

White Paper

Trust is Dead. Long Live Trust!

Why Long-Term Customer Loyalty is Still Driven by Trusted Relationships

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Recent years have produced a multitude of “new” sales methodologies and approaches – many that propose themselves as effective strategies for building long-term loyalty with customers. Uncovering hidden needs, adapting to the way customers buy, assuming the role of a business partner or consultant and even teaching are some of the popular conceptual approaches to selling in the Era of the Customer.

Yet two foundational and interdependent concepts remain fundamental to driving long-term customer loyalty: reciprocal trust between a buyer and seller, and the flip side of the same coin, the buyer-seller relationship.

In this study we set out to examine these concepts and their impact on long-term loyalty, testing our hypotheses with a survey of more than 1,600 consumers in the largest markets worldwide¹. Our findings pinpoint the antecedents and consequences of a Trust-Relationship model and show that, far from diminishing in importance, these concepts are vital today in driving sustained sales success.

It's not hard to make the case that loyalty matters. Customer loyalty – the emotional and behavioral commitments customers make to an organization – results in lower acquisition costs and increased revenues.² It follows that by focusing on the interpersonal attitudes, skills and behaviors most likely to engender trust and reinforce positive relationships with customers that result in loyalty, companies will become more successful at maximizing the lifetime value of each customer.

In this report we combine important findings from historical business and academic literature with our survey to develop a sales approach based on the interrelatedness of trust and relationships. These research efforts also reveal the critical drivers and consequences that deep trust and positive professional relationships have on long-term customer loyalty and other benefits to companies. We begin by showing why trust is the foundation of any mutually beneficial buyer-seller interaction and the focal point of our sales model.

It's All About Trust

Trust plays an essential role in any relationship. During an exchange of value in an economic relationship trust becomes particularly important because buyers experience some degree of risk, usually financial – and potentially social, functional, temporal, and others. If the salesperson acts in an unreliable, misleading or unfair way, the customer risks being hurt in one or more of these ways. This holds true in buyer-seller engagements across business-to-consumer and business-to-business sectors.

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Most people know it
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But what exactly is trust? Most people know it when they feel it, but defining it is less straightforward. Much of the research boils down the definition of trust into two parts: 1) the customer's perception of the salesperson's credibility and 2) the extent to which the customer believes the salesperson is concerned with doing what is right for them.

The first part of this definition involves the more objective, cognition-oriented belief that the salesperson has the necessary competence and capability to be believed, while the second part involves the

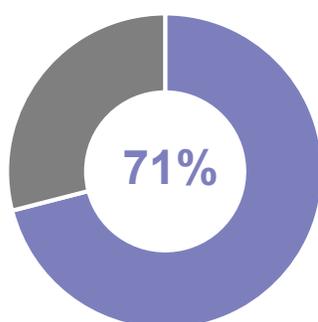
¹ An online survey was completed in May 2018 by 1,610 consumers (aged 21 and over) from the top six consumer economies across North America, Europe and Asia (USA, China, Japan, Germany, UK and India).

² Reichheld, Frederick F. "Loyalty-Based Management." *Harvard Business Review*, March-April, 1993.

emotional feelings of security (or insecurity) regarding the salesperson's motivations and whether they will behave in a reliable and caring way.

We asked more than 1,600 customers around the world how they would describe trust in their salesperson and their responses overwhelmingly validate this definition. The top two answers to our open-end question, "How would you define trust?" centered on two themes: "I can believe them, they are honest, credible and knowledgeable" (50%), and "They are looking out for my best interest and providing value" (25%).³

When asked about the important behaviors that drive trust, more than 85% of customers in our study said that among a salesperson's most important behaviors for building trust are "providing honest and complete information," "doing what's right for me rather than trying to make the sale" and "keeping their promises." As one survey respondent put it, "[Trust in a salesperson] means I can count on them to give me straightforward answers, even if they may lose the sale because of it."



Trust is critical in an economic relationship because it drives future mutually-beneficial interactions. In fact, to most consumers trusting their salesperson is more important than getting the lowest price.

In our survey, 71% of respondents said they would rather buy from a salesperson they completely trusted than one who gave them a lower price.

Trust is an important antecedent to satisfaction with the salesperson and loyalty to the company. When customers feel that a salesperson is sincere and honest and believe that the salesperson's actions will result in positive outcomes (or not result in negative outcomes), they are likely to be highly-satisfied and loyal.⁴

How common is it to trust a salesperson? More than a third (37%) of our survey respondents said they trusted their salesperson most or all of the time during their consumer interactions in the past year. Yet, there is room for improvement, as 21% of customers said they "rarely" or "never" trusted their salesperson. And although trust can seldom be earned after just one interaction, 55% of respondents say they usually trust their salespeople at some point after two to five positive interactions, pointing to the tremendous value of the ongoing professional relationship between a buyer and salesperson.

Later in this report we explore in more detail how trust impacts consumer behavior and drives repeat purchases and long-term loyalty. For now, we'll examine how trust both drives and is reinforced by positive buyer-seller relationships.

³ Based on 1,183 categorized comments.

⁴ Geyskens, Inge, Steenkamp, Jan-Benedict E.M., and Kumar, Nirmalya. "Generalizations About Trust in Marketing Channel Relationships Using Meta-Analysis," *International Journal of Research in Marketing*, Vol. 15, No. 3, July 1998, pp. 223-248.

Relationship as Both an Outcome and Driver of Trust

Trust is an essential ingredient in the initiation and maintenance of stable social and economic relationships. That is, some level of trust is required to establish a positive relationship and, as that relationship grows over time, it provides opportunities to reinforce trust; they become interdependent.

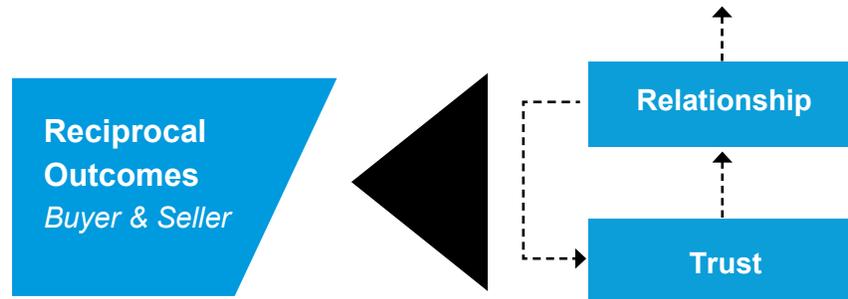


Figure 1. Sales Model: Trust Relationship

Beyond trust, relationships also require a commitment on the part of both parties and a willingness to make short-term sacrifices to maintain the relationship. Investing in the relationship and creating confidence in the stability of the relationship are actions that further develop positive relationships.⁵

In turn, positive relationships create personal commitment since the more trusting a relationship becomes over time, the higher the value a customer places on the relationship. In the long term, the customer is more likely to maintain trusting relationships than risk the uncertainty of building new ones.⁶

However, there is somewhat of a paradox when it comes to customers' views about relationships. In general, when you ask customers directly how important "relationships" are with their salesperson, they are not likely to rate it highly compared with other more tangible attributes. For example, only 24% of customers in our survey chose having a "strong relationship" as one of the top three attributes describing their ideal salesperson. Yet most customers place a high value on tangible attributes that they say lead to positive relationships, such as a salesperson being knowledgeable, friendly, professional, and showing a genuine interest in them.

Further, respondents said the following are "very" or "extremely important" to them for building relationships with their salespeople: "Listens to me to understand needs" (84%), "They respect my time" (81%), "They take care of problems for me" (76%) and "I trust them" (73%).

These same respondents also told us what relationships are NOT about. Far fewer said that strong relationships involve "sharing personal interests" (37%) or "contacting customers just to be in touch" (41%). This raises a key distinction we make in this study between personal and professional relationships. While both are important, personal relationships – strengthening bonds over shared interests and experiences – are nice to have but are not sufficient for creating trust in a buyer-seller relationship. It is the business or professional relationships that encompass the sales competencies, confidence, demonstration of value and customer focus required to forge long-term trust.

⁵ Stanko, Michael A., et al. "Building Commitment in Buyer-Seller Relationships: A Tie Strength Perspective." *Industrial Marketing Management*, vol. 36, no. 8, 2007, pp. 1094-1103.

⁶ Chow, Simeon, and Reed Holden. "Toward an Understanding of Loyalty: The Moderating Role of Trust." *Journal of Managerial Issues*, Vol. 9, No. 3, 1997, pp. 275-298.

Consumers were divided as to how often they had a great relationship with their salesperson in the past year. About 40% of customers said they “sometimes” had great relationships, while 35% said they rarely or never did. The remaining quarter of respondents say they have great relationships with salespeople “most of the time” or “always.”

In the selling process, building trust from the earliest phases, such as prospecting, lays the foundation for relationships. During repeated positive interactions throughout the customer’s lifecycle, it becomes a reciprocal action: trust reinforces relationships and vice versa.

Of course, salespeople don’t directly create trusting relationships, rather they engage in behaviors that foster them. Approaching each interaction with a set of skills and attitudes that drive the right behaviors, when repeated over time, is what creates and strengthens *trusted professional relationships*.

So which skills, attitudes and behaviors directly influence the emergence of this particular kind of relationship?

Key Drivers of Trust: Individual Attitudes, Skills and Behaviors

The sales approach we propose builds on a set of individual attributes and skills that are critical for driving trust. As Figure 2 illustrates, a salesperson being confident, capable and customer-focused, as well as understanding how to communicate and provide value to customers, combine to form the key drivers of trust.

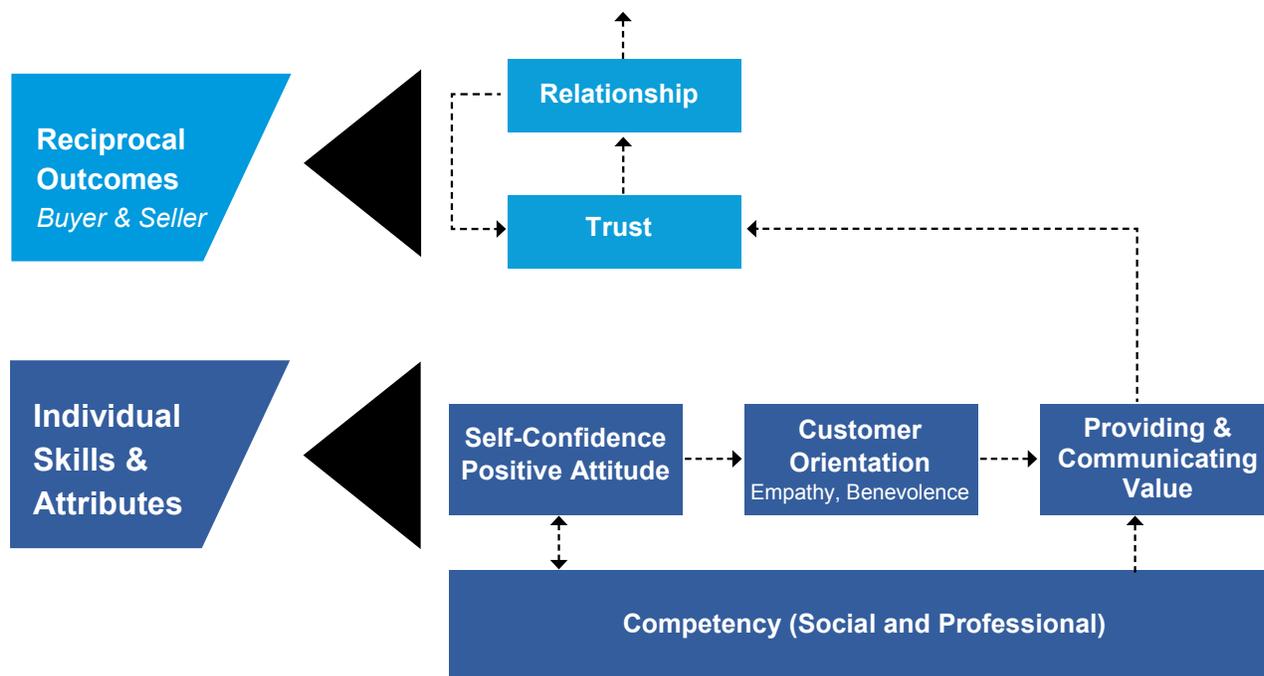


Figure 2. Sales Model: Individual Skills and Trust Relationships

In this section we show how, together, the individual skills of having a positive attitude and being confident have a reciprocal association with sales competence, and how being customer-focused allows salespeople to ultimately create an environment of trust with customers through the behaviors of communicating and delivering value.

Competency

We begin with the underlying concept of competency, or the credibility, knowledge and ability demonstrated by the salesperson (as perceived by the buyer). Competency generally has two parts that predict objective performance through creating trust: social and professional.

Social competence is defined as a salesperson's ability to interact effectively with others through the use of social skills applied during interactions in order to achieve certain outcomes.⁷ Professional competence focuses on knowledge-based capabilities gained from collecting and interpreting information about products, competitors, industries, etc.

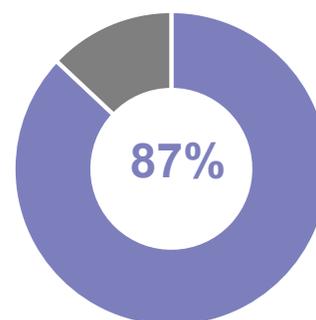
As we show in Figure 2, competency has a two-way relationship with the individual attributes of self-confidence and positive attitude (discussed in more detail below). Learning (becoming competent and knowledgeable) is facilitated when individuals possess self-confidence and positive attitudes and, as competency progresses, individuals in turn feel more confident and positive.⁸

Competency also drives the ability to provide and communicate value because doing so requires understanding how to uncover customers' needs, identify value-based solutions and present that value in a clear and compelling way. Identifying opportunities to deliver value and knowing how to best communicate value to customers require both social and professional competencies.

Competency does not necessarily equate with sales experience, and less than one third of customers in our survey said that experience is one of the top three attributes of their ideal salesperson. A salesperson's knowledge about products and sales, however, was found to be extremely important to customers: 57% of customers identified "knowledgeable" as one of the top three attributes of their ideal salesperson.

Moreover, 87% of respondents said that a "knowledgeable" salesperson is "very" or "extremely important" for building trust.

In response to a question asking customers to describe what trust means to them, one customer summed up a popular sentiment in the following quote: "[It means] they know what they're selling, can give me accurate information, and won't try to sell me something I can't use or don't need just to get a sale."



⁷ Baron, Robert A., and Markman, Gideon D. "Beyond Social Capital: The Role of Entrepreneurs Social Competence in Their Financial Success." *Journal of Business Venturing*, Vol. 18, No. 1, 2003, pp. 41–60.

⁸ Komarraju, Meera, and Nadler, Dustin. "Self-Efficacy and Academic Achievement: Why Do Implicit Beliefs, Goals, and Effort Regulation Matter?" *Learning and Individual Differences*, Vol. 25, 2013, pp. 67–72.

Self Confidence – Positive Attitude

As we've already shown, a salesperson's competency has a reciprocal relationship with the personal attributes of self-confidence and positive attitude.

We also propose in our model (Figure 2) that developing the individual attributes of self-confidence and attitude are important for driving "customer orientation" or the predisposition to be empathetic and focused on customer welfare.

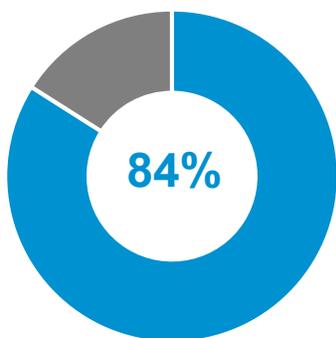
In our survey, customers overwhelmingly feel that having a salesperson who is "positive" (79%) and "confident" (71%) is "very" or "extremely important" for building trust. Illustrating the interaction these characteristics have with competency in creating trust, a customer told us, "You gather your trust from salespeople by their confidence in the product and their confidence in their ability."

Customer-Orientated

Independent of competency is the concept of customer orientation: the empathetic and benevolent attitudes and beliefs salespeople display toward customers in the selling process. Described as seeing things from the customer's point of view and acting in their best interest, it is a philosophy and belief directed toward understanding the needs of the buyer and consistently behaving in a manner that places those needs above personal considerations.

Many studies have examined the concept of customer orientation and find it to be an important characteristic of high sales performers.^{9,10} However, being "customer-oriented" is in many ways the opposite of being "sales-oriented," whereby salespeople are primarily concerned with sales-related activities and goals.

Our model conveys the effect that self-confidence, a positive attitude and competence have on the salesperson's ability to demonstrate empathy and benevolence toward customers. Exhibiting this customer orientation during selling interactions in a way that takes into consideration the nature of the selling situation and the customer's needs, state of mind, etc. is critical for understanding how to deliver value.¹¹



Selling from the customer's viewpoint also has a significant positive impact on relationships and performance.¹² More than 80% of customers responding to our survey said that salespeople showing caring and empathy toward customers is "very" or "extremely important" for building trust, citing the need to be "seen as a human being, not just as a potential customer" and "needing to know that they have my best interest at heart." Listening is also a critical activity for demonstrating customer focus. In our survey, more than 8 in 10 customers (84%) said that having salespeople "who listen to me in order to understand my needs" is "very" or "extremely important" to having a good relationship.

⁹ Kelley, Scott W. "Developing Customer Orientation among Service Employees." *Journal of the Academy of Marketing Science*, Vol. 20, No. 1, 1992, pp. 27–36.

¹⁰ Bragg, Arthur. "Turning Salespeople into Partners." *Sales & Marketing Management*, 137, Aug. 1986, pp. 82–84.

¹¹ Weitz, Barton A., Sujan, Harish and Sujan, Mita. "Knowledge, Motivation, and Adaptive Behavior: A Framework for Improving Selling Effectiveness," *Journal of Marketing*, 50, Oct. 1986, pp. 174–91.

¹² Jaramillo, Fernando, et al. "A Meta-Analysis of the Relationship between Sales Orientation-Customer Orientation (SOCO) and Salesperson Job Performance." *Journal of Business & Industrial Marketing*, Vol. 22, No. 5, July 2007, pp. 302–310.

Other research confirms that salespeople who are good listeners create a situation in which the customer will want to share information, accurately add meaning to the message, and provide feedback, indicating a positive relationship between effective listening skills and customer-oriented selling behavior.¹³

Customer orientation on the part of salespeople helps customers make decisions that will best satisfy their needs and reduce their risks. In the end, it's the degree to which those needs are satisfied in the long-term which enables them to distinguish good salespeople from bad. Consequently, customer orientation is an important antecedent of trust and customer satisfaction. In addition, studies find that the buyer-seller relationship, as perceived by the customer, strengthens as the salesperson's customer orientation increases.¹⁴

Communicating and Delivering Value

As illustrated in our sales model, social and professional competency facilitates salespeople's ability to drive value creation and reduce risk for customers, and a salesperson's confidence and positive attitude impact the communication and delivery of value via customer orientation as well.

But what exactly do we mean by communicating and delivering value and what is the link to building trust?

Defining perceived value for customers in a buyer-seller interaction is the subject of countless studies. While an in-depth review of definitions of value is beyond the scope of this report, most agree that customers perceive value when they enjoy a positive gain in any of a wide array of functional and emotional benefits, including such things as quality, performance, materialism, convenience, fun and social acceptance.¹⁵

Communicating and delivering value requires anticipating customer needs, identifying unexpressed needs, and providing insights and solutions to customers that help them accomplish their goal(s). By being customer-oriented and competent, salespeople are more likely to have these skills and insights, and to be able to identify customer needs and match potential solutions to those needs. They are also more likely to have the ability to tailor their presentation to those requirements, thereby effectively communicating and delivering value.

Sales research consistently finds that effective communication is directly and positively linked to trust and that it has a strong positive effect on commitment.¹⁶ Communicating value, in particular professional product knowledge, has a significant positive effect on promoting customer trust.¹⁷

Communicating and delivering value requires anticipating customer needs, identifying unexpressed needs, and providing insights and solutions to customers that help them accomplish their goal(s).

¹³ Castleberry, Stephen B., Ridnour, Rick and Shepherd, C. David. "Salesperson Listening: A Replication and Extension of the ILPS Scale." *Journal of Applied Business Research*, 20.1, 2004, pp. 23-31.

¹⁴ Williams, M. and Attaway, M.R. "Exploring Salespersons' Customer Orientation as a Mediator of Organizational Culture's Influence on Buyer-Seller Relationship." *Journal of Personal Selling and Sales Management*, Vol.16, No. 4, 1996, pp.33-52.

¹⁵ Holbrook, Morris B. *Consumer Value: A Framework for Analysis and Research*. Routledge, 2005.

¹⁶ Chowdhury, Partha P. "Antecedents and Consequences of Trust and Commitment in B2B Relationship: A Review of Literature." *Indore Management Journal*, Vol. 4, No. 2, 2012, pp. 49-63.

¹⁷ Wang, Jau-Shyong. "Trust and Relationship Commitment between Direct Selling Distributors and Customers." *African Journal of Business Management*, Vol. 3, No. 12, Dec. 2009, pp. 862-870.

Respondents in our survey agreed, with 83% saying that “communicating value” is “very” or “extremely important” for building trust with a salesperson. To be sure, the impact of communication on trust is about quality, not quantity. Communicating well is nearly twice as important as communicating often. Only 21% of customers in our study said “communicating often” is extremely important for building trust, compared with 42% who said “communicating well” is extremely important.

To summarize our model so far, trust results when buyers perceive the salesperson can consistently provide them value through their customer orientation, demonstration of competence, self-confidence and positive attitude. With these skills and attributes, salespeople are better-equipped to identify ways to deliver and communicate value to the customer.

What’s the ultimate outcome of all this? We answer that question next with a review of the attitudinal and behavioral responses of customers engaged in trusted professional relationships with their salespeople.

Trust + Relationships = Loyalty

We’ve shown in this report how trust and positive relationships become mutually-reinforcing. Several research studies support our position that these professional relationships then drive loyalty or the creation of engaged and emotionally-committed customers.

Specifically, customers’ propensity to do further business with a supplier, their likelihood of recommending it to others, and the probability that they would pay a premium for the firm’s products were shown to be positively influenced by their relationship with the salesperson.¹⁸

This relationship/trust impact on loyalty manifests itself in both attitudes (emotional connection) and behaviors (continuing to purchase and spread positive word of mouth, for example). Loyal customers share positive experiences with others, exhibit higher intent to repurchase and increased share of wallet. The sales model in its entirety is shown in Figure 3.

The positive impact that satisfaction with the salesperson has on anticipation of future interactions is by now well-documented.¹⁹ It makes sense that a customer’s likelihood of seeking future contact with a salesperson is mainly determined by the quality of the prior customer-salesperson relationship.

¹⁸ Palmatier, Robert W., et al. “Returns on Business-to-Business Relationship Marketing Investments: Strategies for Leveraging Profits.” *Marketing Science*, Vol. 25, No. 5, 2006, pp. 477–493.

¹⁹ Crosby, Lawrence A., et al. “Relationship Quality in Services Selling: An Interpersonal Influence Perspective.” *Journal of Marketing*, Vol. 54, No. 3, 1990, pp. 68–81.

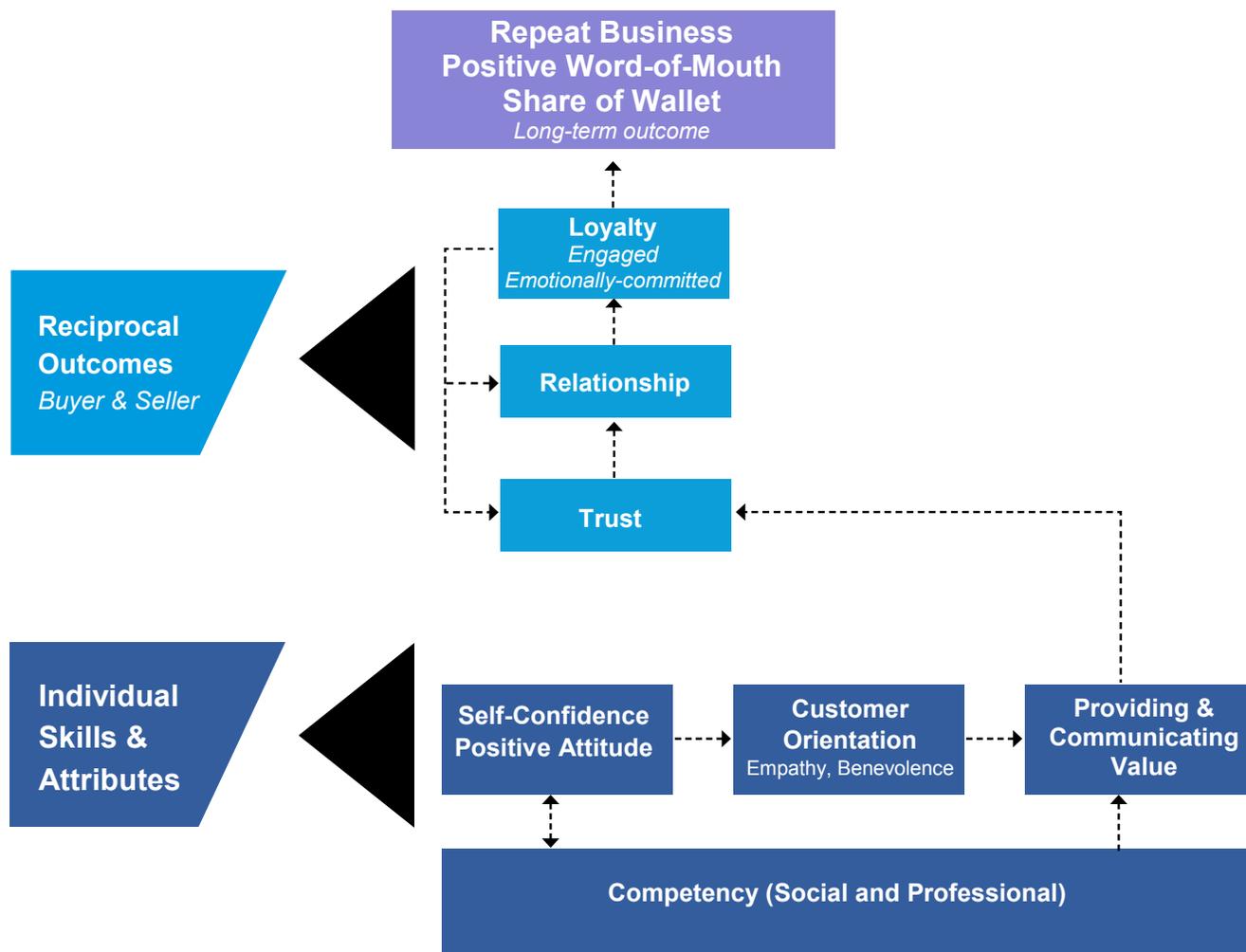


Figure 3. Sales Model with Customer Loyalty and Outcomes

If customers have a trusted, positive professional relationship with their salesperson, they are more likely to agree to a host of things that are beneficial to the seller:

- Because the salesperson is often the key interface between the customer and the firm, customers regularly use information about the salesperson in order to make inferences about the company.²⁰ More than three-quarters of customers in our study (76%) said they would be “somewhat” or “very likely” to trust the company if they trusted their salesperson.
- 77% of customers responding to our survey who trust their salesperson say they are “somewhat” or “very likely” to refer their family or friends.
- Customers are also likely to write positive online reviews – 63% say they are “somewhat” or “very likely” to write a positive review if they trust their salesperson.

²⁰ Swan, John E., and Nolan, Johannah Jones. “Gaining Customer Trust: A Conceptual Guide for the Salesperson.” *The Journal of Personal Selling and Sales Management*, Vol. 5, No. 2, 1985, pp. 39–48.

- Customers are three times more likely to forgive a single bad experience when they trust their salesperson compared with when they distrust them (31% vs. 10%, respectively). Nearly half (44%) of customers said they would be very unlikely to forgive a single bad experience when they do not trust their salesperson.
- Just 17% of customers said they would still be very likely to consider buying from competing companies for the same product if they completely trusted their current salesperson.
- 81% of respondents to our survey said they would be “somewhat” or “very likely” to buy again in the future from a company represented by a salesperson they trust.
- In addition, given the constant quest for customer feedback to drive continuous improvement, and the value of having an opportunity to recover unhappy customers before they are lost to the competition, it’s worth noting that 65% said they would be “somewhat” or “very likely” to take the time to share a concern or complaint if they trusted their salesperson.

Finally, in addition to the direct benefits derived from customer loyalty, companies may enjoy other advantages through the creation of trusted professional relationships: Companies that have developed a high level of trust with their buyers often incur lower transaction costs, as it is far cheaper to keep a current customer than acquire a new one. Greater sharing of information between buyer and seller can also lead to the co-creation of value and the development of new, innovative products – additional benefits for the seller.

Conclusion

While marketplaces and the world around them are constantly changing, humans are still human, and research continues to confirm that trust within buyer-seller relationships has tremendous impact on customer satisfaction and loyalty. Indeed, in the Era of the Customer, companies can no longer compete on price or product alone. The commoditization of products and rapid innovation along with the increase in price transparency and online reviews, have forced companies to be more strategic in the way they engage their customers.

Customers are still price-conscious, but a trusted business relationship with a salesperson that consistently delivers value contributes significantly to the creation of long-term behavioral and emotional commitments to the brand that ultimately result in increased profits. One respondent summed it up this way: “I want to know, above all else, that I can trust my salesperson. If I can’t trust my salesperson, how can I possibly trust the product I am purchasing? Trust is a fundamental basis for any relationship ... that especially goes for the person who is selling something.”

As critical as trust and relationships are, sales organizations cannot teach them directly. Rather, these concepts are an outcome of each salesperson having the right individual attributes, skills, and behaviors in place. Companies that focus on developing these assets within their sales force will be more successful in today’s hyper-competitive, customer-driven marketplace.