Chapter 7

Who earns the trust of citizens and why: Experiences from the private sector

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A recurring theme of the report is the close parallel between what public institutions are starting to do today to build trust, and the ways that private companies routinely use trust to attract and retain customers, through deliberate and well-thought out “trust strategies”. This chapter uses two case studies – e-commerce and autonomous cars – to illustrate how the private sector builds trust. Gaining the trust of society is recognised as one of the main hurdles to wider adoption of any new technology. For example, carmakers across the world are working intensively with users to earn trust through direct experience with driverless cars. Trust is essentially about inferring future behaviour or events despite incomplete information. Most people have already taken this step with e-commerce and, according to many experts, will soon do the same for driverless cars.
Trust is a multi-billion dollar headache for companies. With billions of dollars of potential revenues at stake, enterprises invest substantial amounts of money to earn consumer trust. What are the strategies employed by the private sector, and what can the public sector learn from it? This chapter looks briefly at definitions of trust as they relate to real-world economic and social interactions, and then examines trust challenges and strategies in two illustrative situations.

Why we trust, whom we trust

With regard to public services, regulations, and other subjects of citizen-government interaction, there is often no alternative source for these goods or services. They are public and usually provided in a monopolistic manner by a public institution (though this is changing in many areas, such as education or health). Low trust, as has been discussed earlier in this report, affects outcomes and increases costs. But the majority of citizens still need to interact with government. In most situations, this is not the case for interactions between citizens and businesses. If a citizen, as customer, does not trust an enterprise, they look elsewhere for the same service and the enterprise loses a client. Repeat the operation too many times, and the enterprise goes bankrupt. As such, gaining and retaining trust is a commercial imperative. Businesses, particularly large corporations, are highly skilled at understanding and reacting to the complex motivations and reasoning that make customers trust one company more than another.

There are numerous research reports and surveys that document the different behaviour of consumers towards companies that they either trust or do not trust. These tend to show behaviour by customers who reward a trusted company and penalise a less trusted one in a significant and quantifiable way. According to the Edelman Barometer 2016, almost 60% of respondents had recommended a brand to friends and 75% had made a purchase on the basis of a friend’s recommendation. Multiplied across global markets, these trust-based recommendations are vital to any company’s long-term profitability.
One way of looking at trust is as an emotional substitution in which the risk and doubt that accompany the choice of agent for a specific need is conditioned by optimism that the outcome is guaranteed, hence making the decision or investment easier to make. In this way, trust may fulfil a role of taking some issues off the board and establishing them as resolved. It has the advantage of attenuating certain options while highlighting others as a beneficial course of action. Thus, trust “expands people’s capacity to relate successfully to a world whose complexity, in reality, is far greater than we are capable of taking in” (Nissenbaum, 2001). This is related to our need to be able to predict and understand the motivations of others. That is, the need to trust is derived from the need to believe that others will behave consistently and/or be positively motivated toward us on a consistent basis. Trust, “simplifies and reduces the complex set of expectations that we use to predict how people will behave” (Adams, 2000). From an economic perspective, trust simplifies – and as a result makes doing business cheaper and quicker.

In order to put the discussion of public policy processes of different kinds and their links to trust in a broader context, the following sections will explore trust through two case studies drawn from the private sector. These examples – both well known and high profile – illustrate the steps that any organisation, whether public or private, needs to take in order to build and retain trust.
How we will learn to trust driverless cars – Case Study 1

By many accounts, we are on the cusp of a new era. Boston Consulting Group expects the autonomous vehicle (AV) market to reach a value of USD 42 billion by 2025. Ford, Volkswagen, General Motors, BMW, Toyota, Audi, Nissan, Jaguar, Tesla and others have all announced the launch of fully autonomous cars by about 2020 or earlier. Yet, the very notion of a self-driving car requires trust on a number of levels. We allow technology to “take over” regularly in our lives, from devices as simple as an elevator or escalator to automated airport rail systems, subway systems and even amusement park rides. However, trusting our lives to a device that must make life and death decisions with near-perfect accuracy in an unpredictable world and at high speeds represents a quantum leap in the trust we must lend to technology. Of course, “drivers” of AVs are not the only ones concerned. Property owners, bicycle riders, pedestrians, and all other users of public roads will need trust to coexist with this new technology.

Figure 7.2. The four automation levels of self-driving cars

Source: US Department of Transportation
Fear factors

In a recent AAA survey, three out of four U.S. drivers said they would be “afraid” to ride in a self-driving car, while just one in five drivers said they would actually trust being driven by a driverless vehicle. But those who have at least some automatic features in their vehicles such as automatic emergency braking or adaptive cruise control were more likely to trust such semi-autonomous features than drivers without experience of the technologies. The AAA survey gives a glimpse into the mindset of US drivers who have not yet experienced AV technology first-hand. The AV industry is now engaged in a crucial and expensive campaign to build trust.

While the unknown is a trust-killer, our instincts allow us to bridge information gaps. Separate studies conducted by Volkswagen and the US Department of Transportation (DOT) demonstrated that drivers experiencing autonomous driving on a test track (or who were led to believe they were experiencing autonomously driven cars in the case of the Volkswagen study) adapted surprisingly rapidly. In the DOT study, the transformation sometimes took only 15 minutes. Volkswagen summarised their own results:

“People developed a sense of trust in the vehicle very quickly. Even though they usually had a prior sense of distrust, people’s minds quickly changed after having a short positive experience with the technology.”

The DOT study noted: “Overall, participants greatly trusted the capabilities of the automated systems. Although this trust is essential for widespread adoption, participants were also observed prioritizing non-driving activities over the operation of the vehicle and disregarding TORs (Take Over Requests) when they were presented.” Speaking about recent tests in a self-driving Audi A7, a VW test engineer stated: “The first three minutes you’re thinking, ‘This is crazy, this is the future!’ Then you get bored.”

Google, in their own tests, allowed some employees to use self-driving cars for their daily commute. With video cameras focused on the drivers, what Google researchers saw was alarming. Namely, drivers were distracted, bored and some even fell asleep – a disconcerting sight to other drivers on the road.

When participants experienced a lane-keeping performance problem in the DOT study, they lost trust in the automation and retook control. Although the study didn’t have the scope to measure the level of lost trust over time, it seems to confirm the adage that trust arrives on foot but leaves on horseback.
Trust and experience

What made such rapid trust possible? In part the multidimensional, distributed nature of trust. Context can prepare the groundwork for trust by eliminating certain unknowns – for instance, participants assumed that the DOT would not put them in mortal danger. While context laid the groundwork, experience made the difference. As it turns out, AVs are good at concentrating very specific experience in the form of a rapid succession of successful autonomous decisions. In other words, participants were able to analyse first-hand a large sample of data in a short amount of time. While initially apprehensive about the car’s ability to manoeuvre correctly, the test subjects came to see that the car made the correct decision time and again, as well as or better than the driver would have done (Blanco, et al., 2015). This is exactly what we do in the process of trust: infer future behaviour or events from limited data.

How we react to machines that act like humans may also explain why test subjects were quick to trust. Research tells us there is a clear theoretical link between the perception of mental capacities in others and assessments of competence, trust and responsibility. As reported in Schroeder and Epley (2016), “An autonomous automobile that interacts with you using a human voice while driving itself seems ‘smarter’, and therefore, more trustworthy, than a non-interactive vehicle” (Waytz et al., 2014). Prior to experience, even more limited automated features such as self-parking systems fail to inspire driver trust (in surveys) even though the feature has been shown to significantly outperform humans in terms of number of curb strikes, number of manoeuvres, time to park and distance from curb. The “human touch” seems to be an important element in inspiring trust.

Trust can grow by a transfer from the familiar to the less familiar. In the city of Pittsburgh in the United States, Uber is introducing a fleet of self-driving Volvo SUVs, creating something of a hybrid between individually owned AVs and mass transit where citizens are used to relinquishing control. If successful, the strategy could go far in providing riders with the experience required to build up trust that the industry needs. It should effectively extend trials beyond early adopters and super-fans to a broader swath of the population. For months prior to implementation, the AV-equipped Volvos have been cruising around the city with their Uber logos, in part to get citizens used to seeing them. For the time being, a monitor will be in the car, accompanying those who hail it. But as trust grows (and legal frameworks evolve), those monitors may quietly slip away.
Figure 7.3. Trust in AV technology
(Responses to “I can trust the automated system to function properly while I am doing something else”)

Source: US Department of Transportation, NHTSA.

**Linking it all together**

Like most transformative technologies, AV will not arrive in an orderly fashion. Consumer trust will have to transcend issues of confidence in one’s own vehicle and focus on interoperability between competing systems. But other levels of trust will also be required. Increased tracking information will make every car easily identifiable on some master grid. My car will need to have information about your car, and potentially every other car out there. Who gets access to these data? What safeguards of individual rights will be in place and what trade-offs will be made between privacy and public safety? Will law enforcement agents be able to pull over cars remotely or guide them to the police station? Will terrorists transform AVs
into self-guided bombs, sending them into densely populated areas? The point is, trust will apply to the entire regulatory, liability, legal, security, social and technological context defining the autonomous vehicle ecosystem.

**How we learned to trust cyberspace – Case Study 2**

In the 1980s, the Boston Computer Exchange provided an online marketplace for used computer equipment to the small but growing community of Internet users. It used the nascent bulletin board system (BBS) and functioned as an online exchange. Improvements in connection speeds and security software were required to enable secure purchases over the Internet. The first such purchase took place on 11 August 1994, when New Hampshire start-up NetMarket sold its first CD online. Despite the high rate of mortality of online commerce websites in those first days, by 1998 NetMarket was handling over USD 1 billion in sales. It was a harbinger of the growth to come in the online retail space. Seventeen years later, in 2015, worldwide retail e-commerce sales were estimated at USD 1.76 trillion (EMarketer), representing 7.4% of the global retail market. According to the same report, e-commerce sales growth is set to outpace bricks-and-mortar sales growth by a more than 3-to-1 margin. Yet, there is reason to believe that the potential of e-commerce has barely been tapped (Maguire, 2011). With online retail sales still just a small portion of total sales, there is still plenty of room for growth – and consumer trust will play a role in making it happen.
For many, buying online has become second nature. Online customers have overcome many of their initial hesitations, have experienced first-hand the advantages of e-commerce, and have gone on to make repeat purchases from trusted e-retailers. People have also become fairly savvy at making good vendor choices, thanks in part to a growing number of mechanisms designed to inspire trust such as security logos, recognised trust marks and independent review sites. But barriers still exist. In OECD countries, 75% of consumers access the Internet each day, yet an OECD report found that only one person in two made an online purchase in 2014. Those who did not cited security and privacy concerns as one of the main reasons holding them back. Lack of trust is one of the most frequently cited reasons for consumers not purchasing from Internet vendors. While the United States has experienced rapid growth in e-commerce volumes, other regions, such as Europe, have had to contend with cross-border customs issues, language barriers, currency differences and complex and costly logistics challenges. These elements have an impact on trust and the overall attractiveness of e-commerce for consumers. It can also discourage new entrants by requiring investment in and maintenance of e-commerce platforms adapted to international buyers.
Brand trust

Online businesses must create brand trust. Brand trust is sought after because it is a source of strong and stable revenues for a firm (Morgan and Hunt, 1994). Brand trust is defined as the willingness of the average consumer to rely on the ability of the brand to perform its stated function (Chaudhuri and Holbook, 2001). Brand trust is not an attitude or expectation entering into the relationship with the brand, but arises after direct experience of consumers of the brand (Doney and Cannon, 1997). Brand affect is the ability of the brand to elicit a positive emotional response in the average consumer as a result of its use. The literature shows that brand trust and brand affect are determinants of loyalty, which creates highly valuable goodwill and long-term consumer relationships that drive repeat purchase and market share. While brand trust is a cognitive process that is built up over time, brand affect consists of impulsive feelings that can be formed spontaneously. Creating trusting, emotional relationships between consumer and brand justifies large expenditures on design, communication and merchandising strategies.

Amazon: Prime mover of online trust

Amazon is consistently ranked among the most trusted brands, not just in the online space but also among all brands. Amazon’s first mover status and early dominance has allowed the company to systematically reduce the barriers to online trust, through a careful analysis of the origins of distrust among customers. In a survey of the leading reasons for not shopping online, 40% of respondents said they prefer going to shops and seeing the products. By providing a rich visual shopping experience, rapid delivery, and one of the top three most trusted payment systems, Amazon, like other online retailers, has worked hard to reassure potential customers that they are a trustworthy retailer. “No-questions-asked” return policies and a the-customer-is-always-right attitude circumvent one of the most frequent barriers to trust – fear of what will happen if things go wrong. Reflecting on the way that online retailing has evolved, it is clear that many of the features that we take for granted were developed precisely to deal with problems of mistrust.

Overcoming this trust issue can be more difficult for smaller businesses. While SMEs dream of becoming micro multi-nationals, smaller e-retailers are placed in an “earn trust or die” situation, knowing that shoppers are prepared to click over to the competition if their trust is not gained quickly enough. Working only with pixels, how do you establish trust in the 15 seconds or so experts believe e-retailers have to prove themselves? To
investigate, the author undertook an informal review of 15 online articles, each on a theme similar to “The 10 things e-retailers need to do to establish online trust”. These articles demonstrated consistency as summarised in Figure 7.5, although the table does not reflect the rank of importance (not all of the articles suggested a formal ranking). These “most essential trust features” in turn map relatively naturally to the interpersonal trust criteria of benevolence, integrity and ability, as elaborated by Meyer et al. (1995) and reflected in the OECD framework for public institutions presented in this report, which emphasises competence and values.

Figure 7.5. Ideal e-commerce site trust features compiled from 15 experts mapped to Mayer’s interpersonal trust criteria

- Attractiveness/usability
- Trusted payment gateway
- Secure site
  Up-to-date SSL certificate
- Contact information
  Exist physically!
- 3rd-party proofs of trust
  Security logos, site seals, trust marks, anti-virus logos, human-reviewed directories, Google trust score, external articles, PR, client and partner logos, testimonials/case studies
- Respond quickly to customer / prospect inquiries
- Fix broken links immediately
- Show you are human
  Real photos, about us section, teleconference, videos, credentials
- Social proof
  Exist across the Web, blogs, social media, blogs
- Lively, helpful content
- Total transparency
  Clear returns, shipping warranty & privacy policies
- Searchability
  Be visible on Google/Yahoo/Bing

Source: Author
The answer to the question, how do you establish trust online in 15 seconds seems to be similar to the kinds of things that could be expected of a public institution: show you care, make things easy, be a perfect professional, answer questions promptly and clearly, emphasise how you have helped other people in similar situations, and so on.

Conclusion

Within the private sector, the notion of trust has been elevated from a desirable but somewhat ill-defined notion to one that is positioned as a clear strategic priority. Indeed, each year the private sector makes substantial investments in programmes designed to secure the trust of customers, investors, the public and government. This is incentivised in part by the monetary value that can often be placed on trust (or the lack of trust).

Today, trust is understood to be indispensable to the success of goods and services in competitive markets and to the overall prosperity of firms. Trust, and the goodwill it creates, plays a central role in facilitating the introduction of new products as well as differentiating products in a crowded market.

Trust has a direct impact on the valuation of intangible assets such as brands, trade names, trademarks, domain names and other intellectual property. In mergers and acquisitions, companies acquire or divest these assets at substantial premiums based, in part, on the trust that they inspire.

In a firm’s internal organisation, trust in leadership is considered a substantial competitive advantage, enhancing productivity and innovation. Employee trust and the trust of external stakeholders are essential ingredients of successful change management, from mergers and acquisitions to the realignment of an organisation in the face of market changes.

Firms that enjoy trust are more resilient in the face of crises, from product recalls and financial difficulties to scandals involving staff or leadership.

Theorists separate trust into two broad categories: cognitive (rational) trust and affective (emotional) trust. The private sector tends to use an integrated approach to establishing trust with their different stakeholders. It understands the value of the emotional dimension, for example in building brand loyalty, as well as the rational dimension through the premium placed on such qualities as stability, transparency and quality. There also seems to be a tacit understanding of the intermingling of the rational and emotional dimensions of trust.
The trustworthiness of any organisation is neither given from the start nor acquired once and for all. In the private sector, firms seek to actively establish and maintain bonds of trust with its stakeholders, knowing that trust must be earned and that it is easily lost.

The notion of establishing a trust strategy per se in the public sector may clash with existing attitudes regarding the role of government. But many lessons from the private sector may find application in the challenge of enhancing public sector trust, starting with the very real value affixed to trust. As in the private sector, deliberate trust strategies tailored to specific audiences may help to promote trust, elevating it from an _ex post facto_ diagnostic tool to an active ingredient in the design or reorganisation of public institutions.

**Notes**

7. According to RJMetrics, the typical online store gets 43% of its revenue from repeat customers.

9. For example, RepTrak, a reputation tracking service which measures reputation as a function brand trust, admiration for the brand, and esteem for its offer, has ranked Amazon number one for the past three years (2013-15): https://www.reputationinstitute.com/CMSPages/GetAzureFile.aspx?path=~/media/\media\documents\usr100-2015.pdf&hash=51fbe9bed9059e8f98e9db228784448cf931c6438d2a6d49084d9e7e7a98c0dd&ext=.pdf.

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