Before I begin, I would like to thank Charles Giordano from Bell Canada and Virg Mouch from the Ponemon Institute for inviting me.

I am delighted to be here. It is a privilege to have this opportunity to speak to you today.
My primary objective today is to share with you a few insights into how to measure trust indicators and optimize conditions for customer trust in order to help increase the volume, velocity and value of business transactions.

I will begin with evidence to support our intuitive sense that trust is good for business.

Then we will look at the role of trust in sales and marketing.

I will introduce a novel framework for analyzing trust indicators.

Then we will briefly look at a couple of examples that show how optimized conditions for trust are related to superior business performance.

To close, we look at what it takes to embark on a journey toward optimizing conditions for trust.
Don’t take my word for it. You are far more likely to trust Tom Peters business judgment about the importance of trust.
"[The most significant lesson learned from eBay is] the remarkable fact that 135 million people have learned they can trust a complete stranger… That's had an incredible social impact. People have more in common than they think."

- Pierre Omidyar, Founder and Chairman, eBay

Stock Performance Dwarfs - even Jim Collins’ pick of the best companies in the world
- even when eBay at its worst

?HOW POSSIBLE – WHO DO NOT EVEN TRUST THE INTERNET…

eBay was founded on an overriding principle of trust => business performance => investor confidence

P/E ratios are an indication of confidence in a company’s future performance
“[At eBay] we do $2.25 billion worth of gross sales a quarter entirely on trust”
- eBay’s Chief Financial Officer, Rajiv Dutta.

“From the perspective of the seller, the implications are that good behaviour is rewarded with higher prices (on average 19%) on eBay.”

eBay attributes all its revenues directly to trust – think about it, eBay has nothing to sell, they only facilitate the sales process.

And in doing so, they help trustworthy sellers charge a premium price for their products.
"We believe that trust in supplier-buyer relations may be an important source of competitive advantage in industrial settings...."


This trust phenomenon is not limited to eBay and online transactions. Academic research shows that trust is also associated with automaker profitability and competitive advantage.
## Value of Trust

<table>
<thead>
<tr>
<th>Value</th>
<th>Trust Factors</th>
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<tbody>
<tr>
<td>Price</td>
<td>&quot;Most consumers shop at businesses that have earned their trust – even if they charge more.&quot;</td>
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<tr>
<td>Profitability</td>
<td>&quot;The U.S. and Canadian Holiday Inn hotels where managers followed through on promises and had behavioral integrity were more profitable... No other single aspect of manager behavior that was measured had as large an impact on profits.&quot;</td>
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<tr>
<td>Performance</td>
<td>When employees who work together trust each other, they exert more effort in their jobs and expend less effort monitoring each other. This leads to increased productivity, lower costs, and greater satisfaction for workers as well as shareholders. It is in every corporation's interest to consider developing a culture of trust as a way of improving performance.&quot;</td>
</tr>
<tr>
<td>Productivity</td>
<td>&quot;In 1994, Federal Express and IDS both increased their productivity by up to 40 percent by creating empowered work teams trusted with many of the responsibilities traditionally held by managers. Trust is the key pillar that supports empowerment and cooperation within organizations.&quot;</td>
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<tr>
<td>Employee Attraction &amp; Retention</td>
<td>A highly engaging and empowering work environment as a strong value proposition for attracting talent, which resulted in the lowest turnover in the Portland metropolitan area, even though they ranked in the middle of the area's salary range.</td>
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Other studies show that businesses benefit in many ways when they build higher levels of trust. TRUST FACILITATES VOLUNTARY ENGAGEMENT. If you engage your customers they will pay a higher price for your products and services, managers who engage employees increase profitability, employees who engage each other exert more effort and improve performance, which in turn reduces the cost of labour.

That was my motherhood and apple pie sermon.

Now let’s get more specific about what needs to be trusted.
Marketing Objectives

1. Align a valid brand value proposition with customer expectations; and
2. Help customers develop sufficient confidence that they will get the value they expect.

Let’s examine the role of trust in Marketing.

When we look at marketing from a trust perspective marketing objectives look very simple:
So how does this translate to a typical sales transaction?

If we think of a sales transaction as consisting of several phases, then the objective is to facilitate a smooth customer transition through each phase to successful completion of the sale.

At each phase, the customer needs to accept (or trust) a different bundle of value propositions before moving on to the next phase. For example, Longwoods International, an advertising effectiveness research firm, found that for Vail ski resort in Colorado, “excitement” was the most important value proposition for customers in the Discovery Phase, but “affordability” became most important in the closing, Negotiation and Order Phase. So, customers need to trust different things at different stages of their purchase.

Trust in privacy protection practices is one of many value propositions that need to be trusted during a purchase in order to minimize hesitation or even shopping cart abandonment.
Key Points

1. Trust is good for business
2. Trust in value propositions
3. Measure trust indicators
4. Optimize conditions for trust
5. The road less traveled

So there are very specific value propositions that need to be trusted as the customer advances through a purchase transaction.

But how do you know how confident they are in each value proposition to expedite the process.
The most common approach is to ask hypothetical survey questions. However, although this may be a sufficient means of measuring general sentiment, it’s lack of context and consequence may make the results invalid for the kind of granular measurement required to optimize conditions for trust during a transaction.

Ultimately, the willingness of a customer to make him or herself vulnerable is the ultimate measure of trust. So leaving the front door unlocked or prepaying for a purchase are good indicators of high trust.

Since actions speak louder than words, objectively monitoring behaviour would produce more accurate results. For example, if people are purchasing extended warranties, that may be an indication that they are compensating for insufficient trust. Or if they choose not to verify available customer feedback postings, that may be a sign that they have sufficient trust.

However not all observed behaviour can always be attributed to trust. For example, a powerful indicator of trusting behaviour is the enthusiasm with which a customer recommends a product or service. However, many factors beyond trust may influence this behaviour. Someone may recommend a product or service simply because it is convenient or has a low price. Or they may withhold a recommendation because their preference for it is too personal and may not be as good a fit for the other person.

So, in order to help us attribute observed behaviour more directly to trust levels,
Allow me to introduce you to the Trust Enablement Framework.

It allows us to categorize business conditions according to how they contribute to attaining specific trust objectives…
### Business Drivers

**Trust Enablement® Framework**

<table>
<thead>
<tr>
<th>Trust Enablement</th>
<th>for</th>
<th>Stakeholder Engagement</th>
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<tbody>
<tr>
<td>Interpretive Sources</td>
<td>for</td>
<td>Awareness</td>
</tr>
<tr>
<td>Experiential Sources</td>
<td>for</td>
<td>Acceptance</td>
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<tr>
<td>Risk Transference</td>
<td>for</td>
<td>Action</td>
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<td>Proficiencies</td>
<td>for</td>
<td>Value</td>
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<tr>
<td>Motive Forces</td>
<td>for</td>
<td>Commitment</td>
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<tr>
<td>Stakeholder Confidence</td>
<td>=</td>
<td>Business Leadership</td>
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Each category of the framework serves a specific engagement purpose.
For example, we can use the Trust Enablement Framework to analyze the conditions for trust at eBay.

Without even reading the contents, we can tell that all elements of the framework are addressed, and relatively evenly distributed. You will notice, for example that published privacy policies and the TRUSTe seal contribute to creating “Awareness” in privacy protection practices and are a “fast trust” mechanism.

The Feedback forum is an experiential source of trust for “high trust” and contributes to attaining customer “Acceptance”
Key Points

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Now that we know how to analyze conditions for trust and perform gap analyses, what can we learn about optimizing conditions for trust?
In this case we analyzed several supply chains, including P&G with Wallmart, Toyota with its suppliers and Linux developers – with increasing supply chain configuration maturity levels – to find that the more evolved ones - characterized by higher agility and value generation – also had richer conditions for trust.
Similarly, when we looked at corporate governance best practices associated with higher valuations, we found that 7/8 of those that were associated with higher valuations (or share prices) contributed to developing shareholder trust.
Key Points

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So the unsolved puzzle is:

If trust is good for business and it is both measurable and manageable, then why is Trust Enablement not a widespread management practice?
Well maybe part of the answer is:

Risk management is business gospel ... but only partially achieves business goals

Risk management speaks to restricting and containing behaviour and protecting one's self

It does little to define, enhance and strengthen the broader business environment

Trust – on the other hand - is the air that stakeholders must breathe to sustain the life of business

It is fundamental to the need for sharing risks, rewards and mutual gain

It can and should be the logical complement to risk management
For a historical perspective, risk management as a business practice started with an effort to measure the cost or risk beyond the price of an insurance policy.

It has since evolved to define all management as being risk management.

We are now just beginning to measure the factors that affect trust and their value for business.

Ultimately, I expect we will be able to define “all leadership” as being “trust leadership”
Thank you

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