unlike anything I have experienced.

Now, what we try to do then is, how do you bottle some of that energy, some of that non-linear work environment in a non-crisis environment? That's where the opportunity to learn and to continue to build and be better as a result of it.

Kampel: And it's probably sometimes hard when you're there purely to operate the business and you're not dealing with some of the crises to really, again bring those types of skunk works teams together to think differently. But no, we really appreciate you both being here and give a round of applause for Tim and Marta.

[APPLAUSE]