



Building Trust Capital

Executive Summary

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Building Trust Capital: the new business imperative in the Kinship Economy

- Since 2011, IHG has conducted several large-scale, global studies analysing needs, attitudes, values and desires that travellers have and/or want in their relationships with hotels.
- In 2013, the IHG Trends Report concentrates on the evolution from transactions to relationships in a world we called The Kinship Economy.
- In 2014, the IHG Trends Report considers the importance of Moments of Trust because of the collision of three forces: globalisation, localisation and personalisation. Winning brands are

those that manage in the intersection of these three forces: we call them 3D brands. In the Kinship Economy, truth is not enough. Trust is critical.

- This 2015 Trends Report builds on the two previous IHG reports. The global-local-personal world is quickly evolving from transactions to relationships. These changes have come together putting a focus on what we call Trust Capital. Generating and increasing Trust Capital is at the heart of maximising sustainable growth.
- Many companies focus on the 3Cs of Capital, Financial Capital, Intellectual Capital and Human Capital. Now, we must add a fourth C, Trust Capital.

Trust Capital creates value for the organisation and helps protect the business when there is a credibility issue or a crisis. Trust Capital takes time to build but can be destroyed very quickly. CEOs must think of themselves as the organisation's 'Chief Trust Officer'.

- Consumers have evolved their definition of brand value. This new perception of brand value is a brand-building necessity.
- Consumer-perceived brand value has three important components. First, the consumer has a new, more complex value equation in their mind as they evaluate brands. Second, trust is at the core of any brand relationship. Third,



building brand value puts deposits into the company's 'trust bank'.

- This Report provides some important insights into our changing world. It discusses a definition of Trust Capital and how this affects brand decisions. And, this report presents the 'IHG Blueprint for building Trust Capital.'
- The basis of this Report is IHG global research: three related studies beginning in 2011. The three studies interviewed 39,500 travellers in nine countries: UK, USA, Germany, China, Australia, Russia, India, Brazil and the UAE. It also includes observations based on syntheses of third-party research.

The rise of personalisation

- Personalisation is becoming more and more critical in connecting with consumers. However, personalisation leads to more choice options. This, in turn, leads to more complexity, and, complexity increases uncertainty in decision-making. Along with the desire for more choices, consumers are seeking ways in which their lives can be simplified. Trust matters. Trust reduces uncertainty and makes decision-making easier.
- There is a difference between customisation and personalisation. After in-depth mining of our databases, we see that *customisation* refers to

product and service features and to transactions. *Personalisation* is focused on creating individualised brand relationships.

The changing demographic world

- The marketing world is getting older and younger all at the same time but not in all the same places. The demographic picture is like a two-humped camel: a large group of Boomers, those born between 1946 and 1964, and a large group of Millennials, those born between 1982 and 2000. Adding to this dichotomy is the fact that people are living longer. These two different groups of people have very different mind-sets, world-views,

different desires when travelling, and different approaches to brands and trust.

- The big opportunity for brands and organisations is strategically managing both of these demographic groups, Millennials and Boomers, *at the same time*. This is incredibly important for brands such as airlines, hotels, restaurants, and financial institutions, for example, where both demographic groups may be in the same place together.
- Two other demographic issues are also surfacing. First, the importance of localisation continues to highlight the unique cultural differences that affect our brands. In many cases, personal values change relative to the geography: especially looking at emerging markets relative to developed markets. Second, there is the changing nature of the family. The Kinship Economy now has two kinds of kinship: kin, those who are our true family (blood relatives, spouses, partners, adopted children, extended and generational family), and kindred spirits, those who exist in the online and virtual communities.

New definition of consumer-perceived brand value

- Creation of value is at the heart of building Trust Capital. But the consumer's definition of brand value has evolved. Sixty years ago, some would argue that low price was the definition of brand value. Over the decades, brand value has become multi-dimensional.
- Today, the dimensions of brand value are the functional, emotional and social benefits the consumer derives from the brand experience for the associated costs (money, time, effort). Cost is more than low price.
- Trust acts as a multiplier in this consumer assessment of value. Trust has a positive or negative effect on the consumer's internal appraisal of what they are getting for the costs they put in. If trust in a brand is high, the perceived value is increased; if low, the perceived value is decreased. If there is no trust, then it does not matter what the benefits are for the costs.
- Social responsibility helps to build Trust Capital. The integrity of the brand's or the organisation's actions can increase or can decrease trust. When consumers are sceptical of social responsibility efforts, trust declines. But, trust builds when brands and organisations live up to their responsibility promises with concrete, relevant, credible actions.

'One-think decision-making'

- Although people desire choice, too much choice increases uncertainty, decreases speed of decision-making and requires more physical and mental effort. Consumers want more choices and they want the choice decision to be easier.
- The consumer's new definition of brand value makes decision-making easier. Ease has three dimensions: ease of use, ease of choice and ease of mind. This enables what IHG calls 'one-think decision-making'.



The IHG Blueprint for generating Trust Capital

1. Adopt a Trust Agenda within the organisation, led by the CEO, or 'Chief Trust Officer'.

Build a strong corporate brand with leadership, credibility, integrity and responsibility at the heart of its organisational values and behaviours. Align the organisational mind-set to focus around the consumer and the way in which the consumer evaluates brand value.

2. Recognise that trust is not the same as reputation – both are equally important and should be treated so.

Reputation is the backward-facing evaluation of past experiences with a company or brand. Trust is the forward-facing evaluation of consumer expectations of future experiences.

3. Focus on personalisation, but know your limits.

Trust plays an important role in personalisation. The more a consumer trusts a brand, the more the consumer will share, and then the more personal a brand can be. Differentiate between customisation and personalisation. But know the boundaries between personalisation and prying.



4. Acknowledge that every consumer is value conscious and that consumers determine value, not companies.

Value as perceived by consumers is what matters. All consumers want to think of their purchase of a product or service as a good, fair value. Best value is more than merely low price.

5. Focus on the consumer's new way of assessing brand value.

Take into account all aspects of the consumer's new mental map for brand value when creating strategies and campaigns. This means looking at all the costs (money, time, effort) relative to the received brand experience (functional, emotional, social benefits). And, know what trust, or the lack of trust, is doing for your brand.

6. Focus on building value through 'one-think decision-making'.

Building brand value that consumers trust facilitates 'one-think decision-making' because the consumer does not have to think twice about the brand choice. Technology has created a world where ease has three dimensions: easy to choose, easy to use and easy on my mind. Companies must understand and focus on the 'Three Dimensions of Ease'.

7. Distinguish repeat behaviour from real brand loyalty.

Generating transactions based on deals is not as brand-positive as efforts focused on building real brand loyalty.



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