



GLORY



Trust as a Commodity
What is the value of Trust?

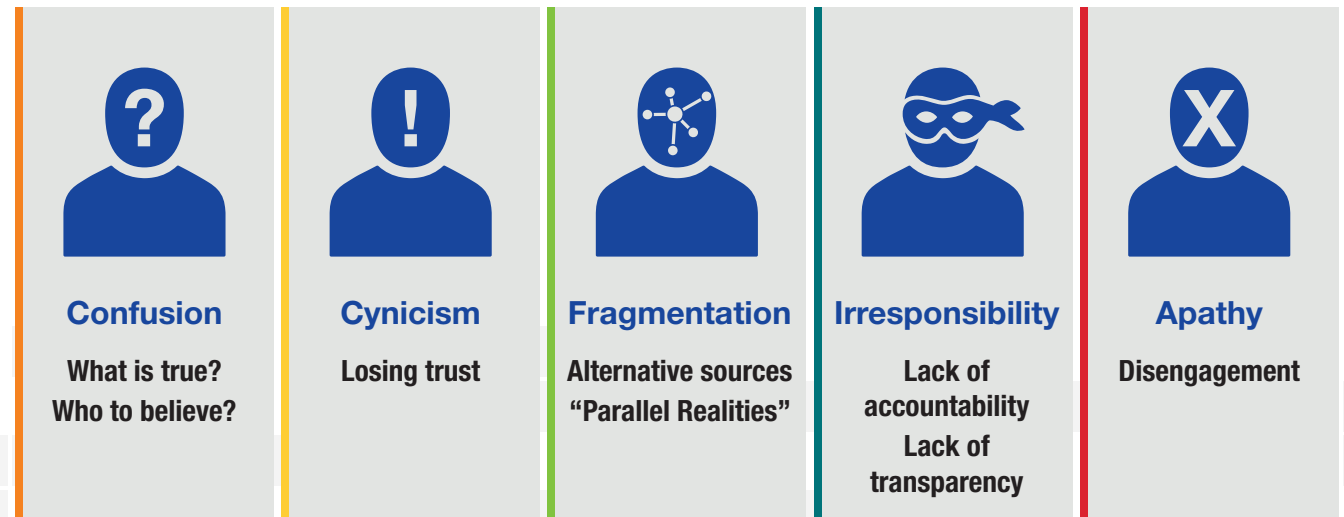


HOW DO CONSUMERS MAKE BUYING DECISIONS?

We are often told that trust is the cornerstone of all relationships but what does this mean in a business context and how does it influence people's behaviour? More specifically, if we can measure trust what can we do to improve it and thereby change behaviour? How do we generate more revenue and what does it cost?

In the digital age where do consumers get their information and what credence do they attach to it? With multiple sources of information and increasing claims of 'fake news', it is important to consider the trust consumers attach to these varying sources as they make their purchase decisions.

The London School of Economics recently produced a report about the erosion of truth in the information age. It warned about the threat of consumer apathy and potential disengagement resulting from a lack of trust in the information provided.

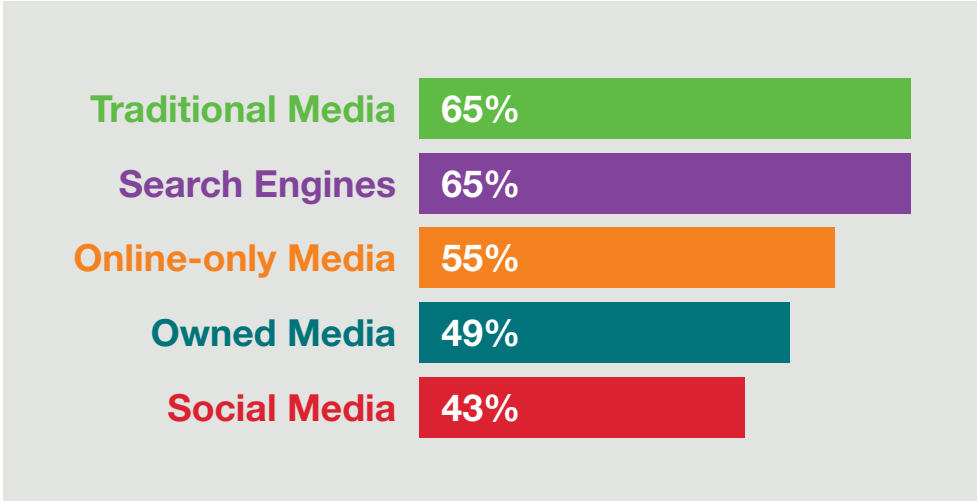


Source Tackling the Information Crisis, LSE

Trust helps us to buy – So how do consumers make decisions?

Who do they trust? Who is telling the truth? Despite an apparent obsession with social media, just 43 percent of consumers trust the information they find there. Even traditional media is only trusted by 65 percent. Information overload and the resultant cynicism makes it more difficult to get your brand across in a world where objective facts may be less influential than emotion.

There are various ways consumers make decisions about which product or service to buy but one in particular has become central in the past few years. The crowdsourced ratings used by comparison sites or trust platforms, whereby the opinions of many are added together to create an ‘average level of trust’ that enables consumers to evaluate and make a decision. Developments like the wisdom of the crowd and the growing importance of Influencers signify that brand owners now have less control. It is in this context that we see brands having greater involvement with social media on consumer channels, for example via complaint handling or direct advertising.



Source Edelman Trust Barometer 2019

WHAT CAUSES PEOPLE TO LOSE TRUST AND IS IT CHANGING?

As well as faulty products, unavailability and perceived poor service, one would anticipate that security breaches are a primary reason for loss of trust but recent evidence suggests a growing acceptance of vulnerability as consumers begin to view the risk of data compromise as inevitable. The well documented Facebook / Cambridge Analytica scandal had an impact, but there was no net loss of customers, and the stock price recovered quickly. This would suggest issues other than trust influenced the market recovery as consumers reflected on the benefits the service provided. At what point does loss of trust result in lost business?

It would be interesting to consider a business to business example. In this instance the evidence suggests a data breach is likely to involve longer term trust issues, and, potentially, a significant drop in revenue.

If we believe trust is critical to success then how can it be managed effectively and how can any loss of trust be mitigated?

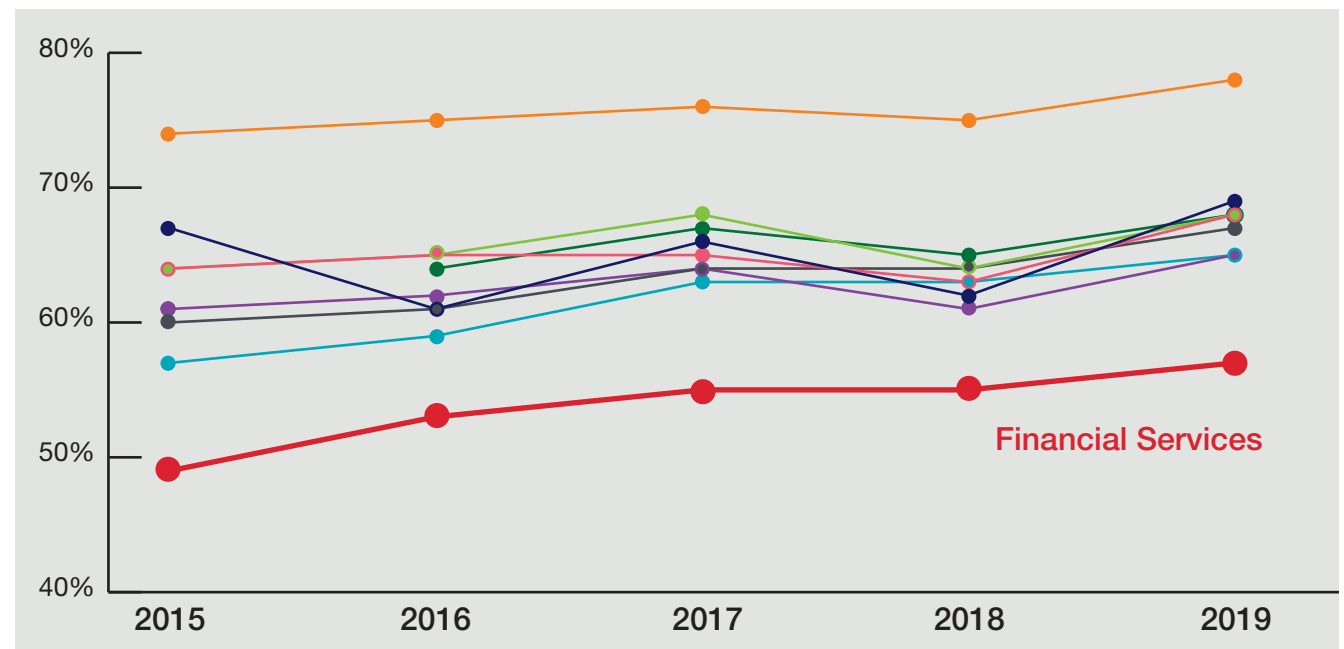
Trust is not a simple concept. Management of trust will be dependent on the origin and definition of that trust – in particular whether it is reputational, transactional or emotional. Examples of attempts to mitigate loss of trust include quality interaction, superior levels of overall service and payment of compensation.

WHO DO WE TRUST?

According to the 2019 Edelman Trust ratings 'the last decade has seen a loss of faith in traditional authority figures and institutions'.

Where do financial institutions stand? Evidence suggests they are among the least trusted businesses and this situation provides the opportunity and impetus for disruption and disintermediation. To understand this fully we need to drill down into our definition of trust.

Whereas trust in Financial Services is at 57 percent, this compares unfavourably with the Technology (78), Healthcare (68) and Automotive (69) industries.



• Technology • Automotive • Food and Beverage • Healthcare • Entertainment
• Consumer Packaged Goods • Telecommunications • Energy

Source 2019 Edelman Trust Barometer

WHY AREN'T FINANCIAL INSTITUTIONS TRUSTED AND **HOW CAN WE DIFFERENTIATE BETWEEN DIFFERENT LEVELS OF TRUST?**

Banking business can be divided into different categories and each of these involves a different customer relationship. In choosing a bank, a customer will normally look for certain attributes prior to putting their trust in the financial service provider.

What first attracts someone to a bank? When we consider reputation, an important aspect is customer perception and this may be influenced by physical presence. Traditionally, banking halls were meant to give an impression of power and security. This was an institution of substance. One you could trust. Though the role of the branch has changed, physical representation of the brand on the high street still has a role to play in relation to trust. Management of access to your brand including branch locations and opening hours will, of course, have cost implications.

Is the trust required for a customer to open an account or to keep their money in a bank and carry out various transactions different from the trust required from a financial advisor? Trust in a company to manage what is ours, be it money or data, may be referred to as transactional trust and banks are able to manage this proactively. Efficiency improvements and investment in security are key in maintaining such trust.



There is another, more complex level of trust. Emotional trust implies a deeper relationship, the sort of trust on which not just financial advisor status, but also on which loyalty, repeat business and personal recommendations are based. Building emotional trust is not easy and it takes time. It involves taking actions that lead to a positive customer reaction. An emotionally engaged customer believes you've 'got their back'. He or she believes you will provide unbiased advice that is in their interest.



Reputational Trust

**Wisdom of the crowd
Perception**



Transactional Trust

**Do what is expected
Secure and safe**



Emotional Trust

**Repeat and habitual engagement
Affiliation and advocacy**

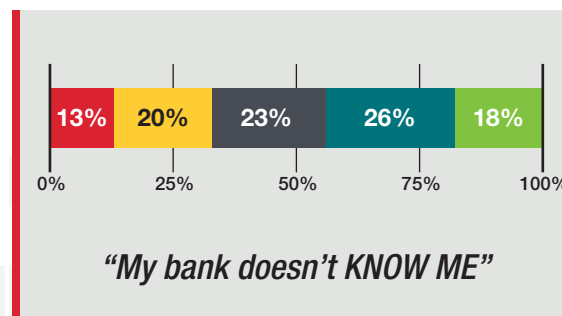
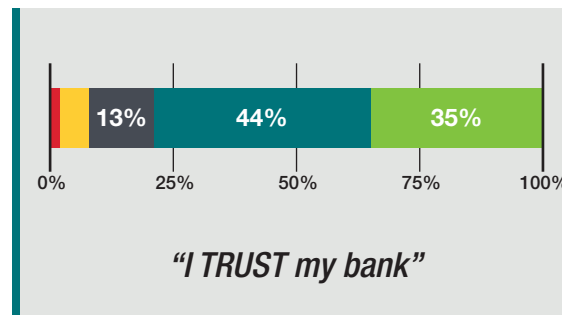
THE BASIS FOR SUCH TRUST IS KNOWING YOUR CUSTOMER

Customers need to understand that the bank is working in their interest. This is the trust that generates revenue for the bank. But it is here that we find what has been referred to as the 'Trust Gap' in financial institutions. Celent research shows that whereas 86 percent of customers may say 'I trust my bank', 44 percent say 'my bank does not know me'.

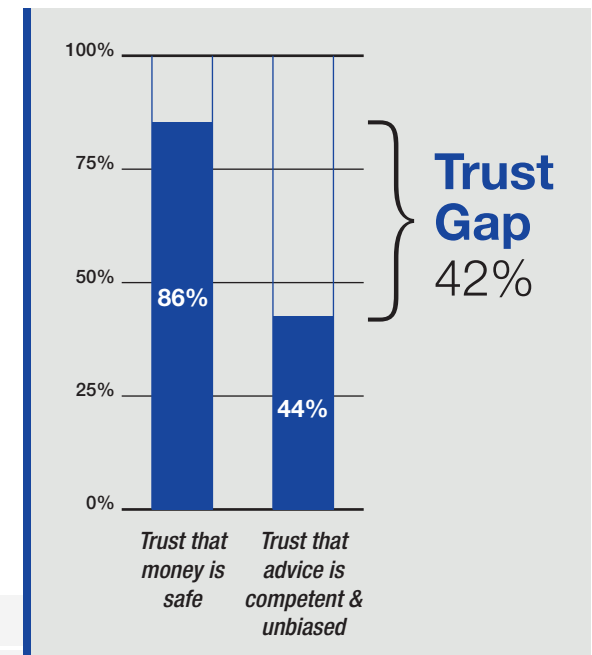
To put that in context, two thirds of those surveyed had had a relationship with their bank for more than 10 years. So how do we breach or at least lessen this loyalty gap?

What this means in practice is that for many people, their bank is not a natural and trusted partner when it comes to seeking financial advice and the banks are therefore losing out on profitable business opportunities.

Motista research demonstrates the importance of relevant and personalised engagement. It shows that the value of an emotionally connected customer is six times that of one who may be 'highly satisfied' with the level of banking services received. That equates to a potential \$50,000 revenue over the course of a lifetime. As a financial service provider can you afford to lose this value?



Strongly Disagree Disagree Neutral Agree Strongly Agree

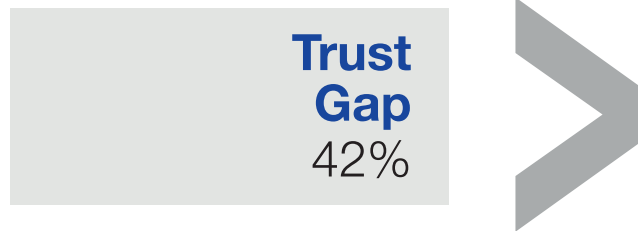


Source CELENT 2018, Motista

EMOTIONAL TRUST GENERATES REVENUES

Consumers need to know financial advice is unbiased and the financial institution is operating in their interests. What the Motista survey shows is that there is a significant difference between a customer being highly satisfied with a service provided and being emotionally attached with a bank.

This is confirmed by Celent, who conclude that what is needed is 'a serious paradigm shift in how banks view customer experience'. It explains that this involves looking for win-win situations rather than looking for short term revenue gains. One easy to understand example of this is where a customer is about to become overdrawn. Rather than focusing on potential revenue from punitive fees, the bank could rather notify the customer of the impending overdraft and encourage or work with them to avoid this situation. This is about long-term perception and the belief that the bank has the consumer's best interests at heart.



	Highly Satisfied Customers	Emotionally Connected Customers	Emotional Connection Multiplier
Products held with bank	3.0	3.6	1.2x
Number of banks used	2.1	1.8	0.9x
Primary bank	65%	86%	1.3x
Annual attrition rate	9%	2%	0.2x
Customer lifetime revenue	\$10,189	\$59,500	5.8x

Emotionally connected customers are **6 times** more valuable

Source CELENT 2018, Motista

RETHINKING THE VALUE PROPOSITION

– BUILDING TRUST AND CHANGING CUSTOMER EXPERIENCE AND EXPECTATIONS

Trust has value, but as we have seen, not all trust is equal. And as a result, how consumers develop trust is changing. We are entering a trust economy where successful businesses are those that proactively build a bond with customers. The challenge is to build trust and make yourself the automatic choice. For the consumer it's about helping them improve their financial life and the bank should be seen as a 'credible source of financial insight and tools to improve their financial well-being'.

Moving forward, there is a growing need for increased customer focus and understanding of their needs. A shared sense of culture drives loyalty and successful financial institutions deliver a personal service where, when, and how consumers want it. You need to position yourself as a partner rather than a provider of products and services.

The nature of banking and service delivery has changed. In an omnichannel environment it is important to stress that digital channels need to be about more than convenience and speed but should also be an integral part of developing a personalised service and thereby enhancing trust. That said, it is interesting to note that when faced with the need for an in-depth financial discussion **77 percent of bank customers would prefer to do so in the branch.**

Rethink The Value Proposition

Establish Value

- What are customers' real goals?
- What do they value?

Delivery Value

- Customer experience
- Personalised
- Human touch

Reinforce Value

- Proactive customer engagement
- Culture
- Loyalty



HOW DOES GLORY INFLUENCE TRUST?

As well as enabling the efficient automation of transactions, when it comes to transactional trust our enhanced security solutions ensure satisfaction by securing cash at the point of presentation reducing the potential risk associated with robbery as well as the speedy authentication of notes at the branch.

That's not all, we recognise that changing the value proposition involves different customer experience and expectations. Speed and convenience are fine, but what about customer engagement and creating a trust building customer experience? Communication at the physical branch (the human touch) continues to play a key role and our technology can help enable improved interaction. Glory's solutions are a catalyst for improved branch design and they help release staff time. Improved face to face interaction is a key element in developing a trusting relationship and, as we have already seen, growing emotional trust and lowering the 'trust gap' is central to delivering value. Closing the gap isn't easy, but we can help get you started.

At Glory we believe that technology has a role to play in enabling meaningful interaction and that used effectively, can improve emotional trust and drive revenue.



Glory, Infinity View, 1 Hazelwood, Lime Tree Way, Chineham, Basingstoke, Hampshire RG24 8WZ, UK

 +44 (0)1256 368000  info@uk.glory-global.com  glory-global.com

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