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Frederick W. Glasier, American, 1866-1950
Maude Banvard, The Catch, Brockton Fair,
Massachusetts, 1907
Black and white photograph, copy from glass plate
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Consumer Trust in Brands

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Foreword

Read about brands and you read about trust. Trust is integral to all successful brands, underpinning confidence and influencing our preferences and loyalty. However, just because it is integral does not necessarily mean it is well understood or, indeed, effectively managed.

A number of factors prompted the British Brands Group to join with AIM (the European Brands Association) and other national brand associations to commission a study into people's trust in brands, what drives it and what impact it has. AIM's guiding strategic vision is "Sustainable growth through trusted brands", making it a core area of interest. There is public policy interest in the relationship between brands, innovation and growth, including the part played by trust. Finally there is a competitive dimension, with branded products winning over supermarket private label products when trust in the brand is high.

Notwithstanding these catalysts, trust is becoming an ever-more important and universal theme. Corporate behaviour is under scrutiny like never before, with recent scandals in some sectors blamed for undermining and reducing trust in business generally. Meanwhile social media gives a potentially powerful and immediate voice to the individual and the many, introducing a new level of transparency, scrutiny and accountability on how companies interact with those who buy their products.

Andrew McCarthy
Chairman, British Brands Group

While the study has been underway there have been some notable studies published that reinforce the relevance of the theme we wished to investigate:

- Edelman's annual Trust Barometer found that nearly two thirds of respondents refuse to buy from companies they do not trust and almost as many would criticise them to a friend or relative. However, 68% would recommend a trusted company to others, a finding echoed in our own work;

- a World Economic Forum report, The evolution of trust in business: from delivery to values, highlights a mismatch between what business thinks trust is about and people's expectations. While business may think the performance of products is paramount, the public expect something more. A common understanding is called for to align expectations more closely, arguing for a business case based on data and closer communication between the public and business on the nature of 'trust';

- KPMG undertook a top-of-mind survey with senior executives in the consumer goods sector for the Consumer Goods Forum. In its report To stand still is to fall behind, the need to engender consumer trust was identified as a top priority second only to the achievement of top-line growth, with a third of respondents identifying it as an area for increased investment; and

- Accenture, for its report A new era of sustainability in consumer goods for the UN Global Compact, surveyed 107 CEOs in the consumer goods industry, revealing that 79% cited "brand, trust and reputation" as one of the top three factors driving them to act on sustainability issues.

In our study we set out to understand better the creators and destroyers of trust, the implications for individuals and company performance and the effect on wider economic performance.

To do this we adopted a three-phase approach: reviewing current thinking through desk research; commissioning original research into people's attitudes and actual transactional behaviour in specific fast-moving consumer goods (FMCG) categories; and bringing an economic perspective to the findings, to assess the extent to which they reinforce or contradict current evidence on the relationship between branding and such factors as growth, productivity, employment and export performance.

In this report we present summaries of each of these three phases, giving links to the full documents for those who wish to delve deeper. We hope you find this work insightful and valuable in bringing more light to a subject that is relevant to the welfare of us all, to the ongoing health of brands, to business success and to the performance of the wider economy.

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Brands & Consumer Trust Study

The primary objective of this research report is to understand current thinking on trust and to identify the drivers and impact of brand trust on consumer behaviour, brand competitiveness and companies' and countries' economic performance. The research has also considered the dimension of policy makers and standards bodies.

This report presents a generic model that defines and illustrates the contributing factors to building consumer trust in the fast-moving consumer goods (FMCG) industry across Europe. For the purposes of this article, we have extracted and summarised the key elements that we think may present useful insights for the reader, although the sheer breadth and depth of our findings cannot really be well covered in such a short summary.

De nition of a Brand

Brand is most commonly referred to as the name, term, design, symbol, or any other feature that identifies one seller's goods/services as distinct from those of other sellers. Whilst this definition is too general to grasp the key aspects of brand trust, we have defined brand as:

> "a reputational asset which has been developed over time so as to embrace a set of values and attributes. As a result people hold a set of beliefs about the brand which are often powerful."

De nition of Trust

Our research applies an approach to trust encompassing a transactional as well as relational characteristic being defined as follows:

> "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 values."

As human beings we inherently understand the importance of trust. As it always has been, trust is important in all aspects of life from brands, business, and financial services to food content, relationships and friendships. Trust matters. Consequently, it is the aim of our work to shed light on an area of research that could lead to opportunities for FMCG companies to improve brand performance and holds the potential for the transformation of existing brand management approaches.

Brand Trust Model

A brand trust model has been developed involving strategic, operational and tactical measures that underpin the value proposition of the brand. The model identifies two primary components of trust – Competence and Benevolence.

We define Competence as a group of skills and characteristics such as capability, reliability, or confidence that enables the brand in performing tasks according to expectations of, and obligrmationnd 5sb(Weiiod trurConsequ(to relc

The definition of trust has not changed over time but influencing factors, speed of building trust, destroying trust and building mistrust have materially changed and continue to do so. The ability for people to inform themselves combined with the rapid rise in

many brands can have high trust in one country/ category and not in another country/category;
- depends on context: for example, more likely to be in indulgence brands in the UK, local brands in Italy and cleaning brands in Sweden;
- is not related to price: Both high-priced and low-priced brands can garner high levels of consumer trust although being cheap or super-premium makes this less likely;
- is not related to PL share: Trusted brands are equally likely to be found in categories with high PL shares as in categories with low PL shares.

How to Drive and Maintain Trust

To understand this, the project considered a number of attitudinal and behavioural relationships – marketing activity, reputation, functional performance and emotional resonance.

- Marketing activity: perception as an innovator creates the most trust; this is more important than social media presence or advertising perception. These effects are confirmed by purchasing behaviour, which also shows the importance of innovation activity. Perceived promotional activity, on the other hand, has no impact on trust and actual levels of promotion are related negatively to trust: It seems, and this is in line with the desk research, that brands relying too much on price discounting to move their product, may undermine the credibility of their offering.
- Reputation: being a brand with a reputation for being ‘current’ (modern, for today) is most related to trust. Being a brand with a heritage/history comes next whilst being either local or global has the least impact.
- Function: being of consistently good quality is highly relevant to trust whilst superior quality and value for money are important but less so.
- Emotion: as with function, one attribute stands out and that is being ‘prestigious’ more than being ’fun’ or ‘exciting’ as a brand.

In summary, attracting more buyers and building trust is a ‘virtuous circle’. So what is the best recipe for driving this circle into growth?

Country Summary: United Kingdom

Food brands are most trusted. 38% of food brands qualify for the top third tier of most trusted brands, whereas only 1 in 4 beverage brands is among this top trust tier. But category type seems to have a smaller impact than elsewhere.

In the UK, consumer trust in brands differs from other European countries insofar as:

- personal care brands end up in the top tier more frequently;
- food brands are less prominent in the top tier;
- beverage and household care brands are equally likely to be in the top trust tier as elsewhere.

Examples of highly trusted brands in the UK are:

- Cadbury (chocolate tablets and blocks);
- Coca-Cola (colas);
- Comfort (fabric conditioners);
- Domestos (lavatory cleaners);
- Fairy (washing up liquids);
- Galaxy (chocolate tablets and blocks);
- Kit Kat (chocolate tablets and blocks);
- Nivea (shaving foams and soaps);
- Nutella (chocolate spread);
- Vaseline (body creams and skin care).

Trust and Organisational Outcomes

Trusted brands are larger and purchased by more households: the top trust tier brand on average boasts a market share of 20% and a relative penetration of 43%, whereas the lower trust tier brand fares significantly worse, with 10% and 21% respectively.

Across Europe, trusted brands show more growth than less trusted brands: this pattern also is true in the UK , where growth in both penetration and share is highest in the top trust tier.

Across Europe, trusted brands show more growth than less trusted brands: this pattern also is true in the UK, where growth in both penetration and share is highest in the top trust tier.

Trusted brands enjoy numerous benefits when it comes to shopper attitudes: on average, brands in the top trust tier would be recommended by 38% of consumers, whereas brands in the lower trust tier only get 18% of recommendation. These levels are higher than in other European markets.

On average, brands in the top trust tier would be in a position to command a price premium for 1 out of 5 (18%) of consumers, whereas brands in the lower trust tier only achieve such willingness for 1 out of 9 (11%) consumers. These numbers are higher than in other markets.

Trust & Price

Trust in brands in Europe on average is not dependent on the price charged by a brand relative to its Private Label competitors.

While brands in the UK tend to be equally expensive relative to PL as in other European markets (25% are more than twice as expensive as their PL peers compared to 27% in Europe), their price positioning is related to the trust they command.

Brands charging less than 50% more than Private Labels are substantially less likely to qualify for the top trust tier than brands that are more than at least 50% more expensive.

Trust & Private Labels

The success of Private Labels in the category is hardly related to brand trust. We see no difference with respect to PL share in the three trust tiers across Europe, and the same is true for the UK.

The most trusted brands in the UK are in categories with an average PL share of 31% whereas the brands in the lower trust tier are confronted with similar PL shares (32% on average). Whether trusted brands prevent PL success or whether low PL shares render brand trust more likely is an open issue.

Trust in Local vs. Pan-European Brands
Trust levels for pan-European brands surveyed in this study (pan-European is defined as “in the top three in the category in at least three markets“) is higher than for local brands (local defined as “brand not in the top ten in any other market surveyed“) or regional brands (in-between local and pan-European). Whether there is a causal relationship must be questioned nonetheless: (1) We find more local brands than global ones that make it into the top three. (2) Pan-European brands may have managed to make it into the top three in many countries because they are trusted for other reasons than being global.

The UK features slightly more local brands than the average European market (39 vs 33%). These 39% local brands are:

- underrepresented in the top trust tier (where 31% are local);
- represented as expected in the middle tier (where 37% are local);
- over-represented in the lower trust tier (where 48% are local).

This is an indication that local brands seem to enjoy relatively lower levels of trust among British shoppers.

Drivers of Brand Trust
The following set of drivers is responsible for high brand trust across Europe:

Marketing Activities:

- innovation followed by advertising & social media activity promotion has no impact (even negative when looking at actual promotion and trust);
- promotion has no impact (even negative when looking at actual promotion and trust).

> UK: Social media activities appear to be more influential than elsewhere.

Positioning:

- current/up-to-date followed by long heritage and local icon;
- being perceived as global does not make a difference.

> UK: Both being perceived as a local or being perceived as global does not impact brand trust.

Function & Emotion:

- consistency in quality and prestige matter more than being superior or being fun and exciting.

> UK: Same conclusions as for all countries combined.

Country Summary: United Kingdom

Please click the link above to download the full report.

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Consumer Trust in the Economics of Brands

it more as a result. The most trusted brands have the highest market penetration. Similarly, firms will have more of a stake in a brand if it is likely to last a long time, so consumers trust brands more if they regard them as long-lasting.

Brands can convey to consumers that they are profitable and secure and that companies intend to maintain them for some time through advertising. In this sense, advertising can be seen as acting rather like a peacock's tail – the firm can be seen as telling consumers that its brand is sufficiently profitable that resources can be spent on advertising.

Conversely, a brand associated with a firm known from the press to be about to go bankrupt or whose products are believed shortly to become technically obsolete may be perceived as unlikely to last long and hence not credible in making commitments through time or for which it would require time to achieve a return (e.g. promise-keeping). This is part of a more general economic point that brand trust will be built through repeated interaction.

Consumer trust is most created when consumers perceive brands as:

- innovative;
- current;
- consistently good quality;
- prestigious.

Firms producing fast-moving consumer goods benefit from consumer trust. It creates:

- competitive advantage;
- a price premium, relative to less trusted brands or unbranded products;
- brand value for shareholders;
- stakeholder loyalty, including staff and investor loyalty, as well as consumer loyalty;
- intellectual property;
- risk reduction, particularly mitigating the risks of poor consumer take-up of new innovations.

More trusted brands have twice as many buyers as less trusted ones and grow faster in terms of both volumes and numbers of buyers. This point is reinforced by past research from the UK Intellectual Property Office (IPO) which considered the relationship between trade marking (a close proxy for the presence of brands) and growth. Controlling for firm age, industry levels of trade mark and patent intensity, exporter status and foreign ownership, the IPO found that firms engaged in trade marking (i.e. brand building) grew 6% per annum faster over the next three years.

Consumer trust in brands creates social value in a variety of ways:

- it reduces consumers' search costs by enabling them to rely upon the signals provided by branding names and imagery. By facilitating switching in this way, brands also create social benefits for consumers that do not switch, as the quality of all products is raised as firms compete to gain those that do switch;
- it means that where otherwise there might be missing markets because of market failures associated with asymmetric information or two-sided markets, trust in brands allows markets to flourish, serving consumer needs:
- brands allow reputation to be built up and stored (as a form of "social capital") through repeated purchase of a specific product. The experience of repeated purchase allows consumers to better learn their preference and increase their product awareness; and to be more credible and effective in communicating their purchasing experiences to other consumers – allowing consumers as a group to learn more fully about products and their suppliers than would typically be possible for any one consumer. That allows the collective punishment of brands that exploit their informational advantage to consumers' detriment, thus offsetting the power advantage that better-informed firms might otherwise enjoy and so allowing markets to operate where such a power asymmetry might otherwise mean they would fail.

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- it facilitates product variety, which previous research suggests is valued highly by consumers, to the extent that in wealthier countries higher proportions of GDP are devoted to providing brands;
- it enables consumer activism, which tends to drive up ethical standards and aligns the practices of firms more with the consumers and societies they serve;
- it allows firms to enter into implicit ongoing trust relationships with consumers, in turn allowing markets in which identification with a brand and the guarantees and ongoing image it provides are themselves the key products:

\- it is sometimes suggested that in brand identification markets (such as for aspirational or luxury products), because the brand is itself the central thing being sold – there might be no claim that the sunglasses or handbags branded are of higher quality than unbranded sunglasses or handbags – that means the brand is free-standing and unconnected with any product sold, as it were, pulling itself up by its own bootstraps. But this view fails to grasp that what is really being sold in a brand identification market is a service, not just a good. The brand is providing the service of guaranteeing that the products it offers are fashionable or otherwise consonant with the image with which the brand is associated.

- it guides and facilitates innovation in branded products, enhancing consumer choice:

\- that is especially relevant for fast-moving consumer goods (FMCG). Innovation can jT(wco)10 .g.]TJ h a[addFF0 diveFasatoF0) T H Y RL [ë4Đ € ëS\ YL Zë0jwkerhae ersoc9

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