



The Challenges of Online Trust

For online and offline business

Alex Todd, President, Trust Enabling Strategies

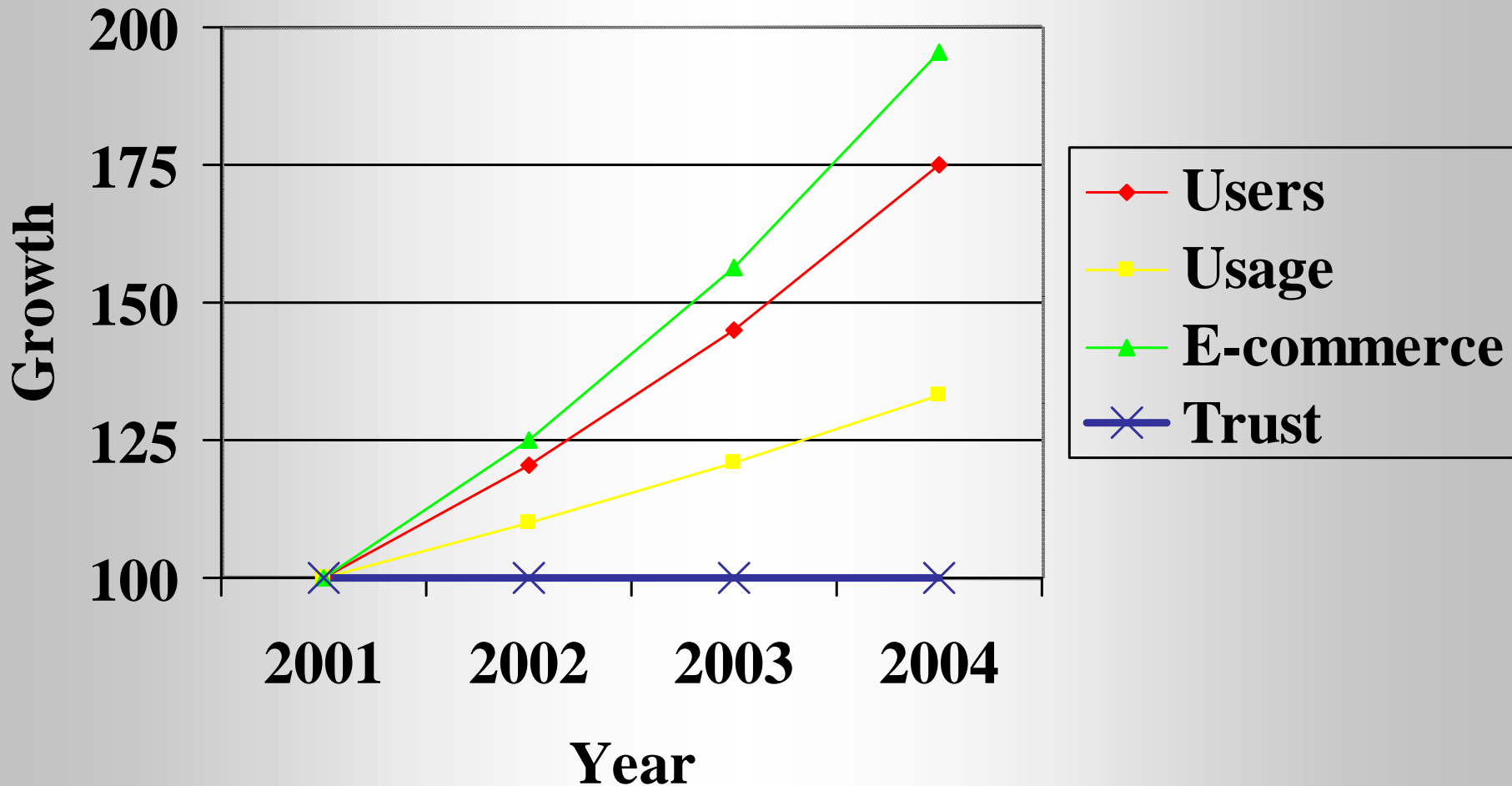
McMaster World Congress 2005

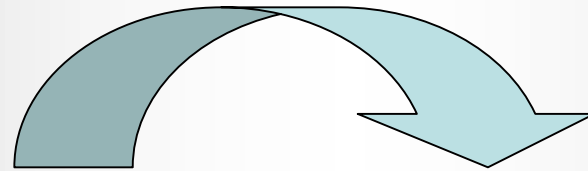


Why do we still not trust the Internet?



Internet Trends





Discovery

- **Identity**
- Value of goods/services
- Vendor reliability
- Rules of engagement
- Credit worthiness
- Authorization to commit

Negotiation & Order

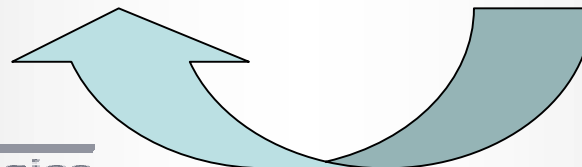
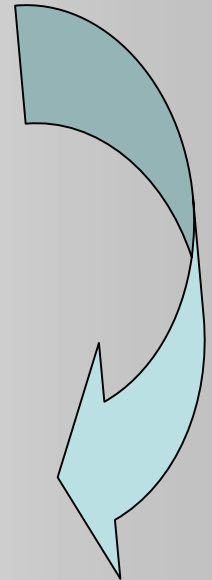
- Product fit
- Negotiation criteria
- Cultural issues
- Quality assurance
- Viability of seller
- Applicable exchange rate
- **Order placement and verification**

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



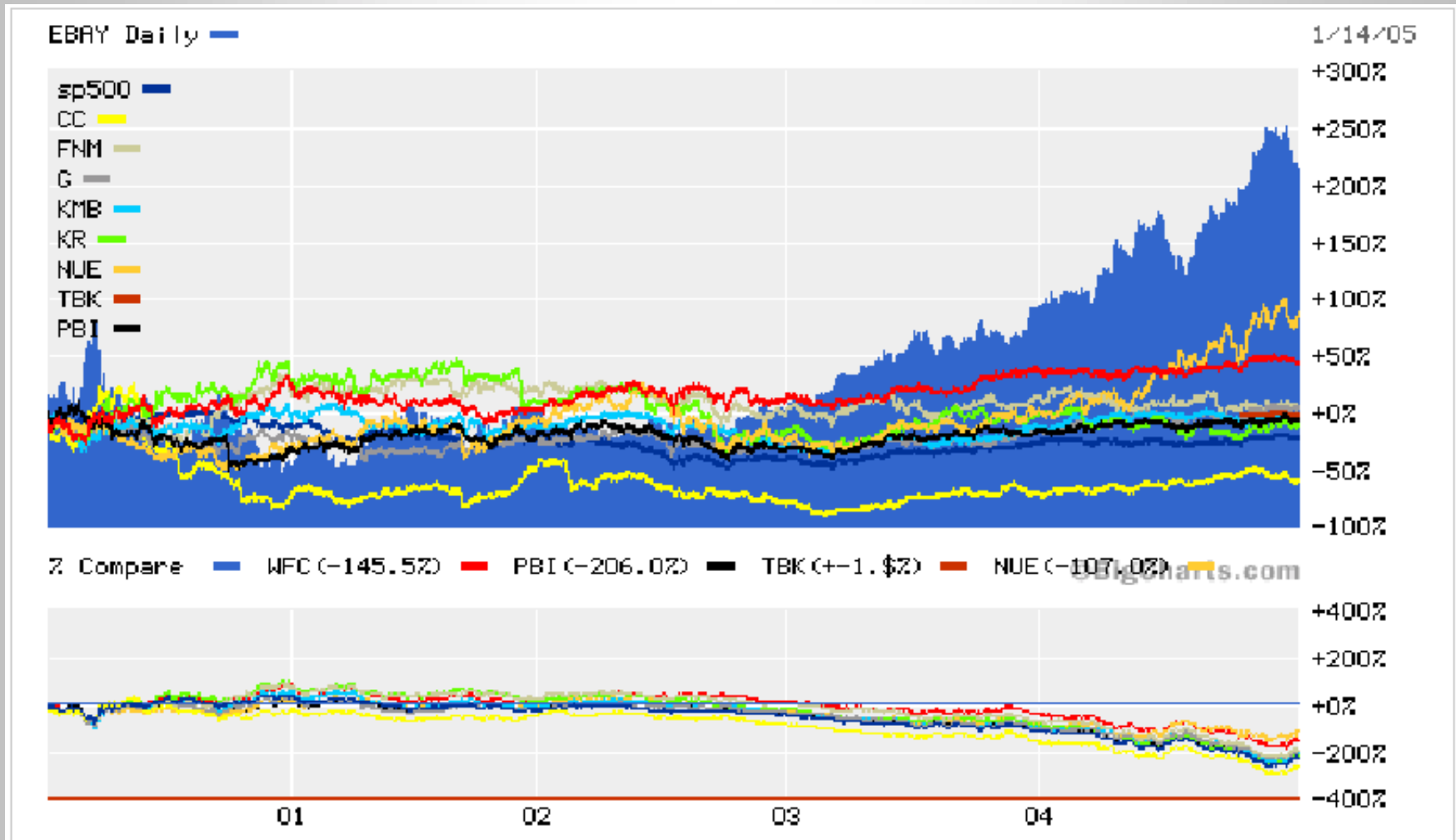
Privacy considerations



How do some online businesses manage to inspire so much confidence with consumers?



VS.





eBay Builds Confidence

Trust Establishing Services

Trust Ensuring Services



eBay Builds Confidence

Trust Establishing Services

Trust Ensuring Services

1. Authoritative Sources

- ID Verify from Equifax
- Product Opinions & Grading
- Product Appraisals
- Privacy Policy
- TRUSTe seal



eBay Builds Confidence

Trust Establishing Services

Trust Ensuring Services

2. Experiential Sources

- Feedback Forum
- Tradenable escrow
- Product authentication

1. Authoritative Sources

- ID Verify from Equifax
- Product Opinions & Grading
- Product Appraisals
- Privacy Policy
- TRUSTe seal



eBay Builds Confidence

Trust Establishing Services

2. Experiential Sources

- Feedback Forum
- Tradenable escrow
- Product authentication

1. Authoritative Sources

- ID Verify from Equifax
- Product Opinions & Grading
- Product Appraisals
- Privacy Policy
- TRUSTe seal

Trust Ensuring Services

3. Ability

- Industry practices (SSL, etc.)



eBay Builds Confidence

Trust Establishing Services

2. Experiential Sources

- Feedback Forum
- Tradenable escrow
- Product authentication

1. Authoritative Sources

- ID Verify from Equifax
- Product Opinions & Grading
- Product Appraisals
- Privacy Policy
- TRUSTe seal

Trust Ensuring Services

4. Motivation

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

3. Ability

- Industry practices (SSL, etc.)



eBay Builds Confidence

Trust Establishing Services

2. Experiential Sources

- Feedback Forum
- Tradenable escrow
- Product authentication

1. Authoritative Sources

- ID Verify from Equifax
- Product Opinions & Grading
- Product Appraisals
- Privacy Policy
- TRUSTe seal

Trust Ensuring Services

4. Motivation

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

3. Ability

- Industry practices (SSL, etc.)

5. Trust Management

- Identify reliable providers of feedback



eBay Builds Confidence

Trust Establishing Services

2. Experiential Sources

- Feedback Forum
- Tradenable escrow
- Product authentication

1. Authoritative Sources

- ID Verify from Equifax
- Product Opinions & Grading
- Product Appraisals
- Privacy Policy
- TRUSTe seal

5. Trust Management

- Identify reliable providers of feedback

Trust Ensuring Services

4. Motivation

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

3. Ability

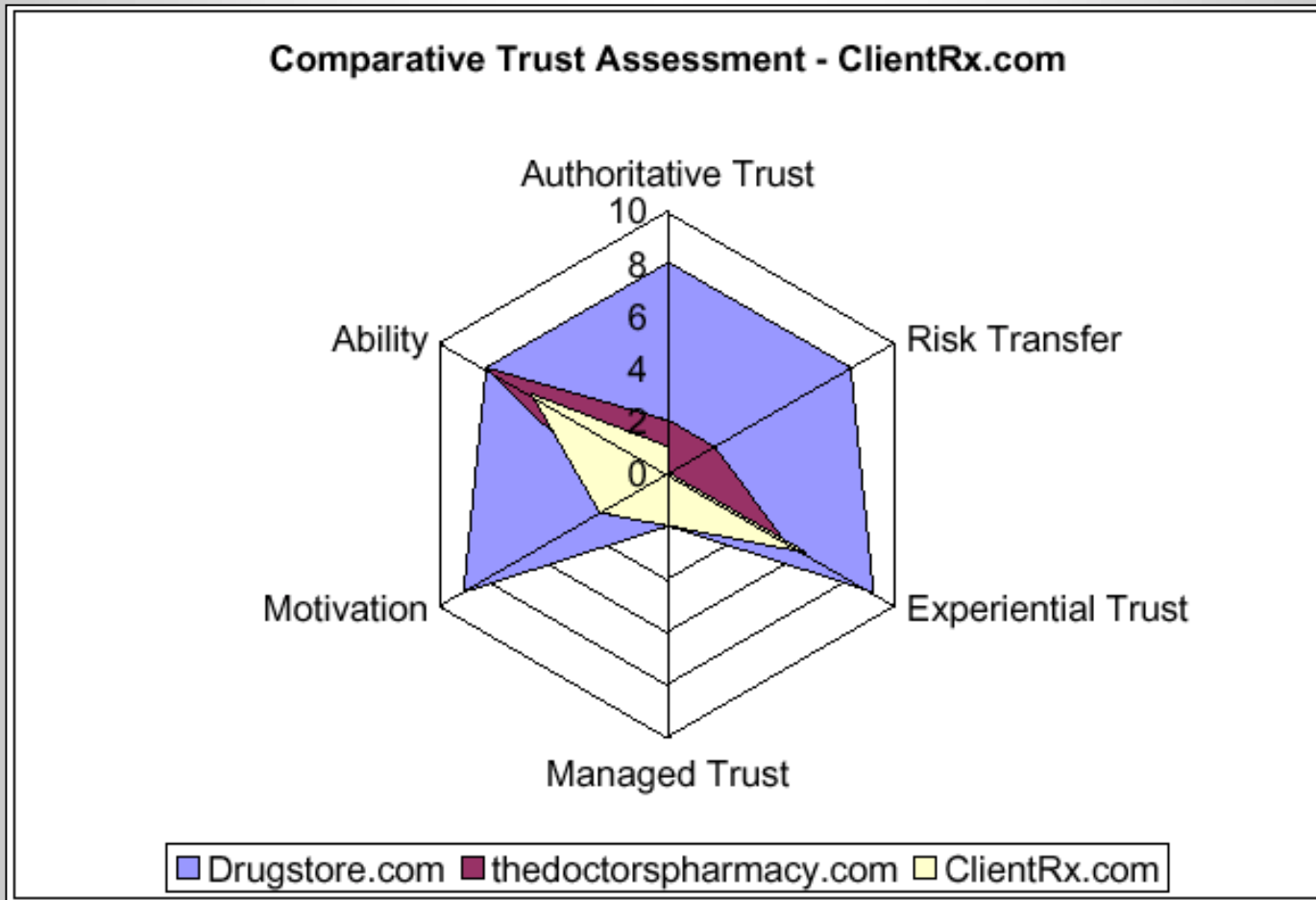
- Industry practices (SSL, etc.)

6. Risk Transfer

- User Agreement
- Fraud Protection Insurance
- PayPal Buyer Protection



How do other online businesses compare?





Is trust different offline?



OECD Privacy Principles

Trust Establishing Services

2. Experiential Sources

- Openness
- Individual participation

1. Authoritative Sources

- Purpose specification

5. Trust Management

Trust Ensuring Services

4. Motivation

- Accountability

3. Ability

- Data quality
- Security safeguards

6. Risk Transfer

- Use limitation
- Collection limitation



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

5. Trust Management

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

6. Risk Transfer



How can you apply the same Trust Enabling™ principles to improve the effectiveness of your or any other business environment?



Trust Research

Abstract for Research Proposal

Alex Todd

Trust Enabling Strategies

To what extent does trust drive exceptional value growth for companies? Can trust be designed?

Background

There is a magic that certain companies have (eBay, Google, Harley Davidson, Coca Cola earlier and maybe also GE and Microsoft) where companies transcend the normal bounds of management. Investors consistently value their shares at epic price/earnings ratios, employees evidence unusual loyalty and performance, customers use their products and gush about them, and the press finds ways to give them the benefit of the doubt (how would the market have responded to any other bank in Canada had it encountered the same IT failure that Royal Bank did earlier last year). Perhaps, "trust" is one of the underlying currencies that make this happen, where trust isn't an accident or an afterthought, but the carefully designed objective of a pattern of actions.



Thank you.

Alex Todd

+1 416.487.1497

AlexTodd@TrustEnablement.com

<http://www.TrustEnablement.com>



PANEL SLIDES



PIPEDA Privacy Principles

Trust Establishing Services

Experiential Sources

- Individual Access
- Consent

Authoritative Sources

- Openness
- Identifying Purpose

Trust Management

Trust Ensuring Services

Motivation

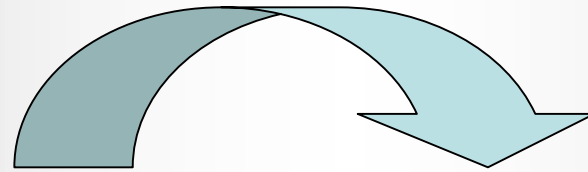
- Accountability
- Challenging Compliance

Ability

- Accuracy
- Safeguards

Risk Transfer

- Limiting Collection



Discovery

- **Identity**
- Value of goods/services
- Vendor reliability
- Rules of engagement
- Credit worthiness
- Authorization to commit

Negotiation & Order

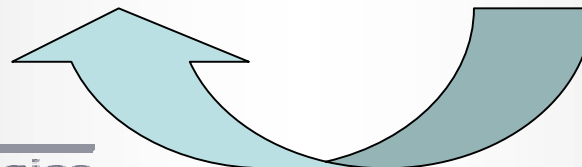
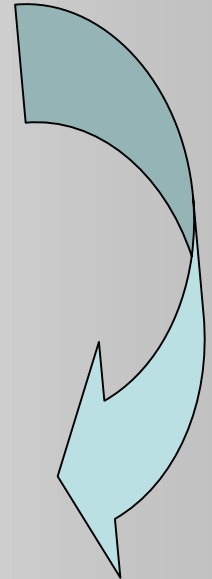
- Product fit
- Negotiation criteria
- Cultural issues
- Quality assurance
- Viability of seller
- Applicable exchange rate
- **Order placement and verification**

Settlement & Compliance

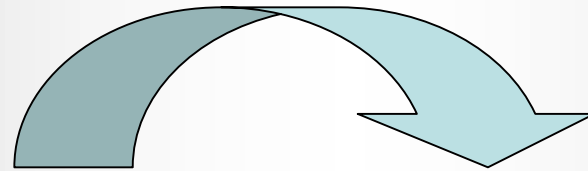
- Governing laws
- Agreement
- **Payment method**
- Non-compliance protection
- Disputes
- Recourse
- Transaction reversal

Fulfillment

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



Privacy considerations



Discovery

- **Identity**
- **Value of goods/services**
- Vendor reliability
- **Rules of engagement**
- Credit worthiness
- **Authorization to commit**

Negotiation & Order

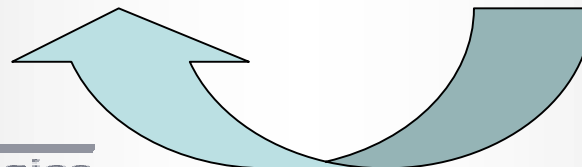
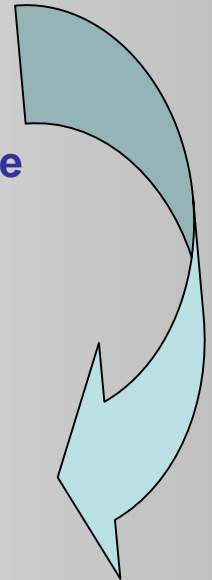
- Product fit
- Negotiation criteria
- **Cultural issues**
- **Quality assurance**
- Viability of seller
- **Applicable exchange rate**
- Order placement and verification

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**



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 Management

- Online method for verifying its certification or membership

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