

MEASURING CUSTOMER EMPOWERMENT

Draft ideas for testing, developed by SPTF Customer Empowerment Working Group

Why a Focus on Customer Empowerment?

A customer-centric focus

The Universal Standards for Social Performance Management (the Universal Standards) 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 who are empowered to make informed choices, are treated with respect and dignity, have voice and dialogue with their provider, and are able to use and shape their financial services to be more in control of their financial lives, are more likely to make effective use of the services available, provide input to shape the products and services available, and better manage their financial lives. From a **social performance** perspective, customer empowerment is an important element of ensuring that customers receive the products and services that they need.

An empowered customer has the knowledge and ability to select and use effectively the available products and services. **Financial capability** is therefore an important aspect of customer empowerment; customers need knowledge, skills and the confidence to engage with financial services. But **context** also matters. There customers can be facilitated or blocked in their engagement with financial services through any of the following:

- cultural norms (such as expectations around customer feedback and complaints),
- the actions of the FSP (notably, the level of trust and confidence that the provider inspires and its openness to listen and respond), and the
- broader market and regulatory environment.

Whilst all three of these are important, the **relationship** between customer and provider is key. This is particularly important to unfamiliar channels such as mobile banking.

Value of measuring customer empowerment

Given the vulnerability of many FSPs' customers, there is an important onus on FSPs to take actions to ensure that they do not block or disempower the customer's ability to gain access to and use their financial services. By identifying barriers to customer *choice, voice, respect* and *control*, all potential points of dis-empowerment, and contexts where customers are empowered, providers can take actions to support customer empowerment.

To do this, FSPs need to be able to have some measures of customer empowerment. Through discussions in the Working Group we have identified a number of dimensions that are important for this goal.

Customer empowerment is relational and not absolute

Customers do not 'have' empowerment but exercise empowerment in response to a context. Empowerment is a combination of customer capability (knowledge, skills and confidence) plus context. For example, a customer with a given capability may feel or demonstrate empowerment in one context (e.g., a community savings group) but not in another (e.g., the offices of a formal bank).

We can therefore measure absolute indicators for customer capability but need to look at how this is exercised in a specific context. By measuring in this way, we can focus more on how a specific context empowers or disempowers customers (and what actions can be taken in response) rather than trying to achieve universal or comparable measures of levels of empowerment. Market conditions are particularly important in influencing context. In demand driven markets where there is a high degree of competition between providers, there are incentives for providers to respond to customer demand and to identify the needs and experience for different customer segments. Barriers to access, use, and a positive customer experience may affect provider competitiveness. There is therefore a strong business case for a focus on customer empowerment.

In a supply driven context, the lack of incentive for providers to be responsive to customers can act as a major barrier for customer empowerment. A key high level first step for measurement should be an assessment of the market conditions.

A Framework for Measuring Customer Empowerment

1) What to measure

Given the contextual nature of customer empowerment, it does not make sense to think of customer empowerment as a something that customers ‘have’ which can be measured directly. Rather we need to think in terms of measuring two different dimensions:

- Capability: knowledge, confidence/attitude
- Behaviour in a given context

There are four dimensions that have been highlighted by CGAP as constituting customer empowerment:

- Choice
- Voice
- Respect
- Control

Broadly this translates into the following matrix:

	Choice	Voice	Respect	Control
Knowledge & skills	Evidence of the choices available in the market	Knowledge of feedback/complaints mechanisms and fit with capacity (e.g., literacy levels)	Knowledge of code of conduct and what to expect from provider	Knowledge of role of financial services in supporting investment, risk management, consumption smoothing
Attitude & confidence	Confidence in knowledge and ability to chose	Stated intention or willingness to give feedback or complaint	Expectations of how customer will be treated by FSP and staff	Perceived capability in using financial services
Behavior & experience	Comparisons made between full range of relevant	Provider data on customer voice segmented by	Provider data on code of conduct &	Portfolio and reported data on uptake & patterns of

	products & services available in the market.	customer profile.	customer feedback.	use by different client segments.
--	--	-------------------	--------------------	-----------------------------------

2) Question format

The SPTF Customer Empowerment Working Group discussed how best to structure questions. While the group made no definitive recommendations, members suggested the follow points:

Use both self-perception and objective measures

A number of objective measures can be used:

- Aspects of capability such as knowledge and skills can be assessed through questions that test specific knowledge, such as awareness of differences between FSP offers in the market.
- Customer data on specific actions they took prior to using a product (e.g., whether they asked for information from more than one provider before choosing a product). The metric would rely on self-reported data but the indicators are objective.
- Provider data on specific actions taken by customers (e.g. switching products, making a complaint) focuses on objective indicators of practice.

Subjective questions such as confidence to ask for information or make a complaint is useful in understanding customer self-perception but may under or over report in relation to actual practice. Many customers don't know what they don't know, so will be satisfied with a poor level of service or be confident making choices from limited options.

Ideally customer empowerment should be measured through a mix of objective and subjective measures. One way to do this is to ask questions that have two parts – a self-perception with a follow-up action question. For example, “How easy did you find it to decide on an appropriate account?” and then “Which products did you choose between?”

Likert-type scales have the right balance between specificity and openness

Most people in the group felt that yes/no answers were too constraining and open questions not specific enough. We therefore suggest framing questions as statements that customers can agree or disagree with using either a four point or five-point Likert scale.

Open follow-up questions

Some working group members feel that it is valuable to include an open “Please explain your answer” section after all or some of the Likert-scale questions.

3) Suggested questions

1) Customer capability (knowledge, skills, confidence)

The working group suggests testing customer capability questions that relate to the questions you will ask about the engagement between customers and providers. Below are some examples of Likert scale question:

- I like to get lots of information before I sign up to a new product/service
- I feel happy to ask if I don't understand something about product/service
- I find it easy to compare pros/cons of different products/services
- People often ask my opinion about which financial services to buy or how to use them
- I'm often confused when trying to choose between providers or products
- I like to talk with different providers to compare products
- I just use the products that I am familiar with and don't feel the need to explore other options

Choice

Knowledge & skills	<ul style="list-style-type: none"> • I am aware of the credit/savings/insurance/etc products and services that are available to me and how they can benefit me • I have the knowledge to access and use the credit/savings/insurance/etc products that are on offer to me • I am informed about all of the products and services and their terms offered by ABC provider • I feel confident about how to access and use the financial services that are on offer to me
	<ul style="list-style-type: none"> • If I needed more information about different financial services, I am confident that I can get this information • I am able to compare prices and terms offered by different financial service providers
	<ul style="list-style-type: none"> • [The FSP can also ask questions to test the customer's knowledge of products available in the market, and as well as the ones the FSP offers specifically]

Attitude & confidence	<ul style="list-style-type: none"> • I am able to choose the products and services that are right for me • I like to get lots of information before I sign up to a new product/service • I like to talk with different providers to compare products • I feel happy to ask if I don't understand something about product • People often ask my opinion in when making product choices
----------------------------------	--

Behaviour & experience	<ul style="list-style-type: none"> • Choosing between a provider or between products and experience is a stressful experience. • I find it easy to compare pros/cons of different products • I'm often confused when trying to choose between providers or products
-----------------------------------	--

	<ul style="list-style-type: none"> • % of customers/potential customers who compared product features before purchasing • % of customers satisfied that they understand product features
--	--

Possible operational proxies (<i>note: interpretation of these indicators needs to be understood, as they may be both signs of empowerment and dis-empowerment</i>)	<ul style="list-style-type: none"> • Numbers of customers accessing specific products (segmented by group) • Customer retention rate • Conversion rate of customer inquiries/marketing contacts into sign-ups • % of customers not progressing with first use within 3 months • % of customers who cancel product/service during cooling off period
--	--

Respect

Knowledge & skills	<ul style="list-style-type: none"> • I understand my rights as a consumer and what I should expect from FSPs • I am alert to avoid financial scams • I am able to identify and resist high-pressure sales tactics
Attitude & confidence	<ul style="list-style-type: none"> • I feel treated with respect by FSPs (or ABC FSP) • I feel I receive the same respect and dignity as other people by FSPs (or ABC FSP) • I have access to staff who have time and an interest to hear and understand my needs and experience
Behaviour & experience	<ul style="list-style-type: none"> • All customers receive the same respect and dignity regardless of their status or transaction size • People listen to my views and experience and try to understand my concerns • Customer satisfaction score
Operational proxies	<ul style="list-style-type: none"> • Conversion rate of customer inquiries/marketing contacts into sign-ups • Customer waiting times used to monitor respect for customers' time

Voice

Knowledge & skills	<ul style="list-style-type: none"> • I know my rights and responsibilities as a financial services consumer • I know where to go to voice a request, concern or complaint with ABC FSP
Attitude & confidence	<ul style="list-style-type: none"> • I feel that my views will be listened to and taken into account if I engage with my provider • I feel confident discussing my financial needs and experience as a customer with my provider
Behaviour & experience	<ul style="list-style-type: none"> • I have made a complaint or changed provider when I was not happy <p>Have you ever had a bad experience with your provider or been unhappy with the</p>

	<p>service provided? If yes, have you complained? If you did not complain, then why?</p> <ul style="list-style-type: none"> • Did not know how to complain • Did not feel that my complaint would be listened to • I am nervous about complaining
Operational proxies	<ul style="list-style-type: none"> • Numbers and pattern of customer feedback and complaints.

Control

Knowledge & skills	<ul style="list-style-type: none"> • I understand the interest rates charge on loans/ fees on products & services • I think about interest rates and charges in relation to my capacity to pay them • I understand how to use credit/savings/insurance/etc to improve my financial situation • I know my financial limits and how to stay within them • I know how to budget, follow a household financial plan and monitor progress toward my goals.
Attitude & confidence	<ul style="list-style-type: none"> • Financial services can help me better manage my financial situation • I have confidence that if I make a mistake using my financial services my provider will help me to sort this out and I will not be penalised • I have confidence that if I experience an unforeseen change in circumstances my provider will work with me to give me space to solve my problems
Behaviour & experience	<ul style="list-style-type: none"> • I use financial services to help me achieve future goals • I have a savings goal • Financial services help me manage my money and build more predictability into my financial life • I am in control of my use of financial services; financial services do not control me • I use financial services to help me cope with the unexpected • Products & services meet with customer expectations
Operational proxies	<ul style="list-style-type: none"> • Numbers of customers using specific products (segmented by group) • Numbers of dormant or inactive accounts.