60 _ decibels

A Simpler Way to Measure Impact

It's All About Listening

June 2019

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Introduction

In impact investing and beyond, we still struggle to get high-quality, useful data about social impact. Impact measurement, which could be the cornerstone of how we set goals and assess performance, can at times feel like a burden.

It's high time we fixed that.

In order to do so we need to turn the perception of impact data on its head: from cumbersome and expensive, to simple and valuable.

This white paper is a proposal for how to reboot impact measurement. It is grounded in perhaps the most uncomplicated activity of all: listening.

We're delighted to share what we've learned building Lean Data℠, an impact measurement approach developed by Acumen that our spin-off company 60 Decibels will continue to grow.

(And if you're wondering, 60 Decibels is the volume of human conversation.)

Image credit: Danny Nicholas "I shoulda taken that left turn at Albuquerque"

The Wrong Turn

Bugs Bunny famously quipped that he'd made a wrong turn at Albuquerque. That turn would lead poor Bugs to either comedy, drama or disaster. In impact investing, we've made a similar wrong turn when it comes to impact measurement. We've focused too much of our attention on "what" to measure, without first properly working out "how" to get this data.

Here's how this often unfolds: seeking comparable, aggregate measures of impact, investors identify "what" measures they need and ask their investees to provide them. Investees typically don't have access to these data, so they instead share sales or employment figures. The impact investor then converts these into "lives impacted" numbers and makes approximations of impact—such as increases in income or CO_2 averted—based on desk research.

Everyone involved knows this only scratches the surface of understanding what's really happening on the ground, and yet round and round we go.

We can get off this impact measurement merry-go-round by refocusing on the "how" of impact measurement.

If we do this right, we can shift impact measurement from a top-down compliance issue—a stick—and turn it into something that creates value for investors and enterprises alike—a carrot. Bugs would be thrilled.

What would useful impact data look like?

What would truly useful impact data look like? What would make us excited to collect it, and how can it help us succeed? To start, these data would be of interest to everyone in the impact investing value chain—from investors to fund managers to entrepreneurs to customers. They would be readily available and dynamic, moving at the pace of entrepreneurial businesses and the speed with which investment decisions are made. And they would be actionable, driving real-time decisions at the company and investor level.

Few of these characteristics apply to much of the current social performance data gathered and shared in impact investing. Instead, we traffic in headline statistics about the number of people reached, and we pair these metrics with individual vignettes about customers or communities.

Some of the more dedicated impact investors augment these headline numbers with existing research to get a better approximation of social impact. While these calculations can provide an estimation of impact, one has to be sure that the research consulted is relevant to the investment. The challenge is, impact is highly context-specific, which is why the outcomes experienced by a solar panel owner in India are often so different from those experienced by an owner of a nearly identical panel in Tanzania. Because of their limitations, these "proxy" calculations are used primarily for communication purposes, and they don't play a material role in how investment decisions are made, nor do they drive operational choices for entrepreneurs and their teams.

Why does this matter?

In the absence of better data about social impact, entrepreneurs and investors are hamstrung in their ability to manage for impact. Contrary to Bono's misplaced assertions about the quality of deals in the impact investing sector, impact investors today use sophisticated, reliable information to conduct financial analysis. Impact businesses have similarly evolved financial and operational metrics to drive strategy and operations. But neither investors nor entrepreneurs have the data they need to manage and maximize their impact.

As a result, day-to-day attention gets diverted from the impact we are all here to create. We manage what we measure, adjusting based on the feedback and learning loops enabled by clear data.

Even with the best of intentions, management of social impact gets overpowered by the more rigorous accountability of operational and financial targets. We optimize to meet these operational and financial goals, and are left hoping that doing so will further our impact objectives. Imagine instead having clear, actionable impact targets, performance benchmarks that show how we're doing relative to our peers, and the data we need to adjust based upon that feedback.

We would have a built-in improvement cycle for creating social impact, super-charging our collective ability to create positive change.

Where do we begin?

The answer is simpler than it appears. Consider this: most of what we call "social impact" comes down to the lived experience of the customers we aim to serve. The Impact Management Project (IMP), an impact consensus created by consultation with more than 2,000 practitioners, helpfully defines five dimensions of impact: Who, What, How Much, Contribution, and Risk. At least the first three of these dimensions, and in some cases all five, can accurately be described by the person experiencing the impact, if only we'd take the time to listen to her.

To make listening to these customers an expected, daily part of how we operate impact businesses and funds, we must find a way to do it efficiently. The obvious answer is to take advantage of the ubiquity of cellphones: 5 billion people own mobile phones today, and there are 9 billion mobile connections globally. With this level of interconnectedness, and all the underlying technology that has made it possible, surely there are new, innovative ways to listen to each other.

We've spent the last five years working on this problem, finding ways to help impact investors, foundations, and the organizations they support to listen better to customers over mobile phones. We first described our approach, called Lean Data[SM], in a 2016 Stanford Social Innovation Review article, and since then we've scaled our offering.

We have been developing and testing repeatable surveys that yield high-quality, comparable impact data; finding ways to improve response rates; adjusting for unequal mobile phone penetration amongst men and women and different income strata; and building a global network of 150+ researchers in 34 countries.

As we continue to refine our repertoire of ready-to-go surveys, one social impact theme at a time, we are building some of the first benchmarks of impact performance. These benchmarks can be used by both enterprises and investors to compare their impact performance against their peers. We've documented how this approach can be applied to the IMP's five dimensions of impact, and we've shared survey questions anyone can use to listen to customers in new ways. Best of all, this remote, light-touch approach gets at the heart of the "how" of impact measurement, enabling learning and improvement cycles that help companies and investors create more impact over time.

Lean Data^{SM} Today

Since we first developed Lean Data^{SM} in 2013, we've worked with more than 180 companies, with a focus in off-grid energy, agriculture, education, workforce development, financial inclusion, and healthcare, as well as clusters of projects in property rights, governance and emerging technology. We've also done a deep dive into how to measure gender-specific impacts and released a public report about this work at the 2019 Women Deliver Conference.

We've learned that companies that exist to make a transformative impact on customers' lives rarely have the resources to systematically listen to these customers and conduct robust impact measurement. Yet, when they get their hands on great data, they are quick to respond and adjust to the feedback and social metrics they receive.

For example, in a 2016 project with SolarNow, an off-grid solar company in Uganda, we discovered that many customers were experiencing challenges using their solar home system. This meant that customers couldn't get the full benefit out these systems, lessening their impact. This was a surprise for the SolarNow team who hadn't heard about these challenges.

With this data in hand, CEO Willem Nolens and his team moved quickly to better understand what issues customers were facing–mismatched expectations, technical issues, or customers not understanding how to use the product. Willem also created an after-sales support team whose job was to proactively reach out to customers and focus on customer service and issue resolution.

He also shifted the incentive structure of the sales team to reward long-term customer relationships over one-off sales. With time, value for money results improved, as did satisfaction of the SolarNow sales staff.

Like other CEOs, Willem has told us that he values how Lean Data^{SM} is deployed as a business intelligence tool, not as a research methodology. Our timescales are weeks, not months or years, and our results are designed to give CEOs and their teams concrete actions they can take today, and not only stories or data that they can incorporate in their next fundraising pitch.

Based on growing external demand, we recently spun out of Acumen, the nonprofit social impact investor where Lean Data^{SM} was developed, and launched a social enterprise called 60 Decibels. Our goal is to bring the Lean Data^{SM} approach to the world, so that we can make it easy for anyone interested in creating social impact to listen to the people who matter most.

Introducing 60 Decibels Impact Benchmarks

We've designed Lean Data℠ to be a repeatable approach with standardized survey questions aligned to specific impact themes. Thanks to the high volume of projects we've completed across multiple sectors and geographies, we've been able to build a large, robust database of impact benchmarks. In building these benchmarks, we're inspired by the Total Quality Management movement and the work of companies like JD Power. They brought customer-centricity, and massive improvements in quality, to manufacturing, the auto industry and beyond.

Here is the first glimpse of the benchmark data we've been able to gather, based on listening to more than 86,000 customers across 34 countries.

Customer Profile: Who is Experiencing the Product or Service?

The most fundamental question all of our clients ask aligns with the "who" dimension of the IMP. Most impact investments aim to reach underserved populations, and yet impact investors and businesses struggle to get reliable data on exactly who these customers are. This matters a lot if you're trying to understand things like what price points will be affordable for a new solar home system, whether financing will be required for a water-irrigation solution, and how to interpret the financial returns of two competing impact investing funds.

Gathering reliable data about customer poverty levels is notoriously difficult, but thanks to the Poverty Probability Index® (PPI), a tool developed by the Grameen Foundation and now housed at Innovations for Poverty Action (IPA), it is possible to reliably predict the poverty levels of different populations based on short, objective questions about household characteristics, such as household size, education levels, and asset ownership. The PPI tool then correlates these answers to national census data. We've tested the PPI over mobile phones and found that it yields high-quality data, and we now use it in nearly all Lean Data[SM] surveys.[1]

Benchmark #1: Poverty Probability Index®

This metric indicates the percentage of a sample that lives below different poverty lines.

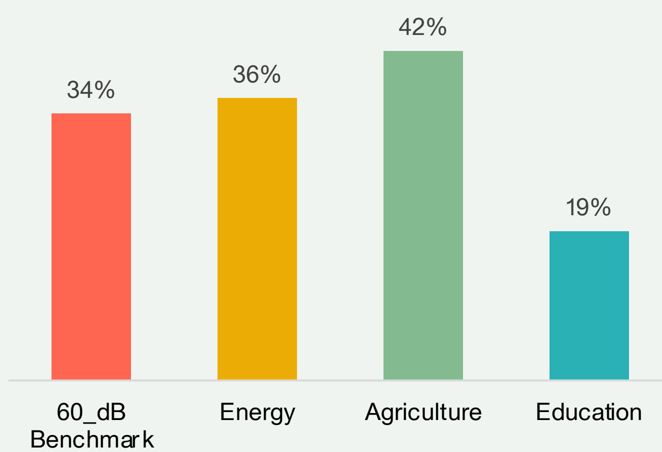
Benchmark details:

Number of Companies Included: 86

Number of Countries: 21

Results[2]

% of customers living below $3.20 / day



In our benchmark, agriculture and energy companies are serving the highest proportion of low-income customers, with 42% and 36% of customers living below $3.20 per day, respectively. By contrast, only 19% of education company customers live below the $3.20 poverty line. These data show the relative inclusivity of different business models, highlighting in particular the challenges of building private education models that are both profitable and reach low-income customers. For more impact metrics in education, you can download the Omidyar Network Lean Data Education "Sprint" report, which profiles 24 Omidyar Network companies, capturing data on academic performance, student engagement and confidence levels.

[1] Poverty profiles are just one type of 'Who' customer data we collect. We will also typically gather standard demographic information (gender, age), location, and other household characteristics.

[2] 87% of companies in this benchmark operate in low- or lower-middle income countries such as India, Kenya and Cote d'Ivoire, where the poverty line is $3.20 / day, 2011 PPP. The remaining 13% of companies in this benchmark operate in upper-middle income countries where the poverty line is $5.50 /day 2011 PPP. This includes countries such as South Africa, Mexico and Colombia. In the sectoral and regional breakdowns that follow, we have focused on low and lower-middle income countries only.

Customer Experience: How does the customer experience a product or service?

For every Lean Data[SM] project, we gather a mix of "pure" social impact data and more traditional customer experience data. We put the "pure" in quotation marks because we've found considerable overlap between traditional customer feedback metrics (like loyalty, satisfaction, complaints) and social impact data. Put simply, a product that customers dislike will rarely create transformative social impact; and products that are creating transformative social impact will nearly always get rave reviews.

The four core customer feedback metrics we include in most Lean Data[SM] surveys are: Net Promoter Score® (NPS), No Access to Good Alternatives, Quality of Life, and Challenges Experienced. The NPS is a widely adopted metric that captures customer loyalty and is positively correlated with business growth and profitability. No Access to Good Alternatives tells us about the relative scarcity of the product or service in the local market, and what would happen if it went away. Quality of Life is our metric to understand perceived change in quality of life due to a product or service. Challenge Experienced indicates both product quality and company responsiveness.

Benchmark #1: Net Promoter Score®
This metric indicates customer loyalty and likelihood to recommend a product or service.

Benchmark details:
Number of Companies Included: 116
Number of Countries: 25

Benchmark #2: No Access to Good Alternatives
This metric indicates whether the customer feels she has access to good alternatives to the product or service being offered. 'No' answers include customers who respond 'I don't know.'

Benchmark details:
Number of Companies Included: 103
Number of Countries: 25

Benchmark #3: Quality of Life

This metric indicates subjective perception in changes in quality of life.

Benchmark details:
Number of Companies Included: 108
Number of Countries: 25

Benchmark #4: Challenges Experienced

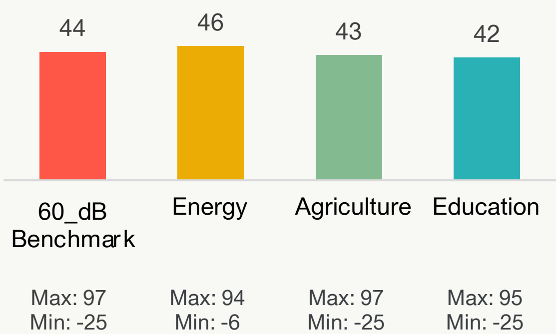
This metric indicates whether the customer has experienced challenges while using the product or service.

Benchmark details:
Number of Companies Included: 74
Number of Countries: 20

Customer Experience: Benchmark snapshot by sector

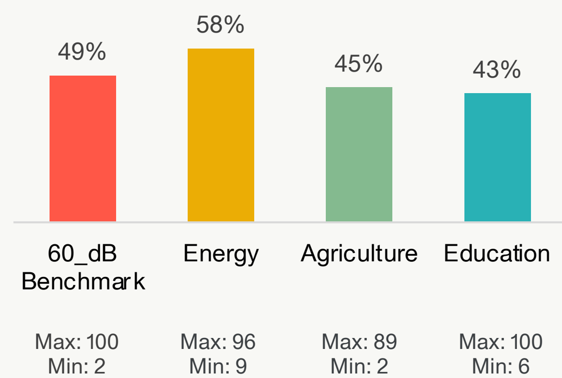
Benchmark #1: Net Promoter Score

% promoters - % detractors



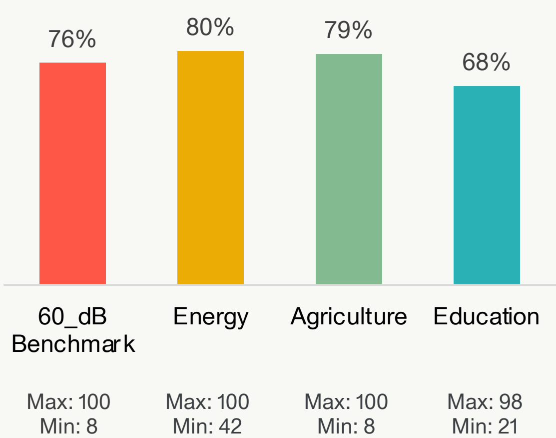
Benchmark #3: Quality of Life

% reporting "very much improved" quality of life



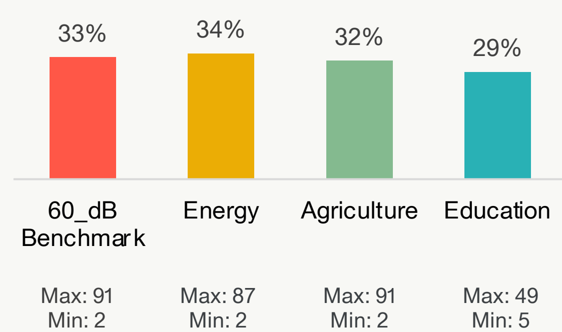
Benchmark #2: No Access to Good Alternatives

% of customers who say they do not have access to a good alternative



Benchmark #4: Challenges Experienced

% of customers experiencing challenges with the product or service



While there is consistency in the average results for Net Promoter Score®, individual companies show wildly varying results: top performers have NPS scores of 97, and the worst performers a score of -25.

No Access to Good Alternatives indicates what customers would do if the product or service were no longer available. High scores here demonstrate that, for the majority of customers we've spoken to, the customer does not have access to good alternatives.

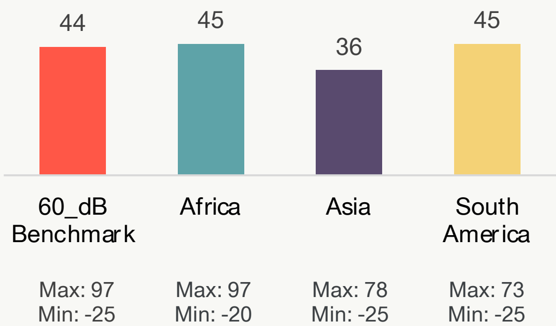
Quality of Life captures a customer's subjective experience of how life has or has not improved. Off-grid energy customers report the strongest positive improvements, which helps explain the booming demand for off-grid solar lighting and cooking solutions in recent years.

Challenges Experienced is an open-ended question designed to give customers a chance to give both quantitative (yes/no) and qualitative views on any difficulties experienced with the product or service.

Customer Experience: Benchmark snapshot by region

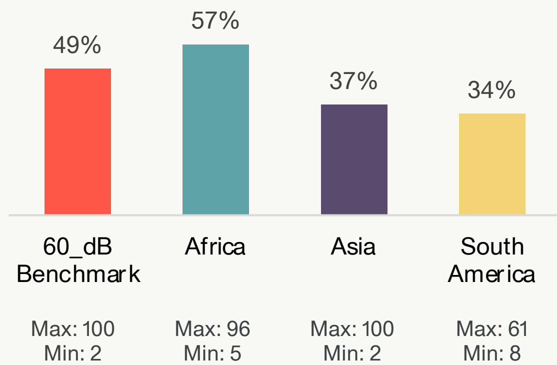
Benchmark #1: Net Promoter Score

% promoters - % detractors



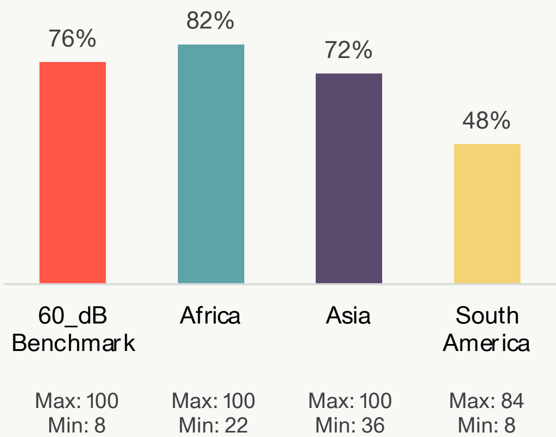
Benchmark #3: Quality of Life

% reporting “very much improved” quality of life



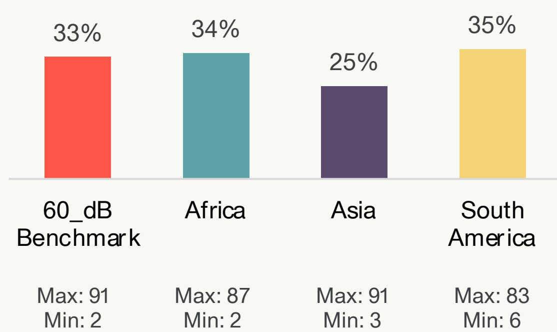
Benchmark #2: No Access to Good Alternatives

% of customers who say they do not have access to a good alternative



Benchmark #4: Challenges Experienced

% of customers experiencing challenges with the product or service



Analysing the same data by geography, we see the biggest differentiation in average results for Access to Good Alternatives and Quality of Life.

Customers in Africa reported fewer good alternatives and greater increases in quality of life compared to customers in Asia and South America.

Interestingly, South American customers have the highest access to good alternatives, lowest reported increases in quality of life and also report one of the highest incidents of challenges. We hypothesize that in markets with better alternatives and more competition, customers have higher expectations and the incremental impact of a new product may be less given the availability of other options.

Which Metrics Matter Most?

While cross-cutting metrics like poverty probability or Net Promoter Score® are powerful, a deeper exploration of impact usually requires diving into sector-specific metrics. There is no shortage of long lists of impact metrics in impact investing. However, what is missing are standard, tested questions to gather data from customers, confidence in the quality and comparability of data from different companies and regions, and agreement on which metrics to measure.

To decide which metrics matter most, we start with talking to customers. We ask open-ended questions about what they feel are the most important impacts they have experienced from a product or service, whether a solar lamp or a better school. We analyze these qualitative responses for themes, aggregating open-ended customer feedback into priority impact areas for each sector. With these categories in hand, we build our question sets, iterating and testing until we have questions that consistently empower customers to describe the impacts that matter most to them.

Agriculture Spotlight

Most investments to support smallholder farmers are designed to improve incomes through a combination of better access to inputs, improved farming practices, connectivity to markets, and higher prices.

Measurement in agriculture typically focuses on household-level income increases. The challenge is that this type of impact can take years to occur, and pinpointing cause and effect typically requires long time horizons and multi-year research designs.

As a result, less attention has been paid to the actual unfolding of changes in farmers' lives as they happen, and there is almost no focus on changes other than income increases that may be occurring: things like regularity of payment that help households manage expenses better; lower stress levels as a result of having guaranteed buyers; and greater confidence in the ability to sell their crop that allows them to invest more in the future.

Our aim in agriculture is broaden the scope of what gets measured and to decrease the time horizon for understanding customer experience, so that our clients can make targeted improvements to better support farmers without having to wait for the results of 3- or 5-year evaluations.

Our Approach to Agriculture

Since 2016, we've worked with 49 agriculture companies and spoken to over 19,000 farmers, employees, traders and other supply chain actors. Most of our work has been focused on farmers who are either purchasing a product or service from a company or selling their produce to a company. By using a standard set of questions across our projects, we have developed sector benchmarks for comparative analysis.

We segment our results based two broad criteria:

1. The type of interaction between the farmer and company: whether the farmer is a customer of or a supplier to the company.

2. The specific crop or livestock that the farmer cultivates that is the focus of the intervention.

This spotlight focuses on our work since 2018 and includes interviews conducted with nearly 6,000 farmers across 24 organizations.

Definition of farmer categorization:

Farmer as Customer

Farmers who are purchasing farm inputs, such as fertilizer, credit, training, etc.

Farmer as Supplier

Farmers who are selling their produce (maize, milk, cassava, etc.) to an agricultural buyer.

Impact Theme #1: Access

This theme focuses on whether the farmer is gaining first-time access to the product or service being provided, and the importance of the income generated by the crops or livestock to the household as a whole.

Impact Theme #2: Experience

This theme uses the Net Promoter Score® and other metrics to understand farmer loyalty. It also explores if they have experienced challenges with the company.

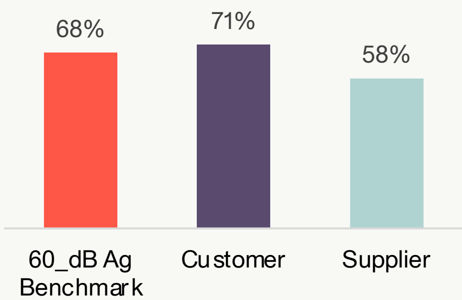
Impact Theme #3: Impact

This section focuses on two aspects of impact from the farmer's perspective: quality of life and money earned.

Access: Is the access that the company is facilitating new and hard to replace? How important is it to the farmer?

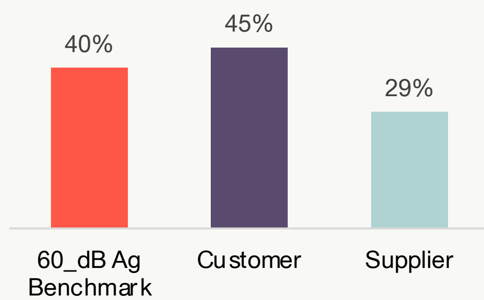
First-time Access

% of farmers gaining access to product, service, or market for the first time because of the organization



Importance of Access

% of household income that is impacted by the company offering



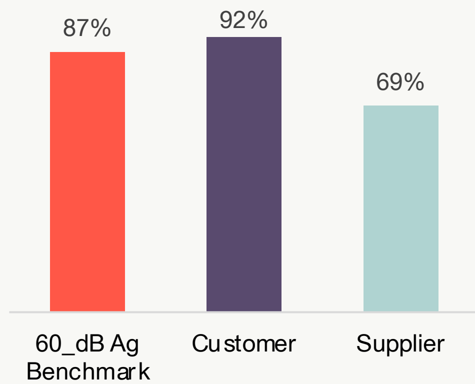
Most organizations in our benchmark help famers access products, services or markets for the first time—70% on average.

About 40% of farmers' household income is impacted by this access, reflecting the importance of these interventions to farming households.

Most notable was the lack of access to good alternatives: nearly all (92%) of farmers-as-customers said they did not have access to good alternatives, as compared to 70% of farmers-as-suppliers. Collectively these data reflect how limited the choices are for smallholder farmers and the importance of interventions that aim to improve their livelihoods.

No Access to Good Alternatives

% of farmers reporting no access to good alternatives



" We have felt a lot of positive change. We don't have to go out of the village or elsewhere, we get all the services at home itself. Earlier, so many goats in the village used to die, now we don't hear of these deaths anymore."

- Indian goat farmer receiving animal health services

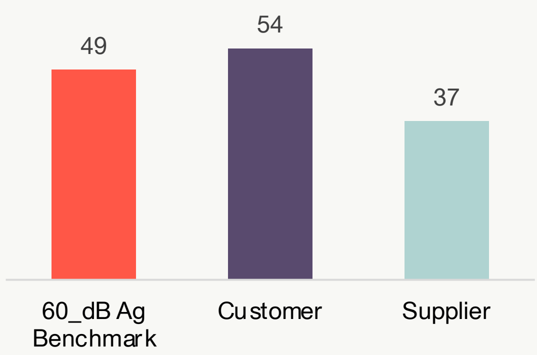
" We have food at home hence save on buying them, I no longer stress myself looking for cash to do the planting."

- Kenyan farmer who had received credit, farm products and advice from an agribusiness

Experience: How does the farmer experience the company?

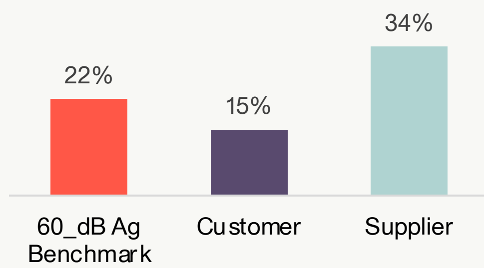
Net Promoter Score

% promoters - % detractors



Challenges Experienced

% of customers reporting challenges with the product or service



Farmers-as-customers reported a higher Net Promoter Scores® than farmers-as-suppliers.

When we asked the farmers-as-customers who were Promoters (9 or 10 rating) why they gave such high scores, they spoke of the quality of the input they had purchased, its affordability and availability.

When we asked the same follow-up question to farmers-as-suppliers, they valued getting a good price. But in competitive markets like the ones where these companies operate, regularity of payment, trustworthiness and customer service matters to farmers as well.

Only 15% of farmers-as-customers reported challenges — an exceptionally low figure. This reinforces the ease of use and customer support that input-selling businesses are providing farmers. The few farmers who did report challenges wanted a more diverse product range, fewer stock outs and more flexible terms of use. Farmers-as-suppliers were more likely to report challenges—more than one-third of our sample. This could be because their interaction with the company so directly impacts their earnings and livelihood. The most frequent challenges they reported were related to payment delays, followed by external factors, most of which were related to climate conditions and pests.

"First, I was practicing traditional farming. But, after the training, we knew that this was an activity different from the others, because today it is profitable. I can support my family and pay my children's school fees."

- Poultry producer in Burkina Faso purchasing animal health services

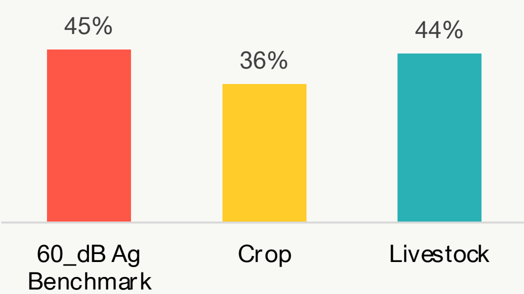
"We've already built this amazing trust. More than a business, it's a friendship. There are other buyers who offer higher prices but I don't want to sell to them."

- Farmer selling cocoa to an agribusiness

Impact: How is the company impacting farmers incomes and overall wellbeing?

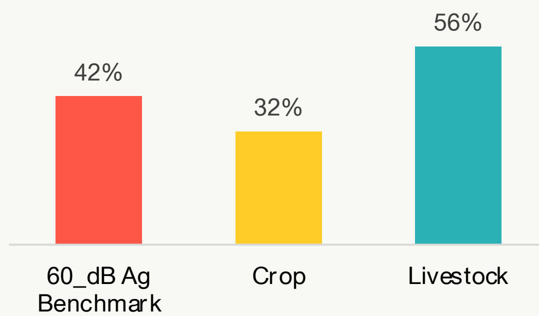
Quality of Life

% farmers reporting ”very much improved” Quality of Life



Money Earned

% of farmers reporting “very much improved” money earned



Nearly half of the farmers reported their quality of life was “very much improved” because of the company. To better understand why, we analyzed qualitative responses from over 5,800 farmers.

While improvement in monetary well-being was the dominant theme that farmers mentioned, a deeper look at their descriptions revealed that almost double the number of farmers spoke about greater regularity or predictability of income than those who talked about increases in income.

A similar proportion of respondents spoke about changes in overall well-being, including improvements in consumption, mental and physical well-being, skills, social standing and confidence.

Definition of farmer categorization:

Crop / Livestock

We categorize farmers based upon the intervention being studied. For example, most farmers will cultivate multiple types of livestock and crops. If the intervention being studied is supporting maize production, then we categorize the farmer as a “Crop” farmer. Similarly, if the same farmer is receiving training on how to raise more productive chickens, we categorize her as a “Livestock” farmer.

Livestock farmers were significantly more likely to report higher monetary returns and improvements in quality of life than crop farmers. While we need to explore this further, we think this might be because livestock, as a relatively small part of total resources and activity, might be easier to impact than farmers’ main source of income.

“ We can now sell all the produce and that gives me economic stability and benefits for my family.”

- Peruvian farmer selling their vegetables to an agribusiness

Conclusion

Thank you for joining us on our journey to reboot how we think about impact measurement.

This report captures a snapshot of what we've learned talking to more than 84,000 customers in 34 countries. These voices are the key to better allocations of capital to create positive change.

We are particularly grateful to the many partners who have been early adopters of Lean Data[SM], organizations deeply committed to social impact and willing to take a bet on new approaches to listening to customers.

Special thanks to Acumen, ANDE, Ceniarth, CDC, Global Partnerships, Mastercard, Omidyar Network, the Rockefeller Foundation, UK AID, Unilever, the many friends and advisers who have influenced our work, and the nearly 200 social entrepreneurs we've had the good fortune to work with.

Together we can #listenbetter

Get In touch

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