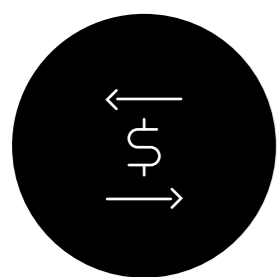# Trust in the digital age: The competitive advantage of corporate accountability

Cultivating a culture of trust helps businesses improve stakeholder relationships, maximize revenue, and mitigate risk while embracing advanced and increasingly complex technology.

# CONTENTS

Without the trust of consumers and stakeholders, a business can rarely experience meaningful growth and long-term success. We're discussing the standards, policies, and technologies modern businesses can adopt to stand apart from competitors and establish a trustworthy brand.

# The ROI of trust in a digital world

As advancements in technology complicate the relationship between brands and consumers, businesses that demonstrate a commitment to security, privacy, and transparency will gain a significant competitive advantage.
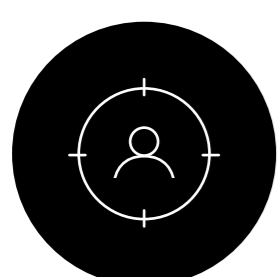
## Digital trust

Trust is a fundamental asset for any enterprise seeking long-term viability. However, as technology evolves, so do the standards of a trustworthy brand. The challenge of building digital trust is based in the immense power of tech to connect individuals and brands, while paradoxically making these relationships much more abstract and fickle. Businesses must reorient themselves to address entirely novel concerns around cybersecurity, data privacy, and even the ethics of AI, or else they risk their customers jumping ship. This is borne out by a 2022 report from McKinsey, which showed that over half of Millennial and Gen Z customers will consider switching brands if they're unclear on a company's data practices.[1] The organizations that opt to develop comprehensive strategies to address these trust hurdles will, in turn, win long-term customer commitment and loyal brand advocates.



## Data privacy

Access to a wealth of consumer data has provided many businesses with the opportunity to better serve their customers by enabling personalized experiences and seamless service continuity. Although these technologies have the potential to be mutually beneficial, customers have their guard up when it comes to trusting businesses with their data —and not without reason. Unfortunately for everyone involved, customer trust around data privacy has been significantly damaged by high-profile incidents of data misuse (or even abuse) by major companies. Incidents like the exploitation of Facebook user data for political influence

[1] McKinsey

have created an environment where the potential benefits of sharing data are offset by consumers' mistrust.[2]

## 74%

*of consumers believe that they now have little control over how their personal information is collected by outside forces.*

**[Ponemon Research Institute]**

If digital brands want to regain the confidence of their online audience, they are incentivized to implement user-friendly policies and systems that place the control over customer data back in the hands of the customers themselves. In fact, the most privacy-sensitive market segment—the consumers known as "privacy actives"—are actually more willing to share their data in exchange for beneficial experiences.[3] They simply need to be made aware of the nature of the deals they're being offered. By providing transparent touchpoints where

customers are invited to provide (or withdraw) consent to share their information, forward-looking companies can provide the personalized experiences that their customers appreciate, while associating their brand with trustworthy values.

## Customer ownership of data

Given the importance of establishing trust around customer data privacy, some companies are taking extra steps to provide essential peace of mind. Zoho has made a commitment to block all adjunct surveillance, remove all third-party trackers from our sites, and never sell customer data.

[2] New York Times | [3] Harvard Business Review

# Cybersecurity

While misgivings around data privacy revolve around the risk of customer data being exploited or misused, the prospect of personal or business data being stolen outright presents an even greater threat for organizations seeking to build and maintain digital trust. By offloading much of their communication and transaction activity to the digital space, businesses have been able to drive huge boosts to growth and efficiency, but as a consequence, they may expose themselves and their customers to the risk of cyberattacks. Cybercrime may not be top-of-mind every time a customer makes a transaction, but on the occasion that a breach does take place, the damage done to customer confidence can be completely devastating. A recent Forbes report estimates that global ransomware costs will reach as much as $265 billion by 2031, with DDoS attacks alone expected to have doubled in the period between 2018 and 2023.[4]

First and foremost, any tech-enabled organization will want to develop effective cybersecurity protocols to safeguard their customers' data as well as their own. While this may seem to some like an obvious step to take, it's been shown that fewer than 25% of organizations have been working actively to mitigate their digital risks.[5] This shows that virtually any investment made towards bolstering cybersecurity will put most organizations on a better footing than the rest of the market. However, there are myriad strategies available for those willing to go above the bare minimum to protect their customers' data. For instance, "zero-trust" security protocols require that every employee is regularly re-verified when accessing important infrastructure, using a variety of data points such as geographic location and behavioral patterns. While a zero-trust security standard may be a logistical challenge, it has the potential to offer substantial ROI in terms of customer peace of mind.



[4] Forbes

[5] McKinsey

# Artificial intelligence

Emerging artificial intelligence tools have near-revolutionary potential to enhance customer experience across many industries. However, the benefits of AI tools are highly dependent on maintaining a steady supply of high-quality input data. For many organizations, the most useful AI functionalities require this input data to be sourced from their customers' behavior, which gets back to ethical issues around trust. While many of the same strategies for handling general data privacy can be applied successfully to AI as well, there are also some unique challenges in communicating about AI with customers.

As with many new technologies, there is a gap between how AI is perceived by the general public and the potential benefits it offers them. When asked directly about their preferences, only 26% of respondents reported feeling "great" about artificial intelligence. However discouraging this may seem, when this is considered alongside survey data showing that 43% of consumers say they don't even know what AI is, it suggests that much of the population is distrustful because of a lack of understanding of the technology itself.[6]

[6] SmartBrief

## Making AI approachable

A few AI-forward businesses have made popular entries into the consumer market with friendly, anthropomorphic AI assistants, featuring human-sounding voices and human-sounding names. Zoho's AI assistant, Zia, was designed to apply this type of approachable interface to enterprise software. Zia has since expanded its scope from a simple voice interface to a sophisticated AI platform, providing user-friendly assistance to our entire CX suite and beyond.

In order to fully reap the benefits of AI without the risk of alienating a portion of the customer base, businesses should make an effort to be transparent about how customer data is used in powering AI, while highlighting the benefits customers receive in terms of improved quality and speed of service. The term "explainable AI" (XAI) has been coined for exactly this purpose. Making the mechanisms that govern an AI tool's decision-making easily communicable to

laypeople offers multiple benefits. Not only do customers develop a greater trust in the technologies they're being introduced to, but the companies using the AI tools can directly benefit from generalizing understanding of AI throughout their own workforce. When this understanding is no longer limited to a small group of specialists within a company, the greater diversity of knowledgeable perspectives creates more opportunities to identify improvements and eliminate biases in the AI learning model.
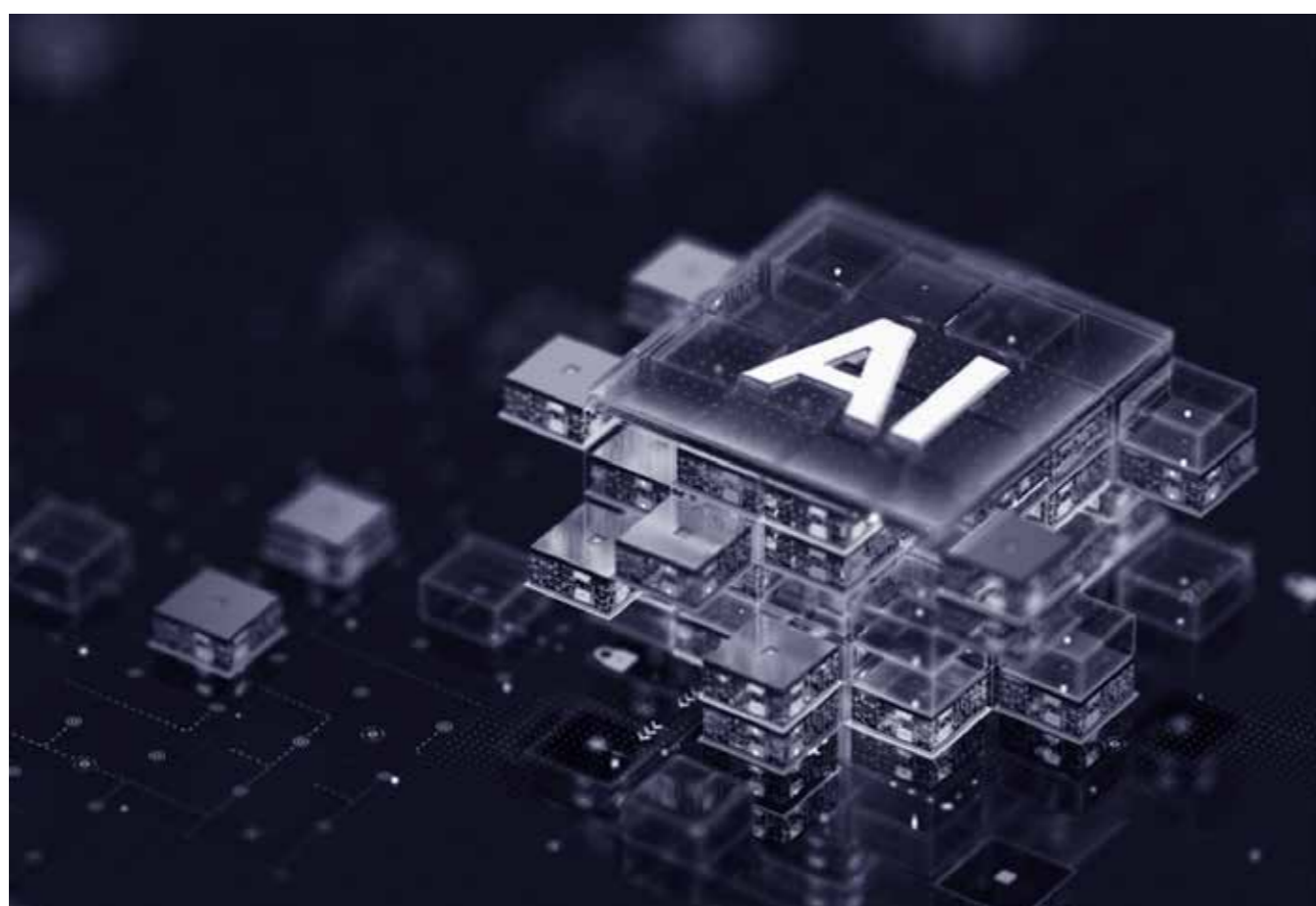


## Trust as a KPI

The temptation of technology is that it can boost performance beyond what a human would ordinarily be capable of. However, in the pursuit of performance, the human relationships at the heart of business can start to be overlooked. In some ways, trust can be seen not only as an end in and of itself, but as a broad measure of success across all of the ways that an organization communicates and interacts with its customer base. It's even been shown that the greater the commitment a company has towards building digital trust, the more likely it is that they will have a high rate of growth. So while a business strategy that targets a variety of KPIs may end up creating the conditions for improving trust, competitive digital enterprises stand to drive enormous value by focusing on maximizing trust itself.

# Creating business systems that build and maintain trust

**Trust is becoming a key focus area for its impact in shaping stakeholder experience, but creating a culture of trust requires realigning relationship expectations with stakeholders and shifting toward comprehensive, org-wide trust strategies.**

Trust is more than a buzzword: it offers companies a greater degree of competitive advantage and resilience in the face of economic downturns, and if it is woven well throughout an organization, it lifts overall business success. Consumers are willing to pay more for goods from trusted brands, vendors are happier to invest in longer-term contracts, and employee turnover drops significantly.

Yet during a time when financial stability and retention are pivotal, supply-chain disruptions, workforce management changes, and inflation are eroding trust among all of these stakeholders. Many executives are recognizing that to strengthen these stakeholder relationships, they need to create a culture of trust with thriving relationships that can not only carry the business through hard times, but also promote sustainable success for their organizations in the long run. This means a shift away from ad-hoc trust initiatives to comprehensive, org-wide trust strategies that realign stakeholder relationships and integrate trust-building measures into the core functions of everyday business operations.

## Realigning expectations and creating an organizational trust strategy

The first step to strengthening stakeholder relationships is getting on the same page about what actually drives trust within the business ecosystem. PwC reported that executives, employees, and customers all agree that trust should be a top priority, but executives are placing too much importance on measures like transparent communications or being good corporate

citizens.[7] While consumers and employees do appreciate these efforts, they are left wanting when it comes to basic drivers of trust, like how well employees are being treated and the affordability, variety, and quality of products and services that a company is able to provide.



A poll of 150 manufacturing CEOs found that **45%** of companies passed the costs of inflation on to consumers by means of direct price increases. As a result, **55%** lost customers, and **19%** still had to cut their workforce to keep costs down.

**[Forbes]**

A more comprehensive approach to trust strategies, where key stakeholders are given opportunities to provide feedback on all areas of the business, can close this awareness gap and ensure trust is being built based on what stakeholders value most. Deloitte recommends expanding the scope of ESG reporting to not only include more social and governance metrics, but also stakeholder insights on areas such as:

➤ **Leadership and strategic governance**

➤ **Customer experience and product quality**

➤ **Financial integrity and health**

➤ **Technology and innovation**

➤ **Compliance, safety, security, and protection**

➤ **Purpose and ethics**

➤ **Culture, equity, and workforce experience** [8]

This not only demands that better feedback is collected for accurate reporting, but also gets key stakeholder insights shared in the public sphere. As stakeholders become increasingly concerned with how a business nurtures all of its ongoing relationships, these expanded ESG reports offer

compounding benefits. When customers want insight into a company's workplace management practices, or employees want to know whether their company is offering a satisfying breadth of products and services, that information is already being captured and reported.

## Maintaining trust through personalized engagement and clear data

# 82% of business executives

believe there cannot be trust without transparency.[9] When stakeholders see publicly that their feedback—and the feedback of others—is valued and integrated at the organizational level, it offers reassurance that their needs are being prioritized. Especially in the midst of an economic downturn, there's value in a continuous process of engaging stakeholders, collecting feedback, and iterating on this trust-building system.

A continuous process does not mean constant engagement, however, and this is particularly true for external stakeholders. The most successful feedback systems offer

breathing room[10] and help build trust that engagement is driven by a genuine desire to implement change, rather than trying to close a deal. Organizations need to find a balance, recognizing when to ask for feedback and when to simply provide confidence-boosting information. Not every customer, investor, or vendor needs to know how to balance books for an international enterprise, but they still have a valid interest in the financial health of the companies with which they interact. Engaging stakeholders only when their input can provide meaningful value to the broader trust ecosystem of the business—and delivering on the rest of their concerns with straightforward and concise data—can help stakeholders feel heard but also confident in the organization's ability to stand on its own.



[9] Economist Impact

[10] Lehtinen et al

The trust reports that result from this approach should tell a clear story at the organizational level while still delivering value to specific stakeholder segments. This requires clear, accurate data, which can be a challenge in larger organizations due to the sheer volume of information generated. Over-centralizing this data can create trust reports that are too broad, tackling high-level concerns without addressing regional needs, while localizing too much can appear to stakeholders as a lack of cohesion and consistency across a company.

# 77%

*of business executives agree that a lack of standardized reporting processes and KPIs makes it challenging to demonstrate transparency.*

[Economist Impact]

The right balance is struck in organizations that prioritize data integrity and usability first, focusing primarily on governance and standardization. When all branches of a business share a common understanding of how data should be managed, it increases the confidence that stakeholders can have in the integrity and reliability of the solutions built on that data. And if org-wide data is easy to clean, prepare, and transform, regional teams can more easily develop localized, value-adding data solutions to **target stakeholder needs.**

## Data readiness

A centralized data repository with the native capability to prepare datasets for any localized need is essential for large, complex organizations. To address this need, Zoho's **self-service BI** and analytics platform comes with a built-in, augmented data preparation tool called Zoho DataPrep. DataPrep allows organizations to consolidate data from multiple sources, ensure data integrity through standardization and enrichment, and transform datasets to support targeted data solutions for every team.

# Trust as the precursor to resilience

O Organizations are starting to realize the value of treating all stakeholders as customers in their own right, where trust is the currency of innovating together.[11] New technology products, pricing models, and DEI initiatives can all be relevant and value-driving for investors, consumers, and employees alike. Customers care about how AI technology and data collection are being employed within organizations, and sales reps want to trust that the prices they are passing along to leads are data-backed and fair.

In many ways, incorporating trust into an organization is no different than other types of value delivery. Stakeholder experience is a product, and trust is the channel by which that product is delivered. Cultivating a transparent relationship with stakeholders can realign what trust looks like in the modern enterprise, and drive a cycle of targeted stakeholder engagement and iterative trust-building initiatives supported by clear, consistent data. Organizations that get the formula right will be able to build secure, long-lasting relationships with the people that matter most to their success, and in doing so, create a thriving stakeholder network that can help the business weather any changes that the future holds.

[11] Harvard Business Review

# The case for zero-party data: Why personalization doesn't have to come at the cost of data privacy

Personalization can be a tricky needle to thread. It's increasingly essential for meeting (and exceeding) customer expectations, but evolving consumer attitudes about privacy make collecting the necessary data a complicated and costly process.

The impacts of personalized service on sales, loyalty, and CLV are well documented. Amazon, for example, saw a 29% increase in sales quarter over quarter following the implementation of targeted suggestions[12].

Personalization can drive significant revenue, but it doesn't come without risk. While consumer behavior may be signaling that a more targeted offering is better, nearly two thirds of survey respondents[13] say they'll stop supporting companies whose marketing feels too "creepy."

So how are brands balancing the obvious benefits of personalization with the privacy concerns of their customers? The most successful strategies rely on zero-party information to drive marketing and sales, offer users options for customizing how their data will be used, and build transparency and privacy into processes in every department.

## The personalization advantage

Personalization can be a bane or a boon; the difference is often in the timing. On one hand, consumers want perks like weekly usage reports about their smartwatch, or tailored suggestions about what to watch next. On the other hand, when purchase recommendations become too personal—when their predictive power becomes too great—people instinctively recoil.

Examples of personalization gone awry abound and often involve a reliance on first-party data. Unlike zero-party data that has been voluntarily provided by the customer, first-party data is inferred from customer behavior without the customer's direct input.

It's easy for companies to amass reams of inferences about an individual that the individual might not want others to know. The risk behind using these inferences is that marketing teams can unwittingly touch on sensitive subjects, and drive consumers away in droves.

Relying exclusively on zero-party data not only prevents PR debacles, but also helps build consumer trust in a brand. Companies that forefront the ethical and transparent collection of data gather more and better information through their direct relationships than they glean from behavioral analytics alone. And this makes sense; when customers see that their data is being used responsibly and respectfully, they're willing to give more of it. That benefits both parties.

## Customization: To each their own

Another way to achieve the right balance between personalization and privacy is through enabling customization. Unlike personalization, which largely takes place behind the scenes, customization is the direct result of user choice. It's why Netflix starts showing one user 90s action comedies and another mid-century foreign dramas; they each marked a preference while opening their account.

Companies that enable customization have an opportunity to use the transparency of the process to build consumer trust. Detailing for consumers how their information might

be gathered and shared (and providing the chance to opt out of either), and allowing them to determine their own advertising preferences, are ways for companies to demonstrate a commitment to privacy as a core value.

There are other advantages of offering more choice rather than less. Customization drives sales: 36% of consumers prefer customized options[14], and 1 in 5 are willing to pay markups upwards of 20% for it. Brands are better able to anticipate and meet customer needs when they've given those customers the tools to design their own experience.

## Creating responsible roles

Sales and marketing aren't the only departments that need to be thoughtful about customer privacy. Building a company culture around this value is an ongoing, cross-departmental process.

Besides providing role-based training on security and privacy, some companies have created positions that exclusively focus on business-information security and privacy (BISPOs). By championing the company's privacy policies and empowering employees to act on them, BISPOs ensure that security is seriously considered when making technological or business enablement decisions.

Taking responsibility for good security practices drives revenue in part by avoiding the potentially catastrophic costs that result from bad security practices. In 2020, the average cost of a data breach was nearly $4 million[15].



Another new role that's oriented more toward the consumer's experience is the "creep board." This is an internal team tasked with regularly reviewing company policies and practices regarding the use of personal data. Their goal? To make sure nothing the company does is too "creepy." These teams exist for good reason: nearly 40% of consumers will immediately stop doing business with a company if its personalization feels too invasive[16].

[14] Deloitte

[15] Deloitte   |   [16] Gartner

## Knowing the line

As companies push the personalization envelope in search of better marketing returns, consumers are collectively finding the line between the personalization they want and the personalization they don't. Crossing that line can do significant damage to the brand-consumer relationship, but successful brands are recognizing the predictable reactions of their customers and finding ways to work within them.

Marketing driven by first-party data is inherently risky. When information is collected without the consumer's involvement, the resulting targeted advertising can create reactions of shock or betrayal even if the data under discussion isn't particularly personal. The surprising upside for companies is that consumers will reveal quite a bit of private information when they're asked; the key is that they've chosen to do so. Customization built on zero-party data offers a way through, providing scope for serving effective, tailored content while also allowing the brand to be perceived as trustworthy and respectful.

# The strategic role of ESG

**Environmental, Social, and Governance (ESG) is an increasingly important framework for organizations and the consumers they serve. Realizing the benefits of this holistic approach means understanding how company decisions impact every stakeholder, including those outside the organization.**

## Why ESG matters

➤ **58%** of consumers advocate for brands based on shared beliefs and values

➤ **60%** of employees will select workplaces based on shared beliefs and values

➤ **80%** of investors will back organizations based on shared beliefs and values

**[Edelman Trust Barometer]**

The impact of an ESG-based business strategy goes beyond its ethical footprint. More than just the "right" thing to do, ESG in alignment with strategic and operational goals can offer a financially sound path forward and win-win outcomes across

divisions, reducing the size and frequency of large capital investments, driving savings-creating objectives, and ensuring preparedness for changing environmental and privacy regulations.

ESG in action generates benefits that pay for themselves many times over: maintaining a dynamic (and diversely sourced) supply chain that's resilient in the face of climate change; building processes that take the guesswork out of compliance; providing better risk management and data hygiene; and helping surface overlooked opportunities and insights through initiatives focused on under-served markets. Perhaps the greatest benefit for companies that invest in ESG programs comes from the fact that consumers are demanding those programs: 80% of consumers want to purchase from organizations investing in ESG.[17]

[17] TriplePundit

> **"**
>
> *ESG outcomes can sometimes feel intangible, but the benefits are not. Prioritizing long-term viability means prioritizing sustainability, which also builds customer trust.*

**Vijay Sundaram**
Chief Strategy Officer at Zoho

## What ESG isn't

It's important to ensure that corporate ESG behaviors are strategic rather than performative. The difference? Performative ESG, often referred to as greenwashing, happens when limited initiatives that are actually aimed at required compliance or waste reduction targets are attributed to ESG motivations. These optimizations are about doing the bare minimum required or gaining a small edge over competitors, rather than about seeking the most sustainable, ethical, or beneficial decisions.

Piecemeal application of ESG processes will yield piecemeal results. If the focus of ESG efforts is only on improving operational efficiency or avoiding legal issues rather than creating fair, transparent, and equitable processes, neither a culture of innovation nor a grassroots ESG mindset will ever take hold.

### Organizations want to be doing more

*__75%__ of executives cite ESG as a meaningful factor in consumer buying decisions. Similarly, __75%__ of C-level leaders understand the need for ESG-forward technology and internal compliance officers, but less than __30%__ of those leaders actually invest in those interventions.*

[Icertis]

## What ESG is

Good data governance is an essential part of ethical IT and ESG, according to Andrew David Bhagyam, Zoho's Digital Privacy Officer. "A corporate data breach leaves a wake of consequences for the business and for the consumer, making a safety-first mantra a must in today's hyper-digital age. Apart from ensuring organizations are abiding by the law, it helps ensure customer data is subject to strict security and privacy controls, reducing the risk of fraud, phishing and identity theft."



Strategic ESG can help tightly align organizational goals with operational realities. This naturally includes a host of new KPIs and other relevant measures; lasting change is effected only when financial metrics are meaningfully contextualized among metrics relating to social good or environmental impact. It may also require new tools that support centralized efforts while still allowing teams to build their own decentralized solutions.

## Driven by values

Zoho has been passionate about customer privacy from the beginning. We automatically apply GDPR-level protections to every account around the world, and our Data Privacy Officer reports directly to the CEO. Our employees regularly receive training in Zoho's privacy and data handling procedures, and our stringent security protocols are subject to constant penetration testing and external audits. A business succeeds on the strength of its data; Zoho keeps it secure, accessible, and trustworthy.

## Turning missions into metrics: Impact-weighted accounting

Turning the "good" that an organization does into meaningful metrics showing financial impacts is key to fostering strategic and innovative ESG, and cultivating support for these initiatives among both internal and

external stakeholders. So how do organizations express the positive (and negative) impacts of these initiatives? Using a measurement system based on an impact-weighted accounting process.

Impact-weighted accounting requires understanding how ESG initiatives offer ways to measure value and success outside of just profit. Positive impacts might include the impacts of employment (such as amounts invested in employee training and education), or details about reductions in emissions. Negative impacts might include fines resulting from poor data hygiene, or an increase in capital investments and operating costs to establish new design protocols.

This is accounting focused on outcomes. Rather than looking at the value of a new data privacy policy, which may be subjective, a decision-maker might point to the reduction in costs related to regulatory fines and damage-control expenses, or the number of employee hours saved. Instead of touting a reduced carbon footprint, reports might show the tons of waste diverted from landfills because of a more sustainable choice of office supplies. In place of generalizations about the value of diversity and equality, reports can highlight the number of women and minorities promoted internally to management, or the concrete outcomes of outreach efforts in the local community.

## Getting going

Effective ESG is the result of re-imagining how an organization can both be and do better, rather than exclusively focusing on traditional KPIs around profit, market share, and expansion of markets. As with any strategic transformation, the first stage is discovery. This means listening first, deploying later. Not all ESG issues are created equal, nor should every organization attempt to tackle them all simultaneously. The right

areas to focus on should emerge logically from the organization's sector and areas of greatest impact: a logistics provider might start by reducing its carbon emissions, while a customer-facing organization might focus on building more diverse management teams first.

## Secure IT empowerment

Ethical IT is fundamental to good data governance. It's building processes that ensure compliance; making data hygiene the norm with strict access and cleansing protocols; efficiently using information resources. Zoho Creator's cloud-based application builder lets IT teams build, deploy, and scale solutions on demand, within customizable guardrails. The data security environment is always evolving, and Creator gives IT teams the ability to keep their organizations protected against these challenges in real time.

The potential outcomes for ESG are huge; they can literally change the world. Getting started might feel like a huge project, but the steps to success are small, measured, and

planned. And while successful ESG requires some shifts in strategic direction, it offers incredible opportunities to expand a brand's identity, its positive impacts, and its ability to sustain customer trust.

# Why Zoho for Enterprise?

Proven software, customer commitment, tremendous value.

## Scalability & Reliability

Zoho for Enterprise reduces the cost of infrastructure, unifies existing apps, and solves complex business problems for increased enterprise fitness, resilience, and scalability.

## Customization & Extensibility

Through granular customizations and powerful in-house developer platforms, Zoho lets you orchestrate workflows, streamline data management, and deploy world-class solutions at scale.

## Security & Privacy

From owning our own data centers to GDPR compliance features, Zoho enables enterprise organizations to focus on core business priorities, rather than data management.

## Enterprise Services

From data migration to consultation and implementation, our team is armed with the in-depth product knowledge and industry expertise to meet your unique technical requirements.

## Are you ready to transform your organization?

We're here to help. Have a 15-minute, no-obligation call with one of our **Business Architects** to get all your questions answered.

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