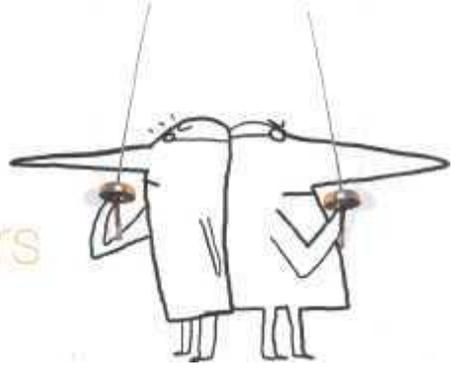


# The trust gap between consumers and corporations



**Sheila M. J. Bonini, Kerrin McKillop,  
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**Consumers are less positive** than executives are about the contributions that large global companies make to the public good, according to a survey of how consumers view the role of business in society.<sup>1</sup> Moreover, consumers and corporate leaders prioritize different socio-political issues, and consumers have no qualms about taking big business to task for what they perceive as failures to meet its social obligations.

We compared the findings of this consumer research with a *McKinsey Quarterly* global survey<sup>2</sup> that probed the opinions of executives on the same topics. The comparison revealed a trust gap between consumers and corporations, as well as a lack of understanding among business leaders about what consumers really expect from companies.

These observations, worrisome for executives, suggest that companies should widen their polling and market research beyond the traditional focus on current and prospective customers and product offerings. What the public thinks about business and its role in tackling social and political issues such as global warming, obesity, and online privacy is important. As consumers, members of the public make their voice heard through purchasing decisions. As voters, they influence the politicians and regulators who set the ground rules of the market. Only through a detailed understanding of public opinion

can companies hedge the risks and seize the opportunities that social and political developments present (see "What consumers expect from companies," in this special report).

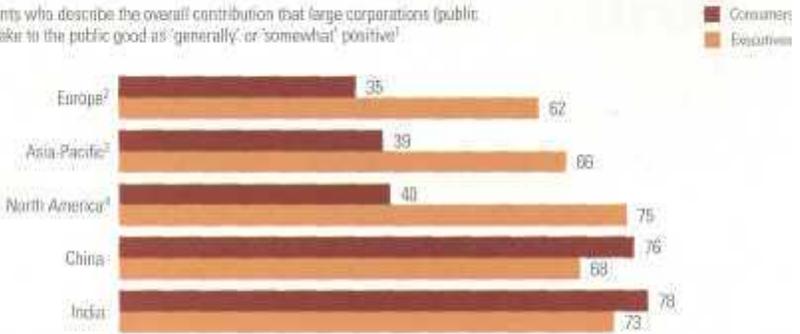
Our twin surveys reveal that 84 percent of executives and 89 percent of consumers believe that corporate obligations to shareholders must be balanced by contributions to the broader public good—for example, providing good jobs, making philanthropic donations, and going beyond legal requirements to minimize pollution and other negative effects of business activities. The consensus for engagement is widespread—ranging from 75 percent in China to 90 percent in India among executives and from 86 percent in India to 91 percent in the United Kingdom among consumers. In addition, six out of ten executives believe that the public expects companies to take just as much responsibility as governments for handling social issues. More than seven out of ten consumers say equally shared responsibility should be the norm.

Many consumers are not impressed by current corporate contributions to the public good. That perception may reflect distrust fueled by numerous and widely publicized examples of corporate misconduct in recent years. While 68 percent of executives say that large corporations make a "generally"

EXHIBIT 1

**The good corporation?**

% of respondents who describe the overall contribution that large corporations (public and private) make to the public good as 'generally' or 'somewhat' positive<sup>1</sup>



<sup>1</sup>Executive data weighted by GDP of constituent countries.

<sup>2</sup>Executive data are for Europe; consumer data are for France, Germany, and United Kingdom only.

<sup>3</sup>Executive data are for Asia-Pacific; consumer data are for Japan only.

<sup>4</sup>Executive data are for North America; consumer data are for United States only.

Source: Dec 2005 McKinsey Quarterly survey of 4,278 global business executives and July 2006 McKinsey survey of 4,065 consumers in China, France, Germany, India, Japan, United Kingdom, United States

or "somewhat" positive contribution to the public good, only 48 percent of consumers agree. The geographical variations are significant. Consumers in China and India report much more positive feelings about the social contributions of corporations than do their peers in Europe, Japan, and the United States (Exhibit 1). Only 26 percent of French consumers, for instance, say that business makes a generally or somewhat positive contribution.

Similarly, European and US consumers, when asked how much they trust certain institutions to act in the best interest of society, place large global corporations at the bottom of the list—beneath non-governmental organizations, small regional companies, the United Nations, labor unions, the media, and government. Just 33 percent of European consumers and 40 percent of US ones say that they trust large global corporations to act in society's best interest all, most, or even some of the time.

We found that executives have only a limited understanding of what issues are on the minds of consumers. Asked

to select the three issues that would be most important to them over the next five years, almost half of the consumers picked environmental issues, followed by pension and other retirement benefits, and health care. By contrast, executives view job losses and offshoring as the issue that will attract the most public and political attention, followed by privacy and data security, and the environment (Exhibit 2).

A similarly wide gap emerged when we compared responses to a question about which single action would be most effective if large companies wanted a better reputation. Twenty-seven percent of the consumers say it would be to improve benefits and conditions for employees, 17 percent to tighten safety and environmental procedures, and 14 percent to limit redundancies and the offshoring of jobs. By contrast, executives believe that the most effective actions would be to tighten corporate-governance procedures (25 percent), to increase philanthropy and social investments (20 percent), and to improve benefits and conditions for employees (15 percent).

This limited understanding of what consumers really think might help explain why many of the executives we surveyed view sociopolitical trends as risks rather than opportunities. What's more, only 14 percent of the executives think that large corporations in their own industries do an adequate or good job of anticipating social pressures, including criticism of corporate activities. Indeed, almost half of the executives from consumer businesses, such as retailing and food and beverage, say that large corporations in their industries have been publicly criticized by interest groups or the media either for failing to meet generally expected social responsibilities or for violating the spirit (though not the letter) of the law.

The price of mismanaging social issues can be high. Consumers everywhere are ready to act in response to corporate behavior they consider to be against the best interest of society. Half of US consumers, for instance, say they have refused to buy products or services for this reason, and four out of ten have recommended the same course to others. Consumers report a particular willingness to change their purchasing decisions for the offerings of the food and beverage, retailing, and financial-services industries. Although six out of ten US consumers say they had done so for food and beverage, US consumers emerge as the group least likely to take action, along with the Japanese (Exhibit 3).

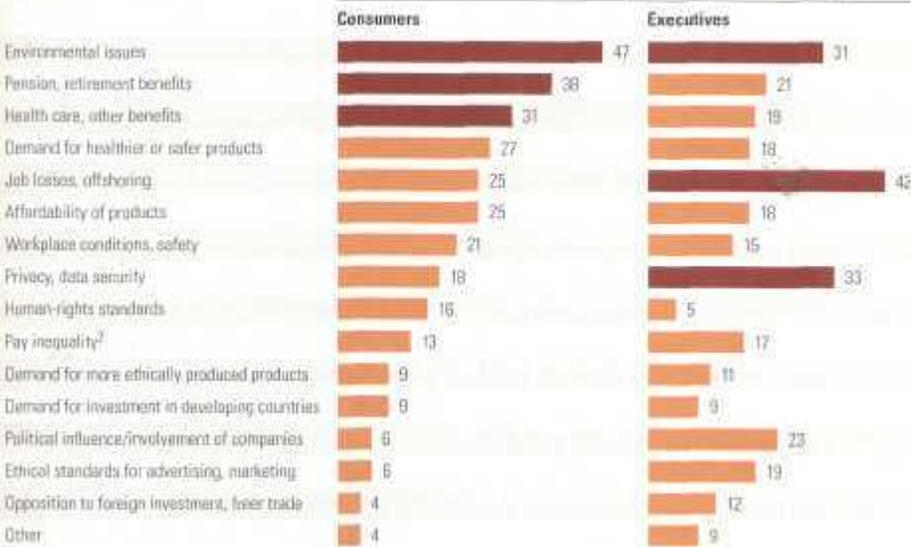
EXHIBIT 3

**A disconnect**

% of respondents selecting given issue as 1 of top 3<sup>1</sup>

■ Top 3 issues overall

*Which issues will be most important in the next 5 years?*



<sup>1</sup>Executive data weighted by GDP of constituent countries; executives were asked to select those issues that will attract most public and political attention over next 5 years; consumers were asked to select those issues that will be most important to them over next 5 years.

<sup>2</sup>Between top management and other employees.

## EXHIBIT 1

## Consumer activism

% of respondents<sup>1</sup>

*Which of the following actions have you ever taken in response to a company's behavior that you considered to be against the best interest of society?*



<sup>1</sup>Excludes respondents who answered "other."

<sup>2</sup>Electric power, financial services, food and beverage, petroleum, pharmaceuticals, retailing.

Source: Dec 2005 McKinsey Quarterly survey of 4,238 global business executives and July 2006 McKinsey survey of 4,063 consumers in China, France, Germany, India, Japan, United Kingdom, United States.

While business leaders overwhelmingly recognize the need to engage with the public on social issues, they appear to be groping for ways to do so successfully. A top priority will be to close the trust gap. This step will in turn force executives to build a deeper understanding of social attitudes by developing ways to track and interpret public opinion and to scan the horizon for new issues. Executives must also devise a road map of initiatives and actions to address key social problems.<sup>3</sup>

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<sup>1</sup> Incite Marketing conducted the survey on behalf of McKinsey in July 2006, receiving responses from 4,063 consumers in China, Europe (France, Germany, and the United Kingdom), India, Japan, and the United States. The survey explored consumer perceptions of the role of business in society, the way large global companies deal with sociopolitical questions, and the issues facing six industries: electric power, financial services, food and beverage, petroleum, pharmaceuticals, and retailing.

<sup>2</sup> The McKinsey Global Survey of Business Executives: Business and Society," *The McKinsey Quarterly*, "Web exclusive, January 2006.

<sup>3</sup> Sheila M. J. Bonini, Lenny T. Mendonca, and Jeremy M. Oppenheim, "When social issues become strategic," *The McKinsey Quarterly*, 2006 Number 2, pp. 20-32.