

## INTEGRATING CUSTOMER EMPOWERMENT INTO THE UNIVERSAL STANDARDS FOR RESPONSIBLE INCLUSIVE FINANCE: AN SPTF WORKING GROUP PROJECT

2020 is a review year for the Universal Standards for Responsible Inclusive Finance (formerly called the Universal Standards for Social Performance Management), and one element of SPTF's review is considering in what ways the Universal Standards already address management practices related to customer empowerment and whether there are any gaps. CGAP's work on customer empowerment highlights actions that providers can take in relation to 'choice', 'voice', 'respect' and 'control' (see page 3 for definitions). SPTF would like to build from this work to identify guidance for financial service providers (FSPs) on how current essential practices support customer empowerment and add practices that can be considered by FSPs wishing to build a customer empowerment focus into their practice.

Customer empowerment is implicit in many of the standards; this document applies a **customer empowerment lens** to make the connection to customer empowerment more explicit and provide **practical guidance for financial service providers** wishing to strengthen their focus on customer empowerment as part of implementing the Universal Standards. This includes identifying moments of disempowerment and building a focus on customer empowerment into their design, management and governance.

This document is divided into three sections:

- [Why focus on customer empowerment?](#)
- [Bringing a customer empowerment lens to the Universal Standards](#)
- [Measuring customer empowerment](#)

### Why Focus on Customer Empowerment?

#### A customer-centric focus

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 of and ability to select and effectively use 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 cultural norms (such as expectations around customer feedback and complaints), the actions of providers (engagement requires trust, confidence in the provider and an openness on the part of the provider 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.

### **Customer empowerment contributes to better outcomes for clients**

Where customers can make informed choices and shape services to meet their needs, they are able to exercise control and manage money more effectively to better meet day-to-day needs, pursue opportunities, and build resilience (within the absolute constraints of poverty and inequality). Customer empowerment is therefore also an important contributor towards **financial health**.

### **Customer-empowerment makes business sense in competitive markets**

The interest in customer empowerment comes from a shifting reality in many competitive markets, facilitated by social media and digital technology, where customers are gaining increasing power to shape the services they are offered through consumer choice, feedback and sharing of information about providers. In demand-led markets, customer empowerment makes business sense.

From a financial inclusion perspective, despite the increasing availability of formal financial services, partly thanks to digital finance, many customers still use informal services. CGAP's research shows that many of today's financial services do not address customers' realities, constraints and preferences. They do not give them the level of confidence or sense of control they need to choose formal financial services over cash and informal mechanisms. In short, they don't make customers feel empowered to engage with formal finance. In competitive environments where customers feel dissatisfied with a provider and are not empowered to engage, they often just switch providers or leave their account dormant. Where customers feel empowered to engage with their providers, this creates the potential for dialogue to improve products and services and thus improve the institution's competitive advantage. There is a win-win with customers being better able to access and shape products and services that they value, and providers gaining improved customer engagement and thus greater business value.

### **Customer empowerment is an important element of client protection**

Similarly, the Smart Campaign highlights clients' ability to protect themselves both individually and collectively as a key ingredient in **client protection** i.e. customers are empowered to know their rights as consumers, and have the skills, attitudes, aspirations and confidence to exercise those rights. This is explored in more depth in the Center for Financial Inclusion at ACCION's [Customer Voice Project](#).

### **Customer-empowerment is specific to the relationship between a customer and provider**

The term 'empowerment' is much debated but can be summarized as *enhancing an individual's or group's capacity to make choices and transform those choices into desired actions and outcomes*<sup>1</sup> [and prevent undesired ones]. Customer empowerment takes this definition into the context of an individual's relationship with a FSP as a customer, moving from the customer as simply a consumer of a product, to a two-way collaboration to design and deliver products and services that clients' need and want. It does not encompass broader concepts of empowerment related to how individuals are able to function and relate to others in all aspects of their lives, for example the ability of women to exercise control over productive assets or influence choices and decisions within a household. That said it is important to recognise that whether someone can feel empowered as a financial consumer is

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<sup>1</sup> World Bank Policy Research Working Paper 3510, February 2005

heavily influenced by societal and cultural norms and other aspects that financial services providers have little or no control over.

### **Taking actions to empower customers**

Empowered customers have *the knowledge, attitude, skills and confidence to 1) make choices, 2) effectively use services, and 3) engage in dialogue with providers and potential providers.*

Whilst empowerment is essentially something that customers need to do for themselves, there is much that providers can do to facilitate it, given their work with financially excluded groups. 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 access and use her financial services. CGAP's work highlights the opportunities throughout the customer journey for providers to engage with customers in a way that reinforces **choice, respect, voice, and control.**

## Bringing a customer empowerment lens to the Universal Standards

An organisation that focuses on customer empowerment takes actions in four aspects:

- 1) **Choice:** The provider ensures that customers are able to make informed choices.
- 2) **Respect:** The provider ensures that all customers are treated with respect and dignity regardless of transaction size or channel.
- 3) **Voice:** The provider ensures effective channels for customers to voice their observations and concerns in relation to developing and shaping products and services, providing feedback and resolving complaints. This prompts accountability by the financial services provider.
- 4) **Control:** The provider gives customers tools to exercise greater control over their use of financial services and, consequently, their financial lives.

This section examines how these aspects relate to the Universal Standards, focusing on dimensions 2, 3 and 4.

### **Dimension 1: DEFINE AND MONITOR SOCIAL GOALS**

Customer empowerment is an approach to working in a way that facilitates positive outcomes for customers (and FSPs) and should be a part of the processes for all FSPs that are customer centric. Some FSPs may have women's empowerment as a specific social goal, but customer empowerment is a process and not a goal. The two are closely related ie. social norms that disempower women more broadly will disempower them as customers. However, the social goal of women's empowerment focuses on how to use financial services as a tool to empower women, whereas customer empowerment focuses on the ways in which customers relate to providers throughout the customer journey rather than as an outcome of using the service.

### **Dimension 2: ENSURE BOARD, MANAGEMENT AND EMPLOYEE COMMITMENT TO SOCIAL GOALS**

***Standard 2A: Members of the board of directors hold the provider accountable to its mission and social goals***

#### Essential practices

- *2A2. Board uses SP data to provide strategic direction, taking into account both social and financial goals*

This essential practice and related indicators are well aligned to customer empowerment, given the focus on strategic direction.

Recommended additional indicators for 2A2.1

- The Board regularly reviews data on points of disempowerment for different customer segments and ensures that actions are taken to address these.

**Standard 2B: Senior management oversees implementation of the provider’s strategy for achieving its goals.**

Essential practices

- 2B2. Senior management analyses and addresses social performance-related risks

The focus on risks aligns well to the focus on identifying points of disempowerment for customers and the ways in which lack of transparency, poor staff behaviour and organisational strategy could create these.

**Standard 2C. Employee recruitment and evaluation is based on both social and financial performance criteria.**

Essential practices

- 2C1. Employee job candidates are screened and hired for their commitment to the provider’s social goals, and their ability to carry out social performance related job responsibilities.
- 2C2. The provider trains and evaluates employees on both social and financial performance responsibilities related to their position.

These essential practices and related indicators are closely aligned to customer empowerment practices. Key to good practice is that staff training, incentives, and performance management focus on supporting the less empowered segments.

Recommended additional indicators for 2 C2:

From a customer empowerment perspective, the following practices are important and can be incorporated as indicators:

- Staff and agents devote sufficient time to service needs of low-income customers without undue time pressure.
- Staff are supported to demonstrate empathy in their interaction with customers.
- Customer empowerment is understood by staff and supported by organisational culture, incentives and communication.
- The provider ensures that staff understand the relationship between customer empowerment, positive outcomes for customers, and value created for the business.

**Empowering staff and agents to deliver a positive customer experience**

Empirical evidence shows that employees and agents who feel good about their job and about themselves perform better. Employee satisfaction tends to spill over into services delivered and positively correlates with customer satisfaction. Employees and agents with appropriate decision-making power, responsibility, and resources can respond more quickly and effectively to customer needs and may be able to recover customers who were previously dissatisfied.

Customer-centric organizations need employees and agents who 1) are deeply committed to

delivering customer experience that generates value for customers, the organization, and themselves; and 2) are capable of delivering that kind of experience. Employees and agents who possess this level of engagement and ability are themselves empowered.

Managers can facilitate the process of employee and agent empowerment but, ultimately, empowerment must come from within the employees and agents themselves. They are the ones who must:

- decide that they want to deliver valuable customer experience (based on their understanding of the benefit of doing so)
- act on their decision (in other words, do something to deliver more valuable customer experience)
- be able to achieve their desired outcome

**These three elements – choice, action, and outcome – are core to empowerment theory in general, not just to empowerment in the financial sector.**

*CGAP Employee and Agent Empowerment Toolkit*

### **Dimension 3: DESIGN PRODUCTS, SERVICES AND DELIVERY CHANNELS THAT MEET CLIENT’S NEEDS AND PREFERENCES**

Dimension 3 aligns very closely with the focus on providing customers with the financial tools they need in their lives and relates to all four aspects of customer empowerment.

#### **Standard 3A: The provider understands the needs and preferences of different types of clients**

##### Essential practices

*3A1. The provider seeks information on clients' needs, preferences, and experiences for product design and delivery.*

*3A2. The provider monitors the suitability of products, services and delivery channels.*

These essential practices and their related indicators embody most aspects of a customer empowerment focus, including understanding specific segments, barriers to access, collecting and analysing data on product usage, and investigating reasons for dormancy, exit and cancellation.

Standard 3A (and 4E) highlights responsiveness of providers to customers through systematic means of gathering customer feedback and how this contributes to improvement of operations. This relates well to the focus of customer empowerment on the degree to which customers are able to express their own needs and to enter into dialogue with a provider to shape the products and services they access so that they enable them to more effectively control their financial lives.

A customer empowerment perspective highlights how certain FSP practices can create barriers for inclusion and use for particular client segments. This relates particularly to essential practices 3A2 – *The provider monitors the suitability of products, services and delivery channels*, - *The provider offers products and services that are suited to clients’ needs* and 3B2 – *The provider’s products and services are designed to reduce barriers to financial inclusion for target clients*.

These essential practices are key areas where a customer empowerment lens in the Universal Standards can be strengthened.

##### Recommended additional indicators:

**Choice:**

- The provider undertakes actions and monitors that customers understand the relative benefits and draw backs of the range of products and services on offer using communication channels appropriate for each customer segment.
- The provider identifies and seeks to address moments in the customer journey where customers may be dis-empowered through lack of information or understanding of their choices and may therefore not access appropriate products or services.

**Voice:**

- The provider engages customers in dialogue so that they can voice their opinions and needs and shape the products and services they use, ideally with some individualised offer.

**Respect:**

- The provider seeks to understand and remove barriers that prevent engagement with certain customer segments. These might include for example inappropriate eligibility criteria (e.g. requirements for identity papers) or unintentional factors (e.g. location of services; requirements to use technology; staff incentives to focus on higher value customers).

**Control**

- The provider designs products and services to help customers balance flexibility in response to changing circumstances and discipline.
- The provider designs products and services and delivery mechanisms to include space for ‘learning by doing’ and to test without the risk of loss.
- The provider seeks to ensure that digital interfaces are designed to be intuitive and easy to use for low-income customers.
- Providers take steps to build the capability of customers to effectively use financial products and services to improve their financial management.
- Providers design products and services that are adapted to the size, timing and predictability of low-income customers’ cash flow.

**Standard 3B: The provider’s products, services, delivery models and channels are designed to benefit clients, in line with the provider’s social goals**

Essential practices  
 3B1. The provider offers products and services that are suited to clients' needs.  
 3B2. The provider's products and services are designed to reduce barriers to financial inclusion for target clients.  
 3B3. The provider's products and services are designed to reduce client risks.  
 3B4. The provider creates benefits for clients by enabling them to invest in economic opportunities and address anticipated household needs.

This standard is closely aligned to recommended practices for customer empowerment. In particular, the essential practices and related indicators highlight aspects of financial services design that relate to specific customer needs and therefore their ability to use these products to increase the control of their financial lives. In general, the Universal Standards are well aligned in terms of understanding customer needs, getting feedback and ensuring mechanisms for complaint.

**Dimension 4: TREAT CLIENTS RESPONSIBLY**

Customer empowerment is a key element to client protection. The client protection principles emphasise the need for providers to be transparent, to communicate effectively, and also to ensure that clients understand and exercise their voice. This is all closely aligned to customer empowerment.

#### **Standard 4B. Transparency**

Essential practices

- *4B1. Policy and documented process are in place to required transparency on product terms, conditions and pricing.*
- *4B2. The provider communicates with clients at an appropriate time and through appropriate channels.*
- *4B3. The provider takes adequate steps to ensure client understanding and support client decision making.*

This standard highlights the need for providers not just to be transparent about the information they provide to customers, but also to ensure that customers understand and use information to make effective decisions. The essential practices focus on how to ensure that customers are empowered to make informed choices and are therefore fully in-line with a customer empowerment focus. In addition, a customer empowerment lens brings additional attention to ensuring that customers fully understand the possible challenges that may result from choices they make.

Recommended additional indicators:

- The provider ensures that customers understand the risks associated with a product or service and are adequately prepared for common challenges (e.g. problems with digital transactions) or the impact of changing circumstances (e.g. impact of illness; changes in exchange rate).

#### **Standard 4C. Fair and Respectful Treatment of Clients**

Essential practices

- *4C.1 The provider promotes and enforces fair and respectful treatment of clients in line with a code of conduct.*
- *4C.5 The provider management and oversight support fair and respectful treatment of clients.*

This standard aligns very closely with ‘respect’ in customer centricity. The standard focuses both on ensuring that a code of conduct is enforced eg. *4C1 The provider promotes and enforces fair and respectful treatment of clients in line with a code of conduct*) as well as ensuring that customers are treated with respect and dignity regardless of transaction size or channel eg. *4C3.2 The provider trains staff and/or group members (if applicable) on the provider's debt collections practices and loan recovery procedures (including actions they are expected to take and those they are prohibited from taking in case of default); 4C3.4 Policy, documented processes and management oversight are in place to ensure that collateral seizing is respectful of clients' rights.*

Recommended additional indicators for 4C1:

- Providers ensure that there are staff in branches and other contact points who are trained to understand needs of low-income segments and provide appropriate information and support.
- Low-income customer segments do not face excessive wait times.
- Enrolment/onboarding processes are straightforward and limit demand on time and assets.
- Branch offices take actions to make the customer experience positive, for example through the provision of chairs, water, fan and access to customer service staff.

## Standard 4E. Mechanisms for Complaints Resolution

### Essential practices

- 4E1. *The provider has an effective system in place to receive and resolve client complaints.*
- 4E2. *The provider informs clients about their right to complain and how to submit a complaint.*

This standard addresses an important aspect of customer voice ie. that related to customer complaints. Standard 3B addresses wider aspects of customer voice focuses on the formal aspects of a complaints mechanism but not customer voice more broadly (see Standard 3B.). Many customers find that when they experience a problem with a service or in relation to their ability to honour their contractual obligations they are not heard. For effective customer voice there is a need for consistency, predictability, accessibility, timeliness and responsiveness of FSPs to customers' need for information, advice or support. For example, through customer care line, agents, branches or field-based staff. These aspects are an important part of this Standard; for example, indicator 4E1.2 requires the FSP have *Mechanisms to submit complaints are adapted to clients' needs and preferences and easily accessible (toll free number, etc.). Suggestion boxes are not sufficient, and at least two channels are available.*

### Recommended additional indicators

A customer empowerment perspective gives weight to understanding the barriers to choice and voice experienced by particular customer segments. This is in addition to understanding needs and preferences. An additional indicator might include:

- Providers identify and respond to points of disempowerment experienced by different customer segments in relation to customer capability and use of customer complaints mechanisms.

### **Dimension 5: Treat employees responsibly**

Whilst there is clearly a link between how providers treat their staff and how staff treat customers, this is addressed in standard 2C. **Dimension 5** is focused on fair employment practices.

### **Dimension 6: Balance social and financial performance**

There is strong connection between value to customers (outcomes) and value to business (profit), and this is very much embodied in customer empowerment. This is captured in standard 2C. Dimension 6 relates to factors that are not directly connected with customer empowerment.