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The benefits and implementation of performance transparency: The why and how of letting your customers 'see through' your business

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Abstract While some organizations swear by the benefits of transparency and are eager to learn and implement transparency practices, many managers are still reluctant or even afraid to use them. Our research reveals that only a few innovative companies have taken steps to leverage a potentially useful form of transparency: the provision of accessible and objective information to customers (e.g., sharing unbiased benchmark data, publishing unfiltered customer comments, or providing candid product reviews that may praise but also criticize the company's products). Our study also shows that many companies remain wary and view greater calls for transparency as a challenge to be managed rather than an opportunity to be traded upon. This is partly due to limited research into the performance benefits of giving customers access to objective information, and lack of practical guidelines on how to actually implement it. This article addresses these shortcomings. First, we investigate whether performance transparency leads to customer outcomes that can be profitable for an organization and, second, we analyze the characteristics of successful transparency initiatives in a wide range of industries. Our research shows that customers exhibit more trust and are willing to pay a premium to deal with transparent businesses. Also, it uncovers seven effective strategies to leverage transparency. This article provides convincing empirical evidence for the benefits of performance transparency and the ways in which management may implement it successfully.

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1. Transparency on the rise

In recent years, transparency has risen to the top of the agenda of many organizations that are attracted to its potential performance benefits. An increasing number of companies have started to make many aspects of their business—from decision making to operations to employee relations to communications with key stakeholders—more openly observable, with a view to leverage transparency in order to achieve competitive advantage. In this article, we focus on a form of transparency that has gained much traction recently, primarily because of the opportunities bestowed via digital channels: the making of objective and candid product-related information available to customers (Bennis, Goleman, & Biederman, 2008).

This form of transparency, which we term *performance transparency*, aims to provide customers with a clear and objective view of what they may expect from a company (Liu, Eisingerich, Auh, Merlo, & Chun, 2015). Examples include encouraging customers to publish comments and reviews on the company website, comparing the company's products and services to those of the competition in an objective and unbiased fashion, and publishing genuine benchmark data even when it is not completely favorable.

In 2008, Intuit Inc.—the leading provider of business and financial management solutions—added a small feature to QuickBooks, its flagship small business financial management solution. The new feature allowed business owners to access ratings and reviews of QuickBooks experts who offer software-related assistance and accounting services. Both Intuit and its experts encouraged clients to write reviews on its website. The transparency initiative was very successful: Within 6 months, visitors clicked on rated experts 555% more often than unrated ones.

Many businesses are still wary of transparency initiatives. Some businesses embrace the idea only half-heartedly; for example, they may only release exclusively positive customer testimonies and omit negative experiences. Others go as far as to take legal action against posters of negative reviews. Eight out of 10 managers sampled in our study have not considered ways of proactively employing transparency to enhance their firm's competitiveness. Six out of 10 even view calls for transparency as a problem to be managed rather than an opportunity to be traded upon. Many executives bemoan the fact that the benefits of transparency are still unclear, while the reputational risk can be high.

Research in this area remains rather scant and inconclusive, and much of the evidence is anecdotal at best. Important questions clearly remain about the business benefits of this type of transparency and ways of implementing it. The objectives of this study are to address some of these important and timely questions. First, we investigate whether performance transparency has customer outcomes that can be monetized by organizations. We are particularly interested in exploring whether customers are willing to pay a premium to deal with transparent businesses. Second, we study a wide range of transparency strategies to identify patterns within successful initiatives and derive several prescriptive guidelines for management. To this end, we discuss several different ways in which transparency may be executed effectively by organizations.

2. The core elements of transparency

Transparency can take many different forms and has been studied from a variety of angles. From an organizational perspective, transparency has been discussed in terms of the degree of visibility and accessibility of information provided by a business (Wilkin, 2009). From the customer's perspective, transparency has been defined as an individual's subjective perception of receiving relevant information held by the other party in an interaction (Eggert & Helm, 2003). A review of the extant literature indicates that central characteristics of transparency are a willingness to let customers see through a firm's offerings, the intentional sharing of information that is usually not shared, and the provision of information pertaining to a company's products and services that is accessible and objective. These last two elements of transparency are particularly important.

First, information accessibility means that information must not only be made available, but also be easily understood by the target audience (Mittal, 1999). When information is too much or too complex, transparency may backfire as customers face even higher levels of uncertainty—which may result in negative reactions or alienation (Ziamou & Ratneshwar, 2002). Transparency works when it is based on the provision of comprehensive information about a company's offerings that is accessible and easily understood by customers. This point underscores the importance of activities such as effective website design, analysis of customer data, testing of customers' understanding of technical language, and so forth. For example, the Western & Southern Financial Group uses the term financial translator rather than the typical financial advisor to emphasize the accessibility of its information even when customers lack an advanced financial vocabulary.

Second, the information that is shared also needs to be objective. It cannot selectively exaggerate positive attributes and discount negatives ones (Bennis et al., 2008). Hence, a strong transparency strategy should embody truth, honesty, frankness, and candor. Nevertheless, customers do expect firms to focus on, and even exaggerate somewhat, the positive aspects of their offerings. So how can firms counter such expectations?

One approach is to allow customers to access other customers' feedback and comments, which reduces perceptions of one-sided information. But even this approach may not be fully effective, as customers may suspect that positive reviews are manufactured. Hence, to further reduce the uncertainty they face, customers increasingly seek information from trusted third parties as it is perceived to be more unbiased and objective (Zhu & Zhang, 2010). A growing number of online media facilitate the exchange of information and enable customers to share their reviews on purchase websites, blogs, social networking sites, and online communities. In light of this, providing customers with access to third-party information can be a critical component of a transparency strategy.

3. The business case for transparency

Transparency about a company's offerings can matter a great deal to customers for at least two reasons. First, customers usually face some degree of uncertainty when assessing the quality of a product or service prior to purchase (Crosby, Evans, & Cowles, 1990). Thus, they value the ability to 'see through' firms and their offerings, to help them make quicker and better decisions, and to minimize any uncertainty related to the company's reliability (Stewart, 2009). Therefore, businesses are incentivized to act transparently because customers appreciate it—and even demand it. Second, transparency matters because firms find it increasingly difficult to conceal negative information or prevent it from spreading (Porath, MacInnis, & Folkes, 2011). Due to the proliferation of social media, online filters and aggregators (e.g., Angie's List, Zagat, Yelp, Trip Advisor, Judy's Book, Trust Pilot, ConsumerAffairs, Glassdoor, Gogobot), a customer's negative experience with a business can be widely disseminated and quickly shared. Companies that have already embraced transparency are better prepared to retain control of their brand message in such an event.

Customers may see a firm's efforts to be transparent as a strong signal of the firm's goodwill, and such efforts may be rewarded with greater customer trust in the firm (Eisingerich & Bell, 2008). Also, extant studies of firms' information sharing or disclosing activities, such as nutritional information in food products, research and development efforts, and profiles of management staff (e.g., Howlett, Burton, Bates, & Huggins, 2009; Li, Miniard, & Barone, 2000), suggest that when information about a product or service-related attribute is missing, customers often tend to infer a lower value for that attribute, thus evaluating the business less favorably than if it had provided the focal information (DeKinder & Kohli, 2008). Therefore, when a firm actively shares accessible and objective information about its offerings, not only does it signal to the customers that it has nothing to hide (Hennig-Thurau et al., 2010) but it also creates an assumption that both parties' objectives are aligned, which can simplify a customer's decision-making process (Auh, Bell, McLeod, & Shih, 2007).

Consequently, because customers value the benefits that transparency affords them, they may have a higher intention to purchase and a higher propensity to pay when dealing with a company that they perceive to be transparent. However, this contention requires empirical support.

4. An empirical test of the outcomes of transparency

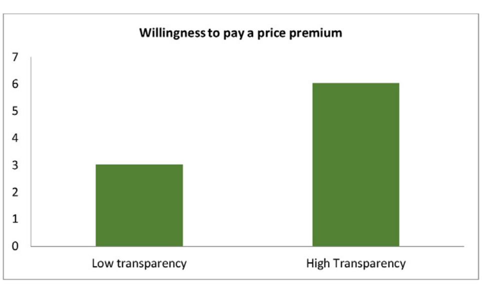
The first objective of our empirical analysis was to test what companies need to do in order to be viewed as transparent by their customers. Oftentimes, businesses believe that their customers see them as transparent when they offer a lot of information to consumers (e.g., research and development spending, profit and loss information). But, in many cases, customers actually do not value that information or fail to see it as relevant to the firm's reputation as a transparent organization. The second objective of our empirical analysis was to explore whether and how transparency impacts customer responses by studying the effect of transparency on their willingness to continue doing business with a company and willingness to pay a premium price. We discuss our methodology and analysis next.

We wanted to understand better why transparency results in greater performance. More specifically, our objective was to examine if transparency's effect on performance is channeled through greater customer trust. To capture performance benefits, we focused on customers' willingness to pay more for a brand that they perceived to be transparent.

We used two different samples to test the proposition that transparency leads to a heightened willingness to pay because of a higher level of perceived trust in the brand. With our first sample, we asked 219 respondents to assess four brands in terms of their perceived transparency, trust, and willingness to pay more. The four brands were Delta Airlines (n = 54), U.S. Postal Service (n = 56), Starbucks (n = 54), and Exxon Mobile (n = 55). We then carried out tests to examine whether trust mediated the relationship between transparency and willingness to pay more. Results confirm that transparency's impact on customers' willingness to pay more is due to customers' elevated trust in the brand.

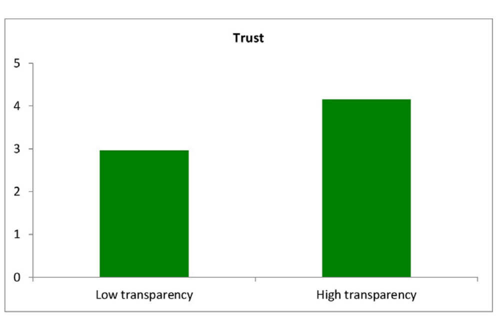
Our findings were corroborated with a second sample that included 327 participants who provided responses pertaining to seven brands: four automotive brands (n = 163) and four soft drink brands (n = 164). The four automotive brands were two U.S. brands (Ford and GMC) and two Japanese brands (Suzuki and Toyota), while the four international soft drink brands were Lipton, 7 Up, Gatorade, and Pepsi-Cola. Similar to the results found with our first sample, transparency was associated with a propensity to pay more, which was primarily due to an enhanced perception of trust. Our findings are depicted in Figures 1 and 2.

Figure 1. Transparency and willingness to pay



"I am willing to pay a price premium to buy from [company name]." (1) = strongly disagree, (7) = strongly agree.

Figure 2. Transparency and trust



"[Company name] is very trustworthy." (1) = strongly disagree, (7) = strongly agree.

In summary, our results based on 546 responses across 11 brands answer two questions: Does transparency work, and if so, why? We find strong empirical evidence that performance transparency has significant business benefits. It increases the level of trust that customers place in a brand and therefore makes them more likely to pay a price premium for that brand.

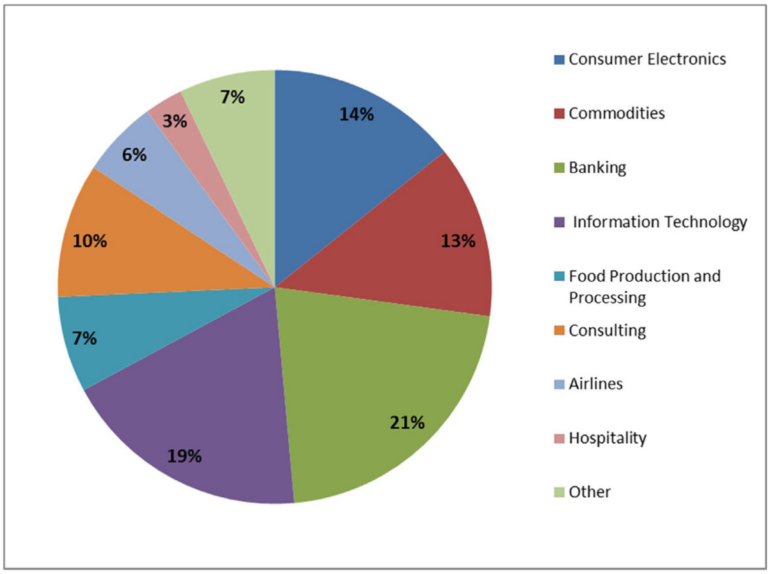
5. Seven strategies to leverage transparency

Our consumer-based empirical study confirms that customers will pay more when dealing with a transparent firm and, therefore, that businesses have much to gain from being transparent. In a second stage of our research, we discussed these findings in interviews and facilitated discussions with senior executives and managers. We carried out formal interviews with 70 managers deemed experts in their respective industries and fields (see Figure 3 and Table 1 for summary statistics of the interview participants and their industries), and hosted round-table discussions that involved over 300 managers attending executive education workshops run by the authors. Participants came from a wide range of industries (e.g., technology, energy, consumer goods, professional services, airlines, fashion) from across the globe, including:

- North America, including Canada and the U.S.;
- Europe, including the U.K., Germany, Switzerland, Italy, Austria, Finland, Sweden, Hungary, Poland, and Spain;
- Asia, including China, India, Japan, South Korea, Australia, New Zealand;
- Africa, including South Africa, Kenya, Qatar, and the UAE; and
- South America, including Argentina, Colombia, and Brazil.

The data were collected over a period of 3 years. Whenever possible, the data were recorded and transcribed. When recording was not possible, detailed notes were taken right after the interview. The purpose of this qualitative research process was to have in-depth discussions with senior executives about the stage 1 findings in order to uncover key issues and examples of successful transparency initiatives, consider best practices and innovative ideas in the implementation of transparency, and

Figure 3. Summary statistics of interview participants' industry backgrounds*



* (n = 70)

identify key themes on which to build meaningful strategic and tactical implications and recommendations. The coding and interpretation of themes was conducted by the team of authors and independent raters and based on discussion and the agreement on a key set of themes that emerged from the interviews.

Through our interviews and discussions with managers, we were able to identify five primary information flows that emerged as particularly important in the implementation of transparency. Nearly all the transparency initiatives discussed in our interviews and conversations with participants were based on one of these information flows, or a combination of these. The information flows are depicted in Figure 4.

The first information flow pertains to communication initiated by an organization that is directed at current or potential customers (e.g., information published on a company website, public relations, or direct marketing). The second entails communication initiated by a customer that is directed at an organization (e.g., a customer review left on the company website, unsolicited customer feedback, customer suggestions). The third pertains to information that is shared between customers (e.g., word-of-mouth communication, customer-to-customer opinion sharing). The fourth is communication initiated by an organization directed at a given customer through other customers (e.g., encouraging information sharing, soliciting and rewarding word of mouth, customer referrals). The fifth is information disseminated through third parties (e.g., aggregation of customer reviews, customer reviews posted on social networks, on review sites or marketplaces).

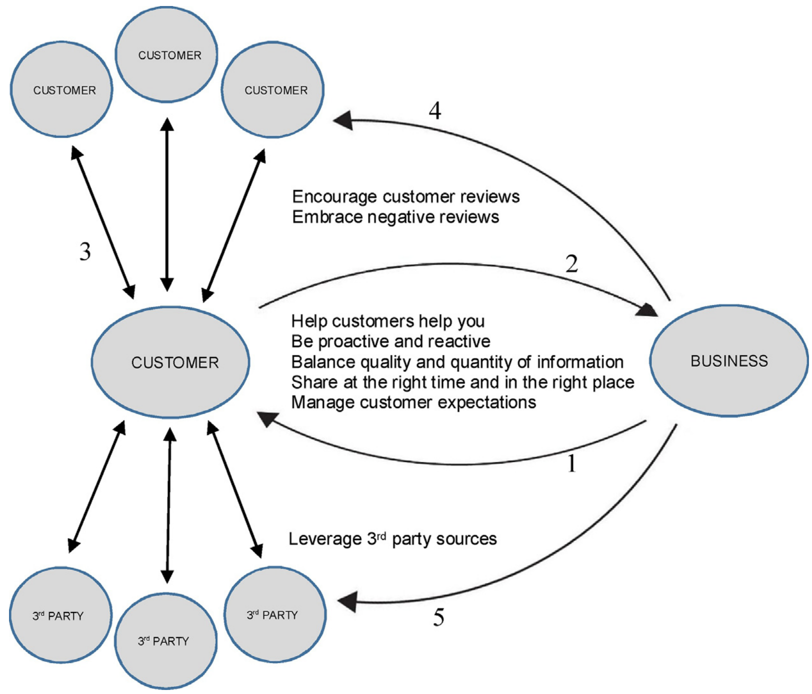
While we acknowledge that there may be other information flows affecting customers and organizations, these emerged by and large as most important in the implementation of transparency and, importantly, they are also mostly within the control of management. Of course, these information flows

Table 1. Summary statistics of interview participants*

Gender	%	Age group	%	Geographical Region	%
Female	35.7	20–30 years	12.8	North America	31.4
Male	64.3	31–45 years	28.6	Europe	27.1
		46–65 years	42.9	South America	12.9
		66–75 years	15.7	Africa	10.0
				Asia	18.6
	100.0		**100.0**		**100.0**

* (n = 70)

Figure 4. Transparency and information flows



also do not operate in complete isolation and frequently tend to overlap. For example, a customer review solicited by a business and published on a review website involves connections between the organization, the focal customer, other customers who may read the review, and a third-party review site.

We subjected our rich qualitative data to a thematic analysis in order to identify the different ways in which organizations use the information flows discussed previously to implement transparency initiatives. Based on established guidelines for thematic analysis, several themes emerged from patterned responses within our data set through an inductive, semantic approach (the thematic analysis was data-driven and the themes were identified by focusing on the dominant meanings articulated by participants) (Braun & Clarke, 2006). This process led to the identification of seven dominant themes, which are particularly important in implementing transparency initiatives. We now turn to a detailed discussion of these seven guidelines and provide practical examples for each.

5.1. Balance the quality and quantity of information

Managing the direct information flow from an organization to its customers is arguably the most basic way of implementing transparency and the one most within the control of management. But how should such information be disseminated? The first key theme emerging from our research is that in implementing transparency, businesses should carefully balance the quality and quantity of the information provided. All too often, for example, company websites contain a lot of information designed to get customers' attention. Yet, this can backfire when customers experience fatigue or cannot immediately see the relevance of the information. Too much information can also signal that the company is not clear about what really matters the most to its customers, and hence betray a lack of customer intimacy and focus.

Managing for quality involves providing information that is relevant and useful, but also easily comprehensible. Managing for quantity entails focusing only on that information that can actively help reduce uncertainty and increase trust. For example, a senior executive at one of the world's largest low-cost airlines told us that in the early days, the airline could have focused on a myriad of information to communicate to customers exactly how it was able to offer unusually low fares without compromising on safety and other key elements of its service offering. Many aspects of its business plan could have been made transparent; yet, the manager stated:

> We opted for parsimony of information by focusing our initial marketing campaigns on eliminating travel agents from the supply chain. The cost savings arising from disintermediation were something that all customers could relate

> to and were effective in getting the message across in an efficient and effective way.

Or, as the head of a large international insurance company put it:

> A lot of words can be used to say very little. We did not do as good a job with sharing critical information with our customers as we could have. In a way, a lot of information we shared on our website was random and not as clearly linked to the pain that customers wanted to have resolved. We had to fix this.

Another key point when channeling such a message is to assess whether the information is significant to the entire customer base, or if it is relevant only to a specific customer segment. In the latter case, the company could carry out market research to identify channels (e.g., a specific social media channel, a carefully placed webpage in a checkout process, or topic-related online forums), through which they can engage the desired customer type. An airline in our study had a specific review section just for business travelers. Similarly, a multinational transport company in our study disseminates local-dependent content only on country-specific channels.

Brands can and should offer information that helps consumers form strong and positive associations with them and we found that this is best done if the tone and the language used is as simple as possible. The old saying 'a picture is worth a thousand words' could not be more relevant in this case. We observed that many successful transparency initiatives rely more on visually enticing images than endless paragraphs of text, and the associated websites tend to be very visually appealing. For example, Lush Fresh Handmade Cosmetics uses their website to communicate and share critical information with consumers and do so in a way that makes consumers also understand what the brand is all about in terms of colors, comfort, and even social responsibility. As the chief marketing officer of a global gaming company shared with us: "Humans explore and make sense of the world through their senses. It makes perfect sense to make use of enticing visuals to capture customers' imaginations and communicate important information in such a way."

5.2. Ensure that information is part of the purchasing process at the right time and in the right place

Connecting with customers has never been easier as it is today. Yet our research shows that as the complexity of company websites increases due to search engine optimization (SEO), content marketing requirements (e.g., Google searches reward websites with focused, specific, and unique content and key words), and other tactics designed to drive traffic, there is a growing risk that customers are unable to find critical information quickly enough. This shortcoming may represent a missed opportunity for a company, even in cases where the information is actually made available. For example, the CEO of a technology company told us: "The exact placement of the information and the timing when it is presented to customers are as important as the quality of the information itself."

Our research reveals that companies can deal with this challenge by employing careful service experience and user experience design tactics. For example, some innovative online service providers leverage transparency during the customer's purchasing process by persistently reaffirming that the customer has made (or is about to make) the best decision compared to the competing alternatives. SugarSync, an online backup and file-sharing platform, makes extensive use of competition comparison charts during the product selection process. These charts (with headings such as 'See how we stack up against the competition'), essentially provide customers with an effective benchmark tool that minimizes the uncertainty faced in their purchase decision-making process. In another example, the top section of the homepage of TransferWise.com (a fast-growing, online money-transfer service provider) prominently displays a calculation tool that estimates with accuracy the savings that customers can expect should they consider using TransferWise's services versus those of traditional banks. It is the placement and timing of that information that makes it particularly valuable. Data available from social media habits of customers can inform a business' attempt to reach out to customers. The head of a global consumer electronics company that has embraced transparency successfully stated: "Today it is all about the timing of reaching out to customers. When is the best time to get hold of a customer and share with them critical information? Timing is as important as the actual content."

5.3. Help your customers help you

While managing the information flow directed at customers can be an important part of any transparency strategy, a third and critical theme emerging from our study is that to deploy a truly successful transparency initiative, a company cannot do it alone. Customers constitute crucial resources in achieving the benefits of performance transparency. Customer reviews, ratings, and open feedback can be very useful as a signal to customers that the information the company provides is accessible and objective. Thus, to leverage the power of a firm's customer base, it makes sense to treat customers fairly, to ensure they reciprocate by also being fair in their assessments.

Encouraging customer complaints and finding out what drives customer defection can be a powerful tactic. Knowing what customers value most, what areas are in need of improvement, and how the company performs vis-à-vis competing offerings can be useful to identify the kind of information that should be shared. Also, to improve the objectivity of information, a wide range of customer feedback should be collected. This might mean eliciting information from customers even when they would normally not volunteer that information. Because only a small minority of dissatisfied customers complain to a firm before they defect (Chebat, Davidow, & Codjovi, 2005), there is a significant amount of information that is lost that could contribute to a firm's transparency efforts. For example, being transparent can involve comparing the pros and cons of the company's offerings versus those of competitors. Yet, while companies often like to ask customers questions about how they came to find the company (as this can foster new customer acquisition efforts), they often neglect to collect data from leaving customers. We found that the businesses that do are better positioned to leverage transparency and help customers reduce uncertainty in the decision-making process. The senior manager of a company in the paper and pulp industry noted:

> If we were more proactive in querying customers as to why they have defected to a competitor, we would find out in what way that competitor is better than us, but also be able to use that information to bolster our transparency efforts and fine-tune how we communicate our value proposition.

Campaigns such as LidlSurprises and McDonald's (Our Food, Your Questions) are powerful because they are not only about giving customers a voice. They are also about gathering intelligence for management about what bothers customers, what they want to see improved, and what they go out of their way to applaud online. Adidas offers another interesting example. The firm enabled users to share their running experience with the new Adidas Boost running shoe lines with other potential customers. This gave customers a voice but also helped Adidas work on issues raised by runners for its next line of Boost running shoes. In a similar vein, the chief marketing officer of a highly successful supermarket chain put it like this:

> Looking at what people share with each other is not only of value to customers but also of value to us as a business. People always trust other people more than they trust what any business will tell them. What surprises me is just how reluctant many businesses still remain in reaching out to customers and allow them to share comments about a business more freely. To us this is great business intelligence exercise. The information we obtain is of great value to us and how we can improve our product offerings.

5.4. Manage transparency as both a proactive and a reactive process

A further dominant theme emerging from our research is that companies that excel at transparency tend to adopt both a proactive and a reactive stance toward it. They will volunteer and elicit information that they deem important and relevant to customers, but they will also monitor all reviews, whether on their own platform or third-party sites for any escalations or anomalies and react as required.

We found that being reactive entails two key processes of monitoring and responding. Companies that have the necessary resources and appreciate the importance of reacting as quickly as possible to information being shared by customers make the monitoring of company-related information a full-time job (as underscored for example by the growth in recent years of job titles such as online reputation manager). But as the senior executive of a leading European manufacturer of meat foods and products notes: "Constant monitoring is not sufficient. Being responsive is equally important, and it entails having the ability to deal with critical situations as they arise."

In 2013, electric car manufacturer Tesla was the subject of a damaging review in *The New York Times*, where numerous claims about the poor performance of Tesla's flagship car were made. Tesla's CEO Elon Musk responded immediately to the review in a blog post published on the company website, where he also released actual logged vehicle data from the very trip mentioned in the review. By quickly publishing a wide range of relevant data in raw form for everyone to analyze and by utilizing its high-trafficked website, Tesla managed not only to challenge the negative review in an effective fashion, but also had a positive impact on the way other media reported the story. Or, as the head of a leading global supplier in the automotive industry shared:

> There will always be negative comments about someone in one way or another. The important thing is to be aware of the situation in the first place and then react fast. We would rather be part of the conversation than left out completely.

5.5. Embrace transparency even if it means negative reviews

A fifth and dominant theme emerging from our data is that firms are often wary of transparency, typically in fear that the emperor may be seen as having no clothes. The following comment made by the partner at a management consulting firm exemplifies this widespread concern:

> At the end of a project we could ask clients to post anonymous feedback on our website and give us star ratings on similar dimensions to those we already use as part of our internal feedback process. I can see how that could be very useful. But I'd be terrified of that. I don't think I could risk it.

Yet our findings suggest that businesses that shy away from transparency because they fear customers may perceive them to be less capable have much to gain from being transparent. Transparency may be leveraged by firms lacking a strong reputation to strengthen customer purchase intention and even increase willingness to pay a premium. In a competitive landscape where firms struggle to compete on price, transparency can thus act as a critical tool for differentiation that is valued by customers even when customers perceive a firm's ability to be relatively low.

Negative customer feedback can have a number of benefits as well (Barlow & Møller, 1996). First, it can build customer confidence. When negative information is missing, customers tend to make their own assumptions about what negative aspects of the product or service may exist that they may not be aware of (DeKinder & Kohli, 2008) In contrast, negative feedback can make customers feel more informed, less concerned about the potential risks that they should be aware of, and more likely to develop trust (Urban, Sultan, & Qualls, 2000). For example, the senior executive of a large online retail store told us that his customers are more likely to click on a product with more reviews but a lower average score than those with fewer reviews but a higher score (many other study participants noticed the same behavior). He observed: "Customers expect some critical reviews because everyone's experience with a product or service can be different. If they don't see the bad stuff, they get suspicious."

Second, negative feedback represents a valuable opportunity to establish trust. Research has shown that customers who experience a problem are more likely to develop trust, and hence become loyal, than someone who has always been satisfied—if the complaint is resolved to their satisfaction (Tax & Brown, 1998). Moreover, a company that deals with a negative comment effectively in a public forum can build trust not only from the complaining party, but also with any other potential or existing customer who witnesses the company's successful handling of the situation. Third, the provision of both positive and negative reviews sends a signal that the company cares more about its customers than about its products or services. Negative reviews can be an important vehicle to communicate customer centrism. As the CEO of a fast-growing online services company told us: "Sharing the good and the bad makes us more like our customers. They are not selective in the information they share. So why should we?"

We should also remember that there are plenty of channels available to customers to express dissatisfaction with a company, so if there is negative information to be disseminated, it will happen one way or another. It makes sense for companies to centralize this information in a place where it can be monitored and dealt with effectively and where management can harness the opportunities arising from handling customer dissatisfaction successfully.

5.6. View transparency as more than just customer-generated reviews

While sharing customer reviews openly is clearly an easy and effective way to be transparent, it is not the only way in which companies can act transparently. For example, our research reveals that besides providing access to customer opinions, three other strategies are particularly effective in implementing transparency. First, some transparent firms share information that communicates to customers what is important about the business and its offerings relative to the competition. Second, some organizations choose to be candid about the potential risks and costs of dealing with the firm. Third, some firms focus on communicating the difficulties involved in meeting customer needs in order to set an appropriate level of expectations.

The first strategy requires an ongoing and regular comparison of a firm's offerings and their quality relative to competitors. This helps consumers better understand their relative value. Value is hardly ever assessed in absolute terms. Instead, customers have questions about whether they are making the right decision given various options at hand. By clearly outlining the pros and cons of a product or service, the firm creates value for customers by helping them make a decision. The firm can become part of the conversation right when the customer is still considering which product or service to opt for. For example, at Zappos, customer loyalty team members act as problem solvers and even help customers search competitor websites for products that Zappos does not carry. The U.K. utilities company EDF Energy regularly scans the market and proactively informs its customers by email about any competitors that offer better prices than theirs, and how much exactly they would save. Clearly, in benchmarking one's services or prices against the competition, revisions and updates of the information provided are important. A number of websites that we analyzed in our study contained comparisons that were outdated. When this happens, transparency can backfire as the provision of incorrect and potentially misleading information can alienate, frustrate, or even irritate customers.

A second approach involves disclosing the potential risks that customer faces when working with the company. In evaluating value, evidence suggests that customers tend to overestimate the costs involved in the purchase relative to the benefits that they may acquire (Gourville & Moon, 2004). Yet, our research reveals that in their sales efforts, many organizations tend to be overly concerned with communicating the potential benefits and downplay or completely ignore the costs faced by customers. A transparent organization is open about the potential costs involved in dealing with the company, such as switching costs, time, effort, and learning. For example, as part of their sales narrative, the agile web and mobile software developer Pivotal Labs actively communicates to their potential clients the potential risks that they face when engaging with the company, such as dependency on the development team, unpredictable costs and timing of software building, level of required customer engagement, and challenges with transferring the code to the customers' internal team. By proactively communicating these collaterals of software outsourcing, the company reduces customer uncertainty and increases the likelihood that customers will cooperate with the company toward solving problems that may arise. This can even decrease the cost of serving customers in the long run and may increase customer lifetime value.

A third alternative approach identified in our study is the clear communication of the limitations and challenges faced by the company in delivering its offerings in order to set realistic customer expectations. In 1999, the U.K. TV show *Airline* started following passengers, ground workers, and staff members of the low-cost carrier EasyJet. A similar TV show was launched 5 years later in the U.S., centered on Southwest airlines. While many TV watchers were puzzled as to why an airline would contribute to a TV show that regularly portrayed the brand in an unflattering light, involving disgruntled customers and service failure incidents, these transparency efforts can actually have a number of benefits. In one of our interviews, a former airline marketing executive was enthusiastic about these transparency efforts for several reasons. First, they help the public understand how complex airline operations are, with many factors (e.g., weather, airport congestions) outside airline control. Second, by adding personality to the mix, this transparency activity humanizes what many consumers see as an anonymous experience. Third, the initiative can provide a context where appropriate expectations are set for both the customers and the company.

IKEA is another company known for being transparent by managing the expectations pertaining to the durability of its furniture through its "commitment-free approach to furniture buying." Acknowledging that IKEA products need to be assembled and therefore can withhold the test of time for only so long, IKEA is upfront in how customers should view furniture as something to be replaced every few years (which incidentally, is also not bad for sales).

5.7. Utilize neutral third-party websites

Our seventh guideline is based on the widespread view among our study participants that third-party websites will continue to grow in importance in the future and should constitute a valuable part of a transparency strategy. Most businesses are aware that their own company website is not the only place where customers are going to talk about their products and services. Third-party sites can facilitate the interaction between companies and their customers due to the trust that they build with these parties, and hence create a reduction in customer uncertainty.

Our research identified three types of third-party sites that can be particularly useful as part of a transparency strategy. The first, which we term horizontal third-party review sites, are sites with the sole purpose of aggregating customer reviews for any company in any industry (e.g., Judy's Book, Trust Pilot, Angie's List, Google Places). The second type, which we term vertical third-party review sites, are industry-specific online marketplaces that aggregate offerings from different businesses, provide objective customer reviews, and then allow customers to make a purchase from these businesses (e.g., booking.com and TripAdvisor in travel, zocdoc.com in medical services, toothpick.com for dental, and yelp.com for restaurants and local businesses). Third, social media platforms (e.g., Facebook, Twitter, LinkedIn, Quora, Instagram) allow the creation and exchange of user-generated content and have become an effective channel for customers to share reviews and interact with companies.

In our study, two key strategies emerged as particularly effective when using third-party sites to achieve transparency. First, even if a business does not allow customers to leave reviews directly on the company's own website, it can consider linking or aggregating reviews available on third-party review sites or social media on their own website. Second, some organizations take steps to ensure that the same information published on the company website is also made available on third-party sites. For example, the U.K. company Feefo.com enables businesses to gather customer reviews on the company's own website, automatically redistributes those reviews to Feefo's own aggregation site, submits them to Google to be displayed as google ratings, and then shares the reviews on social media platforms. On its client testimonials page, Feefo's business customers praise the benefits of these services, which include increased time spent by their customers on their website when referred by the third-party site, collection of information essential to improve site usability, and higher click-through and conversion rates for new visitors.

6. Summary

Transparency can be a powerful weapon in a company's strategic arsenal. Forward-thinking managers in a wide range of industries are already harnessing the benefits of providing accessible and objective information to their current and potential customers. These efforts have until now been based mostly on anecdotal or factual evidence about the benefits of transparency. Our study provides empirical evidence that this type of transparency has clear and tangible business benefits, as it can reduce customers' price sensitivity through the trust that it engenders in customers. We discussed the findings and implications emanating from our research, and offered several thought-provoking examples of transparency initiatives. We also provided a set of practical guidelines and recommendations designed to inspire managers to consider—if they have not done so yet—ways in which transparency may be executed within their organization, as well as ways in which its effectiveness may be maximized.

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