



Insights from The Clarion Institute

Avenues of Trust: How to Re-Route Your Business

By Chuck Andrew, Bill McKendree and the Partners of The Clarion Group

A Note to Our Readers:

More and more of our clients are concerned that the traditional ways their customers interact with their organizations are changing, in some cases, dramatically. These patterns or paths of interaction are what we call "Avenues of Trust." For example, the model of the local insurance agent or financial advisor as the trusted path to the organizations' products has worked very well for many companies – until now.

Today, those traditional paths face competition due to the failure or collapse of trusted institutions and the success of electronic means little imagined just a few years ago. In some cases, the traditional avenues of trust have simply been obliterated. What does it mean for your organization? In this *Insights* we'll explore avenues of trust and share what we've learned working with our clients on this challenge.

Many of our clients have experienced seismic changes in the ways their customers do business with them. The old avenues of trust that served for many years as the basis of their businesses are changed, blocked, or, in some cases, gone. Since many of our clients are grappling with this particular challenge, we decided to devote an issue of *Insights* to it. We believe that when you look from the perspective of avenues of trust, it can help you position your business advantageously for the future.

What Is an Avenue of Trust?

We use the term "Avenues of Trust" to refer to consumers' natural ways of relating to the firms with which they do business, ways in which they are comfortable in their business dealings. They are often ways that consumers have learned to rely on over the years.

For example, in the traditional mold, people tended to do business with a local expert or agent – their insurance agent, their financial advisor, and their travel agent. That person

would evaluate their situation and make recommendations. The consumer generally deferred to the expertise of the trusted advisor and followed their advice. No surprise, since the advisors were known to be reliable and had a proven record of delivering. Additionally, there weren't many viable alternatives.

Many businesses were built on this model. The big financial and investment advisors, for example, designed a business approach that assumed that consumers would work with the company's network of trusted advisors. The growth strategy was simple: more advisors, more clients, and more product pushed through the advisors to the consumers.

The model worked for decades. Many factors contributed to its erosion, but two of the more powerful ones are the Internet and, more recently, the collapse of the economy. These two together created a third factor – an independent spirit among consumers that has far-reaching ramifications.

Impact of the Internet

The Internet provides fast, often free access to information about almost anything. The various types of social networking have enabled the building of communities within which consumers can discuss their needs and share their experiences. This access to information and advice has undermined the value of the old information brokers and possibly masked the value of the information processing that they delivered. Of course, there are still issues of accuracy and reliability but, whether right or wrong, consumers have as much faith in these new networks of advisors as they had in the old avenues of trust.

Let's look at a few examples:

- If you have an appointment in a few days with your doctor over something semi-serious, you're likely to hit WebMD or a similar site to see what they think about your symptoms. You might pose your question to a chat room devoted to your specific ailment. You might find out what other members of your various virtual communities advise. By the time you get to the doctor's office, you're armed with information. And the discussion you have isn't going to be you listening meekly to the doctor – it's going to be a discussion in which you have a significant role. You've got avenues of trust in parallel.
- If you have an appointment with your financial advisor, you're likely to do some research on your own before going to the meeting. And you're likely to wonder whether you might do better with Charles Schwab or E*TRADE. These new potential avenues of trust have turned the investment business on its head.
- If you're thinking about your life insurance, you have an agent, but aren't you likely to visit a web site that will "evaluate quotes from 100 companies"? And if you want to buy a car, won't you likely visit a site that "solicits offers from 20 local dealers"?
- For kitchen design, will you visit your lumber company's kitchen display, or talk

to a professional kitchen designer, or might you visit a website that takes your kitchen dimensions and helps you design your own kitchen?

- If you're heading out on a trip, are you going to AAA for directions and traffic information or going to MapQuest? Or are you just going to trust your GPS?

The bottom line is technology has shifted or obliterated old avenues of trust and opened new avenues. The former trusted advisor is no longer the only expert. He or she is now a partner in the decision-making process. The result is often a better-informed consumer working *with* the expert to reach a better decision.

Impact of the Economy

The collapse of the economy was another blow to the traditional avenues of trust. The recession's ravages eradicated the trust built through generations (and eradicated many of the trusted companies as well). There were several factors contributing to the erosion of trust: the stripping away of the infallibility of experts; the inscrutability of mortgage-backed securities; the relative lack of naysayers; and the absence of a knowledgeable guide out of the mess. Another was the ethical challenge: some so-called experts bought and sold these things, even suspecting that there was something wrong; and oversight organizations seemed to be asleep.

The economy's downfall meant that consumers no longer trusted their traditional advisors, at least not completely. Who's going to put their faith in a representative of an industry that's made terrible decisions, failed miserably to police its own actions, and been rife with outright fraud?

Bigness is no longer a magnet for trust. People no longer trust – or, at least, they fiercely question – any financial institution's ability to help them with their investments. Since so many of the biggest (and formerly most-respected) firms have failed or are struggling, that aura of strength and dependability is gone, possibly for good.

A New Self-Reliance Emerges

Perhaps the most interesting aspect of our new business climate, and maybe the factor most likely to have long-term impact, is a resurgence of independence and self-reliance on the part of consumers. It's a bit of a perfect storm. First, consumers are armed with the wealth of information their technology delivers, and they have enough faith in that information that they believe they can make better decisions without their trusted advisors' help. Second, driven by their disappointment in their former avenues of trust, consumers are much more likely to make decisions on their own. Third, it appears that they like their new-found independence.

This is, of course, a dramatically disturbing development for any organization that has relied on trusted advisor status in the past. Adjustment will be required.

The basic issue then is this: avenues of trust have been severely disrupted over the last few years. Having seen some examples of what can happen when the experts are in charge – misjudgment, mismanagement, and fraud – people no longer have blind trust.

Are All Organizations Affected?

Although businesses that deal through agents and networks seem the most affected by this phenomenon, we think that all organizations are probably affected at some level.

- Companies that work primarily B-to-B report that their customers are also questioning, reviewing, and changing their approaches. They are less likely to rely on one source. They are, for example, less likely to simply take the word of their accountant or attorney.
- Patients may mistrust advice from their doctor if it is based on medical research funded by a pharmaceutical company.
- Investors may treat with suspicion recommendations from their financial advisors if they suspect that it is tempered by their advisors' potential profit.

Consumers are more likely to do additional research on their own and work in partnership with the professional to reach a decision.

The Generational Component

Much has been written about the impact of the so-called Gen X and Gen Y workers as employees, and we see that they also have a different approach as consumers. They clearly do not have the same level of trust in traditional institutions. They may look for information that is unfiltered or, at least, filtered by people like them rather than by institutional experts. They rely more heavily on their social networks, and they certainly embrace a self-reliant approach at least as far as old avenues of trust are concerned.

An interesting challenge for companies is that they have to deal with these new generations both as employees and as customers. One insurance company has recognized this generational gap in its sales approach. It directs the traditional sales agent model to people in their late 40's and older – people who are used to the old system and comfortable with it. For younger consumers, it is preparing a different marketing mix relying on the internet as a distribution channel.

What to Do When Avenues of Trust Evaporate

What can organizations do if they have lost or are in danger of losing traditional avenues of trust? The ones that are still thriving have recognized their problem and taken action. Here are some of the things they've done:

Specialize

Companies are going after narrower and narrower slices of the pie. As they become more specialized, they can differentiate themselves from the competition. For example, a broker might specialize in the purchase of preferred stock.

Offer Value-Added

Other companies have created something that the consumer can't get elsewhere. For example, a health insurance company may send targeted health information to consumers, customized to their individual medical conditions.

Evaluate, Rate and Select

One of the challenges people face doing their own Internet research is that there are too many options. Some companies are capitalizing on this and using their proven knowledge, expertise, and perspective to help consumers make a choice. For example, travel companies publish "Top 25" e-mails that pick a few true bargains from the thousands that can be found on the boundless Internet.

Share Accountability

Some companies are exploiting rather than decrying the desire for more unfiltered information and the decreasing reliance on individual company experts. For example, a company builds a Facebook page for itself, or facilitates consumer dialogue through a company blog.

Assess and Adjust

The erosion of trust may be an early clue to value migration, which means the business model may need to change. This may represent a real opportunity for innovation. Organizations that sense problems with their avenues of trust (we suspect that should be most readers) may follow these suggestions to evaluate their positions and clear the way for building new avenues.

1. Clarify Your Theory of the Business

For many organizations, the issue of changing avenues of trust means a fundamental change in their "theory of the business." (We've written about this in

Insights: Down to Basics, Nov 2008.) This term refers to the foundational beliefs an organization holds about the marketplace and the opportunities it offers: the fundamental theories and assumptions that underlie the strategy.

One of the contributing factors to the theory of business is clearly avenues of trust. This is a critical issue for many companies, which some are ignoring. That's easy to understand if a company is fighting just to keep things together, but as we have written before (*Insights: Emerging from Economic Contraction*, May 2009), management has a dual role today: stay alive for the time being, and also figure out what the organization needs to look like to thrive when the economy returns to "normal."

Ask yourselves: What is your product? What is your market? What essential market needs are you fulfilling? Has any of that changed dramatically since you last examined it?

2. Objectively Evaluate your Avenues of Trust

Given your responses to the changes in your basic theory of the business, it is important to obtain a clear view of the current avenues of trust. This may involve looking at how your customer interaction should work, along with whatever metrics you have for that. It may also involve looking at things that might have been considered aberrations: how the "right" avenues are being detoured or worked around.

Ask yourselves: How are you and your customers interacting today? What are your consumers' avenues of trust? Are the avenues of trust static? Changing? Going? Gone? Which avenues will endure? Which will not?

3. Craft a Strategy

If you see a potential problem, get to work. You need to act now to give your customers a new avenue of trust. Remember that staff will have to learn to disconnect and reconnect with customers. This may require both structural changes and behavioral changes on

the part of the company and its employees, as well as adjustments on the part of customers.

Ask yourselves: What can you offer to differentiate yourselves from competitors? For what do customers most trust you? What do your customers need that they can't get from new avenues they may be using?

4. Maintain a High Level of Meaningful Communication with Your Customers

If ever there was a time when you needed to feel the pulse of your market, this is it. Just as one example, we recently read that Budweiser wants to move toward direct distribution, bypassing its vaunted network of distributors, in part because it believes that the distributorship system is keeping it too isolated from its customers.

The real danger is to sit back and think that the old avenues of trust will be just fine as long as you can wait out the economy. That head-in-the-sand thinking spells doom for most organizations.

Ask yourself: What do customers need to hear from us? What do we need to hear from them? What feedback loops work for us now? What new methods do we need to build to ensure we are getting meaningful feedback from customers? If we don't hear directly from them, what other channels are available to us?

Re-route Your Business

Avenues of trust are the basis of your business. You have the product, and people want it, but will they trust you to deliver it? Avenues of trust are constantly shifting. It's partly the troubled economy, partly the availability of information from the Internet, and partly the new breed of self-reliant consumers, turned off by the institutions they once revered, and now believing they can do a better job on their own. For many businesses, the way they deal with the challenge of rebuilding trust along new avenues will spell the difference between success and failure.

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