Retail Trust Report 2018
(Re)Building & Maintaining Consumer Trust
Consumer trust is considered by retail professionals and academics alike to be one of the most valuable, albeit fragile, relationship-marketing tools available to build strong customer relationships and market share.\textsuperscript{1,2}

In fact, research has shown that more than a third of consumers rank “trust in a brand” among their top three reasons (other than price) as influencing their decision to shop at a particular retailer, with 14% of consumers ranking trust as their number one reason.\textsuperscript{3}

Past research has also identified a positive relationship between consumer trust and purchase and loyalty intentions in various industries, including retail, online shopping, financial services, and the airline industry.\textsuperscript{4,5}

However, recent figures suggest that we are now experiencing an era of distrust – or at least, an era of declining trust. Over the last two years, public trust in businesses worldwide has dropped dramatically – including retail.\textsuperscript{6} Australia is no exception, with the Australian public’s trust in institutions steadily declining over the past two years to now rank below the global average (40 percentage points in Australia compared to 48 percentage points globally).\textsuperscript{7}

There are a number of reasons why public trust might be at an all-time low, including advertising and content overload, data breaches, “fake news”, and the transition of consumer to influencers. Each of these factors mean that it can be difficult for consumers to know what information – and what sources of information – they can trust.

In light of the declining public trust in businesses, ACRS ran the first annual ACRS Consumer Retail Trust Model in May 2018. The aim of the research was to assist brands and retailers to understand the state of trust in the Australian retail industry and identify the key drivers of retail trust to help them create a positive shopping and retail experience for consumers.

This whitepaper reports on the research results and provides some strategies and real-world examples that brands and retailers can use to build and maintain consumer trust.
Work quickly and efficiently
Give honest advice, even if they don't make a sale
Solve customer problems
Organised to easily find products and services
Policies that favour customers' best interests
Solve customers problems (e.g. returns or refunds)
Products and services you need
High quality products and services
Latest innovative products and services
Protect payment transactions
Will not distribute personal information without consent
Protect personal information from third parties
Provide accurate information
Communicate transparently
Maintain good relationships with greetings and offers

COMMUNICATION
PRODUCTS
STORES
INFORMATION SECURITY
EMPLOYEES

FIGURE 1: ACRS Consumer Retail Trust Model
Understanding consumer trust in retail

Consumer trust is defined as the emotional security obtained from the fulfilment of expectations and the belief that an organisation is reliable, dependable, and safe.\(^8\) To investigate the state and drivers of trust in the retail industry, ACRS developed the Consumer Retail Trust Model by drawing from existing academic sources and industry reports.\(^9\)

Firstly, the ACRS Consumer Retail Trust Model measured consumers’ overall trust in retail businesses (See Figure 1). Trust in other businesses (namely automotive, food and beverage, media and entertainment, and financial service businesses) was also measured for comparative purposes, but for the purposes of this research only drivers of trust in the retail industry were explored further.

Past research has identified that trust is multi-dimensional, consisting of trust in several areas.\(^10\) Therefore, the Model also measured trust in retail business areas, which included Trust in Employees, Stores, Products, Communication and Information Security to identify which of these business areas were driving overall retail trust.

As trust in retail business areas has been attributed to several trustworthy behaviours and practices,\(^11\) the Model also measured trustworthy behaviours and practices. This provided further granularity of key behaviours and practices that were driving overall retail trust.

Retail trust is above the industry average

Businesses in Australia were moderately trusted overall, with an average trust score of 5.9 out of 10, as shown in Figure 2. The food and beverage industry, which included fruit and vegetable grocers, restaurants, and fast food and takeaway, was most trusted with a trust score of 6.7. In contrast, financial services, which included superannuation funds, retail banks, and insurance companies, was least trusted with a trust score of 4.7. This low trust in financial services was unsurprising, as at the time of reporting a Financial Services Royal Commission revealed multiple instances of malpractice by major financial institutions in Australia.\(^12\)

The retail industry received a trust score of 6.5, indicating that the industry is moderately trusted. This score was comprised of trust ratings from eight different types of retail businesses, as shown in Figure 3. The most trusted retail businesses were Supermarkets and Other specialty stores (e.g. pharmacy, sport, and computer) with a trust score of 6.9. Surprisingly, despite the ecommerce and online shopping boom, the least trusted retail businesses were Online-only retailers, such as ASOS and THE ICONIC, with a trust score of 5.7.

More information on the calculation of trust scores is provided in the About the research section.

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10. See note 2, 5, 8 above.
11. Ibid.
### FIGURE 2: Industry trust scores

<table>
<thead>
<tr>
<th>Industry</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average</td>
<td>5.9</td>
</tr>
<tr>
<td>Food &amp; beverage</td>
<td>6.7</td>
</tr>
<tr>
<td>Retail</td>
<td>6.5</td>
</tr>
<tr>
<td>Media &amp; entertainment</td>
<td>6.0</td>
</tr>
<tr>
<td>Automotive</td>
<td>5.5</td>
</tr>
<tr>
<td>Financial services</td>
<td>4.7</td>
</tr>
</tbody>
</table>

### FIGURE 3: Retail trust scores

<table>
<thead>
<tr>
<th>Retail Type</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry Average</td>
<td>6.5</td>
</tr>
<tr>
<td>Supermarkets</td>
<td>6.9</td>
</tr>
<tr>
<td>Other specialty stores</td>
<td>6.9</td>
</tr>
<tr>
<td>Department stores</td>
<td>6.8</td>
</tr>
<tr>
<td>Homeware stores</td>
<td>6.7</td>
</tr>
<tr>
<td>Clothing, footwear &amp; accessory stores</td>
<td>6.7</td>
</tr>
<tr>
<td>Discount department stores</td>
<td>6.4</td>
</tr>
<tr>
<td>Discount variety stores</td>
<td>6.1</td>
</tr>
<tr>
<td>Online only retailers</td>
<td>5.7</td>
</tr>
</tbody>
</table>
Drivers of retail trust

Driver analysis was conducted to determine which retail business areas (e.g. Trust in Stores) and their trustworthy behaviours and practices (e.g. Stores that have policies that favoured customers’ best interests) were most important in driving overall retail trust.

The results revealed that trust in Stores was the most important driver of retail trust, followed by trust in Employees (See Figure 4). More information on driver analysis is provided in the About the research section.

Trust in Stores was found to be crucial in driving overall retail trust. Policies that favoured customers’ best interests and Solving customer problems through returns or refunds were most important in driving Trust in Stores. Taken together, these results are supported by prior research that has found returns policies was a key factor in consumers’ purchase decisions. Research conducted in the US found that 80% of consumers agreed or strongly agreed that they avoided shopping at retailers that had strict returns policies,13 which was reflected in retailers providing increasingly flexible policies. For example, CottonOn, an Australian fast-fashion clothing retailer, provides a 30 day return period, ‘change of mind’ returns, options for cash refund or exchange, and in-store returns of online purchases.14 Such policies build trust with consumers as they provided reassurance of the quality of products and services.

In terms of Trust in Employees, Employees that went out of their way to solve customer problems was the most important trust building behaviour, followed closely by Employees that gave honest advice, even if they did not make a sale and, Worked quickly and efficiently.

Despite the advent of cashier-less and unmanned retail stores, such as Amazon Go in the US and unmanned convenience stores in China,15 the human element has remained a crucial part of the retail experience.

Prior research has revealed that positive interactions with staff increases customer satisfaction on average 33% across all retail sectors.16 Indeed, the importance of employees cannot be overlooked as they have been key to building trust and satisfaction with customers.

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What does this mean for retailers?

A decline in trust can be problematic for brands and retailers as trust can have real-world impacts on brand and product sales. For example, after the Volkswagen emissions scandal in 2015, their new car sales declined by 9% in Australia and were banned altogether in South Korea, whilst sales of the Samsung Galaxy smartphone dropped by 15% after reports of exploding handsets due to battery malfunctions.

Consumer trust can also have an impact on business metrics. The ACRS Consumer Retail Trust Model research found a significant link between higher trust and an increase in three key business metrics:

1. Purchase intent: how likely a consumer is to purchase a product;
2. Loyalty: how likely a consumer is to shop at one specific store over another; and
3. Likelihood to recommend: how likely a consumer is to recommend a business to a friend or colleague.

The latter is especially important as it’s used as the basis of the Net Promoter Score – a tool used to gauge the loyalty of a company’s customer relationships. Specifically, when the results for each of these metrics were broken down into low trust (participants who scored 0–6 on the trust scale) and high trust (participants who scored 7–10) the average purchase intent, loyalty and likelihood to recommend scores all significantly increased in the high trust group.

For example, our research found a 32% increase in likelihood to recommend Supermarkets amongst those who reported trusting Supermarkets (i.e. those who scored 7–10 on the trust scale) compared to those who didn’t (i.e. those who scored 0–6). Similar results were evident across the Clothing/footwear/personal accessories and online-only retailer categories for these three business metrics.

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(Re)Building and maintaining consumer trust

So how exactly can brands and retailers build and maintain consumer trust in an era where trust is steadily declining?

There’s a range of tools that brands and retailers can use, but finding the right one can be difficult. Building and maintaining trust in the retail industry is not a case of one-size-fits-all – brands and retailers need to understand what factors are driving trust for them specifically before developing a plan of action to ensure their marketing campaigns and any operational changes resonate with their consumers.

The ACRS Consumer Retail Trust Model research uncovered some examples. Firstly, Legitimacy may be a strategy that online-only retailers could employ to improve consumer trust. Using legitimacy to explicitly show consumers that they’re reliable may assist these retailers to build trust by easing any concerns around the quality of products. One way to do this, for example, could be to ensure that an online-only retailer is easily and promptly contactable. This is supported by research by KPMG which found that 51% of consumers reported that the companies they trust the most are the ones that make it easy for consumers to contact them directly.19

Another strategy brands and retailers can use to build and maintain consumer trust is Store design.

Our research revealed that when it comes to store drivers of trust in Australian retail, a key driver was that the store is Organised to easily find products and services.

Getting a store design right in terms of both the layout and the aesthetics, as well as the overall store atmosphere, is especially important given the competition faced by physical retail from retailer websites and online-only retailers.20 For example, some stores can make use of subtle colourways to create a calming presence and promote a feeling of trust,21 while others such as Apple and Burberry have consistent store designs and layouts around the world22 which can help promote the idea that they can be trusted.

Conclusion

As consumers face an abundance of advertising messages, potential data breaches and privacy concerns, as well as confusion as to where they can turn to for unbiased and dependable information, it is imperative that brands and retailers understand what’s driving trust in their category to help attract – and keep – consumers in today’s retail environment.

The ACRS offers a range of research services to assist brands and retailers understand which trust drivers to target for maximum return and effectiveness. As part of the Monash Business School’s Department of Marketing, we have access to and experience with a range of research methods and technologies designed to extract actionable insights that inform business decisions including the ACRS Consumer Retail Trust Model research, which can be adapted to provide unique insights to individual brands and retailers.

About the research

ACRS ran the first annual ACRS Consumer Retail Trust Model in May 2018. The purpose of this research was to better understand the state and drivers of trust in the Australian retail industry to inform retailers where to effectively allocate resources to improve trust with their customers.

Who was surveyed?

ACRS surveyed a nationally representative sample of Australians via an online survey. Responses were collected between May 21, 2018 and May 24, 2018. To be eligible to participate, respondents were required to be aged 18 years or older.

Six hundred and thirty eight responses were collected, which represented a broad cross section of the Australian population based on gender, age, geographic location, and household income.

How was retail industry trust measured and calculated?

Overall retail trust, trust in retail business areas, and trustworthy behaviours and practices were all measured on an 11-point scale from 0 to 10. Ratings were collected for each of the eight retail businesses and were averaged to create ratings for the retail industry as a whole.

What is driver analysis?

Driver analysis has been commonly used to quantify the importance of several predicting variable, commonly referred to as drivers, on an outcome variable. The importance scores for each driver was calculated using Multiple Linear Regression.

The ACRS Consumer Retail Trust Model sought to quantify the importance of trust in retail business areas and their trustworthy practices and behaviours on overall retail trust. Trust in ‘Stores’, ‘Employees’, ‘Products’, ‘Communications’ and ‘Information Security’ were all included as predicting variables for overall retail trust. Only statistically significant drivers were reported as these results were unlikely due to random chance.
ACRS

The Australian Consumer, Retail, and Services (ACRS) Research Unit assists retail and services organisations seeking to better understand consumers, traverse global trends, identify best-practice, or employ marketing as a source of competitive advantage. Positioned within the Monash Business School’s Department of Marketing, ACRS has a 35-year history as a globally respected source of retail, services, consumer and marketing knowledge. ACRS combines the latest academic research advances with business relevance, practicality, and strategy.

For more information, contact ACRS via email or telephone, or visit us on the web.

Department of Marketing
Monash Business School
Monash University
Level 6, Building S
26 Sir John Monash Drive
Caulfield East, VIC 3143

TELEPHONE
+61 3 9903 2869

EMAIL
acrs@monash.edu
monash.edu/acrs

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