

# Cognizanti

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Part III

## Digital Business 2020:

Getting there  
from here!

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Data Ethics

Return on Trust:

The New Business

Performance Indicator



Cognizant

# Return on Trust: The New Business Performance Indicator

By Manish Bahl

To succeed in today's digital age, companies must think beyond dollars, cents and convenience, and focus on data ethics. As malfeasance, blunders and mishandling of consumers' personal information reaches epic proportions, trust is the new battlefield for companies to seize the digital high ground, our latest research reveals.

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We are in the midst of a trust revolution. By our count, 50% of consumers are willing to pay a premium to transact with companies they trust. The reverse is equally true: About the same percentage (57%) will stop doing business with a company they believe has broken their trust by using personal data irresponsibly, and over a third (37%) said they would take legal action against the company. Considering the trillions of dollars at risk, we now see ethical behavior as the new theater for commercial competition.

These are among the key findings from our latest research report "The Business Value of Trust," in which we asked consumers in the Asia-Pacific and Middle East about the relationship between trust and doing business in the digital world.<sup>1</sup> We believe our findings are relevant not only to companies operating in those geographies but also for any organization concerned with maintaining trust in the digital business world.

The digital technologies that pervade our existence are transforming how we live, work and play. Nearly half of consumers we surveyed said they are always connected, and more than three-quarters (77%) view social media platforms as critical to maintaining social relationships. At the heart of these changes is the data we generate with every digital touch, forming our own personal Code Halo™.<sup>2</sup> However, the scale and speed of these changes present a major challenge.

The appropriate use of personal data has become a critical factor in how companies compete, which has raised important ethical considerations: Is it appropriate for a health insurance provider to monitor its clients' Apple Watch data and adjust their insurance premium as a result? How about a pay-per-view movie provider charging higher rates to customers living in wealthy neighborhoods

than residents of less affluent areas? These are the types of difficult questions – ethical questions – that companies must grapple with today.

Business people have always had to consider ethical issues, but in these unforgiving times, getting data ethics wrong has greater consequences than ever before. While 90% of consumers have concerns about privacy, hacking, loss of control, intrusion, piracy and scamming, few swear off the Internet as a result. Consumers don't draw a strong line between privacy and security – for them it's all about trust. Trust is not limited to just privacy, security or technology issues but is the new consumer-provider pact that will increasingly drive business success.

## Trust: The New Brand

As companies embark on their digital transformation journey, they will be dealing with questions of how to build and maintain trust, protect individuals' privacy and conduct themselves ethically. The value of trust is now a personal matter, driven by the endless array of consumer data shared with companies across the business spectrum.

The age of data sharing (and over-sharing) has raised consumer expectations exponentially, as 58% of those surveyed said they demand personalized products and services from companies in exchange for the data they share. We call this the “give-to-get” ratio, and managing this trade-off transparently is essential for trust. Companies that earn the highest trust are those that clearly define how they will use the information they collect, give consumers full control of their personal data, and offer fair value in return.

At Volvo, for example, where consumer trust is deeply embedded in the company's DNA and is an intrinsic part of the brand, the automaker collects data around vehicle capability and services, as well as driver data, to ensure customer safety. Part of the company's mission statement is that by 2020, no one should be harmed or killed in a Volvo.<sup>3</sup>

Companies that knowingly misinform or mislead consumers in any way about how their personal data is used increasingly risk self-extinction. Broken trust not only has a

monetary impact on companies, but it can also undermine brand reputation and damage employee morale, which is often difficult to measure and remediate. A Forbes Insights report reveals that 46% of organizations surveyed had suffered damage to their reputations and brand value as a result of a data breach.<sup>4</sup>

## Facing a Multi-Trillion-Dollar Meltdown

Trust is central to many companies' value proposition. Roughly 43% of consumers we studied reported having a high level of trust in institutions across industries; however, 38% plan to switch to the competition or a digital startup due to trust issues (see Figure 1, next page). Furthermore, 70% told us they are likely to take a digital approach to conducting business with the new provider. Consider these findings:

- **Consumers trust their banks and utilities relatively more than other companies but are still likely to switch in the event of an unforeseen incident.** Although respondents revealed moderate trust for banks (58%) and utility companies (50%), they are still likely to switch their bank (32%) and utility provider (31%) if trust is compromised. The 2008 financial crash caused many consumers to lose trust in weakened financial institutions.<sup>5</sup>
- **Trust in government is gradually evaporating, with only half of respondents expressing trust in government institutions.** Phone-tapping, e-mail snooping and the push to get tech companies to disclose consumer data has forced many people to rethink how they engage with local, state and federal institutions.
- **Automotive companies and retailers are at the highest risk of losing their brand value.** Of all industries, consumers report the lowest level of trust in automotive companies (36%) and retailers (37%). In fact, 41% told us they would no longer work with retailers that broke their trust in terms of managing their personal information. The Volkswagen emissions scandal demonstrated just how quickly a company can lose consumer trust. The

company's stock lost 20% of its value, around US\$28 billion,<sup>6</sup> following revelations that the company misrepresented emissions measured and reported in its diesel-powered vehicles. Volkswagen now plans to reduce investment by US\$1.14 billion a year to offset the financial damage it has suffered.<sup>7</sup>

Interestingly, digital startups are gradually gaining ground in the battle for consumer trust. Approximately 47% of respondents told us they plan to switch to a digital startup due to perceived trust concerns over how their personal data is being used, compared with 41% who said they would rely more heavily on established, pre-digital outfits. In fact, 52% of consumers said they are willing to consider new products and services from non-traditional channels or digital startups. It appears that traditional businesses struggle as much to meet the expectations of digitally empowered consumers as to match the energy and innovation emanating from digital startups.

## Transparency Is the New Currency

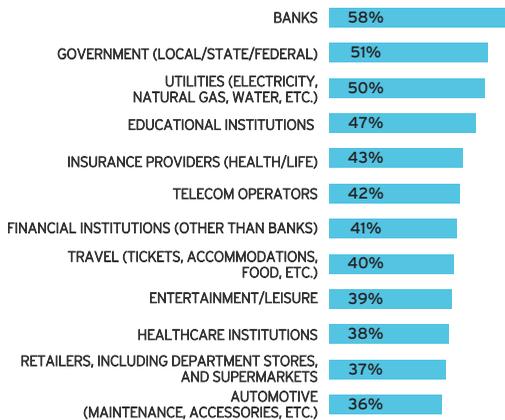
The lack of confidence surrounding privacy, security and trust represents a tremendous opportunity for companies that are transparent about their use of the data. Transparency is the top factor (67%) in determining trust in a company, our respondents said; in fact, 45% said they are willing to share their personal data if a company asks upfront for the data and clearly states its use.

When consumers know that a company shares the responsibility and concern for minimizing risk, they are more open and willing to trust the company. The transparency factor has helped digital native companies, such as Facebook, Whatsapp and Pinterest, create loyal followings in a remarkably short time period. The basis of collaborative consumption – the sharing economy – is built on transparency.

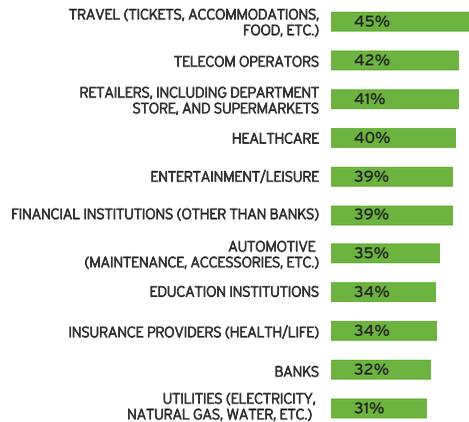
## The Trust Factor: Industries at Risk



How much do you trust these companies (whether or not you have used their products and/or services) to manage your personal information responsibly? (Percent of respondents who gave a rating of 8-10)



How likely are you to switch providers if trust is violated?



70%

are likely to use online as a primary way of conducting business with the new provider.

Response base: 2,404 consumers across APAC and Middle East.  
Source: Cognizant Center for the Future of Work  
Figure 1

## Show Me that You Know Me

To succeed in today's digital age, companies must shift from a data-collection mindset to a consumer-oriented, value-first approach. As consumers become increasingly savvy about how companies use their personal information, they demand tangible and immediate benefits in return – assuming, that is, that companies keep their personal information private and secure.

About 66% of respondents view their personal information as valuable, and 65% are willing to share it with companies in exchange for some form of value. This can even be a simple recognition of who they are as an individual rather than as a number in a customer relationship management system. Interestingly, another motivator for consumers to share their personal data is

better customer service, reported by almost 80% of respondents. Not surprisingly, the information that consumers are least willing to share is their banking and other financial information (17%) (see Figure 2).

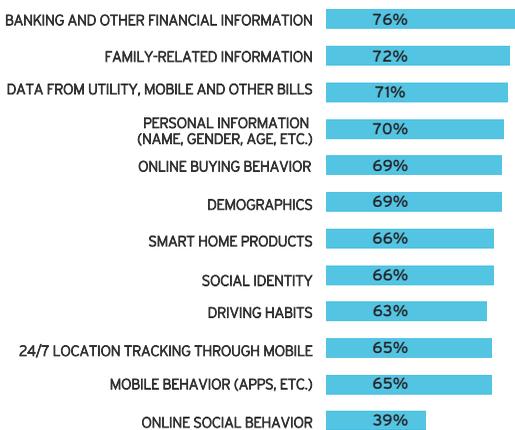
Negative feedback from family and friends will weaken consumers' trust; in fact, 65% of respondents called this a top factor for not sharing their personal data. Roughly 63% and 61%, respectively, told us that unethical business practices and a lack of transparency stop them from sharing data with companies. Some companies have done extremely well in making the trade-off worthwhile. For instance, Disney uses profiling data through its MagicBand™ bracelet to enhance the customer experience, and customers are willing to share their profiling and location data to gain convenience and a sense of privilege at Disney entertainment venues.<sup>8</sup>

## Applying a Consumer Lens to Trust Measurement



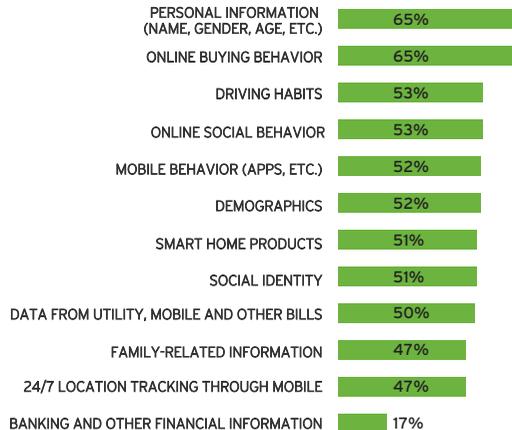
### Degree of Value

How valuable (in terms of money) do you think the following personal information is to companies/third parties?



### Willingness to Share

How willing are you to share this information with companies/third-parties if you will get benefits (discounts, personalized services, etc.) in return?



**46%** agree that the risk of sharing personal information is worth the personalized products/services or offers.

Response base: 2,404 consumers across APAC and Middle East.  
Source: Cognizant Center for the Future of Work  
Figure 2

## Act Now to Thrive in the Trust Economy

The biggest threat to companies today comes not from the competition but rather their own ability to win and keep consumer trust. The increasing importance of data has changed not only how companies deliver products and services but also how consumers make decisions. To build trust at every touchpoint throughout the customer journey, senior executives need to make sure their companies have the right leadership, culture, organizational design, operating model, skills, technology and processes. To win the value of trust in the new digital world, we recommend the following:

- **Ensure “gives” and “gets.”** Where there are manageable “gives” and positive “gets” for consumers, sharing information is a no-brainer. However, if the “get” factor is wrongly imposed (e.g., asking consumers to accept terms without explaining the ramifications), trust can be instantly and badly damaged. Therefore, clear and open communication regarding give-to-get trade-offs are the foundation for creating the needed transparency that makes it worthwhile for both the company and its customers.
- **Give customers a delete button.** Customers should have a complete 360-degree view of their information and full control over it. A good example is the Metadistretti e-monitor, which provides cardiac patients with control over how much data goes to whom, using a browser and an app.<sup>9</sup> Patients can set up networks of healthcare providers, family members, friends, fellow users and patients, and share their desired data with each.
- **Be quick to respond to failures.** In spite of the world-class technology infrastructure in place, history shows that organizations can’t promise customers that nothing bad will happen to their digital information. Winning organizations need to recognize, understand and proactively manage potential issues. For instance, after a recent cyber-attack, Vodafone was quick to notify customers and banks of the incident, which helped maintain consumer trust and confidence.<sup>10</sup>

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*This article is adapted from a report from the Cognizant Center for the Future of Work on how trust is reshaping business models across industries. It fully explores the ethical battlefield of digital business across a range of industries, and highlights the factors that determine how consumers think about trust, the economic value associated with it, the risks inherent in a “give-to-get” formula and recommendations on how to succeed in this new landscape. To learn more, please visit <http://www.futureofwork.com/>.*

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*Note: For more on the give-to-get equation, read our book Code Halos: How the Digital Lives of People, Things, and Organizations are Changing the Rules of Business, by Malcolm Frank, Paul Roehrig and Ben Pring, published by John Wiley & Sons. April 2014, <http://www.wiley.com/WileyCDA/WileyTitle/productCd-1118862074.html>.*

*Code Halo™ is a trademark of Cognizant Technology Solutions.*

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## Footnotes

- <sup>1</sup> Cognizant’s Center for the Future of Work surveyed 2,404 consumers in APAC and the Middle East in late 2015 and early 2016. Full results of the study will be presented in our upcoming report “Digital Consumer Trust 2.0.”
- <sup>2</sup> For more on Code Halos, please see our website, <https://www1.cognizant.com/code-halos>.
- <sup>3</sup> Jack Hershman, “Volvo Group CIO: Data and Trust as Currency in the Digital Age,” Hot Topics, <https://www.hottopics.ht/stories/consumer/volvo-groinup-cio-data-and-trust-in-the-digital-age/>.
- <sup>4</sup> Doug Drinkwater, “Does a Data Breach Really Affect Your Firm’s Reputation?” CSO, Jan. 7, 2016, <http://www.csoonline.com/article/3019283/data-breach/does-a-data-breach-really-affect-your-firm-s-reputation.html>.
- <sup>5</sup> Jeff John Roberts, “Twitter’s Transparency Report Is Scary, But Not Always Helpful,” *Fortune*, Aug. 12, 2015, <http://fortune.com/2015/08/12/transparency-reports/>.
- <sup>6</sup> Ivana Kottasova, “Volkswagen Stock Crashes 20% on Emissions Cheating Scandal,” *CNN Money*, Sept. 22, 2015, <http://money.cnn.com/2015/09/21/investing/vw-emissions-cheating-shares/>.
- <sup>7</sup> David Amerland, “The Cost of Losing Trust,” Medium.com, Oct. 15, 2015, <https://medium.com/@davidamerland/the-cost-of-losing-trust-97d764a1e696#.n0sclvwsa>.
- <sup>8</sup> Timothy Morey, Theodore Forbath, Allison Schoop, “Customer Data: Designing for Transparency and Trust,” *Harvard Business Review*, May 2015, <https://hbr.org/2015/05/customer-data-designing-for-transparency-and-trust>.
- <sup>9</sup> Ibid.
- <sup>10</sup> Dateme Tamuno, “Trust in the Digital Age: How Far Is Too Far?” *Customer Think*, Nov. 3, 2015, <http://customerthink.com/trust-in-the-digital-age-how-far-is-too-far-a-vodafone-and-talktalk-case-study/>.

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## Author

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