



Achieving effective consumer representation: a study of the UK

face and online interviews with consumer representatives and a round-table discussion involving consumer representatives and industry professionals.

Findings

Culture, people and process underpin the model. Organisations should build a culture that puts consumers at the centre and seek transparency. Representatives should have the competence, knowledge, skills and qualities to reflect consumer views, and to instil confidence in consumers and consumer organisations. Tailored training, processes which rebalance power between industry and consumer, adequate resources and appropriate structures are needed. Guidance for organisational leaders is provided and applicable to the wider financial sector internationally. There is scope to develop the model for other regulated and non-regulated sectors.

Originality

Consumers should be at the heart of organisational decisions. The data highlights the value of listening to the 'consumer voice' and provides evidence-based solutions relevant to complex regulatory sectors. Further research is highlighted.

Key words

Consumer representation, consumer voice, consumer engagement, consumer panels, financial services, payments.

Article classification

Research paper

Introduction

Financial services institutions are under pressure to innovate as their competitive landscape undergoes a seismic shift (Estelami, 2012) and trust is rebuilt. Increasing active participation and involvement of consumers has been identified as a route to restoring confidence and driving best practice in the financial sector (European Parliament and the Council of the European Union, 2017) and developing new products (Mohammad *et al*, 2016. Martovoy *et al*, 2012). Indeed, financial services

the resulting lessons have wider relevance to inform consumer representation models across other sectors.

Literature review

Consumer representation is defined as the formal mechanisms for the representation of consumer interests within the public and private sector. Consumer representatives voice consumer perspectives, often in an advisory capacity, and may take part in the decision-making process on behalf of consumers. Effective consumer representation contributes to better decision-making as representatives can bring knowledge and experience that enables officials to develop a clear understanding of the elements of a successful solution and the likely consequences (Consumer Protection, 2020; Consumers Health Forum of Australia, 2020). The concept of consumer representation is not new. Consumer rights set out in 1962 by President John F. Kennedy included the right to be heard. This has since developed into 'consumer influence and representation', one of eleven internationally recognised consumer principles used by consumer organisations to define the most important needs of consumers which should be taken into account in decision-making (Consumers International, 2016; UK Regulators Network, 2017). Other consumer principles are access, information, education, safety, redress, inclusivity, protection of economic interests, sustainability, e-commerce rights and privacy.

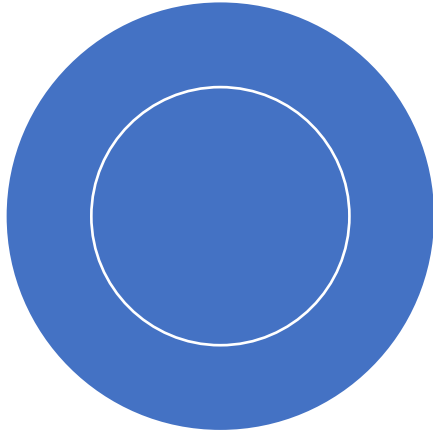
There is surprisingly little academic literature focused on consumer representation with much of what is available being policy-focused. In contrast there is a significant literature spanning a number of different disciplines on consumer engagement (Andersson *et al*, 2011; Franceys and Gerlach, 2011). While the terms consumer representation and consumer engagement are often used interchangeably, consumer engagement is focused on a broader approach to consumer voice which includes engaging directly with consumers themselves by, for example, encouraging the active participation of consumers in the planning, delivery and evaluation of services as well as undertaking consumer research.

Consumer representation has effects at the organisational, regulatory and market level. It makes organisations more directly responsive to consumers (Tambini, 2012), ensuring that products and services better meet the needs of consumers (CAA Consumer Panel, 2019; Consumer Focus, 2011). It assists the development of regulatory regimes, improving the quality of regulatory decision-making and supporting the appropriateness of regulatory interventions (Consumers International, 2020; Consumer Focus, 2011). At the market level, consumer representation increases public trust (Scottish Legal Complaints Commission Consumer Panel, 2018; Consumer Focus, 2011). Effective representation of the consumer interest can help rebalance the asymmetry of power and bring clarity about issues faced by consumers (Office of Rail and Road, 2019). It promotes trust and confidence in the relevant sector; responds to consumer needs, particularly those of vulnerable and low-income groups; and leads to good outcomes both for consumers and for the sector itself (Consumer Protection, 2020; Consumers Health Forum of Australia, 2020).

This section focuses on investigating alternative terms for consumer representation, and provides an analysis of structural requirements for achieving effective consumer representation. A range of terms are used to describe the involvement of consumers in organisations. Consumer engagement can involve the active participation of members of the public, service users or customers in service planning, delivery and evaluation (Andersson (son

(e)6

~~§7JED~~



The concept of 'consumer voice' has been considered in a range of settings, including regulation (National Consumer Federation, 2020), healthcare (Fox, 2008), employee relations (Yamaguchi, 2005), essential services (Essential Services Access Network, 2017), services marketing (Lacey, 2012) and public services (Simmons and Brennan, 2016). Across these, 'voice' is seen as providing an opportunity for people to get their point of view across to decision-makers (Bies, 1987); provide their ideas, suggestions, concerns or opinions in order to improve organisations (Morrison, 2011); be communicated with, consulted and have a say (Dundon *et al*, 2004); and be listened to (Essential Services Access Network, 2017; Consumer Focus, 2011).

Organisational outcomes associated with collaborative consumer voice include the creation of consumer trust, legitimacy for organisational decisions and increased engagement, all of which facilitate the delivery of organisational goals (Essential Services Access Network, 2017). Voice is particularly important in regulated sectors which provide essential services and where customer choice is limited (National Consumer Federation, 2020; Essential Services Access Network, 2017).

The term consumer engagement is used in literature to refer to consumer voice and consumer representation. Most of the recent literature on consumer voice sees this as consumer engagement (Lodge, 2016; Essential Services Access Network, 2017;



Adapted from the International Association for Public Participation, 2014.

Participation is viewed as a process for influencing decisions, plans, or policies that directly affect one's community, government, and personal or public life. It is one facet of societal and institutional inclusion, and its denial is a form of exclusion. Participation can be considered to be on a continuum, where there are increasing levels of interaction with other decision-makers, influence over the outcome, and power to determine the outcome (Gius, 2018). Democracy theorist Carole Pateman has described three points along this continuum: pseudo-participation, where one has no influence or power over the outcome; partial-participation, where one has influence but no power; and *full* participation, where one has full power over the outcome. Like dignity, participation is highly relational. A simple framework captures many of the potential dynamics between the parties involved (decisionmakers, people affected by a decision, and any third parties such as advocates or facilitators): decisions can be made or implemented *with people, to people, or for people*. While there are times when doing things *to or for* people might be appropriate and affirm dignity, the *with* approach is often framed as the participatory ideal (Pateman, 1970 p53). Participation therefore is an important element in consumer representation.

The following section considers structural requirements for effective consumer representation. Organisational culture, people and processes are identified below as important to the provision of effective consumer representation and a number of existing models for consumer representation are identified and critiqued.

In terms of culture, it is important that the wider culture within organisations is focused on consumers and is (and is seen to be) receptive to and welcoming of consumer views. Consumer representation is least effective when it is a tick-box exercise. To avoid the perception that consumer representation is just window dressing, there should be clarity about the role of the consumer representative and how their input will be used (Financial Services Consumer Panel, 2019; Consumer Focus, 2011).

Appointment processes which are consistent with good corporate governance are those which are clear, transparent and accountable (Commonwealth Consumer Advisory Committee, 2005). An appropriate range of potential candidates should be sought as a lack of diversity and relying too heavily on the “usual suspects” may be an issue (Coppack *et al*, 2014; Essential Services Access Network, 2017). Consumer representatives tend to be middle income, middle aged, educated professionals, rather than lay representatives or those whose voice is vital - the ignored, isolated and invisible (Franceys and Gerlach, 2011). Attempts should therefore be made through appropriate routes to reach such groups, in order to bring in fresh voices (UK Regulators Network, 2017).

Training is needed (Bacs, 2017). Potential consumer representatives may lack the necessary resources, expertise and capacity to take on the role (Essential Services Advisory Network, 2017). The imbalance between consumer representatives and other players, especially in relation to complex and technical issues, can place them at a significant disadvantage (Financial Services Consumer Panel, 2013). Potential consumer representatives may therefore require significant support in terms of administration, capacity building, technical support and ongoing training, to allow them to take on the role (Coppack *et al*, 2014).

Organisations should show that they value the 2017).

Three broad models of consumer representation identified within a regulatory context could have wider application (UK Regulators Network, 2017; Essential Services Advisory Network, 2017). Each of these has advantages and disadvantages and there is no definitive best approach. The most effective will depend on the sector and context (UK Regulators Network, 2017; Sustainability First, 2016).

Model 1: ad hoc consultation or engagement with external consumer groups While consumer bodies may have a key role to play under this model, the extent to which they can represent consumers' interests may be limited. Lack of resources and/or technical expertise may force them to focus on everyday issues directly relevant to consumers, at the expense of more complex issues where the long-term consumer interest is less clear cut. Research on consumer representation within the financial services sector (Financial Services Consumer Panel, 2009) found, for example, that few consumer bodies specialise in financial services, and those who do may not always be able to respond to consultations due to limited resources and time.

Model 2: appointing representatives to advisory panels and groups within the regulator Government departments, regulatory bodies and businesses may have some form of expert consultative committee to consider consumer issues. For example, the Financial Services Consumer Panel advises and challenges the Financial Conduct Authority, which is legally required to consider its representations; these are taken very seriously by the regulator (Financial Services Consumer Panel, 2019).

Under this model consumer panels can provide independent, expert advice; become involved at an early stage; have a deep understanding of complex sector-specific issues; and can be seen as a trusted 'critical friend', giving them greater influence over decision-making. They may not, however, be seen as entirely independent, there may be the risk of 'capture'; are resource intensive; and may find it difficult to ensure they represent 'real' consumers (Coppack *et al*, 2014; Essential Services Advisory Network, 2017).

Model 3: engagement through the regulated company itself This model may be used by regulators in relation to price controls - for example, the Customer Forum, which

negotiates directly with Scottish Water (UK Regulators Network, 2017). Additionally, companies may appoint consumer representatives directly to their boards (Essential Services Advisory Network, 2017). This approach can encourage companies to be more consumer focused; allow ongoing trusted input and challenge from a different perspective; and may increase company credibility. It does, however, pose difficulties for representatives, particularly volunteers, in devoting sufficient time to fully participate. They may also not have sufficient expertise to deal with complex issues. Paid representatives appointed by the company may not be seen as independent. (Essential Services Advisory Network, 2017).

The above review has provided an insight into what comprises successful consumer representation, through the identification of key roles; cultural, people and process requirements, and through a critique of existing models. This framework informed, and was further developed through, research conducted within the financial sector. The output ultimately provides a model for effective consumer representation o

At the time of the research Bacs was responsible for direct debit payments and the Current Account Switching Service (CASS) and was subject to calls to ensure that consumers' interests are appropriately represented. This was deemed important following the establishment of the current account switching service in 2013 which aimed to increase competition by enabling consumers to easily switch retail banking. The importance of ensuring good consumer representation in this sector was highlighted as retail banking is "often people's first experience of financial services and can offer a gateway to further financial inclusion" (Financial Inclusion Commission, 2015, p. 26). Since the research was conducted, Bacs has been replaced by Pay.UK.

Methods

Methods included telephone interviews, an online survey using open-ended questions and a round table discussion.

Twelve semi-structured telephone interviews were carried out between June and July 2017 with expert informants from across the UK. These informants had extensive expertise regarding the issue of consumer representation either within financial services or more widely which gave them insight into the subject being researched. While statistical generalisation was not the aim, the research sought to achieve a balanced sample by including interviewees who were or had been consumer representatives in the financial sector, advice bodies, independent experts, and consumer representative groups. Telephone interviews were used to gather data from these professionals who were geographically spread across the UK. Interviews lasted an average of 60 minutes.

To extend data gathering reach an online questionnaire was also sent to a group of eight stakeholders. Three participants provided online responses.

Interview data was professionally transcribed and uploaded along with the online questionnaire responses to Nvivo, coded and analysed. We concluded that data saturation was reached as no new codes were added during the last few interviews.

Further iteration was achieved through the discussion of findings and recommendations at a round-table event which also provided a reality check for final recommendations.

Findings and discussion

This section provides and discusses the key findings from the research. These are organised by topic with data being drawn from all research participants.

1. General views on consumer representation

Research participants valued their involvement in consumer representation, seeing it as a unique role which provided a real insight for organisations. The aim of consumer representation was seen to be ensuring that when key decisions are being made, the consumer perspective is brought to bear. Bringing that understanding; advocating for consumer interests; and influencing decision making by facilitating a more consumer-centred focus were seen as key to success.

Participants at the round-table event suggested that a consumer-focused culture was central to successful consumer representation. Effective consumer representation relied on the organisation demonstrating a willingness to listen to consumer representatives and take into account their views. This may involve a culture change

consumer interests into account, driving wider engagement, and ensuring that the voices of more excluded consumers are heard.

It was also recognised that other board members may be able to contribute to a consumer perspective. Some suggested that all board members should be trained in consumer issues, which might provide an opportunity to leave their organisational view behind and contribute as individuals.

While the single representative model had limitations, it could be an important part of a wider strategy to engage with consumers. Consultation with consumer bodies was seen as important to ensure that a broader perspective is reflected during discussions. Consumer representatives should also be involved in designing and developing the organisation's consumer engagement strategy. Some suggested that consumer representatives could become ambassadors, reaching out to their own networks in developing the engagement strategy. A note of caution was expressed about this, however, consumer representatives should not be expected to conduct the engagement with consumers themselves. This is a substantial task which should be carried out by staff within the organisation and with consultants commissioned to focus on particular aspects of activity.

For the purposes of the research a consumer was defined as anyone, whether an individual or an SME, that uses or would like to use, the services provided. While interviewees thought that the interests of small and micro enterprises were often similar to those of consumers, they had reservations about whether a single representative would be able to cover both perspectives. While separate representation might be difficult within a smaller board, this could be delivered via a consumer panel. Likewise, there was a strong consensus that the interests of price comparison organisations and intermediaries were not well aligned with those of individual consumers: these bodies should therefore also be separately represented.

While it was seen as an expensive option, the second model (a collective consumer forum) was thought to be effective in representing different consumer perspectives, ensuring that a diverse range of views were heard. A strong consumer panel, with different areas of expertise around the table, was seen to be important. Limitations included the cost, difficulties in attracting a diverse range of representatives, and that

sometimes the size of group forums can be too large to achieve useful progress. It has been found that a consumer panel of six to twelve experts works effectively (Financial Services Consumer Panel, 2020; Civil Aviation Authority Consumer Panel, 2020; Office of Rail and Road Consumer Expert Panel, 2020b; Scottish Legal Complaints Commission Consumer Panel, 2020). Some felt that having consumer representatives on the board was important even where there was also a collective forum. At the Civil Aviation Authority, the Chair of the Consumer Panel regularly attends Board Meetings (Civil Aviation Authority Consumer Panel, 2020) to represent the views of the Panel and at the Office of Rail and Road, a member of the Board chairs the Consumer Expert Panel (Office of Rail and Road, 2020b). Both approaches ensure that the panels have clear insights to the strategic direction of the organisations and can ensure that the consumer voice is heard at the highest level.

Interviewees were asked whether consumer representatives should be appointed as individuals, or as representatives of an organisation, regardless of the model chosen. Some felt that a degree of pragmatism was needed, depending on the person and organisation concerned. Most favoured individual appointments, on the basis that this would help to ensure that the appointee did not simply represent the views of their organisation (see also (14) 7214 (2) 21 (m) of the OJ T 0 (13) (i) B (4) 6 (1) 6 (d) to 5 (6) 003 Tw. (s

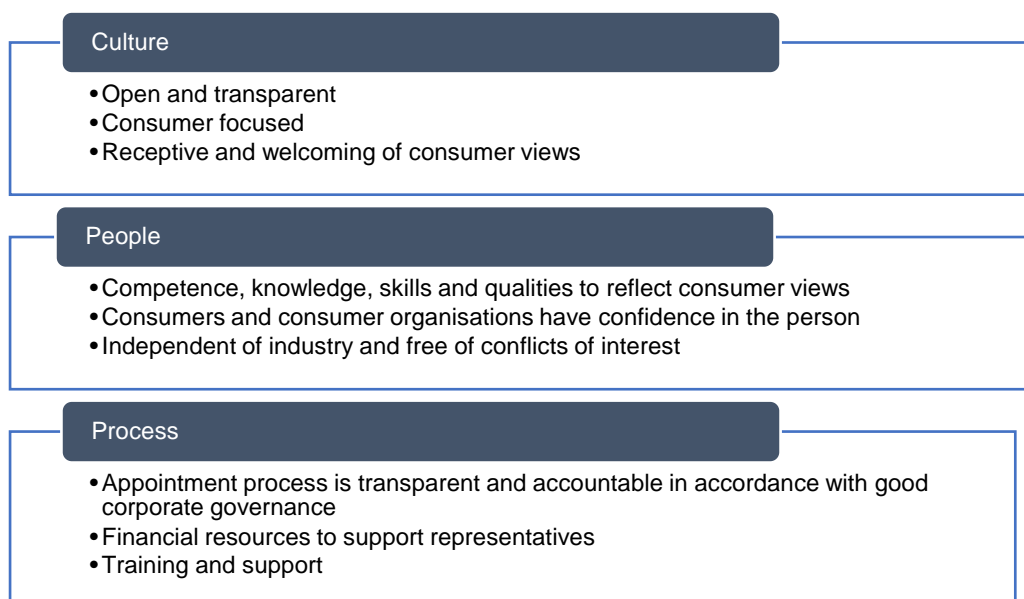
Table I : Factors required to achieve effective consumer representation

<i>Principle</i>	<i>Factor highlighted by research participants</i>	<i>Participant comments</i>
------------------	--	-----------------------------

Table I : Factors required to achieve effective consumer representation (cont'd)

<i>Principle</i>	<i>Factor highlighted by research participants</i>	<i>Participant comments</i>	<i>Supporting literature</i>

Figure 3: A model for effective consumer representation. Principles and underpinning factors



These principles are to some extent mutually dependent and reinforce each other. Processes which facilitate consumer representation work best within a culture that is receptive and open to consumer input. Likewise, having the right culture is likely to lead to a desire to invest in good consumer representation processes, and in people who will be effective consumer representatives. It is the dynamic of culture, people and process that makes consumer representation effective.

Culture

Where an organisation's culture is open and transparent, receptive and serious about putting the consumer at its heart, consumer representation can have an impact. This means seeing consumers not simply as another group of stakeholders, but as the success metric of an organisation: good consumer outcomes should be synonymous with the organisation's success.

Organisations should be able to show where they have listened effectively to the consumer voice and made changes. They should be transparent when views are rejected, giving clear reasons why the input has not been addressed. Holding open

board meetings, publishing meeting minutes, consumer research and the outcomes of key debates through dedicated internet pages can help create transparency.

People

The capabilities which internetes cntanW nBTn.9 (dedi)gl (dedi)g nBTnd a-0.002 ne (ed)10 nt
4jET

evaluated. Clear, measurable objectives should be set for the organisation's approach to consumer engagement and consumer representation.

People

Andersson, E., Fennel, E. and Shahrokh, T. (2011), 'Making the Case for Public Engagement' , available at <http://www.involve.org.uk/wp-content/uploads/2011/07/Making-the-Case-for-Public-Engagement.pdf> (accessed 10 March 2020)

Bacs. (2018), 'The consumer conundrum: ensuring effective representation in financial services', available from <https://www.bacs.co.uk/newscentre/bacsbriefing/pages/consumerconundrumensuringeffectiverepresentationinfinancialservices.aspx> (accessed 6 July 2020)

Bacs. (2017), 'Consumer representation in financial services: a Bacs discussion paper', available at <https://www.bacs.co.uk/DocumentLibrary/ConsumerRepresentationInFinancialServices.pdf> (accessed 9 June 2020)

Bies, R. (1987), 'Beyond 'voice': the influence of decision-maker justification and sincerity on procedural fairness judgments'. *Representative Research in Social Psychology*. Vol 17 No.1, p

Citizens Advice. (2016), 'Consumer detriment: counting the cost of consumer problems', *London: Oxford Economics*, available from 10 March 2020)

https://www.citizensadvice.org.uk/Global/CitizensAdvice/Consumer%20publications/Final_ConsumerDetriment_OE.pdf (accessed 10 March 2020)

Committee on Exiting the European Union (CEEU), (2017), 'Pa(t)2 (i)6 (z)4 (9T/TT1 1 Tf11.04Wn(c

Consumers International, (2016), 'Consumer protection: why it matters to you. A practical guide to the United Nations guidelines for consumer protection' available from <https://www.consumersinternational.org/news-resources/publications/id/3053> (accessed 8 June 2020)

Consumer Protection, (2020), 'What is consumer representation?' available from <https://www.consumerprotection.govt.nz/about-us/consumer-representation/what-is-consumer-representation/#search:Y29uc3VtZXIgcmlVwcmVzZW50YXRpb24=> (accessed 1 June 2020)

Coppack, M., Jackson, F. and Tallack, J., (2014), 'Involving consumers in the development of regulatory policy', UK Regulators Network, available from <https://www.ukrn.org.uk/wp-content/uploads/2018/06/20140728-InvolvingConsumersInRegPolicy.pdf> (accessed 1 June 2020)

from <http://www.oecd.org/financial/education/future-fin-edu-2019-summary-record.pdf> [Accessed 7 June 2020].

Fung, A., (2015), 'Putting the Public Back into Governance: the Challenges of Citizen Participation and Its iz 0 0g9BT/P AMCJ-26.75 -04 Tc -0.000[(P)1 58 0 Td[(f)-4 (in002 20.28 026.12

Martovoy, A. (2014), "Advantages and disadvantages of open innovation: evidence from financial services", Mention, A.-L. and Torkkeli, M. (Eds.), *Innovation in Financial Services: a dual ambiguity*, Cambridge Scholars Publishing, Newcastle upon Tyne, pp. 259-294

McAuley, T., (2016), 'Consumer engagement in regulation: what does good practice look like?' Lodge, M. (ed) *Customer Engagement in regulation*, Centre for Analysis of Risk and Regulation: discussion paper No 82, available from <http://www.lse.ac.uk/accounting/CARR/pdf/DPs/DP-82.pdf> (accessed 10 March 2020)

McKeever, G., (2013), 'A ladder of legal participation for tribunal users'. *Public Law*. Vol. Winter, pp 575 – 598

Mohammad, G., Nejad, D., Martovoy, A. and Mention, A.L., (2016), 'Patterns of new service development processes in banking', *International Journal of Bank Marketing*, Vol. 34, No. 1, pp. 62-77

Morrison, E., (2011), *Employee Voice Behaviour: integration and directions for future research*, *The Academy of Management Annals*. Vol. 5, No. 1, pp. 373–412

National Consumer Council (NCC), (2008), 'Putting People into Public Services'

National Consumer Federation. (2020). 'Consumer voice', available from <https://www.nationalconsumer.org.uk/consumer-voice/> (accessed 9 June 2020)

Office of Fair Trading, (2008), 'Consumer detriment: assessing the frequency and impact of consumer problems with goods and services', Office of Fair Trading, available from https://webarchive.nationalarchives.gov.uk/20140402190150/http://www.offt.gov.uk/shared_offt/reports/consumer_protection/oft992.pdf (accessed 10 March 2020)

Office of Rail and Road, (2019), 'Measuring up - Annual rail consumer report', available from https://orr.gov.uk/data/assets/pdf_file/0006/41397/measuring-up-annual-rail-consumer-report-july-2019.pdf (accessed 9 June 2020)

Office of Rail and Road (ORR) Consumer Expert Panel, (2020a), 'Consumer Expert Panel: how we work', available from <https://orr.gov.uk/about-orr/how-we-work/expert-advisors/consumer-expert-panel> (accessed 9 June 2020)

Office of Road and Rail (ORR) Consumer Expert Panel, (2020b), 'Consumer Expert Panel members' available from <https://orr.gov.uk/about-orr/how-we-work/expert-advisors/consumer-expert-panel> (accessed 19 June 2020)

Pateman, C., (1970), *Participation and democratic theory*, Cambridge University Press, Cambridge

Penz, E. and Sinkovics, R.R., (2013), 'Triangulating consumers' perceptions of payment systems by using social representations theory: a multi-method approach', *Journal of Consumer Behaviour*, Vol. 12, No. 4, pp. 293-306

Perceptive Insight, (2016), 'Customer Engagement Methods and Examples of Best Practice: report for NIE Networks', available from http://www.nienetworks.co.uk/documents/future_plans/4-nie-networks-phase-4-literature-review-and-final (accessed 10 March 2020)

Raghubir, P. and Corfman, K., (1999), 'When do price promotions affect pretrial brand evaluations?' *Journal of Marketing Research*, Vol. 36, No. 2, pp. 211-222

Raghubir, P., (2006), 'An information processing review of the subjective value of money and prices', *Journal of Business Research*, Vol. 59, No. 10, pp. 1053-106

Scottish Legal Complaints Commission Consumer Panel,(2020), 'Consumer Panel members', available from <https://www.scottishlegalcomplaints.org.uk/about-us/consumer-panel/panel-members/> (accessed 29 J

data collection phase. The authors particularly want to thank Faith Reynolds for her guidance during the project.