Trust Enablement™

A critical success factor

Alex Todd, President, Trust Enabling Strategies
For ASE - January 27, 2005
How do some online businesses manage to inspire so much confidence with consumers?
Trust: eBay’s CSF

"We do $2.25 billion worth of gross sales a quarter entirely on trust," says eBay's chief financial officer, Rajiv Dutta;

"Some 34 million people now participate in eBay, which consists of buyers and sellers from all over the world. Hardly any of them know one another. Nonetheless, they ring up commerce at a staggering rate of nearly $10 billion a year, taking it on faith that someone really will send the money or ship the goods on time. In the overwhelming majority of cases, that trust is richly repaid." - Fast Company, November 2001

"[eBay] has beaten the odds and is one of the few Internet players that has survived, prospers, and makes money. One notable fact about eBay is that you have never seen a genuinely negative forecast about the company." – Wharton School of the University of Pennsylvania;

eBay still traded at a 143 P/E, as of June 20, 2002, or 420% of the industry average.
eBay Builds Confidence

Trust Establishing Services

Trust Ensuring Services
eBay Builds Confidence

Trust Establishing Services

1. Authoritative Sources
   - ID Verify from Equifax
   - Product Opinions & Grading
   - Product Appraisals
   - Privacy Policy
   - TRUSTe seal

Trust Ensuring Services
eBay Builds Confidence

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   - Tradenable escrow
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3. Ability
- Industry practices (SSL, etc.)
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Trust Ensuring Services

4. Motivation
- Policies (comprehensive)
- SafeHarbor investigations
- Disallowed products
- SquareTrade dispute resolution
- VeRO notice of IP infringement

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5. Trust Management
- Identify reliable providers of feedback

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6. Risk Transfer
- User Agreement
- Fraud Protection Insurance
- PayPal Buyer Protection
Infrastructure is the Future of Marketing

“Marketing is the continuous process of organizational learning and the subsequent adaptation to technological and market changes over time. It is a process rather than an event. It enables the enterprise (producer) to acquire and apply knowledge efficiently by interacting with customers and the marketplace (infrastructure) so as to innovate and respond, reliably, consistently and profitably.”

- Regis McKenna © 2004
# Canadian E-Commerce Principles for Consumer Protection

## Trust Establishing Services

### Experiential Sources
- Unsolicited E-mail
- Objective claims can be substantiated
- Calculate total charges
- Provide record of transaction

### Authoritative Sources
- Information Provision
- Language
- Communications with Children

## Trust Ensuring Services

### Motivation
- Online Privacy
- Complaint Handling and Dispute Resolution
- Identification & Policies

### Ability
- Security of Payment & Personal Information

### Risk Transfer
- Contract Formation
- Guarantees & Warrantees
- Cancellation, Exchange & Return
- Correction
- Liability

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**Trust Management**
- Online method for verifying its certification or membership
Discovery
- Identity
- Value of goods/services
- Vendor reliability
- Rules of engagement
- Credit worthiness
- Authorization to commit

Negotiation & Order
- Product fit
- Negotiation criteria
- Cultural issues
- Quality assurance
- Viability of seller
- Applicable exchange rate
- Order placement and verification

Settlement & Compliance
- Governing laws
- Agreement
- Payment method
- Non-compliance protection
- Disputes
- Recourse
- Transaction reversal

Fulfillment
- Customer services
- Shipper reliability
- Transfer of responsibility
- Quality control
- Applicable standards
- Tariffs & customs

Covered by Canadian Code of Practice for Consumer Protection in E-commerce
“we examined whether the provision of online information in compliance with the Canadian Code of Practice for Consumer Protection in Electronic Commerce would have an impact on consumer trust of, and preference for, an online retailer.”

“It was found that subjects were more likely to trust the retailer if the vendor’s site presented information that complied with the code. As hypothesised, trust and intent to purchase from that retailer were highly correlated. Following from this, subjects had a greater intention to purchase from the retailer if they complied.”
How do other online businesses compare?
How can we apply the same Trust Enabling™ principles to an offline confidence problem?
Recommendations for Restoring Confidence in Capital Markets

Trust Establishing Services

2. Experiential Sources
- Participation of stakeholders
- Relying party representation
- Tone of leaders
- Tough decision making by leaders
- Information distribution
- Performance benchmarking
- Metrics tracking and reporting
- Systems for financial transparency

1. Authoritative Sources
- Independent Boards of Directors
- Encouragement of candor
- Certification by CEO & CFO
- Independent Auditors
- Unbiased third party analysts
- Global industry-specific accounting standards
- Board quality ratings
- Machine/human understandability

5. Trust Management

Trust Ensuring Services

4. Motivation
- Honesty of leaders
- Independence of roles and policing
- Motivators/interests
- Ethics/values/spirit/culture
- Personal accountability
- Recourse/enforcement
- Industry Rules & Regulations
- Oversight & Standards Bodies
- Government’s roll

3. Ability
- Awareness of financial systems
- Standardized stock rating systems
- Internet technologies

6. Risk Transfer
- Stakeholder liability
- Guarantees/warranties on quality of securities
Sarbanes-Oxley Legislation

Trust Establishing Services

2. Experiential Sources
   - Inspections of Registered Public Accounting Firms

1. Authoritative Sources
   - Sec 4 - Enhanced Financial Disclosure
   - Sec 7 - Studies and Reports
   - Sec 10 - Corporate Tax Returns
   - Accounting Standards
   - Auditor Reports to Audit Committee
   - Qualifications of Associated Persons of Brokers and Dealers
   - Sec 302 – Certification of Financial Statements and Internal Controls by CFO

Trust Ensuring Services

4. Motivation
   - Sec 1 - Public Company Accounting Oversight Board
   - Sec 2 - Auditor Independence
   - Sec 6 - Commission Resources and Authority
   - Sec 8 - Corporate and Criminal Fraud Accountability
   - Sec 9 - White Collar Crime Penalty Enhancements
   - Sec 11 - Corporate Fraud and Accountability
   - Auditor Conflict of Interest
   - Sec 402 - Enhanced Conflict of Interest Provisions
   - Code of Ethics for Senior Financial Officers
   - Sec 5 - Analyst Conflicts of Interest
   - Sec 3 - Corporate Responsibility

3. Ability
   - Tampering of a Record of Otherwise Impeding and Official Proceeding

5. Trust Management

6. Risk Transfer
Can we apply the same Trust Enabling™ principles to business critical success factors?
Automotive Industry’s CSFs

Trust Establishing Services

2. Experiential Sources

1. Authoritative Sources
   - Styling

Trust Ensuring Services

4. Motivation
   - Meeting energy standards

3. Ability
   - Cost control
   - Quality dealer system

5. Trust Management

6. Risk Transfer
Supermarket Industry’s CSFs

**Trust Establishing Services**
- 2. Experiential Sources
  - Price

  **1. Authoritative Sources**
  - Sales promotion

**Trust Ensuring Services**
- 4. Motivation

  **3. Ability**
  - Inventory

**5. Trust Management**
- Product mix

**6. Risk Transfer**
# Life Insurance Industry’s CSFs

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3. **Ability**
   - Develop agency management personnel
   - Control of clerical personnel
   - Innovation creating new kinds of policies
Toronto-based NGO’s CSFs

**Trust Establishing Services**

2. Experiential Sources
   - Strong and active volunteers
   - Network of individuals and partners

1. Authoritative Sources
   - Branding
   - Recognizable & innovative programs
   - Compelling case for support

5. Trust Management

**Trust Ensuring Services**

4. Motivation
   - Strong active board
   - Policy and research framework

3. Ability
   - Fundraising
   - Strengthened infrastructure

6. Risk Transfer
Rural Medical Clinic’s CSFs

Trust Establishing Services

2. Experiential Sources
- Patients' view of practice

1. Authoritative Sources
- Relationship to hospital

5. Trust Management
- Satellites vs. patient services
- Other providers in community

Trust Ensuring Services

4. Motivation
- Government regulation

3. Ability
- Quality of comprehensive care
- Federal funding
- Efficiency of operations

6. Risk Transfer
# Government Hospital’s CSFs

## Trust Establishing Services

### 2. Experiential Sources
- Manage external relationships
- Improve relationship with government department central office

### 1. Authoritative Sources
- Get acceptance of concept and recognition by all hospital directors

## Trust Ensuring Services

### 4. Motivation
- Meet budgetary constraints

### 3. Ability
- Devise methods for obtaining valid data on current status of hospital operations
- Devise method for resource allocation
- Strengthen management support, capability and capacity

## Trust Management

## Risk Transfer
Microwave Associates’ CSFs

**Trust Establishing Services**

2. Experiential Sources
   - Company morale

1. Authoritative Sources
   - Image in financial markets
   - Technological reputation with customers

**Trust Ensuring Services**

4. Motivation
   - Market success
   - Profit margin on jobs

3. Ability
   - Performance to budget on major projects

5. Trust Management

6. Risk Transfer
   - Risk recognition in major bids and contracts
Oil Company’s CSFs

**Trust Establishing Services**

2. Experiential Sources
   - Improve government/business relationships

1. Authoritative Sources
   - Create better societal image

**Trust Ensuring Services**

4. Motivation
   - Improve liquidity position (cash flow)

3. Ability
   - Develop new ventures

5. Trust Management

6. Risk Transfer
   - Decentralize organization
## Electronics Company’s CSFs

### Trust Establishing Services

#### 1. Authoritative Sources
- Strengthen customer relations

#### 2. Experiential Sources
- Strengthen customer relations

### Trust Ensuring Services

#### 3. Ability
- Support field sales force
- Improve productivity
- Obtain government R&D support
- Develop new products
- Acquire new technological capability
- Improve facilities

#### 4. Motivation

### 5. Trust Management

### 6. Risk Transfer
Store Finishing Manufacturer’s CSFs

Trust Establishing Services

2. Experiential Sources

1. Authoritative Sources
   - Improve market understanding of product line A

Trust Ensuring Services

4. Motivation
   - Expand foreign sales for product lines B and C
   - Redesign sales compensation structure

3. Ability
   - Improve production scheduling
   - Mechanize production facilities
   - Strengthen management team

5. Trust Management

6. Risk Transfer
We can also apply the same Trust Enabling™ principles to risk management.
Reverse Risk Management™
(or Reciprocal Risk Management™)

<table>
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<tr>
<td>Offensive</td>
<td>Defensive</td>
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<td>Active</td>
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<td>Stakeholder</td>
<td>Organization</td>
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How can Trust Enabling Strategies help?
Benefits of Trust Enablement™

• Tools to address trust and stakeholder confidence issues explicitly and strategically

• New, integrative lens on factors that influence business performance

• New, infrastructure-based approach to accelerating the volume, velocity and value of business transactions

• Applies “Golden Rule” to improve business performance – being good is no longer a necessary evil – it can be very good for business
Trust Enablement™ Assessments

- Web sites
- Business processes
- Business Strategy and Critical Success Factors
- System Rules for economic communities
Trust Enabling™ Infrastructures

- Trust Enabling™ Business Strategies and CSFs
- Trust Enabling™ Enterprise Policies
- Trust Enabling™ Enterprise Architectures
- Trust Enabling™ System Rules for Economic Communities
- Reverse Risk Management™ extension to Integrative Enterprise Risk Management initiatives
Target Markets

• Large/complex Organizations
  • Public Companies (especially those subject to public scrutiny)
  • Franchises and other federated business models
  • Governments and economic development organizations
  • NGOs
  • Business process outsourcing organizations

• Intermediaries
  • Stock brokers and investment advisors
  • Insurance brokers
  • Business Exchanges

• High Growth Businesses
  • Online dating, gambling, travel
  • E-commerce
  • Emerging companies trying to displace brand leaders
What aspects of your business could benefit from being Trust Enabled™?
Thank you.

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