PwC's 11th Global Family Business Survey

Transform to build trust: what customers really want

Insights from PwC's 11th Global Family Business Survey reveal new ways to meet the changing expectations of this crucial stakeholder group.

pwc

pwc.com/fbscustomers

This article is the first in a series of deep dives into the findings from PwC's 11th Global Family Business Survey, each focusing on one of three key stakeholder groups: customers, employees and family members. An accompanying webcast will delve further into key topics.

The customer is king. It's a mantra that businesses live by, whether they are B2B or B2C. And customer trust is essential for all businesses. Research using data from PwC's Global CEO Survey shows that after industry conditions, the biggest contributing factor to profitability is levels of customer trust. Not surprisingly, PwC's 11th Global Family Business Survey of 2,043 family business owners in 82 territories found that when asked who it was important to be trusted by, 95% said the trust of their customers is paramount.

But it's one thing to value the trust of customers and quite another to secure it. Just under half (49%) of the respondents said that they don't believe they are fully trusted by their customers. This is a singularly honest assessment and speaks of the self-awareness of family business owners, who acknowledge that there's a trust gap. In another recent PwC survey on trust, 84% of business executives think that customers highly trust the company, yet only 27% of customers say the same of the companies they buy from.

So, given the importance of customer trust and the fact that family businesses know they need to earn it, what should they be doing differently?

The short answer? They have to come to grips with the new, expanded formula for building trust highlighted in the 2023 survey. Certainly, great products, top-class service and brand value are still ingredients for building trust, as evidenced by the fact that family businesses scored 20 points higher than non-family businesses on the Edelman Trust Barometer a decade ago. But today, those attributes are table stakes.

More than half the world's population are millennials and gen Z—people born after 1980—and they have new priorities in this fast-changing world. They want the businesses they support not only to deliver great goods and services but also to demonstrate their commitment to environmental, social and governance (ESG) issues and diversity, equity and inclusion (DEI)—all along the supply chain. And they want companies to take a stand on the issues that matter most to them.

Here, we'll look at how this new formula affects the relationship between family businesses and their customers, and we'll consider three no-regrets actions that businesses can take to transform their operations and bridge the trust gap.

Reputation is an outcome of trust. It's hard to have a good reputation if you're not trusted.

Sandra Sucher, professor of management practice at Harvard Business School

Although family businesses say they listen to their customers, they are not demonstrating, beyond a baseline focus on quality products and services, that they share their customers' concerns. And this is a problem. In the latest Edelman Trust Barometer, family businesses' trust score is now just six percentage points above the average for all businesses, down from a 12 percentage-point premium only a year before.

Playing catch-up on trust

Family businesses want the trust of their customers...

95% say customer trust is the top priority*

...but they're not getting it

49% say they aren't fully trusted by customers**

That's because they're not prioritising what customers value

69% do not measure environmental impact

76% do not measure social impact

91% do not measure DEI performance

84% do not take a stand on public issues

71% do not actively communicate how they protect private data

*Q: How important is it that your company is trusted by this stakeholder group. (Showing 'essential' and 'very important.')

**Q: Which of these statements do you believe best describes the level of trust the following stakeholder group has in your company. (Showing 'not fully trusted.')

Source: PwC's 2023 Global Family Business Survey/PwC analysis

When asked about their priorities for the next two years, 42% of family business owners in the survey say they want to increase customer loyalty. But they are not listening to their customers. For example, as the chart above shows, three-quarters of family businesses do not actively communicate how they protect private data, even though a recent PwC survey of more than 2,500 consumers found that 79% of those consumers say data privacy is their top concern.

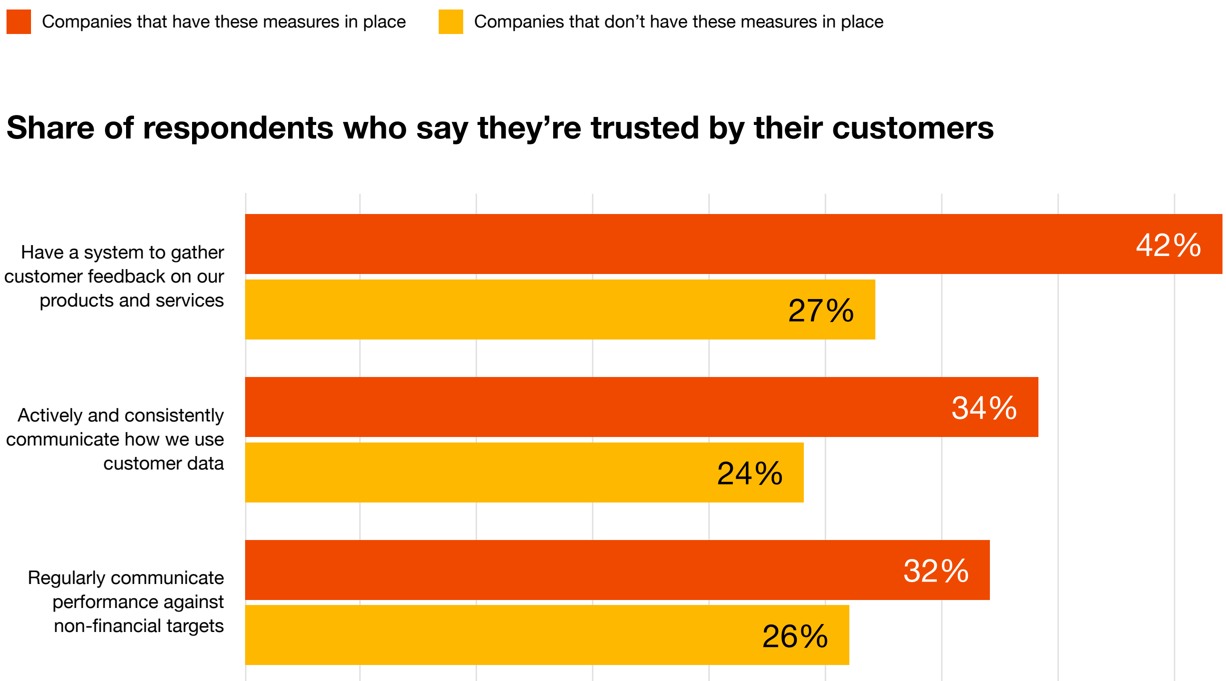
In a separate study of more than 5,000 consumers from 2021, four out of five said that they are more likely to buy from companies that share their values, which gives considerable weight to ESG and DEI priorities. But the Family Business Survey respondents don't ascribe nearly the same importance to ESG or DEI: only one in five say that minimising the company's impact on the environment is a priority; a third admit that they put little energy, resources or investment into ESG issues. Even fewer prioritise the company's social responsibility or its performance on diversity.

There are some notable regional differences. European family businesses are ahead of others: 20% have an ESG statement that is communicated to shareholders, compared with 8% of North American family businesses. Overall, it's clear that family businesses view customers primarily through a traditional lens of product quality and customer service. They don't take into account wider concerns—and that's what's creating the trust gap.

Keeping on message

Although the research doesn't show a causal link between commitment to social issues and building trust, there are some telling correlations. Family businesses that are proactive in communications are more trusted. Those that have more processes in place to gather customer feedback and communicate how the company uses customer data and, crucially, how it performs against non-financial targets say they are more fully trusted by customers.

How communication affects customer trust



Q: Which of these statements do you believe best describes the level of trust the following stakeholder group has in your company. (Showing 'fully trusted.')

Source: PwC's 11th Global Family Business Survey

Today, customers want to know how the companies they do business with operate, what their values are and how they demonstrate those values. To assess where family businesses stand in relation to trust, our survey used a trust measurement model developed by Sandra Sucher, a Harvard Business School professor of management and the author, with Shalene Gupta, of *The Power of Trust*. The model is based on four pillars for building trust: **competence** (is the company good at what it does?), **motive** (whose interests is the company serving?), **means** (is the company using fair means to achieve its goals?) and **impact** (what is the tangible impact the company has, as opposed to the impact it *claims* to have?).

As our results show, family businesses are strong on prioritising competence, but they are stuck on understanding whose interests they are serving and are not using the right means to satisfy the expanding needs of their customers. The survey shows that only 43% of family businesses publish values and mission statements; only 43% have a senior leader in charge of ESG; and only a third have one dedicated to DEI.

These sins of omission are not hard to correct: 78% of family businesses say they have clear values, so they should take the time to articulate those values publicly and demonstrate that they operate according to them. 'We have to say what we mean and mean what we say,' says Farhad Forbes, co-chairman of Forbes Marshall, a business dedicated to improving process and energy efficiency and making its customers more environmentally responsible. His third-generation family business also publishes data on how it helps local communities by improving healthcare, the education of girls, and working conditions for informal workers in its supply chain.

Three ways to build customer trust

Addressing the widening trust deficit will require family businesses to focus on three key actions:

1. Measure and report on non-financial targets. Commitment to ESG or DEI is not enough on its own; customers want to see action. This means putting in place mechanisms that help to build trust, including reporting the company's ESG and DEI targets and updating customers on progress towards meeting those targets. In the survey, family businesses that say they are fully trusted by customers are more likely to regularly communicate their performance against non-financial as well as financial targets.

> **Case study:** The business-to-business chocolate manufacturer Barry Callebaut Group is taking a leading role in addressing ESG concerns in its own sector through an initiative it calls Forever Chocolate. The company, founded in 1994, has considerable influence—it sources a fifth of cocoa beans grown worldwide—and has committed very publicly to

improving the livelihoods of cocoa farmers. It has publicly set four key targets to meet by 2025, including lifting half a million cocoa farmers out of poverty and using 100% sustainable ingredients in all its products. The company regularly publishes its progress towards these targets. Peter Boone, who stepped down as CEO on April 5 after a decade at the company, spoke widely about how the company is tackling challenges in its sector, especially in eradicating child labour. As he told one international conference: 'We cannot close our eyes to something which is out there we know should not be part of our supply chain.'

2. Codify, communicate and demonstrate values. The values of the family behind a business are often cited as a critical differentiator that sets family businesses apart—70% of our survey respondents say that their family has a clear set of values, but only 43% have taken the important step of putting those values in writing. And values mean nothing unless they are acted upon. Customers and other stakeholders will trust family businesses that live up to their promises.

Case study: Moose Toys, an Australian toy designer, has a very clear values statement, which includes 'treating others the way we want to be treated' and 'taking personal responsibility for your actions and outcomes.' In 2007, the company was riding high, competing successfully with huge multinationals, and had won the Australian Toy of the Year award for a craft kit of multicoloured plastic beads called Bindeez, which accounted for 90% of its rapidly growing revenue. Then disaster struck. A subcontractor started using a glue that was potentially deadly to children if ingested. When Moose Toys CEO Manny Stul found out, he immediately recalled all Bindeez products and offered a full and immediate refund to all customers even though the move threatened to bankrupt the company. Stul persuaded the company's distributors to allow Moose Toys to continue trading, found a food-grade glue that could be used on the production line and signed personal guarantees that the revised product was safe. Today, Moose Toys is thriving.

3. Consider taking a public stand. Family businesses have historically preferred to keep a low profile. They are bound by fewer financial transparency obligations than public companies (though many large family businesses are also publicly traded), and this has perpetuated a culture of silence in the public arena. Of the 2,508 consumers participating in the recent trust survey mentioned above, 59% said they would trust a company more if they agreed with the stand the company took. Of course, there's a flipside to that: 45% of respondents in that survey said their level of trust would decrease if they disagreed with a company's public stand. Still, in an era of heightened consumer expectations, family businesses should consider how and when to take a public stand. Their customers will expect it.

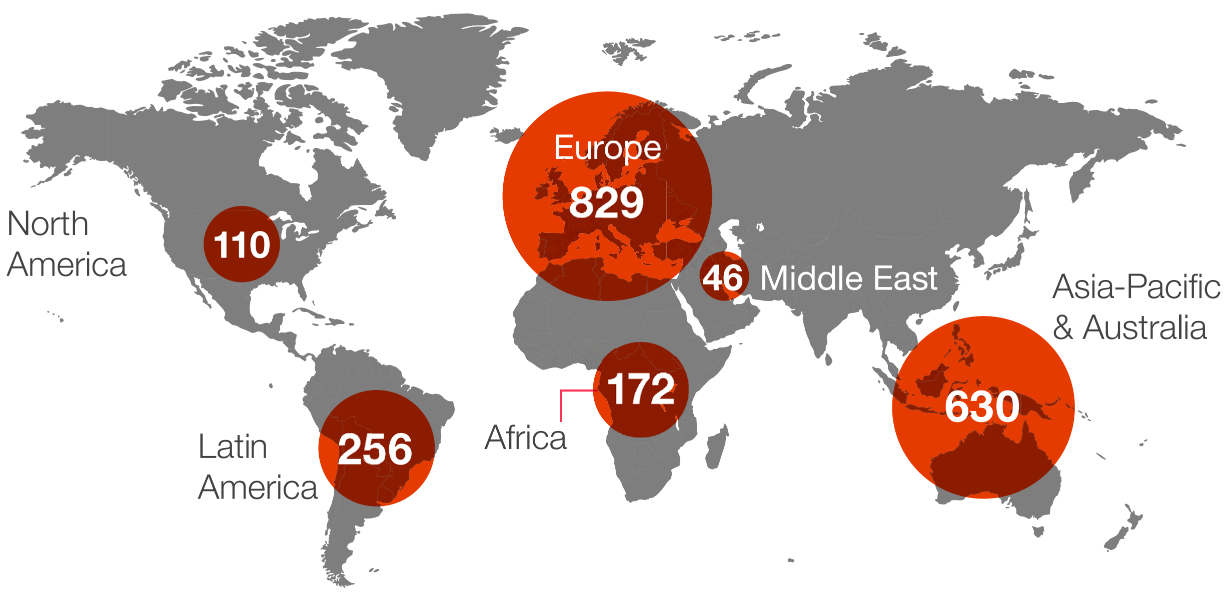
> **Case study:** Mars, the family-owned pet-care, chocolate and chewing gum company, is not shy. It has well-publicised environmental and social goals. It has committed to doubling its sustainability spend across its production, packaging and supply chain from US$1.1 billion over the past three years to US$2.7 billion over the next three years. It also expects sales to double from US$45 billion today. When Mars was criticised in late 2022 for being too 'woke' because it redesigned its M&M 'spokescandies' to be more inclusive, the company stayed the course, publicly referencing its efforts to make the world and workplace more inclusive. As CEO Poul Weihrauch told the *Financial Times*, 'We don't believe that purpose and profit are enemies.'

Family businesses pride themselves on a reputation for quality products and services. They have also traditionally relied on philanthropy as a way to give back to society—and to build trust with communities. Going forward, their reputation will not be linked so much to their charitable giving as to how they address the issues that concern the public directly: the way they do business in a world challenged by climate change; who they select as their business partners; how they control their levels of pollution; what they do about diversity and inclusion; whether they speak up and take a stand on social issues. This is family business values 2.0.

About the Family Business Survey

PwC's 11th Global Family Business Survey is an international market survey of family businesses. The goal of the survey is to get an understanding of how family business leaders perceive their companies and the business environment. The survey was conducted online in collaboration with the Family Business Network International (FBN International). The survey conducted 2,043 interviews in 82 territories between 20 October 2022 and 22 January 2023. Respondents comprised businesses ranging from under US$10 million in revenues (24%) to multi-billion-dollar enterprises (6%). Close to half (47%) report annual revenues of more than US$51 million. Manufacturing accounts for 40% of the businesses surveyed, and 24% are in consumer goods, with the rest coming from financial services, technology and healthcare, among other industries.

2,043 interviews conducted globally



Get in touch

Peter Englisch
Global Family Business and EMEA Entrepreneurial and Private Business Leader, Partner, PwC Germany
peter.englisch@pwc.com
LinkedIn

Francesca Ambrosini
Family Business Client Programs, PwC United Kingdom
francesca.ambrosini@pwc.com
LinkedIn

Cydnee Griffin
NextGen and Family Business Program Manager,
PwC United States
cydnee.griffin@pwc.com
LinkedIn

PwC's 11th Global Family Business Survey

Transform to build trust: what customers really want

pwc.com/fbscustomers