

OUTLOOK

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The Absolute Value of Corporate Trust

Several years ago, McDonald's launched a campaign in the U.S., Canada, New Zealand, and Australia to be more transparent with its customers.¹ Instead of using traditional phone calls and emails to address customers' questions, it created online videos that revealed information that the public would not otherwise see.² For example, in one video, food stylists demonstrated why the hamburger in an advertisement looks different from the actual product. As a result, this authenticity and transparency increased customer trust and strengthened the company's reputation.³

Contrast this with BP's response after the Deepwater Horizon oil spill in 2010.

After the incident, BP initially responded with a focus on "compliance" instead of doing the "right thing."⁴ The public wanted visible and clear ownership of the problem, public apologies, and quick, decisive action to address the needs of families impacted. Instead, the compliance response came across as detached,

unemotional, and placed too much emphasis on clinical factors instead of differentiating factors.⁵ The compliance response/clinical factors were things like following standards and regulations, which alone come across as box-checking.⁶

Differentiating factors set a company apart from its competitors. For example, transparent, public media responses to stakeholder needs and concerns in a crisis send the unmistakable message, "we hear your concerns and are taking action." Companies must separate differentiating factors from clinical factors when it comes to trust.⁷

Brand trust is more important than ever because today's consumers have a multitude of options. What was often once a choice between two brands is now a global mix of hundreds, which has consumers asking who they know and trust before making a purchasing decision.⁸ Jaid Hulsbosch, director of brand agency Hulsbosch, says consumer trust creates loyalty and advocacy, traits that legitimize a brand.⁹

Moreover, this need to build brand trust has heightened thanks to social media's immediate effect on our lives, spending choices, and habits. Consumers are much savvier about how you portray a product and how and where you market that product. "It's a global, 24/7 world that maximizes the offer of competition," Hulsbosch says. But without credibility, confusion and ill will result. Without trust, marketers are in a fractured pursuit of customer engagement and customer loyalty. Trusting a brand means you have a relationship, not only with the product or service but also with management. Brands become part of your identity and give you membership to a particular socio-economic group."¹⁰

It certainly makes intuitive sense that trusting a brand increases the chances of a customer buying it. On top of this, brand trust means customers keep coming back. Who hasn't seen a line outside of some location whenever Apple unveils its next-gen iPhone? Trust is a corporate asset, and it's hugely beneficial. Customer retention is by far cheaper than customer acquisition.¹¹

But what else is driving the value of that trust?

In their *2019 Edelman Trust Barometer Special Report: In Brands We Trust*, public relations firm Edelman identified several reasons why consumers NEED to trust brands more:¹²

- Growing concerns about product experience (pace of innovation, increasing reliance on brands to automate life, inability to absorb a "bad" purchase);
- Growing concerns about customer experience (personal data, brands can track and target individuals, use of artificial intelligence for customer service); and

- Growing concerns about brands' impact on society (fake news and misinformation, brands more involved in societal issues, the desire for brands to express and reflect values).

Moreover, according to Edelman's latest research, businesses are trusted even more than governments, showing the impact a good brand can have.¹³ But an essential element of this is that consumers expect brands to take a larger role in society, which further enhances customer trust. Edelman's research shows that 64% of consumers are "belief-driven buyers," which is up by 13 points in two years.¹⁴ These buyers will switch, choose, avoid, or even boycott a brand based entirely on its stance on social issues. A great product by itself is insufficient to win them over.¹⁵

53% of consumers who have trusted a brand for a long time will go to them first to make a purchase compared to the 25% who do not fully trust a brand.¹⁶ Also, 51% will be brand advocates, while 43% will defend the brand they have trusted for a long time. But perhaps most importantly, 62% of those who believe in a brand will stay loyal to it, which substantially increases their lifetime value.¹⁷

However, the value of trust isn't merely a symbiotic relationship between companies and their customers.

What about the value of employer-employee trust? Consider the following.

'A building surrounded by razor wire. A guard tower is looming over the perimeter. Weeds and overgrowth are flanking the grim exterior. Inside—drab colors, peeling paint, and dead plants decaying in the common areas. Was this a prison? No. 'This was the headquarters of Campbell Soup when Doug Conant took the reins as CEO.'¹⁸

Was this a deliberate attempt to imprison employees and stifle their energy? No again. It was a stark example of organizational leaders neglecting the importance of building trust. Mr. Conant identified “Inspiring Trust” as his number one mission. In his 10-year turnaround of Campbell Soup Company, his efforts resulted in superior cumulative shareholder returns for the global food industry. Furthermore, his leadership team had the highest-measured employee engagement levels in the Fortune 500.¹⁹

The Great Place to Work Institute partners with *Fortune* to produce the “100 Best Companies to Work For”, in which trust comprises two-thirds of the criteria since the Institute’s research shows that “trust between managers and employees is the primary defining characteristic of the very best workplaces.” These companies beat “the average annualized returns of the S&P 500 by a factor of three.”²⁰ These results were generally confirmed by the advocacy group *Trust Across America* and a 2015 study by Interaction Associates.²¹

Trust is an “evolving thing that ebbs and flows,” says David DeSteno, a psychology professor at Northeastern University and the author of *The Truth About Trust*. And yet it’s essential to boosting employee engagement, motivation, and openness.²² Employees are more likely to follow through on goals set by a manager they trust and to be more forthcoming about the challenges they see on their level. “Managers will never learn the truth about a company unless they have employees’ trust,” explains Jim Dougherty, a senior lecturer at MIT Sloan School of Management. That is why managers must reinforce their trustworthiness continually, and here’s how:²³

- Make a connection—one of the most effective trust-building strategies is to build personal relationships.

- Be transparent and truthful—share as much as you can about the company’s future health and future goals.
- Encourage rather than command—employees know the difference between being given orders and being offered encouragement.
- Take the blame but give credit—no one wants a boss who hogs all the glory, but dishes out harsh criticism when times get tough.
- Don’t play favorites—if there’s a surefire way to lose trust, it’s by playing favorites in the office.
- Show competence—if you aren’t good at your job, you can forget about earning your employees’ trust.
- Keep the door open—staff should be able to see you in a glass office, or through an open door, as much as possible.
- Meet the lousy news head-on—adopt a policy of “radical transparency.”

Most people recognize the intrinsic value of trust. But understanding its evolution in modern society is a prerequisite for companies to have relationships with both customers and employees that allow them to flourish in the hypercompetitive environment we see today. Cultivating trust and trustworthiness aren’t just grocery-list-type elements anymore – they are the real lifeblood of companies with ultimate staying power.



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²Hansen, Cynthia, p. 1

³Hansen, Cynthia, p. 1

⁴Hansen, Cynthia, p. 1

⁵Hansen, Cynthia, p. 1

⁶Hansen, Cynthia, p. 1

⁷Mitchell, Vanessa, "Why customer trust is more vital to brand survival than it's ever been", <https://www.cmo.com.au/article/642102/why-customer-trust-more-vital-brand-survival-than-it-ever-been/>, p. 1

⁸Mitchell, Vanessa, p. 1

⁹Mitchell, Vanessa, p. 1

¹⁰Mitchell, Vanessa, p. 1

¹¹Carter, Joanna, "Customers are increasingly trusting brands that take a stance", <https://www.smartinsights.com/online-brand-strategy/consumers-are-increasingly-trusting-brands-that-take-a-stance/>, p. 1

¹²2019 Edelman Trust Barometer Special Report, p. 5 of 51

¹³Carter, Joanna, p. 2

¹⁴Carter, Joanna, p. 2

¹⁵Carter, Joanna, p. 2

¹⁶Bedgood, Larissa, "Brand Trust is More Important Than Ever for Consumers", <https://www.business2community.com/branding/brand-trust-is-more-important-than-ever-for-consumers-02229321>, p. 1

¹⁷Bedgood, Larissa, p. 2

¹⁸Conant, Doug, and Covey, Stephen, "The Connection Between Employee Trust and Financial Performance", Harvard Business Review, <https://hbr.org/2016/07/the-connection-between-employee-trust-and-financial-performance>, p. 1

¹⁹Conant, Doug, and Covey, Stephen, p. 1

²⁰Conant, Doug, and Covey, Stephen, p. 1

²¹Conant, Doug, and Covey, Stephen, p. 1

²²O'Hara, Carolyn, "Proven Ways to Earn Your Employees' Trust", Harvard Business Review, <https://hbr.org/2014/06/proven-ways-to-earn-your-employees-trust>, p. 1

²³O'Hara, Carolyn, p. 1