

# **Applying the Learning from Customer Empowerment Models Operating in Other Industries to the Post-16 Employment and Skills Sector**

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The views expressed are those of the authors and do not necessarily represent those of the UK Commission for Employment and Skills.

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# Executive summary

This paper explains the models of customer empowerment in operation in the UK and considers how they operate in ten different sectors. Its purpose is to inform the debate and provide advice around the subject of empowering customers of the skills and employment system as set out in the UK Commission's paper Towards Ambition 2020: Skills, Jobs, Growth.

The principle of empowerment in further education (FE) must be that customers (learners and employers) can make informed decisions based on information that takes account of input from 'consumers' of the service. Various conclusions and policy implications are drawn in the Paper. The authors' top ten are these:

## Point 1

Eight distinct models of customer empowerment emerged from our analysis. They cover the full spectrum of ways in which the 'customer voice' can be heard and represented:

1. **Customer driven** – Empowered customers directly sharing with each other how they rate the product/service
2. **Market driven** – League tables using panels/surveys of consumers; often sponsored by interest or media groups
3. **Marketing driven** – Customers of businesses (mostly eCommerce sites) are asked to rate/review their purchases or consumption for all to see
4. **Market research or Customer Relationship Management (CRM) data-driven** – Companies solicit feedback via market research or CRM (e.g. in call centres) processes and use it to modify their products, propositions, prices, communications or delivery processes
5. **Government driven** – Organisations/Departments are required by law to publish key performance figures and ratings (may or may not be compiled into tables)
6. **Regulator driven** – Government-directed Regulator administers scheme to compile and publish
7. **Self-regulated** – Figures voluntarily published by an industry association or self regulating body
8. **Self-declared** – Extra information that businesses publish about their performance or operation e.g. to endorse CSR or green credentials.

## Point 2

The Customer driven model (1) is likely to grow and gain a louder voice in relation to FE. It undoubtedly provides a forum for the qualitative perceptions of learners and employers. This is one area where "undirected" views can be gathered. This model cannot be overlooked or ignored because it is emerging by itself.

## Point 3

The Marketing driven model (3) provides mass, detailed, specific and timely information. As it is also relatively low-cost, it should be strongly considered as a route to implement our objective.

## Point 4

The Regulator driven model (6) is most akin to the role of Ofsted in FE. Both this and the Government driven model (5) have proved very effective in driving change. However, this is related more to associated punitive or incentive powers or taxation than to the customer empowerment element. Indeed, the models go against the key aim of “Reducing monitoring and audit requirements to the absolute minimum necessary for maintaining public confidence” and would be expensive to establish and manage.

## Point 5

Currently, the FE sector tends to operate at the ‘controlled’ end of the customer empowerment model scale (models 5, 6 & 7).

## Point 6

The financial services sector has both simple and complex products, as does FE. The financial services (FS) sector uses intermediaries for complex products. The role of IAG (information, advice & guidance) brokers, amongst others, will need considering when considering empowerment of learners and employers.

## Point 7

In the food, auto and white goods sectors, the key labelling issues are low consumer usage and understanding of information. Strategies are needed to improve usage and understanding of information. Otherwise, expensive systems may be set up which do not achieve value for money.

## Point 8

Large-scale surveys are used in the automotive and rail sectors. In both, matters of concern to customers have been improved by suppliers. These range from individual products (e.g. reliability of specific car models) to the performance of a whole company (e.g. timekeeping). A similar approach could be used in FE.

## Point 9

In the telecoms sector there are good comparison sites, some of which are accredited by the regulator. In the FE context, who will monitor information that is provided for the public and should it be accredited by an independent body/regulator? Complaint management is a central focus of regulation in the telecommunications sector (and in financial services and policing). Should complaint management be part of the customer empowerment, both in terms of how complaints are handled and how they are used to effect improvements? If so, how should this be done? To what extent are complaints an issue in the FE sector and is the extent of dissatisfaction known?

## Point 10

In many ways, the section on Health describes a situation that is most closely related to what currently happens in FE. Much data is collected but it is not widely known about or used nor presented in a user-friendly way. Most is statistical and as we state later “it loses all the human and emotional elements of the customer experience”. True empowerment must reflect experience as well as facts. How this should be done on a large scale is an issue that needs resolving.

## What are the potential benefits for the Further Education sector in adopting course labelling and what might be needed for it to happen?

A system which enables customers, both employers and students, to identify the “best course for them” has clear advantages for consumers and also has advantages for the learning and skills sector and its providers. It could for example, reward providers for their investment in quality improvement arrangements, student support and customer care. Excellent areas within a good but not outstanding provider could be given the credit they deserve rather than getting ‘lost’ in an overall inspection grade. Additionally the quality, relevance and scope of what is delivered by the learning and skills sector could be made more explicit and thus promote the sector overall and support the argument for return on investment.

There is some scope for believing that use of public labelling could drive improvements in outcomes. Provided that an appropriate approach is adopted, there could be both quantitative and qualitative, externally validated, information for all customers. This would enable customers to choose on the basis of comparable evidence that is easy to access, understand and act upon. If it is assumed that clear information for customers is a sound basis for driving improvements then the issues that need addressing to make this a reality must be addressed with a positive, problem solving attitude rather than a ‘stick to beat’ the sector. Many of the empowerment models considered in this report would provide a sound basis for comparison. Others could be used to gather consumer views more effectively.

One of the first issues to consider is the markets in which the learning and skills sector delivers. The sector has two primary customers, learners and employers. Their needs may differ. It is important, therefore, to establish what information is most useful for each group and to acknowledge that it may be different and require different approaches. Notwithstanding this, the labelling “output” needs to be clear for each customer group and not too onerous to collect and publish. A major area that needs further exploration in this context is what degree of disaggregation of data is both useful and practical. Many employers, for example, may not know exactly which “course”; qualification or training package would have the most impact on their business and may well need to consult with a provider to determine this. Employers usually refer to training and skills rather than courses and qualifications. However, before they gather information, they need to know whom best to approach. Learners may be as interested in student support as in the destinations of leavers. The expected increase in modularity, following introduction of the Qualifications and Credit Framework (QCF), will also affect this debate and add to the complexity of the information to be provided.

Another area to consider is the objectivity needed for a true comparative labelling system to be introduced. Many providers use various approaches to feedback in addition to those formally required by funders. These approaches might not lend themselves to use as comparative purposes. There are also differences between the ease and accuracy of what can be collected. Focus on comparisons could mitigate against the use of the informal “Facebook” type approaches which can provide real customer empowerment. The comparative approach may however be more representative and should not preclude the informal feedback approaches growing in power and importance.

Current UK Commission proposals suggest the following areas for labelling:

- Learner success.
- Customer satisfaction.
- Positive destination in further learning or work.
- Wage gain.
- Quality inspection.

Learner success information would be relatively easy to implement at a more disaggregated level than is currently made public. The information is currently collected and indeed used by learning and skills sector providers. The main area for discussion will need to be the level of disaggregation that is useful given the observations made earlier on courses and modules.

Customer satisfaction information is currently collected, as the paper explains, from both employers and learners. Response rates need monitoring and standardisation of questions needs to be developed and agreed. Again, the level of disaggregation needs determining.

Reporting on positive destinations is more complex. It is hard to follow up FE learners after their training ends, except those who are employed already and where the provider is still in contact with the employer and those progressing within the same institution. It is harder to report where the learner has transferred elsewhere. Earlier research by the Further Education Funding Council (FEFC) inspectorate highlighted the problem that the first destination is not always related to the course studied. It may be an interim destination before the student settles into a relevant role or further study. The inspectorate identified the need for more longitudinal research. This is expensive and time-consuming, though the use of social networking models may facilitate keeping track. The higher education (HE) model might be expensive to implement in FE. More information is needed to track how successful it is proving to be. The needs of different types of customer may differ. Employers are more likely to want to know that training will benefit their business; learners that the training/course will get them where they want to be. Different approaches may be needed and both might need to be covered by a more informal, qualitative approach in the first instance.

Wage gain information is much harder to gather and compare. It is not collected currently, except informally by some individual providers. Wage gain is just one indicator that implies that the “course” was of benefit to the learner or employer. There are others that could perhaps be incorporated into the positive destinations category e.g. broadening of skills sets allowing redeployment.

Quality inspections such as Ofsted and the Training Quality Standard (TQS) are available but do not relate to “course level”. Ofsted inspections differ in scope from provider to provider. Both Ofsted and TQS are judgements made infrequently. Given that both exist, they should be part of any labelling but their infrequency and institutional focus need taking account of when disaggregation levels are discussed.

One positive but incremental approach might be to start with those indicators that are easiest to implement and then progress to others.

Finally, any course labelling approach must not only have the appropriate level of disaggregation but also have characteristics that encourage the use of this feedback by learners and employers when they are making decisions.



# 1. Eight Models of Customer Empowerment

It is generally accepted that customers are much more 'empowered' than ever, and that this has been enabled by the Internet and specifically Web 2.0 developments. Consumer empowerment is defined as a positive subjective state evoked by increasing control<sup>1</sup>. Implicit in this definition is at least some decrease of control on the part of the supplier of the product or service.

This is most apparent in communication of product and service messages (arguably more so than in the products & services themselves). The discipline of marketing communications has been transformed from carefully targeted and polished messages, tightly controlled by marketers, to today's situation where a brand fights to be heard in a global multi-channel flood of information and opinion and where customers are as important as selectors of messages as suppliers are as providers of them.

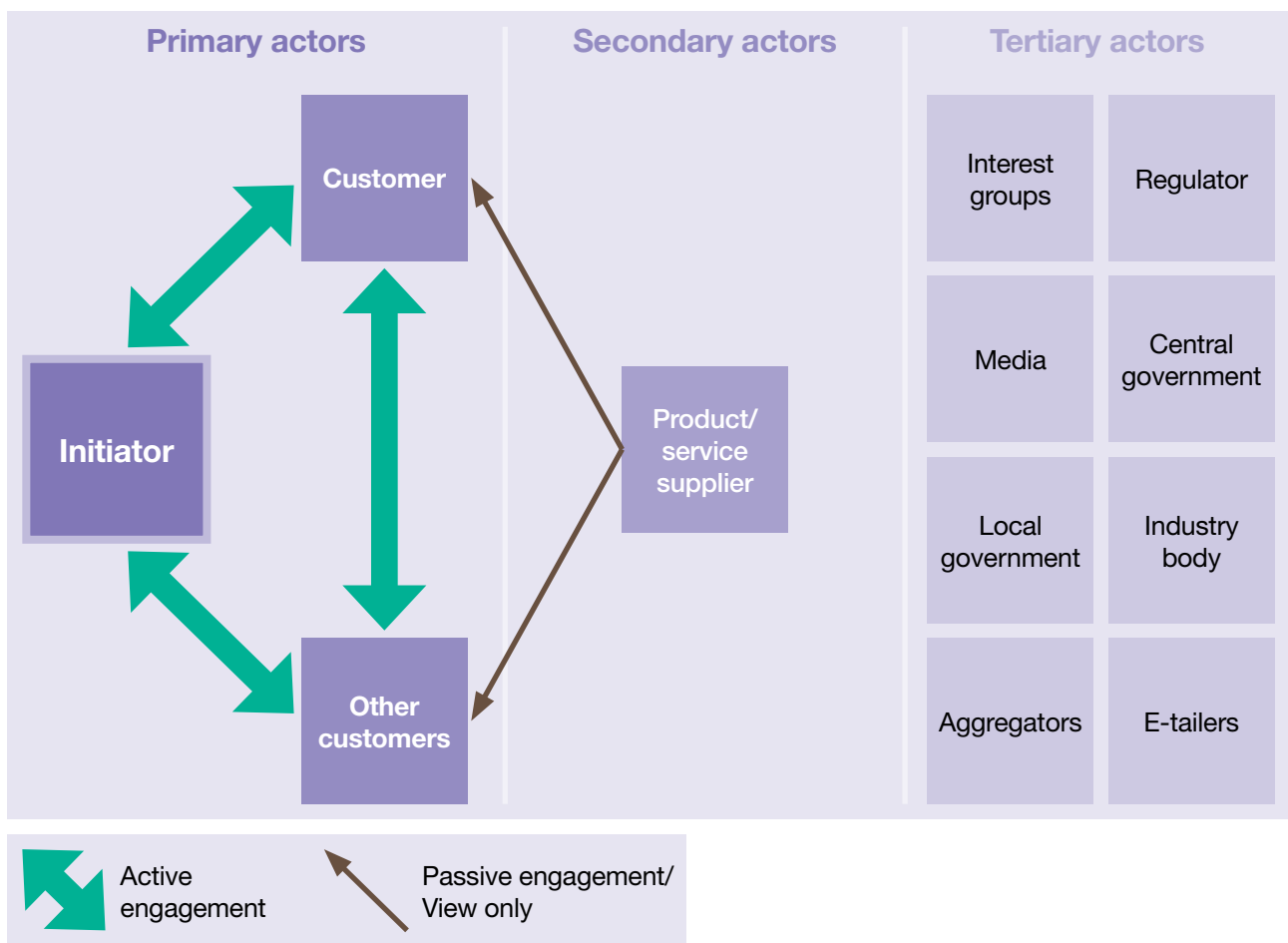
However, this is only one example of customer empowerment. In some sectors, a Regulator takes responsibility for representing customer interests with suppliers. In others, interest groups or the media claim to represent the 'voice of the customer'. Therefore, it is helpful to set out the main 'models' of customer empowerment that we isolated in our research, summarised as follows and described thereafter:

<b>Model</b>	<b>Brief Description</b>
1. Customer driven	Empowered customers directly sharing with each other how they rate the product/service
2. Market driven	League tables using panels/surveys of consumers; often sponsored by interest or media groups
3. Marketing driven	Customers of businesses (mostly eCommerce sites) asked to rate/review their purchases or consumption for all to see
4. Market research or CRM data-driven	Companies solicit feedback via market research or CRM (e.g. in call centres) processes and use it to modify their products, propositions, prices, communications or delivery processes
5. Government driven	Organisations/Departments are required to publish performance figures and ratings (which may be compiled into tables)
6. Regulator driven	Government-directed Regulator administers scheme to compile and publish
7. Self-regulated	Figures voluntarily published by an industry association or self regulating body
8. Self-declared	Extra information that businesses publish about their performance or operation, often to endorse their CSR or environmental credentials

<sup>1</sup> Wathieu L *et al*, Consumer Control and Empowerment, Marketing Letters Vol 13 No 3, pp 297-305 2002.

## Model 1 – Customer Driven

This model involves customers directly sharing with each other their experiences with and how they rate a brand, product or service. It has been enabled by the explosion of social networking sites on the internet. Facebook’s stated aim is: “Giving people the power to share and make the world more open and connected”, and alone claims over 400,000,000 active users (23,000,000 in the UK) after only six years of existence.



## How the model works

This model is initiated by customers themselves wanting to share their experiences and opinions for the benefit of other customers in similar positions or with similar needs.

It was often founded by a professional or private grouping, not necessarily as a business. Some have 'commercialised' i.e. allow advertising; some stay independent; some have 'sold out' to suppliers.

Suppliers may or may not have access to discussion threads and scores. Some attempt to contribute to and influence them, but attempts to 'control' the messages tend to be fiercely resisted and may prove counter-productive.

It is ironic that Facebook has empowered its members so much they regularly rise up against it when changes are introduced.

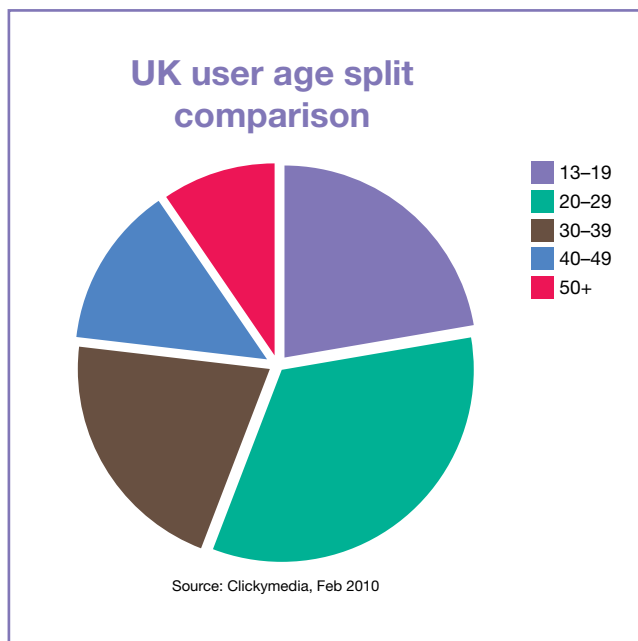
The demography of users does not match exactly the post-16 category, but the age distribution of UK Facebook users, illustrated here, demonstrates that the 20-29 category (key targets for employment & skills development) are the largest single group of users, accounting for about 8 million individuals.

## Examples

Mumsnet ([www.mumsnet.com](http://www.mumsnet.com))

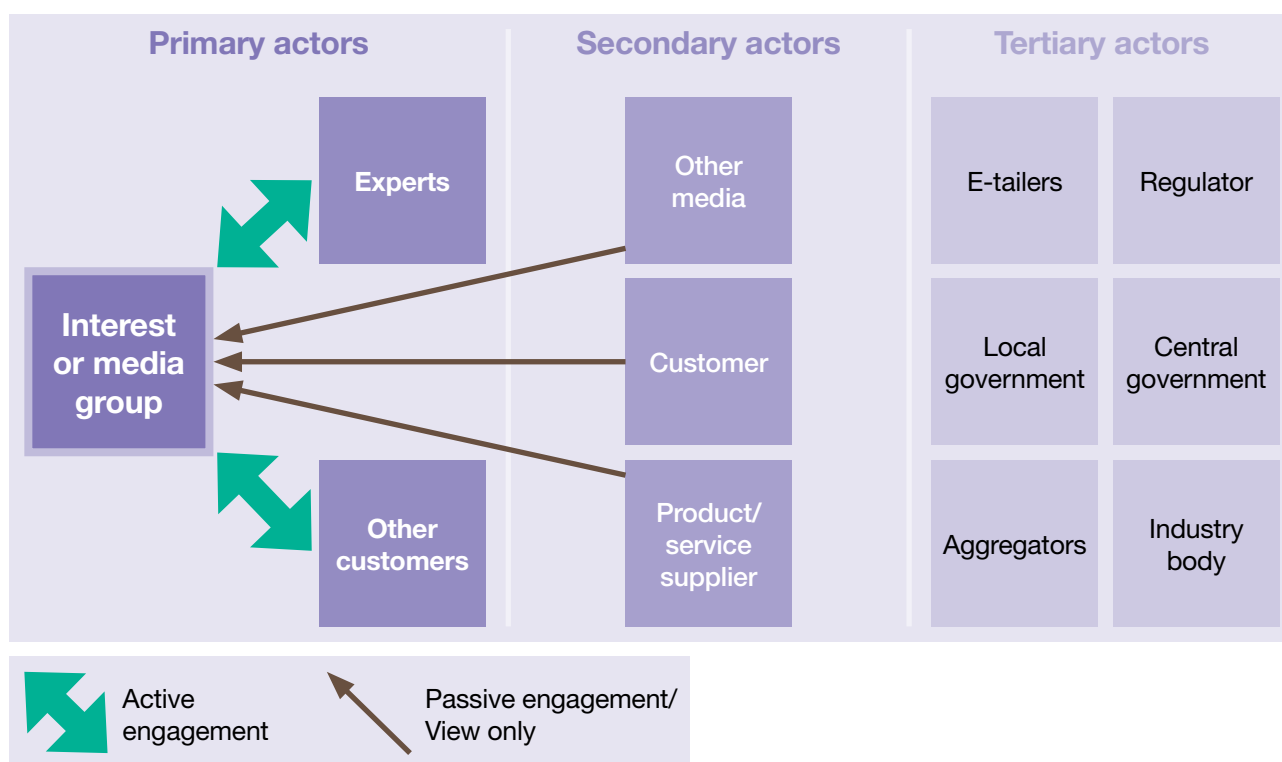
Hello Peter ([www.hellopeter.com](http://www.hellopeter.com))

Facebook fan, interest and dissent groups  
(note – not Facebook itself)



## Model 2 – Market Driven

This model is much more ‘organised’ than model 1, with a much longer track record. For example, Which? has existed for over 50 years with this aim: “We campaign to get a fairer deal for all consumers and publish expert, unbiased information to help you make the right choice, whatever you’re buying”. League tables and scorecards are published, based on panels or surveys of consumers or experts.



### How the model works

This model is based on research to collect and collate product or service information and present it back in a way that summarises the ‘customer voice’. It also includes examples where ‘experts’ are used to rate products instead of customers, in order to add value to the advice given.

### Examples

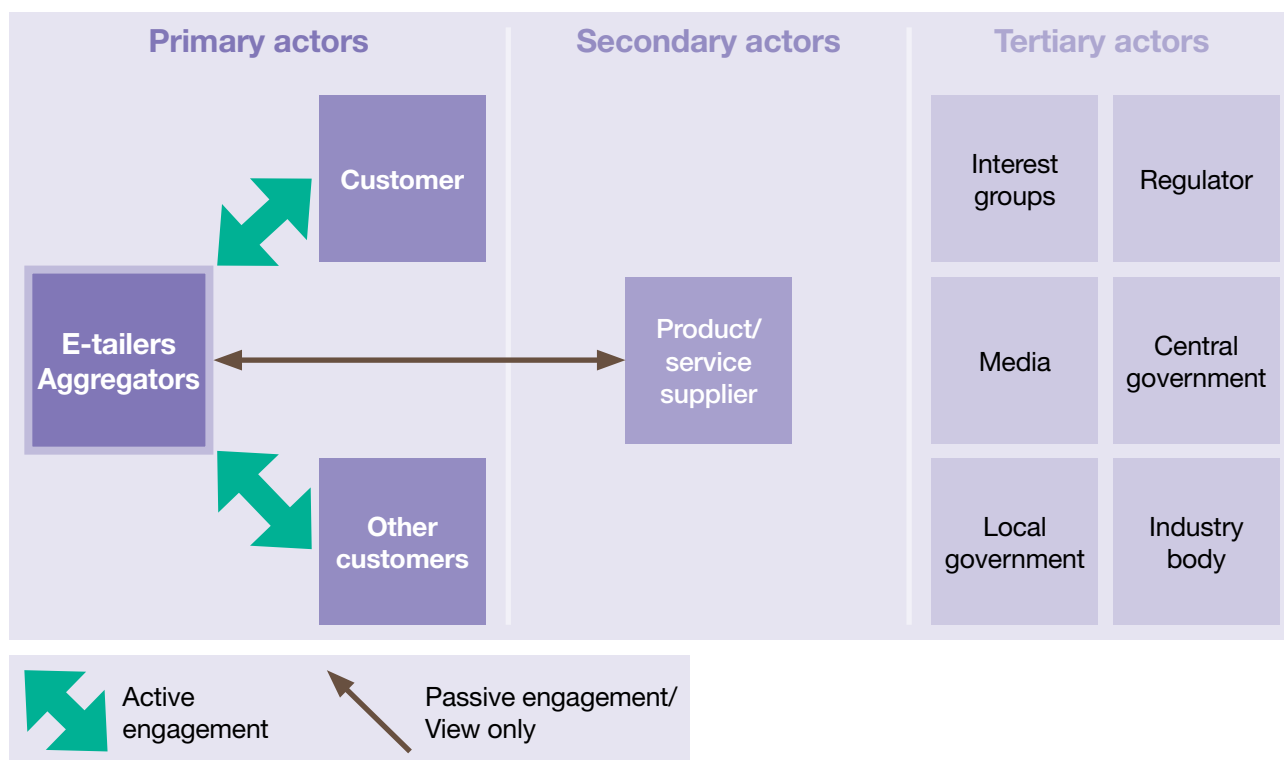
Which? [www.which.co.uk](http://www.which.co.uk)

Auto Express ‘Driver Power’ survey [www.autoexpress.co.uk/carreviews/driver\\_power\\_2009/archive/](http://www.autoexpress.co.uk/carreviews/driver_power_2009/archive/)  
 Flightontime [www.flightontime.info](http://www.flightontime.info)

Review Centre [www.reviewcentre.com](http://www.reviewcentre.com) – already has an education section

## Model 3 – Marketing Driven

This model involves customers of on-line businesses (often aggregators) being asked to rate or review their purchases, which the site then displays alongside the product for other customers to read. It is now well established (Amazon will be 15 this year), and is generally trusted and accepted by customers.



### How the model works

When customers buy a product or service, they are (typically) sent a message asking them to rate the product and/or their experience. The feedback is presented beside 'official' product information.

### Examples

Amazon [www.amazon.co.uk](http://www.amazon.co.uk)

TripAdvisor (Expedia) [www.tripadvisor.co.uk](http://www.tripadvisor.co.uk)

YouTube [www.youtube.com](http://www.youtube.com)

eBay [www.ebay.co.uk](http://www.ebay.co.uk)

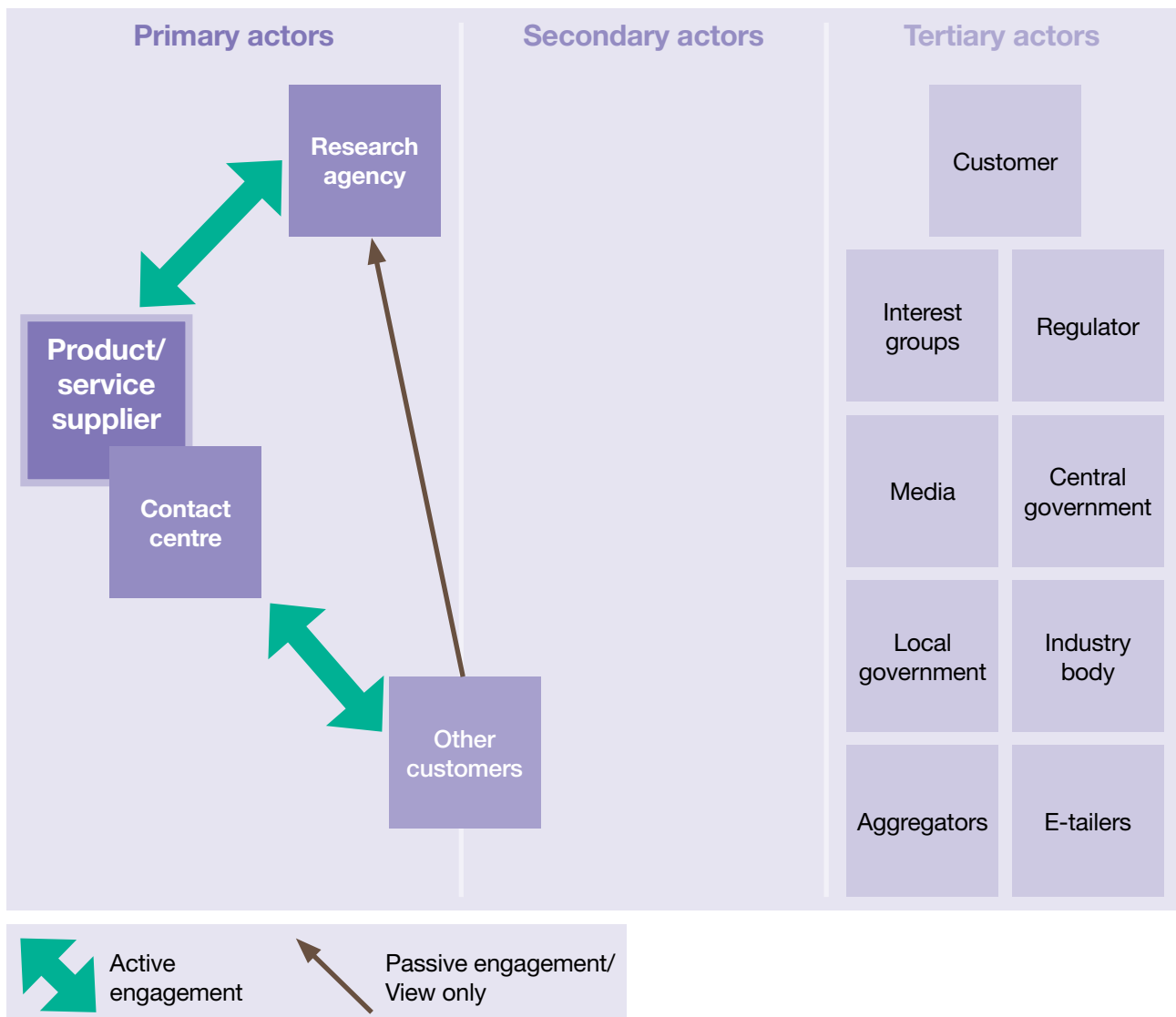
[www.moneysupermarket.com](http://www.moneysupermarket.com) (also links to expert reviews & Which?)

Tesco Direct using Reevo [www.reevo.com](http://www.reevo.com)

## Model 4 – Market-research or CRM data Driven

Here, companies solicit feedback via a market research agency that contacts a sample of customers to generate feedback on products and services. CRM processes (e.g. in call centres) are also used to generate direct feedback and insight on products, propositions, prices, communications or delivery processes.

It is debatable whether market research constitutes customer empowerment, as the full results of research are rarely published and individual customers are relegated to the position of third actor (see below) – unless of course they are asked to participate in the research. Even then, their feedback is anonymised and summarised and the research ‘agenda’ is determined by the supplier, not the customer. However, the CRM approach has been transformational, as instead of a company researching the customer anonymously and producing its own rating, which it never shares with the customer, the customer is engaged directly in the dialogue, can give and seek information, and then describe and in some cases rate the interaction with the company. The company may also be assessed for its CRM quality by various techniques e.g. mystery shopping.



The more an institution is providing services directly to a customer, the more the quality of the relationship depends on the quality of the interaction. Ratings usually refer to the product or service, except for some customer satisfaction ratings, but the use of the CRM model by the supplier creates a whole new area to explore for ratings e.g. timeliness or relevance of proposition, offers or contacts; responsiveness.

### How the model works

Customers are sent a questionnaire asking them to rate the product and/or their experience, or asked to give feedback on or after an interaction with the organisation.

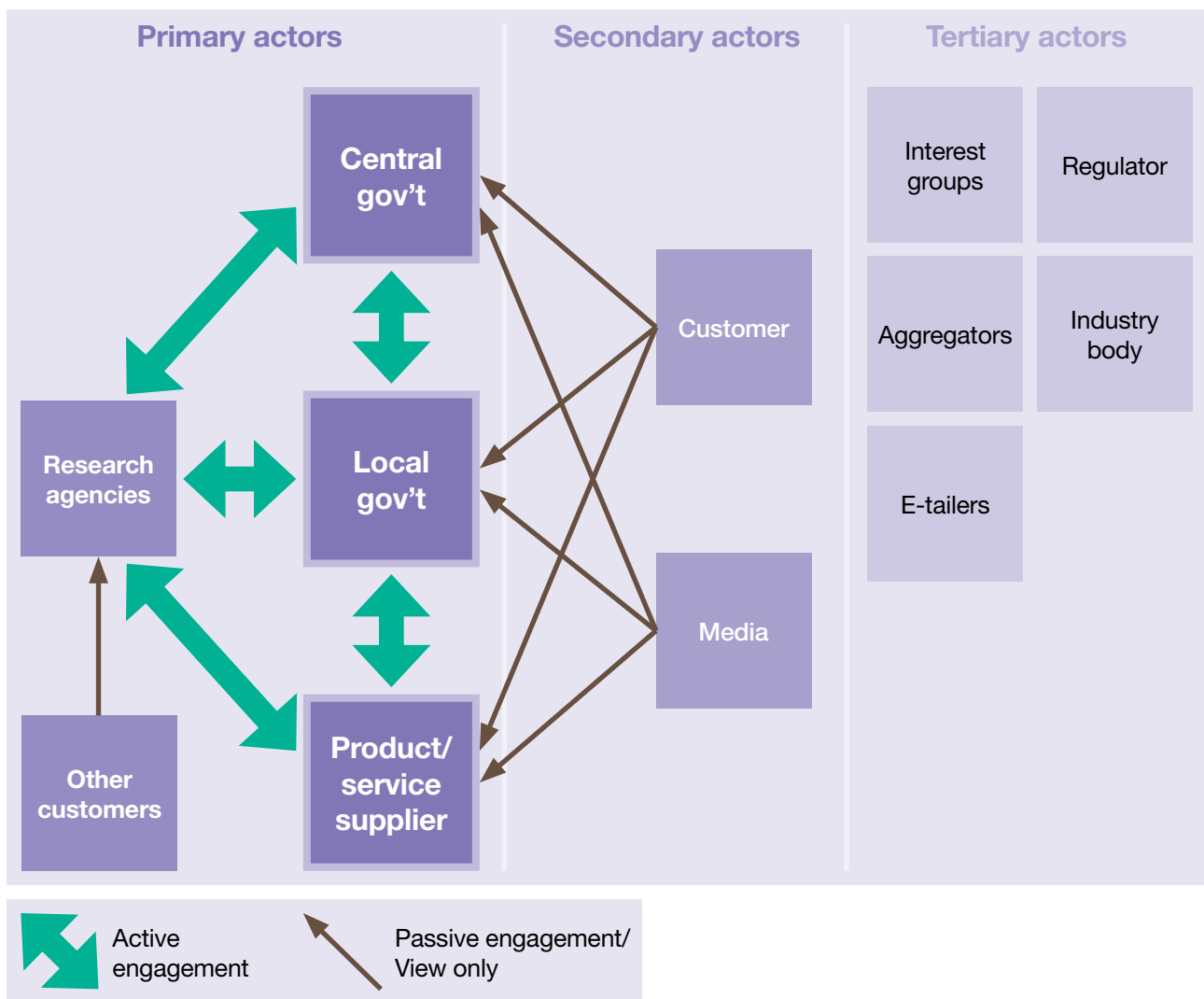
The feedback is collected and analysed by the research agency, and presented back to the commissioning company.

If a customer reacts to a report or ranking of their supplier and contacts their call centre (i.e. becomes a Primary Actor in the diagram above), they are likely to achieve changes to their own account/terms e.g. by threatening to leave. Call centre agents and front line staff are increasingly empowered in many sectors to vary the proposition, change prices, or waive fees in some way for individual customers.

This is a real outcome of the customer empowerment achieved by this and other models rather than a model in itself, as these are essentially 1:1 conversations with the outcomes specific to those customers.

## Model 5 – Government Driven

In this model, public sector organisations are required to publish accurate key performance figures and ratings. These may be compiled into tables. Some information is internally generated, some is researched (Model 4). This has been supplemented with public labelling of products for environmental or health reasons, so customers can be informed about what they are buying or using. A widespread new labelling phenomenon is “green product labelling and claims”<sup>2</sup>.



<sup>2</sup> See for example [www.defra.gov.uk/environment/business/marketing/glc/](http://www.defra.gov.uk/environment/business/marketing/glc/)



## How the model works

Some private and public sector organisations are directed by Government to publish information that they would otherwise only use internally for product or service improvement or for compliance purposes.

As it is internally generated, there may be less trust in the data, and sometimes a lack of education of the public in how to interpret it.

This model is also open to supplier abuse or organisational focus on ‘the numbers’ rather than the quality or performance they represent.

## Examples

National Indicators

School results league tables

Food labelling Environmental impact labelling

Pharmaceuticals side-effect labelling

## Model 6 – Regulator Driven

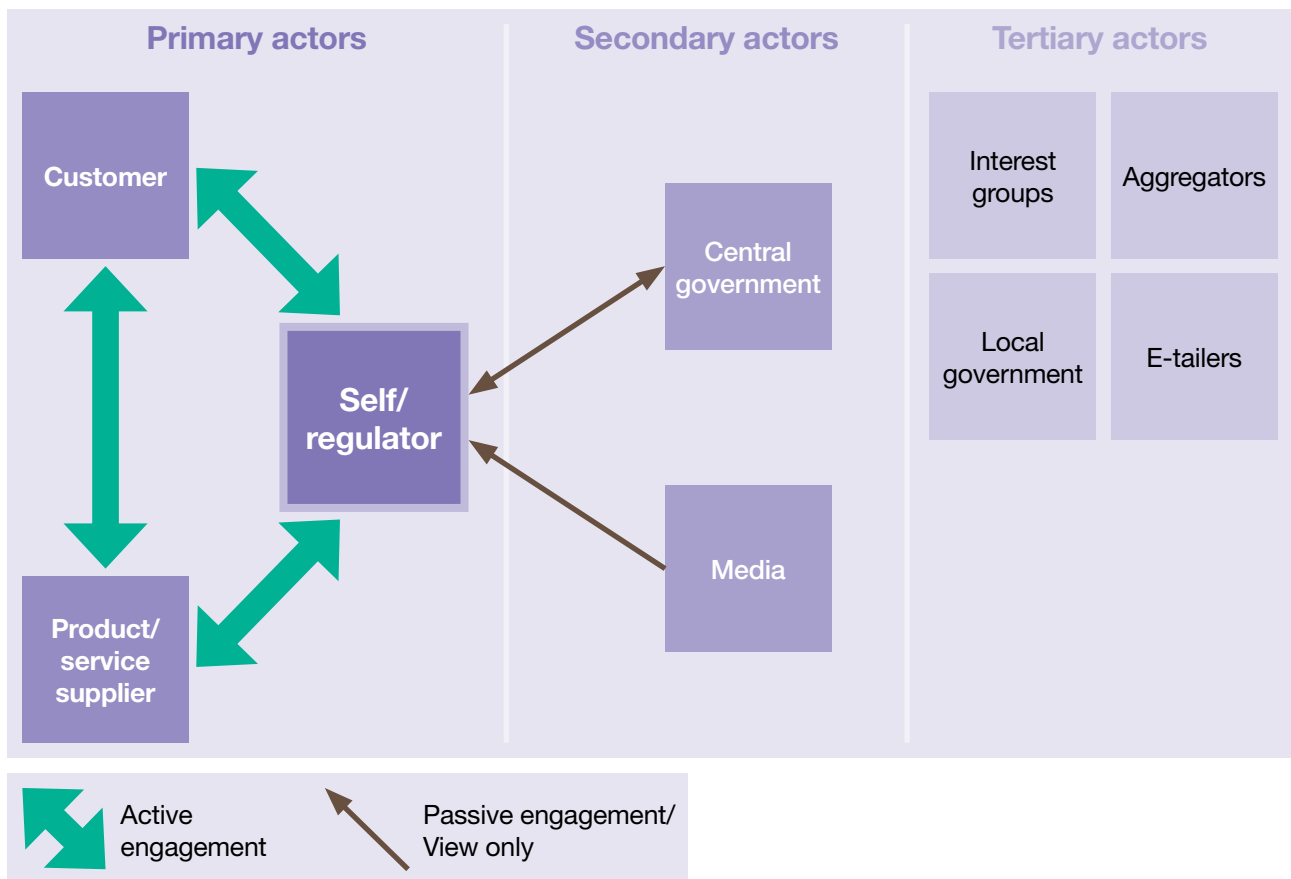
Regulators have rule-making, investigatory and enforcement powers, and administer many schemes that represent customers’ interests to suppliers as part of a compliance framework. They often are the ultimate escalation point for complaint resolution.

Its major problem, in customer empowerment terms, is that it may be seen as ‘part’ of the establishment. However, regulators have ‘teeth’ to impose sanctions on organisations that do not comply or respond appropriately.

### How the model works (Models 6 & 7)

Suppliers are mandated by the Regulator to give information, which is then collated and presented to consumers (mostly via their websites, and often in a ‘tool’).

Customers are sometimes invited to engage direct with the Regulator, but often only re complaints. One area that needs focus is complaints about whether information given by or at the regulator’s insistence is a good guide to purchase and/or use.



## Examples

FSA 'moneymadeclear' [www.moneymadeclear.fsa.gov.uk](http://www.moneymadeclear.fsa.gov.uk)

Network Rail Monitor [www.rail-reg.gov.uk/server/show/nav.293](http://www.rail-reg.gov.uk/server/show/nav.293)

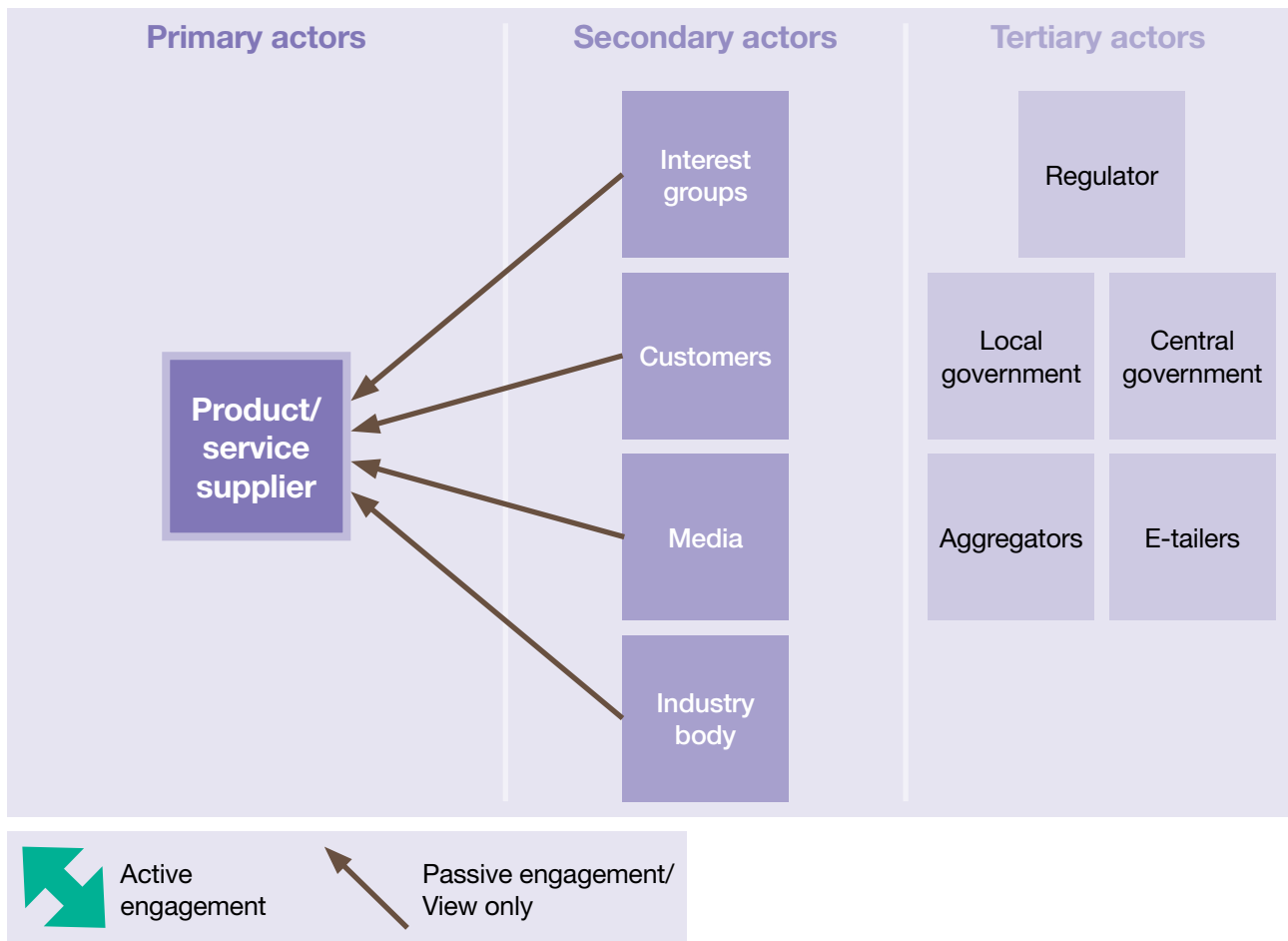
Utilities [www.ofwat.gov.uk/consumerissues/pointofview/](http://www.ofwat.gov.uk/consumerissues/pointofview/)

## Model 7 – Self Regulated

In this model, figures and information are published by an industry association or self-regulating body, e.g. newspaper complaints. As a model of customer empowerment, this may have had its day (with some exceptions e.g. Ofgem) as it has effectively been replaced by Models 1-6. However, it may still be an appropriate model in some circumstances.

## Model 8 – Self Declared

This model consists of extra information that businesses choose to publish about their performance or operation, often to endorse their CSR or environmental credentials.



### Examples

Supermarket figures on locally sourced produce  
Local charity support data

## 2. Ten examples of how the Models operate in different Sectors

We have selected from our research ten example sectors for an analysis of how the models operate and which are most effective. They are as follows:

1. Airlines
2. Automotive
3. Broadcasting
4. Financial Services
5. Food
6. Health
7. Rail
8. Retail
9. Telecommunications
10. White goods (domestic appliances)

### 1. Airlines

Airlines deliver their service in a heavily intermediated, partnered and regulated situation. They must conform to civil aviation standards. Safety reporting is heavily regulated and very public. Their prices are subject to special taxation and fees imposed by partners. Their punctuality depends crucially on traffic management by aviation authorities (and of course the weather – and volcanoes!). Staff who handle customers and luggage on the ground are often partner staff, while in-flight catering is often outsourced. Bookings are often made through agents. However, customers still expect airlines to take full responsibility for the end-to-end flight process. Competition between airlines is not as intense as the airlines sometimes proclaim, as alliances and control of takeoff and landing slots are used to reduce effective competition. This means that customer feedback can in many circumstances be virtually ignored.

Airline ratings (Models 2 & 3) are published by many sites, whether general sites such as [www.ciao.co.uk](http://www.ciao.co.uk) or specialist flyer sites. The Civil Aviation Authority publishes punctuality and other statistics (Model 6). Punctuality statistics are calculated for 10 UK Airports. Planned times are obtained from airport scheduling committees and merged with actual times on air transport movement records collected in UK Airport Statistics. Each month, information is published showing average delays on scheduled and charter services at each airport, both in total and at individual route/airline level.

More general customer satisfaction indicators are published. For example, Virgin came top of a recent customer satisfaction poll (Model 2). The UK's major airlines were given a score of 0-100 in the first National Customer Satisfaction Index (NCSI), with Virgin achieving a rating of 75.

British Airways achieved the industry average of 69, bmi received 67 and easyJet 66. UK airlines outperformed their American counterparts, whose average score was 64.

Consumer feedback has little direct effect. Much of what an airline delivers is a result of long term planning on routes and capacity and – as we have seen recently with British Airways – of labour relations. However, these longer-term decisions use extensive customer feedback through market research (Model 4), in-flight questionnaires and information from research into frequent flyers (as frequent flyers provide most profitability for most airlines). Low cost airlines also carry out research, but are more experimental in their approach. They determine their schedules according to achieved load factors and profitability of different routes. As they sell 100 per cent direct, they have better information on route profitability than scheduled airlines. The latter pay commissions to agents and often determine profitability some time after flights take place.

## Conclusions – Airlines

Where customer performance is concerned, the airline industry works primarily on a market-research/CRM data driven model (Model 4), with regulator-sourced data having some impact (Model 6).

## 2. Automotive

The Automotive industry is an exception in this list of sectors in that there is no dominant regulator. Related financial services offerings (financing & insurance) are of course regulated. Despite this lack of regulation, it is a very informed sector. Enough people are interested in cars to fund a vibrant media sector with many magazines, events, websites and blogs (plus sections and programmes in broadcast media and national press) dedicated to motoring. Even for those “not interested”, purchase and sale of vehicles involves a large enough financial change for them to seek advice and information to inform their decisions and get the best value price for their previous vehicle. The data available in the public domain is enormous, from product specification data through running cost information to government driven (Model 5) environmental labels. This is supplemented with industry data coordinated by the Society of Motor Manufacturers & Traders (SMMT), which is shared in the industry and publicly in summary form (e.g. sales volumes).

All Models are in operation in this sector. For brevity, two are considered here in depth: Model 2 (Market driven) and Model 5 (Government driven).

The market-driven model is well-established, with organisations like Which? offering a “one-stop-shop for all your car buying needs”. Scorecarding of customer satisfaction ratings was championed in the US by JD Power (founded in 1968), and there are now several such league tables published in the UK. Their ultimate strength is their independence. One of the most significant is Auto Express’s Driver Power survey, which covers the customer experience with cars, dealers, insurance companies and breakdown recovery firms. It is an annual ‘event’ for readers to complete the questionnaire (20,000 plus responses). The results are published in two

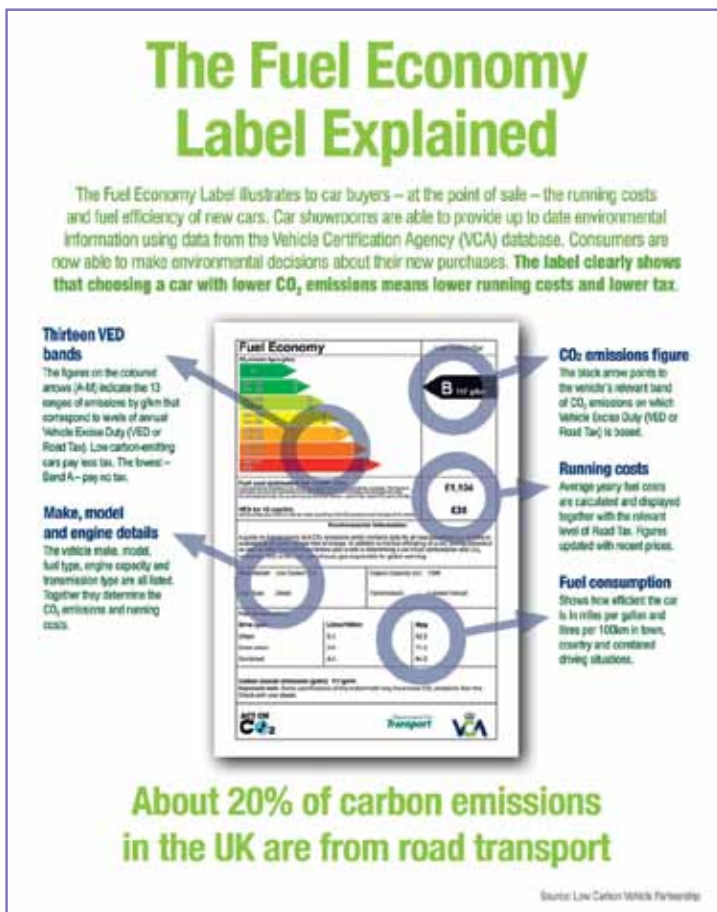
parts. The Top 100 rates the most satisfying cars to own. A second section that covers dealers, insurance and breakdown firms. Both are regularly the biggest selling issues of Auto Express in a year, which is telling in itself.

Car companies take the survey and its findings extremely seriously. In the last year, the publishers held meetings with two major manufacturers who performed poorly in the 2009 survey and who were keen to find out ‘what went wrong’. They have put into place strategies to improve their performance as a result. Indeed, the authors are aware of one major European manufacturer that has a global strategic aim to improve their ratings in all markets.

However, there may be discrimination against ‘mainstream’ brands that outsell some higher rated brands. The Driver Power Top 10 has seen companies that are relatively new or have reinvented themselves – like Lexus, Kia and Skoda – do very well. This may be because buyers have fewer preconceptions and different expectations of these brands, partly because the companies are less handicapped by old infrastructure and staff attitudes, and partly because they were established with a more customer-focused ethos and strategy. This is also seen in banking, where newer entrants (such as First Direct) with streamlined business models top satisfaction league tables. This may be a factor in Employment and Skills, where long established providers might struggle to shine despite providing a good, consistent, large-scale service to customers.

The second Model for consideration in this Sector is economy labelling of new cars (Model 5). The labelling itself is well explained by the Low Carbon Vehicle Partnership ([www.lowcvp.org.uk](http://www.lowcvp.org.uk)), with the illustration shown here. All new vehicles in showrooms must display such a label. A similar (voluntary) scheme exists for used cars. The ‘message’ is widely publicised in the media and by environmental and interest groups such as LowCVP and [www.greencarsite.co.uk](http://www.greencarsite.co.uk)

The National Statistics Opinions Survey for the DfT “Public attitudes towards climate change and the impact of transport” (Jan 2010) paints a relatively static year-on-year situation of public opinion overall regarding transport-related environmental issues, with one notable exception – the issue of trust.



Independent scientists remain the most trusted to provide correct information about climate change, although this trust has fallen since 2006. The proportion not trusting any source has doubled over time, from 6 per cent in 2006 to 12 per cent in 2009. This is relevant to this Paper, as the DfT survey does not include web 2.0 sources of information (our Model 1), so it may be an indication of society moving towards this model.

Opinion is just one force at work. A much larger force affects customer behaviour, namely taxation (of vehicles and fuel). This was recently supplemented by direct government intervention (the scrappage scheme). Such measures caused the 'down-sizing' trend in car purchases. Labelling shows the customer how much they will be taxed by purchasing and using the car (over and above the VAT and fuel duty, which are included in league tables of cost of operation published in the above-mentioned media).

### Conclusions – Automotive

The Automotive industry illustrates well two of our Models. In an ultra-competitive and well informed market, the market driven model (Model 2) works well, with clear evidence of manufacturers responding to and acting on their position in the league table. It is therefore a model that should be seriously considered for its application to the skills sector.

Environmental labelling of new cars (Model 5) gives a different picture. It may have an effect, but it is hard to isolate because of the effect of taxation. There is no evidence of "a positive subjective state evoked by increasing control". This model is not comparable with the employment and skills sector as there are no punitive taxes (or incentive subsidies – e.g. waiving the London congestion charge for hybrid vehicles) for choosing one course rather than another.

## 3. Broadcasting

Ofcom (Model 6) has a code of practice which covers a range of issues, including: protecting under 18s, harm and offence, incitement to crime, religion, impartiality, accuracy and undue prominence of view, elections, fairness, privacy, sponsorship and commercial references. These, together with the existence of an enforcement team and a policy of considering all complaints received and assessing any complaint against the Code, ensure that it is able to enforce changes, and that broadcasters keep a careful eye on the code. It publishes its enforcement activity. It also carries out research into the consumer experience of broadcasting (and telephony). However, the focus is strongly on pricing and value for money, rather than customer service issues.

Some channels provide viewers and listeners with comment facilities (web, call centre etc.). Some provide programmes reviewing this feedback, occasionally holding programme planners or producers to account. Unofficially, extracts from programmes are placed upon websites all over the world, so that consumers can continue to access them, while some channels do this through web-based players, such as the BBC's iPlayer.



The voice of the Listener & Viewer (VLV) represents the citizen and consumer interests in broadcasting, and speaks for listeners and viewers on the full range of broadcasting issues. It is an expert group and so is unrepresentative.

The broadcast companies themselves vary in their use of customer feedback. Some have programmes dedicated to customer feedback, others use market research to tell them whether what they are producing is watched, liked and recommended (Model 4). However, it is still true to say that much programming is determined by editorial-style workers who believe they understand what is required, then rely on viewership figures to tell them whether they are right. However, a new breed of programmes has emerged, in which audience participation (and sometimes voting) is a key to success e.g. *Simply Come Dancing*. Of course, the internationalisation of the content market has given broadcasters greater choice in programming, and the ability to turn content on and off according to viewership figures. Commercial channels have a simple criterion for success in programming – whether audiences watch and respond to advertisers. This in turn determines advertising rates that programmes and channels can command.

## Conclusions – Broadcasting

In this sector, it is very clear to consumers what is being provided. The product can be seen or heard, and compared or commented upon publicly. So, it is not totally dissimilar to education. Part of the customer feedback generating mechanism could require posting extracts from lectures and material on the web, allowing students to compare what is posted with what they experience.

## 4. Financial Services

“Financial services” covers various sub-sectors, varying in complexity. At one end are “simple” services, such as credit cards, general insurance (for motor, buildings and other assets such as caravans, boats, house contents and pets), savings accounts, short term loans, mortgages, health insurance, term life insurance and current accounts. These may not be simple from the customer’s point of view, but are simple in the sense that their charges, interest rates (whether charged or received), accessibility, terms and conditions are relatively easy to compare. They are also simple in that extensive diagnosis is not needed to find out which product is “best”.

At the other extreme are products such as pensions and long-term investments. Here, a customer may make an extensive commitment from which he or she cannot exit quickly (or at least without penalty). Long term performance has a big effect on the financial well-being of the customer. To sell these products, a supplier must ensure that proper fact-finding relating to the customer’s situation and needs takes place, and that a product’s features and benefits are properly matched to the facts. For these products, although initial charges and terms are easily compared, performance is determined by underlying assets and often hard to compare. Future performance is hard to forecast. This means that customer feedback for these product types is often based upon dissatisfaction with performance with the underlying assets, despite the allocation of an investment to these assets being initially agreed by customers.

Of course, what is simple to one customer is complex to another, and a customer may really need advice for a simple product while not needing it for a complex one. Also, the value of a product and how it is used can change it from simple to complex. Thus, a very high value life insurance product for an older person, which requires careful underwriting because of the potential for fraud and non-disclosure of health conditions, differs from low value ones which are offered with a guarantee of no medical examination (because the premium is high enough to cover the risks arising from the group of customers targeted).

The reason the distinction between products is important is that this sector has undergone a revolution in customer feedback, driven by the aggregator or comparison websites (Model 3). These provide clear comparisons of prices and all the features of a wide range of the simple products. They allow consumers to receive quotes and access suppliers. They host active discussion forums in which consumers can express their feelings about different products and prices.

The business model for these sites has been questioned, in that they derive their revenue from commissions for products they sell, and from advertising on their sites. However, this revenue stream provides funding for setting up and operating the sites. It takes a year or two to set up a site, the operation of which is based upon complex software linking directly to the quotation and product engines of suppliers. It takes about a further year for a site to become used enough to be profitable, and this requires significant media advertising. However, these sites are by far the most cost-effective channel of acquisition of customers for companies who use them. Therefore, this advertising objection is more an issue for regulators and commentators than consumers, who derive great value from the sites. One problem with this approach is that it can discriminate against customers who do not have web access or who do not subscribe to Which? (Model 2), for example.

For many products, customers buy via an agent or an advisor. The comparison websites take on some of the functions of an agent, but refer the customer directly to the provider for transacting. Brokers may also carry out all agency functions, particularly for general insurance (e.g. the AA). For more complex products, transacting is usually via a financial advisor, though may be direct. This means that feedback about agents and brokers is also important. While the relative transparency of comparison sites makes their performance easy to assess, this is certainly not true for financial advisors, whose recommendations cannot be compared. General comparison websites such as [www.ciao.co.uk](http://www.ciao.co.uk) do allow users to recommend, but this facility is not used much.

Financial services suppliers do not listen closely to this particular customer feedback, though there are some exceptions. The recent issue of trust with banks has increased the number of financial services suppliers at least paying lip-service to the idea of listening more closely to customers. Many suppliers seem more concerned to maintain their revenues and profitability while satisfying the regulatory or supervisory bodies (Bank of England, Financial Services Authority, Financial Ombudsman, Treasury) that regulate different aspects of their work (Model 6). Those regulatory bodies most focused on consumers are the Financial Services Authority and the Financial Ombudsman.

The Ombudsman settles individual complaints between consumers and financial services suppliers. The service looks at complaints about a range of financial matters – from insurance and mortgages to investments and credit. Each year it deals with almost a million enquiries and settles over 150,000 disputes, so this is significant. If it decides that a business has acted wrongly – and the consumer has lost as a result – it can order matters to be put right.

At a more general level, there is a serious discussion in the industry about higher level issues, such as trust and performance. There are suggestions that the voice of the public (or more generally, average customers) is not being heard, which is why the Future of Banking Commission has been set up with the support, for example, of Which? and several MPs. This is too recent to have had any output, but charges and customer service are included in its remit.

The FSA has its Consumer Panel to represent consumer interests. It also commissions independent research occasionally. The FSA also has a regulatory objective of consumer protection. However, one problem with all this regulation is that the financial services suppliers take a minimalist approach (which is still quite demanding), by appointing compliance officers who ensure that products and processes comply with regulatory requirements. This means that the focus is negative – stopping suppliers from doing what is wrong, rather than positive – helping suppliers provide what consumers need. This problem is now a focus of the FSA, which is aiming to move up the value chain to have a more positive influence on product and channel decisions, to ensure that (according to a recent speech by Adair Turner, its Chairman) suppliers *“have the right incentives at each step in the value chain to produce products that add value and address real consumer needs...”*, rather than focusing on designing products which they think can be sold and designing incentives and channels to ensure that they are – the current behaviour. *“Often, product design seems to be driven by benchmarking against competitor products, so there is a sort of built-in circularity and re-enforcement of entrenched practices. This is why we intend to look more deeply in our supervision of firms to understand better where business strategies, models and product development might create or exacerbate conduct risks to consumers. Our focus will be on testing what outcomes consumers experience from the products firms sell them against our principles in a systematic and objective way, integrating these assessments into our existing supervisory framework. ...Firms should identify the type of customer for which a product or service is likely to be appropriate or not appropriate. This means being clear about what the product does, who it is for and certain key characteristics such as the nature and scale of risks presented.”* A particular focus of this approach is stress-testing, to see how products perform under different market conditions.

Where labelling of complex products is concerned, the FSA had believed that forcing suppliers to provide a key features document was adequate protection for customers, where knowledge of the product is concerned. It has now decided that this is not so. The purpose of the FSA's investment product disclosure regime is to give consumers the information that they need to make informed decisions. However, with structured products (such as securitised mortgages),

disclosure requirements are fragmented as they depend on the legal form of the underlying investment. A structured product might require a full prospectus, a simplified prospectus, a key features document or nothing at all. Only life insurance structured products need a key features document. There are no specific requirements for structured deposits. MiFID-derived (the Markets in Financial Instruments Directive – Model 5) requirements also apply to structured products, with the exception of deposits and life contracts.

Most financial services providers do their own market research (Model 4), and do monitor what is said about them on websites (Models 1 & 2), as well as via their complaints systems. Most financial services providers are more accessible to consumers than once, due to the centralisation of customer management into call centres and the web. So, data on what customers are saying is available from call centres, most of which are connected to sophisticated CRM systems which allow analysis of the data. The effectiveness of the feedback varies. For simple products, such as motor insurance, credit cards and current and savings accounts, price comparison sites give very quick feedback. If terms and prices are wrong, market share can be lost quickly. For more complex products, such as pensions, where advice is necessary, this is less so.

## Conclusions – Financial Services

This sector provides some interesting learning. For simple products, it shows the extent to which data on a product can be made available to a buying public, and how discussion about products can be encouraged. The focus on value for money has caused suppliers to focus strongly on this, to the benefit of consumers.

For complex products, the situation is different. Consumers often behave like a herd. They may all make decisions at what seems to be the right time, and their decision taken together make it a right time – if they all buy an asset over the same period (housing, shares), the price of the asset rises, but of course the bubble eventually bursts, as we have seen recently. If they all sell the asset at the “right time” i.e. before the bubble is expected to burst, it will burst earlier. Similarly, if they all take on too much debt, which they succeed in repaying because everyone is taking on debt and thereby stimulating the economy, they will be able to repay the debt. However, when they stop taking on debt (or when they are refused in large enough numbers), many end up bankrupt as the economy turns down. Listening to feedback from consumers about the unfairness of it all does not help, as the regulator has admitted. In education, a similar phenomenon is at work concerning choice of qualification, which also goes in fashion cycles (e.g. MBA). Regulators are focusing on creating even stronger labelling requirements, as highlighted above, but it is not clear that this will lead to better supplier practice or performance.

Most complex products are sold through intermediaries. Sales performance is strongly associated with efficiency in managing channels and incentives, which the regulator cannot control, though of course it does force disclosure of commissions. Branding advertising is therefore still an important focus in this market, as it is with simple products.

Where complaints about service or appropriateness of advice are concerned, it seems that consumers are well protected and corrective action can be enforced. However, the court case on contract terms for bank current accounts show that consumers can often be wrong in their judgement as to what is unfair.

## 5. Food

This section discusses the role of the Foods Standards Agency as regulator (i.e. Model 6) and the response of the industry. It does not cover issues such as pricing comparison, though the same kind of price comparison, representation of rating information (derived from packaging) and helpful articles are available here as with other industries, on websites such as [www.mysupermarket.co.uk](http://www.mysupermarket.co.uk) and [www.trollydolly.co.uk](http://www.trollydolly.co.uk), and to some extent from the websites of large retailers (i.e. Model 3). Websites such as [www.ciao.co.uk](http://www.ciao.co.uk) provide quality ratings from consumers, but these are presented in an unstructured way, and generally not available on retailer websites at the point of choice (e.g. for home delivery).

The Agency regulates food, its preparation, packaging (especially materials in contact with food) and labelling (how it informs and protects consumers). This section focuses on labelling, which is most relevant to this project, though the Agency is also active in regulating quality in the food chain.

Much of the Agency's labelling work aims to ensure people get information in an understandable form. The Agency also promotes legislation to support enforcement of standards. The Agency works closely with the European Commission, which from 2004 conducted an EU-wide review of food and nutrition labelling legislation. The Commission is proposing to unify EU rules on general and nutrition labelling and to simplify and consolidate existing legislation, which will eventually be directly applicable in all Member States and replace current UK law. This is sensible, given the substantial import/export trade in packaged food. Similar work is taking place on nutrition labelling e.g. the list of vitamins and minerals, recommended daily allowances (RDAs), energy conversion factors and fibre definition.

The Agency's research has shown, amongst others, the following:

- There is low engagement with and understanding of country of origin labelling. Consumers are aware of it, but it is not a priority. Price is usually more important than food labelling information.
- There is evidence of confusion about the meaning of origin labelling, particularly concerning animal products and whether it refers to where an animal was born, reared, slaughtered or processed.

- Most consumers do not look at detail, but choose by standing and scanning the shelf, unless looking for particular information, in which case they would take and hold the product and read the label.
- Consumers are often confused by health claims on food labels.
- There are often issues of illegibility (mainly due to small type faces).
- Variations in approach between different retailers and manufacturers mean it is hard to predict where to find information on food packs or how that information will be delivered (such as words or icons).
- Some current information is no help as consumers do not know what it means (e.g. packaging processes) or are unsure about its credibility (e.g. with assurance schemes).
- When it is presented in an understandable way, consumers are keen to retain most of the information that is currently on packaging. They claim to use it in the purchase or usage moment (so packaging is an appropriate and convenient place to find information). Even if they do not need the information immediately, they perceive they may need it in the future.
- Some information was identified as superfluous to pack requirements. It could be given elsewhere via another channel or inside the pack instead).

Given the overall desire to retain information, the priority in improving labelling practice is to simplify information seeking by standardising different aspects of pack design, by placing related information together in groups (to assist intuitive searching), standardising where groups of information are found (such as on the front, back or inside of packs) and how it is displayed (such as consistent use of icons or a “Contains” box, and so on), and using best practice design principles (such as use of boxes and colour coding for delineating different information, and so on).

The Food and Drink Federation represents the interests of the food suppliers. It is generally in favour of labelling standardisation but against too complex requirements, preferring to reduce the amount of information on the label and to provide more information only where there is evidence of consumer demand. It is against some of the Commission’s proposals, for example on “front of pack” labelling, minimum font size (which could force companies to introduce bigger pack sizes so as to display the required information) and origin labelling for multi-ingredient products due to the complexity and needed flexibility in sourcing ingredients, particularly seasonal ones. It is concerned that strict conditions for claims on health and nutrition and the requirement for preregistration of nutrition claims could restrict product innovation, as companies might not invest in R&D if they cannot communicate a new product’s benefits to consumers.

## Conclusions – Food

The food industry demonstrates good practice in its discussion of the approach to regulating the industry and publication of the research showing how the regulator reaches its conclusions as to what is appropriate. The existence of EC influence is special to this industry because of international trade in packaged goods. The suppliers are also used to being overt about their views on regulation. The products are of course available to consumers for inspection in stores and for testing by small purchases – which education is generally not. Most consumers treat packaged food purchases as routine and do not examine the labelling – this only happens with consumers with a special interest in the product and/or in nutrition/ safety. When they do, they often find it hard to understand – even read. The lesson is that the form in which information is published should be carefully researched. Even where there is 100 per cent agreement between suppliers and regulator about what should be measured (which in this case there is not), much can go wrong with its presentation.

## 6. Health

As with Retail, this is a huge sector with a myriad of different rating, scoring, regulatory, labelling and research systems in place to empower customers. For this Paper, we focus on The Quality and Outcomes Framework (QOF) – essentially Model 5 (government driven). This is an annual reward and incentive programme operated by DH detailing GP practice achievement results. Some useful insights result from considering how a national system of quality and performance reporting that operates at a granular level (8,200 general practices) is used to drive up quality and standards.

QOF is a voluntary process for all surgeries in England (with an extremely high participation rate) and was introduced as part of the GP contract in 2004. It awards surgeries achievement points for:

- managing some common chronic diseases e.g. asthma, diabetes (80 indicators; 650 points);
- how well the practice is organised (36 indicators; 167.5 points);
- how patients view their experience at the surgery (this was enhanced for 2008/9) (5 indicators; 146.5 points);
- the number of extra services offered, such as child health and maternity services (8 indicators; 36 points).

QOF is underpinned by QMAS – the national IT system developed by NHS Connecting for Health. The system calculates practice achievement against national targets, and gives general practices, primary care trusts (PCTs) and strategic health authorities (SHAs) objective evidence and feedback on the quality of care delivered to patients. QMAS ensures consistency of indicator calculation, and is linked to payment systems so that through the QOF general practices are rewarded financially for aspects of the quality of care they provide.

The 2007 GP Patient Survey highlighted big variations in patient satisfaction between GP practices, and some indications of lower satisfaction rates in people from minority ethnic groups. In response, the Secretary of State commissioned two Reviews of access and responsiveness of primary care services. In his report, Professor Colin-Thomé focused on the variation in patient satisfaction between practices. This led to several streams of work to help frontline staff improve quality and to ensure the health system delivers quality.

## Conclusions – Health

The QOF is a good example of Model 5 in operation. Although few of the indicators are directly customer-sourced, all are oriented to providing a continuously improving quality of service. The reports are not citizen friendly – though they might be a statisticians' choice for a model to build a robust, quality assured engine that drives reporting and sanction/incentive. They are a statement of results and trends with little comment, but that is the remit of The Health and Social Care Information Centre. Much data is available that could be presented to the public. It is curious that the system is so poorly publicly known and commented on, but changing this would be expensive. It also has none of the human and emotional elements of customer experience that Models 1, 2 & 3 provide – it is statistically-driven. Improvements usually only take place after formally commissioned reviews, which use the statistics to produce informed recommendations for improvement. Such a statistical and review system would take much time and money to implement in employment and skills.

## 7. Rail

The bi-annual National Passenger Survey (NPS) (Model 2) is run by Passenger Focus, the rail and bus consumer watchdog<sup>3</sup>. It covers 50,000 passengers, giving a network-wide picture of passenger satisfaction with rail travel. Satisfaction overall and with 29 specific aspects of service are reported and compared over time. The NPS is reported in national media with top and bottom companies named. It has a long track record and is quite well understood. Measurable improvements have been recorded by the NPS e.g. the standard and upkeep of trains and passenger security. 'How delays are dealt with' is an area of lower satisfaction that is the focus of much national effort today.

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<sup>3</sup> [www.passengerfocus.org.uk/research/nps/content.asp](http://www.passengerfocus.org.uk/research/nps/content.asp)



Another key indicator is train timekeeping, much improved in the last 10 years, driven by a results focus. The main measure here is the Public Performance Measure (PPM – Model 6), which measures the punctuality of all trains each day. The background to these improvements is a system of tightly managed franchise agreements in which operators must achieve standards of punctuality and target levels of satisfaction with trains, stations and staff. There are sanctions for non-compliance and response and proof of action are mandated.

Train service performance (punctuality) is the main driver of customer satisfaction. As with the Auto sector, there are sometimes mismatches between punctuality scores and passenger satisfaction, putting an operator at a higher position in the league table than expected – but this is not the rule.

## Conclusions – Rail

The Rail industry is a good example of how different Models can be applied in the same sector to drive up quality and service and improve the customer experience. However, as the employment and skills sector is not franchised, similar powers or sanctions to enforce improvement would have to be established for it to work as effectively.

## 8. Retail

This sector is distinct from the others in the Paper as it is a channel for all kinds of products (including regulated and labelled products), as well as being a service provider and delivery agent. Retailers are now also major financial service providers (albeit using own labels), and so all our models operate here. In this short section, we explore the history and implications of Model 1 – customer driven empowerment – in the Retail sector.

A Google or Facebook search of any of the major retailers with ‘love’ or ‘hate’ as associated words will bring up hundreds or thousands of hits. One Facebook page with a not-very-positive message about one retailer has nearly 750,000 fans. This shows that Model 1 definitely empowers customers by giving them a voice. The question remains as to whether organisations are listening and acting to improve product or service delivery.

From our research, the answer is “not yet”. Whilst much is written in the marketing media about how social networking can help, many retailers have yet to capitalise on or significantly benefit from these opportunities. This might be because this source of information is seen as ‘negative’ – people saying what they do not like or banding together against a retailer e.g. in opposition to a new store opening. However, ‘silent switchers’ – customers who walk away from a product or service without telling the supplier – are seen in the literature as an issue, so here is an opportunity to engage with them.

Retailers are of course aware of what is being said about them and try to respond or contribute. However, they do not yet have the business systems needed to assimilate the information and build it in to quality improvement processes, as they do for traditional sources of feedback – research, complaints, product returns, etc. A good example of this would be how to gauge reaction to high profile new product launches e.g. the iPad or a new console or game. A search on the major social networking sites would give a good immediate view of positive and negative reaction. The manufacturers are almost certainly doing this – and so should retailers. There is much untapped (and free) information that retailers need to use. Models 2 and 3 show that high ratings and good reviews from these sources do increase demand.

## Conclusions – Retail

There are big opportunities to ‘tune in’ to what is being said in the Web 2.0 environment and learn from it to improve products and services and reduce costs. For the employment and skills sector, the model fits well with the target demographic, so it must not be ignored.

## 9. Telecoms

This sector has been complicated by the emergence of broadband Internet and satellite/cable television, and of several companies that are providing dual, triple or quadruple play services (the provision of two, three or four of landline telephony, mobile telephony, broadband Internet and television). Virgin Media is the only true quadruple play provider, BSkyB offers all but mobile, while BT offers broadband, fixed line and content via the Internet. The main mobile phone companies offer broadband, and some offer landline.

All the services are regulated by one regulator, Ofcom (Model 6). In addition to monitoring and in some cases intervening in areas such as interconnect agreements (which determine the costs of connecting across networks), Ofcom provides guides as to how to complain, and encourages consumers to provide information on problems, as (in their language) *“Ofcom also speaks to phone companies regularly. The data we collect from them about disputing the bill also helps us decide whether an investigation is required.”*

Ofcom has a link on its website to facilitate provision of such information. It also accredits specialist telecommunications comparison websites (Model 3) to ensure that they provide prices that are accurate, comprehensive, up to date and accessible. It claims that the three sites that are so far accredited have been put through a rigorous independent audit so that consumers can be confident that they are being offered the best information. It also provides its own guides on prices and the costs of calling premium numbers. In addition, for mobile phones, it provides links to the coverage sites of the main providers.

Following a significant increase in the number of complaints about cash-back schemes and other forms of mis-selling in the mobile market, the mobile network operators introduced a voluntary Code of Practice in July 2007 (Model 7) to tackle mis-selling and cash-back issues. This voluntary Code did not lead to a significant reduction in complaints, so in March 2008, Ofcom proposed new mandatory rules called a General Condition. Since Ofcom proposed to introduce new rules complaints have fallen from over 600 to fewer than 200 per month.

The new rules include requirements for mobile network operators to:

- Not mis-sell mobile phone services.
- Ensure that the customer intends and is authorised to enter into a contract.
- Ensure that consumers get the information they need at the point of sale.
- Ensure that the terms and conditions of cash back deals offered by their retailers are not unduly restrictive.
- Carry out certain due diligence checks in respect of their retailers.

Examples of mis-selling complaints from consumers cited by Ofcom include:

- Finding themselves signed up to a dearer tariff than agreed at point of sale.
- Upgrading their contract believing they are signing another 12 month contract and then finding that it was a new 18 month contract.
- Signing up to a service after being told coverage in their area is good but then finding that they have little or no reception.

It is not Ofcom's role to regulate customer service standards. Its aim is to make sure that when something goes wrong, consumers can find out easily how to complain and can be sure their provider will have appropriate processes to receive and handle their complaint. Evidence gathered for Ofcom's recent review of providers' complaints handling shows that a good proportion of consumers with a complaint have a poor experience. 30 per cent of complaints are still unresolved after 12 weeks, while most consumers who cannot resolve their complaint promptly have great difficulty getting providers to recognise they are making a complaint and in finding out about the complaints process. Consumers who are unable to resolve their complaint

within 12 weeks are much more likely to suffer financially or through stress. Awareness of the Alternative Dispute Resolution scheme is lower than comparable schemes in other sectors with only 8 per cent of consumers aware that they can take unresolved complaints to ADR. Ofcom receives nearly 1,000 complaints a month from consumers who are unhappy with their providers' complaints handling.

Ofcom is proposing to establish standards for complaints handling for the telecommunications industry. To ensure the accessibility and transparency of providers' complaints handling procedures and require providers to have processes in place to secure the fair and timely resolution of complaints, Ofcom is also seeking stakeholder views on possible measures to improve transparency of the relative performance of providers' complaints handling which it believes could benefit both industry and consumers. It has also started a review of consumer switching to improve consumers' experience of switching providers. The aim will be to deliver processes that ensure there are no undue barriers to consumers switching now or in the future. One of its successful interventions has been through forcing broadband providers to provide migration access codes (MAC) promptly, allowing consumers to switch without losing service. Ofcom is now publishing complaints data to enable its stakeholders to view trends in the complaints it receives from the public about particular issues.

The work of Ofcom is complemented by many guides comparing the offers of telecommunications companies. The comparison sites such as Which? and moneysupermarket.com (Models 2 & 3) are both very active in this area. Many providers provide tools which allow consumers to find the optimum provider for their particular volume of use of the different services. J D Power is active in the US (also see Auto section), but does not provide such a service in the UK. In the US, it focuses on network performance and reliability to billing and cost.

Moneysupermarket.com (Model 3) has created a broadband speed test, where users can test their connection and see what speed they are receiving. The results are published, showing that there is a "huge gulf" between speeds advertised and those consumers receive. Moneysupermarket expects their quarterly report will have some impact on the industry and push providers to work harder to provide the speeds they promote.

Most companies have large customer insight functions, which centralise the data from market research and from their CRM systems (Model 4), which use the most advanced software (such as Chordiant), allowing operators to capture information about customers, ranging from complaints, to needs, to their moods at the time of calling. This information is of course confidential to the company, but helps the companies identify whether their offers are appropriate.

## Case study – Vodafone

Vodafone Group has created a Global Customer Value Management team to support operating companies in engaging directly with customers by a data driven approach (Model 4), linking all elements of customer interactions. Vodafone uses a customer measurement system called “customer delight” to monitor and drive customer satisfaction in the Group’s controlled markets at a local and global level. This is a proprietary diagnostic system, which tracks customer satisfaction across all points of interaction with Vodafone and identifies the drivers of customer delight and their relative impact. This information is used to identify any areas for improvement and focus. Results from the study are used to generate the Customer Delight Index (“CDI”), which is one element of Vodafone’s short term incentive plan (“GSTIP”), thereby directly linking employee remuneration with customer satisfaction performance.

Vodafone regularly conducts Brand Health Tracking, which is designed to measure the brand performance against a number of key metrics and generate insights to assist the management of the Vodafone brand across all Vodafone branded operating companies. This tracking has been in place since 2002 and provides continuous historical data against key metrics in all 19 Vodafone branded operating markets. Each operating company manages a study that complies with the standards and methodology set by Vodafone Group Insights. An external accredited and independent market research organisation provides global coordination of the methodology, reporting and analysis. As a result of these activities the Vodafone brand is now ranked high in the BrandZ Top 100 global brands list.

In Spain, Vodafone is using a system to measure in real-time how its customers are experiencing its network services e.g. inability to access live content or use Multi-Media Messaging (MMS). It allows Vodafone to provide customer-specific Service Level Agreements (SLAs) that can be easily and comprehensively verified through objective customer experience measurements.

## 10. White Goods

This is another example of government-driven (in this case EU directed) environmental labelling (Model 5) that aims to empower customers by giving them efficiency and energy consumption information at the point of sale. It is a simpler form than in the Automotive sector, but directed at a relatively less interested and informed audience in a commoditised market. It is not backed by tax penalties. Now in its 15th year of operation, Energy Labelling is compulsory for all white goods and home appliances sold within the EU, and is well established and recognised. The rating runs from A to G and primarily shows the energy efficiency of dishwashers, washing machines and refrigerators/fridge freezers/freezers. Other performance related ratings (also scaled A to G) are displayed, as shown here.

<b>Energy</b>		Washing machine
Manufacturer Model		
<b>More efficient</b> 		<b>A</b>
<b>Less efficient</b> 		
<b>Energy consumption</b> kWh/cycle <small>(based on standard test results for 60°C cotton cycle)</small> <small>Actual energy consumption will depend on how the appliance is used</small>		0.95
<b>Washing performance</b> <small>A: higher G: lower</small>		<b>A B C D E F G</b>
<b>Spin drying performance</b> <small>A: higher G: lower</small> Spin speed (rpm)		<b>A B C D E F G</b> 1400
Capacity (cotton) kg		5.0
Water consumption l		55
<b>Noise</b> (dB(A) re 1 pW)	Washing	5.2
	Spinning	7.0
Further information is continued in product brochures		

The main problem with the label is that it is effectively “single issue”. One of the appliance’s characteristics, its energy efficiency on a 60° cotton wash, is promoted above all others – especially cleaning performance (the ‘washing performance’ rating is seriously criticised by experts) and quality (no reference). This has led to much debate and dissatisfaction, as customers often assume that an A rated machine will perform better in day-to-day usage than their previous (less efficient) appliance, which is not necessarily the case.

### Conclusions – White goods

It could be argued that Model 2 (market driven) gives consumers a more rounded view of appliance quality and performance. Which? for example, takes 130 best-selling dishwashers and tests cleaning, reliability, energy efficiency, water consumption, noisiness, program features and ease of use. Those that perform outstandingly well are awarded “Best Buy” status. However, as most consumers do not subscribe to Which?, they rely on the label. The other issue is commoditisation of this market, which has been exacerbated by e-tailing (Amazon now sells white goods), where label ratings are not necessarily shown. Supermarkets have also entered this sector. All this drives a price focus that is not comparable to the employment and skills sector.

## 3. Current Practice in the Further Education sector

The learning and skills sector is highly monitored and audited. In terms of information for consumers, learners and employers, there is much publicly available information, but it is not presented in a user friendly format and can take much research and knowledge to interpret. As with the other sectors covered in this study, the sector uses various inspections and assessments, including the following:

- Ofsted inspections (Model 6).
- Provider led self assessment review (SAR – Model 7).
- Training Quality Standard (TQS – Model 6).
- Framework for Excellence (FfE – Model 5).
- Minimum levels of performance (MLP – Model 6).
- Benchmarking (Model 6).

**Ofsted** is the inspection body for FE and as part of its brief inspects all FE institutions funded by the Skills Funding Agency and DWP on a four-year cycle. Inspections have changed in each cycle but, broadly, providers who do well are subject to a “lighter touch” inspection while those with lower quality will be inspected in more detail. In addition to the annual cycle, there are monitoring visits, with a greater focus on those with most to improve, and surveys of topics e.g. “Train to Gain” or “good practice in literacy”. Following an inspection Ofsted publishes a report that assesses, on a four-point scale, two main areas, Overall Effectiveness and Capacity to Improve. The latter is built up from outcomes for learners, quality of provision and leadership and management. Reports may also include subject area sections e.g. Construction or Health, Social Care and Childcare that are also graded. Ofsted reports may mention particular courses but reports are not usually at course level and so are of less use to customers or consumers, although overall gradings could be used as a guide. Whether or not the average employer or potential learner knows how to access these reports or not is a question that is reflected in other models and sectors reviewed in this report. Some providers will use good inspection grades as part of their marketing. Ofsted’s programme of re-inspection and monitoring is a powerful incentive for providers to improve and many do so. Indeed statistics for FE over the past years show marked improvements in performance.

## Provider led self assessment

Providers must complete an annual self assessment report (SAR), which is submitted to the Skills Funding Agency or DWP. They should use Ofsted headings and gradings but are free to add to that. Ofsted will use the report as part of inspection and they are seen as a major tool for provider improvement since SARs should include strengths and weaknesses and lead to action plans for improvement. SARs are not published, so cannot be accessed by customers.

**The Training Quality Standard** is an externally assessed standard that measures providers' responsiveness, flexibility, expertise and commitment to continuous improvement in relation to their work with employers. TQS is in two parts. Part A covers the whole organisation (those parts which are "in scope" so it does not cover areas of a provider where they do not engage with employers for the purpose of training or business support). Part Bs are industry sector specific. On the TQS web site employers can search for providers with Part B accreditation, by region, in e.g. retail; freight, logistics and warehousing; automotive skills. They are then linked to the provider's web site<sup>4</sup> but not to information on the sector in which they are interested. TQS accreditation has been a goal for many providers in the last 2-3 years and has been a powerful incentive to improve the service for employers. It provides a framework for providers to analyse their relationships with employers and insists on effective feedback from the employer as customer. Its influence will only grow or be maintained if it is increasingly recognised by employers as a reliable source of quality training. Based on the EFQM, TQS should be a continuous improvement model and re assessment should also be an incentive for providers to improve.

**The Framework for Excellence (FfE)** is "the Government's performance assessment tool for FE colleges and post-16 education and training providers who receive funding from the Skills Funding Agency". It is a relatively new process that has been piloted with some providers and is now being rolled out across the sector with school sixth forms and local authorities piloting the Framework this academic year.

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<sup>4</sup> [www.trainingqualitystandard.co.uk](http://www.trainingqualitystandard.co.uk)



The framework indicators for 2009/10 are:

<b>Category</b>	<b>Indicator</b>	<b>Core or Specific</b>	<b>Published or Unpublished</b>
Learner and qualification success	Success rates	Core	Published
Learner views	Learner views	Core	Published
Learner destinations	Learner destinations (including a statement of volume of employment outcomes)	Core	Published
Responsiveness to employers	Employer views	Specific	Published
	Amount of training (statement of volume for information; not graded)	Specific	Published
	Training Quality Standard	Specific	Published
Financial health and management	Financial health	Specific	Unpublished
	Financial management and control evaluation	Specific	Unpublished
Resource efficiency	Funding per successful outcome	Core	Unpublished

Note: all providers are in scope for the core with the specific indicators being measured where appropriate.

It might appear that customer influence is gaining ground but it is still limited and does not relate to course level. The learner survey is compulsory for providers but voluntary for learners. FE providers need to encourage learners to complete the on-line survey and there is a statistical backdrop that ensures the sample is robust in terms of representing the provider's learner population. Employers are contacted by an external agency, providers having supplied their employer contact details via the Individual Learners Record (ILR). Employer responses are returned via the agency, which then collates the score for each provider. Both learner and employer surveys are fairly simple and, most importantly for the UK Commission's aspiration, do not link to specific courses.

Each section will be graded in one of four categories: Outstanding, Good, Satisfactory, Inadequate. It may be possible in future to provide more course specific information from learners as part of the validation checking is to link learner responses to the survey to learners on the ILR.

The results of the 2009/10 exercise will be the first to be published, so it is too early to say whether the public will be aware of FfE or make use of the scores. The influence of the scores on learner or employer behaviour may determine the Framework's power to influence improvement.

## Minimum Levels of Performance (MLP)

The Skills Funding Agency determines a threshold for success rates for groups of courses. These are known as MLPs. In Train to Gain for example the MLP for success rates is set at 65 per cent. Providers who fall below these will be encouraged to seek support to improve them and may have funding withdrawn from the provision. There is an incentive to improve here but it is financial rather than customer driven.

**Benchmarking.** The Skills Funding Agency publishes detailed statistical benchmarking data. This can help providers identify how they compare with similar providers but the data is not presented in a format that customers would find useful.

## 4. Conclusions and Policy Implications

The principle of empowerment in FE must be that customers (learners and employers) can make informed decisions that are based on information that takes account of input from ‘consumers’ of the service. They will be interested in questions such as:

- I want to do course A, which place is best?
- What is the best course for my business/employees?
- Which course will get me a job or training at a higher level?
- If I am on the course and it is poor, how can I get it fixed?

This report has identified a number of models and has reviewed their use in a range of sectors. These raise policy and operational issues that need consideration in the FE context, which as we have just discussed, tends to operate at the ‘controlled’ end of the customer empowerment model scale (Models 5, 6 & 7).

### Implications arising from the application of the different Models

**Model 1 – Customer Driven**, where customers provide “open feedback”, may well grow in relation to FE and it undoubtedly provides a forum for the qualitative perceptions of learners and employers. There needs to be a sufficient volume for this to affect provider behaviour. Given the age profile of Facebook users, for example, this is likely to grow and gain a louder voice, but older learners and employers may be less likely to participate. Today, online or web based resources for student reviews seem limited for FE. For example, one of the few sites where potential learners can post comments on FE courses and institutions does not seem well used. For one London college there were only 3 postings in 2009. Even the University student review sites do not have many postings. However, this is an area where “undirected” views can be gathered. This model cannot be overlooked or ignored because it will happen anyway.

**Model 2 – Market Driven** can work well and is partly covered in current FE practice in relation to learner and employer surveys. However the independence of the organising body can be questioned in the current FE context and the proposed reporting lacks specificity. If only aggregate data is published, with simple grading structures, the value of these surveys will fall short of the industry practice described in relation to Model 2.

**Model 3 – Marketing Driven** depends on responses from customers and, like all voluntary feedback, may not be representative. The guidance given by the LSC about FfE surveys is the sample must be representative. This can be hard to achieve and requires higher levels of participation to give the detail needed.

A strength of this model is its mass, detailed, specific and timely information, which in some cases is aggregated from different sources to overcome the issue of sample size (e.g. ReeVoo). Combined with the being relatively low-cost (fully web-enabled), this is definitely a model that should be strongly considered to implement the Ambition 2020 customer empowerment objective.

**Model 4 – Market Research & CRM Data Driven.** The main issue with researched and internal ‘insight’ data is whether in the FE context learners and employers will be empowered, as information is analysed and presented anonymously (after it has been acted on individually, of course, in the CRM environment). This is certainly the case currently, and were it to change then other issues would need to be considered such as a potentially lower response rate and thus a less representative sample. This is also a relatively expensive option, and would require some form of regulation (Models 6 or 7) to ensure consistency and accuracy when such data is published.

**Model 5 – Government Driven.** As our review of current FE practice shows, much information is gathered about FE but not made available in a user-friendly format. Except at the individual provider level, feedback from customers is not reported in a way that could lead to changes in individual courses and training programmes, nor does it allow easy comparisons of similar courses. Whilst this model is applicable and could be considered the most easily adaptable for the sector, it is unclear whether it would be the most effective, given the target audience for empowerment.

**Model 6 – Regulator Driven** is most akin to the role that Ofsted plays in FE. Currently, reports are more likely to be of use to providers and those who fund and manage them than to learners and employers. This in part relates to the lack of specificity in the reports but also to a lack of awareness that the information exists. The same applies to the externally accredited TQS.

Both Model 5 and Model 6 have proved effective in driving change, but this is more to do with the punitive or incentive powers associated with these models rather than the customer empowerment element. They also go against the key aim of “Reducing monitoring and audit requirements to the absolute minimum necessary for maintaining public confidence”, and would also be expensive to establish and manage.

**Models 7 and 8 – self-regulated and self-declared.** While the aim of FE providers has been to become more responsible for their own performance and be subject to less regulation imposed from outside, there will continue to be a need for information to be provided to users. Agreement on the form that it should take would be needed in the same way that FfE provides a common template for the entire sector.

This model could be deployed via a code of practice, but it would run a serious risk of being seen as irrelevant or obsolete.

Providers currently use student and employer case studies and feedback quotes etc. in their 'self declared' marketing material. This will continue but this model does not that support empowerment. So while providers are free to publish extra information on their performance or learning experience, this model is a poor basis for customer empowerment-led quality improvement.

## Sectors

The financial services sector has both simple and complex product. In the FE context one product, a course, can be both simple and complex. It is easier for customers to compare courses if they know what they want to study but there may be longer term implications where a wrong decision could be damaging, so in that sense it is a complex product. Other complicating factors are, for example, the cyclical demand for construction workers affecting job prospects at the time learners are seeking employment or promotion. Such complexity needs to be considered in relation to the type of information that is needed and that it is possible to provide. For complex products, the FS sector uses intermediaries. The role of IAG (information, advice & guidance) brokers, amongst others, will need considering when considering empowerment of learners and employers. Where should and could the power to drive improvements lie?

Another factor for consideration is the question of who benefits most from a particular product. The FSA is encouraging the development of not just a comparison between products but information about the appropriateness of a product for different purposes. This is important for the FE context in ensuring that feedback and information help prospective customers answer the questions suggested above.

In the food sector labelling has become an accepted practice and the views of suppliers are taken into account in determining what is labelled. We also consider the labelling used for white goods and in the automotive industry in respect of environmental issues. This is important in that the commitment to and ownership of any labelling system on the part of the suppliers, in the case of FE the providers, will affect the way it is implemented and the rigour with which it is undertaken.

The main issue raised by the food sector is that the evidence is that few consumers use the information that is provided even though it is on the packet they pick up or the product they are looking at (one could argue that it is a 'luxury' to focus on these things rather than on price). Strategies are needed to tackle the low usage of information. Otherwise, entire systems could be established that do not deliver.

So, promotion of the available information and the format in which it appears are key to its usefulness. This is backed up by the automotive sector experience. Here, the used car labelling scheme was launched in November 2009, but with little stakeholder and customer communications support. The message is struggling to be heard in a sector that is already well informed.

It is important to agree with learners, employers and providers what information is needed. Courses are complex products and improvements may need to take place in a number of stages for example in recruitment or the provision of learner support or the content of the training programme/course.

Large scale surveys are used in the automotive and rail sectors. In the automotive industry, the media undertake large scale surveys of customers covering a range of topics related to purchasing and running a car. The survey in the rail sector is administered by the rail and bus consumer watchdog, takes place twice yearly and as for the automotive example covers a range of topics. In both sectors, there is good evidence that matters of concern to customers have been improved by suppliers. Would such large-scale surveys give the detail needed to improve specific courses? Where the external research role is concerned, is there a role here for external agencies for example an Sector Skills Council (SSC), to take the role of Auto Express?

FE providers generally survey their learners and employers and indeed are required to as FfE rolls out. On an individual provider level, this can lead to changes in practice. Ofsted will look for evidence of this in their inspections. The question here is more about whether a large scale survey can reflect customer views in a way that leads to improvements in services. It could certainly identify common concerns but, to be really effective, may need to be tied to individual provider performance.

The airline industry raises the issues of timescales and control. One factor that needs consideration in the FE context is that if learner and employer feedback is given on a particular course, that course may have changed the next time it is offered, so feedback may not relate to the course currently on offer. Timeliness of feedback is key to its ability to influence and improve provision rapidly, but other external factors such as a revised qualification or a change in the local labour market will result in changes in provision. Whatever system is put in place must address this.

In the telecoms sector, not only are there good comparison sites but they are accredited by the regulator. The regulator here also has a role in dealing with complaints. In the FE context, who will monitor information that is provided for the public and should it be accredited by an independent body/regulator? Should complaints fit into the customer empowerment model both in terms of how they are handled and how they are used to effect improvements? If so, how should this be done? To what extent are complaints an issue in the FE sector and is the extent of dissatisfaction known?

In many ways the section on health is most closely related to what currently happens in FE. There is a mass of data collected but it is not widely known about or used nor is it presented in a user-friendly format. Most of the information available is statistical. As our report states, “it loses all the human and emotional elements of the customer experience”. True empowerment must reflect the experience as well as the facts. Just how this should be done on a large scale is a significant policy issue.

How should the quality of the training provision be judged by prospective customers? The broadcasting example suggests that using samples of training materials might be useful to the FE sector as an additional means of allowing customers to see both what they might be purchasing in the future and whether they are getting what was promised.

## In summary

The applicability of the different models depends upon the extent to which they empower customers, drive improvements and can be implemented cost-effectively. It will also be important to consider unitisation and provision other than “courses”. The web-enabled Models (1-3) lend themselves towards these requirements, unless an expensive or bureaucratic infrastructure is envisaged. A further consideration is that the proposed structure of the FfE contains elements of the models but does not yet address many of the policy implications outlined above.





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The UK Commission aims to raise UK prosperity and opportunity by improving employment and skills. Our ambition is to benefit employers, individuals and government by advising how improved employment and skills systems can help the UK become a world-class leader in productivity, in employment and in having a fair and inclusive society: all this in the context of a fast-changing global economy.

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