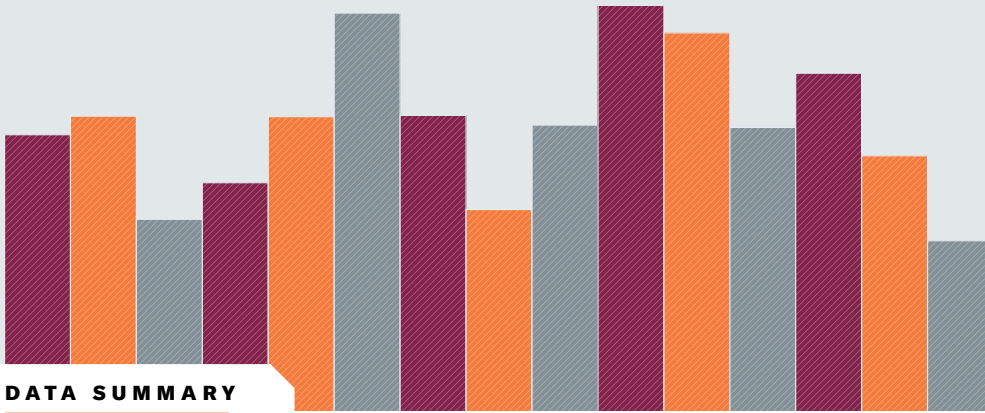




**Harvard  
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ANALYTIC SERVICES



DATA SUMMARY

# The Profitability of Confidence



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## SPONSOR PERSPECTIVE



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Over the past few years, I have had the privilege of witnessing how consumers and businesses have rapidly morphed their behaviors across the Asia-Pacific region. What started with the Covid-19 pandemic has been exacerbated by climate change, political crises, misinformation, and the cost-of-living crisis, ushering in a hybrid world—masks are off but QR code menus at restaurants are here to stay. In the post-Covid-19 and very uncertain world of 2023, consumers are negotiating both offline and online to redefine what this hybrid life means on their own terms. I use e-commerce platforms to get milk delivered but still prefer going to the weekend vegetable markets to pick up produce. It's about my personal calculus of the solution I have the most confidence in. And I am not alone.

The complexity of choices, channels, and information puts added pressure on the already difficult task of decision making and has created a confidence gap. Consumers perceive added risk in making a bad decision. A confidence gap is the space between being unsure and confidently making a decision. Google's research has identified confidence cues that consumers are actively looking for in order to avoid this gap. As consumers see more of these cues, their confidence will grow and they will feel better about making a decision. In other words, they can make a confidence shift. But there is also a subconscious cue that consumers are not even aware they are looking for. It's a cue that plays a defining role in enabling the confidence shift—namely consumers' need to use a trustworthy platform to see all the cues that will help build their confidence levels and make better decisions based on them.

Harnessing the power of artificial intelligence helps organizations make these predictive decisions—at scale, in milliseconds—and present the right customer with the right cue, at the right time, on the right platform. Helping customers narrow the confidence gap means we are on the journey to better decision making with them. It is ultimately when they decide what to buy that we've proven ourselves worthy of their consideration.

We've sponsored this Harvard Business Review Analytic Services brief to examine how trust and confidence impact businesses on the path to sustainable profitable growth. We don't know what the next set of uncertainties will be, but we know they will come. The confidence gap that consumers find themselves grappling with may widen and the cues that inspire confidence may evolve, but our role in creating a confidence shift will only become more important. The world of complex decision making is here to stay, and the businesses that invest in the ability to help consumers negotiate it are the ones that will thrive in it. We hope this report inspires you to power the confidence shift.

# The Profitability of Confidence

The pandemic forever changed the ability of organizations to instill confidence in consumers. Decades of face-to-face interactions have evolved into occasional touchpoints, like front-door delivery, challenging consumers to believe they could still expect the same quality of service in a contactless environment. Meanwhile, beleaguered supply chains have hampered brands' ability to accurately predict everything from inventory to delivery dates. To be sure, it didn't take long for consumers to begin questioning their purchasing priorities once Covid-19 highlighted the importance of access to basic necessities and the need for a more sustainable supply chain.

Driven by mounting uncertainty, a lack of confidence in brand quality, integrity, and transparency has emerged, driving many consumers to embark on their own fact-finding missions, using vast volumes of online information to confirm sustainability claims, compare pricing, and test the efficacy of new and innovative delivery channels.

As a result, trust—once taken for granted by some of today's top brands—is now a highly sought-after, if elusive, commodity. It's easy to understand trust's appeal given its power to retain consumers and drive revenue growth amid heightened competition. In fact, companies that fail to earn and maintain consumer trust by recognizing its value and acknowledging its impact on revenue are unwittingly putting their reputation—and profitability—at risk.

This data brief demonstrates the considerable benefits of trust in driving business outcomes, the challenges of instilling consumer confidence when maintaining or building brands, and the steps organizations must take to foster trust among savvy customers, especially in disruptive times.

## HIGHLIGHTS

All data is from 2022 Harvard Business Review Analytic Services surveys.



89% of respondents say a **lack of trust would cause significant economic damage** to their business.



75% say trust is **important when buying a product or service**.



71% say achieving high levels of trust can **improve customer retention/loyalty**.

Due to rounding, some figures in this report may not add up to 100%.



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## Confidence Gains

Many factors drive decision making along the customer journey, including price, product quality, and customer service. Organizations go to great lengths to reward loyal customers with deep discounts; determine the features and functionalities that are most likely to spawn the best products; and deploy chatbots capable of addressing customer queries. Yet it is trust that continues to serve as an important catalyst for sales revenue and growth.

According to a Harvard Business Review Analytic Services survey of 10,711 consumers from around the globe in January 2022, 75% of respondents say trust is important when buying a product or service. Even more noteworthy is that 67% of respondents agree that they will pay more for a product or service from a brand that they trust versus a less expensive product or service from a competitor. **FIGURE 1**

This commitment to trust can translate into tangible business outcomes for brands and businesses. According to the same survey, which additionally surveyed 1,832 business executives globally, 71% of executives say achieving high levels of trust can improve customer retention/loyalty—a critical asset given the ease with which today's online consumers can switch brands. **FIGURE 2** Other benefits of achieving high

FIGURE 1

### The Profitability Connection

When it comes to consumers, trust can drive both sales and revenue

How much importance do you place upon trusting a brand when buying a product/service?

75%

Trust is important when buying a product or service.

Please indicate the degree to which you agree or disagree with the following statement.

67

I will pay more for a product or service from a brand that I trust versus a less expensive product or service from a competitor.

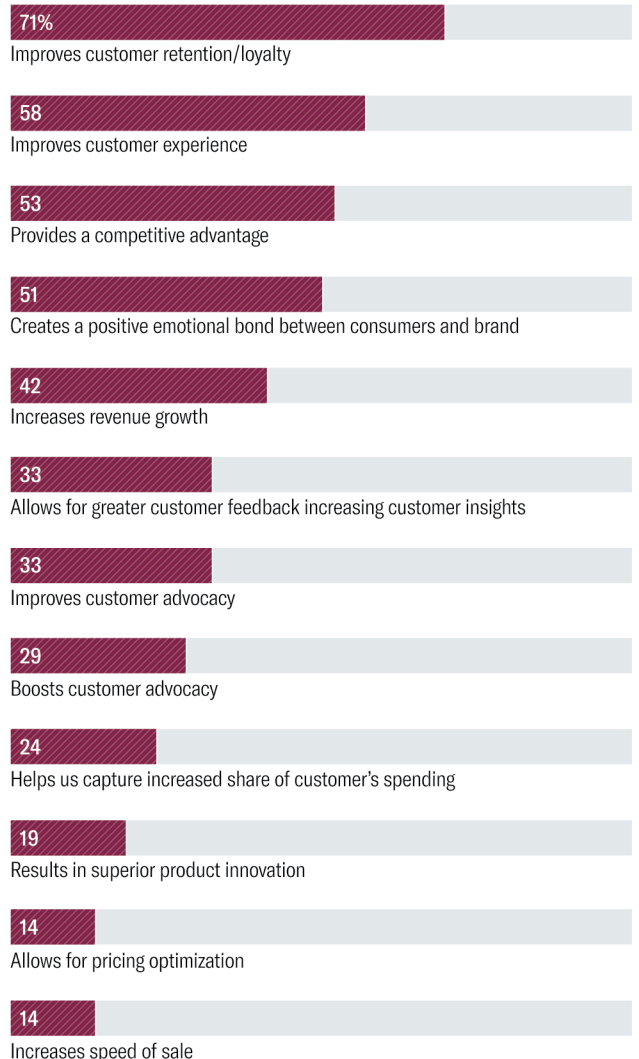
Source: Harvard Business Review Analytic Services survey, January 2022

FIGURE 2

### The Trust Advantage

Enhanced customer loyalty and experience top the advantages of earning trust

What are the key benefits of achieving high levels of trust among customers?



Source: Harvard Business Review Analytic Services survey, January 2022



# 67%

agree they will pay  
more for a product or  
service from a brand  
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a less expensive  
product or service  
from a competitor.



Organizations must rethink their approach to building relationships with customers by refocusing on authenticity, empathy, and data protection—all very personal things valued by consumers.

levels of trust include improved customer experience (58%) and a competitive advantage (53%).

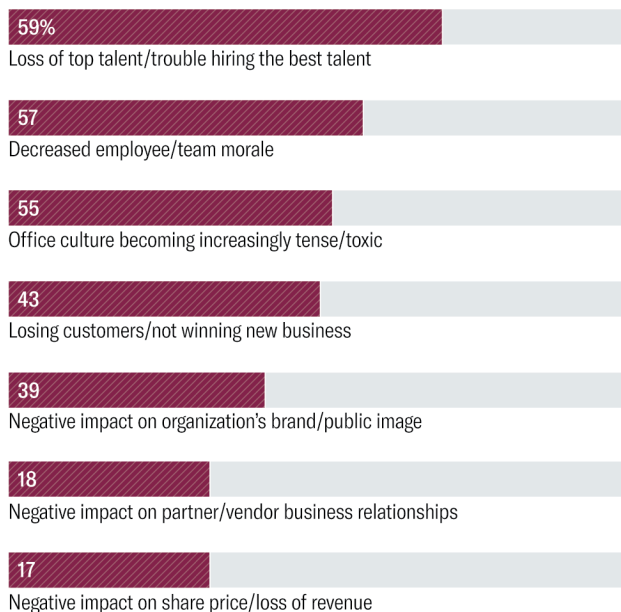
In addition to driving revenue and customer loyalty, trust can provide brands with the freedom and flexibility to bring new products to market, modify existing services, and embrace new ways of doing business, from adopting sustainable manufacturing processes to embedding inclusivity across the workforce. Case in point: 82% of respondents agree that high levels of trust make it easier for a company to innovate.<sup>1</sup> The likely reason is that, with trust, consumers can be confident that when an organization brings something new to market, it has their best interests in mind.

FIGURE 3

### The Cost of a Trust Gap

Not earning consumer trust can bring losses in talent and team morale

What are the most harmful potential business impacts of internal (e.g., employees) and external (e.g., consumers, investors) audiences not having trust in an organization?



Source: Harvard Business Review Analytic Services survey, January 2022

But there's a flip side, too. When trust is broken, it can cause irreparable economic damage. Eighty-nine percent of executives agree that a lack of trust would cause significant economic damage to their business, and 90% agree that a lack of trust would cause significant economic damage to a brand's reputation. This belief isn't limited to executives, either. Seventy-six percent of consumers agree that they will not purchase a product or service from an organization/brand that they don't trust.<sup>2</sup>

Worse yet, when the fault lines of mistrust deepen across consumer, investor, and employee segments, the potential business impacts range from loss of talent to poor morale. According to a March 2020 Harvard Business Review Analytic Services survey of 298 members of the *Harvard Business Review* global audience, among the most harmful potential business impacts of internal audiences (e.g., employees) and external audiences (e.g., consumers, investors) lacking trust in an organization are losing customers/not winning new business (43%); a negative impact on the organization's brand/public image (39%); and a negative impact on share price/loss of revenue (17%). **FIGURE 3**

### The Right Cues at the Right Time

Climate change, economic volatility, political turmoil, and a talent shortage are among the pressures vying for the C-suite's attention. However, as executives connect the dots between increased consumer confidence and business benefits such as enhanced customer loyalty and innovation, many are seeing the intrinsic value in winning the trust of customers. Small wonder that 84% of respondents agree that their organization places a high priority on building trust with customers. Eighty-three percent agree that their organization makes a significant effort to build trust with customers.<sup>3</sup>

But as consumers develop new ways of thinking about and evaluating trust, the obstacles to creating it multiply. In response, organizations must rethink their approach to building relationships with customers by refocusing on authenticity, empathy, and data protection—all very personal things valued by consumers.

Chief among these trust-building strategies is convincing customers that they can rely on an organization to deliver on its promises. The pandemic ushered in an era of uncertainty, forcing businesses and brands to pivot to meet fluctuating



# 73%

of those familiar with  
their organization's  
customer experience  
strategy say  
improving customer  
experience is a top  
strategic priority.



AI-powered solutions are providing advanced insights into customer behavior, guiding customers' purchasing decisions, and personalizing experiences by tracking variables such as a customer's ordering history and communication preferences.

customer expectations, update their products, streamline their supply chains, and address customer concerns.

Fast-forward to today, when both executives (68%) and consumers (53%) cite the reliability and availability of services more than anything else as being an important element of trust. Consumers want to know that the products and services they purchase will perform as advertised.<sup>4</sup>

Another way organizations can strengthen the belief a consumer has in a business is by paying close attention to the connection between trust and customer experience. According to an August 2022 survey by Harvard Business Review Analytic Services of 465 members of the *Harvard Business Review* audience, 73% of those familiar with their organization's customer experience strategy say improving customer experience is a top strategic priority.

Yet few organizations excel at customer experience. Just 10% of these respondents say their organization is extremely effective at delivering industry-leading customer experiences today. Thirty-five percent say they are very effective, 43% say they are moderately effective, 11% say they are slightly effective, and 3% say they are not effective at all.

Certainly, as mentioned earlier, a positive customer experience is one of the top business benefits of building high levels of consumer trust. But it works both ways: organizations must also create experiences that meet consumers' expectations and prioritize their needs if consumers are to trust them in the first place.

The good news is today's digital universe generates vast volumes of data—information that organizations can use to create personalized messaging and tailor-made recommendations based on an individual's historical buying behavior and purchasing patterns. In fact, of 317 executives surveyed globally by Harvard Business Review Analytic Services in April 2022, 50% say that their organization is increasing the use of customer data to improve interactions with customers via personalization and more accurate and timely interactions, while 48% are investing in new/improved customer engagement technologies.

One technology that is improving the customer journey is artificial intelligence (AI). These days, AI-powered solutions are providing advanced insights into customer behavior, guiding customers' purchasing decisions, and personalizing

experiences by tracking variables such as a customer's ordering history and communication preferences.

But while engagement tools such as customer relationship management, AI, and data analytics can turbocharge touchpoints, there is still room for improvement. According to a Harvard Business Review Analytic Services survey conducted in April 2022, only 40% of respondents agree that their organization is good at using data to send customers the right message at the right time via the right channel, implying that the majority don't feel their organization is tailoring communications well.<sup>5</sup>

Emailing a promotional discount for a product that's already been purchased, contacting customers via text when they have specifically requested email correspondence, and delivering inconsistent messaging across channels are all marketing misfires that not only threaten to frustrate consumers but also result in the loss of their trust.

Part of the problem is the difficulty organizations face in integrating data. In fact, 39% of respondents cite data silos within business functions or channels as their largest obstacle to generating business outcomes from their customer data. With its sophisticated models and powerful algorithms, AI can help provide a holistic, 360-degree view of customers by automatically capturing, storing, and gleaning insights from huge amounts of data.<sup>6</sup>

Organizations must also be cognizant of the enormous responsibility that comes with using consumer data. Knowing a customer's communication preferences and buying history can provide a clear competitive edge, but only if organizations are transparent about the information they gather and establish the necessary safeguards to ensure its protection. The misuse of data—either intentionally by hackers or unintentionally through employee error—can do permanent damage to the bond between brand and consumer. Indeed, 53% of consumers and 51% of businesses place a high degree of significance on maintaining data and information privacy when it comes to building trust.<sup>7</sup> **FIGURE 4**

Organizational and psychological tools also play an important part in bridging gaps in consumer confidence. For example, 86% of respondents agree that listening to the customer—putting yourself in their shoes and exhibiting empathy—is an important contributory factor to the delivery



FIGURE 4

## Building Consumer Bonds

Product reliability and data privacy are key trust earners

Consumers: When thinking about companies/brands you like to purchase from, which elements of trust are most important to you? (Select up to five.)

Executives: Which types of trust issues do you believe are most important to customers? (Select up to five.)



Source: Harvard Business Review Analytic Services survey, January 2022



AI can help provide more sophisticated insights into how customers behave, which will help organizations personalize ways to convince them that their needs will be met with care, authenticity, and empathy.

of great customer experience and is a foundational component of trust.<sup>8</sup> Customers need to believe that an organization has the capacity to understand their needs and feel what they are experiencing. Without empathy, trust is likely to erode.

Then there is the role leadership plays in instilling confidence in consumers. While empathetic contact center agents and knowledgeable sales associates can reassure consumers of an organization's authenticity and intentions, a significant 85% of respondents agree that to establish trust, top managers need to make themselves visible to external audiences, including consumers.<sup>9</sup>

## Bridging the Confidence Gap

Building a foundation for trust is an opportunity for organizations to understand their customers in ways never before possible. When customers trust brands and have confidence in the companies producing them, they are more willing to share personal information, interact across new and innovative touchpoints, and spend more of their hard-earned dollars.

Certainly, the obstacles to building trust and confidence are more challenging than ever. The more touchpoints along the customer journey, the greater the margin for error. The pandemic also helped raise the bar on customer expectations, while today's data deluge makes gleaning meaningful insights a difficult endeavor.

AI can help provide more sophisticated insights into how customers behave, which will help organizations personalize ways to convince them that their needs will be met with care, authenticity, and empathy. By doing so, organizations can leverage consumer confidence to enhance trust in their brands, and ultimately drive better business outcomes such as increased revenue or profitability.

## Endnotes

Some of the data in this paper is from Harvard Business Review Analytic Services studies cited below but didn't appear in the published report associated with it.

- 1 Harvard Business Review Analytic Services, "Trust: The Currency of Innovation," January 2022. <https://hbr.org/sponsored/2022/09/trust-the-currency-of-innovation#:~:text=Innovation%20is%20indispensable.,comes%20with%20a%20prerequisite%3A%20trust>.
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- 4 Ibid.
- 5 Harvard Business Review Analytic Services, "Future Proofing Businesses with Modern Customer Engagement," April 2022. <https://hbr.org/resources/pdfs/comm/Future-Proofing%20Businesses%20with%20Modern%20Customer%20Engagement.pdf>.
- 6 Harvard Business Review Analytic Services, "Generating Stronger Business Outcomes through Customer Data," March 2022. <https://hbr.org/resources/pdfs/comm/GeneratingStrongerBusinessOutcomesThroughCustomerData.pdf>.
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