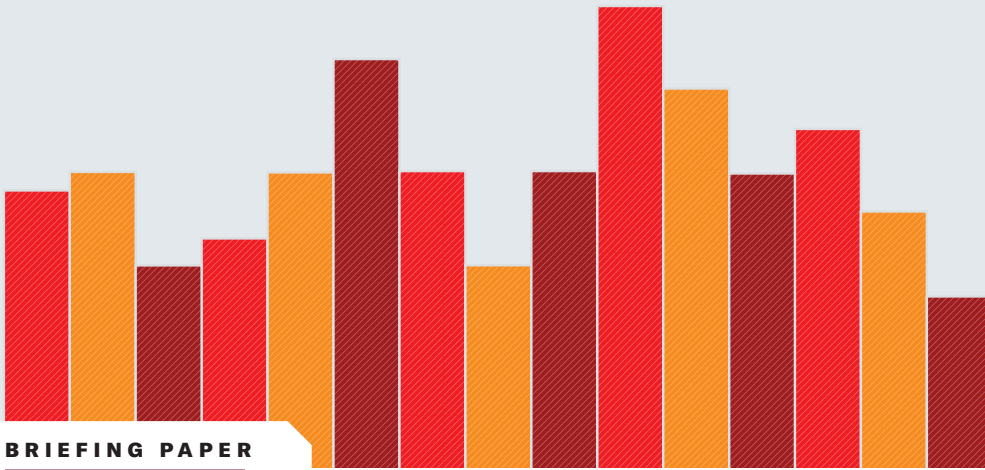




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ANALYTIC SERVICES



**BRIEFING PAPER**

# **Sustainability and Privacy Innovations Deepen Consumer Trust in Europe**



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**Mark Barnett**  
**President for Europe**  
**Mastercard**

Trust is at the heart of technology. From cultivating personal relationships to inspiring empowering interactions to build a strong brand trusted by its customers for its integrity and strength, trust works as the foundation of it all.

Trust is what gives companies the confidence to explore the unknown and hence serves as the ultimate currency of innovation. It is only with trust that organizations can successfully innovate new products and iterate to improve existing services.

Doing the right thing, continuously, has risen to be one of the most influential trust-building factors among customers. The Business Innovation Index 2022 explores the interdependency of innovation and trust along with several factors that contribute to gaining the trust of customers globally. This report examines how environmental, social, and governance (ESG) performance and reporting influence trust and innovation by critically examining their effects on customer trust, brand reputation and business in Europe. In our survey, 48% of European customers cited their trust in brands and innovation that bring about a positive impact on the environment and society. Additionally, more than 41% of executives recognize that their organization's reputation involving environmental issues and concerns is one of the biggest trust issues among customers.

ESG performance and reporting impact almost every aspect of a business, much like privacy and security concerns. With Europe adopting the Corporate Sustainability Reporting Directive (CSRD), all qualifying organizations are required by law to regularly report the societal and environmental impact of their businesses. Large companies (with more than 250 employees and/or €20 million in total assets and/or €40 million in turnover)

and large public interest companies (with at least 500 employees) are subject to the new CSRD rules. The CSRD also allows businesses a chance to show their commitment to the environment, society, and sustainable growth to foster consumer trust and meanwhile fuel new product development: Thirty-eight percent of European executives rate ESG as a top driver of innovation in an organization.

As a forward-thinking organization that continuously strives to walk the path of inclusivity, Mastercard aims to build and maintain a strong foundation of trust with our customers. Our vision is to power economies and empower people by building a sustainable world in which everyone prospers. We've put in decades' worth of work to build a digital ecosystem where every participant (customers, consumers, and partners) thrives by making trust the foundation for it all. We aim to reach net-zero emissions by 2040 by reducing our carbon footprint. Some of our key initiatives include the Sustainability Innovation Lab, the Priceless Planet Coalition, the Carbon Calculator, sustainable card program and Wildlife Impact cards. We foster prosperity by allowing people to tap their full potential and make way for inclusive economic growth. Our top initiatives in respect to fostering prosperity include Strive, City Possible and the Global Inclusive Growth Summit.

I hope that the findings of this report fuel inspiration to create products and services that only further improve convenience and security but also aid in the sustainable growth of the global economy. It is by doing good that one can do well and can walk the path of inclusive growth, data responsibility, and financial inclusivity.

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# Sustainability and Privacy Innovations Deepen Consumer Trust in Europe

When the General Data Protection Regulation (GDPR) was adopted by the European Union (EU) in April 2016, it was a watershed moment for consumer trust in terms of privacy issues involving personal data. Six years later, in June 2022, EU legislators attempted to do the same thing for consumer trust when it comes to the buying public's environmental, social, and governance (ESG) concerns by passing the Corporate Sustainability Reporting Directive (CSRD), mandating more transparency from midsize and large companies on these issues.

“Many of our customers are very concerned about the environment, and it’s a frequent topic of questions to us on social media platforms in particular,” says Steve Newson, chief technology officer of Starling Bank, a digital bank based in Southampton and Cardiff, U.K. “In response—but also because we feel it is the right thing to do—we made strong commitments to and have an ongoing strong strand of work on sustainability.”

But ESG may foster more than increased consumer trust. It may bring about renewed innovative vigor. In a January 2022 global survey of executives and consumers by Harvard Business Review Analytic Services, 38% of European executives rated ESG as the biggest organizational driver of innovation—the highest among all world regions. About two in five (41%) European executives also acknowledge that an organization’s reputation involving social and environmental initiatives/concerns is one of the most important trust issues among consumers.

“The brands that demonstrate high degrees of purpose, sustainability, and ethical integrity will be the ones that win,” predicts Rachel Barton, senior managing director, strategy lead, Europe, at Dublin-based consulting firm Accenture.

## HIGHLIGHTS

Environmental, social, and governance (ESG) reporting, like privacy concerns, **impacts nearly every aspect of business operations, from supply chain to manufacturing, distribution, and services.**

European organizations have had more time to **demonstrate their commitment to privacy concerns and inspire consumer trust.**

European **businesses and consumers demonstrated flexibility and resilience from the outset of the pandemic**, rapidly embracing helpful innovations such as virtual meetings and contactless online commerce without compromising their widely shared beliefs in the value of data privacy and environmental protections.



**Eighty-two percent of European executives agree that establishing high levels of consumer trust makes it easier for them to innovate in products and services.**

ESG reporting, like privacy concerns, impacts nearly every aspect of business operations, from supply chain to manufacturing, distribution, and services. European consumers are definitely keeping score when it comes to both. Forty-eight percent of European consumers in the Harvard Business Review Analytic Services survey place ESG among the top five product or service innovations that matter most to them. For 58% of European consumers, data security and information privacy rank in the top five.

Corporations will have to address these pressures. Barton says companies will need to apply ethical and sustainable standards in ways they never had to in the past. “The law and regulation provide some guardrails,” but organizations will still have many critical decisions to navigate, she explains. Ultimately, she adds, “knowing what buttons to press needs to be baked into your core offering and the way that you show your brand in the market.”

This paper will examine the critical components of trust and innovation that align with or illuminate the differences between the needs of European businesses and their customers. It will also explore the changing dynamics of innovation and trust in Europe, particularly how consumers and businesses benefit from heightened data standards, greater sustainability, and open banking protections, and it will identify ways European companies can strengthen their alignment with current and potential customers on core business innovation and trust issues.

## Out of Step

European organizations have had more time to demonstrate their commitment to privacy concerns and inspire consumer trust in that regard, but how they do so on ESG matters remains to be seen. If they are interested in taking new approaches to achieve ESG goals, consumer trust will be a major factor in their success—or failure. Eighty-two percent of European executives agree that establishing high levels of consumer trust makes it easier for a company to innovate in products and services. These respondents also fear what’s at stake if trust is lost. A majority of respondents feel strongly that a lack of consumer trust would cause significant economic damage to their brand reputation (70%) or business (64%). **FIGURE 1**

The CSRD will undoubtedly give European organizations the opportunity to make a good impression on consumers. The legislation introduces new environmental reporting requirements that impact midsize or larger companies in regulated markets.<sup>1</sup> Beyond the administrative aspect, the reporting will present European brands with an opportunity to share the status of their environmental commitment.

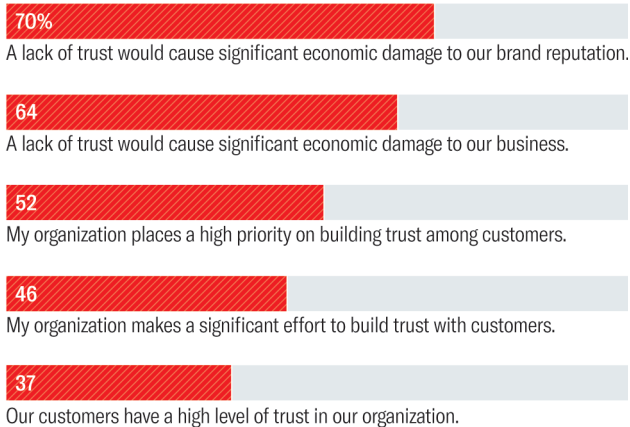
Details of the disclosure requirements are pending regulatory review, but what’s known now is that European brands meeting at least two of three criteria—more than 250 employees, revenue of €40 million, or at least €20 million in assets—will be asked to report on the impact of climate change on their organization and in areas such as social responsibility and treatment of employees, human rights, and diversity.

FIGURE 1

## Strong Feelings about Building Trust

Without customer trust, European executives fear damage to their businesses and brands.

Percentage of European executives who feel strongly about these statements



Source: Harvard Business Review Analytic Services survey, January 2022

Fifty-two percent of European executives believe that having an improved impact on the environment and society is the concern that mattered most to their customers in 2022. As a result, enthusiastically embracing the CSRD and its reporting standards could be a huge first step for executives eager to gain consumer trust when it comes to how organizations are incorporating ESG initiatives.

## Deepening Data Trust

Organizations have lived with the GDPR and privacy issues in Europe for years now, but there appears to still be a gap between what executives think about them and what consumers think about them. For example, there is a difference in how consumers and executives view the importance of data-handling issues that personally impact consumers. Fewer than half (47%) of European executive respondents believe that, among a list of different product or service innovations, innovation in data security and information privacy matters most to their customers—11 percentage points lower than the percentage of European consumers who place these concerns as one of the top five product or service innovations that matter most to them. And though nearly half of European executives (49%) believe innovations in areas such as personalization or customization are some of the most important to consumers, only one in



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five (22%) European consumers highlight these as areas of innovation that matter most to them. **FIGURE 2**

Meeting the high bar of data-handling expectations and requirements set by consumers and regulators will require businesses to embrace data-driven innovation, explains Celia Pereiro, managing director of payments at Madrid-based Sabre Corp. Sabre has undergone a successful digital transformation, automating data gathering where possible to enable the organization to make more data-driven decisions.

Sabre applies transactional data to calculate “the level of service we can provide to customers,” she explains. “The service could be time to deliver, time to respond, or incentives. If you have data, you can maximize everything related to service.” Maximizing service is a key factor in either gaining or maintaining customer trust, she adds. “Once you can easily get data and structure it properly, it can really help you make wise decisions,” says Pereiro. “And we see the value of that immediately.”

Disconnects involving digitization and personalization also surfaced in Europe when it came to banking, which has always been more about establishing trust than driving new forms of innovation. Customers have historically been able to walk into a bank or a financial services provider to discuss their concerns in person. Yet with commercial buildings shut down at the onset of the pandemic, both European banks and customers needed to adapt to online banking, where “there wasn’t complete trust,” concedes Starling Bank’s Newson. His bank knew from research that consumers felt online banking was “impersonal and unrelatable.”

Starling Bank also realized that younger customers were more likely to accept online banking. “Younger people have a tendency to be more accepting of mobile access to the bank,” says Newson. “My generation and above probably are less accepting of that and expect some degree of contact with a



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human and with high-value transactions.” The bank was able to prove itself by delivering good online customer service. It also established brand trust by proving to be reliable, accessible, and responsible.

While Starling Bank’s trust metrics have stayed level in the past two years, Newson notes that the demographic composition of his bank’s customer base is shifting in digital-friendly ways. Before the pandemic, he says, “it was youth” rather than those in middle age or seniors expressing trust in its online model. Now the data indicates trust is “spreading to a wider range” of customers. Starling’s digital effort to broaden access to banking services reflects the “curb-cut” design effect, in which making access easier for one demographic group improves equity and access for all. “We were a startup with no customers seven years ago,” he asserts. “Now we’re at three million customers.”

FIGURE 2

### Innovations that Hit Home for European Customers

Those that lower pricing and meet health/safety concerns strike a chord.

Which product or service innovations matter most to you? [SELECT UP TO FIVE]



Source: Harvard Business Review Analytic Services survey, January 2022

### Earning Consumer Trust

The pandemic forced European companies to meet the moment when it came to innovation that would require consumer trust. According to Sabre’s Pereiro, whose company is a major provider of software and services to the travel industry, many European consumers opted to trust “the beauty” of contactless payment technology that had been available but was underutilized.

Once the lockdown phase of the pandemic lifted, many Europeans were eager to resume travel across the continent and around the globe. Sabre prioritized equipping travelers with the necessary health and safety information to help them “feel safer” about travel during the pandemic, says Pereiro. Any effort to ensure health and safety is a trust builder; 62% of European consumers responding to the Harvard Business Review Analytic Services survey cited this as an innovation area that matters most to them.

Earning consumer trust starts with “everything related to data,” explains Pereiro, whose company manages payment and personal data globally. “We are all very concerned because we want to protect our customers and comply with regulations. We are very straightforward about data privacy and protection internally and with anyone who interacts with us.”

Sabre may be an exception, however. In the survey, European executives rate improving methods for data security and information privacy (23%) as a lower area of focus than did their peers in other regions. This could be misaligned with the four out of five European consumers who somewhat

or strongly agree that personal data privacy and security are key to developing their trust in a business.

The fact that the GDPR is a regulation almost ensures that organizations have to do something when it comes to data privacy that inspires consumer trust. Perhaps that's why 83% of European executives somewhat or strongly agree that their organization makes a significant effort to build customer trust.

While all industries must inspire customer trust at some point, some are almost dependent on it. Barton feels financial services companies especially need to align with customers on trust. For example, she says, "We know that in banking that trust is the most important thing for consumers. Banks thought it was convenience."

Those efforts to establish trust can take myriad forms, but Barton suggests that whatever they are, they all require businesses to make a strong connection. "Be very clear about what you stand for," she explains. "Consumers need to see that the company's motives are the same as their own, because actions form trust."

Barton cites the example of a gas company demonstrating its values by contributing 10% of its profits to consumers suffering the most during the U.K. energy crisis that surfaced in the autumn of 2022. The British company was "very clearly and materially showing how they're going to help customers through the difficult times ahead," says Barton. Demonstrating "purpose is a hugely important factor in earning trust."

## Open Banking Drives Innovation

Difficult times not only can help organizations earn or reinforce consumer trust but also aid their ability to innovate. Innovations that provide convenience and ease of use were cited by 61% of European consumers as something they want most, and pandemic-born inventiveness beyond contactless payment technology has benefited.

European banks, for instance, have embraced the principles of open banking, which utilizes open-source software and data sharing to drive innovation in financial services. Barton believes open banking service innovations such as consumer debt alerts can "build trust and intimacy—helping consumers feel that financial services institutions are supporting them through challenging times."

Starling Bank was an early advocate of this approach, says Newson, which has offered a public application programming interface (API) "since before open banking existed." Starling's foray into open APIs coincided with the launch of its digital banking application seven years ago. "This allowed individuals to develop their own apps and functions that interact with their Starling account."

Starling launched an app-based marketplace to distribute these third-party services intended to save customers time and



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"provide a first-class experience," explains Newson. As a result, the marketplace applications provide Starling customers with "access to best-in-class financial products, such as insurance, accounting software, or wealth management services."

## Creating New Values and Innovation

Yet for many European businesses, fostering innovation is a continuous organizational battle. Nearly three in five (59%) European organizations say that their biggest innovation challenge is the day-to-day time demands on internal teams and resources. The study reveals a gap between what European organizations aim to achieve and what they're able to execute. For example, while nearly four in five (78%) European executives say their organization explicitly includes innovation among its strategic objectives, only 55% somewhat or strongly agree that their organization brings new ideas and solutions to market quickly.

The pandemic spurred, if not forced, many businesses in the region to provide services in innovative ways—deploying existing technologies such as videoconferencing to maintain high levels of customer service and engagement. Many health care providers turned to telehealth, using video to facilitate virtual "face-to-face" physician-patient appointments. Virtual meetings caught on quickly in health care, and as a result, 34% of the world's expected growth in telehealth will come from Europe, according to an August 2022 report by Technavio Research, a global market research firm based in London.

Meanwhile, as a digital native, Starling Bank conducts business online and eschews branches. When it expanded its business lending capabilities during the pandemic, it enjoyed a head start over traditional brick-and-mortar banks that lacked similar online capabilities and that eventually closed many of their branches. "Most of our staff are remote or hybrid workers, and we were entirely online and could interact with customers," says Starling's Newson.



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**Customers “expect us to innovate, but they don’t want us to take risks with their money during that innovation. And that’s where trust and innovation come down,” says Steve Newson, chief technology officer of Starling Bank.**

But Starling Bank hasn’t been able to sit on its advantage. “The major banks were forced to innovate their services, which has raised the bar significantly and drawn attention to us,” he says.

Starling’s success underscores an intuitive point: Consumers and businesses will warm to new solutions in a time of need—with one notable exception. “Consumers are not interested in innovation that feels really gimmicky,” says Barton. “There are problems around inflation, the planet, and sustainability. Consumers are looking for innovation that can solve those problems.”

Newson believes that innovation is essential, but in financial services, what matters even more is keeping customers’ money safe. Customers “expect us to innovate,” he says, “but they don’t want us to take risks with their money during that innovation. And that’s where trust and innovation come down.”

## Conclusion

Rapid adaptations to changing market conditions have enabled European businesses to thrive amid recent market turbulence, but challenges remain. “One of the highest concerns for businesses across Europe is how to maintain profits given the rising costs of raw materials and staff costs,” Barton explains.

European businesses and consumers demonstrated flexibility and resilience from the outset of the pandemic, rapidly embracing helpful innovations such as virtual meetings and contactless online commerce without compromising their widely shared beliefs in the value of data privacy and environmental protections.

Businesses will always face new tests, however, with the latest being ESG and privacy imperatives. “I think there’s an opportunity for business to reframe value and go beyond shareholder return and revenue to now think about the value to the employees and the planet,” Barton says.

**Endnotes**

- 1 KPMG, "Corporate Sustainability Reporting Directive: What the new CSRD means for you," April 29, 2021. <https://home.kpmg/ie/en/home/insights/2021/04/corporate-sustainability-reporting-directive-csrd.html>





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