

The nature of trust,
how it is built and
its implications for
companies and
the economy.



Consumer Trust in Brands



A three-in-one report summarising
three significant studies into trust
and brands.

20th October 2015

Commissioned by national brand
associations in Europe and AIM,
the European Brands Association.





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*Maude Banvard, The Catch, Brockton Fair,
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Consumer Trust in Brands

The commissioning brand associations thank the authors of each of the three reports summarised here:

More Gain Solutions and IIHD

David Morgan
Dr Jörg Funder
Professor Shyda Valizade-Funder

Europanel

Dr Oliver Koll
Richard Herbert
Maria Kreuzer
Robert Wade

Europe Economics

Andrew Lilico
Stefano Ficco

The commissioning brand associations:

Europe:	AIM
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Spain:	Promarca
Sweden:	DLF
Switzerland:	Promarca
United Kingdom:	British Brands Group

Contact details for the authors and the brand associations are provided at the end of this report.

Foreword



Andrew McCarthy
Chairman, British Brands Group

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.

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.

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.

What you will find in this report

1 Drawing on over 800 published sources, consultancy More Gain Solutions and the Institute for International Trade and Distribution Management (IIHD) at the University of Applied Sciences in Worms set out to answer a number of questions: how is consumer trust won? How can consumer trust be sustained? What are the implications of consumer trust on FMCG companies, consumers and the wider economy?

In their report they define brand trust, identify its main drivers, explore existing research on how brand trust is sustained and indicate the impact of brand trust on consumer satisfaction, company health and overall economic prosperity.

2 Original research was commissioned from Europanel to look specifically at a number of categories, products and countries to understand better the nature of trust in relation to brands. Europanel used two sources of data for this research: consumer purchasing behaviour drawn from continuous household panels belonging to GfK and Kantar Worldpanel and consumer attitudes drawn from specially designed surveys.

This research approach set out to identify whether trust matters, who is trusted and what companies need to do to build and maintain trust.

3 To interpret the preceding two studies for the purposes of helping to inform public policy, Europe Economics was commissioned to review them to determine the extent to which they reinforce, advance or conflict with previous thinking on the economics of brands.

In its report *The role of consumer trust in the economics of brands*, the nature of consumer trust and how it is built by brands is further explored, but from an economics perspective. The value of consumer trust to companies is outlined before going into detail on the social value generated by brand trust, specifically in terms of contribution to competition, satisfying preferences, innovation, growth, jobs and trade.

This report presents executive summaries of three distinct and different studies. Links to the full reports are given at the end of each summary.

Desk Research Report

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.

Definition 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."

Definition 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

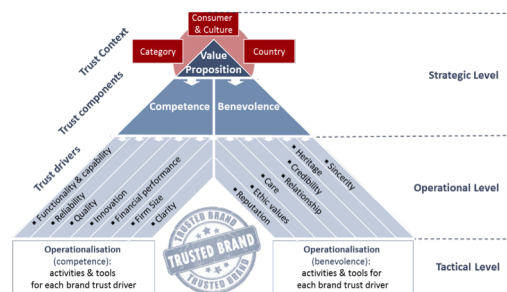
A brand trust model has been developed involving strategic, operational and tactical measures that underpin the value proposition of the brand. The model identifies two primary components of trust – Competence and Benevolence.

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 obligations to, the consumer. Competence is the ability to realise promises and tends to be task and issue specific (trust related to "transactions").

We define Benevolence as the brand/brand-owner having intentions and motives beneficial to consumers or factors that matter to them and that the brand adheres to a common set of principles that the consumer finds acceptable, e.g. credible communications, a strong sense of justice, ethics, consistency of past actions, and actions consistent with the brand's words (trust of an "emotional" nature).

At the operational level, the research has identified and distilled out seven drivers of trust under each of the strategic trust components. This is represented diagrammatically below and is discussed in greater detail in the full report.

Brand trust model:



Differences in cultural norms and values have not only been shown to impact consumer behaviour, but also the ways in which consumers develop trust.

At the apex of this model is the Value Proposition of the Brand. If this Value Proposition is not correctly or fully understood by people, then clearly efforts to drive trust will be misplaced and can represent wasted investment of resources.

Brand trust is context dependent. Consumer and category characteristics together with country factors impact not only the role of brand trust but also the relative importance of trust drivers. One of the most significant of these is consumer culture.

In order to analyse the cultural factors influencing consumer behaviour, understanding consumers' (people's) perception of risk and uncertainty are key.

Differences in cultural norms and values have not only been shown to impact consumer behaviour, but also the ways in which consumers develop trust and this has been found to differ substantially by culture. Our research suggests intrinsic linkages between these different cultural dimensions and brand trust activities.

We have used Hofstede's research on the characteristics of cultures to provide the basis of a framework to determine the right mix and priority of trust building across countries. In some cases this shows that substantially different approaches are needed. Hofstede distinguishes four dimensions that can be linked to brand trust importance and brand trust driver variations by country – these dimensions are power distance (PDI), individualism versus collectivism (IDV), masculinity versus femininity (MAS) and uncertainty avoidance (UDI).

Examples of applying these dimensions include that benevolence drivers are most important in France and Spain (low MAS values) and competence drivers (reflecting a brand's abilities) are most important in the UK, followed by Italy (high IDV values). Competence drivers (reflecting a brand's reliability) are most important in France, whereas Germany and the UK show the lowest values (PDI).

Key Tenets or Principles

The research and the above model give rise to the following two major, key tenets or principles that provide a high level and strategic guide to the approach appropriate to building and maintaining trust in the FMCG industry:

"Trust is an expectation and a requirement and cannot be developed as isolated, one to one (rather than ongoing) interactions with consumers by FMCG companies."

The key insights from the research that underpin this arise from the way in which consumers are better informed, connected and view themselves. Consumers wish to be respected and treated as "people" rather than the term "consumer" that implies that they are a target for the extraction of value or gain and perhaps it time for a change of terminology. People as a collective have unprecedented power to evaluate the competence and benevolence associated with a brand and its owner.

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 “interconnectedness” (e.g. via social media and review sites) means that consumers (people) can be, want to be and need to be a part of brand trust building and that there are an increasing number of people who seek to be seen as respected advocates.

“Brand trust strategies are key for all FMCG companies and may require a future shift in investment away from promotions & traditional advertising.”

Key insights from the research indicate that trust building and protecting will require brands to adjust which activities and measures they focus upon that are sensitive to factors specific to country, culture and level of category involvement. Benevolence trust drivers increase brand equity (intangible assets) which in turn drives brand and company value but it is vital to recognise that approaches to building trust through benevolence drivers must be sensitive to the factors that are specific to country/cultural differences.

Additionally, our research shows that people have increased expectations of their Government to protect them but have low and declining trust so are turning to NGOs and each other to substantiate brand trust.

Most significantly though, the absence of any transactional trust cannot be overcome by any initiatives. Functionality is the most basic quality and must be present at a minimum level or the consumer will not buy!

Other Significant Principles

Strong brand dedication increases brand trust and our research shows that a company’s consistent dedication to a specific brand attitude (such as ethical

sourcing and fair-trade) or product characteristics (such as organic ingredients and superior quality) is positively related to brand strength.

Reputation therefore can be understood to be the sum of a brand’s perception of past and potentially future behaviour. As a result, it is from a variety of individual experiences that consumers have had with a brand that allows them to anticipate that brand’s behaviour and whether it will meet their needs.

The stronger the relationship with consumers, the more consumers will trust the brand. This includes brands that are perceived as ‘caring’ which will have higher brand trust scores than non-caring brands. The higher the similarity of a brand’s values to those of the individual consumer, the higher that consumer’s trust in that brand. This especially includes consumer perception about the sincerity of a brand’s actions that correlate to values that he/she sees as important. Brand trust will increase when consumers evaluate the actions and communication of the brand as credible.

For companies, brand trust is a relational asset or a resource, as it enables brands to build sustainable competitive advantages when being valuable (positive trust score), rare (unequally distributed among competitors), not substitutable (e.g. by price or convenience) and part of a compelling brand strategy that leverages the brand’s value proposition (organised).

[Brands & Consumer Trust Study: Desk research Report](#)

Please click the link above to download the full report.

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.

Europanel Report

Brands & Consumer Trust

This report comprises original research into brands and consumer trust and is based on two sources of data:

- consumer purchasing behaviour using continuous household panels belonging to GfK and Kantar Worldpanel;
- consumer attitudes obtained from specific surveys.

The focus of the study is on nine European countries: Denmark, France, Germany, Italy, Netherlands, Norway, Spain, Sweden and the UK. The consumer surveys were conducted in these nine countries in January 2015 and the results linked to current and historical household panel data in the nine countries plus another seven countries in the behavioural dataset.

The objectives of this stage are to identify:

- if trust matters;
- who is trusted?
- how to drive and maintain trust?

Does Trust Matter?

From consumer buying behaviour, the key driver of brand share size and growth is getting more category buyers (penetration). It is not due to how often a brand is bought or how loyal its buyers are. So, how is trust linked to this?

Taking the results of the consumer survey which focused on the top three share brands in 30 categories per country, brands were split into three equally-sized groups in each country – the most trusted (Tier 1), the middle group (Tier 2) and the least trusted (Tier 3). Please keep in mind that even the Tier 3 brands are likely to enjoy comparably high levels of trust (as indicated by their market position), but are the least

trusted tier within our sampled brands. Comparing these groups with each other showed that the most trusted (Tier 1) brands are:

- bigger: twice as many category buyers as the Tier 3 brands;
- growing: one percentage point of share gained per year over the last four years compared with share reductions for Tier 2 and 3 brands;
- gain advocacy: 1 in 3 consumers would recommend the most trusted brands to others, twice as much recommendation as for the Tier 3 brands;
- less price sensitive: 1 in 6 consumers are prepared to pay a higher price for these brands than for other brands, more than twice the level compared with the Tier 3 brands;
- not cheap or too pricey: the price level for the Tier 1 brands is the same as for the Tier 3 ones but they are much less likely to be cheap or super-premium;

Conclusion: trust matters!

Who is Trusted?

Naturally there are brands and sectors that exhibit higher trust levels than others:

- food: we have more trust in what we eat than in what we give to our pets. The most trusted brands are much more likely to be Food brands than other types of category whilst Petfood brands are much less likely to have high levels of consumer trust;
- big brands: the most trusted brands have twice as many category buyers as the less trusted brands in Tier 3;
- pan-European brands: brands which are ranked in the top 3 in more than three markets surveyed are much more likely to be in the top trusted tier than brands which are only sold in one country; presence in many markets could create trust, but it could also be that the trust they have earned makes them attractive for consumers in many markets;

However, trust in brands:

- differs: few brands are universally trusted and

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?

As described in the ‘who is trusted’ section above, the recipe will depend on context – who you are, where you are and your starting point but possible avenues to drive trust include:

- driving quality reputation: the perception of being a brand with consistently good quality is one of the strongest drivers of brand trust;
- being loud: a perception of being active with respect to advertising and social media (especially in Foods) is linked to more trust;
- re-inventing yourself: driving more and better innovation is confirmed as a major factor to increase consumer trust – both in terms of innovation perception as well as actual innovation activity.

Developing an outstanding reputation based on consistent quality and being perceived as prestigious is the strongest driver although this may take time and may not work for every brand (given its price positioning). As an example of its potential, if improved reputation moved trust from a score of 4.7 to 5.0, this would bring 6.5% more buyers and increase share by 4.4%. Slightly lower share improvements could be delivered from being loud and from innovation. Overall, trust delivers a significant ‘size of the prize’.

[Brands & Consumer Trust: Europanel Report](#)

Please click the link above to download the full report.

Developing an outstanding reputation based on consistent quality and being perceived as prestigious is the strongest driver ...

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.

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.

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.

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.

The Role of Consumer Trust in the Economics of Brands

Consumers will believe that brands are more trustworthy if the firms behind them have a greater stake in maintaining them.

This report from Europe Economics investigates the role of consumer trust in the economics of brands and considers how the findings of the two other reports, from IHHD and Europanel, reinforce, advance or conflict with previous thinking in economics on these issues.

In economics terms, consumer trust consists, in some combination, of a belief in and ability to rely upon products acting in predictable ways – ideally functioning as they claim – and a belief that those associated with a brand have goals and/or values that are aligned with the consumer's. Central to trust is the concept of "credibility" – i.e. the idea that those that make (explicit or implicit) promises will keep their word, even if others are not watching and it is inconvenient to do so.

Consumer trust is developed through:

- consumers perceiving a gap between how things are and how they could have been, meaning that consumers grasp that trust may be needed:
- consumers may not see the issue of trust arising (and hence no need for them to trust) if they do not believe that the nature or quality of products might vary or that there could be scope and ability to innovate.

- consumers obtaining information about how things are with the brand and its associated products. Consumers obtain information about brands from a range of sources. The most important ones are:
 - the imagery on the product itself;
 - marketing and advertising;
 - consumer experience of the product itself;
 - consumer interaction with the producer (e.g. manufacturer) or supplier (e.g. retailer) of the product, including filling in consumer satisfaction questionnaires, using the company's website or seeking to make a complaint;
 - consumer dissemination (e.g. by word of mouth, social media or reviews in consumer publications such as Which?);
 - the producer's more public relations – e.g. any discussions in the media, positive or negative, of the firm or its employees (not necessarily restricted to the product in question).
- what the sources of information say about the brand and how consumers weight or interpret the information they obtain. Brands convey information to consumers in a number of important dimensions, including in particular:
 - what the brand's products do or are – their abilities and functionality;
 - how consistent and reliable the brand's producers and suppliers are in getting products to consumers that either do what is intended or at least fail only with predictable regularity in predictable ways;
 - how aligned the brand's broader objectives are with the consumer's.

Consumers will believe that brands are more trustworthy if the firms behind them have a greater stake in maintaining them. For example, brands that trade strongly upon and gain high sales and profits from a reputation for reliability may suffer if they let one consumer down, so may be more trusted. Indeed, even simple scale can be important – a brand that is widely used and is profitable is likely to be valued and protected by its owners, and so consumers may trust

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.

... 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.

... if developing trust in brands (without new innovation) allowed branded products to address more (or to better address) market failures over time, brands could contribute to growth even without innovation.

- 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 be particularly risky in respect of FMCG products. According to some estimates, between 80 and 90% of new FMCG product introductions fail, especially in saturated but highly innovative product categories (e.g. toiletries or cosmetics). Because it is so risky introducing a new product in these sectors, the right brands can greatly facilitate consumer take-up – a firm

that has established consumer trust with existing products and for which a brand reputation can be extended credibly to new products will find take-up of new products easier.

- particularly by encouraging and supporting innovation, consumer trust advances economic growth in general:
 - we present a new model of the impact of brands upon economic growth, finding that from 2009–2011, more rapid growth in brand-intensive sectors added around 1% to annual GDP growth;
 - we believe that most of this faster growth will be the result of innovation. However, consumer trust in brands could in principle also be associated with GDP growth in ways additional to innovation. For example, if developing trust in brands (without new innovation) allowed branded products to address more (or to better address) market failures over time, brands could contribute to growth even without innovation. Again, if developing trust in brands tended to mean the signals provided by branding were ever-more reliable, consumer search costs would fall continuously as consumer trust rose.
- it creates jobs developing and maintaining brands. Around one fifth of all EU employees work in brand-intensive sectors;
- it facilitates exports, as firms are able to duplicate some of the effects of local social networks on an international stage and scale. Strong brands may even enhance the brand of the country in general. Some 76% of exports and imports come from trade mark-intensive (i.e. brand-intensive) sectors.

Overall, the IHD study fits broadly with the economic theory on trust and brands while the Europanel report provides fresh evidence developing that theory. Consumer trust in brands is valuable to consumers, important to companies and creates significant social value.

[The Role of Consumer Trust in the Economics of Brands](#)

Please click the link above to download the full report

More Gain Solutions

Annie's Cottage,
Padgetts Road,
Christchurch,
Cambridgeshire
PE14 9PL
UK
david.morgan@more-gain.com

IIHD

Gebäude 6321,
Hauptstrasse 17-19,
D-55120 Mainz,
Germany
www.iihd.de

Europanel

Westgate,
Hanger Lane,
London,
W5 1UA
UK
www.kantarworldpanel.com

Europe Economics

Chancery House,
53-64 Chancery Lane,
London,
WC2A 1QU
UK
www.europe-economics.com

European brands association

AIM

Avenue des Gaulois 9, B-1040 Brussels, Belgium
+32 2 736 0305
brand@aim.be | www.aim.be

National brand associations in Europe

Markenartikelverband (Austria)

Am Heumarkt 12, A-1030, Wien
+43 1 713 32 88
office@mav.at | www.mav.at

BABM (Belgilux)

9 Avenue des Gaulois, 1040, Brussels
+32 2 737 71 06
babm@babm.be | www.babm.be

CSZV (Czech Republic)

Tesnov 5, 110 01, Praha 1
+420 222 316 606
cszv@cszv.cz | www.cszv.cz

DLF (Denmark)

Dansk Dagligvareleverandør Forening Nørre Voldgade
48, 4 sal, 1358, Copenhagen K
+45 33 13 92 92
nj@dagligvareleverandorerne.dk | www.dansk-dlf.dk

ETL (Finland)

Pasilankatu 2, PO Box 115, 00241, Helsinki
+358 9 148 871
info@etl.fi

ILEC (France)

Avenue Victor Hugel, 71, 75116, Paris
+33 1 45 00 00 37
ilec@ilec.asso.fr | www.ilec.asso.fr

Prodimarques (France)
Avenue Victor Hüge, 71, 75116, Paris
www.prodimarques.com

Markenverband (Germany)
Unter den Linden 42, 10117, Berlin
+49 30 206 168 30
europa@markenverband.eu
www.markenverband.de

ESVEP (Greece)
6 Efessou str. 171 21, Nea Smirni, Athens
+30 21 9329 650
info@esvep.gr | www.esvep.gr

BGA (Hungary)
Alig u. 14, 1132, Budapest
+36 1 320 90 94
brand@brand.hu | www.brand.hu

IBEC (Ireland)
Confederation House,
84-86 Lower Baggot Street, Dublin 2
+353 1 6051621
info@ibec.ie | www.ibec.ie

Centromarca (Italy)
Via Serbelloni 5, 20122 Milano
+39 2 777 21 31
infocenter@centromarca.it
www.centromarca.it

FNLI (Netherlands)
Schenkkade 50, 2595 AR, Den Haag
+31 7 336 51 50
info@fnli.nl | www.fnli.nl

DLF (Norway)
Grensen 9, 0159, Oslo
+47 95 75 43 32
helge.hasselgard@dlf.no | www.dlf.no

Centromarca (Portugal)
Av da República nº62 F5º piso, 1050, Lisbon 197
+351 21 7808061
centromarca@centromarca.pt
www.centromarca.pt

Rusbrand (Russia)
15/18 Solyanka Street, bld.4, 2nd floor,
office 201-2, 109028, Moscow
+7 495 730 77 53
info@rusbrand.com | www.rusbrand.com

SZZV (Slovakia)
Metodova 7, Bratislava 2, 821 08
+386 421 692 005971
szzv@szzv.sk | www.szzv.sk

Promarca (Spain)
Prof. Waskman 10,
4º Izq.Escalera Dcha. 2 - 2º Dcha,
28039, Madrid 349
+34 619 282929
promarca@promarca-spain.com
www.promarca-spain.com

DLF (Sweden)
PO Box 585, 11411, Stockholm
+46 8 588 845 01
jorgen.friman@dlf.se | www.dlf.se

Promarca (Switzerland)
Bahnhofplatz 1, 3011, Bern
+41 31 310 54 54
info@promarca.ch | www.promarca.ch

British Brands Group (United Kingdom)
100 Victoria Embankment, London EC4Y 0DH
+44 1730 821212
jn@britishbrandsgroup.org.uk
www.britishbrandsgroup.org.uk



100 Victoria Embankment, London EC4Y 0DH
01730 821212 | jn@britishbrandsgroup.org.uk | www.britishbrandsgroup.org.uk