



Putting Trust to Work:

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Trust (noun) [trəst]

- 1 Firm belief in the reliability, truth or ability of someone or something
- 2 The state of being responsible for someone or something

Consumer trust is critical for any organization pursuing a sustainable business model. It gives a clear business advantage – trusted companies are preferred by consumers and enjoy loyalty even during times of crisis or controversy, effectively maintaining or even boosting the company's bottom line.

At SAI Global, we wanted to know more about the relationship between trust and risk. Our Consumer Trust Index (CTI) delivers this insight. It examines what trust means to consumers; how it's built; how it's protected; and how it's restored.

Based on its findings, we can outline the fundamentals of trust and suggest practical strategies to build and protect it. Trust is also the foundation of an integrated approach to risk management. Companies leveraging an integrated risk management approach are achieving their strategic goals (business and otherwise) – but without customer trust, it's hamstrung from the start.

THE BENEFITS OF AN INTEGRATED RISK MANAGEMENT APPROACH

If we don't take risks, we won't grow. But if we don't understand and manage those risks, we won't succeed. An integrated risk management approach helps us navigate this conundrum. It encourages leadership engagement in risk management by linking risk to the main game – business success.

Integrated risk management helps you take risks by empowering risk decision-making. It embeds ethical, risk-aware behavior into organizational decisions, activities and processes. It further helps manage risks by focusing on brand protection, providing quality products and services that meet customer expectations and acting with integrity – all recognized as key drivers of trust.

By informing critical business decision-making, raising awareness of the contribution risk makes to the achievement of strategic objectives, and becoming a core part of organizational processes, integrated risk management promotes acting with integrity and business excellence.¹

¹ Incorporates ISO 31000:2009 Risk Management – Principles & Guidelines, principles (b), (c), (e), (f), (g), (k).

Customers today have access to more information about the companies they interact with – including their products, work practices and corporate behavior – than ever before, and with near-instantaneous communications, good news and bad news alike travel fast. Whether it's business as usual or a response to a crisis, customers are always watching. They're looking for good products, good experiences and, most importantly, good behavior.



82%

agree providing quality goods and services is the best way to build trust

QUALITY, PLUS CUSTOMER EXPERIENCE: THE FOUNDATIONS OF TRUST

Providing quality goods and services, and ensuring customers have a great customer experience – think Google, Sony, Nike and Apple – is crucial to developing and maintaining trust. In contrast, a poor customer experience, from a service or product perspective, is the easiest way for companies to lose trust.

And in the digital age news about product failures and controversies can spread instantaneously, damaging consumer trust on a mass scale.

Consider the 2017 United Airlines PR crisis,² where footage of a customer being forcibly removed from his seat and dragged down the aisle of an overbooked flight went viral. The company took days to offer an unreserved apology after initial apologies were deemed dismissive by the public. This delay escalated the PR crisis and shaved a cool \$770 million from the company's market capitalization.³



85%

of consumers are highly unlikely to repurchase after a poor customer experience

But how does integrated risk management support companies in achieving great quality and outstanding customer service? By recognizing the strategic importance of quality and service at all levels, from senior management to front-line staff. It proactively seeks out risks, and builds the culture and controls to support success, including:

- Embedding quality management systems into an organization: disciplined management systems focus on key risk indicators that proactively identify and address potential threats to quality and service.
- Promoting a culture of customer service: educating employees on day-to-day customer service expectations; how to respond to situations in line with company values; and the crucial importance of quality and service.
- Educating back office teams: great customer experiences can be quickly eroded if support functions do not understand the importance of good quality and service.



FOOD CRISES ARE MORE DAMAGING THAN PRODUCT FAILURES

If you're in the food industry, you've got a little extra work to do to ensure you can respond to situations well and win back trust.⁴ The CTI shows that food companies need to be particularly vigilant around supply chain and third-party risk.

You must unravel supply chain risk by tracing back to original supply sources and thoroughly understanding each supplier's practices and individual risk framework. The Nanna's Frozen Berries incident showed how quickly supply chain risks can lead to crisis. In this case, imported berries sold in Australia were linked to hepatitis.

² Creswell, J & Maheshwari S 2017, 'United grapples with PR crisis over videos of man being dragged off plane', New York Times, 11 April.

³ Wile R 2017, 'Here's how much United Airlines stock tanked this week', Time, April 14.

⁴ One size fits none: Developing more effective risk management strategies in the food industry, SAI Global.

A recall, health alert and controversial public statements from the CEO (“There are still no facts. We’re working very hard with the health department to prove there’s actually a direct link.”⁵) caused trust to crash, resulting in 53% of consumers trusting the Nanna’s brand less.⁶ By contrast, only 35% of customers globally were less trusting of Samsung as a provider of phones and tablets after the Galaxy Note 7’s exploding batteries.⁷

Building confidence in your company’s complex supply chain can be challenging. Investing in a strong supply chain risk management and assurance model is the first step to an integrated risk approach. It can help to identify risks before they happen, demonstrate commitment to supply chain integrity in the event of a crisis, and assist in isolating the incident. Other ways to mitigate supply chain risk include:

- implementing a due diligence program that aligns to quality and service values
- enforcing third-party standards that provide strong assurance to consumers regarding product integrity
- maintaining visibility of supplier performance against key performance measures relating to critical factors such as quality
- enforcing strong audit programs for critical suppliers



83%

rate transparency highly as a trust-builder

BEHAVE ETHICALLY, AND BE TRANSPARENT

Long-established companies with a proven track record attract trust. However, people are also willing to trust newer companies, provided they are transparent about their operations and presence.

Newer organizations will benefit from displaying credible, globally recognized certification marks, as they demonstrate a commitment to quality and a willingness to be assessed against tough standards.

Established organizations also benefit from having an ethical culture, treating their employees well and being transparent about their operations generally – including risk management.



43%

would never return to a company if their private data were breached

DATA BREACHES KEEP CUSTOMERS AWAY FOR GOOD

Data breaches are another quick, and increasingly common, way for organizations to lose trust. Large-scale data breaches that have impacted organizations like the US military, Equifax, Sony, Target (in the US) and many more are reported widely these days. Consumers are increasingly aware of the dangers, making data security a key concern and requiring organizations to confidently articulate how they manage this risk. Regulators around the globe recognize the importance of data privacy and protection. One example of an integrated risk approach includes companies looking for opportunities to build consumer trust through compliance. For instance, certification against ISO 27000 – the standard that supports proactive management of information security risk – provides consumers with confidence that data protection is taken seriously.

Organizations should also establish and promote a culture that values data protection and privacy. Investing in campaign-based learning programs to engage employees and move beyond a ‘tick and flick’ approach will improve risk awareness and encourage proactive behavior.

Implementing risk management tools and software helps organizations understand risks and vulnerabilities at a granular level, allowing proactive management of data privacy and network security.



Say goodbye to 2 out of 5 customers if you don't take their data as seriously as they do

TAKE RESPONSIBILITY AND ALL IS NOT LOST

Taking responsibility, along with the necessary steps to ensure the error won’t be repeated, are the first steps to regaining trust following an incident. Interestingly, taking the time to understand the source of the problem is more influential in winning back trust than compensation for an error.⁸

5 ‘Frozen berries still on the shelf as a choice’, Sydney Morning Herald, 30 January 2016

6 Consumer Trust Index, SAI Global.

7 Consumer Trust Index, SAI Global.

8 Consumer Trust Index, SAI Global.



44%

agree that trust can be won back by taking responsibility

Data breaches, poor customer experience and unethical treatment of employees can keep customers away for good. However, companies that face even the biggest product failures can earn back trust provided the right steps are taken. In September 2016, cloud storage provider Dropbox found out that 68 million user credentials had been exposed since 2012.

A transparent and proactive response helped Dropbox regain trust, with the company personally contacting customers to provide details of the breach and prompt a password reset. In 2017, Dropbox still leads its market segment despite strong competition from rival services including Google Drive, OneDrive and Box.

While proactive risk management aims to avoid crises, deeply integrated risk management recognizes that being ready for a crisis is a critical element of any risk management framework. Many crisis plans focus on escalation paths, communications and limiting legal liabilities, but often neglect two critical elements:

1. Recognizing when you are in a crisis: particularly evident in 'slow burn' problems that start at a local level and seem contained, but escalate due to poor management or misunderstanding of the full scale and scope.
2. Making tough decisions that align to company values: this requires balance between legal advice to avoid admitting liability and the likely commercial cost of your response.

Crisis planning needs to simulate a range of issues that require tough decisions, so senior management can debate responses during an exercise – and then, should an unfortunate situation arise, be well-positioned to make swift decisions that build rather than destroy trust through a crisis.

Using an integrated risk management framework to become a trusted organization

Once we understand how trust is built, lost and regained, how do we go about putting this to work? How do we apply this knowledge to become a trusted organization? The key steps to implementing an integrated risk management approach are:

- get buy-in from the board and senior executives
- appoint and train the right staff
- embed a culture of honesty and transparency
- embed quality management systems
- invest in supply chain risk management
- take a holistic approach to data privacy
- prepare for a crisis

WHEN THE CUSTOMER IS KING, IT'S TRUST OR BUST

Today, more than ever, trust is vital for organizations that want to prosper. Mitigating risk is critical to building customer trust and, with the right responses, all need not be lost if a crisis occurs. Integrated risk goes beyond simply identifying and managing risks by providing practical tools to help avoid incidents and minimize the negatives from any that occur. By proactively analyzing possible new threats, it helps organizations make good decisions about how to manage their risk appetite. This proactive approach not only builds and maintains trust, but also it provides competitive advantage and strategic insight.

Customers today want more from the organizations they interact with. In addition to great products and services, they want to see that they are ethical, transparent and trustworthy. They want a relationship they can trust, and if they don't find it, they'll move on. It truly is 'trust or bust' on the road to success.

about SAI Global

At SAI Global, we help organizations proactively manage risk to achieve business excellence, growth, sustainability and ultimately, create trust.

Our integrated risk management solutions are a combination of world-class tech platforms, services and advisory capabilities that operate across the entire lifecycle allowing businesses to focus on opportunities presented by uncertainty. Together, these tools and knowledge enable customers to develop a holistic, integrated view of risk. In Australia, we are also a leading

provider of settlement related services; company, personal and property information.

SAI Global Limited's head office is located in Sydney, Australia. We employ more than 2,000 people across 28 countries and 51 locations across Europe, the Middle East, Africa, the Americas, Asia and the Pacific.

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