



CUSTOMER OUTCOMES-BASED APPROACH TO CONSUMER PROTECTION: A GUIDE TO MEASURING OUTCOMES

Lessons from a South Africa pilot



June 2022 | Antonique Koning, Juan Carlos Izaguirre, and Avesha Singh

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Executive Summary

EXECUTIVE SUMMARY

A customer outcomes-based approach at a glance

There is strong international interest for better regulatory and supervisory approaches to consumer protection that put customer outcomes at the center of actions taken by regulators and supervisors (i.e., “authorities”) and financial service providers (FSPs). While authorities have traditionally allocated their limited consumer protection resources to issuing detailed rules and enforcing FSP compliance actions, some have shifted their focus to the effects those actions have on FSP customers, known as “customer outcomes.”

According to CGAP, a “customer outcomes-based approach” to consumer protection focuses on the experiences and results of a customer’s access to and use of financial services, which are consequences of an FSP’s products, delivery, conduct, and practices (see graphic below). The approach starts by defining good “intermediate customer outcomes,” which suggest that services are designed and delivered to give the customer what was promised, what they need, and what they

can fairly expect, thereby “meeting the customer’s purpose.” These intermediate outcomes are then translated into business practices, policies and regulations, and design—and accompanied by metrics that can track outcomes. This puts the customer in a position to increase control over their financial situation and better manage financial shocks (thereby improving their financial health), and to attain longer term financial goals that empower them to capture opportunities and build resilience.

By putting special emphasis on customer segmentation, the indicators used to monitor customer outcomes empower authorities and FSPs to better identify and understand experiences, risks and outcomes of low-income customers, including women.



This reading deck summarizes lessons from a pilot exercise that involved the Financial Sector Conduct Authority (FSCA) and five FSPs in South Africa focused on measuring intermediate customer outcomes from a supervisory perspective. While this deck provides guidance and recommendations primarily to authorities for measuring and monitoring customer outcomes, it also provides

guidance and recommendations to FSPs for leveraging internal data and tracking progress toward achieving better customer outcomes. By sharing the perspectives of authorities and FSPs, it aims to deepen understanding around the role each plays in adopting a customer outcomes-based approach.

EXECUTIVE SUMMARY

Key takeaways from the South Africa pilot

- 1. An effective customer outcomes-based approach to financial consumer protection requires a solid measurement framework.** The approach focuses on how FSP products, delivery, conduct, and practices directly influence a customer's experience and the results that come from accessing and using financial services. An effective approach must go beyond regulation to include monitoring, supervising, and enforcing actions related to customer outcomes.
- 2. It is possible to implement a monitoring framework for a customer outcomes-based approach through an iterative process between authorities and FSPs.** Ideally, authorities have in place collaboration mechanisms that facilitate continuous dialogue with FSPs and lead to agreed-upon, practical indicators to set up an effective framework that measures and monitors intended intermediate customer outcomes relevant to the country context. The [full list of indicators](#)* developed for the South Africa pilot can be a useful starting point for an authority's own consultative process to select priority indicators that fit its local context.
- 3. FSP data for key indicators is available but buy-in across the organization is a prerequisite to data accessibility.** FSPs have quantitative data they can use to track key proxy indicators that measure progress on intermediate customer outcomes. Together they tell a compelling narrative about the FSP's contribution to those outcomes. Buy-in across the FSP is needed to overcome data accessibility challenges since most FSPs have fragmented datasets that speak to internal business processes and product performance rather than present an aggregated customer view.
- 4. Supervisors can use the customer outcomes-based approach to collect information on priority indicators, which can then be used to monitor market-level trends, consumer risks, and customers' experiences with their FSPs.** Adopting this approach requires understanding and assessing the persistent risks of poor outcomes consumers face in the market, consulting with the industry, and using priority indicators to measure customer outcomes. A solid outcomes measurement framework enables supervisors to monitor consumer risks and outcomes at the market level over time, develop industry benchmarks, and assess whether individual FSP business conduct practices contribute to good customer outcomes.

*See [Annex](#) to learn more about the construction of indicators.

EXECUTIVE SUMMARY

The way forward: A call to action

Consumer protection approaches need to evolve and foster regulatory, supervisory and FSP actions that put customer outcomes at the center.

Customer outcomes-based monitoring and supervision looks at whether—and how—FSP products, delivery, conduct, and practices are generating good customer outcomes.

Authorities have an opportunity to incentivize FSPs to become more customer-centric and track and monitor customer outcomes by developing regulatory reporting requirements and enforcement mechanisms, where appropriate.

Authorities can identify and determine, preferably in a collaborative manner, a set of priority customer outcomes-based indicators relevant to their country context. By developing their data requirements and adequately systemizing their analysis,

authorities can gain better insights into customer outcomes. In addition, supervisors can collect information on these indicators and use it to monitor market-level trends, consumer risks, and customers' experiences with their FSPs.

FSPs can use insights from their own data to design customer-centric services that deliver good customer outcomes and contribute to promoting financial health.

It is recommended that FSPs begin this journey early on, building and monitoring customer outcomes indicators before they become a regulatory requirement. Buy-in across FSPs is key to overcoming accessibility challenges.

Progress toward better consumer protection requires validating indicators and monitoring results over time, which can lead to industry benchmarks. Start early by building indicators today.

*See [Annex](#) to learn more about the construction of indicators.

I. What is a customer outcomes-based approach to consumer protection and why do authorities and financial services providers need it?

IT'S TIME TO SHIFT MINDSETS ON CONSUMER PROTECTION

Adopting a customer outcomes-based approach shifts the responsibility for consumer protection from the customer to the FSP

International interest is strong for better regulatory approaches focused on results rather than systems and processes, rebalancing the responsibility for consumer protection between FSPs and customers. The current rules-based approach often limits the ability of authorities to track, compare, and verify whether FSPs contribute to good customer outcomes.

An outcomes-based approach starts with a framework that (i) defines what good customer outcomes are, (ii) translates them into the business practices, policies and regulations, and design needed for better customer outcomes, and (iii) provides metrics capable of tracking customer outcomes and better identifying and understanding different customer segments, including low-income women's experiences, risks and outcomes. The pilot in South Africa focused on these metrics.

CGAP adopted a collaborative approach toward developing and prioritizing a set of quantitative indicators. These indicators allow authorities and FSPs to verify whether good customer outcomes have been attained for different customer segments, including low-income women, and to focus on the business practices, policies and regulations, and design of financial products that can be improved upon. We took cues from jurisdictions like the UK and South Africa that implement a treating customers fairly (TCF) approach and worked directly with South Africa's Financial Sector Conduct Authority (FSCA) and FSPs. A May 2019 consultative workshop with consumer protection stakeholders developed an initial set of indicators with the Centre for Financial Regulation and Inclusion (CENFRI) (see [slide 16](#) to learn more about the indicators). CGAP leveraged its earlier insights on [customer-centric FSPs](#) and analysis of [what makes consumer protection regulation more customer-centric](#).

ONUS ON THE CUSTOMER

Do no harm
Prohibit egregious practices that affect consumers

Prevent unsuitability
Ensure that a product is not unfit for consumers

Provide suitability
Determine whether a product is suitable for consumers, given their individual circumstances

Ensure best interests
Introduce the duty to ensure that consumers benefit from a product

ONUS ON THE FSP

A customer outcomes-based regulatory approach moves slowly from a buyer beware to seller beware approach. The new generation of financial consumer protection goes beyond requiring FSPs to do no harm and changes the equation to reduce the onus on the customer.

HOW ARE INTERMEDIATE CUSTOMER OUTCOMES DEFINED?

These outcomes are directly influenced by FSPs and contribute to meeting the customer’s purpose

CGAP defines customer outcomes as those that reflect the experiences and results of a customer’s access to and use of financial services which are directly influenced by an FSP’s products, delivery, conduct, and practices. Focusing on customer outcomes can be considered necessary but not sufficient for putting the customer in a position of increased control over their financial situation and where they can better manage financial shocks—thereby improving their financial health.

Based on [research](#) across multiple country contexts, standards and guidance issued by standard setters, and engagement with FSPs, CGAP identified intermediate [customer outcomes](#) from the customer’s perspective throughout the financial services journey that together contribute to “meeting the customer’s purpose.”

CUSTOMER OUTCOMES	 Suitability	 Choice	 Fairness and Respect	 Voice	 Safety and Security
CUSTOMER OUTCOMES STATEMENTS*	“I have access to quality services that are affordable and appropriate to my preferences and situation, and receive advice and guidance appropriate to my financial situation.”	“I can make an informed choice among a range of products, services, and FSPs based on appropriate and sufficient information and advice that is provided in a transparent, non-costly, and easy-to-understand way.”	“I am treated with respect throughout my interactions with the FSP, even if my situation changes, and I can count on the FSP to pay due regard to my interests.”	“I can communicate with the FSP through a channel that I can easily access and have my problems quickly resolved with minimal cost to me.”	“My money and information are kept safe. The FSP respects my privacy and gives me control over my data.”



Meeting the Customer’s Purpose: “The right choice of services helps me minimize risks and feel more in control of my financial situation. It helps me balance flexibility and discipline in managing my finances even when my circumstances change, and I am in a better position to meet my short-term financial needs and support my longer-term financial goals.”

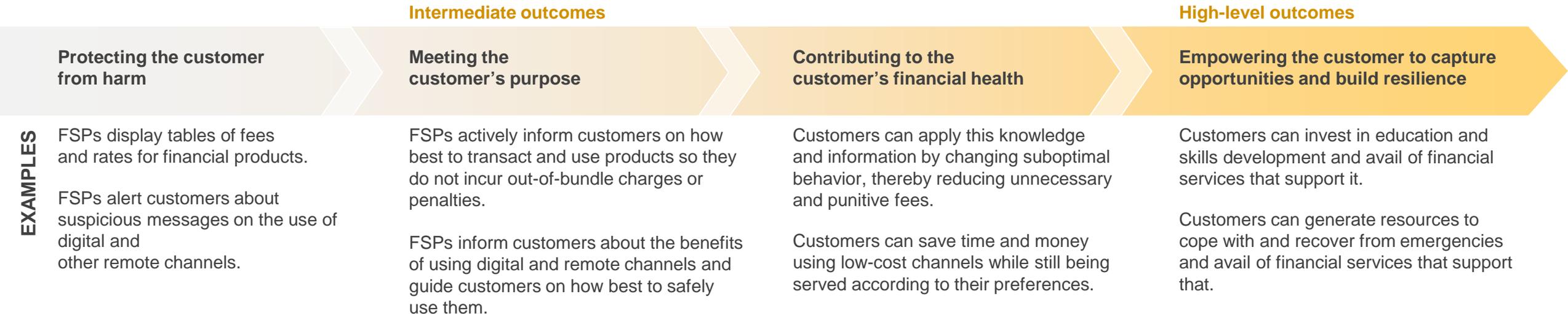
*See [Annex](#) to learn about the translation of customer outcomes statements into measurable elements and indicators.

WHAT IS A CUSTOMER OUTCOMES-BASED APPROACH?

An approach based on intermediate outcomes—translated into business practices, policies and regulations, and design—and accompanied by metrics that track high-level outcomes

Once the customer’s purpose has been met—suggesting that financial services are meant to be designed and delivered to give the customer what was promised, what they need, and what they can fairly expect—puts the customer in a better position to increase control over their financial situation, manage financial shocks, and attain longer-term financial goals and outcomes.

Many factors from social, economic, and technological environments can influence a customer’s financial health. However, if financial services and/or their delivery do not meet the customer’s purpose as an intermediate outcome, the customer will find it difficult to maintain good financial health. Consequently, it will be impossible to capture opportunities and build resilience, which require a foundation of good financial health.



WHY SHOULD AUTHORITIES FOCUS ON CUSTOMER OUTCOMES?

A customer outcomes-based approach can advance financial system integrity, stability, inclusion, and protection

A customer outcomes-based approach can help authorities achieve their goals

This action →	results in →	this goal	Why it matters
Reporting of key indicators		Early warning system at the market level	By requiring the reporting of select indicators as proxies for how customers access and use financial services, authorities can develop an early warning system that spots trends in the market or sector and more easily identify outliers.
Identification of key customer risks by industry/product type		Risk-based supervision	Outcomes monitoring could be part of a more extensive collection of market monitoring tools that help supervisors identify main customer risks at the industry (i.e., provider type), FSP, or product level. This will, in turn, help supervisors organize their market- and FSP-level activities based on risks, thus supporting the development of a risk-based consumer protection supervision framework.
Segmentation by customer group		Customer-centric supervision	Information segregated by different customer segments will help authorities better understand customer risks and outcomes and support a more customer-centric approach to supervision.
Market insights and benchmarks over time		More effective FSP- and market-level supervision and enforcement	All of these industry, product, and FSP-level insights make it possible to identify the highest risks—and best practices—and develop benchmarks over time. This will help supervisors organize more effective supervision of individual FSPs and take enforcement actions to ensure that FSPs adopt good business conduct practices and generate good customer outcomes.

WHY SHOULD FSPs FOCUS ON CUSTOMER OUTCOMES?

Achieving good customer outcomes can result in benefits for FSPs and customers



Customer outcomes indicators require reorienting existing data, gathering new data in some cases, and examining performance and financial metrics through a customer lens. FSPs can use their own data to track and measure how good customer outcomes also contribute to better business performance and risk management, while they assess against customer-centricity goals. In time, benchmarks and best practices emerge. These outcomes require the adoption of processes and buy-in across the organization.

Good outcomes	Examples of customer-centric goals	Examples of favorable KPIs at the customer level	Why it matters
Suitability 	Relevant proposition and channel design and deployment	Market share, acquisition and retention, cross-sell, share of wallet	Contributing to suitability by developing relevant customer propositions in design and deployment advances goals around acquisition and retention.
Choice 	Awareness of access, features, and benefits	Usage, lifetime value, cost-to-income	Improving choice by raising customer awareness about features and benefits can help FSPs improve their cost-to-income by acquiring more business from the same customers.
Fairness and respect 	Sustainable customer base and revenue	Risk management; customer journey mapping guiding business processes	Fostering fairness and respect by building a more sustainable customer base and revenue helps FSPs get closer to their customers, better understand their needs, and better manage certain types of risk.
Voice 	Responsive and efficient reaction to customers	Improved efficiency in complaints handling; customer journey mapping guiding business processes	Strengthening customer voice by being responsive and efficient in reacting to customers can translate to better complaints-handling metrics.

*Key performance indicators (KPIs)

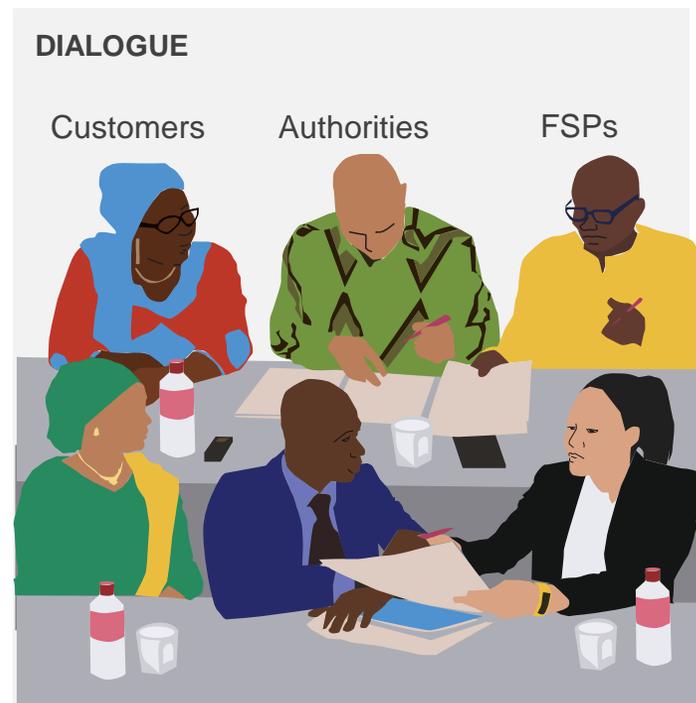
AUTHORITIES CAN ESTABLISH AN OUTCOMES-BASED CUSTOMER PROTECTION FRAMEWORK

FSPs and consumers should be engaged in the development of the framework

A clear financial consumer protection mandate in law and regulation that anchors regulatory and supervisory actions is key. Based on the mandate, authorities need to identify and define a set of customer outcomes that are appropriate to their context. Ideally, these outcomes are developed through dialogue with FSPs to facilitate alignment of expectations, practicality, clarity, culture building, and overall effectiveness. Authorities should also [incorporate the collective voice of consumers](#) in the process to better understand their main expectations, risks, and problems with using financial services.

Once customer outcomes have been identified, it is important to have a [regulatory framework that supports their attainment](#). Depending on context, the framework may entail introducing principles that focus on high-level drivers behind the rules—which reduces the preponderance of detailed and prescriptive rules—or adding performance standards so FSPs can measure their progress in attaining specific outcomes.

But regulation is not enough. Monitoring, supervision, and enforcement also need to become customer-centric and supported by a solid measurement framework. Given that indicators are one component of the supervisory framework, dialogue with FSPs and customers ideally is ongoing.



1. Ensure adequate financial consumer protection regulatory and supervisory mandate
2. Identify customer outcomes
3. Establish or modify regulatory framework
 - Principles-based regulation
 - Rules-based regulation
 - Performance-based regulation
4. Conduct monitoring and supervision
5. Enforce adherence to regulatory framework

II. How did authorities and financial services providers test customer outcomes indicators in South Africa?

INDICATORS DEVELOPED THROUGH THE CONSULTATIVE PROCESS

Initial hypotheses about measures and metrics were based on input from a diverse group of private- and public-sector subject matter experts across jurisdictions

The [customer outcomes framework](#), developed by CGAP based on a review of several outcomes-based frameworks, guided the initial research process into the metrics and evidence that would be required to meet the conditions of customer outcomes statements* for all types of FSPs operating across all jurisdictions.

Customer outcomes framework



Suitability



Choice



Fairness
and respect



Voice



Safety
and security



Meeting the
customer's
purpose

Research: Metrics and evidence required

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proposed metrics and proxies, based on desk research of FSP and regulatory initiatives and interviews with global experts

This process was followed by an inclusive workshop and ongoing collaboration with all stakeholders, which contributed to the refinement of initial hypotheses.

Collaboration and co-development

- Authorities
- FSPs
- Funders and investors
- Researchers
- Consumer protection initiatives and standard setters

Refinement and rationalization

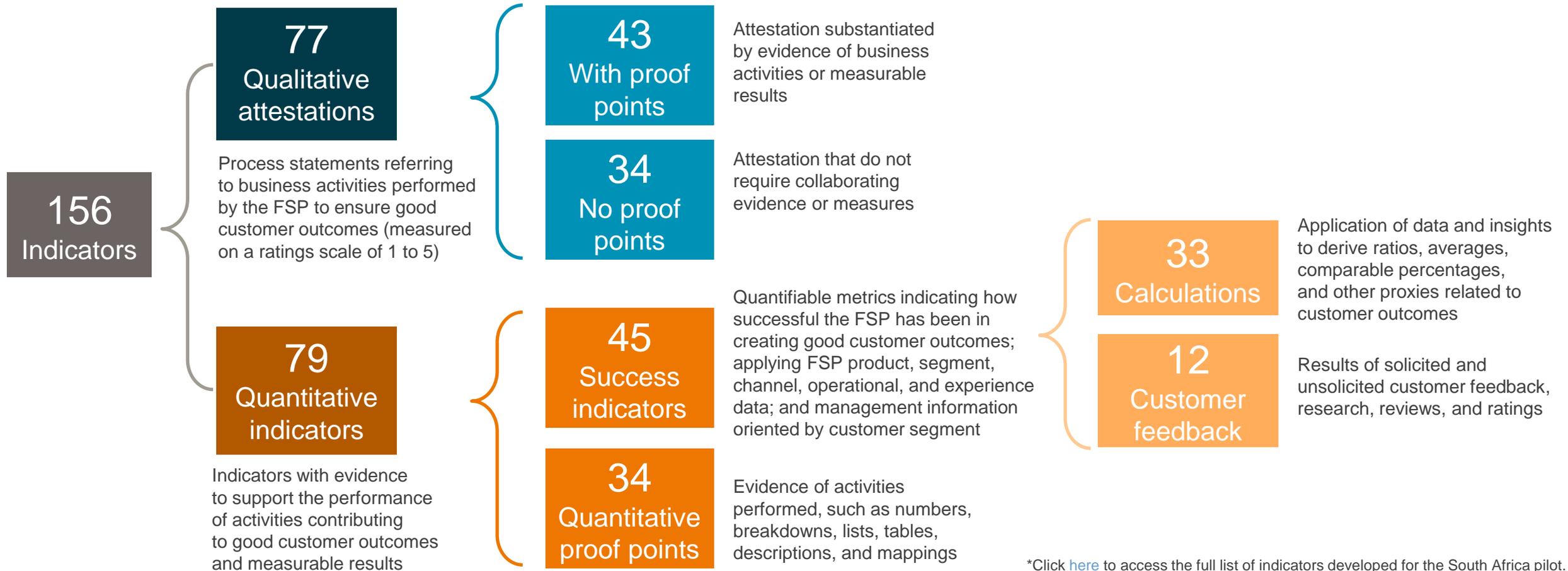
156

unique indicators identified, based on collated input from collaborators

*See [Annex](#) to learn about the translation of customer outcomes statements into measurable elements and indicators.

THE FULL LIST OF CUSTOMER OUTCOMES INDICATORS CONSISTS OF 156 INDICATORS*

77 qualitative indicators deemed attestations or process statements and 79 quantitative indicators



*Click [here](#) to access the full list of indicators developed for the South Africa pilot.

SOUTH AFRICA WAS SELECTED TO PILOT THE CUSTOMER OUTCOMES INDICATOR FRAMEWORK

South Africa had participated in the global consultation process

Objective: Test the validity and feasibility of indicators and FSPs' ability to gather the required data.

Prerequisite: Ongoing dialogue between authorities and FSPs in the context of implementing a customer outcomes-based approach (under TCF).

Partners: Five FSPs (insurers and full-service retail banks), market conduct authority (especially regulatory and supervisory staff), experts (research experts on data and customer experience).



Planned pilot steps and partners involved



HOW WAS CGAP'S CUSTOMER OUTCOMES INDICATOR FRAMEWORK PILOTED IN SOUTH AFRICA?

An in-depth look at activities within the pilot's first three steps

1. Determine customer outcomes relevant to the context

CGAP mapped customer outcomes identified in its global research to outcomes stipulated by South Africa's TCF approach.

CGAP also looked at how TCF was being translated into regulation (e.g., the proposed Conduct of Financial Institutions [COFI] Bill).

CGAP held discussions with authorities, FSPs, consumer representatives, and experts in South Africa to gather feedback on outcomes relevant to the pilot.

Relevant identified outcomes (Suitability, Choice, Fairness and Respect, and Voice) together contribute to "meeting the customer's purpose." Safety and security metrics were deprioritized in the South Africa context as they were well covered by other regulatory requirements.

2. Refine customer outcomes statements into measures

CGAP engaged five FSPs of different types and sizes in South Africa to understand if (and how) they monitor TCF and measure customer outcomes.

CGAP reviewed the authority's conduct of business returns and other data sources used to monitor market conduct. CGAP also collected feedback from the authority and FSPs around an indicative list of possible indicators*.

3. Identify, pretest, and select priority composite indicators

CGAP grouped the initial list of 156 indicators into three categories: current, possible, and aspirational.

Among the 79 quantitative indicators, CGAP prioritized 20 of the 45 "success indicators" as the best proxies for the South Africa context, based on the most prevalent and recurring issues and risks customers face and data FSPs could possibly collect. The list included both current and possible indicators.

Prioritization criteria included (see [slide 20](#) for details):

- (i) Relevant to customer and FSP
- (ii) Verifiable and evidence-based
- (iii) Measurable and practical
- (iv) Trackable over time
- (v) Traceable to business units
- (vi) Aggregable at the sector level
- (vii) Comparable
- (viii) Country or market context-specific

*See [Annex](#) to learn about the translation of customer outcomes statements into measurable elements and indicators.

THE 20 INDICATORS PRIORITIZED IN THE SOUTH AFRICA CONTEXT WERE SELECTED BASED ON THE INSIGHTS THEY PROVIDE

These insights makes it possible to measure and monitor customer outcomes

- **Relevant to customer and FSP.** Indicators are oriented to the customer's perspective, building on the definitions of customer outcomes and reflecting elements that pose potential risks to customers as reflected by the market situation. Indicators also focus on data and variables* within the FSP's control.
- **Verifiable and evidence-based.** Data and other proof points support claims or statements about customer-centric business practices.
- **Measurable and practical.** The underlying variables that make up the main indicators are quantitative and FSPs can feasibly extract data.
- **Trackable over time.** Monitoring changes in indicator results from one reporting period to the next allows users to assess improvements and deteriorations.
- **Traceable to business units.** Data is traceable to business practices and/or functional units.
- **Aggregable at the sector level.** Indicators aggregate data from all functional areas and product houses at the customer segment level to reflect the results of the FSP as a whole in facilitating calculation of benchmarks and industry averages/norms.
- **Comparable.** Indicators are customer-centric, allowing FSPs to compare their own results against industry benchmarks, averages, or norms at the customer level rather than the disaggregated product level.
- **Country or market context-specific.** The selection exercise involving country insights and relevant stakeholders resulted in the most appropriate prioritized indicators for the context.

*See [Annex](#) to learn more about the construction of indicators and the application of data to calculate them.

THIS IS THE INDICATOR FRAMEWORK USING THE TOP 20 INDICATORS THAT EMERGED FROM THE SOUTH AFRICA PILOT

The 20 indicators are organized into five objectives of a recommended FSP strategy for measuring good customer outcomes

Indicators measuring Suitability, Choice, Fairness and Respect and Voice contribute to “meeting the customer’s purpose”. Though they are measured by different functional areas, they are linked and interpreted holistically to convey a customer-impact story. To learn more, access the [full list of indicators](#) developed for the South Africa pilot.

OBJECTIVE I
Understanding customer segments and involvement:
 Snapshot overview of the customer landscape within the FSP allows for context to guide the interpretation of subsequent indicators

Suitability

1. Segment inflows and outflows
2. Financial vulnerability
3. Cross-sell
4. Charges in relation to customer income



OBJECTIVE II
Optimizing product delivery and longevity: Customers will retain and use products over time if the products—and the way they are sold—are suitable based on their needs

Suitability

5. Not-taken-up ratios
6. Dormancy and lapse ratios
7. Tenure of products
8. Performance indicators for sales consultants



OBJECTIVE III
Minimizing erosion of income and benefits: Customers expect products to work as intended and to derive their benefits, whilst being protected from loss of funds

Fairness and respect

11. Penalty fees and losses incurred by customers
12. Contacting customers, risk/loss alerts
16. Unclaimed balances and benefits
17. Claims ratio, payouts, maturity and renewals



OBJECTIVE IV
Lowering cost to serve without sacrificing service: Customers are guided to use lower-cost channels offered with a level of care and service as equally favorable as that for other channels

Choice

9. Rate of non-face to face confirmation of consents

Fairness and respect

13. Staff incentives for digital help and education
14. Cost to customer, waiting time
15. Cost to customer, digital



OBJECTIVE V
Listening and responding to customers: When customers need to raise questions, communicate service failures or leave, the FSP should have the operational ability and intent to help

Choice

10. Switching and closing costs

Voice

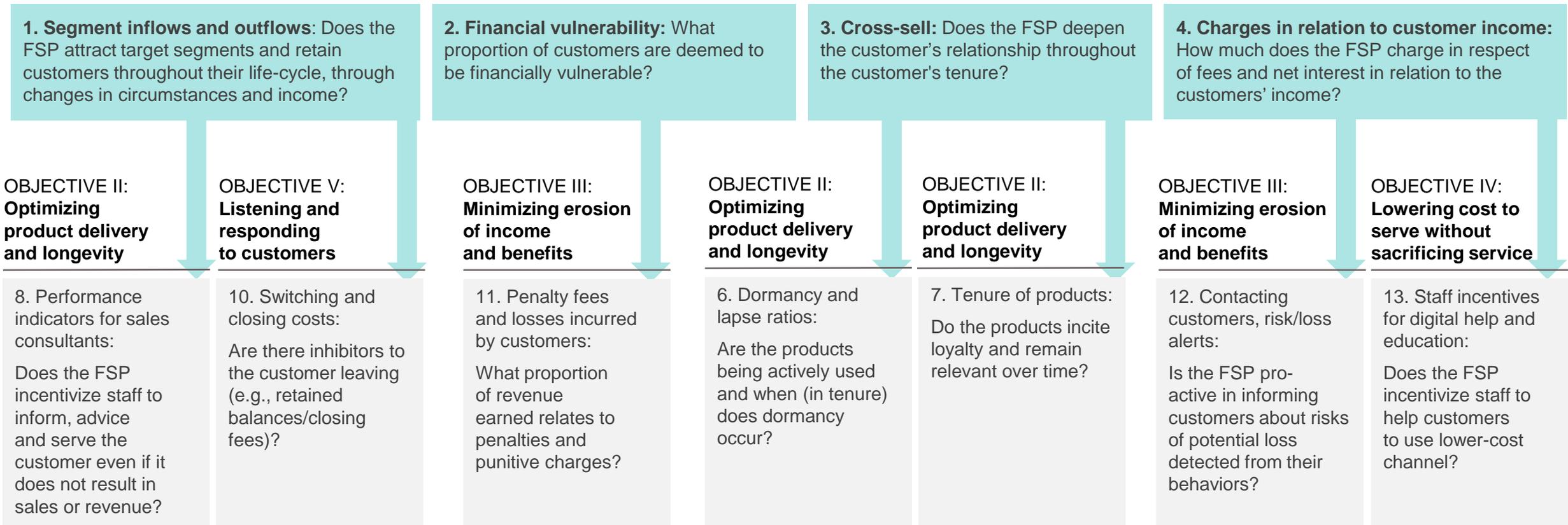
18. Cost to customer, using voice channels
19. Root causes of Top 10 complaints
20. Resolution, routing and escalation of complaints



THE TOP 20 INDICATORS WORK TOGETHER FOR A HOLISTIC INTERPRETATION

Using objective I of the recommended FSP strategy as a starting point, this graphic depicts examples of other Top 20 Indicators that have linkages to other objectives, since these results impact the interpretation of good and bad outcomes as they probe into deeper, underlying activities, causes and effects.

OBJECTIVE I: Understanding customer segments and involvement



Note: There are further linkages with other indicators outside of the Top 20, Quantitative Proof Points and Customer Feedback indicators

WHAT DO THE TOP 20 INDICATORS REVEAL?

The top 20 indicators provide different insights into achieving customer outcomes within the five objectives of the recommended FSP strategy

OBJECTIVE I: Understanding customer segments and involvement

- Rate of attracting, retaining, and progressing customers across segments
- Proportion of customers deemed financially vulnerable and therefore requiring specific care
- Deepening the customer relationship by meeting their needs through multiple products
- The relative charges customers incur as a result of involvement

OBJECTIVE II: Optimizing product delivery and longevity

- How long customers hold products indicates whether their needs are being met; however, this is subject to products actively used
- Customers who opt out of the onboarding process reflect choice, a lack of suitability, or other pain points in the process
- Sale consultants should be guided to avoid mis-selling by selling the right products to the right customers

OBJECTIVE III: Minimizing erosion of income and benefits

- Punitive charges indicate distress, lack of knowledge, or wrong products while informing customers on how to avoid risk indicates customer care
- Payouts in accordance with rules indicate that benefits are derived; renewals

indicate longer-term value

- Efforts to “return” funds to dormant customers indicate a high degree of care and protection, applicable to accounts with unclaimed balances

OBJECTIVE IV: Lowering cost to serve without sacrificing service

- Customers who consent to take up products on self-service channels should benefit from the same standards as those on other channels
- Customer care staff should be guided to help customers safely use digital interfaces
- Since customers incur tangible costs to use digital interfaces, FSPs that limit those costs help customers
- The intangible opportunity cost of waiting is a proxy for the cost of lost time

OBJECTIVE V: Listening and responding to customers

- Making the ability to contact the FSP as inexpensive as possible, especially for claims and complaints, indicates customer care
- Analyzing, understanding, and addressing the cause of complaints and their handling indicates that the customer voice has been heard
- Helping the customer leave without imposing exit barriers indicates customer care, regardless of tenure

THE INDICATORS FRAMEWORK CAN PROVIDE A DEEPER UNDERSTANDING OF CONSUMERS' FINANCIAL SITUATIONS

As demonstrated by the South Africa pilot

The unique features of a customer outcomes-based indicator framework include:

- Following customers' financial services journey
- Focusing on customer segments
- Obtaining a holistic view of customers at the portfolio level

Customer outcomes indicators are based on activities and behaviors FSPs can detect and measure. They are best explained by *personas*: illustrations of typical customers created to show how indicators may be interpreted in real-life examples. While data for developing personas or archetypes is collected at the segment level rather than the individual customer level, personas help explain prevalent issues and scenarios that are representative of a segment. While not perfect representations,

personas help both authorities and FSPs to continuously shift their mindset toward customer outcomes.

We have selected one persona to explain how the indicators work: “Brenda,” a domestic helper in South Africa, earns less than ZAR 2,000 per month. Her income band is representative of approximately 63 percent of the South African adult banked population ([FinScope 2016](#)).

The scenarios applied to Brenda's situation in the following two slides were informed by Step 1 of the pilot (i.e., insights gathered from the FSCA, FSPs, experts, and consumer representatives). The Brenda persona, therefore, captures the highly prevalent issues this market segment faces (e.g., underemployment, drops in income, resultant changes in product needs, declines in usage).

EXAMPLE OF OUTCOMES MEASUREMENT ON A SOUTH AFRICAN CONSUMER

Meet Brenda and listen to her story of financial stress



Click speaker icon to listen to the financial story of Brenda, a 48-year-old domestic helper.

Brenda recently lost her full-time job as a domestic helper after 10 years and now does part-time work but is earning far less than before.

She has missed insurance premium payments and runs the risk of lapse.

The products she holds no longer meet her changed needs.

Brenda's financial overview	Detectable and measurable data by FSP
Onboarded with four products incurring fees for services she is not using	Income deposited and changes Number and type of products held Service and usage fees charged
Missed three insurance premium payments	Missed premiums, penalties/lost benefits, lapses
Spends between one to two hours at the branch during working hours	Estimated queue and teller/counter time

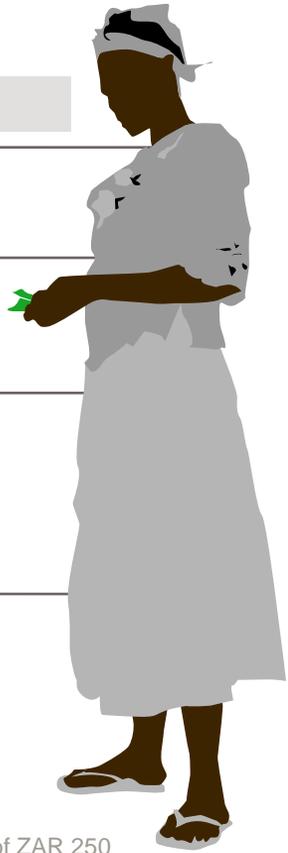
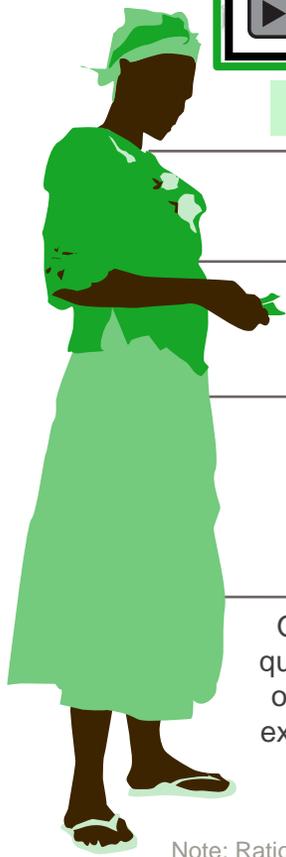
FSP data allows the FSP to notice that something is not right. The data points in the right-hand column are measurable and detectable by the FSP, used and tracked by the FSP for operational purposes.

HOW CAN INDICATORS MEASURE DETECTABLE EVENTS?

This is how Brenda's activities and behaviors with an FSP translate into measurable proxies



Given the significant deviations from the norm (or average for the segment), Brenda and other similar customers would appear in exception reports that highlight the need for corrective measures.



BRENDA	KPI	CUSTOMERS IN BRENDA'S INCOME SEGMENT
4 FSP products	Cross sell (average number of products)	Typically, customers in her income segment have 1.5 FSP products.
Brenda isn't using 3 of the 4 products	Dormancy and lapse ratios	Typically, customers in her income segment do not use 0.5 out of 1.5 of their products.
Brenda pays ZAR 142 (or 7% of her income) in fees per month.	Charges in relation to income earned	Customers in her income segment typically pay ZAR 38 (or 2% of their income) in fees per month. Typical account is basic pay-as-you-transact, not fee-based.
One hour waiting in a branch queue costs her ZAR 31 (13% of day rate). Waiting time can exceed 90 minutes depending on the time of month or day.	Cost to customer in ZAR per minute for waiting in a branch queue	Brenda's income segment typically spends only 20 minutes waiting at a bank branch which costs ZAR 10 (4% of day rate).

Note: Ratios are based on mock data for explanatory purposes for a customer earning an average income of ZAR 2,000 (c133 USD) per month, working two days per week at a daily rate of ZAR 250

III. What lessons emerged from piloting a customer outcomes indicator framework in South Africa?

FEEDBACK FROM FSPs PILOTING A CUSTOMER OUTCOMES INDICATOR FRAMEWORK IN SOUTH AFRICA

Key takeaway: Data can be collected but requires adoption of processes and buy-in across the organization

CGAP requested that FSPs in the pilot provide the data points required by the top 20 indicators. On average, they provided only a third of the data points. Data for indicators on “understanding customers” and “product delivery and longevity” was relatively more readily available. Data collected during the pilot was insufficient to create a pilot group average to measure against individual FSP performance.

FSPs confirmed that data for all 20 indicators is available but not always easily accessible because it needs to be pulled from different sources within the organization (e.g., the customer experience, data, finance, and compliance teams). As data is mostly organized by product, it is more difficult to extract and combine by customer or segment. As an alternative, FSPs can share data with limited levels of customer segmentation in the short term.

Buy-in across the FSP is required for data collection to holistically work:

- All business units need to understand the rationale for data collection and be incentivized to contribute to it
- Time and resources are essential, especially for data sources that are not pulled on a regular basis
- Protocol for pulling data is important to ensure routine data collection over time

The CGAP input model broke down the top 20 indicators into 63 data points. This may have complicated matters for some FSPs. An alternative would have been to have FSPs share their interpretation of the top 20 indicators and explain how they arrived there.

Product-specific terminology created some confusion. In the future, it is crucial to ensure that FSP staff understand the relevance of indicators for their product lines.

FSPs appreciated CGAP’s reference materials, which helped operational teams better understand the rationale of the data requests. Materials included mock-up data submissions and narratives, plus interpretations of indicators.

The bottom line is that data can be collected and is considered meaningful but requires processes and buy-in across the FSP to ensure that it happens.

Data set-up and re-use: Once data is set up according to select indicator requirements, data extract queries can be retained in the structure and simply be updated or refreshed, making the process simple and more efficient for subsequent analyses.

ADDITIONAL FEEDBACK FROM FSPs PILOTING A CUSTOMER OUTCOMES INDICATOR FRAMEWORK IN SOUTH AFRICA

” POSITIVE

Retail bank that segments

“I fully understand the objective. We are in the process of doing a very similar exercise where we are creating a data cube that links product, customer, and operational data to be able to measure businesses at a customer portfolio view. We have almost all of these data points.”

Retail bank that segments

“The comparable (linked) indicators and the narrative is definitely something we found most useful. We can learn from this. I can take to my board to explain what the numbers tell.”

Retail bank that does not segment

“We found the section on understanding customer segments and involvement useful.”

Big insurer

“This framework resonates very well with me in customer experience. We find it hard to measure how well we are doing or how we are impacting the customer because of the lack of quantifiable customer metrics.”

Big insurer

“While collecting the data I have already requested that certain product information be incorporated into customer conducts analyses. I find individual indicators within the framework useful and plan to look back at the list every few months to see where we can continue to improve.”

Small insurer

“We are in a pilot phase of our digital onboarding. Once we gain traction, knowing how processes migrate and what customers need to be educated on, we plan to use some of the metrics proposed.”

” NEGATIVE

Retail bank that segments

“... required more time and for the right people to be involved.”

Big insurer

“I still believe that this is subjective, and that numbers/data alone do not provide a meaningful understanding of the customer.”

Big insurer

“Our area is focused on digital transformation. We would have preferred more focus on digital indicators.”

Big insurer

“The volume of data then becomes prohibitive, with all the time spent on data production and no time left to actually analyze.”

NEDBANK'S FEEDBACK FROM PILOTING A CUSTOMER OUTCOMES INDICATOR FRAMEWORK IN SOUTH AFRICA

“When we prepare our conduct of business returns, we are more than well-equipped to have a meaningful submission”

Saku Veerasamy

Executive, Market Conduct and Risk
Nedbank



[Click](#) to watch the video

What was your experience with the pilot?

At Nedbank, we appreciated:

- Completeness of the metrics to measure customer outcomes, not only aligned and correlated with TCF, but going beyond
- Ability to combine different types of indicators to develop narratives, putting pieces together to tell a full story about achieving customer outcomes

As a result, when we prepare our conduct of business returns, we are more than well-equipped to have a meaningful submission and tell the full story to a regulator or even internally.

FSCA'S FEEDBACK FROM PILOTING A CUSTOMER OUTCOMES INDICATOR FRAMEWORK IN SOUTH AFRICA

An opportunity exists for the FSCA to incentivize FSPs to become customer-centric and track customer outcomes

FSCA sees the possibility of including most of the indicators in their conduct of business returns (i.e., submissions by all FSPs of regulatory reports on their conduct of business).

There is internal dialogue within FSCA to develop a culture focused on customer risks and outcomes, which implies a shift in mindset.

FSCA and FSPs appreciated the opportunity to engage on which elements were practical and meaningful in measuring and monitoring customer outcomes.

Dialogue with FSPs enabled FSCA to gain feedback. When adopting the indicator framework post-pilot, FSCA in return agreed to pay attention to the following issues:

- Evaluate the level of customer segmentation data supervisors need for meaningful analysis of customer experience, product performance, and operations (such as income classification)
- Account for different levels of complexity within FSPs when analyzing and interpreting results, comparing data submissions, and developing benchmarks

Q&A WITH FSCA

Highlights

Kershia Singh

Head of Market, Customer, and Inclusion Research
FSCA



[Click](#) to watch the video



Why did FSCA participate in the pilot?

The CGAP pilot project provided a great opportunity for the relatively new FSCA to test and learn how to go about developing actual metrics and indicators that paint a picture of customer outcomes being produced.

What did FSCA learn?

- The depth of information that can be used to develop insights into customer outcomes in the sector
- Useful insights into how to analyze data to “tell a story” of the customer’s financial service journey and to identify potential risk areas

How does FSCA plan to apply the learnings?

FSCA is in the process of developing a consolidated conduct of business returns document which will embed our outcomes-based approach to regulation and supervision.

What would you recommend other market conduct authorities do?

There are valuable learnings from the project for other regulators who are interested in focusing on customer outcomes, such as the type of information that can be collected from entities, how to analyze data points to tell a story, and how to identify potential risks. Other authorities should identify and test the outcomes that make sense for their jurisdictions and customers.



IV. How can stakeholders in other jurisdictions adopt a similar approach to measuring and monitoring customer outcomes?

RECOMMENDATIONS FOR AUTHORITIES ON IMPLEMENTING A 4-PHASE MEASUREMENT FRAMEWORK

Phase 1: Carry out a pilot, ideally in consultation with FSPs and customer representatives

Goal: Test the validity and feasibility of indicators and the ability of FSPs to gather required data

Develop outcomes and priority indicators

- Develop a framework to relate outcomes and indicators based on desk research
- Gather initial contextual insights and relevant information from FSPs, customer representatives, and market actors
- Develop an extensive list of possible indicators

Set up a pilot exercise

- Select 4–6 FSPs of different institutional and product types; invite them to engage in the pilot
- Gather baseline information on available data by meeting with respective teams
- Engage in an iterative thought process to select priority indicators
- Develop a format to collect data from FSPs in the pilot

Carry out the pilot

- Establish a process for FSP data collection
- Conduct a preliminary workshop with each FSP
- Develop a data collation and aggregation mechanism
- Review and verify all comments, suggestions, and data inputs at the industry level; obtain clarifications or corrections from FSPs
- Schedule working sessions to present results and obtain feedback on what FSPs found beneficial or challenging

Analyze results and opportunities to improve

- Obtain a detailed understanding of data sources and systems from existing FSPs; assess reasons for missing FSP data
- Identify commonalities and crossover; compare with benchmarks if possible
- Aggregate and anonymize results and feedback to discuss with relevant regulators (within the authority or from another authority)
- Develop further guidance and learnings based on pilot results



Indicators developed for the South Africa pilot can be a useful starting point for authorities looking to select priority indicators that fit their local context for a consultative process. [Click here](#) for the full list of indicators.

RECOMMENDATIONS FOR AUTHORITIES ON IMPLEMENTING A 4-PHASE MEASUREMENT FRAMEWORK

Phase 2: Integrate customer outcomes measurement into regulation

Goal: Formally adopt a measurement framework that builds on pilot results by integrating priority indicators into the consumer protection regulatory reporting regime

Determine scope of framework

- Agree among regulators and supervisors on key elements to measure within each outcome, based on pilot results
- Agree on gradual implementation of reporting requirements, setting scope and number of priority indicators based on pilot results
- Discuss application of reporting requirement: all or some FSPs; different FSP types with different requirements

Consider data mapping and strategy

- Map data needs and gaps with supervisory objectives, based on the customer outcomes approach
- Building on data mapping, compare priority indicators with existing regulatory reporting requirements
- Consider developing a data strategy to assess data infrastructure at this stage; build on mapping exercise and evaluate the need for improvement (including a new reporting system)

Update reporting requirement

- Issue or amend regulation requiring FSPs to submit periodic aggregated data reporting of priority indicators and specific data (upon supervisory request)
- Provide a standard template and clear definitions of each variable and indicator

Develop an enforcement regime

- Establish timelines for enforcement and sanctioning regime
- Consider a phased approach, with extended deadlines for initial submissions and for FSPs with limited resources

Create a regulatory feedback process

- Encourage supervisors, FSPs, and other data users to provide feedback
- Regulatory reporting may be updated with better formats, clearer definitions or instructions, or new data requirements to address new issues



Assess the challenges different types of FSPs face when deciding on phased implementation and when providing instructions for regulatory reporting requirements.

RECOMMENDATIONS FOR AUTHORITIES ON IMPLEMENTING A 4-PHASE MEASUREMENT FRAMEWORK

Phase 3: Implement the measurement framework

Goal: Formally integrate customer outcomes monitoring into a broader supervisory approach

Complete an initial comprehensive assessment

- Assess how well FSPs are attaining customer outcomes based on reported indicators. Select outcomes or risks at each FSP that show concerning trends and should be reviewed in depth (e.g., through onsite inspection)
- Analyze trends and sharp changes. Most collected indicators measure data at a certain point in time. However, analyzing how value changes over time as a trend and whether sharp changes are occurring is more important than static value
- Group peers. Identify groups of FSPs that can be analyzed together as peers (e.g., similar size, industry, product, customers), outliers, and trends.
- Benchmark. No initially identified “good” or “bad” benchmark is used for comparison but may be created over time

Strengthen the reporting system

Coordinate among supervisory and IT/data support teams so systems allow data submission by all relevant FSPs and supervisory access to analyzable data with minimum levels of validation and cleaning

Develop outcomes-monitoring capacity

- Develop a plan of supervisory activities that allocates sufficient staff time and resources to build expertise in customer outcomes monitoring as part of a broader supervisory regime, helping to identify and assess FSPs at the highest consumer protection risk
- Establish a team, role, or responsibility that focuses on market-level monitoring and analysis of customer outcomes, including drafting periodic reports
- Encourage the team to do occasional or pilot deep dives on different issues each period, with the liberty to use and connect data from different internal and external sources (e.g., public reports from ombuds, statistics from other authorities, consumer surveys); present results for internal discussion

Discuss findings

- Integrate discussion of findings on customer outcomes monitoring into a broader supervisory framework
- Organize discussion of results of analytical reports among various teams within the authority (e.g., data, licensing, regulation)
- Organize roundtables with industry and consumer representatives to discuss main findings and gathering additional insights on observed trends



Advanced supervisory technology is not critical at an early stage but will be important when more granular unstructured data is collected.

RECOMMENDATIONS FOR AUTHORITIES ON IMPLEMENTING A 4-PHASE MEASUREMENT FRAMEWORK

Phase 4: Assess need for additional data for supervision beyond priority indicators

Goal: Identify additional information supervisors may need to monitor customer outcomes

Assess need for new customer outcomes data

- Carry out a new data needs mapping exercise with supervisory objectives, building on feedback on the priority indicators from supervisors, FSPs, and customer representatives. Identify which additional data could complement the priority indicators—and within what timeframe
- Evaluate which quantitative proof points and nonpriority success indicators supervisors could request from FSPs less frequently (e.g., before onsite inspection, every two or three years)
- Evaluate the use of qualitative attestations as a self-assessment tool FSPs could take to embed customer outcomes into their culture. It could be an annual exercise shared with supervisors as input for inspections or shared with the public for market transparency

Integrate use of non-reporting data

Based on monitoring a team's experience with deep dives and data needs mapping, integrate regular use of select non-reporting data, e.g.:

- Market-level information from other authorities (e.g., prudential authority)
- Segmented information from alternative dispute resolutions on consumer disputes against FSPs to supplement FSP complaints data
- Detailed information from other authorities based on supervisory needs (e.g., payments authority's data on payments disputes or debit order abuses, communications authority's data on quality of mobile transaction services)
- Indicators on consumer access and sentiment

Consider developing a data strategy

- Identify the overall approach to data collection, storage, management, analysis, and visualization within the authority, considering all new data needs for monitoring customer outcomes
- Assess data infrastructure gaps and needs, building on the mapping exercise
- Set priorities for implementing needed improvements
- Carry out a cost–benefit analysis, including the benefits and challenges of implementing a new reporting system or a new supervisory tool, resources needed, as well as an expected implementation budget and timeframe

 Sources other than FSP reporting can help supervisors build customer outcomes capacity and effective supervision.

RECOMMENDATIONS FOR FSPs USING PROXIES FOR CUSTOMER OUTCOMES DATA

The pilot provides insights and learnings on how FSPs can best plan, sequence, and implement the indicator framework, with guidance on how to adopt and adapt the methodology to what is feasible in different jurisdictions

Internal collaboration

- Include functional units and teams capable of providing data or indicator results
- Determine how the customer outcomes indicator framework and methodology can be implemented, based on jurisdiction-specific context
- Clarify objectives by sharing data storyline
- Determine which data can be provided at the customer segment level (vs product/channel/unit level)
- Identify data and variables* already in use and leverage existing reports

Data collection

- Identify data and variables that require new requests/extraction vs existing reports and metrics
- When requesting data, specify customer segment breakdowns
- Enlist data modeling assistance and create an easily updatable structured request
- Allow for lag/turnaround time

Calculation and analysis

- Use calculation input sheet to generate results or to guide individual calculations
- Apply guidance on how linked indicators work together to determine type of outcome
- Input internal goals/targets and/or industry benchmarks, where available
- Compare indicator results to goals and benchmarks

*See [Annex](#) to learn more about the construction of indicators and the application of data to calculate them.

FURTHER RESOURCES

Full list of indicators

https://www.cgap.org/sites/default/files/research_documents/2022_06_Indicators_List_Customers_Based_Outcomes.xlsx

Making Consumer Protection Regulation More Customer Centric

https://www.cgap.org/sites/files/publications/2020_06_WorkingPaper_Making_Consumer_Protection_Regulation_More_Customer_Centric.pdf

Customer Outcomes to Strive For

<https://www.cgap.org/research/reading-deck/customer-outcomes-strive>

It's Time to Change the Equation on Consumer Protection

<https://www.cgap.org/blog/its-time-change-equation-consumer-protection>

CGAP Customer-Centric Guide

<https://www.cgap.org/topics/collections/customer-centric-guide>

Market Monitoring Toolkit

<https://www.cgap.org/MarketMonitoring>

Data Collection by Supervisors of Digital Financial Services

<https://www.cgap.org/research/publication/data-collection-supervisors-digital-financial-services>

The Evolution of the Nature and Scale of DFS Consumer Risks: A Review of Evidence

<https://www.cgap.org/research/slide-deck/evolution-nature-and-scale-dfs-consumer-risks-review-evidence>

Elevating the Collective Consumer Voice in Financial Regulation

<https://www.cgap.org/research/publication/elevating-collective-consumer-voice-financial-regulation>

Annex

CONSTRUCTION OF INDICATORS WITHIN THE FRAMEWORK

How customer outcomes statements were deconstructed and translated into indicators

FSPs currently do not measure outcomes in the manner the framework suggests. However, they do gather data points that can work together to serve as proxies for customer outcomes. Three main steps can be taken to come up with customer outcomes indicators based on available FSP data: (1) Translate customer outcomes

statements into measurable elements, (2) Identify relevant **data** across all products, channels, and other business functions, and (3) Apply data to calculate **variables** for customer-centric indicators. Specific terminology is used throughout the guidance and explanations.

1. TRANSLATE CUSTOMER OUTCOMES STATEMENTS

The Customer Outcome Statement

“Suitability,” for example, “I have access to good quality services that are affordable and appropriate to my needs and situation, and I am protected from predatory practices.”

Main measurable aspects of outcome statement:

- Affordable
- Appropriate to needs
- Access
- Protection from predatory practice

2. IDENTIFY DATA REQUIRED TO CALCULATE VARIABLES

One test for “Affordable,” for example, requires that monthly revenue earned from customers be represented as a percentage of the customer’s personal monthly income.

Data

The data required for this calculation is:

1. Total topline revenue earned per segment relating to all products held, made up of:
 - Net interest income
 - Non-interest revenue
2. Number of customers per segment
3. Median income earned per segment, requires either:
 - High-low range of the segment’s income band, or
 - Results of income-tracking algorithm

3. CALCULATE VARIABLES FOR CUSTOMER-CENTRIC INDICATORS

Variables: Data is used to calculate the variables that make up the indicator. In this example, the indicator “Charges in relation to income” is made up of:

Variable 1. Average revenue earned per customer segment from all products held (total revenue divided by number of customers)



Variable 2. Median or average personal income earned per segment



100



Indicator result. Percentage of personal income paid to FSP per segment

Customer-centric. The indicators yield results at the customer portfolio level instead of independent product levels. In this example, the FSP collects topline revenue data from each product house but aggregated at the customer segment level. The variable used for the indicator accounts for a customer segment’s overall engagement with the FSP (see Notes 1 and 2).

Note 1. FSPs retain the underlying data and calculation of variables at the model’s product level to perform deep dives and diagnostics. Note 2. Generating data per customer segment often requires FSPs to access multiple databases. That proved challenging in the pilot. In the short term, indicators could be calculated with limited data segmentation.

