# Promoting Customer Empowerment independent of Financial Service Providers: An Action-Research Project

# Note, this is a first draft of ideas to be shaped by the Working Group

## Shifting the relationship between customers and providers

The Universal Standards for Social Performance Management (USSPM) are at their core a customer-centric vision for financial services, providing practical guidance for how financial service providers (FSPs) can better understand and respond to the wants and needs of all customer segments, and to protect their customers from harm and deliver on their social goals.

CGAP’s work on ***customer empowerment***highlights that customers that make informed choices, are treated with respect and dignity, have voice and dialogue with their provider, and are able to use and shape the financial services to be more in control of their financial lives, are more likely to be able to make effective use of the services available, provide input to shape the products and services available, and to better manage their financial lives.

An empowered customer has the knowledge of and ability to select and effectively use available products and services. ***Financial capability*** is therefore an important aspect of customer empowerment. In addition, to translate this capability into engagement requires trust, confidence in the provider and an openness on the part of the provider to listen and respond. The ***relationship*** between customer and provider is key. This is particularly important to unfamiliar channels such as mobile banking.

In developed markets, with educated populations, access to digital communications and social media, customer empowerment is a reality that is challenging the relationship between companies and their customers. There are many examples of customer reaction shaping company decisions, and mass response following viral communication shifting the power dynamics. In these cases, the focus on customer empowerment is primarily a commercial one. In financial inclusion, there are many examples of market competition leading to a greater demand focus with providers giving greater attention to understanding and responding to customer wants, needs and experience. In the digital sphere lack of uptake and low levels of activity can often be attributed to a lack of recognition of points in the customer journey where customers are dis-empowered. From a social performance perspective, particularly in less competitive markets where low income customers are often offered little choice, customer empowerment provides a mechanism for giving customers greater control in shaping and using financial services to improve their financial management and financial health.

The work of CGAP highlights the practical steps that providers can take to better understand opportunities to empower their customers through the customer journey. Beyond the actions of individual providers with their customers there is a need to look at ways in which customer more broadly can be empowered so that they are equipped to engage more effectively with any provider.

Customers are most empowered where they have knowledge and understand their needs and the value that a product or service can bring them, where companies care about their custom either because they are high value customers or in competitive markets, and where they can connect to other customers to magnify their voice and the impact of their choices on providers (most commonly through the use of digital communication or social media). Clearly there are both demand-side and supply-side drivers of customer empowerment.

## Focus of action-research

The action-research seeks to explore customer empowerment independent of FSPs, to identify factors that are associated with greater customer empowerment and specific actions that can be taken to enhance customer empowerment.

The precise contexts and approaches will be developed through discussion with the Working Group. I propose a starting point that is focused on four broad areas:

1. **Market based studies:** By integrating customer empowerment indicators into market-based studies it should be possible to segment by level of customer empowerment across the market broadly and to identify what factors might be associated with greater or lower customer empowerment.

Eg. One opportunity to do this is with FINCA who will be implementing ‘Brand Health’ surveys in 10 countries as well as customer satisfaction index surveys, both of which are focused broadly on the market and not just FINCA customers.

1. **Actions to build financial capability.** Customer ability to understand their own financial needs, understand how the market offer addresses these needs and what to expect from a provider lies at the heart of customer empowerment. There is some debate as to the extent financial capability should be addressed by individual FSPs or at a market level. There is an opportunity here to explore the extent to which actions to build financial capability can contribute to broader customer empowerment rather than in relation to specific transactions with a provider.

Eg. Microfinance Opportunities are currently conducting financial diaries research with garment workers in Bangladesh who are in the process of being switched from cash to digital payments. The research involves weekly visits and detailed data collection on participants financial lives. By integrating a financial education component (perhaps with a control group), there is an opportunity to understand the extent to which the workers are empowered to effectively engage with digital financial services, the barriers to this, and the extent to which financial education empowers the workers as customers.

1. **Actions to use digital platforms/social media to connect consumers, share information and coordinate action.** Digital platforms provide new ways by which customers can engage with their providers, customise their services, and share knowledge. The voices of large number of customers connected can have significant influence. What are the opportunities to facilitate customer empowerment through digital financial services and what examples are there of good practice? How can the use of digital channels facilitate the sharing of information, feedback loops for complaints or effective communication between customers and providers? To what extent is a demand-driven, competitive market a prerequisite for customers to be empowered through digital engagement?
2. **Actions to build collective voice and customer representation:** Structures such as consumer associations, national FSP networks, complaint management mechanisms, producer associations, savings groups federations etc allow for representative voice. What structures exist and how do these contribute to customer empowerment in relation to and independent of financial providers? Are there examples of effective publication of and comparison of performance and complaints data across providers and how do these contribute to customer empowerment?

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| **Develop Means for Clients to Raise Their Own Voices**Providers should incorporate the client voice at the board and senior management levels. Client protection problems might be minimized if decision­-makers regularly hear clients’ perspectives. Action Point: An especially promising area is to create forums for clients to voice kudos and complaints regarding financial services providers (e.g. a “Trip Advisor” for financial services)*FI2020 (CFI)* |

**Structuring the action-research**

Linking to existing research: The SPTF will identify opportunities to connect to planned research and leverage research processes and data. The aim will be to bring a customer empowerment lens into this research to build understanding of what factors contribute to increased empowerment for customers/potential customers of financial services and to identify promising practices that could be further developed and explored.

Develop new concepts: Through the working group we will seek to develop a concept for new research for which the SPTF will seek funding.