



# **BRANDS & CONSUMER TRUST STUDY**

## **PHASE I: DESK RESEARCH REPORT**

**FOR EUROPEAN NATIONAL BRAND ASSOCIATIONS AND AIM**

**CO-ORDINATED BY BRITISH BRANDS GROUP**

**FEBRUARY 2015**

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## 1. EXECUTIVE SUMMARY

This research report has been commissioned by national brand associations in Europe and the European Brands Association (AIM), co-ordinated by the British Brands Group. The primary **objective** 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 FMCG industry across Europe.

The **definition of brand trust** in practical terms, as in academia, is still ambiguously applied across industries. Whilst marketing research has found brand trust to affect brand loyalty, decreased price sensitivity of consumers and increased product choice, we find that the concept per se still remains rather under-researched.

In particular, issues related to the factors that build, maintain, and potentially destroy, brand trust still remain largely unanswered and below a level that can be considered completely satisfactory.

Being rooted in in-depth, longitudinal (defined as a correlational research study that involves repeated observations of the same variables over long periods of time) desk research that has covered the screening of more than 800 publications from over the last ten years, this paper documents a number of hard-hitting, and in some cases challenging, findings.

This 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 this paper 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.

## 1.1 BRAND TRUST MODEL

Based on extensive research and taking into account the major findings discussed below, 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**, which can be defined as follows:

### Competence

- 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.
- tends to be **task and issue specific** (trust related to “**transactions**”)

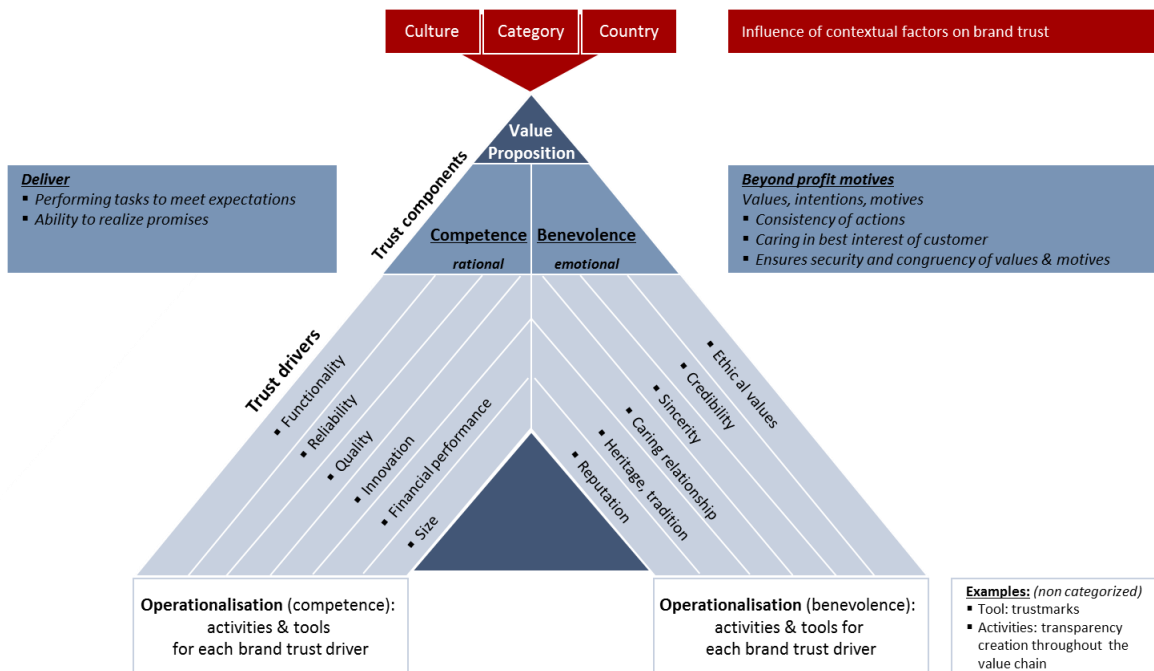
### Benevolence

- brand/brand-owner has **intentions and motives beneficial to consumers** or factors that matter to them.
- 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 **6 drivers of trust under each of the strategic trust components**.

This is represented diagrammatically below and is discussed in greater detail in the body of this report.

### BRAND TRUST MODEL



## 1.2 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”**

**Key Insights** from the research that underpin this:

- **Consumers wish to be respected and treated as “people”** rather than the term that implies that they are a target for the extraction of value or gain – is 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 that underpin this statement:

- **Trust building & 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.** Approaches to building trust through benevolence drivers must be sensitive to the factors that are specific to country/cultural differences
- 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**

- **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!

### 1.3 TRUST PROPOSITIONS

Based on existing literature, the report supports the definition of 6 trust *propositions* (we define a proposition as a research-based statement putting forth an idea, suggestion or plan) that are important to industry managers and practitioners.

Although following a rigorous scientific approach, and being rooted in academic findings, this report applies a managerial approach that is targeted to the practical more than the academic world.

The definition and deduction of *propositions* has been guided by these practical considerations and the expected impact on consumers, companies, countries and policy makers. Consequently, this report offers a rich description of brand and consumer trust and its drivers that can enable brand professionals to apply a **'new' approach to brand management**.

This 'new' approach might include alternative methods to segment consumers as well as position and define brand strategies and tactics. In essence, this **new approach treats trust as an asset that brand owners must understand and manage** in order to be successful in today's complex operating environment.

The **major findings** related to the key **trust propositions** are summarised under six main subject headings and discussed in the pages that follow.

1. Context of Brand Trust (Culture, Category, Country)
2. Promotions' Impact on Brand Trust
3. Trustmarks' Importance
4. Brand Dedication to Reputation & Heritage
5. Strong and Caring Relationship with Consumers
6. Sincere and Consistent Adherence to Values that Matter to Consumers

**(1) *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.***

#### a. **Consumer culture**

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

Despite the huge increase in information accessibility and availability, e.g. from the internet, social networks and diffuse media channels, consumers are still very often having to act on

incomplete, confusing or conflicting data. This means they are often faced with at least some degree of risk or uncertainty in their purchasing decisions.

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.

Consequently, the appropriate methods and actions for building and maintaining trust need to be applied relevant to each culture and market.

Branding activities to build and maintain trust can be defined based on consumer analyses that assess certain cultural dimensions. This paper suggests **intrinsic linkages between these different cultural dimensions and brand trust activities.**

**b. Drivers of brand trust differ by category.**

More specifically, the four aspects have been found to impact trust significantly are:

- Category **involvement**
- Category **experience**
- Category **innovation**
- Category **competition**

Discussing each of these in turn:

- (I) **Category involvement** – The lower the *involvement* in the category, the harder the chances to build brand trust. The higher the *involvement* in the category, the more important maintaining brand trust becomes.

Even though the FMCG industry is characterised by low involvement, we see enormous differences concerning the level of involvement within different categories, e.g. health and baby-care categories are increasing in consumer *involvement* due to the rise in health-consciousness around Europe.

In line with this increased consciousness and involvement in those categories, there is an increased need to build brand trust.

- (II) **Category experience** - The higher the amount of personal experience gained in a category, the less important trust in the brand becomes.

Categories where consumers have a high level of past experience, e.g. in daily-use categories such as milk and butter, and a high level of knowledge and awareness have lower levels of perceived risk and uncertainty.

As a result, building and maintaining brand trust – seen as a risk and uncertainty reduction strategy – becomes less important.

- (III) **Category rate and scale of innovation** - The higher the rate and scale of innovation in a category, the more important brand trust becomes.



The impact of innovations on brand trust does not apply uniformly across FMCG categories. In high involvement categories such as health, beauty and baby-care, consumers are more likely to look for trusted brands.

Therefore, innovations in these categories would be best launched by established and well-known brands as they are more likely to be able to maintain trust.

In contrast, consumers are more prepared to try new products, even if it is an unfamiliar brand, in low involvement categories like canned food, beverages, bath products, and household cleaning. Innovations within such categories represent opportunities for lesser known brands to build trust.

(IV) **Level of category competition** - The higher the level of competition, the more important brand trust becomes.

A high level of competition in any market results in either differentiation struggles or price wars, the latter being true for the European FMCG industry. Excessive competition on price can lead to unethical or “frowned upon” actions, such as the use of inferior and cheaper ingredients in order to protect sales and margins.

The European horsemeat scandals in 2013 as well as other well-publicised ingredient sourcing scandals in recent years are just two examples.

Higher consumer awareness within highly competitive categories leads to higher levels of perceived risk and uncertainty and thereby increases the importance of brand trust and the need to protect it from factors that rapidly destroy it.

**c. *Institutional effects impact building and maintaining brand trust.***

A country’s economy (in which the brand is being sold) will have a material effect on the role and source of consumers’ brand trust. Where the economic situation is perceived to be poor, brand trust becomes more important and this grows in significance in line with the perception of the severity of that situation.

The tough macro-economic environment is having down-trading effects within the FMCG sector and has led many brands into expensive promotional strategies to save their sales volumes, and retailer listings, in highly competitive markets. The price war between brands, private labels and hard discounters in general is a major reality in many European markets.

When consumers’ income expectations decrease they become more restrained in their buying and need to be sure that what they do spend is a good investment. Perceived risk and uncertainty increases and as a result the impact and importance of brand trust also increases to reduce uncertainty. In this sense, brand trust can be a powerful force in helping to maintain consumer spending.

Brand trust is a more important factor for consumers in markets or sectors subject to higher levels of counterfeiting, copycatting and piracy, but may be harder for them to assess.

This is especially true where the counterfeiting is sophisticated and even exploits the trust in the brands they are copying. In the EU, counterfeiting exploits particular advantages of the national disparities that exist in the means by which intellectual property rights are enforced.

In general, as counterfeiting is more likely to be widespread in countries that are less effective in enforcing intellectual property rights, methods to establish authenticity to substantiate brand trust should be more important.

A high level of brand trust and the resulting brand loyalty prevent consumers from substituting the original product with its counterfeit (assuming they can distinguish the copy from the genuine article). In this way, brand trust can be a “double-edged” weapon.

**(2) *High promotion pressure (over-promotion) in a category destroys brand trust (for brand and the category in total).***

**Over-promotion destroys brand trust**, as continuous price reductions result in a decrease in credibility and an increase in perceived lack of quality. Consumers fear the use of unethical or “short-cut” actions such as the use of inferior or unethically-sourced ingredients.

Hence, over-promotion is sending the wrong message of a reduced brand perceived value in relation to brand quality and consistency which might be in conflict with the brand’s value proposition.

FMCG companies should consider reducing their promotional activities to use funds for brand trust-building instead.

This would require putting forward the argument to retailers that building brand trust is “liberating” a category growth cycle and would provide an opportunity to shift retail marketing funds or unconditional trade terms to brand trust-building activities.

**(3) *Consumers use Trustmarks as relevant indicators for both functional & benevolence-related trust drivers to reduce perceived uncertainty & risk of a purchase/ brand usage.***

Given consumers’ increasing awareness, e.g. of health concerns, environmental issues or social behaviour in general, they are seeking information on brand and company behaviour that is seen as *appropriate*.

Given information complexity and the often opaque nature of brand actions and announcements/communications, consumers **use a range of Trustmarks that might be issued by Governments or NGOs to simplify their information search** and reduce perceived uncertainty and risk of buying an ‘irresponsible’ brand.

In particular, **Trustmarks awarded from specialised NGOs are among the most trusted information sources for consumers**, e.g. ‘organic’, certifications in relation to ethical values, functionality or quality tests from consumer organisations and technical supervisory organisations, or continuous reliability certificates from independent research institutes.

**(4) *Strong brand dedication increases brand trust***

Research shows that a brand'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.

In particular, the research shows that a brand's reputation represents a form of *social capital* that consumers ascribe to a brand.

This represents legitimacy or accepted brand 'behaviour'. **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.

Similarly brand trust can also be influenced by its (true or "invented") heritage, especially when direct personal experience with the brand is lacking and therefore reputation is less in evidence or shared.

Heritage in this situation can serve as a *factual* promise that a brand can perform according to expectations.

- (5) ***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.***

**Brand trust is a consumer relationship asset.** Relationship in this case might not be seen in terms of a classic 1:1 communication, treating consumers as a member of a focus group.

Rather, we understand relationship as active and on-going. Relationship from a brand trust perspective involves opted-in or consensual contact with a consumer. Sending lower volume but more relevant information to consumers would be positively related to brand trust.

**The main driver suggested here is a 'caring' attitude** that includes that brands will not exploit the consumer's (more) *exposed* position that arises from the closer relationship.

'Care' therefore also requires that the brand puts the consumer and his/her needs first and that his/her interest is treated with higher relevance than the company's own financial targets.

Hence, research shows 'caring' as distinct to classical 'relationship marketing', **seeing consumers not as members of target groups but real people** whose individual interests and contact preferences are met consistently.

- (6) ***The higher the similarity of a brand's values to those of consumers, the higher the consumers' 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.***

Consumers expect, and wish, brands to have coherence to values that matter to them. Our research suggests that consumer trust in a brand is higher when actions and announcements or communications of a brand are matching to his/her values.

Consumers trust those brands that engage with authenticity and with empathy. Nevertheless, actions and communications have to be sincere and understandable without effort.

When consumers believe that actions and communications are made half-heartedly, or are only fleeting, he/she will lose trust in the brand.

For brands, it therefore becomes increasingly important to 'walk the talk' as consumers, being more aware about health or environmental concerns, will be much more likely to spot misleading actions and announcements such as 'green washing' activities (pretending to behave, or inconsistently behaving, in an environmentally friendly way).

Accordingly, research suggests that brand trust is influenced positively when consumers perceive activities & announcements as coherent and credible.

Brand trust is therefore not an individual engagement or single marketing campaign but a **holistic approach and application of brand management strategy** that includes fine-tuned or concerted communications and activities over a longer time.

#### 1.4 ECONOMIC IMPACTS

The above findings represent an amalgamation of the most impactful research providing some insight as to why FMCG companies that wish to be successful in the future should **adopt a long-term brand trust strategy**.

In addition, our conclusion (in line with existing research) is that brand trust has an economic impact – for companies and for countries.

For **companies**, brand trust is a **relational asset or a resource**, especially in hyper-competitive environments 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**).

Furthermore, as brand trust is impacting consumer beliefs and emotional or affective elements of consumer buying processes it is a **major driver of brand equity** and as such of brand value.

For **countries**, the benefit of brand trust and therefore of FMCG companies is less obvious as research currently has not found a direct link between brand trust and effects like increased competitiveness of countries (it is rather the other way around), an increase in corporate tax or a growing gross domestic product.

In general, the issue is one of increased globalization, especially of FMCG companies, and other complexities of today's FMCG markets. Large corporations in particular have created financial structures that take advantage of low tax regimes and supply chain models that utilise low cost economies.

So growing the strength of a brand, e.g. via trust building, may or may not have direct financial or economic benefit to the government of country in which it is theoretically based.

Understanding this lack of proven linkage is critical to ensure that a government's expectations are set correctly and that more thinking is required with respect to policy making and regulatory frameworks that could establish this link.

Nevertheless, our research suggests that FMCG companies with highly trusted brands might contribute especially to **job creation** (if employing locally) and an increased **stability of consumer spending**, especially in situations of poor economic conditions, recessions or country economic cutbacks.

## 2. Introduction

### 2.1 Objective of the Study

Marketing and brand management sits at the core of FMCG companies. Traditionally, it is understood by practitioners as the build-up and development of a brand over time.

The major objective of marketers is therefore to establish a clear proposition for their own products and services versus those of competitors, and to formulate a differentiated positioning in the market.

Those efforts are mainly driven by the key belief that differentiated and well-positioned brands achieve increased recognition from customers, attributing certain characteristics or benefits to that brand. Hence, brands provide orientation for consumers.

Especially in the context of rapidly increasing choice of products in FMCG markets, brands serve to build consumer trust and support decision-making.

FMCG markets are typically characterized by

- low involvement purchases,
- a large number of anonymous consumers,
- limited opportunity for interpersonal interaction between the brand and its consumers (O'Malley & Tynan 2000).

Nevertheless, research on 'iconic' brands such as Coca-Cola has highlighted the idea that the brand and the consumer can be treated as partners in a dyadic (sociologically significant) relationship, which is conceptually similar to a relationship between two people (Cooke & Harris 2007) in that it **mimics interpersonal interactions in terms of intimacy, reciprocity and loyalty**.

Accordingly, these 'commercial friendships' can be treated as aspects of the bond of **trust** between consumers and brands.

**Brand trust is therefore not a "nice to have", but a critical strategic asset of companies** as trust facilitates obtaining superior brand outcomes in terms of market and advertising efficiency (Chatterjee & Chaudhuri 2005).

In line with this research, it is widely accepted that brands, and correspondingly brand trust, represent valuable assets for a company and that strong brands do increase company valuation. For example, (Gerzema 2009) research highlights the fact that in the 1950s the maximum value of a company's intangible assets was about 30% of its total value, whereas today it is typically above 60% of total value (Prahalad 2011).

Consequently, given all the above, the ultimate goal of marketers nowadays should be one of generating an intense bond between the brand and its consumers - with the main ingredient of this bond being trust.

Although consumers may be reluctant to use the term ‘relationship’ to describe their interaction with most FMCG brands (Barnes 1997) it is especially in those markets where factors such as demographic and social change (e.g. driven by an aging and shrinking EU population and increased migration) as well as growing consumer awareness (e.g. about resource scarcity, climate change or health and wellbeing concerns) make trust more important than ever before.

It is interesting to note that there also appears to be a concept of ‘invisible brands’ (Coupland 2005) where products have become such an intrinsic part of the everyday lifestyle of a household that identity of the brand is taken for granted and not consciously acknowledged. This presents a major challenge, as those brands that have been designed to have unique personalities will not be perceived or valued as those by consumers (Uncles et al. 2003).

Acknowledging this increased importance of brand trust for consumers, companies and – in terms of stable consumption – even economies, the British Brands Group together with other brand associations in Europe including AIM (the European Brands Association), has commissioned this study to research consumer trust in relation to FMCG brands in Europe.

Key research questions posed include ‘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 following these research questions, this research report objectives are:

- Define brand trust and identify its main drivers.
- Explore existing research on how brand trust is sustained and summarize major mechanisms, impacts and triggers as well as factors that destroy trust.
- Indicate the impact of brand trust on consumer needs’ satisfaction, company health and overall economic prosperity.
- Identify interesting angles / under-explored areas for further research on ‘consumer trust’ and define some hypotheses to investigate related to those angles/areas.

Although this report focuses on FMCG consumer markets within Europe, it draws from examples outside of the region and in other sectors that contribute learning and insight that can be usefully applied.

## **2.2 Research Methodology**

The ‘Brand & Consumer Trust Study 2015’ is based on a solid desk research methodology.

To allow for a most compelling overview of the current state of knowledge, the study focus was expanded to cover sources such as academic journals, journals focusing on practitioners and newspapers, as well as publications from institutions (research or brand agencies, consultancies).<sup>1</sup> A total of 78 different sources have been screened for relevant content. In addition, worldwide internet research has been conducted, mainly with the focus on blogs, social media and a search for empirical studies on the topic of brand & consumer trust.

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<sup>1</sup> A total overview of sources researched is included in Appendix 1.

A major starting point was the in-depth research of the latest research findings that have been published in journals focusing on academics or managerial audiences.

The journals included were identified applying the internationally accepted Harzing ‘Journal Quality List’ (52<sup>nd</sup> version, release date 11 February 2014) that is a collation of journal rankings from a variety of sources. It is published primarily to assist academics to target research papers at journals of an appropriate standard. The universe of journals included a total of A+/A, B, C and D ranked marketing journals (for an interpretation of journal ranks see figure 1).

**Figure 1: Interpretations of journal quality ranks**

Rank	Interpretation
A	Top journals with world-wide distribution and readership; covering the entire scope of a discipline; contributions are scientifically and methodologically most fastidious and innovative; very frequently pioneer work and milestones of the respective discipline; incomprehensible for non-scientists or readers without in-depth method knowledge; toughest competition of authors from all over the world (very high refusal rate of manuscripts); refereed in a double blind procedure (at least two referees).
A+	World-wide distributed journals; emphasis in just one linguistic area as the exception; covering an entire discipline or an established subdiscipline; contributions are scientifically and methodologically most fastidious and innovative; frequently pioneer work and milestones of the respective discipline; understandable for graduates of relevant studies; strong competition of authors from an international realm; refereed in a double blind procedure (at least two referees)
B	Journals with at least supraregional distribution in any language; covering at least an established subdiscipline; contributions are scientifically or methodologically innovative; understandable for practitioners without any degree in relevant studies; manuscript submissions from a supraregional realm; refereed in a double blind procedure (at least two referees).
C	At least national distribution; covering at least established subdiscipline; the editors pay attention to legibility for non-scientist, although research results have editorial priority; practitioners rank among the core target group; at least national contributions; not necessarily anonymously refereed; however one external referee at least.
D	At least national distribution; specialized on any level; contributions contain results in simplified form; practitioners appear frequently as authors; contributions are aimed at teaching or vocational training of practitioners; at least national contributions; no formal reviewing procedures.

Source: Harzing, A. W. (2014).

In a second step, we applied Thompson Reuters ‘Web of Science’ database to identify relevant papers in the preselected marketing journals that could contribute to the issue of brand and consumer trust.

The ‘Web of Science’ is the leading standard for research discovery and analytics, connecting publications through citations and controlled indexing in curated databases – this facilitates exploring the citation universe across the selected ranked journals.



We thereby limited our scope to papers having been published during the timeframe 2004-2014 using keywords of ‘brand trust’ OR ‘brand loyalty’ OR ‘consumer trust’ OR ‘consumer loyalty’ OR ‘customer trust’ OR ‘customer loyalty’.<sup>1</sup>

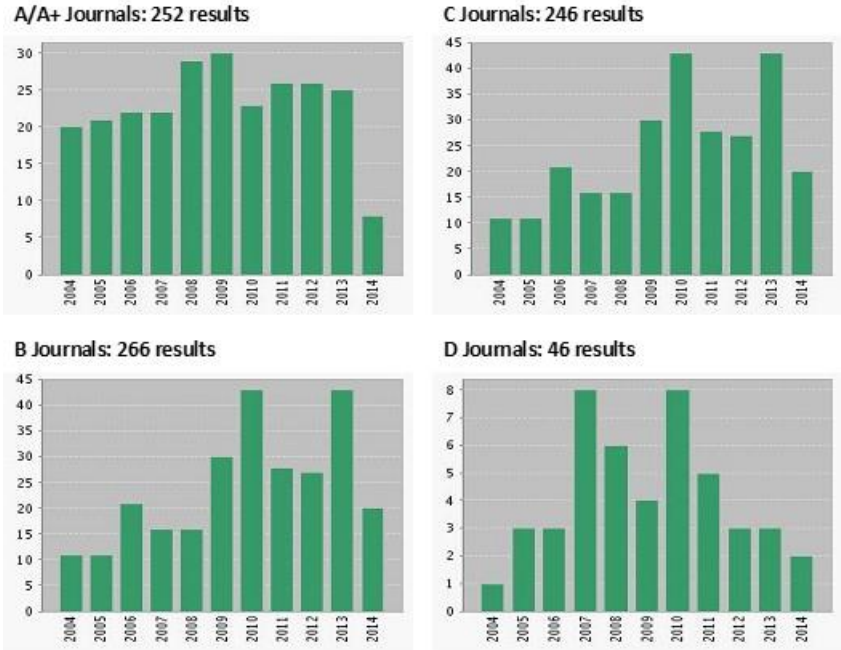
Applying those keywords, a total of 810 items (journal papers) were retrieved. Figures 2 and 3 indicate the item universe and average citations in the respective journal ranks on a yearly basis.

To reduce the total universe to a manageable scope, we ranked the total retrieved item universe by their total number of citations (how often the single item was cited since its publication).

To allow for the number of years an item was published (and accordingly its chance to have a higher number of total citations), we used the metric of average citations per year. Applying those metrics allowed us to select the 100 most impactful papers that contributed to our current understanding of brand and consumer trust during the last ten years.

We have taken care to ensure that managerial items were represented in an appropriate manner as typically papers in ‘C’ or ‘D’ ranked journals get cited less often than higher ranked journals. **We accordingly were able to avoid an overly academic focus or bias to the desk research.**

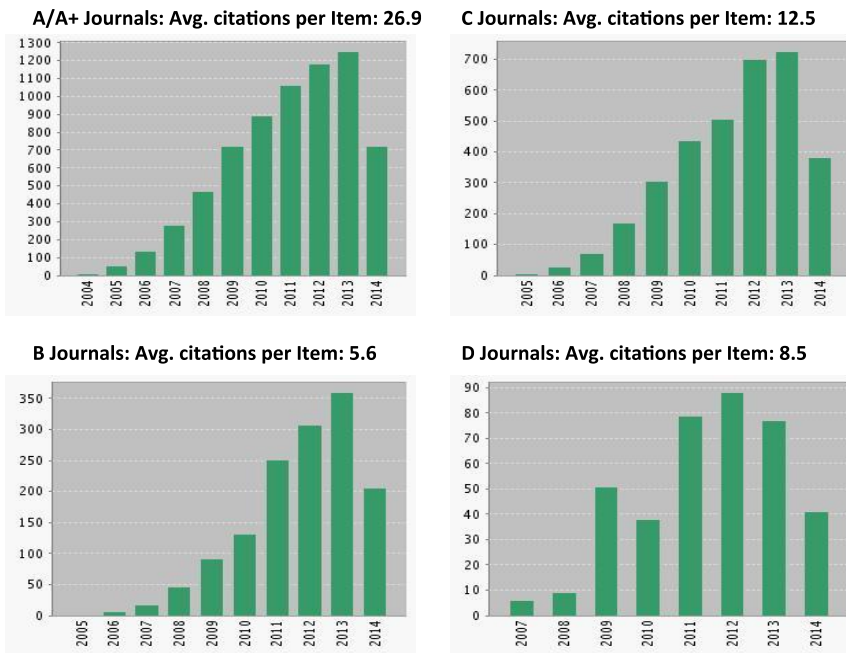
**Figure 2: Item universe by year and journal quality rank**



Source: IHD|Institute, Thompson Reuters Web of Science.

<sup>1</sup> Initially we applied the keywords ,brand’, ,consumer’, ,trust’ and ,loyalty’ individually being connected with an ,AND’ operator (e.g. ‘brand’ AND ‘trust’). As retrieved results were not only numerous but also very inaccurate with respect to our research objective, we purposefully narrowed our keyword search to a more specific keyword search.

**Figure 3: Average citations per item and journal quality**



Source: IHD/Institute, Thompson Reuters Web of Science.

In a third step, we reviewed each one of the 100 sample items to group them by their primary and secondary contribution by identifying the key contributions of each article. This allowed us to group the sample universe into subsamples (figure 4).

**Figure 4: Subsample criteria applied to total sample universe of items**

Subsample criteria	# of studies w/ primary focus	# of studies w/ secondary focus
Forms of Trust	13	2
Building Trust	24	10
Impact of Trust	14	16
Consumer Behavior	11	11
Trust as Mediator	4	2
Communicate Trust	0	5
Corporate Brand	2	1
Product Brand	6	2
Institutional Effects	7	1
B2B / B2C	3	2
Online Trust	12	12
Technology	1	1
Service	1	4
Other	2	31
<b>TOTAL</b>	<b>100</b>	<b>100</b>

Source: IHD/Institute

### 3. Defining Brand Trust

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 (Aaker 1994). Whilst this definition is too general to grasp the key aspects of brand trust described above, we suggest, building on Urwin et al. (2008, p.2) to define 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.”***

Recently, the concept of trust has become a more high profile issue in marketing, given its increasing relational orientation (Delgado-Ballester & Munuera-Alemán 2005). Several studies (Morgan & Hunt 1994; Fournier 1998) illustrate the importance of trust in developing a positive and favourable attitude - resulting in commitment to a brand in successful consumer-brand relationships.

Hence, trust is a desired quality and essential in building a relationship between a company and/or brand and its customers. Trust is a feeling of security based in the belief that the behaviours are guided and motivated by favourable and positive intentions towards the welfare and interests of the partner.

Therefore ‘consumers’ expect that the brand, or the company behind it, does not intend to lie, break promises, or take advantage of their vulnerability. If the consumer has less doubt that the purpose of the brand is questionable, they will have a feeling of lower risk in the ‘relationship’ (Delgado-Ballester & Munuera-Alemán 2008). Trust has to be distinguished from related concepts like confidence and predictability (Mayer et al. 1995) and has its own distinctive space in research. Accordingly, the term trust has received a multidisciplinary interest. A review of the existing literature across various research disciplines makes apparent that trust (as distinct from *mistrust*, which is not covered by this research) can be categorized in at least three streams of research:

- **Psychologists** define trust in terms of trustors and trustees and approach the concept from an individual level, focusing upon internal cognition (e.g., Deutschi 1960; Larzelere & Huston 1980; Rempel et al. 1985; Rotter 1980).
- Trust from this perspective is best understood by exploring personal characteristics that influence why trust declines or increases. In contrast to this personality psychologists’ views of trust as an individual characteristic (e.g., Rotter 1980), social psychologists consider trust as an **expectation that is specific to a transaction** and the person with whom one is transacting (Drawbaugh 2001; Johnson-George & Swap 1982).
- In **Sociology**, trust is considered as a part of a social relationship (Lewis & Weigert 1985; Granovetter 1985). They assess trust in terms of relationships and social institutions.
- **Economists** use the term ‘trust’ in many different ways - definitions of trust as “calculated effort” and “institutional factors of trust” have gained the most attention. “Calculated effort” stresses the weighing of potential gains and losses from **trusting under conditions of uncertainty** (Coleman 1990; Williamson 1993).
- “Institutional factors of trust” focuses more on how institutions can **reduce uncertainty, and in turn increase trust associated with transactions** (Zucker 1986).

Currently, there is no one agreed-upon definition of trust, and those that do exist can be classified into (at least) four categories: trust as a belief, an expectation, an intention, and a behaviour (Buchan 2004).

In addition to the above three research streams, more applied areas like management (e.g., Barney & Hansen 1994) and marketing (e.g., Andaleep 1992; Dwyer et al. 1987; Mayer et al. 1995; Morgan & Hunt 1994) strongly describe trust with the **competence dimension of a relationship**, that focuses on the belief that a brand or transactional partner has the required expertise to perform activities, carry out obligations or accomplish promises (Morgan & Hunt 1994). In addition to that e.g. (Harrison McKnight et al. 2002) argue that trust forms, because of one's "**disposition to trust**".

"Disposition to trust" refers to a **tendency to be willing to depend on others** and reflects a relational characteristic of trust.

Despite the richness in the various definitions, such a diversity of disciplines makes it difficult to find a consensus on its nature. While building on Chaudhuri & Holbrook (2001) and above definitions, we here define trust as encompassing a **transactional** as well as **relational characteristic** with brand trust being defined as:

***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.***

Consequently, a **trustworthy brand is one that consistently keeps its promise of value to consumers** through the way the product is developed, produced, advertised, sold, serviced; and even in difficult times when some kind of brand crisis arises (Doney & Cannon 1997; Ganesan 1994; Morgan & Hunt 1994).

An essential ingredient in successfully establishing, building and maintaining a strong brand, is the establishment and maintenance of trust. Consumers' trust in a brand contributes to a reduction of uncertainty in consumer purchases (Garbarino & Johnson 1999) and is positively related to brand loyalty (Chaudhuri & Holbrook 2001; Lau & Lee 1999).

A consumer who trusts in a brand is more willing to pay a premium price as well as buying its brand extensions. It can be deduced therefore that brand trust delivers some very tangible business benefits to the owning company.

Moreover, trust can be considered as a forward-facing metric of stakeholder expectation (Edelmann 2014). For example, 83% of people who trust a brand will recommend it to other people, 82% will use the products and services frequently and 50% will pay more for its products (Brand Trust Study 2009; Concerto Marketing Group). **Trust is an asset that firms must understand and manage** in order to be successful in today's complex operating environment.

## 4. Contextual Factors of Brand Trust

Brand trust is context dependent. Consumer perceptions, especially about a brand's value proposition, and the risk that is associated with making a purchase are influenced by three characteristics:

- (1) Consumer culture
- (2) Category in which the purchase is made.
- (3) Country<sup>1</sup>

### 4.1 Consumer culture

**Brand trust is influenced by cultural predispositions that differ by country and affect the consumers' perception of uncertainty and risk. Building and maintaining brand trust must consider these variables.**

In recent times it has been argued that there are alternative forms of positioning a brand to that of the conventional local consumer culture positioning (LCCP) strategies that associate a brand with local cultural meanings, reflecting the local culture's norms and identities and which is portrayed as being consumed by local people in the national culture (Alden et al. 1999).

Whilst this traditional thinking resonates with the definition of a few consumer segments which identify themselves with local attitudes or values (Okazaki et al. 2010), a global consumer culture positioning or GCCP (Alden et al. 1999) takes a different route.

GCCP strategy identifies the brand as a symbol of a given global culture, as the brand is associated with other signs that reflect this cultural orientation. However, the signs associated with brands are not universal but are the subject of reflections and communications of culture-specific symbols at a specified point in time (Akaka & Alden 2010).

Hence, core personality traits are significantly related to global and national identity that influence brand trust building and maintenance, in particular:

- psychological aspects of how consumers think, feel, reason, and select between different brands,
- cultural aspects of how consumers are influenced by their environment,
- personal behaviours of consumers while shopping,
- limitations in consumer knowledge, influencing the selection of brands as well as their buying decisions.

As a general, global consumer study is out of scope for this research report, we focus on general insights on **countries' consumer values and norms** and the associated *perception* of **risk or uncertainty**.

Specific attention is given to *“the buying behaviour of end consumers – individuals and households who buy goods and services for personal consumption”* (Kotler & Armstrong 2001, p.130).

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<sup>1</sup> Applying a major European focus, we focus on the big five EU countries (Germany, United Kingdom, France, Spain, and Italy) when producing country specific information. The countries in scope do account for about 70 percent of the EU gross domestic product (GDP) (CIA 2014).

Consumer behaviour, and the associated process of transforming value or norms into actual buying actions, is influenced by psychological, personal, social, or cultural factors (Kotler & Armstrong 2001, p.131).

For this report, culture is defined as:

***“the set of basic values, perceptions, wants, and behaviours learned by a member of society from family and other important institutions.”*** (Kotler & Armstrong 2001, p.131)

The impact of cultural norms and values on consumer behaviour is well established (Liu 2001). With regard to brand trust-specific cultural norms, research has found this to be highly correlated with brand trust (Schumann et al. 2010).

This means that when facing different cultures and markets - where increasingly consumers can be, want to be, and *need* to be a part of brand trust building – *locally* appropriate communications/announcements and actions for building and maintaining brand trust must be deployed.

Countries’ cultures differ with respect to perceived risk and uncertainty of consumers. Both of these factors have been identified as having a negative influence on brand trust (Kim et al. 2008). Accordingly, the role of brand trust is high in situations of high perceived uncertainty and risk in a given exchange (McCole et al. 2010; Mayer et al. 1995).

Even though the world today is more ‘transparent’ than it has ever been (for example due to massive consumer interconnectivity), consumers still almost always act on incomplete or far from perfect information.

This means that consumers are often faced with at least some degree of risk and uncertainty in their purchasing decisions (Kim et al. 2008). Consequently, putting the consumer, his/her beliefs and values and risk awareness centre-stage is a continuous task for any firm when trying to build and maintain brand trust through appropriate and clear value propositions.

As a result, **a consumer’s trust in a brand contributes to a reduction of uncertainty in consumer purchases** (Garbarino & Johnson 1999), is positively related to **brand loyalty** (Chaudhuri & Holbrook 2001) and **differs by culture** (Schumann et al. 2010).

So a mechanism and approach for understanding the **dimensions** that impact cultural differences and how to react are key.

## Dimensions of national culture

To evaluate the importance of brand trust by country given specific risk characteristics (This et al. 1990) research on '*dimensions of national culture*' can explain the contributing factors from culture on consumers' perceived risk and uncertainty and therefore brand trust. (Hofstede 2011) distinguishes **four dimensions** that can be linked to brand trust importance and brand trust driver variations by country (figure 5):

- (1) **Power distance (PDI)**
- (2) **Individualism versus collectivism (IDV)**
- (3) **Masculinity versus femininity (MAS)**
- (4) **Uncertainty avoidance (UDI)**

1. **Power distance (PDI)** – “[...] expresses the degree to which the less powerful members of a society accept and expect that power is distributed unequally [...]” (Hofstede 2011).

In other words, PDI refers to the way a culture handles inequality and authority. As a result, power distance reflects the prevalence of conflict and opportunism in a given culture (Schumann et al. 2010). The level of power distance will influence the consumers' perception of competence in a brand in terms of reliability.

The higher the PDI value, the more important competence based on reliability is for consumers.

2. **Individualism versus collectivism (IDV)** – individualism “[...] can be defined as a preference for a loosely-knit social framework in which individuals are expected to take care of only themselves and their immediate families” (Hofstede 2011).

In contrast, collectivism “[...] represents a preference for a tightly-knit framework in society in which individuals can expect their relatives or members of a particular in-group to look after them in exchange for unquestioning loyalty” (Hofstede 2011).

IDV is the reflection of the self-image defined in terms of “I” or “we”.

This index provides insights as to how far the **ability/functionality** of a brand is of importance that is not only **openly expressed** (i.e. a brand's value proposition) but it is also perceived as a **cue for decision making** (i.e. consumer behaviour) (Schumann et al. 2010).

So the level of individualism versus collectivism should influence the consumers' perception of a brand's competence in terms of ability to meet their value proposition.

The higher the IDV value, the more important become competence values based on ability or functionality.

3. **Masculinity versus femininity (MAS)** – “The masculinity side of this dimension represents a preference in society for achievement, heroism, assertiveness and material rewards for success. [...] Its opposite, femininity, stands for a preference for cooperation, modesty, caring for the weak and quality of life” (Hofstede 2011).

This means that society at large is either competitive or consensus-oriented.

So the level of masculinity versus femininity should indicate the relevance of **benevolence** values like **reliability, morale, responsibility, empathy, and credibility** when building and maintaining brand trust (Schumann et al. 2010).

The lower the MAS value, the more importance is placed on benevolence values.

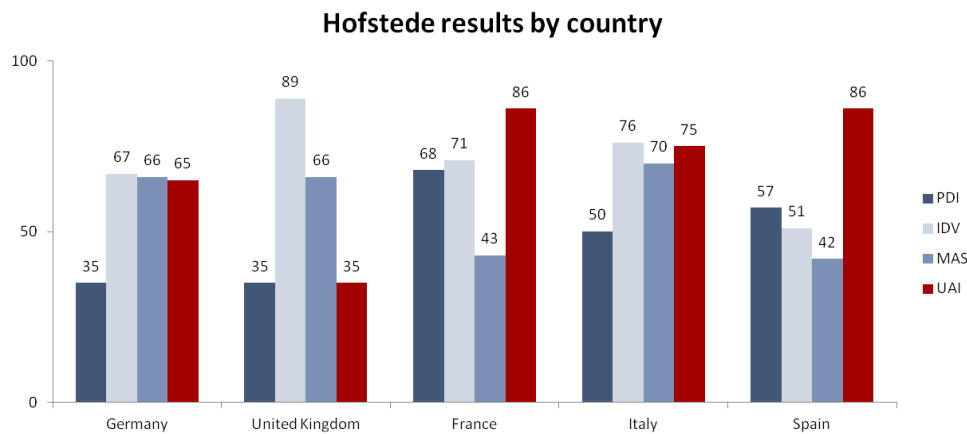
4. **Uncertainty avoidance (UAI)** – This “[...] dimension expresses the degree to which the members of a society feel uncomfortable with uncertainty and ambiguity” (Hofstede 2011).

Based on the findings that consumers’ trust in a brand contributes to a reduction of uncertainty in consumer purchases (Garbarino & Johnson 1999; Schumann et al. 2010) and its direct impact on brand loyalty (Chaudhuri & Holbrook 2001), this index represents the **most important dimension in terms of the need for building and maintaining trust**.

Uncertainty avoidance should be an indicator of how important brand trust itself is in different country cultures.

The higher the UAI value, the more important brand trust itself becomes in that market.

**Figure 5: Cultural predispositions by country**



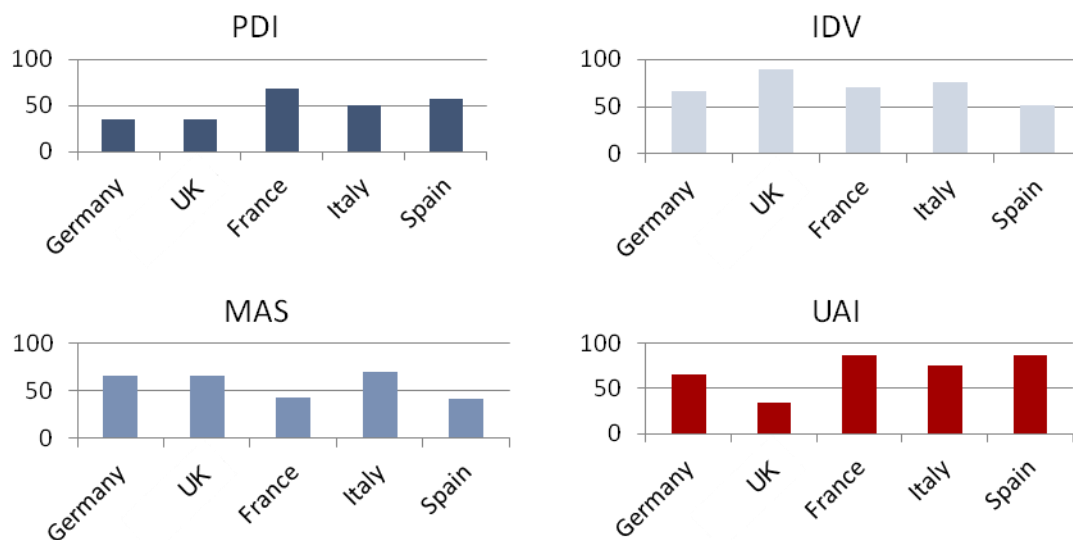
Source: IHD|Institute; Hofstede, 2011

As figure 5 and 6 show that,

- Competence drivers – reflecting a brand’s **reliability** – are **most important in France (PDI = 68)**, whereas **Germany (PDI = 35) and the UK (PDI = 35)** show the **lowest** values.
- Competence drivers – reflecting a brand’s **abilities and functionality** – are **most important in the UK (IDV = 89)**, followed by **Italy (IDV = 76)**.
- **Benevolence drivers are most important in Spain (MAS = 42) and France (MAS = 43)** due to the fact that both countries are more likely to focus on cooperation, modesty, and caring for the weak and quality of life. **If there is a dimension that defines Spain and France very clearly, it is uncertainty avoidance.**
- As a result, comparing the “big five”, **brand trust is most critical in France and Spain (UAI = 86)**. **In contrast, the UK (UAI = 35) represents the lowest value** and thus, the lowest impact of brand trust.



**Figure 6: Cultural predispositions of major European countries**



Source: IHD/Institute; Hofstede, 2014

## 4.2 Category

Product categories form the context for the brands themselves (Sujan & Bettman 1989). Category context is important from a number of angles that influence the magnitude and characteristics of brand trust:

- performance and positioning of other brands
- the general category perception of consumers
- consumers' category specific behaviour

For example, in commodity-driven categories, where functionality or quality difference is low, the only way to build a differentiated offer might be emotional, or **benevolence** drivers.

We accordingly can argue that consumer and category characteristics, as well as competitive dynamics in a category do impact the importance, building and maintenance of trust in a brand.

In the following paragraphs, the report looks at these impacts on consumer trust in a brand:

- (1) category involvement
- (2) consumer category experience
- (3) category rate and scale of innovation
- (4) level of category competition

### 4.2.1 Category involvement

**The lower the involvement in the category, the harder the chances to build brand trust. The higher the involvement in the category, the more important maintaining brand trust becomes.**

The influence of consumer involvement on individual responses to company marketing activities has been widely studied in marketing literature (Martín et al. 2011).

In line with Barki et al. (1994), category involvement is defined as:

*“the importance and personal relevance of an object or event for consumers”*

As such, consumer involvement is a significant precondition to brand trust and brand loyalty (Beatty et al. 1988; Sanchez-Franco 2009).

Consumers do apply *involvement* as an active engagement to reduce perceived uncertainty and risk (Sanchez-Franco 2009). When consumers are more concerned about a category (e.g. health care), and accordingly are more deeply *engaged* in the buying process, they are more inclined to establish strong brand loyalties and trust in a brand (Sanchez-Franco 2009).

When focusing on the impacts of involvement, according to Andrews et al. (1990) the “involvement direction” refers to the target of the involvement, such as an advertisement, a product, or – as in this study’s focus – **a brand**. (Sanchez-Franco 2009) states that, in advance, involvement allows consumers to create expectations about the events that may occur, e.g. brand trust and brand loyalty.

In general, most FMCG categories are characterized by **low-involvement**, due to the fact that consumers use them on a day-to-day basis and the buying patterns are more habit-led as compared to high-involvement products, e.g. banking and insurance products.

Even though the industry is generally characterized by rather low involvement, we see enormous differences concerning the level of involvement within different categories. This is driven by trends such as increased health concerns, environmentalism and quality awareness. Especially categories such as baby food, meat or toiletries are characterized by high consumer involvement and therefore are more significant in terms of the need to build brand trust.

#### Case example:

Fabric softener category in the early 2000s was completely dominated by price (price ceiling €0.99). The level of involvement, as well as brand loyalty, was at “rock bottom”. In essence, any actions directed towards maintaining brand trust in such a category would just be wasted, and investment high to build trust in an unfamiliar brand.

In contrast, e.g. health and baby care categories are gaining more and more involvement due to a rise in health consciousness around Europe

Where there is an increase in awareness and involvement in FMCG categories, we see also an increase in the need to build brand trust.

The results of high involvement are twofold:

- consumers perceive a lower risk when buying health and baby care products due to their increased consciousness and information seeking if the brand is highly trusted
- consumers are willing to spend more time as well as money to engage and reduce risk

These points underline the **increased importance of maintaining brand trust in higher-involvement categories.**

#### 4.2.2 Consumer category experience

**The higher the amount of experience gained in a category, the less important trust in the brand becomes for consumers**

Together with the results from the consumer and culture perspective, the level of past experience – seen as ‘partial influencer of perceived risk and uncertainty’ within a category – is an important factor influencing the importance for building and maintaining brand trust (Sahin et al. 2011).

For instance, if consumers have a high level of past experience, e.g. in daily-use categories such as milk and butter, and a high level of knowledge and awareness, the level of perceived risk and uncertainty is low.

As a result, building and maintaining brand trust – seen as risk and uncertainty reduction strategy – becomes less important.

#### 4.2.3 Category rate and scale of innovation

**The higher the rate and scale of innovation in a category, the more important brand trust becomes.**

Based on the insights of the “Innovation in FMCG – Big Bang or fine Tuning” study by GfK (2013), carried out online in 2013 amongst 2983 respondents, fewer than 5% of consumers believe FMCG brands are delivering innovation. At the same time, only 16 percent say they are actively on the lookout for new products in the supermarket aisles.

When asked “where do you normally find out about new products?” two thirds of consumers learnt about new products by seeing them on the shelf, followed by TV advertisements (37%). The internet (5%) is less significant in letting consumers know about new FMCG products, whilst websites and social media accounted for an even smaller percentage (GfK 2013).

FMCG innovation is less about creating a stir or “wow” factor, and more about presenting a complex set of benefits in a simple and compelling way (GfK 2013). It is about encouraging consumers to experiment with new looks, new tastes or a more effective way of delivering benefits.

The most important benefit of innovation is “making your life easier” (83%), followed by “helping you do things better” (81%), “saving you time” (80%), and “convenience” (77%).

With respect to the impact of innovation on brand trust, there is no one answer for all categories.

The GfK (2013) results highlight that when it comes to innovation within high involvement categories like health and beauty care, consumers are more likely to look for trusted brands.

Therefore, innovation in these categories should be introduced by established and well-known brands in order to maintain brand trust.

Conversely, consumers are more prepared to trial new products, even if it is an unfamiliar brand, in low involvement categories like canned food, beverages, bath products, and household cleaning.

Innovations within such categories represent opportunities for less known brands to actively build brand trust. These results are in line with the findings related to category involvement.

#### 4.2.4 Competition within the category

**The higher the level of competition, the more important brand trust becomes.**

The level of competition within a category, e.g. the number of competing brands, private labels, and hard discounters in the market, does have impacts on the importance of brand trust.

A high level of competition in any market results in either differentiation struggles or price wars, the latter being true for the European FMCG industry. Excessive competition on price can lead to unethical or 'frowned upon' actions, such as the use of inferior and cheaper ingredients in order to protect sales and margins.

Competing on prices might lead to unethical actions, like the use of inferior and cheaper ingredients in order to protect sales volumes and keep margins. The European horsemeat scandals in 2013 as well as other well-publicised ingredient sourcing scandals over recent years, are just two examples reflecting this course of action.

Higher consumer awareness and a broader (brand) variety within a category, leading to a more complex selection process, within highly competitive categories leads to higher levels of perceived risk and uncertainty and thereby increases the importance of brand trust and the need to protect it from factors that rapidly destroy it.

### 4.3 Country

When analysing the country (economic) dimension, we particularly focus on the institutional effects that impact building and maintaining brand trust. The development and stability of (1) a country's economic prosperity and (2) country-specific and governmentally-issued institutional factors (e.g. laws) influence consumers' propensity to trust and affect the role and source of their trust in brands

#### 4.3.1 Country economic prosperity

##### **The worse the perception of the economic situation, the more important brand trust becomes to maintain stability**

Years of economic difficulties – Europe is still dealing with the aftermath of the financial crisis.

The increased unemployment rate (see figure 8 below) as well as the real low to negative GDP growth rates (see figure 7 below) in many European countries has resulted in low consumer confidence and a higher level of uncertainty.

This macro-economic environment is having down-trading effects within the FMCG sector and has led many brands into expensive promotion strategies to save their sales volumes, and retailer listings, in highly competitive markets.

When consumers' income expectations decrease they become more restrained in their buying and need to be sure that what they do spend is a good investment. Perceived risk and uncertainty increases and as a result the impact and importance of brand trust also increases to reduce uncertainty. In this sense, brand trust can be a powerful force to reduce uncertainty.

In the past, it was about being "close to the consumer" – generally speaking, getting the product to the consumer at a price that they could actually afford to pay.

Today, the price war between brands, private labels and hard discounters is still a big part of reality in many European markets. Yet, at the same time, manufacturers and retailers have become much more conscious about the need to build and maintain trust (GfK 2014).

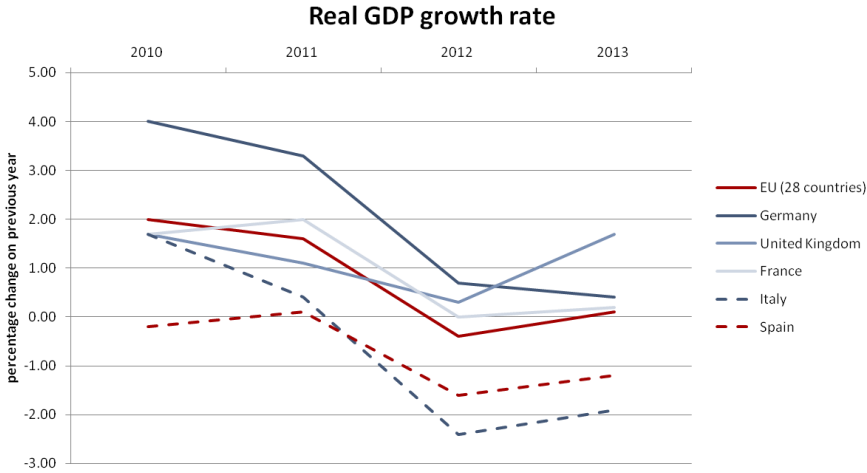
Promotional pressure is increasing across Europe without leading to sustained and guaranteed outcome in terms of volumes sold. Retailers confirm a growing e-commerce channel for fast-moving consumer goods (GfK 2014).

Time and budget are critical factors for the 'new shopper'; as a result, new pure click players are entering the fast-moving consumer goods market.

All of these trends force the full range of stakeholders into increased collaboration to create value and category growth. This requires renewed effort in innovation, co-creation and the development of more effective shopper marketing strategies (GfK 2014).

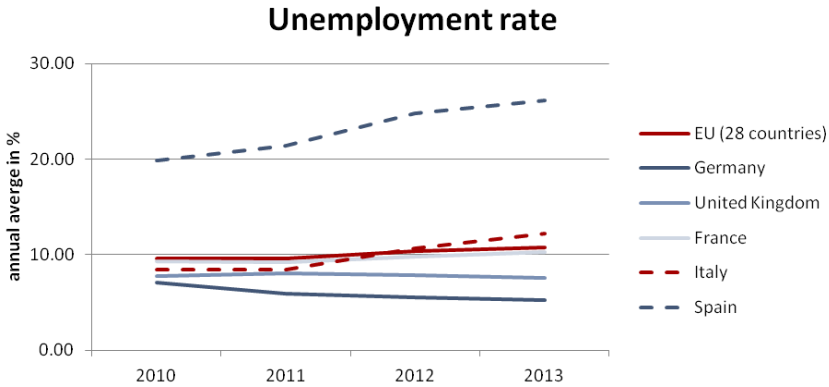
As a result, and in line with several studies (GfK 2014; Edelman 2014), economic and institutional factors play a crucial role in the overall importance of brand trust, due to the fact that brand trust reduces uncertainty. In short, the worse the economic situation, the higher is the importance of brand trust within the specific market.

**Figure 7: Real GDP growth rates by country**



Source: IHD|Institute; Eurostat

**Figure 8: Real unemployment rates by country**



Source: IHD|Institute; Eurostat

4.3.2 Country institutional factors

**The higher the level of counterfeiting – the more important the role and impact of brand trust**

The above-mentioned economic factors underline the overall importance of brand trust. In addition though, legal factors, and especially intellectual property rights and the related issues of counterfeiting and piracy, are important considerations when focusing on building and maintaining trust within the FMCG industry.

In general, counterfeiting, as well as infringements of intellectual property, are phenomena that are becoming increasingly widespread and represent a serious threat to national economies and governments.

In the EU, these phenomena take particular advantage of the national disparities that exist in the means by which intellectual property rights are enforced. This in general implies that counterfeiting should be more likely in countries that are less effective in enforcing their intellectual property rights (Comission 2014a).

In 2013, EU customs’ authorities opened almost 87,000 detention cases for a total of nearly 36 million products. The domestic retail value of the detained products represented €768 million (Comission 2014b). Taking a closer look (see figure 9), the “big 5” EU countries (Germany, UK, France, Italy and Spain) represent more than 60% of all registered cases of counterfeiting (and piracy) within the EU.

Surprisingly perhaps, Germany and the United Kingdom account for nearly half of all registered cases, whereas, the rest is below 7%.

**Figure 9: Cases of counterfeiting (& piracy) in the EU, 2013**

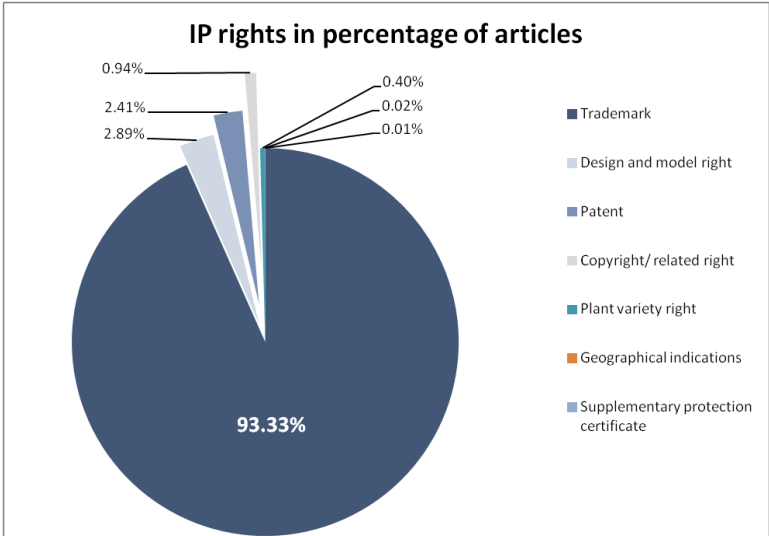
Registered cases of counterfeiting & piracy		
Country	No. of cases	Percentage
European Union	86,854	100%
Germany	20,719	24%
United Kingdom	21,453	25%
France	2,161	2%
Italy	5,492	6%
Spain	4,032	5%
<b>BIG 5</b>	<b>53,857</b>	<b>62%</b>

Source: Commission (2014)

Analysing the different types of counterfeiting (and piracy) actions<sup>1</sup> (see figure 10), as in previous years, the majority of products (above 90 percent) detained by customs in 2013 were suspected of infringing a Community or national trademark<sup>2</sup> and covered all product sectors (European Commission, 2014d).

A high level of brand trust and the resulting brand loyalty prevent consumers from substituting (in FMCG as well as luxury categories) the original product with its counterfeit (assuming they can distinguish the copy from the genuine article). In this way, brand trust can be a ‘double-edged’ weapon.

**Figure 10: IP rights in percentage of products (articles), EU, 2013**



Source: IHD Institute; EPRS 2014

<sup>1</sup> Counterfeits infringe trade mark rights and can be found in a wide range of categories. Piracy is the infringement of copyright and covers the copying of music, film, software and books. Counterfeits relate closely to brands while piracy tends not to, being more about content.

<sup>2</sup> The terms ‘trade mark and ‘brand’ are often used synonymously, but scholars argue that this is a misunderstanding. They point out that brands have an additional emotional and symbolic component which is not relevant in trademark law. According to this view, the increasing socio-economic role of brands has not been sufficiently accounted for in the legal field (EPRS 2014).

## 5. Building Brand Trust

### 5.1 Brand Trust Components

At the very minimum, brands need to provide a **compelling value proposition** to consumers in order to become attractive and meaningful.

Attractiveness thereby embraces a number of positive outcomes ranging from consumers considering the brand to be filling a real need, giving real value and whether it is seen as a great brand to create a purchase intention (Whan Park et al. 2010).

In the face of product commoditization, increased service levels, faster innovation, and diminishing brand loyalty, it is increasingly accepted within the marketing community that consumer relationships or brand trust introduce a strategic element into brand management.

Value has been traditionally understood as a consumer's overall assessment of the utility of a brand or product based on perceptions of what is received and what is given (Zeithaml 1988, p.14).

A critique has been raised on this give-and-take definition that treats consumers as "rational evaluators", positing that creating **value today is not only about the quality of the product or service a brand delivers**.

Rather, customer value is very much about the quality of a company's conduct, both internally and externally (Prahalad 2011).

As today's consumers are increasingly looking for meaning, becoming more aware about nutritional, health, social and environmental concerns, a brand's value proposition is not only the responsibility of the marketing department, but also the responsibility of the whole corporation.

Consumers look increasingly for clear added-value. But these value-adding activities are in the hands of the process-owners in logistics, manufacturing, and information systems and not brand managers (Knox et al. 2002).

Accordingly we understand consumer value propositions (Woodruff 1997, p.142) as follows:

*"Customer value is a customer's perceived preference and evaluation of those brand attributes, attribute performances, and consequences arising from use that facilitate (or block) achieving the customer's goals and purposes in use situations (or specific contexts) while meeting her core ethical norms."*

More recently it has been identified that consumers are not looking for perfection. **Consumers are looking for decency**. Trust and brand leadership, therefore, also become a function of the many *quiet* decisions and judgement calls that a company makes about its own values (Prahalad 2011).

**Trust can be built where consumers and brand values match to a sufficient degree.**

As FMCG companies want not only to keep current customers but also to gain new customers, there is a great managerial, as well as academic, interest in how (brand) trust is built and which factors drive (brand) trust and (brand) performance.



According to the definitions from this study, brand trust has two dimensions.

Brand trust is

- technical or **competence-based** in nature, involving the ability and willingness to keep promises and satisfy consumers' needs,

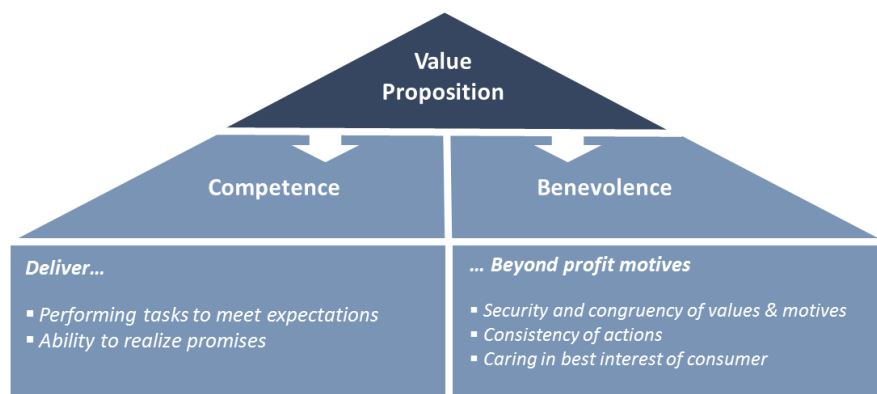
and

- **Benevolence-based** - the good intentions ascribed to the brand in relation to the consumers' interests and welfare (Mayer et al. 1995).

It is important to note, that once a unique and compelling consumer value proposition has been established, brand drivers act as catalysts to leveraging this value proposition in positive brand attribute ascriptions and customer relationships (see figure 11).

Thus, consumers develop trust in a brand based on positive beliefs regarding their expectation for the behaviour of the organization and the performance of products a brand represents (Ashley & Leonard 2009)

**Figure 11: Brand trust components**



Source: IHD|Institute, More-Gain Solutions

**(1) Competence** refers to a group of skills and characteristics such as capability, reliability, or confidence that enables a partner, company, or brand in performing tasks according to expectation and obligation (Cho 2006; Mayer et al. 1995).

In line with Lee et al. (2008), competence is rather not an overall characteristic of a trustee but is task and issue specific. Competence refers to the ability to realise promises (Xie & Peng 2009).

**(2) Benevolence** refers to “[...] the extent to which one party believes that a second party has intentions and motives beneficial to the first party” (Ganesan 1994).

In addition, Chen & Dibb (2010) define the concept of **benevolence** as the “[...] extent to which the trustee cares about the trustor’s welfare” (p.235).

Benevolence includes the motives and intentions, the qualities, and characteristics attributed to the partner rather than its specific behaviours (Rempel et al. 1985).

Also, for managerial and simplification purposes, we suggest that the trustor's perception that the trustee adheres to a common set of principles that the trustor finds acceptable should be included in benevolence (Mayer et al. 1995).<sup>1</sup>

Some key examples of benevolence include:

- Credible communications,
- a strong sense of justice,
- consistency of past actions,
- congruent actions with the trustee's words (Mayer et al. 1995),
- restraint from self-serving opportunism,
- willingness to assume fiduciary responsibilities,
- the provision of support (Lee et al. 2008).

## 5.2 Drivers of Brand Trust

Whilst traditionally marketers have emphasised the importance of attributes like benevolence (e.g. Ganesan 1994; Doney & Cannon 1997; Swan et al. 1999; Selnes 1998), recent research has found that competence factors are equally or even more important in building trust, especially in saturated markets (Sichtmann 2007, p.1010) such as the FMCG industry.

Nevertheless, we have to keep in mind that general results of trust research indicate – as outlined in chapter 4 'contextual elements of brand trust' – a different influence of competence and benevolence on trust depending on the specific context (Sirdeshmukh et al. 2002).

Drivers of trust may thus be explained by these different contexts. Managers willing to build, enhance or maintain brand trust should consider the question of which drivers may be applicable in which situations (Sichtmann 2007).

Based on an extensive literature review, this research identified the main drivers of brand trust. We suggest that trustees (e.g. partners, companies, brands) who possess these drivers of trust are desirable for consumers, because they will perceive that the brand behaves, or will behave, skilfully (competence trust), ethically, kindly and consistently (benevolence trust) (Yousafzai et al. 2005; Mayer et al. 1995).

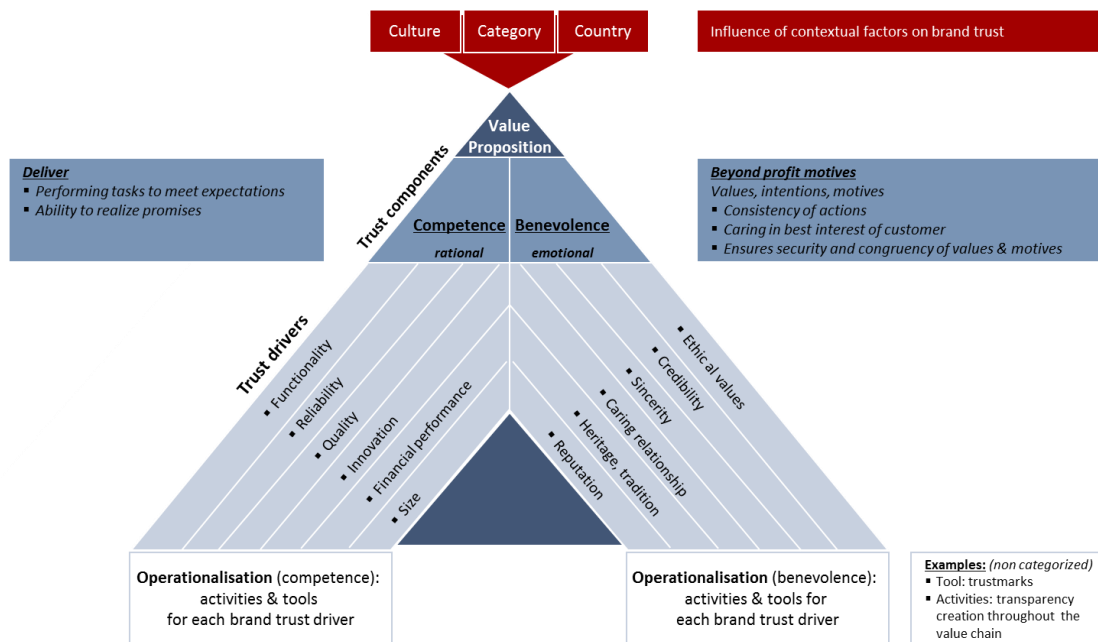
Despite the fact that these drivers of trust are not trust per se, they help in building the foundation of brand trust and explain a large variance in different brand trust scores (see figure 12).

It is important to note that when looking at the different drivers of each dimension, there is not yet a comprehensive and systematic approach to defining each driver. It is rather a mixture of brand and company view, mostly giving the target-state for each driver. Which ones are more important (weighting) and how are they linked to each other, will vary according to the various factors that impact and influence trust building, as covered in this report.

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<sup>1</sup> Literature suggest to distinguish between 'benevolence' from 'integrity', with the latter describing the trustor's perception that the trustee adheres to a common set of accepted principles. We here, to simplify definitions, subsume integrity under benevolence.

Figure 12: Drivers of brand trust



Source: IHD | Institute, More-Gain Solutions

### 5.2.1 Competence-based trust drivers

**Competence** captures the “can do” components and describes whether the brand or company has the ability to act in an appropriate way (cognition-based). The six drivers of brand trust within the competence dimension are identified as

**Functionality; Reliability; Financial performance; Size; Quality; Innovation**

Our research leads to definitions of these drivers as follows:

- **Functionality** – a brand should perform its core competence

**Functionality is the core driver of brand trust.** Without functionality there is no trust and almost certainly no sales. This driver describes the consumers’ expectation and belief that the brand has the ability to deliver what it promises.

Accordingly, a brand must deliver results and match consumer expectations to be trusted, competent and perceived as capable (Chaudhuri & Holbrook 2001). Thus, personal experience may play a role in trust by making it possible to test and recheck the realities of the company related to preconceived expectations (Michell et al. 1998).

The notion of **trust being a function of experience** is well accepted by researchers, e.g. (McAllister 1995; Nevin 1995; Weitz & Jap 1995)<sup>1</sup>

In this way, consumers’ interactions with a brand contribute to the development of brand trust by setting the stage for further brand knowledge that contributes with higher levels of brand trust

<sup>1</sup> McAllister (1995, p. 26) states that “The amount of knowledge necessary for trust is somewhere between total knowledge and total ignorance. Given total knowledge there is no need for trust and given total ignorance there is no basis upon which to rationally trust. Available knowledge and “good reasons” serve as foundations for trust decisions, the platform from which people make leaps of faith, like those involved in trusting.”

(Chatterjee & Chaudhuri 2005). Consumers extrapolate from past experiences to predict the future behaviour of the brand (Mayer et al. 1995).

Accordingly, the greater the number of positive brand experiences, and the following positive visible attitude, the more likely it is that customer satisfaction is promoted and consumers' trust is reinforced and strengthened. (Westbrook & Oliver 1991; Sichtmann 2007).

However, as satisfaction is not a compelling measure of a brand relationship - one can be satisfied with the product rather than with the brand (AuPower, J., Whelan, S., Davies 2008) - satisfaction in itself may be necessary but might not be sufficient. Not all satisfied consumers trust the brand (Hess 2005).

The development of trust needs history as a 'reliable background'. So, 'purchase duration', defined as the time a consumer interacts with a brand, becomes important for functional trust building. This factor relates to the history of purchase behaviour, correlating trust with a longer-term orientation to purchase (Ganesan 1994).

Interestingly, functional trust does not demand that an individual has those experiences directly. It has been suggested that the experience of others can serve as a predictor of individual trust in the function of a brand (Powell 2007). This is especially so in today's ultra-connected, social media-influenced world.

- **Reliability** – offer products of consistent quality and so have predictability

Reliability means that a brand is durable or at least is consistent in the performance of its function. A brand's reliability is a key determinant of 'predictability of behaviour', a factor that builds trust with consumers (Delgado-Ballester 2003; Delgado-Ballester & Munuera-Alemán 2008).

Consumers expect a near flawless experience when consuming the brand. Every transaction counts. Even though consumers might accumulate goodwill towards the brand based upon past positive experiences, one negative experience can destroy the consumer's trust in that brand (Rotte et al. 2006; Darke et al. 2009).

Consumers assume that with a high reliability brand image, that the intention is to provide similar functions or levels of quality in the future (Rempel et al. 1985). This has been found to be especially true for older consumers (Jahn 2005; Adams et al. 2000).

Hence, reliability, given as an explicit guarantee in the form of a warranty, may act as a proxy for trust and operates as a purchase winner (Schurr & Ozanne 1985; Michell et al. 1998) and becomes more important as consumers get older. Nevertheless, **predictability is a source of trust**, and not only requires a brand-consumer relationship but also courtship by the brand (Lewicki & Bunker 1995).

- **Quality** – trusted brands offer high quality products

The perceived quality image of a brand as a brand trust driver is strongly related to reliability. Brand quality is defined as the consumer's judgement about a product's or service's overall excellence or superiority (Bei & Chiao 2001).

Furthermore, perceived quality correlates with consumer purchase intention (Bao et al. 2011). Consumers thereby rely heavily upon brand cues such as price, distribution channels, and image in order to deduce the quality of products they trust and purchase (Erdem & Swait 2004; Oxoby & Finnigan 2007).

A study by (Zhang & Cao 2012) reveals that the quality of a brand can be determined by its technical characteristics and its performance aspects. However, others have identified the ease of use and suitability of product features to the individual's needs as important contributors to a brand (Sweeney et al. 1997).

In addition, aspects such as product flawlessness, durability, appearance and distinctiveness are among some of attributes associated with product quality (Miyazaki et al. 2005; Roest & Rindfleisch 2010; Bao et al. 2011).

From a trust perspective, quality consistency and actual product quality have been found to be driving the development of brand trust (Michell et al. 1998). The consistency of quality delivery affects consumers' confidence that the brand can be trusted (Altman & Taylor 1973).

Actual brand quality is a key influencer of credibility and may give tangibility to confidence that the brand can be trusted (Dwyer et al. 1987). Quality is an important driver of trust in a brand which justifies company investments in communication and development of consumer knowledge about such quality (Eisingerich & Bell 2008).

- **Innovation** – strong brands are not only supported by innovation but they are also an important path to, and source of, innovation.

The introduction of new products is one of the most important activities of FMCG companies to increase market share and ensure stability of retail and consumer prices.

However, innovations are also very risky as the majority of new product introductions of FMCG companies fail (between 80% and 90% according to various AC Nielsen and IRI reports over the last ten years) especially in saturated but high innovation categories such as cosmetics and toiletries.

Especially in saturated or highly dynamic categories, brand trust might play an important role in the success of new products. Unfortunately, research on brand trust has paid little attention to the impact of trust on consumers' purchase intention for product innovations (Sichtmann 2007).

Purchase intention for an existing product may have a positive impact on a new product or service offered by the same company (Boyd & Mason 1999). This means that the current purchase intention positively affects the purchase intention for a product innovation (Sichtmann 2007).

However, recommendations by 'trusted others' or 'word-of-mouth' becomes more and more important (Walsh & Mitchell 2013) in this regard.

Therefore, as prior experience with a brand, as well as peer recommendations are influential for consumers in developing trust, winning first-hand users becomes more critical. To build that, brands that lack *prior* users might consider using accepted technologies that consumers do trust to develop a 'first-hand user base'.

Trust in technologies can act as a substitute for brand trust in innovations (Johnson n.d.; Eng & Quaia 2009; Kyrezis 2010). Trusting consumers do provide a valuable differentiator for trusted brands, allowing them to reduce new product failure and innovation cost.

Trust enables consumers to engage in co-creation and for that reason highly trusted brands enjoy higher levels of consumer engagement, ensuring more efficient and effective innovation processes through the relevance of their offers (Prahalad 2011).

- **Financial performance** – brands deliver consistent financial returns to investors and thus demonstrate top leadership.

Financial health in this context refers to the company's financial status and the degree to which they have financial adequacy (Xiao et al. 2009; Xiao et al. 2006).

With respect to brand trust, consumers might use financial health as an indicator of an organisations ability to deliver tangible results consistently, being able to meet its commitment to a clearly defined market, and demonstrating an ability to achieve or exceed expectations over time.

Consequently, announcements such as early warning signals to the financial market, layoffs, and restructurings do affect consumer trust negatively.

The measure of success even in business is variable, but the bottom line is that trust is created when goals or expectations are met or exceeded. In the mind of the consumer, financial health might also encourage the perception of a viable, competent company with longevity (which might be important especially for consumers of durables).

Therefore, financial health has a positive impact on trust (Hansen 2012). Consumers use financial performance as more or less easily available information to judge not only the quality of products but also for assessing consumption-related risks e.g. stemming from the use of inferior ingredients or compromising on ethical values.

- **Size** – ranks on a global list of top companies, but size is not a guarantee of trust.

Unlike top brands, mid-sized brands typically have a lower brand recognition (except small, niche products, typically in the luxury segment) (Stegemann 2006).

Consumers are often raised with an understanding of 'big being better'. This is typically because a "you-know-what-you're-getting" attitude is developed, associated with trust in big companies and brands as opposed to small brands that might be unreliable (Couch 2014).

Big companies are also often associated with a 'corporate name guarantee'. A strong corporate name can become another implicit stimulant of trust (Schurr & Ozanne 1985).

This can be observed well in online reputation profiles through sites like eBay, TripAdvisor, LinkedIn and Airbnb, that experience higher trust levels compared to smaller, potentially more powerful sites (Becerra & Badrinarayanan 2013).

In contrast, there is a current megatrend of ‘glocalization’ and a growing mistrust in big companies and brands. Consumers trust their local communities. Regional brands become increasingly more important to them than those associated with a national identity

Recent empirical research revealed that trust levels of large brands worldwide are 12 per cent lower compared to small brands, which are trusted by 70 per cent of consumers (Horsager 2014).

Consumers increasingly are concerned about where the products they consume come from and how they are made. Documentaries on big farms, big companies, and big media have spawned distrust, and more are being asked to reveal the story of their product before it is purchased—whether it is how foreign factory workers are being treated, the types of fertilizers used on vegetables, or the quality of life of poultry before it becomes dinner (Horsager 2014).

So, as consumers still use firm and brand size as a proxy of trustworthiness in some regards yet trust big firms and brands less in other ways, companies’ efforts in building trust with consumers become more complex and ever more important (Deari & Balla 2013), particularly using benevolence drivers.

### 5.2.2 Benevolence trust-drivers

In contrast, the character-variable **benevolence** captures the ‘*will do*’ component by describing whether the brand or company will choose a way to offer products in the best interest of the consumers (effect-based). The following six drivers of brand trust within the benevolence dimension were identified:

#### **Ethical values; Credibility; Sincerity; Caring relationship; Heritage; Reputation**

Our research leads to definitions of these drivers as follows:

- **Ethical values** – a set of principles of appropriate conduct - social, religious, or civil code of behaviour considered as correct, could be of a particular group, profession, or individual

Consumers and stakeholders have a growing desire for meaning (De Pelsmacker et al. 2005).

Consumers trust in a brand increases if they perceive the brand as ‘fair-minded’; that is, motives and intentions of the brand do not exploit potential advantages that it might have towards consumers.

Trust will develop, when ethical violation (exploiting others for one’s own interest) is absent (Helm 2004).

Furthermore consumers will develop trust in a brand if there is a similarity to the intending purchasers of values that the brand represents, or its company follows, with the firm relating to their social context (Bidault, F. & Jarillo 1997).

When brand and consumer values are closer, both trust and trustworthiness will rise (Dwyer et al. 1987; Glaeser et al. 2000). The extent to which values are close or shared between the brand and the consumer is an expression of the extent to which partners have beliefs in common about what

behaviours, goals, and policies are important or unimportant, appropriate or inappropriate, and right or wrong (Ganesan 1994).

As a result, marketers are well advised to harvest their brand reputation and link it to consumer trust by ideally undertaking actions that matter to the consumer, emotionally and socially.

- **Credibility** – the brand’s quality of being believed and trusted

Brands that are highly trusted are believed to have unshakeable credibility.

Credibility at large can be defined as the believability of a brand’s position and its intentions at a particular time (Erdem & Swait 2004, p.192). Brand credibility therefore is an expectation held by consumers that the brand’s word or written statement can be relied upon (Lindskold 1978). That also includes clarity in terms of lacking ambiguity of e.g. product information.

Trusted brands ‘walk the talk’ and avoid pretending to be something that they are not. e.g., trusted brands avoid greenwashing activities (Chen & Chang 2013; Hoejmose et al. 2012).

Those expectations typically encompass standards of behaviour and perceived brand obligations (Bradach 1989). It has been found, that consumers' perceptions of a brand’s willingness to follow through on promises made, has a more important impact than functionality (Erdem & Swait 2004) for some categories. Brand credibility affects both conditional brand choice and consideration as it impacts perceived quality and perceived risk.

Consumers like to see small things happening consistently. In this respect, credibility of a brand has been shown to be higher for brands with higher consistency in their marketing mix over time and, assuming all other aspects maintained, higher brand investment (Erdem & Swait 1998).

Consistency thereby refers to the degree of harmony and convergence among elements of the marketing mix and the stability of marketing mix strategies and attribute levels over time (Erdem & Swait 1998).

What sets brands apart from the pure marketing mix elements demonstrating credible brand signals, is that the former embody the cumulative effect of past strategies and activities (see also ‘reputation’ as trust driver below) (Herbig et al. 1994).

- **Sincerity** – the quality of being honest and upfront including clarity of communication

Sincerity promotes consumer determination of brand trustworthiness and dependability (Aaker 1997) as it reduces feelings of vulnerability and supports the build-up of a consumer-brand relationship (Moorman et al. 1993). Furthermore, similarly to ‘ethical values’ drivers (see above), a brand’s perceived sincerity constitutes a basis for trust by providing a framework for decision-making (Crosby et al. 1990).

Brands are ascribed as being sincere when perceived as perfectly honest and truthful or having high integrity. As such, they typically experience a higher level of consumer trust (Michell et al. 1998).

Recently it has been argued that even providing competitive information builds an image of vulnerability, credibility, and altruism that enhances trust, leads to brand consideration and sales (Moorman et al. 1993; Liberali et al. 2013). This is because consumers typically see providing



competitive information as an active sign of a brand putting consumers' needs above its own (Kirmani & Rao 2000).

Another aspect of the 'sincerity' trust driver has been suggested to be related to straight forward communication and coherent activity patterns (Crosby et al. 1990). As the brand itself can become a signal, the level of cognitive effort needed by consumers to evaluate a brand is seen as a negative effect and leads to lower likelihood of choice and trust, as customers might not understand a brand's position or communication in a particular timeframe (Erdem & Swait 2004; Garbarino & Edell 1997).

- **Caring Relationship** - the relationship between customers and brands including empathy: the ability to mutually experience the thoughts, emotions, and direct experience of others.

Trust is all about relationship (Urban et al. 2000). Consumers increasingly want to be the cornerstone of the transaction.

Rather than performing a mere transaction, it becomes increasingly important that consumers have the impression that their needs are central, that they are cared about by the brand.

Nevertheless, consumers increasingly do not want to be contacted continually with information and offers which are not important for them. Rather than the pure volume of communication, it becomes important to them to be offered relevant information and offers (Jahn 2005).

Consumers have reached the edge of their spectrum on individualistic personalization. Now, they want to be entertained with friends (Horsager 2014).

Rather than traditional one-to-one marketing strategies that treat consumers as members of general target groups, they value individual attention by brands that understand their specific needs. Accordingly, a brand may be perceived as an impersonal and active relationship partner (rather than a passive object) causing positive experiences or hurt (Fournier 1998).

Therefore, what matters for trust building is not simply what marketers intend for their brands, but what consumers do with brands to add meaning to their lives (Elliott & Yannopoulou 2007).

What contributes to building brand trust is to develop 'personalities' for brands (Aaker 1997) in order for consumers to relate with their brands in a bid to increase loyalty and purchase intention (AuPower, J., Whelan, S., Davies 2008; Erdem & Swait 2004).

Brands that are highly connected with consumers are generally seen by the latter as complimentary to consumers' 'self-concept' as the brand might assist in the maintenance of self-consistency, self-esteem and self-relevance (AuPower, J., Whelan, S., Davies 2008).

Self-connectedness of consumers with a brand typically triggers statements such as 'the brand connects with the part of me that really makes me tick'; 'the brand fits well with my current stage of life', 'the brand makes a statement about what is important to me in life' or 'using the brand lets me be a part of a shared community of like-minded consumers'.

Marketers therefore should consider developing a caring attitude for their brands as it assists both consumers and brands choosing the necessary behaviour for a new situation (Michell et al. 1998).

- **Heritage** – a tradition, something that is passed down from previous generations, has a history and a story behind it.

Brand heritage is a dimension of a brand's identity found in its track record, longevity, core values, use of symbols and particularly in an organisational belief that its history is important. As such, heritage is an important belief that consumers hold about a brand. But it has to be respected that there is a difference between mere 'old' brands and heritage.

History explores and explains what is often a blurry past. In contrast, heritage clarifies and makes the past relevant for contemporary contexts and purposes (Urde et al. 2007). Accordingly, heritage embraces three time horizons: the past, the current and the future.<sup>1</sup>

If a brand's personality (Aaker 1997) is based in the past, but has readjusted its brand identity, core values and meaning (see 'ethical values'-driver) with on-going innovation to present and future consumer needs, it has been found that its heritage is a key to the brand's continuing success and brand equity (Wiedmann et al. 2011, p.216).

Recent research has found a negative relationship between the age of the brand and differentiation, reflecting the fact that older brands might be subject to imitation in turn making them less differentiated. Thus, the older the brand, the less differentiated it is, and the lesser the price premium it charges (Chatterjee & Chaudhuri 2005, p.11). To counteract that effect of history, brand trust can serve as an important differentiating factor that is difficult for competitors to copy.

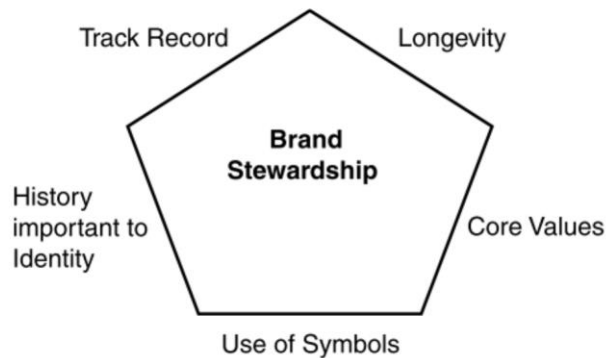
To take advantage of that "heritage benefit" on trust, a brand with heritage has to be distinguished from heritage brands with the latter having chosen to emphasize its history as a key component of its brand identity and positioning (Urde et al. 2007).

Therefore, a heritage brand must not be confused with 'retro' branding (Brown et al. 2003), iconic branding (Holt 2004) or heritage marketing (Balmer 2013). Based on the seminal work on brand heritage (Urde et al. 2007), heritage brands can be identified from five characteristics (figure 13): (1) demonstrating a strong track record, (2) longevity, (3) adhering to a strong set of core values, (4) extensively using symbols as part of their brand identity and (5) a history that is part of their brand equity.

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<sup>1</sup> (Urde et al. 2007, p.7) state accordingly: "(...) heritage brands are distinct in that they are about both history and history in the making (...)."

**Figure 13: Characteristics of heritage brands**



Source: (Urde et al. 2007)

The positive effect of brand heritage on consumer trust is that a brand's heritage stands for its authenticity, credibility and, therefore, trust (Aaker 1996).

A heritage brand creates and confirms expectations about future behaviour to stakeholder groups and makes a promise that the brand will continue to deliver on these commitments (Wiedmann et al. 2011). Therefore, brand heritage can add perceived value to consumers and can minimize their perceived buying risk (e.g., Mühlhling & Sprott 2004; Stewart-Allen 2002).

- **Reputation** – the general estimation in which a company and/ or brand is held by the public

Corporate reputation is defined as an overall evaluation of the extent to which a brand is substantially perceived 'good' or 'bad' by customers (Keh & Xie 2009). Even though reputation is not a predictor of the future, but knowledge of the past actions and announcements of a brand, it is an important aspect of trust building that has an impact on how consumers behave in respect to and relate with a brand (Bidault, F. & Jarillo 1997; Michell et al. 1998).

Partly as a sum of other trust drivers' long term results, a reputable brand conveys various signals to the market (Fombrun & Shanley 1990). Brands having a **reputation for fairness** within an industry or category are more likely to develop trust with consumers (Weitz & Jap 1995).

Even more importantly, brands enjoying a high reputation for fairness have been found to be more positively evaluated in terms of their competence drivers of trust (rather than their benevolence drivers), as reputation is built on the evidence of reliable and consistent behaviour over time (Ganesan 1994, p.5).

Consumers are more likely to believe that highly-regarded brands that demonstrate a consistency of behaviour are **competent, act honestly in their daily operations, and consider the interests of consumers** in the relationship when making decisions, which contributes to the trustworthiness of these brands (Keh & Xie 2009).

If consumers can see how brands acted in the past, they are more likely to find themselves able to reliably predict how it will act in the future (**predictability**). Brand reputation therefore might serve as a **substitute for a consumer's own experiences** (see functionality). Furthermore,

consumers might be more willing to **associate themselves with companies** of high repute, as part of self-articulation and self-enhancement.

In summary, the development of a favourable brand reputation is important for relationship-oriented firms (Xie & Peng 2009; Keh & Xie 2009) as it can provide a competitive edge in the economic competition of brands (Webers Shandwick 2011; Keh & Xie 2009; Herbig et al. 1994; Walker 2010).

Despite the importance of brand reputation for developing brand trust, a good reputation is **not a cure-all** (Xie & Peng 2009; Keh & Xie 2009), e.g. it is known that while a bad reputation makes building brand equity difficult, a good reputation does not guarantee a strong brand (Rhee & Haunschild 2006).

Page & Fearn (2005) for instance found that a brand with 'good' reputation suffers more than those with 'poor' reputation when they make mistakes. This may be due to the fact that a consumer will have a higher expectation from a highly reputable brand and therefore be more disappointed by such mistakes. (Guo & Main 2012; Kardes 2006; Pan & Chiou 2011).

## 6. Perspectives and Impact of Brand Trust

Based on existing literature, the report supports the definition of trust propositions (we define a proposition as a research-based statement putting forth an idea, suggestion or plan) that are important to industry managers and practitioners.

Although following a rigorous scientific approach, and being rooted in academic findings, this report applies a managerial approach that is targeted to the practical not the academic world.

The definition and deduction of *propositions* has been guided by these practical considerations and the expected impact on consumers, companies, countries and policy makers. Consequently, this report offers a rich description of brand and consumer trust and its drivers that can enable brand professionals to apply a **'new' approach to brand management**.

This 'new' approach might include alternative methods to segment consumers as well as position and define brand strategies and tactics. In essence, this **new approach treats trust as an asset that brand owners must understand and manage** in order to be successful in today's complex operating environment.

The **major findings** related to the key **trust propositions** are summarised under six main subject headings.

- (1) Context of Brand Trust (Culture, Category, Country)
- (2) Promotions' Impact on Brand Trust
- (3) Trustmarks' Importance
- (4) Brand Dedication to Reputation & Heritage
- (5) Strong and Caring Relationship with Consumers
- (6) Sincere and Consistent Adherence to Values that Matter to Consumers

In this section, the report highlights how these propositions impact the dimensions of consumers, companies, countries and policy makers.

As much has already been covered in previous sections on the context of brand trust (Culture, Category, Country), these aspects are only highlighted here to avoid too much repetition.

### 6.1 The Consumer Dimension

- ***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.***

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.

Branding activities to build and maintain trust can be defined based on consumer analyses that assess their cultural dimensions and what is important to them. This paper has shown **intrinsic linkages between these different cultural dimensions and brand trust activities**.

- Competence drivers – reflecting a brand's **reliability** – are **most important in France** whereas **Germany** and **the UK** show the **lowest** values.

- Competence drivers – reflecting a brand’s **abilities and functionality** – are **most important in the UK** followed by **Italy**.
- **Benevolence drivers are most important in Spain and France** due to the fact that both countries are more likely to focus on cooperation, modesty, caring for the weak and quality of life. **If there is a dimension that defines Spain and France very clearly, it is uncertainty avoidance.**
- Comparing the “big five”, **brand trust is most critical in France and Spain. In contrast, the UK represents** the lowest impact of brand trust.

This means that consumers will respond to the 12 drivers of trust in different ways and with different weightings dependent upon their culture. Companies need to apply this to their thinking when building brand trust strategies.

▪ ***Strong brand dedication increases brand trust***

Research shows that a brand’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.

In particular, the research shows that a brand’s reputation represents a form of *social capital* that consumers ascribe to a brand.

This represents legitimacy or accepted brand ‘behaviour’. **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.

Similarly brand trust can also be influenced by its (true or ‘invented’) heritage, especially when direct personal experience with the brand is lacking and therefore reputation is less in evidence or shared.

Heritage in this situation can serve as a *factual* promise that a brand can perform according to expectations.

- ***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.***

**Brand trust is a consumer relationship asset.** Relationship in this case might not be seen in terms of a classic 1:1 communication, treating consumers as a member of a focus group.

Rather, we understand relationship as active and on-going. Relationship from a brand trust perspective involves opted-in or consensual contact with a consumer. Sending lower volume but more relevant information to consumers would be positively related to brand trust.

**The main driver suggested here is a ‘caring’ attitude** that includes that brands will not exploit the consumer’s (more) *exposed* position that arises from the closer relationship.

‘Care’ therefore also requires that the brand puts the consumer and his/her needs first and that his/her interest is treated with higher relevance than the company’s own financial targets.

Hence, research shows ‘caring’ as distinct to classical ‘relationship marketing’, **seeing consumers not as members of target groups but real people** whose individual interests and contact preferences are met consistently.

- ***The higher the similarity of a brand’s values to those of consumers, the higher the consumers’ 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.***

Consumers expect, and wish, brands to have coherence to values that matter to them. Our research suggests that consumer trust in a brand is higher when actions and announcements or communications of a brand are matching to his/her values.

Consumers trust those brands that engage with authenticity and with empathy. Nevertheless, actions and communications have to be sincere and understandable without effort.

When consumers believe that actions and communications are made half-heartedly, or are only fleeting, he/she will lose trust in the brand.

For brands, it therefore becomes increasingly important to ‘walk the talk’ as consumers, being more aware about health or environmental concerns, will be much more likely to spot misleading actions and announcements such as ‘green washing’ activities (pretending to behave, or inconsistently behaving, in an environmentally friendly way).

Accordingly, research suggests that brand trust is influenced positively when consumers perceive activities and announcements as coherent and credible.

Brand trust is therefore not an individual engagement or single marketing campaign but **a holistic approach to the application of a brand management strategy** that includes fine-tuned or concerted communications and activities over a longer time.

- ***Drivers of brand trust differ by category.***

The impact of innovations on brand trust does not apply uniformly across FMCG categories. In high involvement categories such as health, beauty and baby-care, consumers are more likely to look for trusted brands.

Therefore, innovations in these categories would be best launched by established and well-known brands as they are more likely to be able to maintain trust.

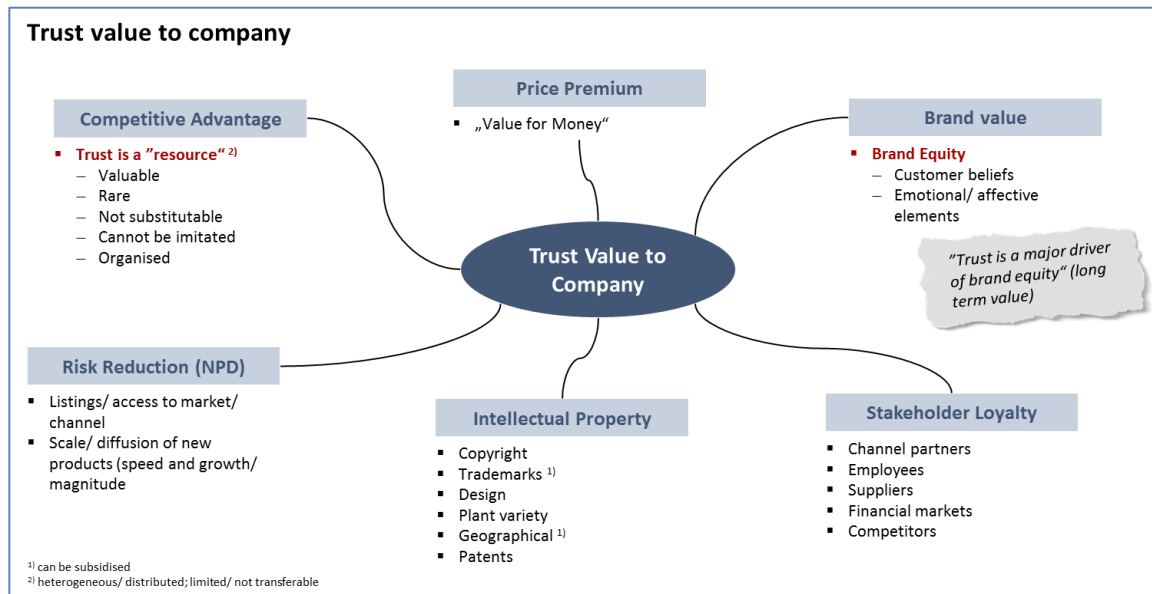
In contrast, consumers are more prepared to try new products, even if it is an unfamiliar brand, in low involvement categories like canned food, beverages, bath products, and household cleaning. Innovations within such categories represent opportunities for lesser known brands to build trust.

Higher consumer awareness within highly competitive categories leads to higher levels of perceived risk and uncertainty and thereby increases the importance of brand trust and the need to protect it from factors that rapidly destroy it.

## 6.2 The FMCG Company & Competitive Dimension

Trust has multiple roles to play in building and protecting company value and could offset cost disadvantages. The diagram highlights the keys aspects, which are described below (figure 14).

Figure 14: The value of trust for FMCG companies



Source: IIHD | Institute, More Gain Solutions

- **Competitive Advantage** – where brand trust is particularly strong it can possess the characteristics of a formal “resource” (valuable, rare, not substitutable, cannot be imitated, organised) and therefore contributes to advantages over competitors.
- **Price Premium** – more trusted brands can command higher prices. This is clearly beneficial to the financial performance of the company through better margins.
- **Brand Value** – our research shows that brand trust is a major driver of brand equity, which as an intangible asset contributes highly to brand value and therefore company value.
- **Stakeholder Loyalty** – our research indicates that a company with highly trusted brands drives greater loyalty from key stakeholders such as employees, partners and financial markets. Trust builds confidence and a “feel good” factor.
- **Intellectual Property** – the most impactful aspects suggested in this regard related to trust and company value, would be trademarks and geographical indicators (provenance) as these can be subsidised and supported by governmental and regional bodies (due to knock-on benefits to funders)
- **Risk Reduction** – introduction of innovations and new products are inherently risky and can be damaged quickly by slow distribution and consumer resistance and uncertainty. High levels of trust in existing major brands has been shown by our research to enable new products to “gain by association” if clearly identified as being from the same company. This promotes faster acceptance from consumers and retailers, thereby improving return on investment in new developments and launches.



- **High promotion pressure (over-promotion) in a category destroys brand trust (for the brand and the category in total).**

**Over-promotion destroys brand trust**, as continuous price reductions result in a decrease in credibility and an increase in perceived lack of quality. Consumers fear the use of unethical or “short-cut” actions such as the use of inferior or unethically-sourced ingredients.

Hence, over-promotion is sending the wrong message of a reduced brand perceived value in relation to brand quality and consistency which might be in conflict with the brand’s value proposition.

FMCG companies should consider reducing their promotional activities to use funds for brand trust building instead. This would require putting forward the argument to retailers that building brand trust is “liberating” a category growth cycle and would provide an opportunity to shift retail marketing funds or unconditional trade terms to brand trust building activities.

The above findings represent an amalgamation of the most impactful research providing some insight as to why FMCG companies that wish to be successful in the future should **adopt a long-term brand trust strategy**.

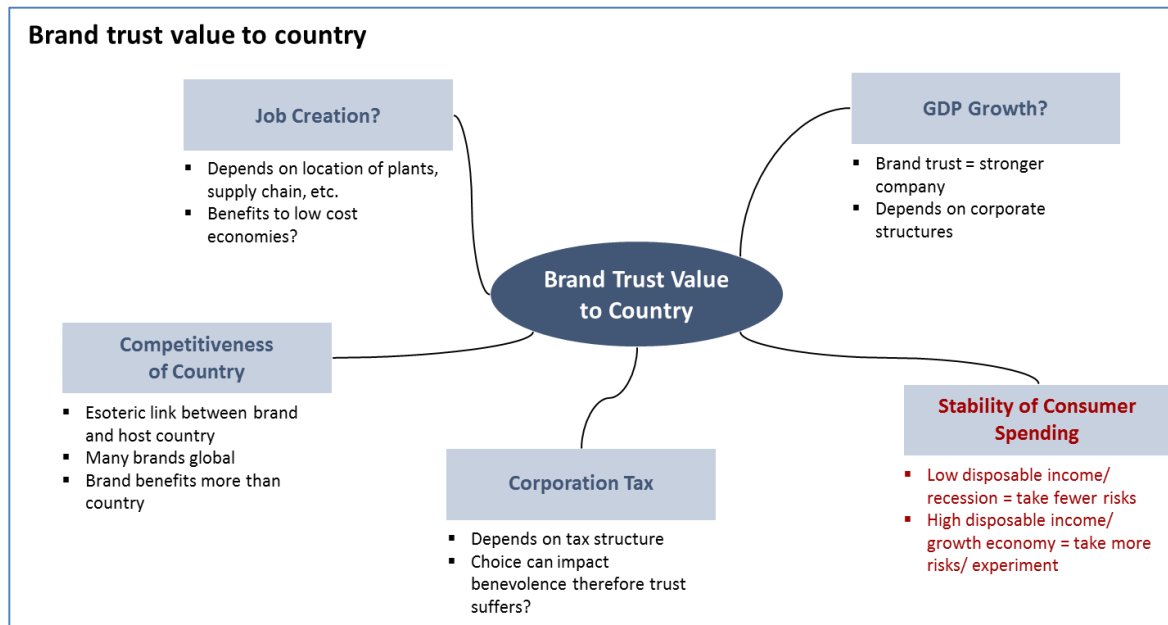
For **companies, brand trust is a relational asset or a resource**, especially in hyper-competitive environments as it enables brands to **build sustainable competitive advantages** when being **valuable** (positive trust score), **rare** (unequally distributed among competitors), **not substitutable**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

Furthermore, as brand trust is impacting consumer beliefs and emotional or affective elements of consumer buying processes it is **a major driver of brand equity** and as such of brand value.

### 6.3 The Economic Dimension

The Country dimension is less clear cut due to globalisation and other complexities of today’s markets. The diagram highlights the keys aspects, which are described below (figure 15).

**Figure 15: The value of brand trust on country prosperity**



Source: IIHD | Institute, More Gain Solutions

- **Job Creation** – brand companies that are stronger due to trusted brands (see section 6.2) are likely to create job opportunities as they grow. However, these jobs may be created in low cost economies and local markets rather than in the “host” or home country, unless there are clear advantages or requirements to do so.
- **GDP Growth** – the impact on the GDP of the country where the brand company trades and resides will depend upon their corporate structure and other local factors. Our research could find no intrinsic link although *intuitively* this might be considered to be in existence.
- **Stability of Consumer Spending** – our research indicates that this aspect is the clearest cut and beneficial to trust. Rather than grow consumer spending, we found that trust can be a major factor in maintaining spend in difficult times and with low income sectors.
- **Corporation Tax** – depends heavily upon the brand company’s fiduciary structures and policies. However, our research shows that consumers increasingly “care” about what they see as proper and ethical behaviour in these regards. There is clearly a value trade-off to which government policy can contribute in collaboration with FMCG companies.
- **Competitiveness of Country** – our research shows a strong one-way relationship between country of origin/heritage and trust. A brand can build and maintain trust associated with a highly respected and trusted country (e.g. Swiss chocolate, German engineering, French wine) but we can find no evidence in our research of a strongly trusted brand contributing to feelings of trust and competitiveness in the host country.

For **countries**, the benefit of brand trust and therefore of FMCG companies is less obvious as research currently has not found a direct link between brand trust and effects like increased competitiveness of countries (it is rather the other way around), an increase in corporate tax or a growing gross domestic product.

In general, the issue is one of increased globalization, especially of FMCG companies, and other complexities of today's FMCG markets. Large corporations in particular have created financial structures that take advantage of low tax regimes and supply-chain models that utilise low cost economies.

So growing the strength of a brand, e.g. via trust building, may or may not have direct financial or economic benefit to the government of country in which it is theoretically based.

Understanding this lack of proven linkage is critical to ensure that a government's expectations are set correctly and that more thinking is required with respect to policy making and regulatory frameworks that could establish this link.

Nevertheless, our research suggests that FMCG companies with highly trusted brands **might** contribute to **job creation** (if employing locally) and an increased **stability of consumer spending**, especially in situations of poor economic conditions or country scale backs.

Clearly there are opportunities for governments and policy makers to further explore the impact of local laws, regulations and incentives to both help brands to build trust and benefit in turn from resultant increases.

#### 6.4 The NGO & Policy Maker Dimension

- **Consumers use Trustmarks as relevant indicators for both functional & benevolence-related trust drivers to reduce perceived uncertainty & risk of a purchase/ brand usage.**

Given consumers' increasing awareness, e.g. of health concerns, environmental issues or social behaviour in general, they are seeking information on brand and company behaviour that is seen as *appropriate*.

Given information complexity and the often opaque nature of brand actions and announcements/communications, consumers **use a range of Trustmarks that might be issued by Governments or NGOs to simplify their information search** and reduce perceived uncertainty and risk of buying an 'irresponsible' brand.

In particular, **Trustmarks awarded from specialised NGOs are among the most trusted information sources for consumers**, e.g. 'organic', certifications in relation to ethical values, functionality or quality tests from consumer organisations and technical supervisory organisations, or continuous reliability certificates from independent research institutes.

- **The higher the level of counterfeiting (and piracy) – the more important the role and impact of brand trust**

The above-mentioned economic factors underline the overall importance of brand trust. In addition though, legal factors, and especially intellectual property rights and the related issues of

counterfeiting and piracy, are important considerations when focusing on building and maintaining trust within the FMCG industry.

In general, counterfeiting and piracy, as well as infringements of intellectual property are phenomena that are becoming increasingly widespread and represent a serious threat to national economies and governments.

In the EU, these phenomena take particular advantage of the national disparities that exist in the means by which intellectual property rights are enforced. This in general implies that counterfeiting and piracy should be more likely in countries that are less effective in enforcing their intellectual property rights (European Commission, 2014c).

This is especially true where the counterfeiting is sophisticated and even exploits the trust in the brands they are copying.

However, it is not just about Trustmarks or combating counterfeiting. Consumers require reassurance, clear information and guidance related to characteristics and attributes of brands to build their trust. These aspects include ethical sourcing , provenance, healthy ingredients and consistent corporate responsibility.

NGOs have an increasingly important role in these regards especially where governments cannot, will not or are not trusted to satisfy consumer expectations. Recent research (Edelmann, 2014) has shown that consumers' trust in NGOs is increasing while it is declining with respect to governments. Other than in Germany, people's trust in corporations has also declined in recent years.

## 7. About the Authors

Our approach uses what we consider to be a rare blend of real-world, practical, analytic insight, academic and research experience and knowledge. All of our core team members have extensive practical exposure and insight in consumer markets gained in many countries. This includes, but is not limited to, FMCG in Europe.

**More-Gain Solutions** is an independent consultancy specialising in the FMCG and retail industries internationally.

The **IIHD |Institute** is known as one of the most well-known management institutes in Western Europe. As a scientific institute it focuses on the retail, FMCG and services industries. In contrast to conducting research in the proverbial 'ivory tower' the institute is engaged to perform research, consult or train with direct impact. All of IIHD key personnel are experienced managers and acknowledged researchers.

This allows us to conduct research that is relevant for practice as well to consult or train applying the latest management thinking. The IIHD team has worked with well-respected FMCG organizations such as Unilever, Coty Inc., Mars Inc., ColgatePalmolive Inc. and ScottsCelafor.



### **David Morgan (More-Gain Solutions)**

David has been involved in the Retail & Consumer Goods industry for over 30 years, starting in retail and supplier business roles before moving into the consulting and solutions aspects. David has worked with retail, FMCG and hospitality companies across 30 countries.

David ran the International Analytic Insights division for IRI covering traditional analytics, shopper insight, category consulting and technology enablement. During his time there he was heavily involved in sponsoring and introducing new techniques into Europe including transferred demand, long term effects of advertising on brand value and insight integration. He has also worked with shopper-driven marketing services and solutions and supplier retailer collaboration based upon basket and frequent shopper data. At ZBD Solutions, an electronic shelf edge business, David was at the forefront of positioning the solution as a key component of building and maintaining trust. David is a close advisor to the UK's leading solution for mobile shopper and consumer engagement, offering a platform for digital rewards, offers and coupons.



### **Prof. Dr. Shyda Valizade**

Shyda is an experienced Marketeer. She has earned her PhD at the universities of Mainz (D) and Columbia University (USA).

She is a tenured professor of marketing at the university of applied sciences Darmstadt and a Director of the IIHD |Institute's Shopper Marketing competence center.

Shyda is noted as a senior industry influencer with respect to brand management and strategic marketing. She has spent more than 10 years of professional experience at companies such as Unilever, Coty Inc or Nobilis Group where she held senior brand and sales management positions.



**Prof. Dr. oec. HSG Jörg Funder**

Jörg is a Professor of strategic management and transformation at the university of applied sciences Worms and Managing Director of the IIHD|Institute. He received his PhD at the University of St. Gallen and is a Fellow of the Warshaw School of Economics, Warschau (PL) and Mitchell College of Business in Mobil, Alabama (USA).

Jörg is perceived as a senior expert with respect to FMCG and Retail strategies having more than 15 years of relevant industry experience in strategic and operational functions. He worked for or advised companies such as Metro Group AG, Mars Inc., ScottsCelaflor GmbH, Arcandor AG, Neckermann GmbH or Recaro AG. Furthermore, he serves as a non executive director at the strategy boards of ZBD Solutions Ltd (UK), Bison AG (CH) and Recaro (D).

Jörg has been rewarded ,Influencer of the year 2013' given his achievements to the Retail & Consumer Goods Industries in Germany.

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