## Communication with consumers 102-15, 103-1

## Kao Sustainability Data Book 2021

2020 Our initiatives

By engaging in-depth communication with consumers, we ensure that feedback from customers is utilized to enhance ESG-driven *Yoki-Monozukuri* and the services we offer, while providing lifestyle information that helps consumers of all ages solve their own problems. The world in which consumers live is rapidly changing, including from the impact of the COVID-19 pandemic. Products and services are also taking more diverse shapes, and the internet is overflowing with information put out by companies as well as individuals. As a result, it is more difficult than ever for consumers to get accurate information.

Meanwhile, the growing number of consumers who are not accustomed to taking their questions and problems to companies is a major issue in terms of deciding how best to handle consumer inquiries. We aim to be a trusted partner to consumers, offering support 24 hours a day, 365 days a year with a focus on the changes taking place in consumers' living environments, and we will continue to proactively develop new communication measures for consumers.

ESG Keyword

Consumer support desks (telephone, e-mail, websites)

Approaches to the digital native generation (websites, social media, use of Q&A services, etc.)

**Declaration of Consumer-orientation** 

Kao ECHO System (framework for reflecting consumer feedback in products)

**Releasing information about COVID-19** 

### Kao's creating value to address social issues

#### Social issues we are aware of

In 2020, the COVID-19 pandemic forced us to temporarily suspend our telephone support desk, but we were still able to respond to large numbers of questions and concerns about infection precautions by keeping our e-mail support desk open. We also released a related FAQ on our website in a timely manner, which focused on social changes related to infection precautions and received many page views.

While many people who seek help from companies are senior citizens, digital natives, who are primarily the younger generations, increasingly use social media for general communication purposes, with a wide range of information now being exchanged via social media. There is a strong tendency for the digital native generation to search for their own solutions online. Amid growing diversity in how people live their lives, we recognize the need to create conditions where people can seek out information and advice from companies when they want and using their preferred means of communication.

#### Kao's creating value

We believe that by endeavoring to provide consumers with fair, accurate and easily understood product information as well as information relating to consumer lifestyles such as their home and clothing, we can help consumers engage in ethical and safe consumption behavior that takes society and the environment into consideration. At our consumer support desk inside our Consumer Communication Center, we take feedback from individual consumers seriously and strive to understand their feelings, solve their problems and understand the background to the problems to support ESG-driven *Yoki-Monozukuri* from a consumer-driven point of view. We are taking various steps to serve the needs of different consumers.

Based on the concept of Universal Design (UD), we have set up a support desk with dedicated sign language support to serve people with hearing impairments. For people with visual impairments, we have added descriptive text to the images and tables in our product catalog on the Kao website that can be read by text-tospeech software. We have also set up telephone support desks able to handle inquiries in English, Chinese and Korean to serve tourists visiting Japan as well as foreign nationals living in Japan.

Using our websites, we provide product catalogs and communicate information via FAQs so that people attempting to solve problems on their own are able to do so with accurate information. Another way we are engaging in proactive communication with consumers is by providing official support using the Q&A service Yahoo! Chiebukuro.

We are also adopting multi-lingual labeling of product information to ensure accurate understanding of our products by foreign visitors and residents in Japan. Twodimensional codes are being added to product information provided in stores so that consumers can immediately access product information in Chinese or English on the Kao website.

We are also striving to communicate information that

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is essential in daily life, including COVID-19 prevention measures, in multiple languages on our websites.

## Risks related to realization of What Kao Aims to Be by 2030

- Dissatisfaction with the lack of information in response to demands for disclosure of ingredients, safety information and so on as a result of rising consumer awareness regarding safety and security
- Delayed response or inadequate consideration (environmental, safety) for substances of concern
- Use of products in other countries that were developed for domestic use
- Inadequate consideration for cultural and other differences
- Greater scope of damage from accidents with products occurring within and outside Japan, and from delays in product safety determinations
- Reduced consumer convenience from production stoppages and delays, increased social unrest from products not being in stock
- Loss of communication capacity with consumers during disasters, pandemics and the like
- Loss of corporate credibility from leaks of obtained personal information
- Spread over social media of inappropriate advertising expression, scandals involving celebrity spokespersons, etc.
- Spread over social media of incorrect usage directions, mistaken product information, etc.

### Opportunities related to realization of What Kao Aims to Be by 2030

• Provision of diversified communication channels

- Ensuring communication capacity distributed across place and time
- Provision of diversified work styles leveraging digital technologies
- Provision of accurate product information relating to ingredients, safety, etc.
- Disclosure of reliability information relating to security and safety
- Development of new products and opportunities for improvement proposals through global sharing of consumer inquiry information
- Opportunities to call for improvements in developed products, sold products, advertisements, etc.
- Proactive release of information about how to get products and the stores that carry them

### **Contributions to the SDGs**



### **Education and promotion**

To enhance our capability to respond to consumer inquiries, we implement periodic assessments of our consumer inquiry response ability. We also work actively to create training opportunities, for example, by arranging for external instructors to provide response quality improvement training for employees, and by encouraging employees to make use of external training providers. In order to better understand consumers' viewpoints, we hold training sessions (Real Voice Training) in each relevant division, in order to put them toward business use.

### **Policies**

We are committed to offering products, services and information that benefit consumers from a consumerdriven point of view. We take feedback from consumers seriously, ask for their opinions and requests for products and services, and strive to not only resolve the problem that the consumer contacted us about, but also engage in communication to understand the consumer's awareness, habits and other thoughts relevant to the problem. Then we consider what solutions we can offer as a company, and proactively make suggestions internally and externally.

### **Declaration of Consumer-orientation**

In January 2017, we announced our Declaration of Consumer-orientation. Under our corporate philosophy, the Kao Way, we promote top management's commitments to all of our employees, ensuring corporate governance as well as achieving customer satisfaction. Moreover, we have declared our commitment to take consumer feedback seriously, utilize it to improve our products and services, provide information from the point of view of consumers and actively engage with consumers, with all employees taking part in ESG-driven *Yoki-Monozukuri* to provide products and brands useful to the sustainability of society.

We also conduct follow-up activities each year, aiming to further raise the level of our activities to adapt and respond to changes in the social environment, including solutions to social issues such as environmental problems, hygiene and the aging population, the information age, diversification of awareness and values, and the borderless nature of the world.

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### **Collaboration and engagement** with stakeholders

## Exchanging information with consumer groups and consumer affairs centers

We strive to gain a better understanding of consumers from recent consumer trends and noteworthy inquiries, as well as have our approach better understood, by regularly exchanging information with public bodies and consumer groups, including consumer affairs centers led by regional government agencies.

## Implementation of exchange activities involving consumer-oriented events

At events such as public lectures and consumer fairs, we offer a wide range of information concerning laundry, proper hand-washing techniques, housecleaning, oral health care, bathing, UD and other topics. We position these events as opportunities to deliver detailed lifestyle information tailored to the target audience and to directly understand the various problems faced by consumers from a different avenue than the support desks.

### **Evaluating communication with consumers**

To verify whether consumers are satisfied with our communication and if there are areas where we need to improve, we implement regular consumer surveys regarding our consumer communication. We use the survey results to make further improvements in how we handle inquiries, and strive to improve satisfaction among consumers who reach out to us.

### Framework

The Consumer Communication Center uses the Kao ECHO System for inquiries to share the necessary product information, FAQs and other supporting information, and handles inquiries with an appreciation for consumers' feelings with the motto of "accurate, quick and

Framework for reflecting consumer feedback in products

courteous." Feedback received by the consultation desks is collected in the Kao ECHO System, and the more than three million pieces of consumer feedback collected here are shared company-wide and fed into ESG-driven *Yoki-Monozukuri*. Divisions analyze the respective feedback to improve global product quality, develop sustainable products, develop information for consumers and so on.



### Mid- to long-term targets and performance

### Mid- to long-term targets

- Create conditions that allow consumers to seek out information and advice whenever they want and using the mode of communication that suits them
- Offer information about reliability, ingredients and products related to safety and security as well as solutions to problems consumers face in daily life through diversified consumer communication channels, and contribute to increasing corporate value
- Share and mobilize consumer feedback in many related internal divisions through the Kao ECHO System, and develop new products and improve products not just for Japan but for global markets
- Strengthen information security in our response to consumers and make available diverse work styles not tied to specific times or locations to maintain our communication capacity with consumers

### Main initiatives related to consumer communication

- 1. Answering consumer inquiries by means such as telephone or e-mail
- 2. Providing practical information on our website
- 3. Providing active support for questions posted on a Q&A board (Yahoo! Chiebukuro)
- 4. Exchanging information with consumer groups and consumer affairs centers
- 5. Implementation of exchange activities involving consumer-oriented events

### Anticipated benefits from achieving mid- to longterm targets

#### **Business impacts**

- Higher efficiency of consumer communication by providing various means of communication
- Enhanced information disclosure leads to higher resolution of issues by consumers on their own, increasing consumer satisfaction and brand loyalty
- Higher efficiency of handling consumer inquiries through virtual responses using Al
- Multi-lingual support by consumer support desks increases satisfaction and brand loyalty among non-Japanese consumers.
- Sustained consumer loyalty to the Kao brand through control of rumor diffusion

### Social impacts

- Realization of ethical, environmentally friendly consumption behavior
- Improved quality of life from the perspective of diversity as a result of enhanced information provision, multilingual support, and diversification of the means of obtaining information
- Improved quality of life and improved hygiene awareness from having accurate product knowledge and being able to select products with confidence

### Performance in 2020

### 1. Answering consumer inquiries by means such as telephone or e-mail (Global)

In 2020, Kao Corporation, Nivea-Kao Co., Ltd. and Kanebo Cosmetics Inc. answered a total of around 194,000 consumer inquiries in Japan received via telephone, e-mail and so on (86% year on year). The number of inquiries was significantly affected by the closure of the support desks. The total number of global inquiries excluding Japan came to approximately 34,000 (95% year on year). By business division, Bioré and Home Care received approximately 29,000 inquiries each (177% and 107% year on year, respectively) due to a higher number of product inquiries related to COVID-19. Meanwhile, Cosmetics (Sofina, Curél, Kanebo Cosmetics) received fewer inquiries than the previous year at approximately 41,000 (65% year on year).

As a result of the COVID-19 pandemic, we received a higher number of inquiries about hygiene in daily life, with spikes in inquiries seen when the importance of sanitizing hands and disinfecting the home and surroundings in particular was communicated by government agencies and the media. In April and May, however, after a national state of emergency was declared in Japan, we temporarily suspended our telephone support, and shortened its hours of operation after it was reopened as well, which forced people whose only means of obtaining information is the telephone to have to wait for this information. Meanwhile, during the time when telephone support was unavailable, we received three to four times the number of inquiries by e-mail as the previous year, and even after telephone support was once again available, we still received twice as many e-mail inquiries as the previous year.

Kao Group companies in Asia received approximately 35,000 inquiries (96% year on year). In 2017, we developed a new system (seventh-generation Kao ECHO System) that allows global consumer feedback to be shared and introduced the system in Kao Group companies in Asia in 2019. In 2020, we completed introducing the system in

companies that sell Kanebo Cosmetics in Europe. With this system introduction, information about all consumer inquiries received by Kanebo Cosmetics is registered according to globally standardized rules, and this has created one unified system for survey responses and reports as well as for collecting and analyzing information.

We held an all hands meeting in an online format for consumer support desk representatives at Kao Group companies in Asia. At the meeting, participants exchanged opinions and ideas on the topic of handling consumer inquiries at companies during the COVID-19 pandemic. Going forward as well, we will use the meeting as an opportunity to share the results of company activities over the year and learn from each other to support quality improvements in our consumer support throughout the Asian region.

### 2. Providing practical information on our website (Japan)

In 2020, government agencies, the mass media and other groups released a wide range of information about hygiene measures during the COVID-19 pandemic. As part of this, we received many inquiries about the efficacy of Kao products and how to use them. In response, we revised FAQ pages on our websites, usage instructions, precaution labels and Q&A sections in product catalogs to provide timely information.

We organized the information around questions recently being asked more frequently about infection precautions, and also created a website in English for non-Japanese speakers to reference. Related pages received a very high number of page views, suggesting that we were also able to communicate information to consumers who did not contact us directly.



 Questions recently asked more frequently regarding infection countermeasures
www.kao.com/content/dam/sites/kao/www-kao-com/
jp/ja/support/pdf/consumer\_011.pdf

### **3.** Providing active support for questions posted to a Q&A board (Japan)

On Yahoo! Chiebukuro, under the user name "kao\_official," Kao Official Support began providing answers to consumers' questions posted to the service beginning in 2015. In 2020, an estimated total 900 new questions were answered. One of the key features of social media is that answers to questions stay on the feed and can be read by many people with similar issues, thereby contributing to the wider communication of accurate information. In 2020, the approximately 7,300 responses provided to date were viewed around 5.4 million times.

There were a greater number of inquiries about concentrations and specific ways to use disinfectant, chlorine bleach and other products effective at sterilization and disinfection to kill viruses. The number of questions about COVID-19 fell in July, but then showed sustained increases from August.

#### 4. External activities affected by the COVID-19 pandemic Exchanging information with consumer groups and consumer affairs centers

In normal years, we visit around 100 public bodies responsible for consumer affairs, primarily consumer affairs centers, to exchange information, but due to restrictions on people's movements and in-person visits, we sent the public bodies our activities report as normal and made efforts to communicate that we were continuing the relevant activities.

### Implementation of exchange activities involving consumer-oriented events

Due to restrictions on people's movements and gatherings with a national state of emergency declared in Japan, almost all planned exchange activities were canceled after February. After restrictions on people's movements are relaxed when the state of emergency is lifted, we will look into fulfilling requests for exchange activities such as citizen lectures from 2021 by providing online lectures, for example.

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### **Our initiatives**

### The Kao Plaza community site for loyal Kao users

We operate the Kao Plaza community site and conduct related activities aiming to achieve Yoki-Monozukuri together with loyal users of our products.

## Background to launching Kao Plaza and overview of activities

We believe that ongoing dialogue with customers who loyally use our products is important in today's world, where identifying consumers' needs is becoming more difficult. We therefore launched activities on the Kao Plaza community site in full in 2013.

General CRM is a marketing tool employed for the purpose of improving customer loyalty. In addition to this, by listening to valuable feedback primarily coming from loyal customers, we also aim to not miss small changes in consumer lifestyles and unconscious psychological factors so that we deepen our position as the "group of companies that is closest to the consumers and customers" stated in the Kao Way.

Membership stands at approximately 1.7 million (as of March, 2021). As Kao Plaza members include men and women of all ages, reflecting the wide range in ages of people who use Kao products, we are able to gain a bird's-eye view into the lifestyles of various kinds of customers and their values.



➡ Kao Plaza member.kao.com/jp/plaza/ (Japanese)



## Owned community where people exchange lifestyle tips and hacks

What is most important in the communication with members is keeping the conversation going. While communicating a range of content, the site configuration allows us to immediately pick up on strong reactions from members.

#### "Minna no Hoho" community corner

On the "Minna no Hoho" community corner just for members, lively conversations take place every day on topics related to daily life (monthly average of approximately 25,000 posts). For members, Kao Plaza is a place to get ideas and tips for daily living, but for Kao, it is a data asset able to dynamically collect information on how our products are used and signs of lifestyle changes among other trends gleaned from the large amount of unreserved feedback, which we analyze and put to use internally.

In our 2020 activities, we collected a large amount of feedback about new products from loyal users of the relevant brands and brought visibility to which kinds of customers identified with which kinds of value as well as whether there were issues that we overlooked. Doing this allowed us to quickly verify the receptivity to our brand communication and avenues for improvement.

In April when social unease was growing, we received a large number of user comments about changes to their daily life and mental state as well as their relationship with Kao products as a result of COVID-19. This feedback offered suggestions for what information we should communicate and how we should present Kao products during the COVID-19 pandemic. Receiving this valuable feedback even during this difficult time is an asset that only such loyal users are able to provide.

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Co-creation marketing





## Four perspectives: knowledge, entertainment, inspiration, participation

Content sent out to members is planned and created based on the four perspectives of knowledge, entertainment, inspiration and participation. The content can be broadly separated into content tied to brands and experience-based content, and in practical terms is designed for the main purposes of communicating beneficial information, building familiarity and trust for Kao Plaza, and increasing the frequency of site visits and loyalty.

### Correspondence

We include a wide range of opinions in the Correspondence section, where content is co-created with members. It is extremely gratifying to receive positive feedback such as, "Getting Kao's unique perspective was very useful," and "It's easy to read and entertaining, and I hope you continue it." The Correspondence section consists of posts with real-world feedback and replies with messages of appreciation from staff.

Many members have said that they have gone on to read other content after reading this section, which is designed to show unfiltered communication with members. Some members also send additional replies to our responses, embodying our aspiration for the Kao Plaza, that all members become like family.



## Understanding the background to reviews to deepen our corporate activities

Kao Plaza not only creates opportunities to hear a wide variety of opinions about Kao products but also opportunities to have members understand the aims of our wide array of corporate activities (Pink Ribbon Campaign, Kao Foundation for Arts and Sciences activities, plant tours, etc.) and at times participate in these corporate activities themselves.

In addition, amid major changes in the world around consumers, we have used the Net Promoter Score (NPS), a global metric to quantitatively measure brand loyalty, over the years since Kao Plaza was launched. This metric validates deep correlations with customers' purchasing volumes, and provides insight into what corporate and business activities customers are aware of and whether they are closely connected to cultivating loyalty.

For instance, some results from surveys conducted in 2020 indicated that Kao Plaza members with higher NPS scores were well aware of our outstanding R&D and product development capabilities and our offering products and services to enrich people's daily lives.

We believe that it will become increasingly important to understand how the wide range of information we communicate is applied by consumers, and in terms of deepening our corporate activities as well, to continue thoughtfully studying feedback from supporters and the reasons and background factors for their support.

### Communicating information about our ESG activities

We started a new Kao Plaza activity in 2020 that attempts to continuously communicate information about our ESG activities. The activity focuses on making ESG activities easy to understand not only as information in terms of corporate management but also as topics closely related to consumers' lives.

Activity content is designed with wide-ranging hooks to attract readers and integrated with other content. In addition to core articles that create understanding for ESG, there is, for example, an engaging mini series on "the hidden world of packaging" and a popular parenting column aimed at mothers that are linked to conservationrelated articles.

While many members already have strong loyalty to Kao, we receive feedback from members saying that they did not know about our activities, that we should publicize them more, and that reading about them made them feel even greater loyalty to Kao. Recognizing these expectations, every day we explore how to best engage in communication.

We will continue this new activity from 2021 as well, with the goal of increasing recognition for our ESG activities among members.



## Obtaining feedback on changes in daily life during the COVID-19 pandemic

Due to concerns about the rapidly spreading COVID-19 pandemic and the prolonged restrictions on activities outside the home, how we live our lives was transformed in 2020. The scarcity of masks and hygiene products became pronounced around March 2020, creating ongoing uncertainty for consumers. Amid this situation, we received feedback from approximately 15,000 members about their current lives, their concerns and how their relationship with Kao products had changed.

We received comments about the stress people were feeling from living with uncertainty day in and day out, how they were cleaning and doing laundry more frequently with the increased time spent at home, about dry and cracked hands from more frequent hand-washing, and about their trust in the quality of Kao products that they normally use such as *CuCute*, *Haiter* and *Quickle* as well as requests for our products. Reviews such as those for fabric softener and bath additive fragrances offered many suggestions for how people were wanting to alleviate their stress even in some small way. We communicated this feedback to related divisions internally at the beginning of May, and were able to quickly undertake consideration of what products and information would help reassure customers during this difficult time.

### Received the 2020 CRM Best Practice Award

Our Kao Plaza activity was recognized in 2020, and we received the 2020 CRM Best Practice Award organized by the CRM Association Japan.

This award is presented to companies, organizations and groups that deploy IT tools and obtain outstanding results in Customer Relationship Management (CRM) to build long-term relationships with customers. This is the first time we were chosen to receive this award.

We received the award for our model of using a community website for co-creation with fans within Kao Plaza. Kao Plaza views registered members as important stakeholders who are representative of Kao product users and customers as individuals (individual consumers), and our activity aimed at building a co-creation community website through mutual dialogue with these two groups, where we learn from each other and increase our brand value, was highly regarded.

Having our internal efforts recognized in this way by an outside group reaffirms the significance of these activities, and at the same time, this recognition is an opportunity to acknowledge the need to further refine our efforts so that they can become a model for the industry.



Received the 2020 CRM Best Practice Award

### New platform blending people and digital

As digital technology becomes woven into the fabric of daily life and markets continue to diversify, digital transformation is considered a potent strategy to quickly and accurately understand the inner workings of customers' behavior and psychological changes.

Going forward, we will use digital tools to create new points of contact with customers and expand the scope of use of the insights we collect from them. In addition, we will implement measures to increase the precision of one-to-one marketing mobilizing our overall capabilities while continuing to focus on dialogue in our unique CRM activities.

# **Consumer-oriented initiatives and their evaluation**

## Providing information timed with the sharp rise in inquiries related to COVID-19

We redesigned our website to display information at the top that was organized around questions recently being asked more frequently about infection precautions related to the rapid spread of COVID-19. We updated our website at various times with content users wanted to learn more about, and added an English website for non-Japanese speakers to reference.

We also updated FAQ pages accordingly with content users wanted to learn more about. There were a lot of inquiries about infection precautions while our support desks were closed, and website traffic reached as high as approximately 400,000 visits a month, clearly demonstrating that consumers were interested in getting information from the website.

### "Ways of Everyday World-Making" online workshops in support of working mothers

Together with Iba Laboratory of Keio University, we researched and created the "Ways of Everyday World-Making" pattern language to support women who are working and raising children. It contains 34 short phrases that represent tips for living well while working and parenting and staying true to yourself. We have released this booklet on our website since 2017, and continue to hold workshops using this pattern language.

The workshops were temporarily suspended in 2020 due to COVID-19, but we resumed them in an online format from the summer with cooperation from outside career consultants and post-childcare-leave advisors, and held 11 workshops for 120 participants.

Many participants favorably rated the workshops for providing hints about how to enjoy life and keep a positive outlook amid the COVID-19 pandemic, with comments like "I will value family time more" and "I want to think more about my children's and my own growth."

As the world in which people parent and work is also changing with the pandemic, we will continue to provide opportunities to think about how to balance working and raising children through this activity, and consider together with consumers what a brighter future looks like for living well in combination with working and parenting.



"Ways of Everyday World-Making" pattern language
\* A PDF version is available for download (in Japanese)
www.kao.co.jp/lifei/

#### Track record of workshops with pattern language

	Internal (number of workshops/ participants)	External (number of workshops/ participants)	Total (number of workshops/ participants)
2017	11 / 120	9 / 250	20 / 370
2018	—	15 / 264	15 / 264
2019	_	23 / 455	23 / 455
2020	_	11 / 120	11 / 120
Total	11 / 120	58 / 1,089	69 / 1,209



## **Communication with consumers**

# Providing timely information on the Lifestyle Research (*Kurashi no kenkyu*) website for how to live comfortably during the pandemic

We launched the Lifestyle Research website in 2014 that provides expert information from Kao's consumer research and how-to tips useful in daily life. In 2020 as the COVID-19 pandemic spread, we communicated timely information about ways to make life more comfortable during the pandemic.

Hygiene-related content includes information on how to wash and sanitize hands, cleaning living rooms, kitchens, bathrooms and so on with a focus on disinfecting, and how to care for reusable shopping bags. Sections on how to enjoy spending time at home and tips for staying healthy include articles on how to stay comfortable in summer during the pandemic (how to get better sleep, etc.), tips for taking a refreshing bath, afterdinner cleanup (how to clean hot plates), how to care for home exercise equipment, and supplies to keep stocked at home. New content is released each month, and reports of consumer surveys about the impact of COVID-19 on daily life are also released regularly.

Useful information for daily life during the pandemic has been well received by consumers, and the Lifestyle Research website has attracted increased traffic, with monthly page views in the range of 200,000 to 300,000. Its articles have also been widely quoted and reprinted in newspapers and online news sites, which has also allowed us to provide the information to a greater number of consumers.

We will continue to improve our communication of useful information for consumers via the Lifestyle Research website, with a focus on living in the new normal.



Landing page of the Lifestyle Research website



Articles that received a large response in 2020 included ones on the impact of COVID-19 on daily life and whether reusable shopping bags could be washed

