

The Impact of Relationships on Trustworthiness

With the advent of the COVID-19 pandemic, people around the world experienced numerous disruptions. While a great shift toward digital transactions had already begun, the COVID-19 pandemic certainly accelerated this economic movement. Of course, those organizations that showed they could perform well received more and more business. Those that performed poorly or not at all either closed for good or scaled down to operate at a reduced capacity or with a reduced share of the market.

If an organization cannot deliver promised products or services because of a disruption, its customers can lose trust in that organization. This is not only true in the physical world, but in the digital one as well. Here, relationships are key, as one might expect. If an organization has an established relationship with its customers, those customers may be willing to extend understanding during a disruption, especially if they are facing the same circumstances. Further, excellent relationships with suppliers and third parties can lead to unexpected ways to overcome or reduce those disruptions.

After all, no organization can prevent disruptions or completely overcome them on its own. An organization's relationships, and the quality of those relationships, may be the keys to surviving an unexpected disruption. As a case study, let us examine how a certain global organization known for both its online store and its cloud computing capacity has addressed its business relationships. This particular organization has few brick-and-mortar stores. The majority of the trust it has earned has been built on its digital presence and brand. To understand the impact of relationships on digital trust, this is an ideal organization to study.

Customer Reputation During the COVID-19 Pandemic

The organization is known for fast, reliable shipping, especially for customers who have subscription

memberships. Often, prices through its marketplace are cheaper than retail, even with shipping included. In many cases, with the subscription membership, there is no shipping cost at all. Also, if something does go wrong, getting a refund is a quick, almost painless process. Moreover, a consumer who must return something can take the item to one of its partners or a property belonging to the organization and often receive a refund the same day without having to stand in long lines such as those at most big box stores. Ordering is easy, too, as the organization has put into practice patents it has developed for search, checkout and payment. Between its website and mobile apps, buying an item can be as simple as a quick search and a swipe across the screen.

What is surprising is that despite appearing to be a self-sufficient, well-oiled machine, the organization in question actually relies on a great deal of suppliers, many of whom choose to store their goods in the organization's warehouses and allow the company to ship on their behalf. In addition, the organization chooses to use the main delivery couriers much of the time. In the United States, that includes shipping giants Federal Express, United Parcel Service (UPS), and the US Postal Service (USPS). These third-party couriers could have a failure, just as a supplier might, yet the organization is still growing, even if it is not at a rate that satisfies all its investors.

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In summary, the organization has built a reputation with its customers for reliability, less overall cost, customer service and convenience. It has done so despite challenges to the supply chain and sometimes less-than-warm relationships with its third-party couriers. Because we have to draw a line somewhere, we will not consider the negative media accounts of its business and employment practices and reports of security weaknesses in some of its own developed products, though these issues do have a negative impact on the organization's brand and digital reputation.

Relationships Matter, the Good

It is not surprising that the organization continues to do well as a retailer. For the same reasons that the organization has built a good reputation, there is a good deal of digital trust in its marketplace and its ability to conduct transactions. As a result, traditional big box stores have emulated this online shopping behemoth in order to compete. They also are leveraging their abilities to offer curbside delivery, which an online-only retailer cannot, to try and win customers. What those organizations are trying to do is not about technology, though the technology helps them. They are trying to show that they are not only as trustworthy for online purchases, but also that they can offer services the online retailer cannot.

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The effort these competitors are exerting shows that there is significant focus on satisfying the customer. Satisfying the customer builds digital trust related to an organization's brand. The online retailer has this trust. Customers are generally satisfied with their relationship with this vendor. As the digital world, and, specifically, the digital marketplace, has grown in importance to consumers, strong relationships and trustworthiness tend to lead to more consumers doing business with this online retailer first. To compete, other online retailers and brick-and-mortar stores must build trust with consumers that is greater than the large online retailer to be a customer's first choice.

However, having the customer's trust is not enough. A topic that is often neglected is the organization's relationships with its independent sellers. In general, the shopping platform gives sellers reach that they would otherwise not have. It allows them to increase their business and grow their enterprise without the capital necessary to acquire warehouses and develop advanced relationships with couriers on their own. Yes, they sacrifice some of their profits, much as organizations do when accepting credit cards. However, the cost is worth it due to the increase in business these organizations realize. As a result, these independent retailers have determined that whatever headaches they incur to participate as a vendor under the umbrella of this larger retailer pale in comparison to the revenue they can generate. As one might expect, the retailer does have policies in place for these independent sellers to reduce the risk to the retailer. After all, if a supplier starts failing to deliver orders, it is not the supplier who suffers damage to its reputation, it is the online retailer.

The bottom line is that the online retailer must be able to sell the goods independent sellers want sold and must deliver the goods to customers who have ordered them. Since the transactions happen digitally—the whole purchase experience is digital—any breakdown in this process compromises the organization's digital trust. Consumers and sellers will choose to go elsewhere if they lose trust. After all, a consumer can walk into a brick-and-mortar store or visit some other physical location and actually see the merchandise they want. A seller can open a store or rent a stall or use means which rely on physical interactions such as Craigslist to sell products. People are only willing to be digital consumers or sellers if they find an online retail outlet to be trustworthy.

Relationships Matter, the Bad

That brings us to the last of the obvious major relationships: third-party couriers. Here the relationships have not been nearly as successful as those with customers and suppliers. In fact, there have been periods when relationships with couriers have been stressed and nearly broken. The unexpected disruptions caused by the COVID-19 pandemic and the enormous increase in digital transactions and ordering by consumers meant that couriers were making more stops with smaller deliveries, which impacted their bottom line, as that flows in the opposite direction of efficiency.

However, due to the amount of business the retailer generates, it was able to continue its relationships with the couriers, even if the couriers were not happy about it. That said, the couriers have attempted to protect themselves, even intentionally limiting the amount of business they accept.¹ Therefore, the retailer has invested in its own internal courier service to augment deliveries. With this development, third-party couriers are looking at the online retailer not only as a customer, but also as a major competitor, which does not help the relationship between retailer and courier.

These relationship breakdowns impact an organization's digital trust. If couriers do not deliver, customers do not receive purchased goods. If couriers are late, customers may put part of the blame on the courier, but they are also looking to the retailer to make it right. Even if the online retailer does, each bad transaction can cause lingering doubt about its ability to deliver. Since these transactions are happening digitally, it is the digital trust of the organization that is impacted.

Aside from obvious relationships, there is a major relationship that we do not tend to think about: the retailer's relationships with government, specifically municipal governments in locales where it needs to locate its facilities. This is an area where the retailer is starting to encounter struggles. In some communities, warehouses sit mostly empty and promised jobs are not being filled.² The lack of delivery on these promises hurts the organization's reputation, not only in the local community, but in other communities where it might need to expand. Also, in other retailer-owned facilities, open positions are intentionally left unfilled. Over time, as local government officials see fewer cars in those facilities' parking lots, they are faced with the reality that the retailer is employing fewer and fewer people in their community. People who live and work in the community will notice the same trend and come to the same conclusion. Those community members will develop negative attitudes toward the organization. They will share those opinions online. As multiple communities share their negative views of the retailer, its online reputation will be impacted accordingly.

Digital trust is also impacted when trust erodes with governments. Local governments often provide incentives to get enterprises to locate facilities nearby and employ local workers. This affects the operating



cost of the organization and could have a significant impact on logistics, especially if a needed location either is not approved, or a government body does not make it fiscally feasible to locate a facility in its municipality. Higher prices, longer delivery times, or delivery failures lead to an erosion of trust on the part of customers and sellers alike.

Also, those in communities affected by the lack of promised jobs or loss of jobs formerly offered may develop a distaste for the organization, meaning that they will be less likely to participate as either customers or sellers. And as news of how the retailer's change in operations impacts different communities, others may also decide that they would rather do business with some other organization. The saying, "There is no such thing as bad publicity," does not apply here.

Post-Pandemic Disruptions and Their Impact on Digital Relationships

One of the reasons for the retailer's empty warehouses is that consumers are choosing to buy from brick-and-mortar stores in their communities. Buying online during the COVID-19 pandemic was the least risky option, especially with retailers limiting hours, the number of people allowed in stores, and the like. Many of those restrictions have been rescinded, and most people wanted to get back to their way of living before the COVID-19 pandemic. As a result, there has been a slowdown in online sales, meaning there is not a need for pandemic-level warehouse space.³ Unused space means unnecessary overhead, which, in turn, results in higher operating costs. To offset these higher costs, most organizations shift those costs to the consumer, meaning higher



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prices, or the seller, meaning less of a return on investment (ROI) for their efforts to sell through the retailer. Consumers will notice those increased costs. There are a number of resources available to compare costs from different vendors and review prices over time, and consumers who know and use those resources disseminate that information through blogs and other social media streams. Less tech savvy consumers get that information, and opinions, through those influencers. Those opinions, at best, may be sympathetic, but most will be negative. Therefore, in both cases, the trustworthiness of the organization goes down, and with digital transactions, that means that digital trust can be diminished.

Inflation always hurts the retail sector because it increases the cost of needed goods and that reduces the amount of discretionary spending. Less discretionary spending ultimately means lower earnings for retailers. With the higher inflation rates of 2022, most retailers are selling less. If an organization is selling less, its need for space and workers goes down. As discussed, this will result in increased negative opinions and viewpoints in the community, leading to relationships with government and the communities they represent becoming strained.

Also worth considering is the ongoing war in Ukraine. The retailer's European branches have definitely felt the impact of both high inflation and the war. This is contributing to the slowdown in the organization's growth. A slowdown in growth can result in lower employment, less revenue to the community, and the negative viewpoints and opinions that will leave that community and make their way online. One could argue that this represents another business-to-government relationship, but in an unexpected way. We can definitely say that the government-to-government relationship between Russia and Ukraine has had a negative impact on Russian and Ukrainian retailers' bottom lines.

Relationships, Relationships, Relationships

It seems an obvious conclusion that relationships matter in a digital world. However, by examining case studies, we can learn exactly how they impact an organization's digital trust. In the case of the online retailer, we examined just a few of its relationships: customers, suppliers, third parties (couriers) and governments. Focusing on these four types of

relationships, we can see how an emphasis on good relationships with customers and suppliers has contributed significantly to the organization's growth. We also see how global events have had a negative impact on the retailer's relationships with third parties, specifically the couriers that deliver its goods, and local governments, especially in municipalities where expected additional jobs (and tax revenues) have not materialized.

Some issues are outside of the retailer's control. The war between Russia and Ukraine is one example and inflation is another. However, those issues are also negatively impacting the relationship between business and government—it is not just the slow down in online ordering due to less restrictive COVID-19 pandemic mitigation strategies. These events serve as a reminder to focus on what an organization can control, especially in its relationships. Like the physical world, relationships play significant roles in an organization's trustworthiness in the digital world. Good relationships with customers mean they will order again. Being trusted by independent sellers leads to a more diverse product line and provides some protection against disruption of any one or a group of sellers. Third-party and government relationships are necessary to ensure that an organization can deliver on its goods and services at reasonable operating costs. Consequently, any organization would be well-served to understand the natures of its relationships and how they can be improved.

Endnotes

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