

Consumer Empowerment Programme Policy Issues

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1 Introducing the Consumer Empowerment Programme

The Consumer Empowerment Programme was created in May 2011 as part of the restructure within Consumer Focus. The creation of the team coincided with the Government's consumer empowerment strategy, *Better Choices, Better Deals*¹. There is a degree of common ground between the work of the team and the Government's empowerment strategy: they are both informed by many of the same trends, dynamics and underlying analyses. However, the team is neither bound by the Government strategy, nor a delivery agent for it. It has developed its own plan of work with the strategy in mind.

As a new team, the Consumer Empowerment Programme has been able to pause and consider the rapid changes that web-based technologies have underpinned in the last decade; and think anew about their implications for consumer empowerment – what it means and what it can be in the 21st Century. This paper outlines the context for the team's work, what we are seeking to achieve and provides examples of projects underway to give a flavour of the team's work. It concludes by posing questions on whether and how elements of the work that is underway should be taken forward by our successors and the wider consumer movement.

2 The context for its work

The context for the work of the Consumer Empowerment Programme arises from a confluence of trends and circumstances:

Legislative & regulatory fixes are firmly off the agenda

The Coalition Agreement included clear statements that regulation was to be cut away rather than added to; and that Government would shun “the bureaucratic levers of the past and find intelligent ways to encourage, support and enable people to make better choices for themselves”². The Government's consumer empowerment strategy, *Better Choices, Better Deals*, echoed these sentiments and approaches. It emphasises that its goals will not be achieved through new legislation or regulation and gives considerable weight to the new ways in which web-enabled consumers can act in their own and fellow consumers' interest, including through greater collaboration. While stubborn problems will undoubtedly persist in regulated markets and new ones will emerge, regulators will have little recourse to new regulation in order to address them.

However, as outlined below, the potential now exists to bring about a much more demanding demand side, by creating contexts where consumers can drive changes in markets through their own actions, in a much more direct and agile way that regulation or legislation has been able to achieve.

¹ <http://www.cabinetoffice.gov.uk/resource-library/better-choices-better-deals>

² The Coalition: our programme for government, 2010: <http://www.cabinetoffice.gov.uk/news/coalition-documents>

Traditional approaches to empowerment are outdated

Traditional approaches to consumer empowerment have fallen within two broad categories: the 'informed consumer' and the 'protected consumer'. The informed consumer, it was hoped, would be better equipped to assess the choices available to them - enabling them to act on information in ways that best reflected their distinct needs, imposing competitive disciplines on markets as a result. In addition, informed consumers are aware of their rights and can assert these when things go wrong. The 'protected consumer' resulted from regulators and legislators looking to either pre-empt detriment in competitive markets, or prohibit the downsides of monopoly provision; and where advocacy bodies have looked to highlight detriment where it does arise, often leading to calls for regulation or legislation to counter persistent problems.

As we advance into the Twenty-First Century new, more powerful forms of empowerment have become possible and their impact has become far-reaching in a short space of time. Market research agency, Forrester, has declared the current era to be the 'Age of the Customer', where a company's success depends on its 'engaging with empowered consumers'³. The statement last summer from Unilever CEO, Paul Polman, that consumers are able to "bring us down in nanoseconds"⁴, gives some indication of the power shift that Forrester is pointing towards.

These changes are resulting from widespread access to social media and related web-based technologies. Connected and part of the conversation, consumers are fast evolving from atomised, passive and voiceless purchasers of goods and services stranded – literally – at the receiving end of mass production, hyped by mass marketing, reaching us through mass media; to active participants in markets through a 'media of the masses'. In the words of one respected commentator, Clay Shirky: "consumers now talk back to businesses and speak out to the general public, and can do so en masse and in coordinated ways."⁵

Business magazine, Forbes has put it in these terms: "[t]his social might is now moving toward your company. We have entered the age of empowered individuals, who use potent new technologies and harness social media to organize themselves."⁶

The following describes four areas where new forms of consumer empowerment are disrupting the status quo:

(1) **Your brands in our hands:** where connected consumers share experiences, feedback and information in ways that, in the words of Nike, make "transparency the new inevitability."⁷ If a brand doesn't live up to its promises, Polman's prophecy comes to pass.

(2) **Get it, together:** where connected consumers aggregate and synchronise their buying power to achieve better value and/or social and environmental goals. High opportunity and transaction costs used to ensure this was difficult to the point of prohibitive, but technology has eroded those costs and ignited an explosion of activity in this space.

³ <http://bit.ly/lwFXeQ>

⁴ <http://on.ft.com/svBw08>

⁵ Shirky, Clay (2008), *Here Comes Everybody – The Power of Organizing without Organizations*, p.179

⁶ *Social Power And The Coming Corporate Revolution*, Forbes, September 2011:

<http://www.forbes.com/sites/teconomy/2011/09/07/social-power-and-the-coming-corporate-revolution/>

⁷ Why Sustainability Reporting Is Revolutionary, Hannah Jones (of Nike), May 2011:

<http://www.ceres.org/press/press-clips/why-sustainability-reporting-is-revolutionary>

(3) **We can do this:** where the growth of peer-to-peer marketplaces and collaboration is posing a challenge to incumbent providers in some sectors –Zopa, the peer-to-peer lending platform being one such example.

(4) **There's an app for that:** as the use of web enabled devices becomes widespread, an industry is growing up around 'app' development. These are tools that can simplify, increase convenience, and help manage our consumer interactions and transactions. While conventional 'choice tools', such as price comparison sites, are well established examples, the potential goes much, much further. We are already seeing the emergence of 'app' services that take the hassle out of complaining and seeking compensation, or help us budget, or make it easier to understand how ethical, green or healthy our consumption habits are, for example.

A better understanding of the consumer condition

Alongside these changes, there is an increased understanding about what shapes our behaviour as consumers, which is challenging established economic orthodoxies. The rational economic man who took advantage of perfect information and low search costs to maximise his own utility, is, it seems, an anomaly rather than the norm. In his place behavioural economics, which seeks to combine the lessons from psychology with the laws of economics, has moved from a fringe activity to one that is increasingly familiar and accepted in the UK.⁸

The main insight of behavioural economics is that our behaviour is not guided by perfect logic that can analyse the cost-benefits of every action. Instead, it is led by our very human, sociable, emotional and sometimes fallible brain. Behavioural economics recognises that people are sometimes seemingly irrational and inconsistent in their choices, often because they are influenced by surrounding factors.

This differs from the rational choice model favoured by traditional economic theory which focuses on the importance of providing facts and information so people can analyse the costs and benefits to arrive at action that reflects their best interests.

Behavioural biases are intensified by the nature of contemporary society. We inhabit a world that is information rich, but where we as consumers are time poor. A study in 2008 found that American households are bombarded by 34 gigabytes of information per person per day⁹. The European Commission¹⁰ last year reported that we spend on average only 3.2 hours a week on all consumer tasks - less than half an hour per day. Against this backdrop, greater consumer empowerment will not be achieved through measures that increase information flows or require additional time. Rather, empowerment *has* to be achieved through enabling consumers to use those 3.2 hours most effectively, and in ways that cut through, rather than add to, the background noise. What's more, evidence from behavioural economics indicates that: *"providing information per se often has surprisingly modest and sometimes even unintended impacts when it attempts to change individuals behaviour – at least when viewed through the conventional rational model of behaviour.."*¹¹

⁸ See, for example: Prime Minister's Strategy Unit (2004) Personal Responsibility and Behaviour Change; New Economics Foundation (2005) Behavioural Economics: Seven Principles for Policy Makers; Lewis (2007) States of Reason: Freedom, responsibility and the governing of behaviour change; Social Market Foundation (2008) Creatures of Habit? The Art of Behavioural Change; Thaler and Sunstein (2008) Nudge: Improving decisions about health, wealth and happiness; Mulgan (2009) Influencing Public Behaviour to Improve Health and Wellbeing; Policy Studies Institute (2009) Designing policy to influence consumers.

⁹ Research by the University of California in San Diego in 2008, cited in the *Economist*, 27th April 2011:

++Link++

¹⁰ European Commission Empowerment report reference

¹¹ Mindspace full doc. P15: <http://www.instituteforgovernment.org.uk/publications/2/>

As the European Commission rightly noted, in order to ensure consumer empowerment “in the face of the growing information overload and increasing lack of time for shopping, new shortcuts and comparison tools need to be found.”¹²

The challenge of new consumer empowerment for consumer organisations

Up until recently, the mission of consumer bodies has been clear: work on behalf of consumers to expose problems, propose solutions and ensure government, regulators and business took heed.

But, as indicated above, new forms of empowerment are challenging the established order, including the role of consumer bodies. Indeed, a question that Consumer Focus and all ‘establishment’ consumer bodies should give careful consideration to is: in an era where consumers have a voice and are not afraid to use it, what’s the role of a body that claims to be *the* voice of the consumer?

Furthermore, up until this point none of the dynamic new approaches to consumer empowerment outlined here can be traced back to the consumer ‘establishment’. Instead, their origins are with entrepreneurs who have capitalised on the opportunity to offer intermediary platforms that make new approaches possible; or with civic-minded developers, such as mysociety.org in the UK; or, as with Australia’s Vodafail¹³, consumers capitalising on the opportunity to speak back directly and with real impact.

This does not mean the traditional consumer body is surplus to requirements. In an age of consumer voice, many remain voiceless and in need of representation. There’s also an ongoing need to fight the consumer corner when complex decisions are made in regulated markets, especially long-term policy decisions.

But consumer organisations need to react to the new consumer realities by extending our capabilities to harness new opportunities for tackling old problems, and do so in ways that see us collaborate with and work through the actions and decisions of consumers themselves. Otherwise, that ‘traditional’ prefix will challenge our relevance, as more fleet-footed, innovative actors become directly useful to consumers and start to command the space.

However, amidst rapid change and immense potential for good, there are fast emerging risks and potential for new detriment

Technology that presents new opportunities also presents new risks. As mentioned above, the internet and new technologies have made powerful new approaches to consumer empowerment possible and, on balance, have brought significant benefits to consumers. However, these benefits are not unqualified. There are / will be real and potential downsides too that need to be identified and dealt with proactively to head off or avoid the potential detriments before they do too much damage or become too entrenched in the system.

There are many digital detriments emerging such as the role and exploitation of personal data in modern commerce, which are still new. People are struggling to understand their implications; they involve conflicting interests, values and agendas which can only be resolved by a society-wide debate. Others, such as sharp practice in e-commerce, are simply old tricks reinvented for new times and contexts, a by-product of a still immature market. Nevertheless, they still need addressing.

¹² *Consumer Empowerment in the EU*, European Commission, April 2011

¹³ <http://www.vodafail.com/>

3 What purpose does the Consumer Empowerment Programme serve?

As outlined above, in the space of a decade web based technologies and - perhaps more accurately - the consumer and citizen behaviours they support and amplify have come to disrupt the established order in almost every sphere. Against this backdrop, the work of the Consumer Empowerment Programme serves a number of interlinking purposes.

Our initial objective has been to analyse the forces highlighted here with a view to better understanding their implications, both for Consumer Focus and the 'establishment' consumer movement in two respects: (1) in terms of the opportunities they present for achieving our aims; and (2) the ways in which they affect the mission and approach of 'establishment' consumer bodies. As described below, we have also sought to look beyond the positive potential to identify the new forms of detriment that arise from the ways in which supply side actors utilise these new technologies.

Building on this understanding, we have sought to rethink what our approach to consumer empowerment is, can be. For example, in addition to the projects profiled below, the team is working on projects around:

- Whether 'citizen reporting' can be combined with interactive mapping technologies to create real time intelligence on instances of consumer detriment (potentially in ways that enable Consumer Focus to track problems as they emerge with the smart meter roll out, or in ways that would assist Trading Standards in targeting enforcement action more efficiently).
- Ways in which user generated content can bring greater transparency to and assist consumer decision making in the care home sector.
- Whether the propensity for easy group forming that social media enables can be utilised to develop a proxy class action mechanism, whereby common instances of detriment are aggregated in ways that create a greater pressure for the company in question to resolve the issue than consumers pursuing a complaint in isolation can create.
- Working with the developer community who are building tools based on HMG's open data to help them think about designing practical data driven tools that meet consumer need.

In a number of instances our approach looks to move beyond the conventional *hypothesis* → *research* → *report* → *recommendations* → *influence* → *regulation / legislation / provider commitment* mode of working. In its place, and as the projects listed here suggest, we have sought to utilise our understanding of contemporary forms of consumer empowerment to develop new solutions to ingrained old problems. To this end we are looking to develop prototypes of practical tools that will make it straightforward for consumers to bring about change through their actions, rather than relying on regulation or legislation. To this end, we have a close working relationship with CF Labs.

By working in this way, the Consumer Empowerment Programme is playing an important thought leadership role. We are bringing the opportunities and challenges inherent in new forms of empowerment to the attention of the wider consumer family and creating a platform that our successors and others working in the interests of consumers can build upon. In addition, our work around new forms of detriment will make the running on these issues, in ways that prompt others to begin to consider the risks of the near future and how best to pre-empt them, rather than playing catch up once they surface.

We are also playing an important bridge building role by reaching out and forming mutually beneficial connections and relationships with the individuals and agencies that are active in the arena of contemporary consumer empowerment.

4 A flavour of the Consumer Empowerment Programme's work

Collective switching

The Consumer Empowerment Programme is building the case for the option of collective switching to be available to consumers. Collective switching would offer consumers a new route to better value in markets. Put simply, it would achieve this by providing consumers with the opportunity to:

- (i) group with their peers and aggregate individual demand into a coordinated block of market share that is committed to acting in concert;
- (ii) leverage the group's combined buying power by offering up the block to providers in a market, in a way that compels those providers to compete against each other for the custom of the group and, in so doing, secure value for participating consumers that is greater than they are able to achieve by acting in isolation; and
- (iii) once the most competitive offer is identified, make a synchronised switch, whereby the group migrates en masse to the provider who has made the best offer to the group.

Collective switching is made possible by the group forming qualities inherent in social media technologies. Prior to social media, the opportunity and transaction costs associated with large-scale group formation and the coordination and undertaking of group action were prohibitive. The approach we propose would not have been possible even a decade ago.

Under the model we envisage, an online intermediary platform (or platforms) would offer a collective switching service to consumers. The platform(s) would work in their interests in certain markets, operating a hybrid service that comprises three distinct roles:

- An *Intermediary*, who aggregates the individual demand of participating consumers and uses this to make a much more powerful expression of demand to the supply side of a market.
- A *Broker*, who leverages the aggregated demand to secure better value on behalf of participating consumers; and who operates the process by which this is achieved.
- An *Attorney* (in the 'power of' sense), who instigates and coordinates the mass switch.

Digital detriment

Digital technology is now pervasive in people's lives. The range of products and services online is expanding. Opportunities to interact in different ways with companies, service providers, communities, friends, colleagues and other individuals are growing online. New devices and platforms such as smart phones are changing when, how and where consumers interact, use services and access information.

Whilst many of the benefits and opportunities of these developments for consumers have been documented, there has been less focus on the potential risks, challenges and 'detriments' of engaging in this new world. This project will help to identify what these issues might be and how they could be alleviated. Consumer organisations have typically been reactive on consumer protection issues. This project will allow us (and others) to be more proactive in consumer protection issues and prevent detriment from the outset by identifying and addressing its sources before they become widespread problems, as the transition to the digital economy gathers pace.

There are two main research elements of the project. Firstly is a piece of horizon scanning work that has created a list of the potential 'digital detriments' to consumers in the medium term future (from now until approximately 2016, a 5 year period). We will be engaging with experts to test this list and help to prioritise and assess the potential impacts of the detriment before deciding which issues to take forward. The second part of the research is the creation of a database of collaborative engagement methods This covers the use of digital tools and channels that can help mobilise consumers in any form of participation, such as around an issue or in order for them to make more informed decisions. Its purpose is to allow us and other organisations to look at new opportunities on engaging and empowering consumers in order to facilitate their involvement in the debate around what the increased expansion of the digital world means for consumers.

The evolution of online public services

As Government accelerates towards a world of public services that are digital by default, is this going to deliver the kind of digital services that move the public with them? Or does the drive to shift people towards digital channels in order to unlock the savings they offer risk being a false economy, unless the online proposition reflects the expectations and priorities of real users? And how does customer perception of these issues vary across different customer groups and services?

To address these timely and important questions we have worked with social design agency, Thinkpublic, to complete detailed, qualitative research into some of the fundamental questions and issues that users of digital public services are interested in. This work has resulted in the first independent report on what the public want from online public services, with the suite of outputs including a short film of people discussing their views on the issue and a "Manifesto for Online Public Services", which sets out eight clear guiding principles to be placed at the heart of online service design.

We are launching this work at the end of January with a workshop that will bring together the heads of digital from a range of government departments, the newly launched Government Digital Services, the civic focused developer community, leading private sector IT contractors and consumer interest organisations, to discuss the works findings and implications. The work is also being presented on the Consumer Focus website in a way that will facilitate debate of and comment on the issues raised.

5 Questions to the Board for discussion

- 1 What elements of this programme offer greatest value (both in terms of achieving our aims for consumers and in terms of recognition for the role CF plays)?
- 2 Are dimensions of this work salient to the aims of an RIU?
- 3 Should the RIU seek to embed elements of the approach to work taken by the Consumer Empowerment Programme? Are there reputational risks for the RIU if, as a body working on behalf of consumers, it misses new opportunities to connect an collaborate with them?
- 4 Does this forward thinking work risk being lost with demise of Consumer Focus? Does that matter?
- 5 How important is it that our successors take heed of the learning and insight that this Programme is producing?