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"Trust is built from the inside out. If you want to be trusted by customers, start by earning the trust of your employees."

Professor Sandra J. Sucher
Harvard Business School

The importance of building trust-based relationships with a key stakeholder group

Business leaders are beginning to comprehend the challenge in building and sustaining trust among their various stakeholders. In an increasingly polarized world, trust is the increasingly indispensable bond to bring together communities and companies. Establishing trust lies in businesses understanding and balancing the needs of different stakeholders.

One of the key stakeholders is the consumer. For this report, the second of our *The chemistry of trust* series, we embarked on a comprehensive survey of Canadian consumers to understand the extent to which they trust businesses in 13 different industries, and learned what organizations should do to build trust with their customers.

METHODOLOGY

Survey
From November 14 to 21, 2019, Deloitte conducted an online survey of Canadian consumers to understand their perceptions of the trustworthiness of various industries and their views on what factors are important in building trust in an organization. More than 1,000 people responded, providing us their impressions of the following: physical retailers, online retailers, financial institutions, transportation and hospitality services, food producers, power and utilities, engineering and infrastructure services, alcoholic beverage producers, telecom and internet-service providers, oil and gas companies, government and Crown corporations, mining companies, and technology companies.

We asked the respondents for their views on:
- the industry they find the most trustworthy
- the likelihood they would cut ties with businesses that undermine their trust
- the relative importance of factors in each industry that help foster trust

The margin of error for this sample is +/- 3 percentage points. Respondents are a representative sample of the Canadian population; they vary in age and live across the country.

Interviews
Separate from the survey, we also conducted more than 20 in-depth interviews with consumers to understand what they expect from a trustworthy organization and how their expectations have evolved over time.

All figures in this report come from this market research, except where noted.

More than half of Canadians do not find corporate Canada trustworthy

Across Canada, 41 percent of consumers find organizations to be generally trustworthy. This indicates that corporate Canada is not trusted by more than half of the population.

The level of trust varies widely by industry. Most striking, perhaps: At 60 percent, traditional retailers that primarily serve consumers by way of a physical network of stores are the most trusted—while online retailers are much less so, ranking in the bottom half of industries at just 26 percent. Financial institutions are the second most trusted by consumers, at a mere 49 percent.[1] Overall, the ranking shows that sectors where customer relationships are built by way of human interaction tend to viewed as more trustworthy than others.

Technology and social media companies as well as mining organizations are the least trusted by Canadians, with scores of 17 percent each. This is unsurprising given the increasing scrutiny from media and news reports of large tech companies calling for the responsible use of data.

*Eighty-five percent
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Nearly all Canadians are unforgiving of adverse trust-related events and are prepared to sever a business relationship

Eighty-five percent of Canadian consumers are very or fairly likely to sever an existing relationship with an organization if it does something that negatively impacts trust. For example, although traditional retailers are the most trusted by Canadians, they are more likely to lose customers after a negative event.

We also asked respondents about how likely they would be to start a business relationship with an organization based on second-hand news of a negative event. Fifteen percent of consumers indicated they would be unlikely to begin buying or using products or services related to the company in question, indicating the increased power of the word-of-mouth channel in customer acquisition.

First impressions are critical for online retailers. They are much less likely to attract new consumers after reports of a negative event, with consumers being 1.4 times more likely than average to sever their relationship based on hearsay.

Some industries, such as financial institutions or government and Crown corporations, seem more insulated than others from the potential loss of customers after a scandal, perhaps due to the limited number of players in the space.[2]

Technical competence and ability to influence factors within its control are key to building organizational trust

Canadian consumers tend to perceive an organization that is competent in the delivery of its products and services as more trustworthy. They also rank internal factors (e.g., delivering a high-quality product or service, or ethical and environment-friendly production processes), over which organizations have greater control, as more important than external factors (e.g., the legal and regulatory or the political environment) in improving the trustworthiness of organizations.[3]

Trust is built on core human values such as ethics, integrity, honesty, and transparency

Consumers trust organizations the same way they trust people, valuing ethics and integrity above all. Indeed, 81 percent of our survey respondents stated these qualities are important for building trust.

As we carried out our in-depth interviews, it became apparent that consumers relate to the topic of trust, even in a business context, in a human, emotional way. They described a loss of trust using words such as *betrayal, disappointment,* and *anger.* Understanding this about consumer trust can help businesses take decisions that minimize the risk of undermining trust in their brands as well as measures to set and meet expectations of trust.

Quality is central to building trusted brands

According to our survey, 75 percent of Canadians consider brand promise the most important factor in building trust. For the purposes of this study, we define brand promise as the overall technical competence of a business in the production and delivery of its product and services. This is measured through the following four components: product or service quality, product availability, transparency of communication, and the network of third parties with which the company interacts.

Among these four factors, 84 percent of survey respondents considered product and service quality the most important factor, followed by availability at 80 percent.

Trust is earned when businesses treat their employees well, not with a carefully crafted corporate narrative

Actions speak louder than words in building organizational trust. As online information becomes widely available, consumers have quick and easy access to product reviews, news articles, and social media posts—sources over which organizations have no control. As access to information rises and the control over information becomes diluted, businesses have an interesting opportunity to build trust by investing in their employees. A happy and engaged workforce is not only more productive but can also act as brand ambassadors for the company, fostering goodwill more widely.

Good reputation and trustworthiness are built when an organization treats its key stakeholders, like its employees, well. Canadians would agree: overall, 77 percent of our survey respondents agreed employee experience was essential to building trust, making it the third most important factor.

Trust takes a long time to build, but it can be lost quickly. This report posits that business leaders need to understand and cater to the needs of different stakeholder groups, which should rewards companies with a positive reputation and financial performance.

Our consumer study revealed a key insight: 70 percent of the factors that help improve trust are within a company's control. Effectively managing trust requires doing well on both competence and intent—the two core components of our trust framework.

Companies that demonstrate competence do so by consistently delivering products or services of exceptional quality and building authentic relationships with their consumers. Consumers trust companies that acknowledge stakeholders deserve honesty, transparency, and integrity, all sub-components of our trust framework. If that trust is breached, companies stand to lose business and market share as their customers shift their spending to competitors. Depending on the severity of the breach, this may lead to an irreversible erosion of financial value, ultimately resulting in the demise of a company.

Delivering on the promise of stakeholder capitalism as declared in the Davos Manifesto 2020, which was recently released by the World Economic Forum, will require managing the trust of multiple stakeholders and finding a balance for their competing needs. In the third and final part of this series, Deconstructing trust, we will outline how organizations can measure the levels of trust among their different stakeholders and take necessary steps to strengthen it producing positive outcomes—for the companies they lead and for society as a whole.
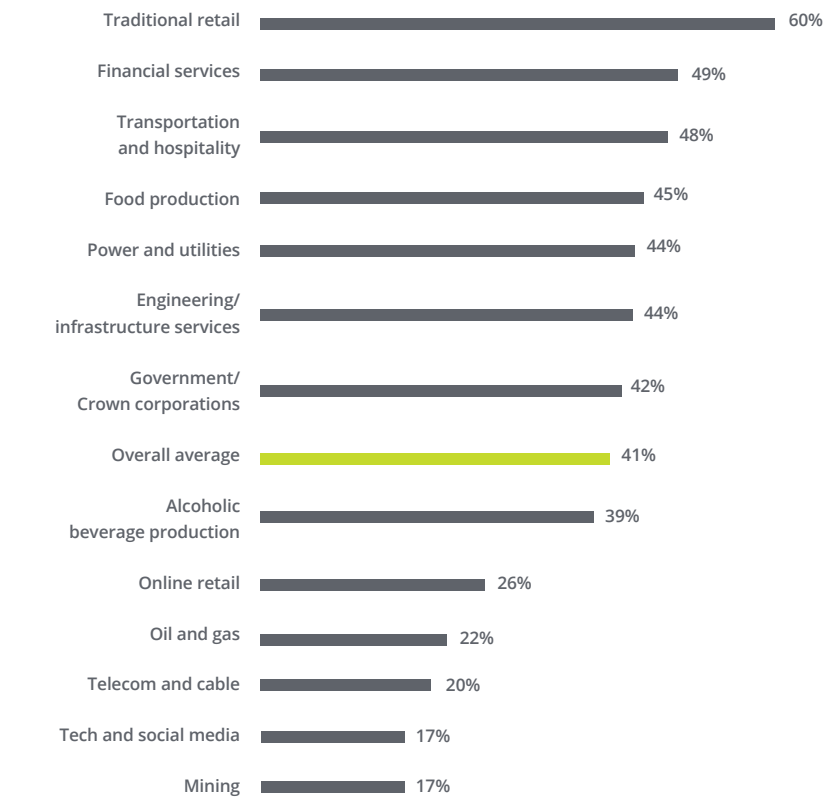
[1] See *Appendix A* for details.
[2] See *Appendix B* for details.
[3] See *Appendix C* for details.

ORGANIZATIONAL TRUST IN VARIOUS INDUSTRIES

Overall, 41 percent of Canadian consumers find organizations to be generally trustworthy, yet their perceptions change and clear winners emerge when they're prompted by industry or sector.

Overall state of trust in Canada

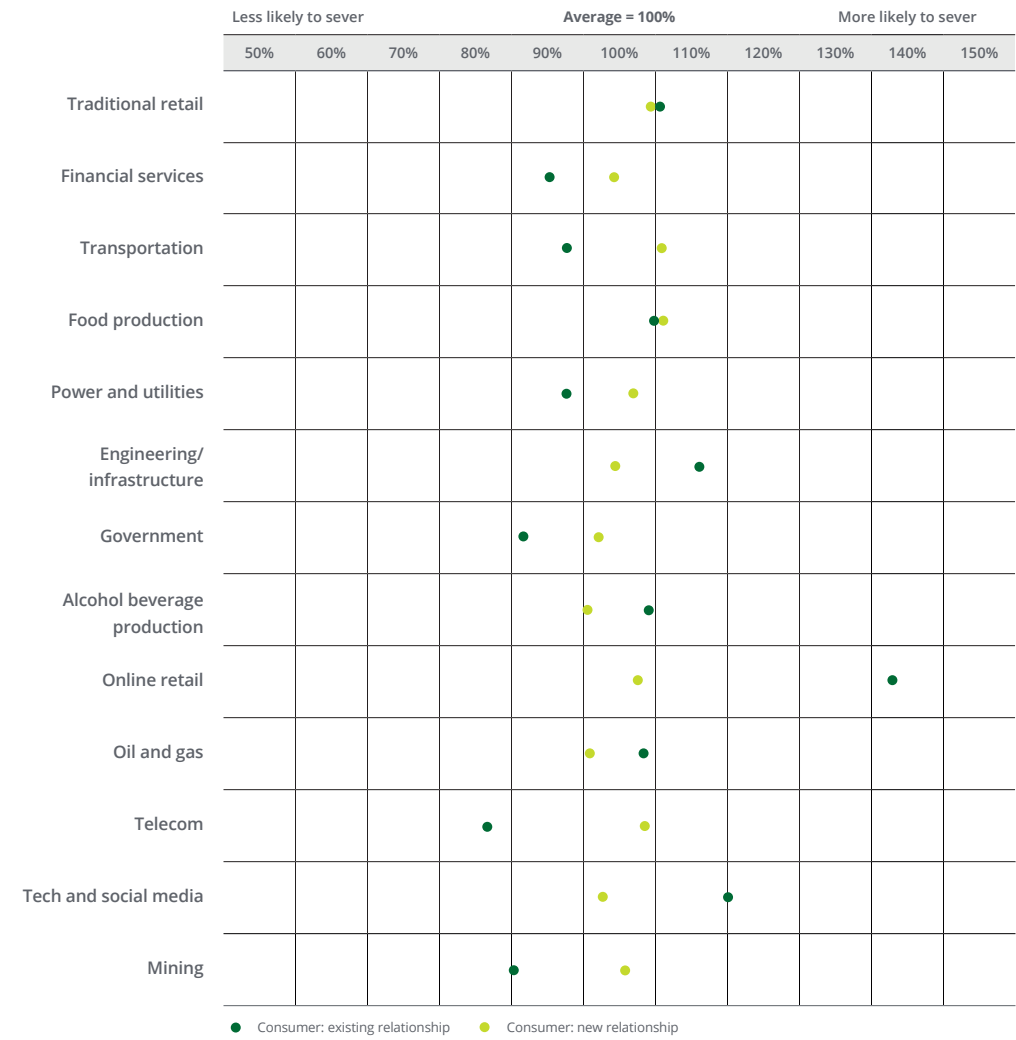Percentage of Canadians who completely or somewhat trust organizations operating in these industries or sectors:[4]

Industry/sector	%
Traditional retail	60%
Financial services	49%
Transportation and hospitality	48%
Food production	45%
Power and utilities	44%
Engineering/infrastructure services	44%
Government/Crown corporations	42%
Overall average	41%
Alcoholic beverage production	39%
Online retail	26%
Oil and gas	22%
Telecom and cable	20%
Tech and social media	17%
Mining	17%

IMPACT OF BREACH OF TRUST IN VARIOUS INDUSTRIES

Overall, 85 percent of Canadian consumers are likely to sever their existing relationship with an organization if it does something that negatively affects trust.

Impact of breach of trust

Indexed percentage of Canadians who are very or fairly likely to sever their relationship with organizations operating in these industries or sectors:[5]
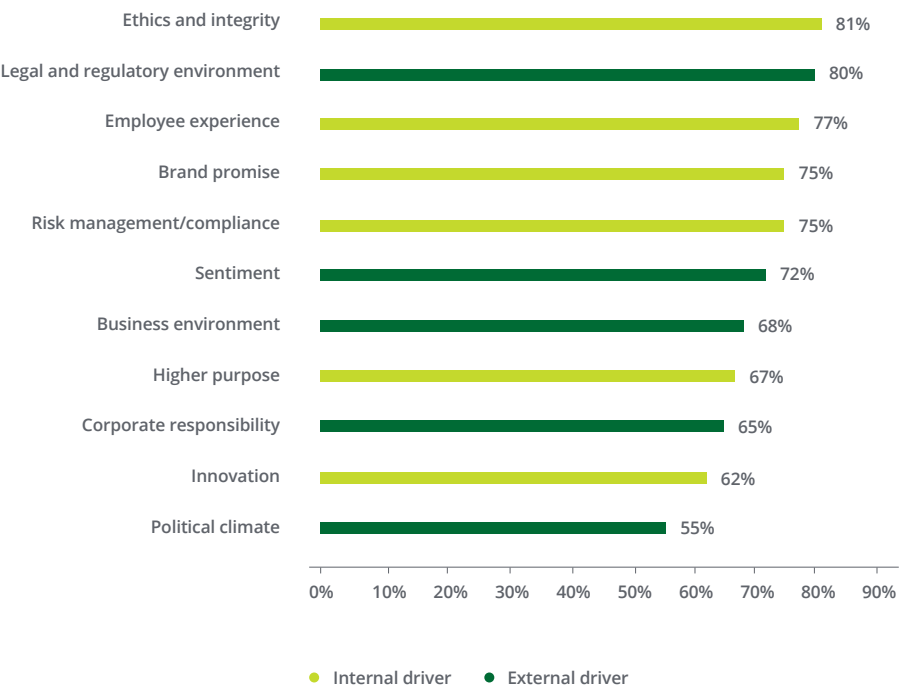
Industry/sector	Consumer: existing relationship	Consumer: new relationship
Traditional retail	~105%	~103%
Financial services	~93%	~100%
Transportation	~95%	~108%
Food production	~107%	~107%
Power and utilities	~93%	~102%
Engineering/infrastructure	~115%	~103%
Government	~85%	~102%
Alcohol beverage production	~108%	~100%
Online retail	~140%	~102%
Oil and gas	~105%	~98%
Telecom	~83%	~103%
Tech and social media	~123%	~102%
Mining	~85%	~102%

Legend: Less likely to sever (50%–90%) · Average = 100% · More likely to sever (110%–150%)

● Consumer: existing relationship ● Consumer: new relationship

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[4] Telecom and cable companies sector includes internet service providers

[5] Telecom and cable companies sector includes internet service providers

Canadian consumers rank internal drivers that are within a company's control to measure and monitor as more important in improving trust in organizations.

Drivers of trust summary

Overall percentage of Canadians who view the internal and external drivers creating a sense of trust as very or somewhat important:

Driver	Percentage
Ethics and integrity	81%
Legal and regulatory environment	80%
Employee experience	77%
Brand promise	75%
Risk management/compliance	75%
Sentiment	72%
Business environment	68%
Higher purpose	67%
Corporate responsibility	65%
Innovation	62%
Political climate	55%

● Internal driver ● External driver

Retailers: Ethics, integrity, and employee experience are key to driving trust

Traditional retailers are the most trusted organizations in Canada, according to our survey. Ethics and integrity and employee experience (both at 79 percent) contributing to Canadians' trust in these organizations. Employee experience is particularly important to female respondents (90 percent). It plays a somewhat lesser role in determining the trustworthiness of online retailers, however (69 percent).

Sentiment—that is, a consumers' collected expectations, memories, and stories of an organization and their relationship with it—is a greater driver of trust for online retailers (75 percent) than for traditional retailers (69 percent). This is likely due to the fact that in the absence of personal interactions with store staff, consumers rely on stories about online shopping experiences—their own and others'—in forming an opinion about the trustworthiness of these retailers.
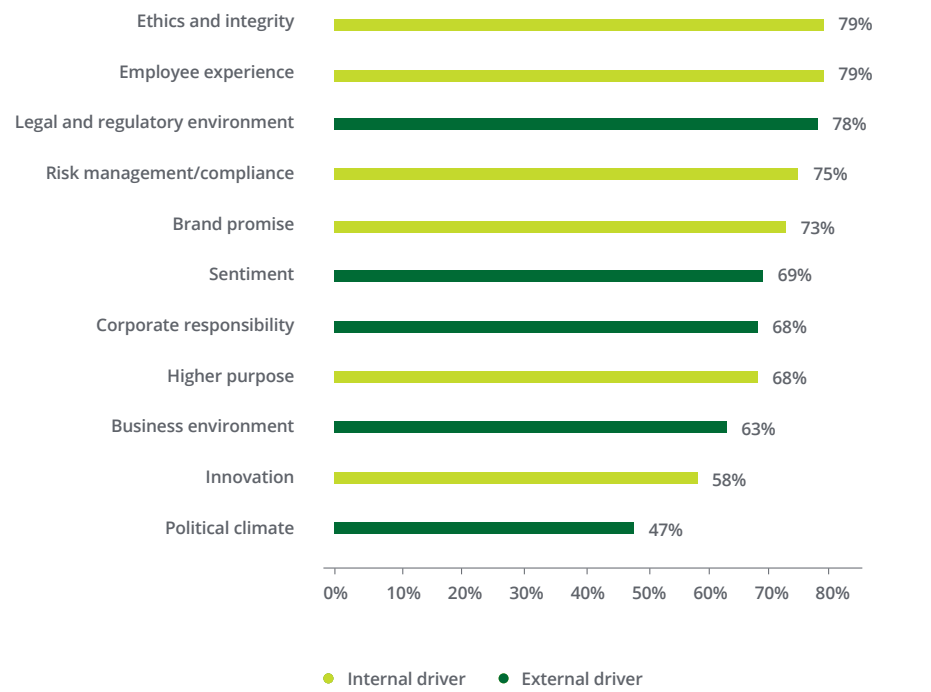
Only 59 percent of Canadians overall feel innovation is a significant trust driver for traditional retailers. However, women are more likely to see innovation as an indicator of a retailer's trustworthiness (65 percent) than men (50 percent).

TRADITIONAL RETAILERS

Ethics and integrity and employee experience are of the greatest importance for consumers in driving trust within the retail sector

Drivers of trust

Percentage of Canadians rating the importance of internal and external factors in creating a sense of trust in traditional retail:
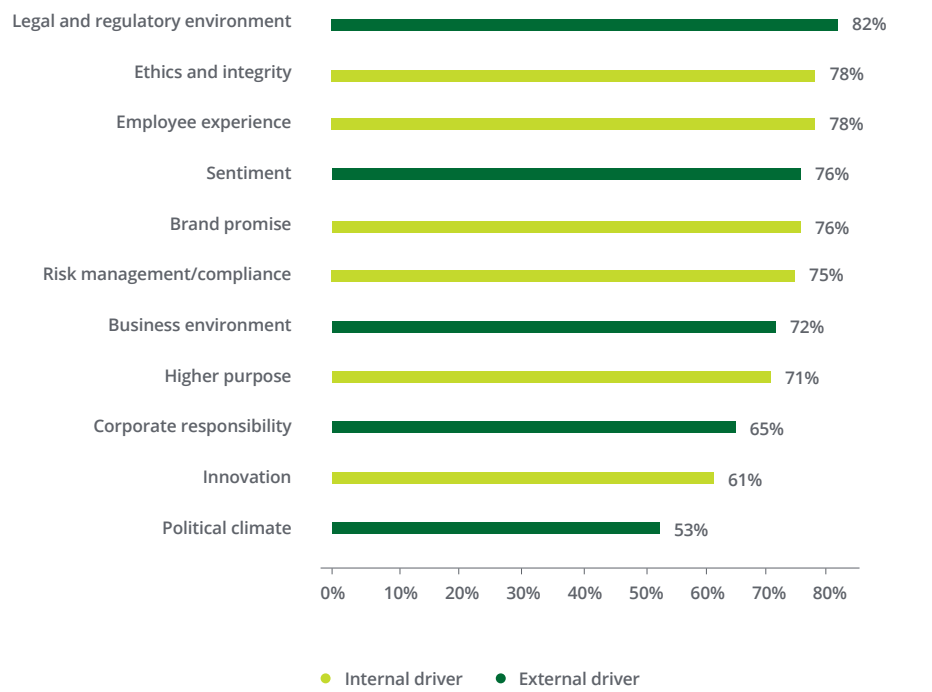
Driver	Value
Ethics and integrity	79%
Employee experience	79%
Legal and regulatory environment	78%
Risk management/compliance	75%
Brand promise	73%
Sentiment	69%
Corporate responsibility	68%
Higher purpose	68%
Business environment	63%
Innovation	58%
Political climate	47%

● Internal driver ● External driver

FINANCIAL INSTITUTIONS

Financial institutions and build credibility by better measuring and monitoring their internal drivers of trust

Drivers of trust

Percentage of Canadian consumers who view internal and external drivers creating a sense of trust in financial institutions as very or somewhat important:

Driver	Value
Legal and regulatory environment	82%
Ethics and integrity	78%
Employee experience	78%
Sentiment	76%
Brand promise	76%
Risk management/compliance	75%
Business environment	72%
Higher purpose	71%
Corporate responsibility	65%
Innovation	61%
Political climate	53%

● Internal driver ● External driver

Financial institutions: Improved management of internal drivers can build trust

Eighty-two percent of Canadian consumers feel the legal and regulatory environment of financial institutions is a vital trust driver. Also important are ethics and integrity as well as employee experience, which run a close second (both at 78 percent). This suggests financial institutions can generate and maintain substantial consumer trust not only by meeting their regulatory obligations, but also by ensuring they monitor and live up to high standards for ethics, integrity, workplace conduct and safety, transparency, and labour relations.

As financial institutions seek ways to better engage with customers and maintain their loyalty, understanding what each generation values in terms of trust can help them fine-tune and focus their efforts.

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THE CHEMISTRY OF TRUST
SERIES

Our three-part series gives you our perspective on business trust. Learn about the importance of embedding trust into your organization, what trust means to your customers, and how to truly understand its complexities and benefits.

Part 1: The future of trust

Shareholder primacy is no longer the only purpose of a business. Emerging as the new vital business requirement is creating sustained value for all stakeholders and reconciling their divergent interests. Similar to the call for increased diversity in the corporate world and the product quality movement that preceded itv, trust is a social value under siege. In this part of the series, we explore what trust means to the leaders of iconic Canadian companies, quantify the financial impact of a scandal with lessons on what to do during tough times.

Part 2: Navigating consumer trust

Trust takes a long time to build, but it can be lost quickly. Executives should know where to invest their attention and efforts. Through a research study of a key stakeholder group—the consumer—we test our trust framework and discover what factors matter to them in building trust. The lessons learned here have implications that extend beyond the consumer. In this report, we delve into the nature of consumer trust and determine what companies can do to build a more trusting base.

Part 3: Deconstructing trust

While the importance of trust is undeniable, how can business leaders operationalize it? They should start by assessing all the initiatives that impact stakeholder relations across the organization and then develop tailored strategies to manage their complex stakeholder environment. Finally, they should monitor stakeholder relations periodically and revise or enhance strategies to effectively safeguard an organization. In this part of our series, we dive deeper into how to build a trustworthy organization.

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