CEO'S Guide to
Trust

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Introduction

As a growth-stage SaaS business, your success depends on the trust of your customers. Customers provide you with data and they trust you to protect that data and use it according to the agreed terms. And if you're using machine learning or conversational interfaces, you rely on access to rich sources of training data more than ever.

In this guide we explore the background to the topic of trust in technology, provide a framework for defining trust with your customers, and outline the five steps to build trust for deeper customer relationships.

What Is Trust?

Establishing a relationship of trust with your customers ensures you can use that data to deliver value and create business differentiation and growth. The downside of getting this wrong can be catastrophic.

In the wake of a series of well-publicized data breaches and instances of data misuse, continued access to sensitive data is less certain. Customers are more concerned about data privacy and security. And both users and regulatory agencies are demanding increased governance over personal data.

Not only do customers want to know what information is being collected and why, they believe that they should gain specific benefits from the use of their data, such as reduced costs, mitigating risks, improved analytics, increased convenience, or delivering on a greater good.

From the outside looking in, many businesses look the same. In a world where every website looks professional, every sales deck is polished and every demo promises wonders, it's hard for B2B buyers to know who to trust. How can you design your business so that you create value while providing assurances that you are trustworthy? It begins with understanding what trust is and how you can build it.

Trust is at the core of your customer relationships. It allows you to make decisions without complete information and to quickly form and then strengthen relationships based on mutual interest.

Trust Defined

Trust is the willingness to rely on the actions, integrity and ability of other parties, despite any perceived risks of doing so. **Click to Tweet**

Building lasting trust involves both increasing the value provided in the relationship and the level of comfort that both parties feel towards each other.

To build trust, you'll need to understand what matters to your customers and make strategic investments to address data concerns such as privacy, security, bias and explainability, but also build a reputation for reliability, fairness and transparency.

This is more than a technology issue. To succeed, you will need to think broadly and commit to building a trusted company and products.

If you get this right, you will be able to develop deeper, more meaningful, longer-lasting relationships with your customers. You will receive outsized benefits through trust by becoming the trust leader in your ecosystem, helping to define what it means to be trusted and to write the rule book for your industry. If you don't, you face uncertainty. As customers become more and more sensitive to issues around security, privacy, fairness, and transparency, you will have less goodwill to rely on when things go wrong.

The time to take proactive steps to build trust is now.

To succeed, you will need to think broadly and commit to building a trusted company and products.

Why Now More Than Ever

Companies rely on data more than ever, but we're stuck in a cycle of skepticism and mistrust around data collection, storage and use. **Click to Tweet**

In this chapter we look at why this climate of mistrust has arisen.

Data is the New Gold

In 2017, the world produced one zettabyte of data—one trillion gigabytes. With access to rich data, companies can better understand their customer needs, understand customer behaviors to provide better experiences, improve machine learning training models and gain velocity and scale for the business, automate parts of the business process to reduce costs, and improve the quality of services that they already provide to customers through recommendations and simpler workflows.

While bringing great opportunities to create enormous value, it also opens up new ethical questions about data stewardship, accountability, and responsibility. Poor data practices not only harm customer loyalty and hinder growth potential, but also damage brand reputation and bottom line.

If data is the new gold, mining practices are under scrutiny. Traditional top-down approaches to data management and ownership are now questioned. Individuals and businesses want increased control over their data and are demanding greater accountability.

They are concerned about how much of their data is being collected, but also aware of the value of their data, and no longer prepared to undervalue it.

A Boston Consulting Group (BCG) study of e-commerce across the G20 economies determined "that up to half a trillion dollars was at risk because of poor consumer trust in the way their data was being handled."[1] How have we reached this state of affairs?

> Individuals and businesses want increased control over their data and are demanding greater accountability.

1   http://image-src.bcg.com/Images/The_Trust_Advantage_Nov_2013_tcm9-92206.pdf

A Climate of Mistrust

In spite of the many advantages of building trust, we are living through a crisis. The collapse of trust in the very institutions that were designed to enable it reached an all-time low in 2018 for government, business, media and NGOs.[3] Deepened institutional distrust has been driven by major scandals and a lack of accountability across all industries. Examples include Volkswagen's diesel emissions-cheating, the Panama papers, the NSA WikiLeaks revelations, Kobe Steel's quality data falsification, the ongoing fake news debate, and the response to the 2008 global financial crisis.

Given the reliance on data to fuel machine learning models and ultimately power artificial intelligence (AI) solutions, it would be logical for tech companies to prioritize building trust, but this has not been the case.

Instead there have been a series of systemic failures related to bias, security breaches, privacy concerns and criticism for a lack of transparency. Moreover, emerging technologies are poorly understood, which fuels fears of an automated future.

Trust has never been far from the headlines[4] in recent times, thanks to repeated high-profile breaches and the challenges faced by the tech giants. This may be symptomatic of a new norm, where incidents will surface more quickly, thanks to social media and other publication platforms.

Facebook's trust challenges have been especially pronounced. Inadequate safeguards, a lack of stewardship, and third-party developer abuse of the Facebook API culminated in the collection of personally identifiable data of up to 87 million people by Cambridge Analytica. The political consulting firm used the personal data to actively target Facebook users. What made things worse was Facebook's reaction to this egregious data privacy failure—it was slow, defensive and issued no outright condemnation.

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2   https://www.wired.com/story/notpetya-cyberattack-ukraine-russia-code-crashed-the-world/

3   https://www.edelman.com/trust-barometer

4   https://www.wired.com/story/2018-worst-hacks-so-far/

Trust costs: Experian and Yahoo! had $4B and $350M wiped off their respective values as a result of highly publicized data breaches. The NotPetya attack cost Merck $870M and FedEx $400M.[2]

Even if permitted in the fine print of privacy agreements or contracts, any data use beyond the original purpose causes negative public reaction. The perception of right and wrong trumps compliance with rules and regulations. In Facebook's case, the muted reaction to this and subsequent events has greatly tarnished its reputation. The business impact has been dire. The company has drawn the attention of legislators and regulators, and users are beginning to leave the platform in large numbers. The company suffered a $123B loss of value in a single day, and the share price has not recovered.

Because of ongoing data misuse, people are primed to distrust data collection, storage and use.

For companies that are using AI to improve their processes, these concerns over data use are compounded by the unfamiliarity of the technology, creating an even greater trust challenge. For example, in an HSBC survey[5], only 8% would trust a machine to offer mortgage advice, compared to 41% trusting a mortgage broker. For context, 8% is 2% lower than flipping a coin for financial advice and 1% lower than using a horoscope.

To a large degree, this is driven by a lack of understanding. But there are also valid concerns around new technologies taking jobs, AI reinforcing societal biases, along with privacy and security concerns.

The result is a growing demand for more accountability in the way AI technologies are used and assurances that the systems will act in an ethical way.

While the tech sector as a whole needs to work to increase trust, there is no one size fits all solution. For each innovation and brand, trust must be earned and each buying decision will involve a trust decision that balances the value of the product or service against the comfort that the buyer feels.

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5   https://www.hsbc.com/trust-in-technology-report
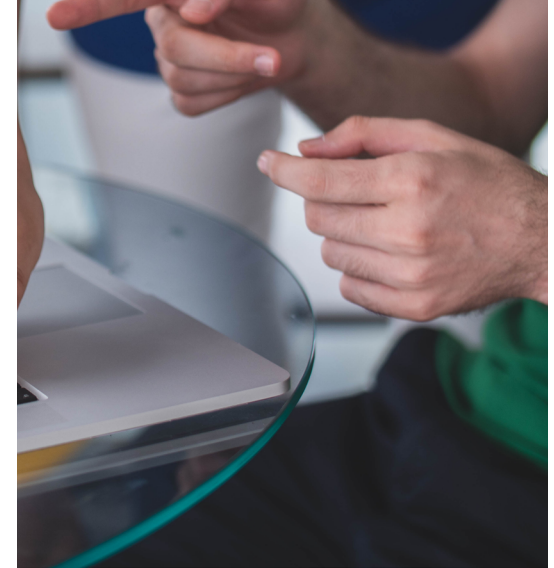
The Trust Opportunity

Despite the misuse of data, customers are looking to companies to lead. Here we take a look at some case studies of companies and business models designed to build trust and explore how, even then, issues will arise that need proactive thinking and management.

Customers do not feel they should take the initiative to fully understand the implications of a business's data practices. Instead, they believe that businesses should communicate clearly and transparently, asking permission, and giving control over personal data to maintain their trust.

Customers are willing to share their data, but only if they trust an organization to safely steward their data, using it only for the purposes they approved, and explicitly gaining permission for any other use.

In fact, both consumers and businesses are comfortable with approved and transparent use of personal data. They are highly attuned to the value that they can derive from sharing their data. Now though, they better understand the value of the data to the businesses and the risks of providing it and therefore want a fairer exchange of value in return.

This presents both a challenge and an opportunity for brands. Indeed, the public wants companies to lead on trust. The Edelman trust survey reveals that nearly 76% of respondents considered building trust as the top priority for CEOs, ahead of making high-quality products and services. There is an expectation that business leaders should step into the breach.

There are positive examples of technology brands that have strong levels of trust with their customers, including Amazon and Apple.

Amazon consistently drives value by exceeding customer expectations around product range, price and delivery. It is widely regarded as one of the world's most trusted brands. In the enterprise space with Amazon Web Services (AWS), Amazon capitalizes on its reputation for availability, reliability and security. A recent survey found that Amazon was the second most trusted institution in the US after the military.[6]

Apple's clear messaging and focus on experience shows that they understand what their customers value. Thanks to this, they can charge higher prices for similar products. Recently Apple has capitalized on their competitors' troubles by promoting the special lengths they take to preserve customer privacy, by making privacy controls more prominent, frictionless and granular, and by using advanced privacy-preserving techniques such as differential privacy.

76% of respondents to the Edelman 2019 Trust survey thought that CEOs should take the lead on trust.[1]

1 Edelman Trust Barometer 2019

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6 https://www.vox.com/the-goods/2018/10/25/18022956/amazon-trust-survey-american-institutions-ranked-georgetown

Case Study: The Sharing Economy

Collaborative consumption or "the sharing economy"—led by companies like Airbnb, Lyft and Couchsurfing—is deeply rooted in trust.

Unlike e-commerce transactions, there is a degree of intimacy about sharing transactions. Similarly, there is level of two-way accountability built into the platform design that impacts on human behavior, which enables a change in trust. With sharing transactions such as Airbnb and Lyft, personal information is shared to build trust.

However, transparency alone is not the antidote to distrust. In fact, these details can bring out our social biases. As institutional trust has collapsed, trust has reverted to "people like us." Homophily is a bias based on the tendency to develop trusting relationships with people similar to ourselves. In a Stanford experiment on Airbnb, guests with distinctively African-American names were less likely to be accepted relative to identical guests with distinctively English names.

The study found that reputation can offset this social bias. Airbnb co-founder Joe Gebbia refers to this as "designing for trust," where users can "borrow" trust from other users or brands through social proof (reviews, recommendations, etc.) as well as through transparency and accountability.[7] AirBnB redesigned its product and processes in response to the challenges it faced, hiring a team to address bias and stating that it would address bias in its hiring practices.[8]

Despite increasing institutional distrust, consumer actions demonstrate greater trust. Thanks to the sharing economy, we now trust strangers to give us rides, and even travel halfway around the world to stay in a stranger's house.

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7   https://news.stanford.edu/press-releases/2017/09/05/reputation-can-offset-social-bias/

8   https://www.theguardian.com/technology/2016/sep/08/airbnb-discrimination-policy-changes-racial-discrimination

Case Study: Blockchain

Some new technologies and systems have emerged in direct response to the erosion of trust.

Blockchain, as a decentralized alternative to a traditionally centralized system, was designed to restore trust in the financial system, by making trust something more concrete through disintermediation, anonymization and transparency.

"The root problem with conventional currency is all the trust that's required to make it work. The central bank must be trusted not to debase the currency, but the history of fiat currencies is full of breaches of that trust. Banks must be trusted to hold our money and transfer it electronically, but they lend it out in waves of credit bubbles with hardly a fraction in reserve," wrote Satoshi Nakamoto, the founder of bitcoin.

Blockchain has security and privacy baked into its design. Its distributed architecture means that it is much harder to hack than a centralized system and the pseudonymous nature of transactions is designed to protect personal information.

Blockchain technology is also considered an emerging solution to increasing transparency since every transaction is public and uneditable.

However, as with any new technology many people are skeptical, because they are unfamiliar with the concept, and there are few real-world applications. An HSBC survey in 2017 found that blockchain was the least understood new technology.[9] To build trust in these technologies, blockchain companies need to make a special effort to avoid jargon when explaining what their technology does and why it should be trusted.

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8 https://www.enterprisetimes.co.uk/2017/06/23/technologies-lack-consumer-understanding/

How to Build Trust

Value is at the core of the issue of trust. `Click to Tweet`

The value, or utility, you provide may come from increased productivity, convenience, ease-of-use, aesthetics and design, information synthesis and decision support, or risk identification and mitigation.

But value cannot be decoupled from the comfort needed for your customers to adopt new products.

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Value and Comfort

New technology is so disruptive because it drives exponential increases in value very quickly. But value alone cannot build trust. Your customers need to be comfortable with you and the technology.

Building and maintaining trust in new technology requires finding the right balance between the value you provide and the comfort level that your customers need to feel before they adopt.

This balance between value and comfort has been explored in studies on the adoption of new technology.[10]

Users balance various factors when considering whether to adopt or not. The first group of factors is linked to value: perceived usefulness and perceived ease of use. The second group is related to comfort: trustworthiness and the perceived risks of using the technology.

When you provide increased value with something unfamiliar, there is often an initial period of caution. Think about online banking and shopping a decade ago, versus how they are now appreciated for their convenience, affordability and ease-of-use. Despite the value that they provide, they had to go to great lengths to supply comfort

before they could reach the level of trust needed to drive widespread adoption.

In other cases, the perceived value grows so quickly that it temporarily outweighs concerns over privacy, security, bias and transparency and the comfort that they bring. For instance, despite privacy breaches and the discomfort that they cause, social media platforms continue to be used. This can only last for so long before the balance of value and comfort is decoupled and trust is lost.

Building and maintaining trust in new technology requires finding the right balance between the value you provide and the comfort level that your customers need to feel before they adopt.   Click to Tweet

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10 https://en.wikipedia.org/wiki/Technology_acceptance_model

Trust is a balance between the value that you deliver and the comfort that customers experience when interacting with your company, brand and products. When these two factors come together, you get happy customers that keep coming back for more and share their experiences with partners and friends. When they're decoupled, you may briefly enjoy success, but eventually trust will erode and customers will look elsewhere for greater value or comfort.

Let's take a look at how this matrix helps to visualize the balance between the two.

Companies in the top left deliver value, however, a security breach or a similar incident can materially impact customer retention, owing to a lack of comfort. In addition, companies in this quadrant can miss opportunities to acquire richer data from customers to enhance product capabilities.

Companies in the lower right have a good reputation or a surplus of comfort that they can then leverage to deliver more value and move to the top right. The risk is not acting on the opportunity in a timely manner and losing on value to their competitors.

This is not a trade-off. When you understand your customers and what they are looking for, you will find win-win situations. Your considerations will be much more nuanced, taking into account the specific needs of your industry, customers and individual buyers.

	AT RISK	TRUSTED
Value Delivered to Customers	UNTRUSTED	AT RISK

Comfort Experienced by Customers

Leveraging Trust to Build
Deeper Customer Relationships

Building a trusted company requires a proactive, long-term view, but done right, you can design trust as a differentiator. There are economic benefits for being the first to differentiate on trust in your industry. The first-movers will be able to own the conversation on trust. They will lead discussions with regulators and find a model that works for their industry. This includes adopting a market leadership position on ethical and legal issues.

This chapter covers five steps to building trust in your company.

When you exceed market norms and customer expectations for trust and redesign your strategy, your product and your organization to do so, the market will reciprocate in kind. As your users reward you with additional data, you will be able to provide greater value back, creating a flywheel effect.

Commit to trust for the long run and show that you have your users' best interests in mind. Lead the discussion on trust, and inspire your customers to value it as much as you do.

Step 1:
Understand Your Market for Trust

Your trust is measured relative to your competitors and to your customers' expectations. Understand market requirements and expectations on trust and always seek to exceed them. Look at what competitors are doing and see where your relative strengths and weaknesses lie.

Talk to your users. Ask them what it will take to deliver value while providing comfort. Find out whether this differs for each of your products. If your technology is new to the market, you'll be appealing to early adopters who might choose value over comfort, but soon you'll have to make the jump to the majority, where comfort will matter more. What can you do now to lay the groundwork?

Step 2:
Design Trust Internally

To get started, conduct a workshop to assess your current trust maturity. Gather input from across the company on various contributing factors to trust such as security, privacy, fairness, reliability and transparency. Use your understanding of the market from step 1 to guide your thinking. You can use the outcome of the workshop to create a plan and roadmap of trust.

The key areas your plan should address are:

Design: Design involves taking a proactive, strategic approach to trust. By designing a holistic trust program, you will have greater impact than pursuing a series of fragmented initiatives. Understand the needs of your market and prioritize your approach in your planning.

Security: Security means protecting users' data from misuse or disclosure to internal and external threats.

Privacy: Privacy involves treating sensitive data with the utmost care and giving customers consent, control and oversight over their data collection and use.

Fairness: Fairness means understanding the impact and consequences of your organization on both groups and individuals, and avoiding outcomes that are corrupt through bad design.

Reliability: Reliability is about consistently delivering the results you said you would deliver to your customers.

Transparency: Transparency entails being open about your product, business model, and policies, and explaining them in clear terms to users. Explain everything: from the choices you make in design, all the way through to individual predictions of machine learning models.

Step 3:
Create Accountability Structures

To be effective, trust must be holistic—it will take a coordinated effort across your organization. You must think about how you provide trust through your products and services, through how you communicate and through how you operationalize trust.

Your leadership will be important to ensure everyone in the organization develops a trust mindset. Consider which member of your team will be responsible for trust and ensure that they have enough influence. Having a responsible officer makes it clear that trust is an organizational priority. Make sure that every team understands the role it will play in your success.

Create a set of core values around data and provide training to support these ambitions—personal data will be used for the purposes allowed and only for those purposes.

Since it's more than just a technology consideration, embed trust thinking into every aspect of your organization including business strategy, culture, hiring, promotion, processes, technology and measurements of success.

You can't, for example, build a product for trust while leaving your HR, sales and marketing, and finance teams out of the process. Use this as an opportunity for everyone to rethink their approach. In sales, for instance, you might think about whether your incentive structure rewards building long-term partnerships. In HR, you could consider whether your hiring and compensation practices could be fairer.

Step 4:
Operationalize Trust

Now that you have the appropriate structures and processes in place, you are ready to start delivering on your plan.

Start with security guarantees:

Ensure that the appropriate level of security is in place for the sensitivity of data you collect before you even collect a single piece of data. Prepare for every eventuality and design systems to reduce the impact of an attack.

Take accountability for sensitive data and treat it responsibly:

Handle sensitive data with due care. Be proactive, but in the face of data misuse or breaches, act swiftly and surely. Take responsibility for any data misuse or breaches and actively work to enhance privacy and security systems.

Only ask for private data if it is needed and clearly explain the value you will deliver from the data. Ask permission before using data, providing control over what is used, when and by whom. Make sure every department is aligned with these policies: sales and marketing, finance, HR and product development all process private data.

Make a stand on fairness:

Research has shown that the same neurons fire when we feel that something is unfair as when we are feeling disgust.[11] That's why it's important to proactively identify potential sources of bias and discrimination in your business product and approach, and manage them.

AI can amplify bias: beware. Avoid incorporating human bias into models. Machine learning is only objective and fair if your team is aware of the potential for bias and actively guards against it.

Demonstrate reliability every time:

Reliability is a key driver of trust, especially in the digital economy. Demonstrate credibility and competency by actions, not just words. If your core business isn't performing, you can't be trusted. Set realistic performance expectations, and ensure that you have the best team and resources in place to deliver on them consistently.

Loyalty is built over time as a brand becomes synonymous with meeting expectations and delivering on its promises. Customer loyalty can motivate a customer to buy a product, to pay more for a product, and to reject competitors. All departments have a role to play in building deep and long-lasting relationships.

Build for interpretation and explanation:

It's hard to build trust if your technology doesn't allow for scrutiny. Use technologies that can both automate processes and provide explanations for the decisions that they took.

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11 https://www.sciencedirect.com/science/article/pii/S0896627303006792

Step 5:

Show that You're Trustworthy

As good as your internal processes may be, you won't be able to build trust unless you communicate them effectively. Celebrate your track record and talk to your customers about how you have successfully built what matters most to them.

Here are the key points to consider:

- Privacy and security policies should be in plain, easy-to-understand language and easy to find—you should be proactive about engaging with your customers to ensure they understand them. But also ensure that everyone within the business understands them. Data stewardship is not just for R&D and the legal team.

- Explain the value that customers will get from providing data to specific services, and provide examples so that they can clearly see the difference. Avoid using generalizations such as "we will use this data to provide a more personalized service." Make the opt-in controls granular and easily accessible.

- Make it easy for customers and your wider ecosystem to approach you and talk to you if they have concerns. A proactive approach to customer engagement also makes it more likely that they will be understanding if a breach does occur.

- Educate customers about your data collection, storage and use and how it benefits them. Maintain an open two-way dialogue, listening to and acknowledging their concerns. Be human-centered and customer-centric, fitting the digital experience around the customer, not the other way around. Engage with your customers, providing clear, accessible and understandable information.

Start Now

Building trust means taking a long-term view that appreciates the benefits of positive, deep-rooted, mutually-beneficial relationships.

Companies that take proactive steps to build trust first will receive the greatest benefits. While there's a lot to consider, there's nothing to be gained from inaction. Trust your customers to appreciate that you are moving in the right direction and to help you along the way. Start with an assessment of where you stand now, identify low-hanging fruit and build an action plan.

We hope this guide has helped you understand how to get started on building trust. We'd love to hear your stories or questions as you embark on this journey: @GeorgianPrtnrs.

As a next step, read our Principles of Trust. They break down trust into its component parts and give practical information on how to tackle each element. The paper contains a maturity matrix that allows you to self-evaluate and create your own roadmap for building trust.

We launch all of our content in our monthly newsletter. Sign up to receive a copy.

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About Georgian Partners

Georgian Partners is a thesis-driven growth equity firm that invests in SaaS-based business software companies. We look for companies that use foundational technology trends such as applied artificial intelligence, conversational AI and trust to dominate their markets.

Founded by successful entrepreneurs and technology executives, at Georgian Partners we leverage our deep software expertise to directly impact the success of our portfolio companies. That expertise spans areas as diverse as machine learning, analytics, deep learning, cryptography, linguistics, natural language processing, differential privacy, software engineering, information security and cloud computing.