"TRUST ME...

HOW CONSUMER TRUST AFFECTS PERFORMANCE – DOES INNOVATION MATTER?

OXFORD TRENDS IN RETAIL COMPETITION| 22.05.15

RICHARD HERBERT & OLIVER KOLL

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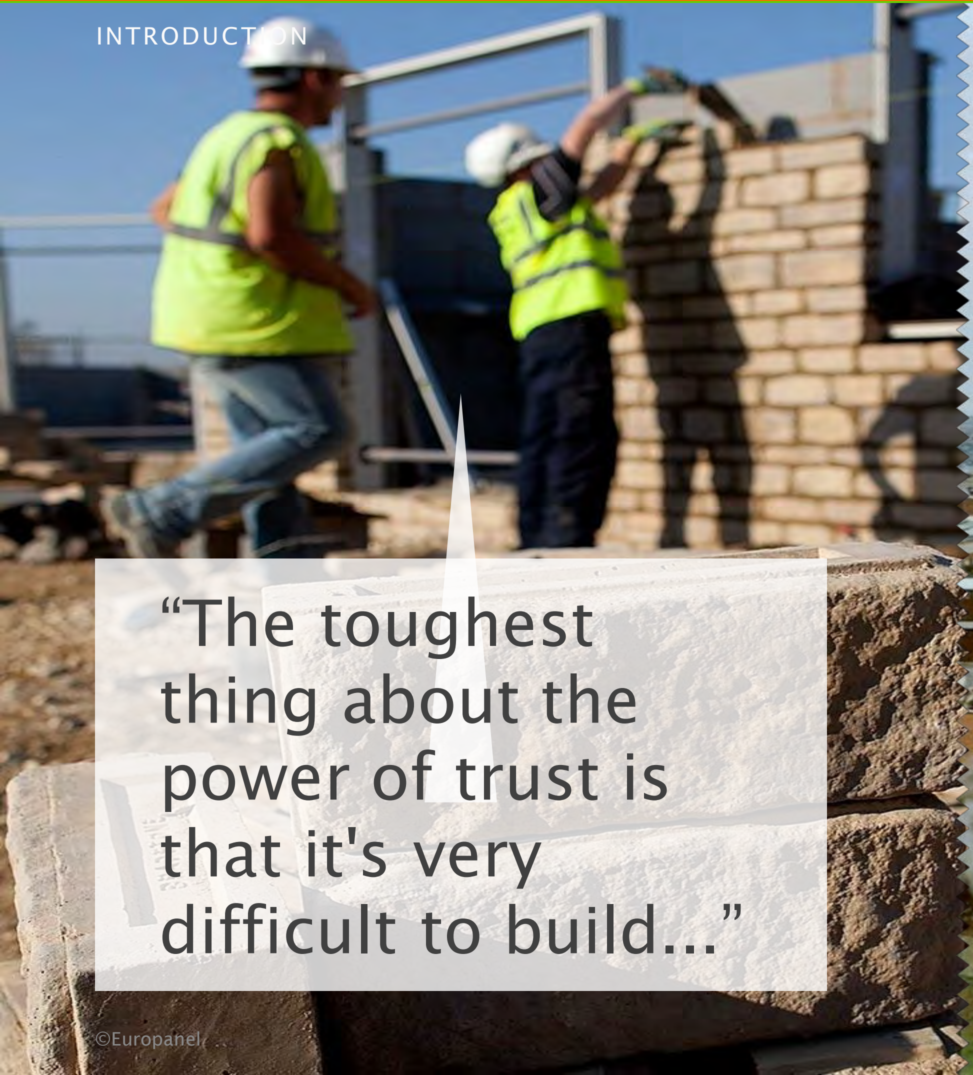

"The toughest thing about the power of trust is that it's very difficult to build..."

...and very easy to destroy"

Thomas Watson, Former IBM Chairman

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SO WHAT?

Does it matter to brands whether consumers trust them or not?

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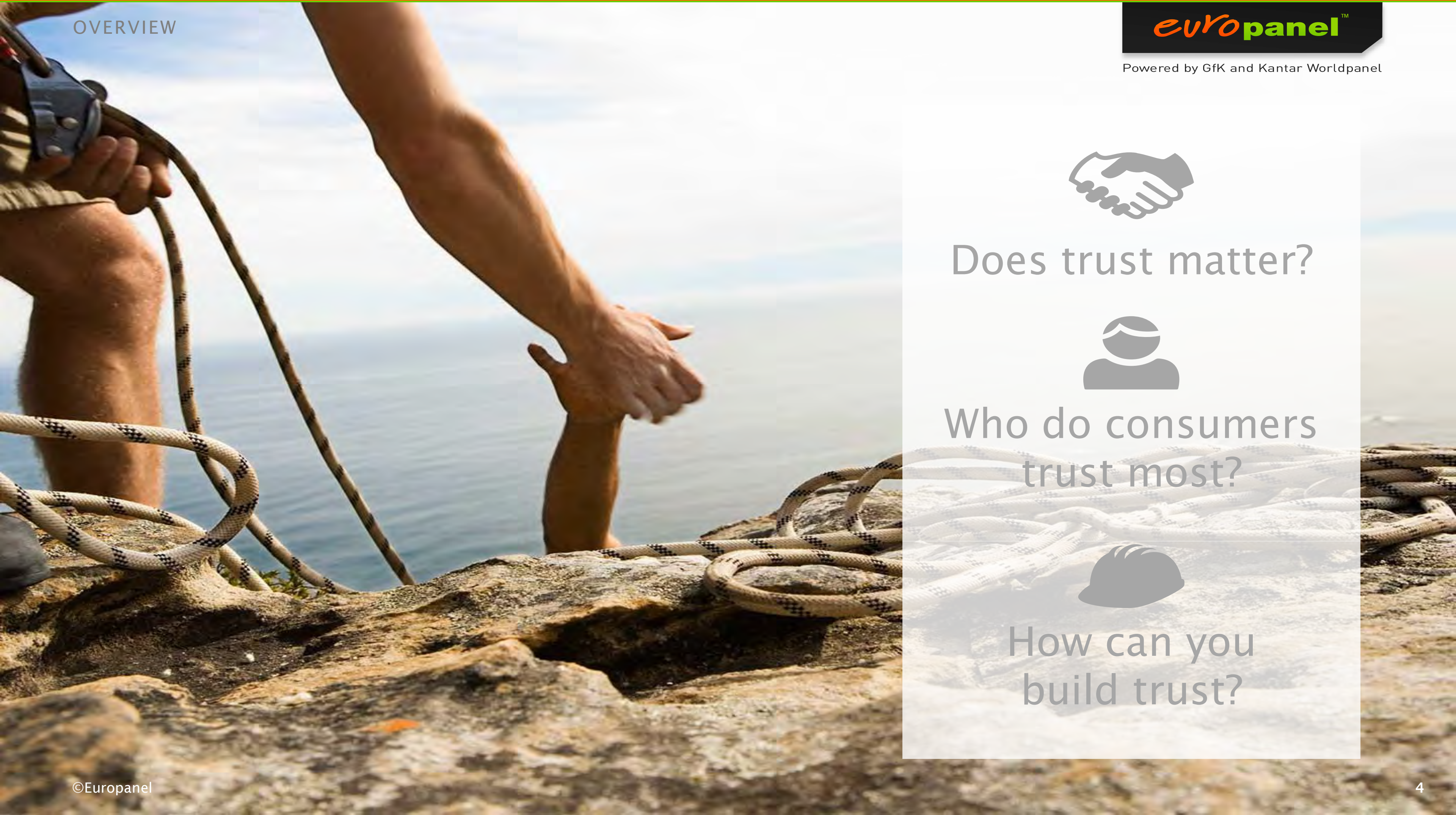

Does trust matter?

Who do consumers trust most?

How can you build trust?

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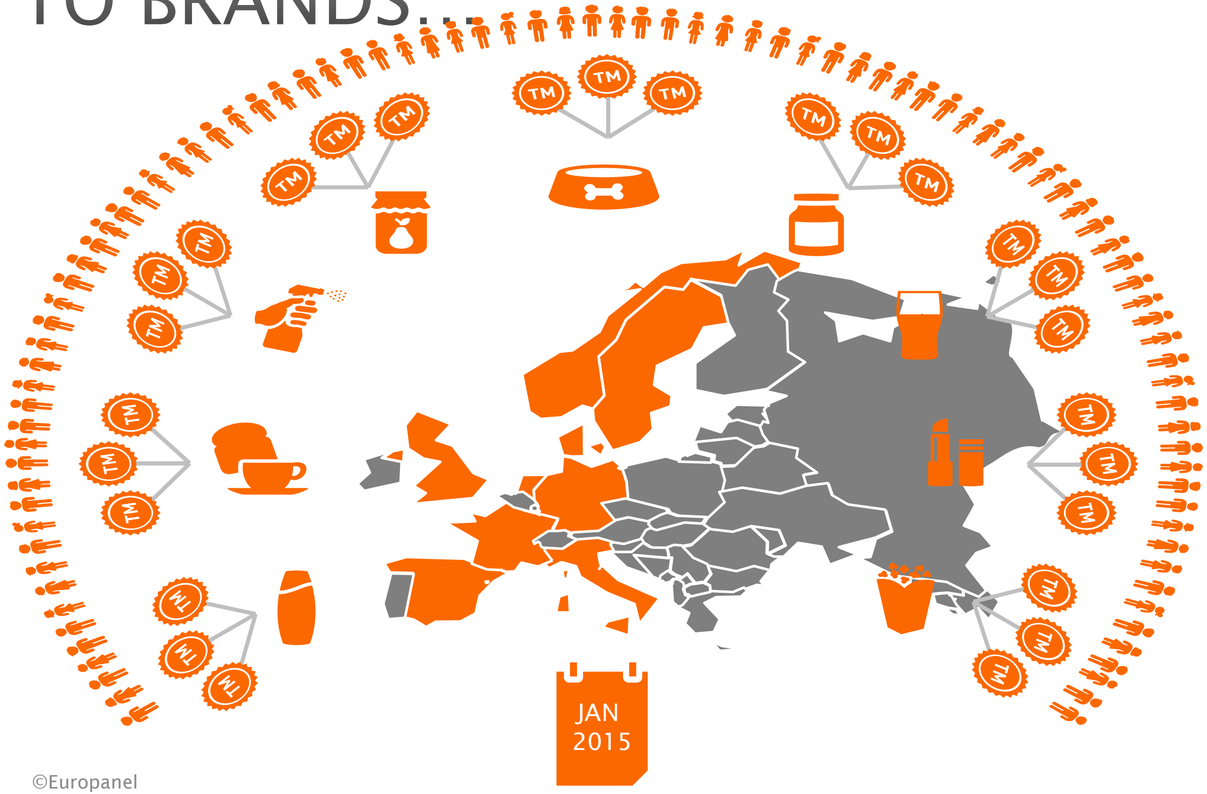
EXPLORING CONSUMER ATTITUDES TO BRANDS...



- 9 COUNTRIES
- 30 CATEGORIES
- 757 BRANDS
  *TOP 3 BY VOL. SHARE
- 13,900 CONSUMERS
- JAN 2015

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.... AND LINKING TO THEIR ACTUAL PURCHASING BEHAVIOUR

- 16 COUNTRIES
- 79 CATEGORIES
- >10 000 BRANDS
- 4 YEARS

WE KNOW THAT BRANDS GROW BY ATTRACTING BUYERS

 | Source: BG20 8081 top 10 category brands in 79 categories in 16 countries. Total FMCG.

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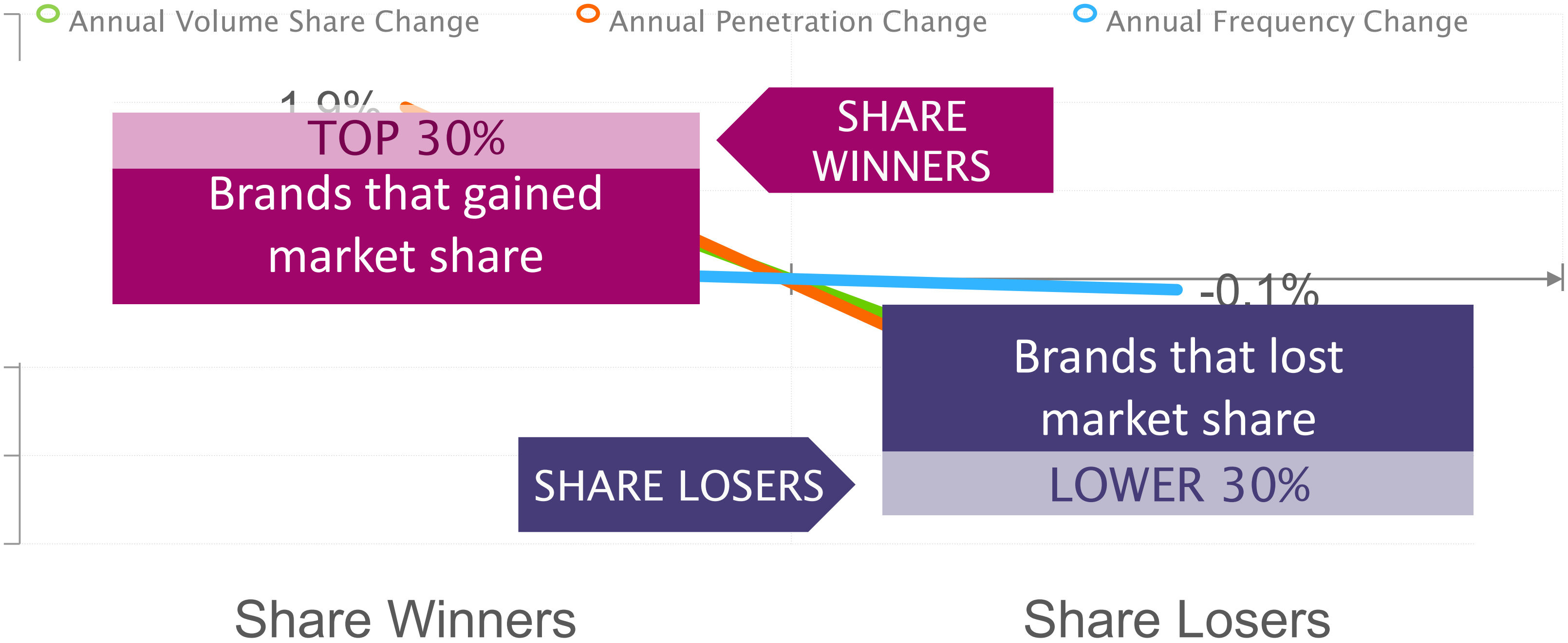

 | Source: Based on absolute change per year for 8081 top 10 category brands in 79 categories in 16 countries. Total FMCG.

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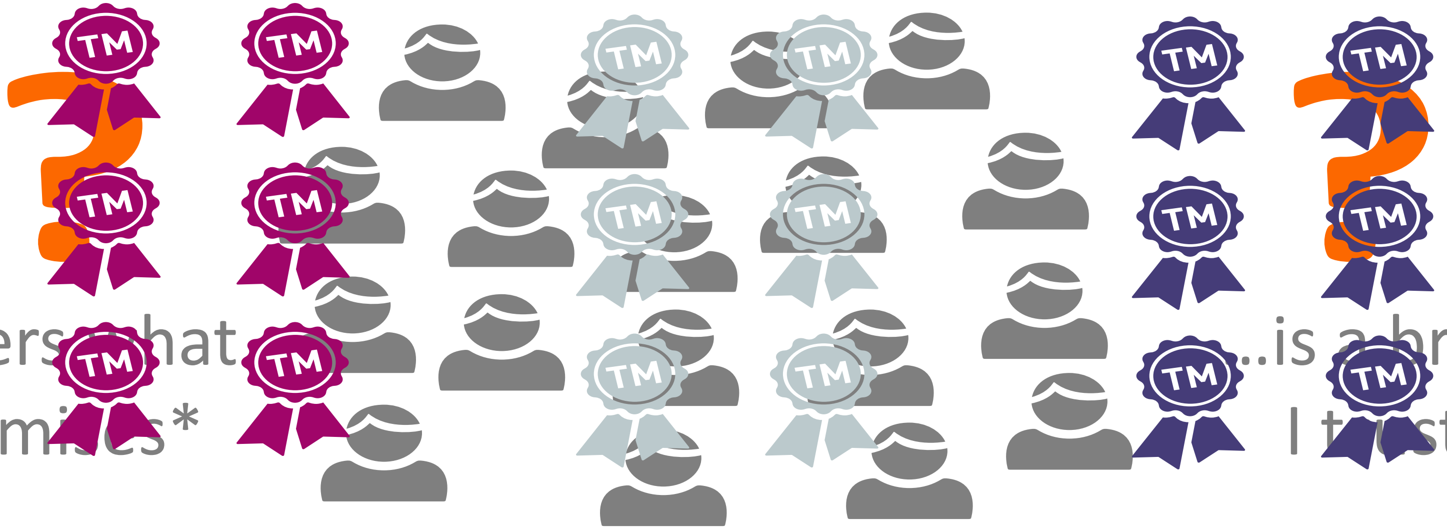
WE ASKED CONSUMERS THE EXTENT TO WHICH EACH BRAND …

Then segmented brands into 3 groups according to their trust score**

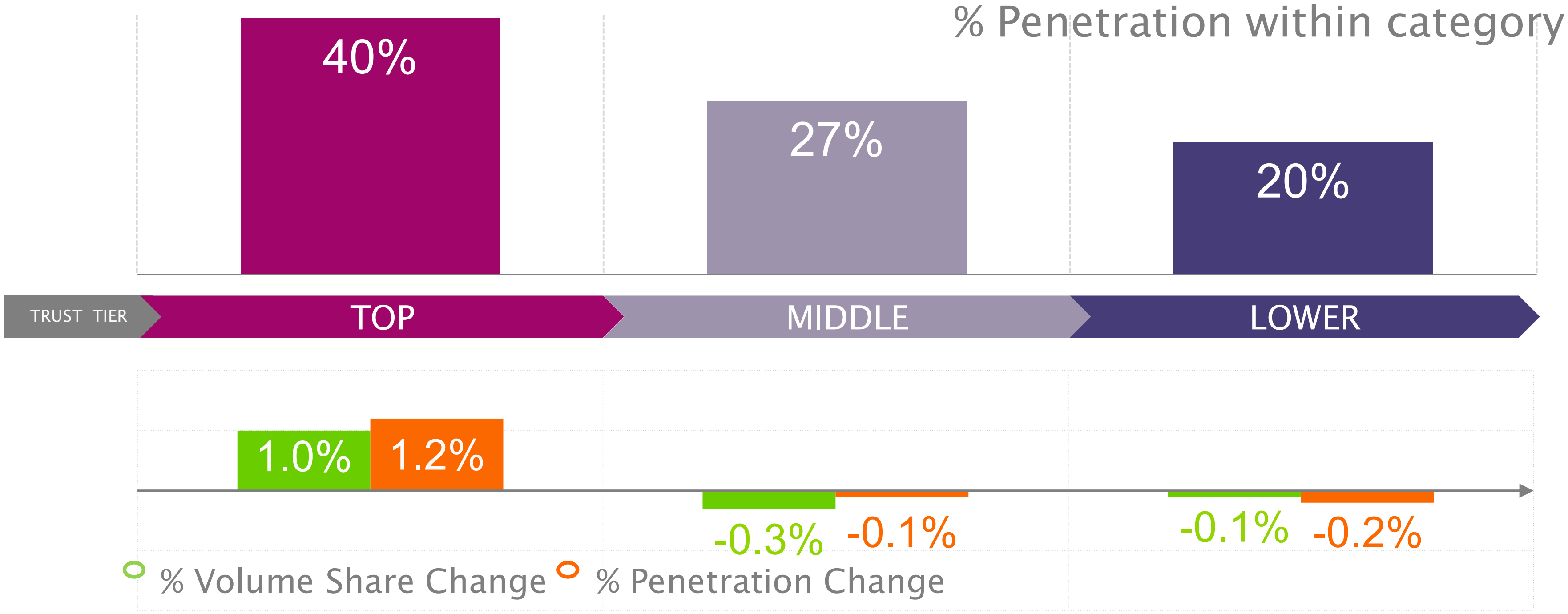


…delivers what it promises*

…is a brand I trust *

TRUST TIER: TOP | MIDDLE | LOWER

HIGHER TRUST CORRELATES WITH MORE BUYERS AND GROWTH



©Europanel I Tiers are defined at country level – contain the top, middle and lower third of brands based on average trust score (7 point scale where 7 = max). Brands included are top 3 in each country therefore comparison not implying best vs worst trusted brands but high performers relative to their peers within study scope

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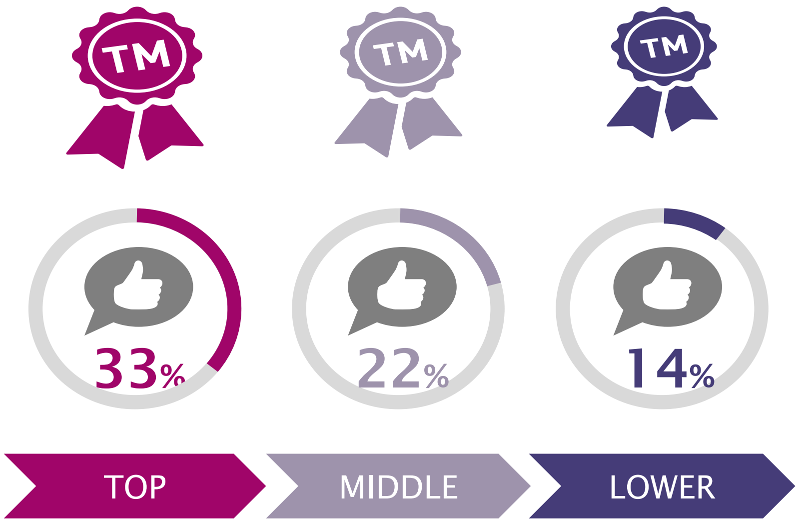
TRUST GENERATES HIGHER WILLINGNESS TO RECOMMEND



1 in 3 consumers will recommend top trusted brands to others

Only 1 in 7 for lower tier ones

% Agree willing to recommend (T2B*)

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TRUST ALSO JUSTIFIES A HIGHER PRICE

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TRUST MATTERS!

MORE TRUST
MORE BUYERS

- Attracting buyers & building trust – a virtuous circle
- Grow faster
- Fosters advocacy
- Engenders higher willingness to pay
- Not hindered by price point

£££

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THERE ARE FEW UNIVERSALLY TRUSTED BRANDS

The same brand in the same category can be in the top and bottom tier in different countries.

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NUTELLA IS AN EXCEPTION TO THE RULE

In 2/3rds of countries, Nutella features in the top 3 most trusted brands

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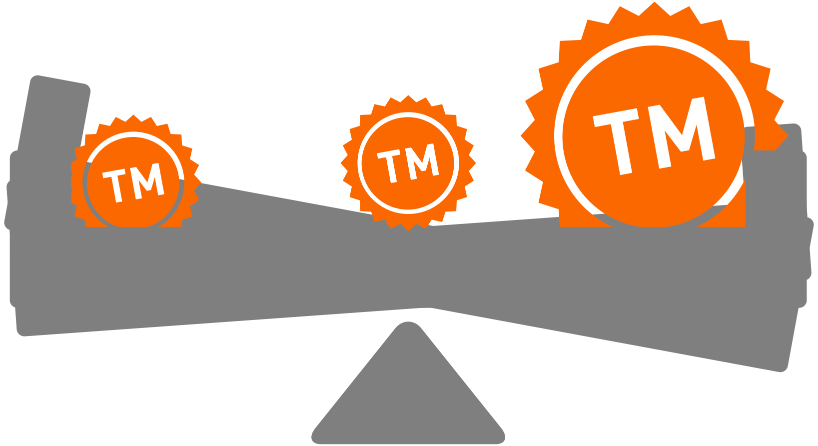
BIGGER BRANDS TEND TO BE MORE TRUSTED



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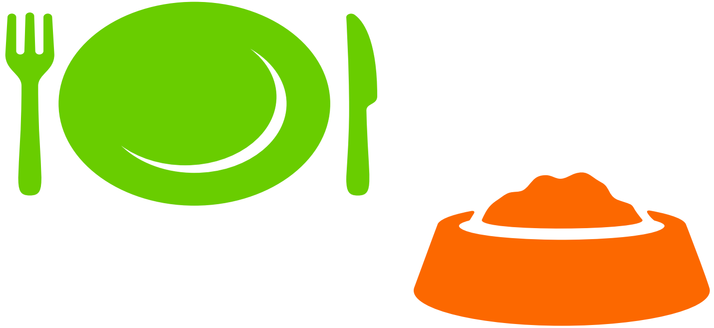
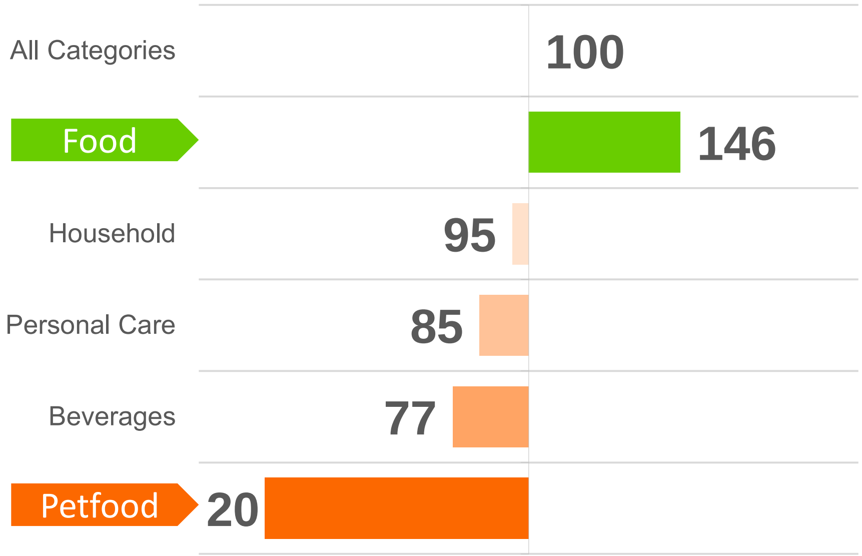
WE HAVE MORE TRUST IN WHAT WE EAT THAN WHAT WE FEED TO OUR PETS





The more intimate the relationship with the category and the higher the level of perceived risk, the more we need to trust it

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TRUSTED BRANDS ARE:

- More often food brands
- Not too expensive and not too cheap
- Usually larger brands
- Not country or category dependent … who, not what or where you are

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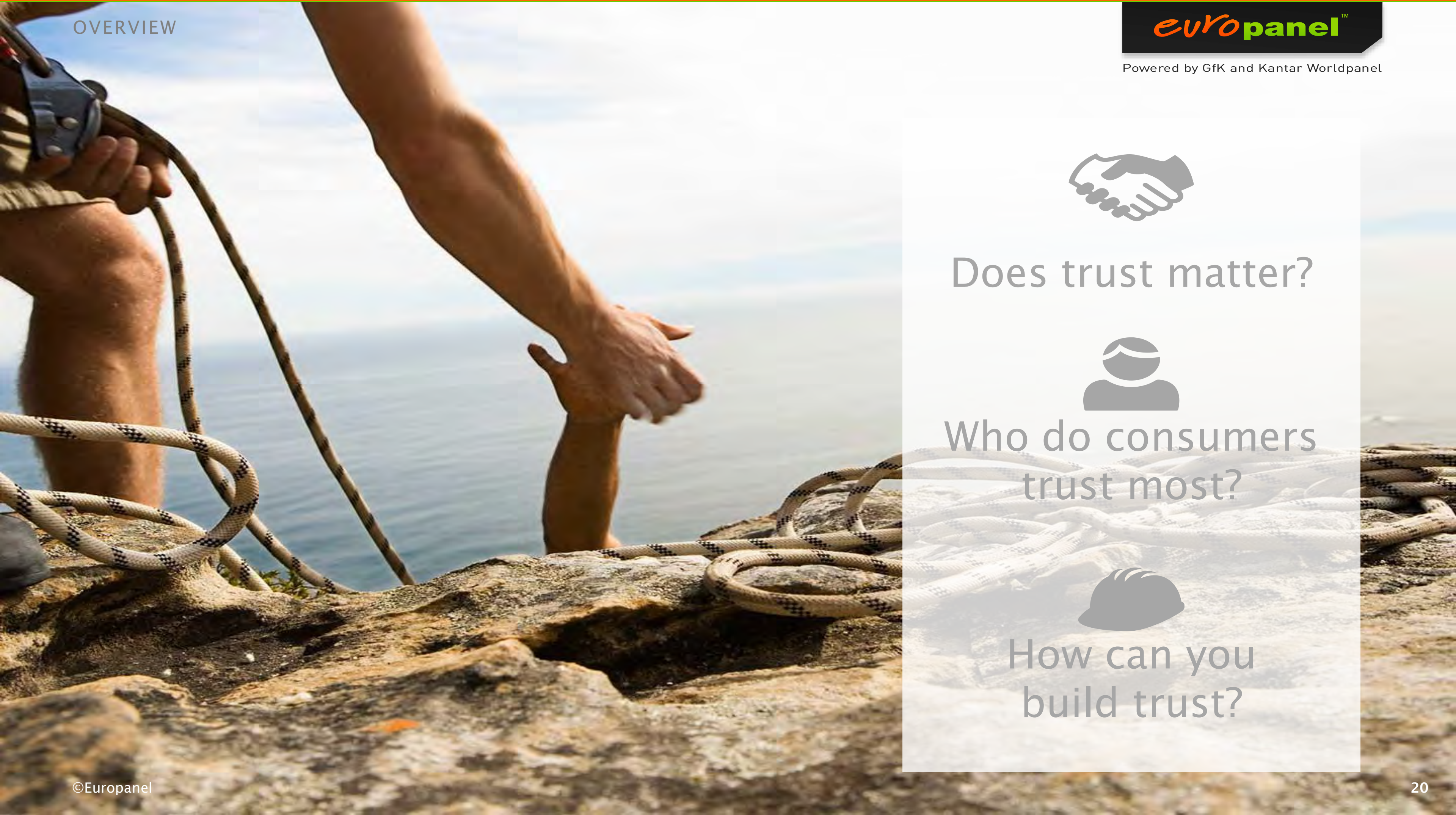

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SO HOW CAN YOU FOSTER TRUST? 4 SETS OF DRIVERS EXPLORED

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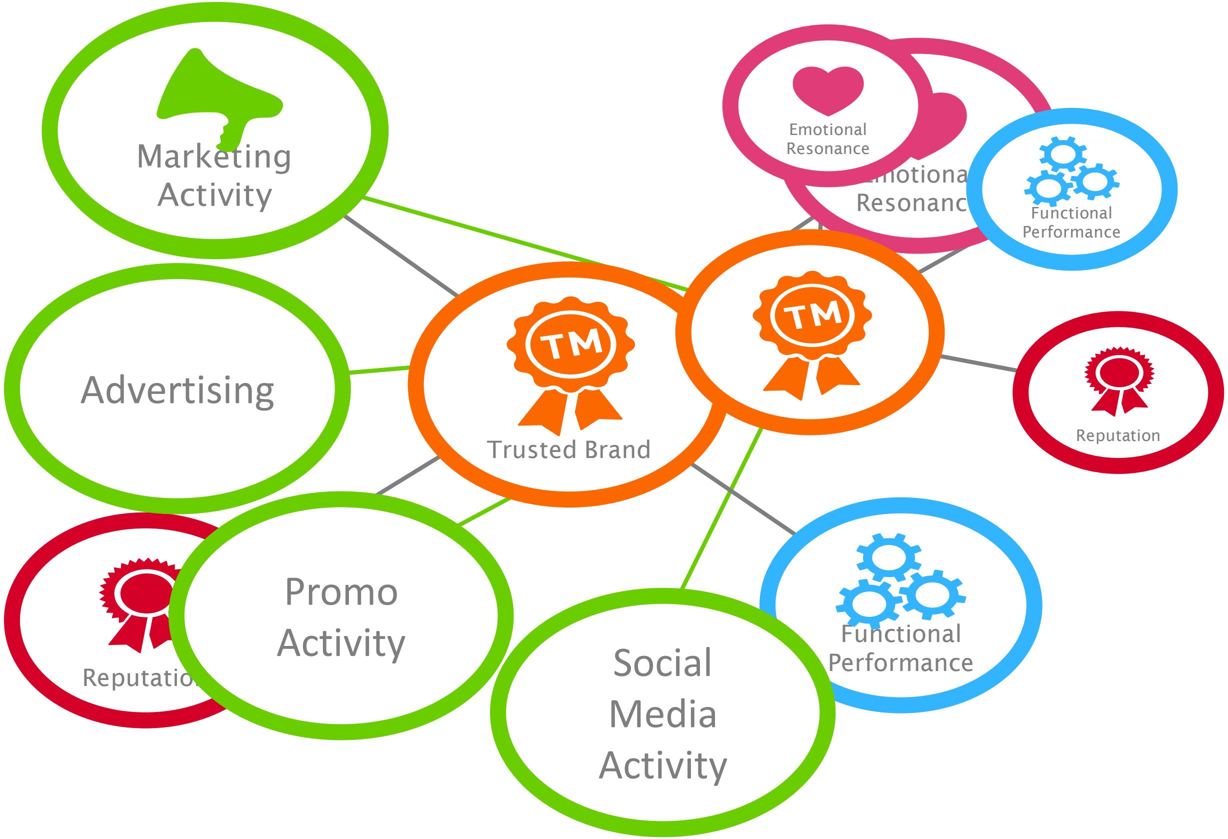
MARKETING ACTIVITY



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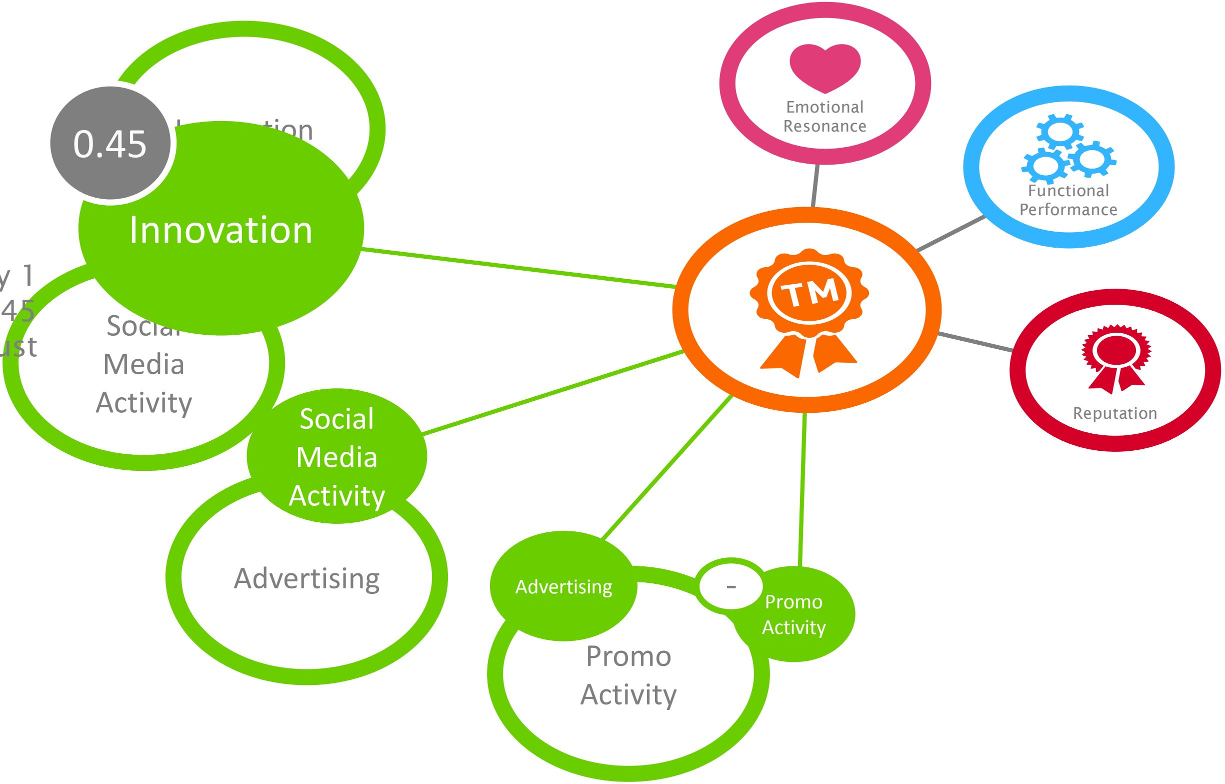
PERCEPTION AS AN INNOVATOR CREATES MOST TRUST

Driving perceived innovation to rise by 1 point, will deliver 0.45 gain in perceived trust



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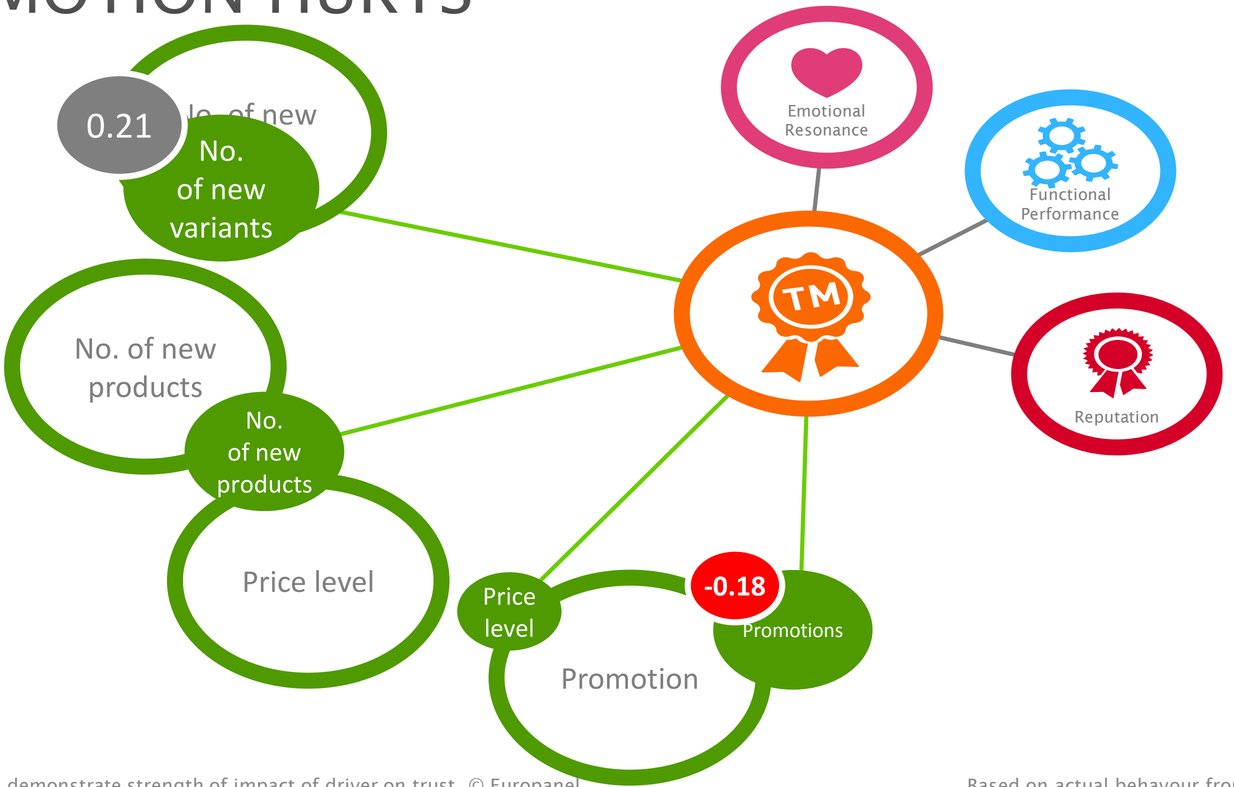
ACTUAL INNOVATIVE BEHAVIOUR REALLY MATTERS BUT PROMOTION HURTS



Values = beta coefficient which demonstrate strength of impact of driver on trust. © Europanel

Based on actual behavour from consumer panel

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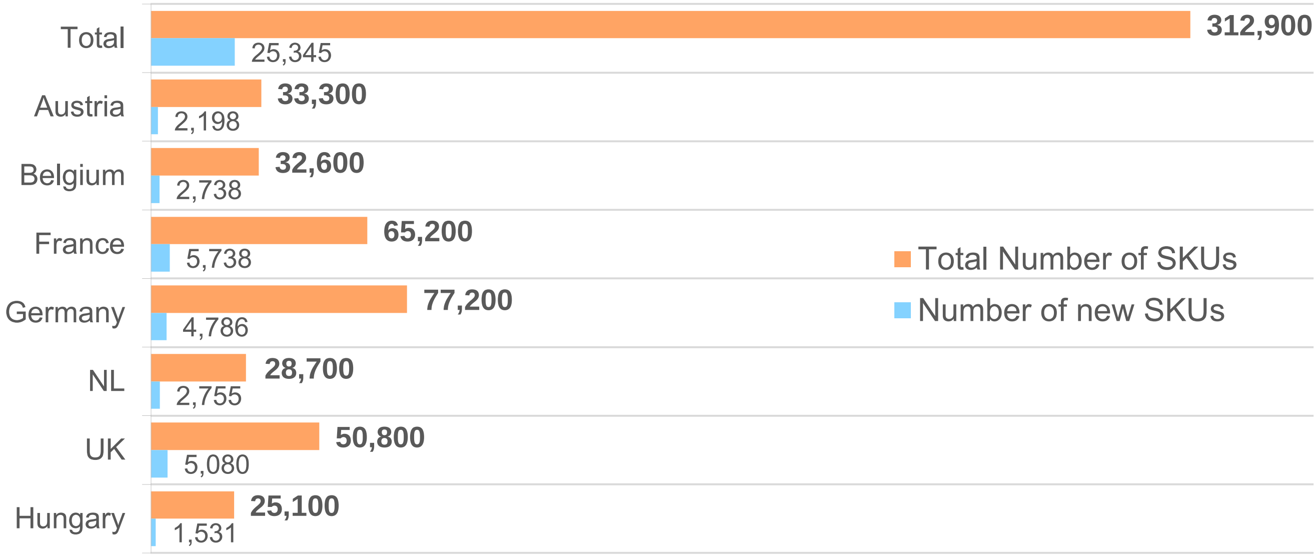
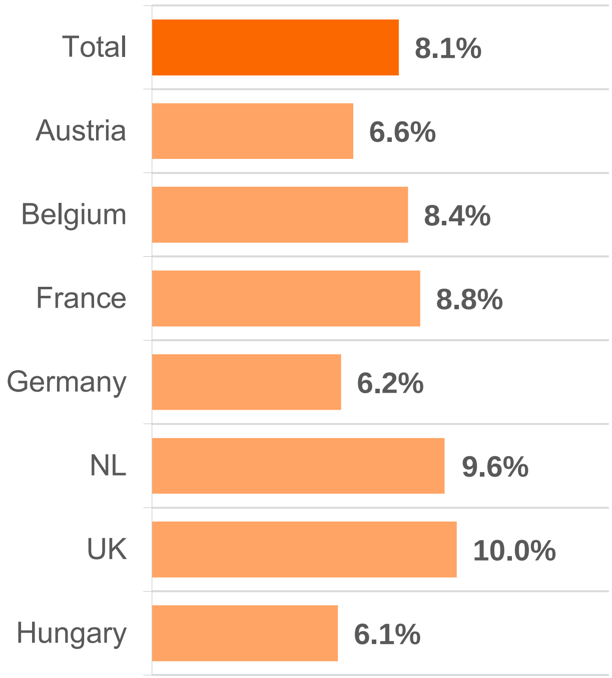
A SPOTLIGHT ON INNOVATION
A LOT OF CLUTTER TO CUT THROUGH



In 79 categories per country

EACH YEAR 8% OF SKUS ARE NEW



1/3rd of new SKUs are PL, 2/3rds branded – a similar proportion to their respective market shares

BEVERAGE
FOOD

Varies by category ... slightly lower at 7.5%

4 out of 5 new products renovations

2 out of 3 brands launch new products in a year

Only 3 out of 10 brands launch an innovation in a year

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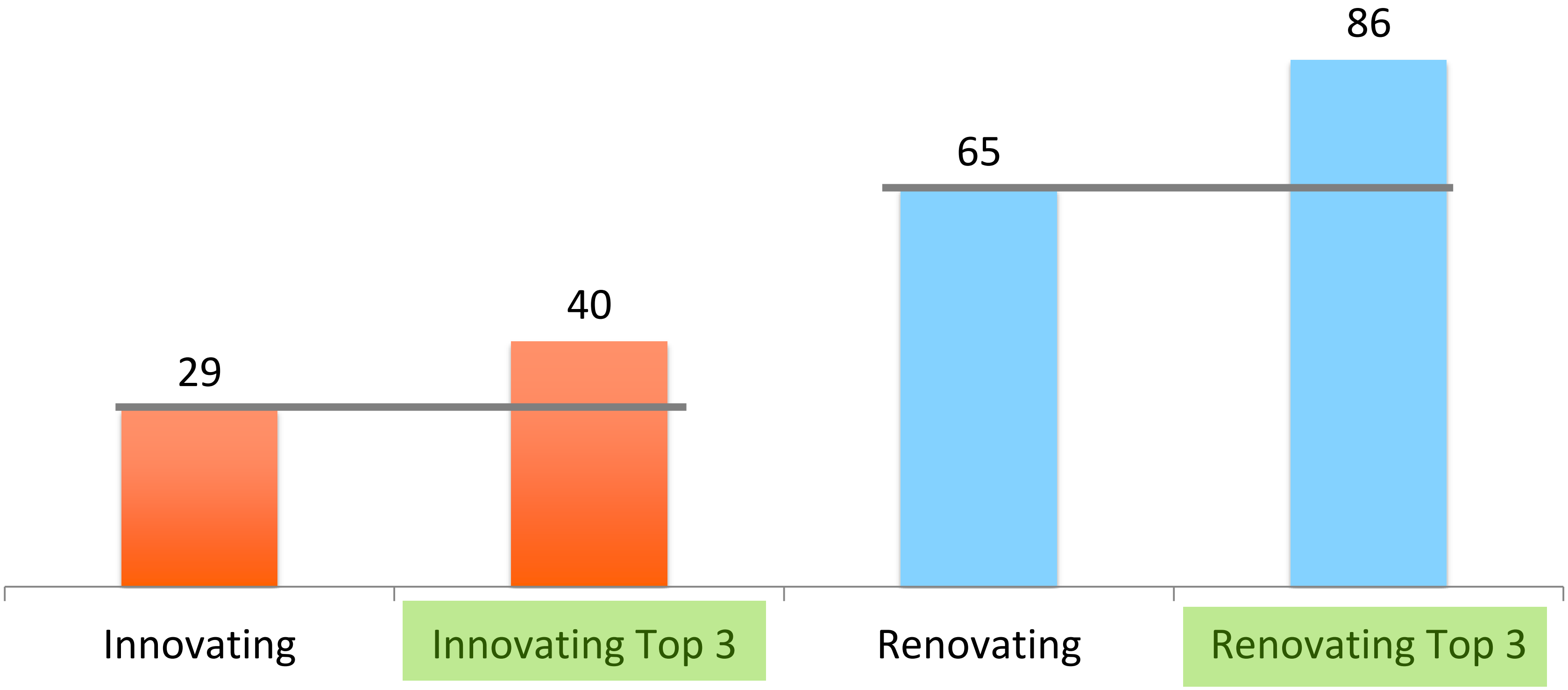
TOP 3 BRANDS 30% MORE ACTIVE THAN AVERAGE



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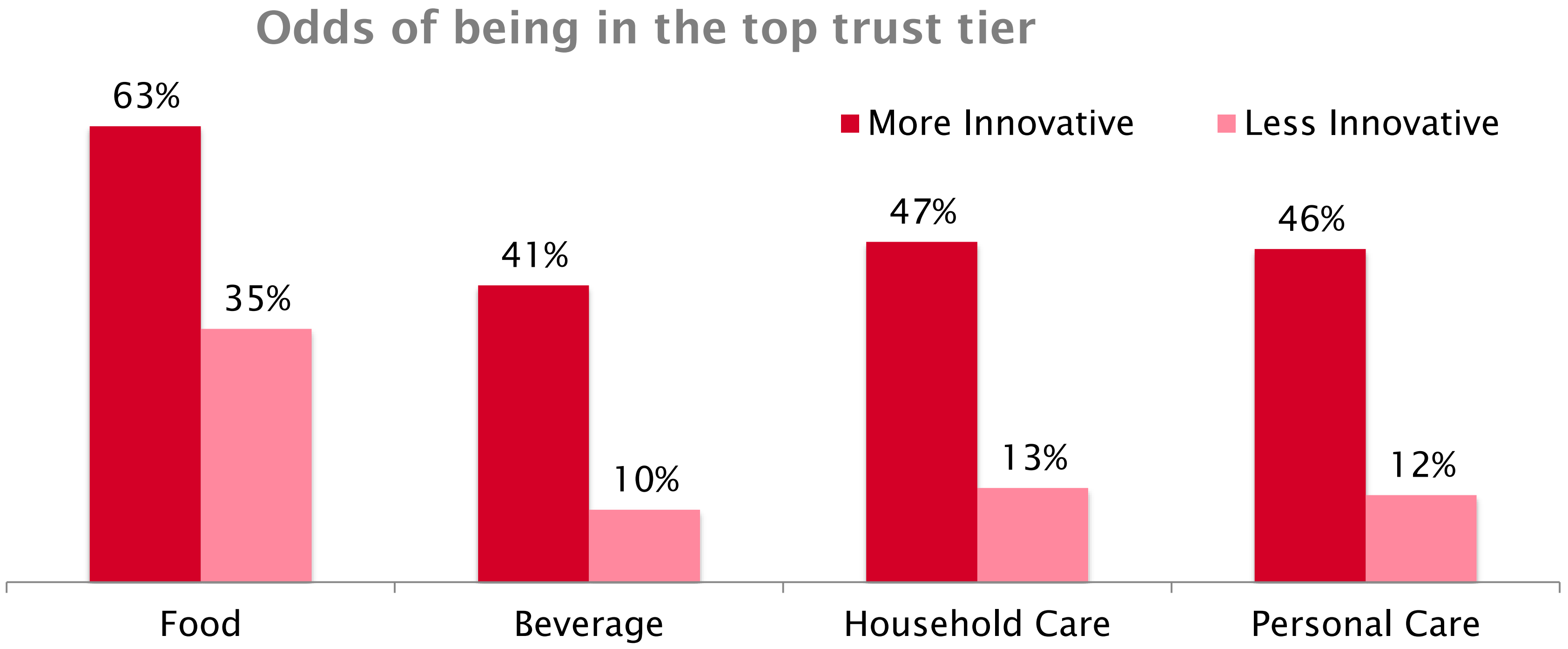
AND EVEN WITHIN TOP 3 INNOVATION PAYS OFF



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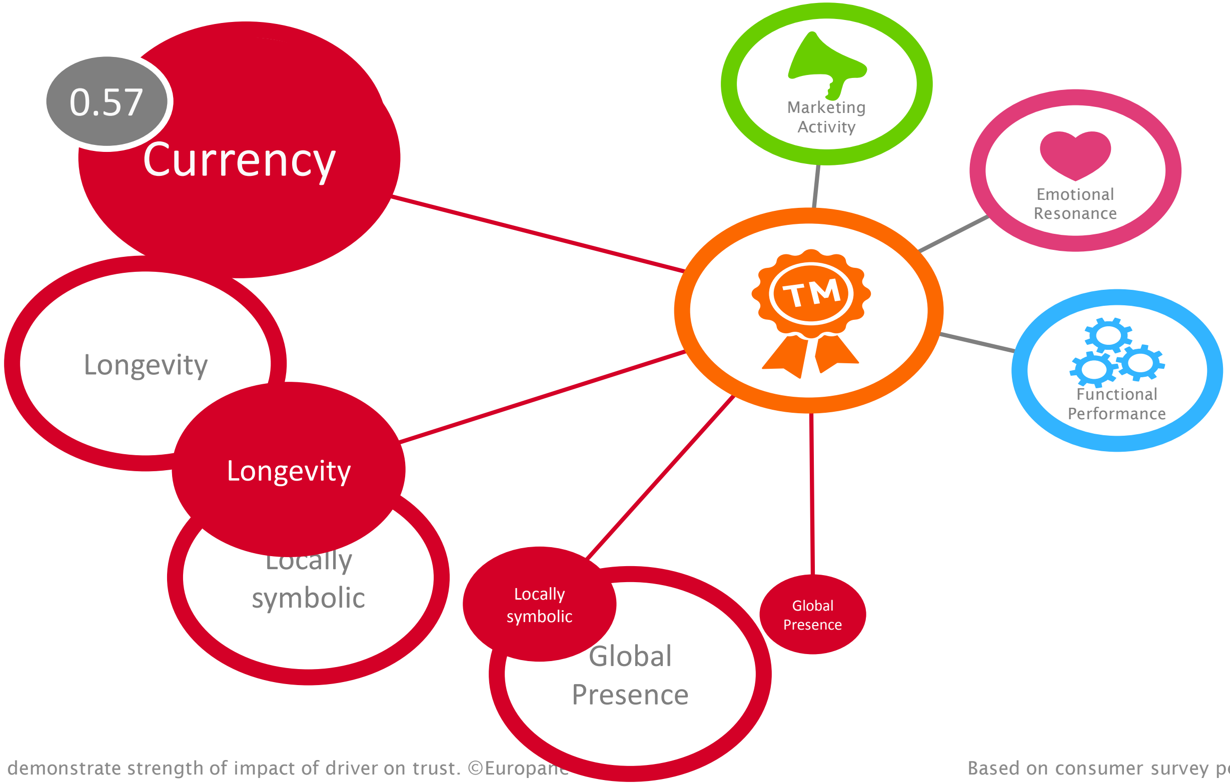
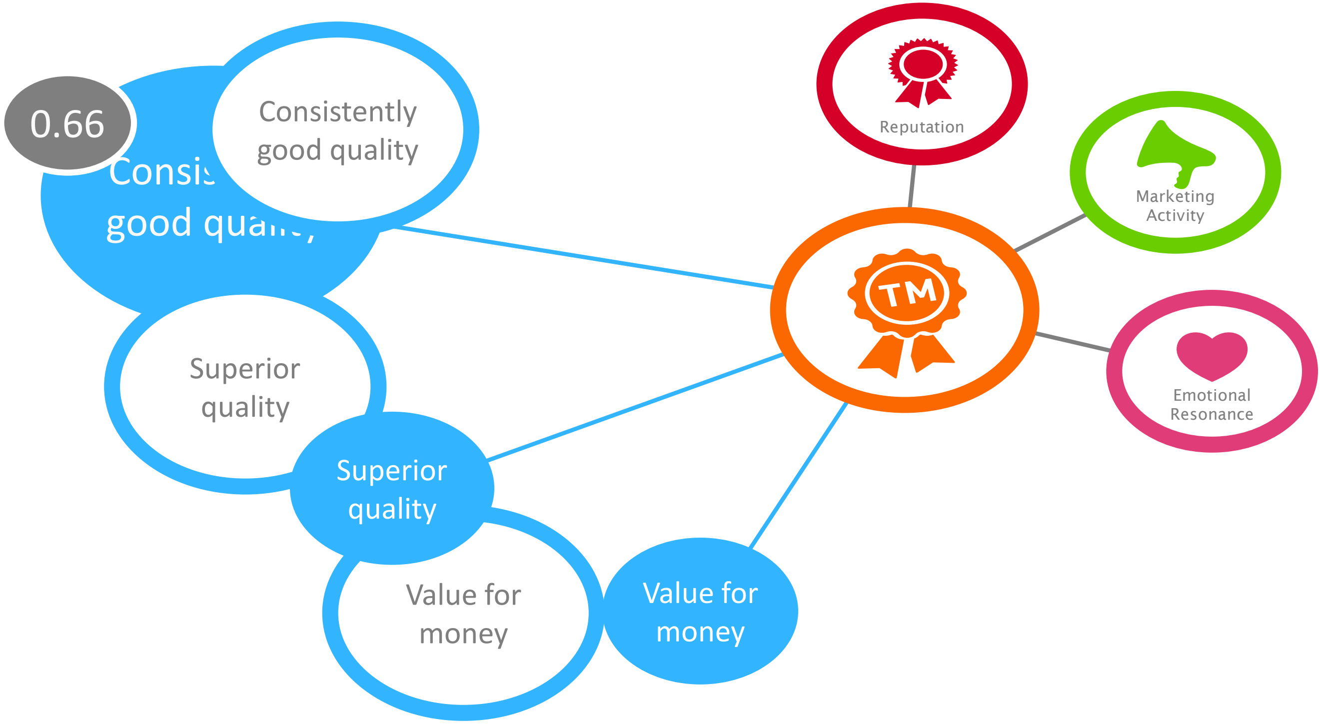
BEING SEEN AS A BRAND OF OUR TIMES IS MORE IMPACTFUL THAN BEING A GLOBAL BRAND



Values = beta coefficient which demonstrate strength of impact of driver on trust. ©Europanel

Based on consumer survey perceptionsl

DEPENDABILITY SURPASSES SUPERIORITY AND VFM



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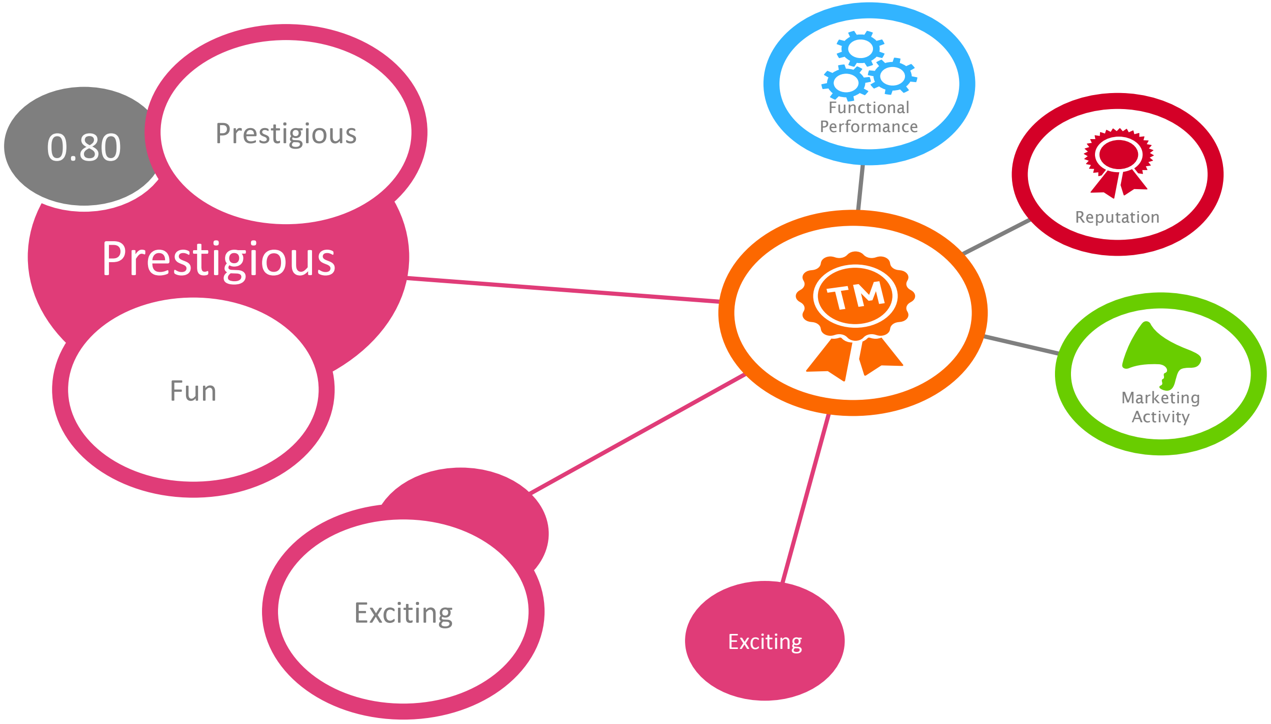
PRESTIGE AND TRUST ARE ALMOST SYNONYMOUS



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Based on consumer survey perceptions

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TRUST MATTERS - ATTRACTING BUYERS AND BUILDING A VIRTUOUS CIRCLE

WHAT'S THE BEST RECIPE TO DELIVER GROWTH?

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TO MINIMISE THE RISK, REDRESS THE BALANCE BETWEEN LONG TERM BRAND BUILDING AND SHORT TERM SALES CAMPAIGNS

- Meaningful innovation enhances quality perception, currency, prestige
- All these perceptions are key in building trust
- Trust is a stronger, more long-term oriented foundation than an easy and quick win via promoting

THANK YOU !

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