Trust is the new black

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1. Executive summary

Trust is at the heart of ongoing relationships amongst people, but also with brands and companies. It has become a hot topic (Connelly, 2017, Huffington, 2015), particularly given the increasing media coverage of breakdowns in customer trust in well-known companies such as VW, Tesco, BP and Google. But away from these headlines is a stronger, more underlying trend. A move from transactions to longer term customer relationships. The risk of undermining that relationship through not being transparent, not being fair, not having reliable products and services is exacerbated as our world becomes increasingly technology focused. Relationships with suppliers we don’t know are built through trusted on-line third parties. Information about products and services we are unfamiliar with is increasingly sought from others, on-line, and subsequent feedback on customer experiences shared quickly and widely. Where companies are not transparent, the exponential growth in speed and breadth of news spreading makes them vulnerable. It is impossible to hide.

However, to assess our own approach to corporate and brand trust, it helps to go back to the key academic theories to discover the concepts that underpin our understanding of trust, the factors that build trust and the outputs that emerge. In addition, we need to understand our performance on trust in the light of data from an industry and global context but also to support the business case for ensuring it remains a business priority. Examining a few of the high-profile failures in trust also helps us identify the range of areas where trust can be undermined. They provide pieces of a jigsaw that, when seen together, help us understand a broader picture of trust to inform our approach with our businesses and our customers now and in the future.
2. Introduction

Each year in their annual trends report, the futurologists at the Ford Motor Company identify the key trends facing their customers and therefore their business. In 2013, they identified trust as a dominant issue declaring “Trust is the new black”. The fact that trust has remained one of their top issues (Connelly, 2017, Huffington, 2015) is illustrative not only of a recalibration of customer trust in companies in the wake of high profile breakdowns but also a growing public expectation that goes beyond product and service performance. Achieving high quality and being reliable isn’t enough. Winning long term relationships with customers is now underpinned by the “way” business is conducted.

“Customers say they want to use their wallets and spending on something they believe in,”
Sheryl Connelly, Ford’s in-house futurist (Connelly, 2017, p6).

As the senior executives surveyed in KPMG’s global report “To stand still is to fall behind” (2015) identified, the need to build consumer trust was the second most important priority for the business (after ensuring growth).

Understanding the concept of trust partly depends on the perspective taken. Psychologists see trust as a characteristic of an individual person. Social psychologists view trust as an expectation linked to a specific transaction and the person(s) conducting that transaction. Economists and sociologists however are interested in how institutions use incentives to reduce uncertainty and therefore increase trust. However, brand trust is defined as the:

“Feeling of security held by the consumer in his/her interaction with the brand, that it is based on the perceptions that the brand is reliable and responsible for the interests and welfare of the consumer.” (Delgado-Ballester et al., 2003, p11)

This goes beyond performance, sometimes clustered under “competence” or “credibility” to include benevolence – how a company acts in the best interest of the customer based on shared values and goals (Chaudhuri and Holbrook, 2001, Morgan and Hunt, 1994). Or as Bainbridge (1997) argues:

“A trustworthy brand places the consumer at the centre of its world and relies more on understanding real consumer needs and fulfilling them than the particular service or product. It is not merely responsive, but responsible.” (Bainbridge, 1997, p21)

In particular, trust is seen as differentiating relationships from transactions in that any personal relationship whether interpersonal or between a person and brand is built on trust. Hess and Story (2005) argue that in a marketing context, it is impossible to detach trust from satisfaction. Satisfaction (in performance of a product or service) drives a functional connection to the company/brand. Trust drives a personal connection. Testing the components of trust, Kang and Hustvedt (2014) identified that the customer’s perceptions of efforts by the company to be transparent and to be socially responsible by giving back to the local community, directly affected consumers’ trust and attitudes towards that company. In addition, they also indirectly but significantly affected their intentions to purchase from and spread positive word of mouth about the company.
Understanding not only the business priority to build customer trust, and crucially not undermining trust in the future, is the first chapter in the story. But we also need to understand how best to think about brand and corporate trust – and then identify the relevant impact data to support a refocusing of internal company objectives and investment towards building customer trust. This report identifies the key academic models of brand trust and customer commitment and presents recent data to support the business case.
3. **Methodology**

This analysis of trust in brands and companies uses a multi-method approach including a literature review of academic research, business research data and illustrative case studies.

The identification and analysis of the literature for this study proceeded as follows. First, electronic databases such as Business Source Complete and Google scholar were searched for academic research, using the terms ‘Brand Trust’, ‘Consumer Trust’ and ‘Corporate Trust’. The relevant articles identified through this search were reviewed to eliminate those that did not refer to trust in the context of brands or companies – for example those discussing trust between people or trust between employees and employers. Subsequently, the articles were analysed to identify those that describe the important theories of trust.

The business research on trust draws on recent large scale studies, presenting data specifically on customer trust in business and the link between consumer trust (attitude) and business performance. In addition, the literature review identified specific case studies where trust in brands has been lost. A snapshot of each case is presented to illustrate different elements in the breakdown of the trust relationship. Finally, the report presents recent practical practitioner recommendations for strengthening trust.

The review is not intended to be exhaustive but to focus on the areas of trust literature judged to be of greatest practical benefit to the members of the Henley Centre for Customer Management (HCCM).
4. Academic research on trust

4.1. Commitment – trust theory of relationship marketing

One of the core theories describing how trust in companies works is known as the “Commitment-Trust Theory of Relationship Marketing”, developed by Morgan and Hunt (1994), shown in Figure 1.

They describe a world where business to consumer (B2C) and business to business (B2B) activity has moved beyond transactional encounters to relationships developed over time. Where there is trust and commitment within the business relationship then the partners co-operate in order to preserve those relationship investments. They favour the longer-term benefits of staying in the relationship over short term, potentially more attractive alternatives. It also brings confidence to take risks as they believe their partners will not act opportunistically. Through having commitment and trust in a business relationship, the resulting co-operative behaviours lead through to relationship marketing success by being efficient, productive and effective.

Commitment is defined in this context as the enduring desire to maintain a valued relationship. This goes beyond definitions of customer loyalty as repeat buying behavior and now includes loyalty through superior product benefits, promoting the firm’s values and being seen as trustworthy. Trust is present when one party has confidence in the other party’s reliability and integrity. Morgan and Hunt (1994) argue that trust directly influences relationship commitment, if you trust a brand/company, you are prepared to commit yourself.

![Figure 1: Commitment Trust Relationship Model (Morgan and Hunt, 1994)](image-url)
They argue there are five factors that lead to trust and commitment, illustrated in Figure 1. Where the switching costs of ending the relationship are high, companies/customers are more likely to commit to each other. If the benefits of the relationship such as product profitability, customer satisfaction, product performance are high this is more likely to lead to commitment. Sharing corporate values also supports longer term commitment to and trust in the relationship. Sharing information in a timely and meaningful way between the companies/with the customer builds trust. Whereas companies that act in a short term and opportunistic way are less likely to be trusted.

Where relationships are founded on trust and commitment, there is a greater likelihood that parties will agree to each other's requests and policies and less likelihood they will want to leave the relationship. They are more likely to work together on mutual goals and work through any disagreements amicably (functional conflict). Finally, trust helps reduce the uncertainty of decision making as both parties have confidence that the other can be relied upon.

4.2. Customer satisfaction, loyalty and the trust environment

Johnson and Auh (1998) identify a trust environment that influences customer satisfaction and loyalty. The stronger the trust environment, the sooner customer satisfaction leads to loyalty. They describe two types of customers, loyalists who are very satisfied customers and willingly repurchase, and mercenaries who are moderately satisfied customers who do not have long term commitment to the company or brand. The trust environment influences the decision-making process in two ways. It brings forward the point at which customers significantly reduce their consideration set, where they shop around less and choose from a shortlist of preferred alternatives. As customer satisfaction increases so the costs of continued search outweigh the benefits. The trust environment also affects how quickly this drop off happens.

So, the trust environment puts the relationship between the customer and the firm within the context of the firm's own environment, the market environment in which they both operate and the larger political economic, social and technological environment within which the market operates (see Figure 2).

At the firm level, Johnson and Auh (1998) argue that a customer is more likely to trust a company that has good trust relationships with its employees. These relationships act as a positive value signal to customers over and above customer satisfaction and product quality. However, if there is a poor relationship, customers may empathise with the dissatisfied or badly treated employees and therefore revise their view of the company. Finally, on a practical level, where there is internal mistrust it could result in lower product, or especially service quality and therefore customer satisfaction.
At the market level, the level of competition and switching barriers impacts on the customer satisfaction and loyalty. Switching costs may include search costs, transaction costs, loyal customer discounts as well as financial and social risks to the buyer. Even when there is low customer satisfaction, these high barriers prevent switching. However, in market environments where there is strong competition, these switching costs tend to be lower. In addition, in more competitive markets, differentiated alternatives are available to better meet the needs of specific market segments, resulting in higher customer satisfaction.

In the wider environment, political factors impact the trust relationship formally through regulation and informally through watchdog type agencies. Regulation, when effective, works to redress any power imbalances between sellers and buyers through guidelines on fair practice, including disclosure of information. Likewise, watchdog agencies also provide a safety net against mis-selling and high pressure tactics. The economic climate also affects trust relationships: in times of lower public confidence in the economy, judgements about the costs and benefits of a relationship are impacted. New or perceived risky relationships are less likely to be with companies or between companies. Different cultures also provide a different environment for relationships based on trust. Where there is a strong sense of community with shared norms and values (such as Japan, Germany, US) a higher level of trust has been shown to exist. What this means is that customer loyalty is achieved at a lower level of customer satisfaction. Finally, new technology can also lead to customer loyalty at lower levels of customer satisfaction as products become more complicated and are increasingly launched with inherent “teething troubles”, corrected in update versions launched later.

4.3. Brand trust model, consumer trust in brands report, October 2015

A consortium known as the British Brands group presented a major report “Consumer trust in brands” in October 2015 (Funder et al., 2015, Europanel, 2015, EuropeEconomics, 2015). Following an extensive academic literature review of trust research and theory, they developed a Brand Trust Model that examined the operational drivers of trust, the context and the components of trust, as illustrated in Figure 3.
They argued that trust in consumer brands is anchored in the components; the two value propositions of Competence and Benevolence as detailed in Figures 4 and 5.

Brand competence is assessed by consumers against drivers such as functionality and capability, how reliable the product is, the level of quality, innovation and clarity of purpose (Figure 4). In addition, the firm’s size and financial performance underpinned whether a consumer believed the brand to be competent.
Benevolence is seen as a reflection of the ethical values and corporate reputation of the brand over time as well as its heritage as shown in Figure 5. Whether it demonstrated a caring relationship (to customers as well as employees) and whether it was sincere and credible also impacted on the consumer perception of how benevolent the company was perceived. Overall that relationship was defined as:

“Brand trust is the willingness of the consumer to rely on the ability of the brand to perform its stated function while seeing the engagement with the brand as supportive and enforcing of personal value” (Funder et al., 2015)

A simpler but similar way of expressing this is that trust comes from meeting and exceeding customer expectations.

“Brands have behaved badly over the last 20 years, and there’s a catalogue of unfortunate choices and unworthy motives. The new goal is absolute transparency. If you don’t make yourself transparent, your competitor will. If you have sincerity, you can fail and the customer will see you as a work in progress and cut you some slack.” (McCracken, 2012)
5. Business research on trust

There are many sources of data on trust, both at corporate and societal level. However, the headlines from the four most credible and widely recognised studies are presented below.

5.1. Understanding the wider context

January 2016 saw the 15th annual Trust Barometer Survey by the research firm Edelman Berland (Edelman, 2016). This on-line survey covers 28 countries and over 33,000 respondents. It separates mass population from the “informed public”, defined as college educated, top 25% household income per age group per country with significant media consumption. Globally, the survey shows that trust in institutions has bounced back after the recession, as shown in Figure 6.

However, it also reveals a growing and significant divide in that trust between the general population and the informed public in the UK, or as they label them, the ‘haves’ and ‘have-nots’. In particular, Edelman (2016) highlights how the democratisation of information, income inequality and high profile scandals of corporate misbehavior have created a new environment for trust. The new reality features an increasing mistrust amongst the mass population with peer to peer influence more powerful than top down authority, as shown in Figure 7.
The implication for business therefore depends on the income profile of their current and potential future customer base. For businesses whose target markets are amongst the more affluent segments of society, there is strong trust. This is not the case where the target is amongst lower income households, as shown in Figure 8.

Figure 7: UK trust differences between informed public and mass population (Edelman 2016)

Figure 8: UK trust by income (Edelman 2016)
The reason that this matters is the direct relationship between trust and business success. When a company is not trusted, 57% of people said they will believe negative information after hearing it once or twice compared to 25% for trusted companies (Figure 9).

Figure 9: Impact of trust on reputation information (Edelman 2016)

The impact of that information on consumer behavior is shown in Figure 10, with 48% of people saying they refused to buy products and services from companies they did not trust. The data also covers trust in CEOs, how much employees trust the company they work for and how much peers influence online and offline purchases.

Figure 10: Impact of trust on consumer behavior (Edelman 2016)
5.2. Building trust relationships through analytics and experience

In a collaboration between Forbes and E&Y, this 2015 report examines how companies are using their data and analytics to manage customer relationships, loyalty and in particular, trust (Seligson, 2015). The survey of 300 US business executives was supplemented by in-depth interviews with senior marketeers. The quote within the report from the Chief Marketing Officer (CMO) of TiVo, is insightful.

“Trust is a byproduct of having great products and services. Trust comes from deeds. If you have consistently great products and services, people will trust you. If you overtly assert for someone to trust you, it probably obscures your very point.” (Seligson, 2015, p4)

The report discovered that amongst CMOs, 91% feel that building trusted customer relationships is a significant focus of their department's strategic and competitive vision. 87% said their strategic vision for building trust includes perfecting the customer experience. However, despite the increasing reliance on data and analytics, only 30% CMOs said (with full confidence) that their department/company had full grasp of where in the customer life cycle trust is breaking down. However, they hoped that by the end of 2017, data and analytics would not only be a way of measuring trust but also a route to build trust (81% CMOs). As the global vice president of marketing of a major hotel chain said:

“Big data helps us build trust because it allows us to offer more personalised experiences that are increasingly more relevant to each guest — experiences that show we are listening to them.” (Seligson, 2015, p3)

5.3. Bridging the gap between public and business views of trust

Earlier in 2015, the World Economic Forum (in collaboration with PWC) produced a report examining the ‘global crisis of trust’ in business (World-Economic-Forum/PWC 2015). They argue that against a background of scandals and the contagious effect that has on society's trust in business, firms need to respond by contributing more than profit. The World Economic Forum argues that business needs to consider the wider needs of society and contribute to the communities in which they operate. Only then will there be a realignment of the expectations of business that will in turn rebuild trust. They identify two challenges to closing the trust gap. The first is to move business leaders beyond a general sense that trust is part of their license to operate to a solid business case based on return on investment, as with more tangible assets. The report identified five important areas that trust enables a business to achieve:

1. Better business terms, processes and conditions
2. Enhanced innovation and entrepreneurship, which contributes to competiveness
3. More loyal, productive and engaged employee relationships
4. Stronger external relationships up and down the value chain
5. Greater resilience to withstand shocks and crises more effectively.
This last point is key - where business does invest in trust, there is a benefit in creating a buffer of goodwill against potential future crises. Trusted companies are given time and the benefit of doubt to respond and put things right.

Secondly, they identify a chasm between public definitions of trust (including values, fairness and behaviour) and business definitions of trust anchored in delivery of products and services. The report argues that the first step for business is an internal audit including:

- Which stakeholders will really drive future success and impact a business’ license to operate?
- Which stakeholders’ wishes will not be fulfilled, and what will the consequences be?
- How is the company going to communicate with its stakeholders, both those whose needs it will fulfill and those who will not be fulfilled? How will the business deal with this?

The World Economic Forum (2015) present a new framework for businesses to discuss issues of trust and bridge this gap, shown in Figure 11 below. In particular, this identifies that bringing multiple stakeholders together and recognising that building trust is a journey is not a one-off solution.

![Figure 11: A New Settlement on Corporate Trust (World-Economic-Forum/PWC 2015)](image)

5.4. Building the business case: How consumer trust affects performance

The research company Europanel examined who consumers trust the most and how businesses can build trust (2015). Their panel covers 9 countries, 757 brands across 30 categories and surveys 13,900 consumers. It links consumer attitudes to their purchasing
behaviour. They asked consumers to segment brands by trust, developing 3 tiers of brands by trust with the top tier being brands they trust to deliver on their promises.

- The top trust tier also correlated strongly with having more buyers and market share growth.
- 1 in 3 consumers in their survey would recommend top trusted brands to others compared to only 1 in 7 for the lower tier. Trust generated a higher willingness to recommend.
- In addition, consumers were willing to pay more for top tier brands compared to others and trust justified a higher price.

In summary, the Europanel study notes that consumer trust promotes brand recommendation, which in turn promotes trust, which in turn promotes recommendation and this leads to growth. More trusted brands have twice as many buyers as less trusted ones and grow faster in terms of both volumes and numbers of buyers.

Across the 9 countries, the most trusted brands tended to be larger brands, not too expensive and not too cheap and are more often food brands. Turning to how companies can build trust they identify four drivers.

1. Marketing activity: being perceived as an active innovator has a direct relationship with trust (built on actual new product launches). For example, brands within the top three innovators in their category were much more likely to be in the top trust tier. However short term sales promotion had a negative impact on trust.
2. Reputation: being seen as a “brand of our times” and so being current, is more important than being a global brand in trust terms.
3. Functional performance: the key issue here is dependability, being consistently good quality rather than one off superior quality or value for money.
4. Emotion: being perceived as prestigious is the emotional attribute most likely to be associated with trusted brands, rather than fun or excitement.

5.5. Measuring trust

Within the academic literature, a robust index for measuring trust was developed by Delgado-Ballester et al. (2003). For companies wishing to develop new measures of trust, or validate their existing measures, this paper is worth examining. However, looking beyond academic articles and large scale panel data surveys, The Values Institute (2016) has developed a ‘Trust Index’ that can be adapted more easily by business. They examine five values (ability, concern, connection, consistency and sincerity) that influence trust in brands and rank each on a five-point scale from very unimportant → very important. These are illustrated in Figure 12.
In addition, each value is assessed through five consumer perceptions including whether “they respond to feedback about their products and services” and “they value my business and reward me for the loyalty”. Each respondent in the research rates two randomly selected (but known) brands against these criteria. This simpler index provides a useful checklist against which to audit existing and ongoing consumer research within a company. It enables businesses to assess whether they currently hear their consumer views on some, all or none of these values.
6. Case studies demonstrating breakdown in the trust environment

6.1. Case study 1: Enron

On December 2\textsuperscript{nd} 2001, the US energy giant Enron filed for bankruptcy. At that time it was the largest corporate bankruptcy in US history; shareholders lost $74 billion and employees lost billions in pension benefits. Consumer trust in companies was significantly damaged by the corporate greed that the Enron scandal personified. Despite happening more than 15 years ago, the Enron case helps build our understanding of the importance in business of being trustworthy.

Enron was formed in 1985 following a merger between Houston Natural Gas Company and Omaha based Internorth Inc. Kenneth Lay become Enron’s CEO and Chairman and rebranded it as an energy trader and supplier at a time when the deregulation of energy markets allowed companies to place bets on future prices. As the company grew, so did the complexity of its accounting practices, transferring losses within the group and hiding the real financial picture from outside investors. For example, it would build an asset like a power plant, and immediately claim the projected profit on its books, even though the revenue stream had not started. If the revenue from the power plant ends up less than the projected amount, instead of taking the loss, the company would then transfer these assets to an off-the-books corporation, where the loss would go unreported. This type of accounting enabled Enron to write off losses without hurting the company’s bottom line.

From the outside, Enron appeared to be “\textit{an excellent corporate citizen, with all the corporate social responsibility (CSR) and business ethics tools and status symbols in place}” (Sims and Brinkmann, 2003, p243). Enron’s values statement read “\textit{We treat others as we would like to be treated ourselves. We do not tolerate abusive or disrespectful treatment. Ruthlessness, callousness and arrogance don’t belong here}” (Kunen, 2002). The combination of accounting fraud, corporate secrecy and a “\textit{win at all costs}” company ethos at Enron is well known. However, underpinning
Trust is the new black

...the bankruptcy is the fundamental issue of trust. Enron can be judged through the four dimensions of trust – credibility, reliability, security and customer-orientation. From the outside, Enron was seen as credible, a company full of bright ambitious people and good ideas. It reliably delivered value to shareholders over a decade. On these two rational measures of trust, Enron measures up. However, it is the latter two dimensions of trust, the non-rational measures, where Enron really fails. It was not secure in the sense that it did not act with integrity or discretion. Particularly in the 12 months prior to the bankruptcy announcement but also in the legal storm that followed, senior executives were found to have consistently lied and been evasive, despite being challenged with the testimony of whistle blower Sherron Watkins. Finally, Enron failed at being customer focused. It saw its customers, as well as its employees and shareholders, as a means to an end. Deals were made to make money for executives rather than creating wealth for customers. A trust violation is described as a “lack of transparency and concern for customer safety” (Hurley et al., 2013, p118). In this case, the Enron executives were clearly not concerned with their shareholders’ financial security or well-being. Crucially, these last two dimensions of trust are built on personal behaviours rather than processes.

6.2. Case study 2: BP Deepwater Horizon

In September 2016 the feature film “Deepwater Horizon” brought the story of the largest accidental oil spill in history to a brand new audience. For BP, the company responsible for the explosion at the deep-sea drilling rig in Louisiana in April 2010, the film launched at time when the story had just started to leave the front pages of the newspapers. 11 people were killed in the explosion. In addition, the impact of 3.2 million barrels of oil discharging into the sea on wildlife, marine habitats, fishing and tourism industries was immense.

In November 2012, BP and the United States Department of Justice settled federal criminal charges with BP pleading guilty to 11 counts of manslaughter, two misdemeanours, and a felony count of lying to Congress. BP also agreed to four years of government monitoring of its safety practices and ethics, and the Environmental Protection Agency announced that BP would be temporarily banned from new contracts with the US government. By February 2013, criminal and civil settlements and payments to a trust fund had cost the company $42.2 billion. In
September 2014, a U.S. District Court judge ruled that BP was primarily responsible for the oil spill because of its gross negligence and reckless conduct. In July 2015, BP agreed to pay $18.7 billion in fines, the largest corporate settlement in U.S. history.

At the heart of the damage to BP was trust. Every survey showed that people, particularly Americans, did not trust them to “do the right thing”. This was exacerbated by the PR failings of their then British CEO Tony Haywood who initially called the spill “very, very modest” and on a visit to one of the worst hit areas, was quoted as saying “there’s no-one who wants this over more than I do, I’d like my life back.” He apologised but overnight became the scapegoat for the disaster and was known as “the most hated man in America”. He was replaced by an American chemical engineer, Bob Dudley, who has since argued BP’s mission is to earn back America’s trust, through being a stronger, safer BP. He describes that quest towards trust as having three parts: response, reinforce and restore.

### 6.3. Further reading: Corporate trust breakdowns

For members wishing to learn more from history, recent public breakdowns in corporate trust are signposted below.

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<tr>
<th>Issue</th>
<th>Company</th>
<th>Date</th>
<th>Key points</th>
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| 1. Tax avoidance | Google, Starbucks, Amazon | 2009 onwards | - Led by media and politicians in campaign following financial collapse, recession and “treasury black hole” known as “tax shaming”  
- Sea change in public perception between what is legal and what is fair. Despite not technically breaking the law on the tax paid on their UK profits, significant consumer backlash followed  
- Difficult to see actual impact on sales or profit but led to change in corporate relationship with government and recent tax concessions “voluntarily” |
## 2. Car emissions

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<thead>
<tr>
<th>VW but followed by many others</th>
<th>Nov 2015</th>
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<tbody>
<tr>
<td>- US Environmental Protection Agency found 482k VW (including Audi) cars sold in US had “defeat device” software that could change performance results when being tested</td>
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<td>- VW subsequently admitted cheating the tests</td>
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<td>- Also implicated some Porsche and Audi models</td>
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<tr>
<td>- Knock on to Diesel cars in Europe – 90% estimated to not meet emissions targets when driven on the road</td>
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<td>- Group CEO said they had “broken the trust of our customers and the public”</td>
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*Image Source: Autogyaan.com*

## 3. Horsemeat scandal

<table>
<thead>
<tr>
<th>Tesco but also Burger King, Co-op and Aldi, Lidl, Iceland</th>
<th>Jan 2013 hit the press</th>
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<tr>
<td>- Tesco value burgers tested by Food Standards Authority in Ireland and discovered to contain 29% horsemeat. Originally meat was sourced from Romania and Poland. Scandal spread to 13 countries</td>
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<td>- Key issue was breakdown in consumer trust in food supply chain and religions implications (Jewish/Muslim religions)</td>
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*Image Source: The Sun Newspaper*
7. Concluding comments

This report arose from a Henley Centre for Customer Management (HCCM) member’s research workshop day. During the day, HCCM members discussed the business issues that keep them awake at night and identified where HCCM could most contribute to their business during 2016/17. One of those issues was understanding corporate trust in greater depth pulling together, practitioner data, academic theory and facts on some of the recent trust breakdown scandals.

This report has identified the direct relationships between trust and customer commitment as well as the broader trust environment. In particular, research has anchored trust in corporations into two components - competence and benevolence.

The global and UK data on trust in institutions from Edelman (2016) not only identified a significant misalignment between the mass population (who tend not to trust) and the educated elite (who trust). It also provided data on the business case impact that a lack of trust in an organisation has on reputation and likelihood to purchase goods and services.

The report on trust by the World Economic Forum (2015) identified a recent shift in activity from the internal business of trust building (quality of goods and services, corporate governance) to the public focus of trust building (leadership, tax policy, transparency, executive pay). A joint report by Forbes and E&Y (Seligson, 2015) on US corporations identified that at the heart of gaining customer trust was improving the customer experience, particularly through effective use of big data to personalise and strengthen the goods/service received. Helpfully, the Values Institute (2016) described their values index as way to help companies measure trust effectively.

The scandals of BP Deepwater Horizon, Enron, Tax, Horsemeat and VW are familiar. They received significant global press coverage. However, what they teach us is more important for identifying the learning points for our own organisations – what does this case imply for my business. The companies caught up in the “tax shaming” had not broken the letter of the law, but illustrate how public debate on trust had moved onto “the spirit of the law”, and concepts of fairness rather than legal obligation. The horsemeat scandal illustrated the importance of taking responsibility for indirect issues for example a long way down the supply chain, not passing the “buck”. But also it showed the importance of data and facts - how the public needed to be convinced through third party, credible testing. Enron personifies the importance of corporate transparency. In these days of citizen reporting, the speed of news, accurate or not, is growing exponentially. The respect and credibility of whistleblowing is rising. For BP, the importance of proportionate corporate responses when a crisis happens is keenly felt. Understanding the depth of the issue for the stakeholders involved rather than trying to dismiss it was vital in the company moving forward. Transparency underpins trust.
A final comment comes from work performed by brand consultancy ‘The Blake Project’ (Dawson, 2012) who summarise the components of trust in building corporate values as:

- Trusted brands do the right thing
- Trusted brands have empathy
- Trusted brands never fail customers
- Trusted brands are transparent.

Source: www.techninasia.com
8. References


EDELMAN 2016. Edelman Trust Barometer; Annual Global Study.


The Henley Centre for Customer Management

The primary objective of the Henley Centre for Customer Management is to promote customer focus and service excellence best practice through observing practice in leading companies and synthesising this into useful knowledge that helps members to improve their own customer management and customer service plans and implementations.

Members

Each year, the Centre aims to attract a membership of between 10 and 15 organisations, each a leader in their sector.

Members in 2016 were:

- Bank of Ireland
- BOC (Linde Group)
- Global Payments
- GM Financial
- Heathrow
- L&Q
- Lloyds Banking Group
- Make It Cheaper
- Mercedes Benz Financial Services
- Microsoft
- Renault
- Scottish Water
- Thames Water
The Henley Centre for Customer Management is supported by members representing a diverse range of organisations.

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