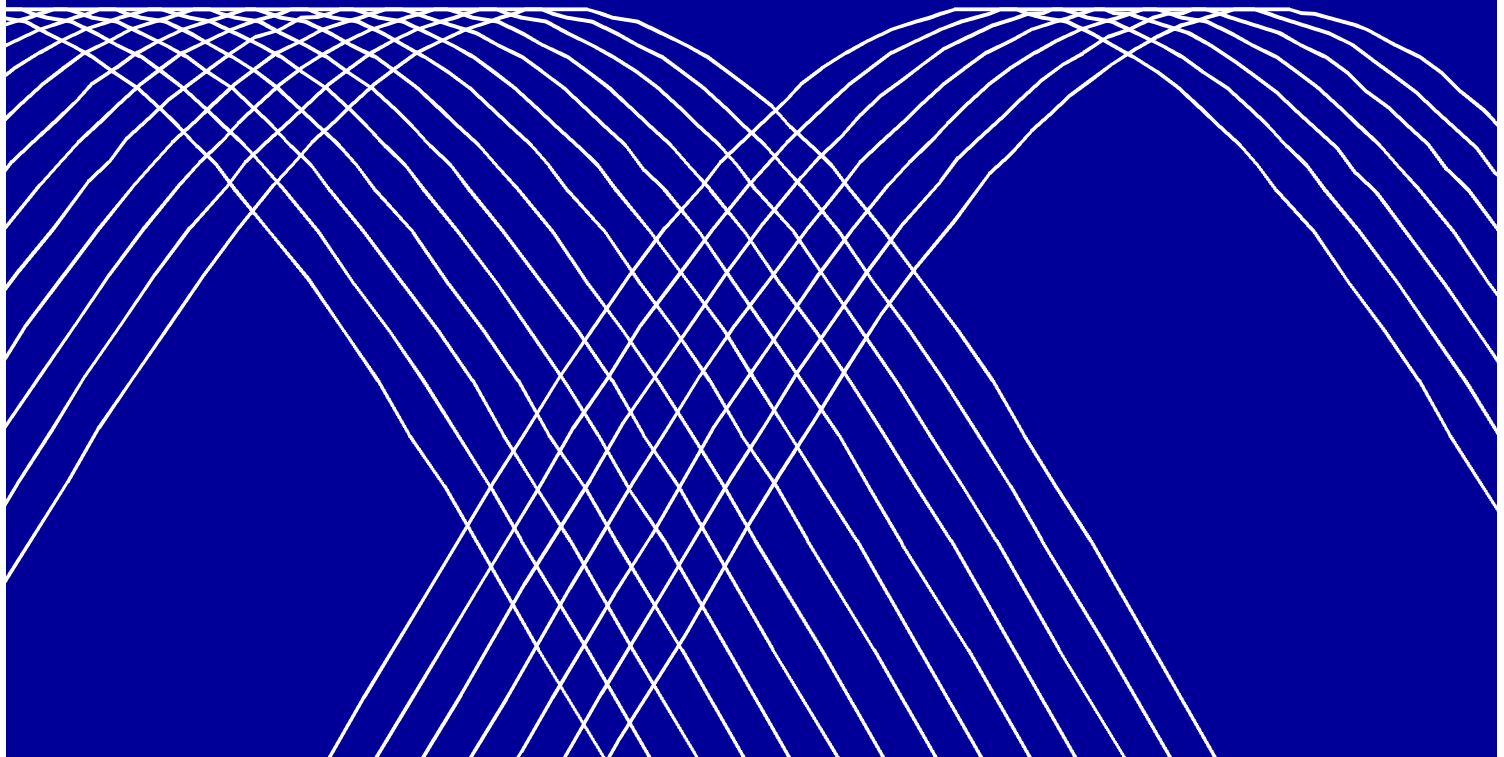




Multi-channel Transformation in the Public Sector

Principles and an Emerging Framework for Practical Use



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Introduction

Background

Much has been written on the theory of channel strategies in the public sector,¹ drawing to a greater or lesser extent on principles already developed and applied in the private sector². However, with some notable exceptions in certain areas of government, theory, whilst well expounded and understood at least by some, is failing to translate into widespread practical application.

The Transformational Government case for tackling the subject again is clear – channel management offers the public sector an evident challenge in terms of effective service delivery, customer insight and the ability to streamline and join up government processes for greater effectiveness and efficiency³. The concerns and interests of the new Delivery Council also point to the need to re-emphasise the principles of a multi-channel approach as a key to better public service delivery.

Purpose

The purpose of this paper is to provide a “toolkit” for how to actually go about implementing a channel strategy in government, with methodologies that have been tried out and case studies that have been written by real channel practitioners in central departments and local authorities.

Target Audience

This paper is designed for use in both central and local government by those responsible for developing customer contact strategies and also to aid customer-focused policy-making at departmental and local levels.

¹ The e-Government Unit's Service Design and Delivery Guide, 2005 is a good place to start

² For work on private sector channels see: Dr Stan Macklan and Dr Hugh Wilson - Developing Multi-Channel Strategy (Cranfield Customer Management Forum) and Optimising Multi-Channel Performance – a joint IBM/Cranfield School of Management white paper (2003)

³ See the three “key transformations” set out in the November 2005 Transformational Government Strategy p.7 (and carried forward in the Implementation Plan) – http://www.cio.gov.uk/transformational_government/strategy/

Content

This paper consists of three sections:

1. An Introduction to Channel Strategies, This section focuses on what we mean by a channel strategy, a multi channel approach and customer behaviour, what makes the public sector distinctive in customer and service-provision terms and the shift to customer empowerment.

2. Developing a Channel Strategy This section outlines a sequence to follow to create a channel framework by following basic rules and principles. The principles have been designed and tested to be applicable and relevant across government, both central and local. A practical guide is also provided linking principles to suitable methods to apply the principle in practice.

3. Recommendations for the way forward – Contains recommendations for encouraging and promoting a greater degree of practical application of channel thinking across government.

Annexes

1. Examples and illustrations provided by members of the Cabinet Office Channel Strategy Working Group⁴ and others, showing what applying a multi-channel approach was actually like from their own perspective and that of their customers

2. A possible model for the practical application of multi channel transformation in local government

⁴ Members of the group formed as a working party to contribute to the contents of this paper are: Margaret Allcock (HMRC), Jonathan Brassington (OCJR), Stefan Czerniawski (DWP), Brigitte Giles (East Riding Council), Jo Jones (Companies House), John Poynton (DVO), Jonathan Rushworth (DfES), Noel Shanahan (DVLA), David Trussler (VOSA), Prof Hugh Wilson (Cranfield School of Management).

1. An Introduction to Channel Strategies

What do we mean by a “channel strategy”?

As part of the scene setting to discuss channel strategy it's helpful to define two key elements of any strategy i.e. channels and services. In the context of this paper, channels are defined as:

- “outbound and inbound means for organisations to deliver services to, and receive input from, external citizen and business customers through a variety of direct communication and delivery methods (post, telephone, face-to-face, online, mobile, digital TV, fax, kiosk) or indirectly through intermediaries, such as voluntary organisations”⁵.

“Services” are defined as:

- “the full range of interactions that take place between service provider and user via a designed business process”

Services represent the benefit an organisation delivers to its customers, and range from enquiries, requests for information and initial service requests to final service fulfilment and any subsequent follow-up or after-care. The delivery of the service can involve a complex delivery chain and can also require working across organisational boundaries. Clearly, given the huge range of services provided across central and local government, the specific nature of these services and how they are, and can be, delivered will vary enormously.

We have no universally recognised term for those we need to reach in order to deliver a service. Some parts of government favour the term "customer", arguing that this reinforces the need for government to serve them. But this conceals the fundamental truth that in some contexts people are unlikely to identify themselves as being customers of government services. Often they are trying to deal with a task or an event which does not fall neatly and obviously into the remit of any one part of government (becoming unemployed, getting married, dealing with debt). Interpreting the term "customer" as being limited to those who transact with us department by department is too restrictive.

It is for this reason that the approach of this paper is not to prescribe a single approach to developing a channel strategy to which all public service delivery must conform, but rather to recommend a set of general principles which are

⁵ The designing of channels in order to specifically generate service demand, whilst an important strategic element of multi-channel management, is considered to be outside the scope of this paper. Also excluded are the internal government to government channels of communication and supply which are seen for the purposes of this paper as part of production line and delivery chain mechanisms rather than the end point of direct customer interaction.

equally applicable in both central and local government service environments. How these principles are translated into service delivery must be determined by the individual service area, as only hands-on knowledge and experience of particular service characteristics, and the needs of citizens and business can inform a successful approach.

What cannot be disputed, however, is that whatever the service and whatever the channels used, any concept of a “channel strategy” cannot be viewed in isolation from the much broader issues of service delivery. Any channel strategy therefore must have its place as part of an overall customer service strategy, shifting the emphasis away from the overly *internal process-driven focus* that the word “channels” suggests and towards a more holistic view of service provision seen from the point of view of those whom the service is aimed at. People don’t actually think in terms of “channels” when they do business with us, nor do they view service access in the distinct silos that channels artificially create. Instead they think in terms of problems and tasks, seeking solutions and having confidence in public services.

A channel strategy is not something that can be merely superimposed upon the existing ways of doing things. A clear vision backed up by a defined strategic plan must drive a channel approach – not vice versa.

The DVO Group’s Customer Experience Vision for Consumer Customers reflects the strategic role channels play in delivering their overall customer goals:

“Our overall vision for the Consumer Customer Experience is that we will facilitate a transactional relationship between DVO and consumer customers. Where possible, we will encourage customers to self-serve and we will make it easy for customers to do business with us; recognising that when they need to perform a transaction, they want to do this quickly and easily and do not want to form a "relationship" with DVO Agencies.

Wherever possible, we will enable customers to do business with us using a channel which is convenient to them at the time of the transaction; however, we will encourage customers to use more cost effective delivery channels where possible, e.g. through promoting the benefits of extended opening hours offered by the web.

We will make it as easy as possible for our customers to remain compliant by making transactions as easy as possible for the customer, e.g. extending use of delivery channels, extending the range of payment methods, simplifying application forms and business processes.....”

This Vision also serves to highlight the important point that the relationships which government has with its customers will vary depending on the nature of the service provided. In the case of DVO the desired relationship is emphasised to be a *transactional* one, hence the strategic focus on ease, speed and convenience. For other areas of government, the need for a longer

term relationship with greater commitment on both sides (for example, healthcare or education) will result in a different strategic vision. The key principle is to focus on aligning the particular nature of the service in question and developing the relationship that will best satisfy customer needs and motivations.

A multi-channel approach and customer behaviour

As individuals and customers of services, we use a variety of methods of communication, to interact in different ways, according to our mood, confidence levels and circumstance. For example, when stressed or unconfident, human face-to-face contact is generally psychologically more reassuring and effective than any other form. Whilst if we feel the urge to make a complaint, our first instinct is often to pick up the phone.

Similarly, academic and human behavioural studies indicate that channels lend themselves by their nature to fulfilment of different functions, even in a single service transaction, and consumers have become well-accustomed to “channel-hopping” in the private sector world. For example, when buying a new car, they might:

- read about new models in the press or have their appetite whetted by a TV advert (*initiate dialogue*);
- research prices and specifications on the internet (*acquire information*);
- ring a dealership to enquire about availability, (*negotiate, tailor and commit*);
- and then might still order a brochure in the post or go for a test drive before committing themselves to a purchase (*transaction fulfilment*)

- each channel playing a distinct role in the transaction’s “channel chain”.⁶

IT innovation is increasingly blurring these distinctions, as web sites become more transactional and digital technology offers faster, more reliable and cheaper self-service options for government. We should not forget our commitment to developing “modern channels for citizen and business access to services, and actively manage the shift in channels towards *the most efficient and effective*”⁷. However, we will be ignoring the subtleties of human behaviour and the growing expectation of choice in today’s society if we maintain a strictly linear interpretation of the channel strategy approach – i.e. each service must be delivered through one channel and the trick is to move users to the lowest cost. In any event, there may well always remain a few interactions which can only take place via a certain method of communication

⁶ For more examples, see the department store and UK Trade and Investment channel chains in The Multi-Channel Challenge (Dr Hugh Wilson and Matt Hobbs, Marketing Business Feb. 2004, p.14)

⁷ Transformational Government, Nov 2005, p.9

Working paper – this is not a statement of Government Policy

(for example, a service which involves a physical inspection will probably always need to involve face-to-face contact).

This is demonstrated in Diagram 1 which shows a range of customer interactions and suggested appropriate channels to deal with them:

Diagram 1: Matrix of Channel Function and Use

Each channel meets specific needs - Would you order a pizza by post? Call the Fire Brigade by e-mail?

	Face to Face	Telephone	Post	Online
Physical inspection/interview to comply with legislation			May be possible to send some evidence (e.g. original documents) via the post channel for examination remotely	May become possible to examine some evidence (e.g. vehicle roadworthiness) via new IT solutions.
Services requiring human intervention at a specific geographic location				May be possible for information such as photographs or video links to provide initial stages of support/contact.
Physical intervention to protect				
Transactions requiring dialogue			It is possible to use post, but there is a danger of prolonged exchange without resolution.	It may be possible to support 'generic' transactions using rules based guidance/MSN
Visible local presence required				May be met by a touch screen presence (e.g. some Police Forces now have help kiosks in shopping centres).
To summon emergency help				Possible for emergency help to be triggered remotely by monitoring CCTV footage, etc.
To access services on the move	Some services are available through a geographic spread of locations			
To ensure a record for future reference/evidence				May be met by the ability to capture/save/store and print from a variety of sources (e.g. mobile phones).
To meet the need for human interaction/reassurance			Well written and personalised correspondence can provide reassurance.	May be possible to anticipate the need for reassurance via personalised messages (e.g. SMS)
When non-urgent but detailed decisions are required	It is possible to deal with F2F, but may put staff under pressure to handle the complexity accurately.	It is possible to use the telephone, but may not be an efficient use of time - or may be costly.		
When urgent decisions are required				
For easy access from own home/business by choice	Some services may be available by appointment		Some services may be capable of being delivered by courier (e.g. emergency payments)	
To be able to self-serve for information		IVR and similar technologies can provide routine, generic information	Leaflets and flyers may have sufficient information to enable decisions.	
To complain				

Green indicates definite channel use, amber possible use, and white no use for each function.

Equally we must remember that despite increasing choice for many, for some a variety of channel options simply does not exist, either because of permanent exclusion factors (such as disability or chronic poverty) or temporary incapacity through bereavement, for example, or short-term mental breakdown. In every individual case the ability (or lack of it) to use a certain channel, or indeed any at all, depends on a complex interaction with a particular customer within a particular context. Knowing one's customers is all about trying to understand the contexts in which these different types of interaction may and do arise.

Juggling the various components of a multi-channel approach is certainly not the easiest option for the public sector, especially given the complexity of many of its services and customer interactions and the speed of technological advancement. Hence the practical focus of this paper is to try to “demystify” a complex issue and suggest a balanced combination of incremental change and longer term strategic planning.

What makes the public sector different?

Commercial companies are typically able to be selective in terms of their product range and target audience. With a focus on profit and market share, they use in-depth knowledge of their customer base to spot gaps in the market and devise competitive ways of filling them to tactical advantage.

Government too is increasingly offering its customers a range of options (for example, in terms of choice of which hospital or school to go to), but for many essential services (such as tax, benefits and vehicle licensing) regulatory compliance is equally binding upon both government and user.

Where we differ is that

- public services are more often than not seen as a necessary but unpleasant chore (such as reporting that the bins weren't emptied, or paying council tax where the need for people to engage only exists because of the obligation upon them); or are prompted by a crisis in the life of a citizen (the death of a spouse, illness, job loss). More worrying still is where a citizen faces a crisis in ignorance of, or avoiding, the support which the state can give. Whilst opt-out can be quite legitimate (as in the case of choosing private healthcare instead of the NHS) this is not always the case (as in the deliberate non-compliance with statutory requirements), or damaging (when an individual makes the decision to turn to crime rather than the benefit system).
- unlike the private sector, government cannot be selective about which of its customer segments to cultivate. Indeed, many of the groups in society which are of greatest interest to Government are precisely those which are shunned by commercial organisations.

By failing to deliver services and manage processes effectively in the broader delivery chain, we are merely adding to the problem. If, for example, a customer phones a call centre to chase up their overdue benefit application

we create a situation of self-fulfilling “*failure demand*” (a term used to describes an organisation’s failure to do something which causes the customer to make a further demand on the system)⁸. And as a result customer mistrust, over-reliance on traditional and costly channels, and our inability to assess true potential channel behaviour are perpetuated.

However, with a simple understanding of which channel(s) best suit various segments and the ability to demonstrate that cheaper channels can be more effective, we can try to get round these complexities, influence future service take-up and migration and lessen the chance of voluntary or involuntary exclusion.

A successful channel approach will encourage a culture shift of trust and engagement just as much as a physical shift in service delivery mechanisms.

The shift to citizen empowerment

If we acknowledge that multi-channel transformation in the public sector will require a re-think of how we approach service delivery, we need to consider further the role played by the public in general as “consumers” in both the public and private domain. In particular we need to focus on citizen and business participation in the service provision process.

Not so long ago customers queued in shops as passive recipients of goods and services. The demarcation between customer and provider was absolute. Today, we all expect to be able to choose our groceries from the shelves, to choose our aircraft seat by checking in online, to move funds around the banking system. The demarcation between customer and provider is much less clear, with a real shift in power towards the customer.

The significance of this shift is unprecedented. Even the move in many parts of the public and private sectors towards the use of the telephone as a central (rather than ancillary) part of the service still left the provider with the task of assembling information and carrying the substantive work itself: and left the customer dependent on the availability, knowledge and attitude of individual members of staff. It may have been quicker than relying on paper and visits to offices, but the fundamental business model was the same.

Although in the commercial sector this shift has reduced costs and increased efficiency, it has been broadly welcomed by customers too - not just because of lower costs but more fundamentally because it has given them the sense of control which they didn't have when they depended on the service provider. The web has created a whole new model (Amazon, Ryanair etc) where the customer is put even further in the driving seat, and can browse even more widely if they wish, and access the service at any time. Once they have placed an order they can find out how it is progressing online, thereby not only

⁸ Management thinker and consultant John Seddon estimates that in the financial services sector failure demand runs from 25% to 45% of demand. In police forces and telecommunications it can be as high as 50%-80% and often represents the biggest source of waste.

relieving contact centres of progress-chasing calls but also giving the supplier the opportunity of offering related services. Once again, the advantage is not simply the lower cost incurred; just as important are the accessibility, convenience and control conferred.

This links to our commitment in Transformational Government to encourage service providers to "build customer ability to verify basic personal details into the design of services", to facilitate the requirement for citizens and businesses to provide their details only once in order to participate in cross-government services, and give them online access to their records and data in order reduce the cost of handling simple enquiries provision.

Web based services are the purest expression of customer empowerment, because they allow the customer to be put in the driving seat with no "shop assistant" mediation, and also offer radical improvements in availability and access. In offering them, the commercial sector has found a win/win. As customers have increased their involvement in the delivery chain, providers have been able to withdraw by reducing and deskilling the resource at the point of delivery. And the challenge for government is whether and how it wishes to pursue the opportunity which this presents for transforming the fundamental business model, and experience for customers, in public services.

There are, however, some caveats:

- first, not every part of every service can or should be self service. Many interactions between customer and commercial provider - even more so between citizen and government - are far better managed person to person (either on the phone or face to face). Indeed, a routine information service delivered by telephone wastes only the marginal cost of delivery. A service which fails to reach its intended customer because it has been forced down an inappropriate self service route wastes the total service cost (and may even trigger far higher social costs later on). The trick is to encourage customers to take as much ownership and control as is possible, allowing higher intensity channels to focus on where they can really add value.
- second, the service will only work successfully if it is genuinely straightforward and intuitive. If you are a monopoly you can, ultimately, virtually force people to use substandard face-to-face and even paper-based services (see the traditional queues etc in old-fashioned social security offices, or some railway stations today). But web-services will only develop and grow if customers genuinely find them useable. This means there is no point in even trying to go down this route unless the service provider is willing to put serious time and energy into developing a quality service

It also means that there has to be very serious, and ongoing, direct engagement with customers themselves - not just in the early design phases but over the whole life-time of the service. The designers have no choice but

to consider the service through the eyes of the customer - down to the real detail. But this is itself a major force for further transformation and change since one of the structural problems for many public services, because they are normally monopolies, is that they can too easily fail to engage deeply and continuously with their customers. This may be uncomfortable and force service providers to confront other assumptions about the service and perhaps to tackle sensitive issues and embedded practice. But it illustrates the power of the web-based service model not just to empower customers and tackle costs but to embed further challenge and change to the service design itself.

Whilst we would all agree that access per se to services is vitally important, we have already said that the concept of “channels” places a focus on internal process which is largely irrelevant to the customer. For example, you may have an old friend who lives some way away. So you send a card at Christmas, the odd e-mail, you speak on the ‘phone to arrange to meet for lunch when you are both in town. We are all accustomed to “channel – hopping” (see p. 6 above) but we don’t actually think about what we are doing in those terms – we merely see ourselves as selecting and using the best method for the task in hand.

Even though most people do not relish having dealings with government (see p.8 above), the routines they have established for whatever regular transactions they do have with us are hard to break. If we are to change that model of interaction it is necessary to demonstrate a clear advantage, and this means being able to radically redesign and re-engineer the service process by thinking “from the outside in”. This involves a fundamental change of focus from services that are delivered to largely passive customers to those that they actively control. It also requires providers to find out what really matters to those people they are trying to reach, and to build that into the redesign - not just once, but as a system of continual improvement.

The DfT work on electronic vehicle licensing is an example of this approach:

In March 2004 DVLA created a new service which offered a new channel for its customers to re-license their vehicles. The service, Electronic Vehicle Licensing (EVL), enables customers to apply for a licence renewal or declare Statutory Off Road Notification (SORN) online or over the phone.

Insurance and MOT details are checked electronically. Where proof of MOT is required customers need to hold a new style computerised MOT test certificate, which allows automatic electronic checking. Payment can be made using a debit or credit card. The tax disc is then sent to the registered address to be received within 5 working days.

Establishing this service has required partnership between Government departments and with the Private Sector, establishing links with the MOT database and the Motor Insurance Database.

Exemplary partnership working between the DVO Group Customer Insight Team, DVLA and its IT partners in researching customer needs and developing the right customer experience has been fundamental to the creation of EVL.

The EVL service was launched nationally in January 2006. Over 400,000 customers a month use the service at present. To date over 3 million drivers have successfully re-licensed their vehicle on line or by 'phone. As this figure continues to grow, it is estimated that over 5 million customers will have used the service by 2007 and up to 19 million customers by 2008.

The potential demand for this service from DVLA is phenomenal, with some 42 million licensing transactions being carried out every year.

(N.B: A Delivery Council project will focus in more detail on the shift to citizen empowerment – see also p. 26 below).

2. Developing a Channel Strategy

This section seeks to provide assistance with developing a strategy by:

- identifying critical success factors
- outlining a simple three stage process to follow
- explaining guiding principles to apply

When embarking on developing a strategy that will succeed in its aims, it is important at the outset that key organisational and cultural issues affecting the outcome are addressed. These can be termed success factors, and the following list identifies those which are considered key to achieving a positive result:

- 1. The whole organisation must be behind change – top-down leadership, overall governance, a team with shared vision, and bottom-up staff input must all be aligned. This is true at all levels: within a department and across government**
- 2. Service delivery must be organised around those whom it seeks to engage, recognising that citizens and businesses will use frames of reference which do not align with the departmental and policy structures of government. Inside-out assumptions must give way to a truly outside-in perspective**
- 3. Delivery chains must be viewed as end to end processes, not as a series of silo processes**
- 4. Efficiency and effectiveness should decide function and design**
- 5. Decision-making should be made as close to the customer as possible**
- 6. Collaboration beats coercion in the end (in both stakeholder and customer terms)**
- 7. For ongoing success, flexibility and sustainability must be accepted as essential**

Ensuring that these factors are addressed sets a firm foundation on which to build the strategy, as they create an appropriate organisational environment in which the following channel principles can be effectively applied.

The Principles

Having established the critical success factors, the next phase is to create a channel framework. The following sequence of activities outlines a process to follow to achieve this. This process is sub divided into main stage headings and the relevant principles.

STAGE ONE - The Basic Rules

This stage focuses on establishing what “service(s)” and “customer” mean in the context of your organisation.

1. **Know who you are trying to reach:** how they think and behave, what matters to them.
2. **Establish what type of contact you and they need to have** with each other (not just going for a continuation of the current system) - based on the nature of the service(s) you provide⁹
3. **Analyse the current channels of service access** they use, along with their performance and reliability¹⁰
4. **Gather cost-to-serve data on current channels** to know what channels actually cost you and calculate savings/investments for the future – see if you can identify patterns of transactions across channels, not just the cost of separate contacts, and try to estimate the hidden cost of channel error and failure demand

STAGE TWO - Laying the foundations of a multi-channel strategy

This stage focuses on exploring the use of services across channels by customers to meet their varying needs.

5. **Treat different people differently** – equity of treatment is not the only way to achieve equity of outcome; appreciate customer values
6. **Understand that different people use different channels and channel combinations for different purposes** and under different circumstances

⁹ Factors to look at include: informational/transactional service breakdown, rules-based/discretionary procedures, any statutory/regulatory/compliance requirements, intelligence-gathering function, value-driven v. wasted contact etc.

¹⁰ Include here direct/indirect service access, involvement of intermediaries and other devolved delivery chains, how your outbound contact might drive what inbound contact you get back, particular drivers of channel use, customers who you might not be reaching at all but should be etc.

7. Take into account the often **complex nature of public service provision**.¹¹
8. **Organise and measure current service and future plans around the citizens and businesses you are trying to reach** (bearing in mind pt. 7¹²)

STAGE THREE - Develop ongoing strategic plan based on Stages One and Two

This stage uses the information gathered in stages one and two to formulate an overall strategy and make predictions of future behaviour and costs.

9. View channels not in distinct silos but as components of an **overall customer contact strategy** which understands the true value and purpose of customer contact and employs an end-to-end delivery whole system approach¹³
10. Identify **realisable savings** in terms of both contact and cost (for both yourself and the customer) through end-to-end cost-to-serve and “customer journey” analysis
11. Analyse likely **future business and citizen behaviour patterns**, channel preferences and IT developments to inform longer term strategic decisions¹⁴
12. Consider any **compliance, regulatory, or other factors** which a new channel strategy will need to reflect
13. Create win-wins through **new forms of interaction and channel combinations** which generate customer trust, lessen failure demand and physical/emotional cost to both customer and organisation
14. Influence **customer channel migration** by education and support and by understanding what drives current behaviour (see the basic rules above) and what would entice them to change – focus in particular on empowerment and opportunities to give rather than take control¹⁵

¹¹ How are you affected by the following – government obligation/responsibility, potential for efficiencies, scope for true customer choice, accessibility issues, the potential for value-added enhancements, branding/marketing, and the implications of change?

¹² Not around what you think they need, what you’ve always done nor the dictates of internal processes. But beware – the customer may not always know best either and may mistake real needs for particular wants

¹³ Include here analysis of – inbound/outbound contact, front/back office alignment, process rationalisation and movement of transaction completion locations, CRM and customer data, use of staff resources, IT infrastructure

¹⁴ This really follows on from, and works in conjunction with, pt. 8 above

¹⁵ Consider the incentives of proven successful service delivery, added value, assurance of ease of use and lower costs before contemplating the active/passive degradation or even closure of channels

15. Take a broader view for the longer term and **inspire joined-up service** across departments, local authorities and intermediaries through shared values and goals as well as shared infrastructure and data – but don't be tempted to "join up" just for the sake of it as it may well cause pain for the customer, yourself and your fellow organisations
16. **Learn and innovate continuously** – plan ahead and balance incremental short term change with a longer term vision, understanding the implications of each approach. Monitor and review regularly to form a feedback loop influencing planning.

Putting it into Practice – Using Methodologies and Illustrations

The principles outlined in Section Two describe an ordered framework for adopting a strategic approach to multi-channel management. They do not, however, explain the practicalities of doing so. These are described in Diagram 2 beginning on the following page which lists the principles, and methodologies for applying them which have been successfully used in both public and private sector to implement individual channel strategies. The diagram also contains guidance notes to assist developers with creating an effective strategy.

In addition to the methods outlined in Diagram 2, Annex 1 contains a collection of examples and illustrations of the practical use of elements of these methodologies. Contact details are included for further information for those who have contributed material to be used in this context. The focus in this annex is on key issues and methods: giving short real-life examples of how they have been approached and providing samples of the outcomes of these activities. The illustrations aim to give an idea of some of the real issues encountered and approaches employed, rather than just being perfect examples of best practice. They reflect work in progress as well as that which has already been completed

Diagram 2: Principles and Methodologies

STAGE ONE – THE BASIC RULES		
PRINCIPLE	METHODOLOGY	GUIDANCE NOTES
1. Know who you are trying to reach	<ul style="list-style-type: none"> • Identify appropriate segments • Collect relevant data 	<p>This is the most essential principle, this will need to involve some kind of data collection, which could be quantitative (i.e. numbers of users), qualitative (such as finding out about their behavioural characteristics and preferences) or both. This data will form the basis of some form of segmentation.</p> <p>Segmentation defines different groups within the population you are trying to reach according to their characteristics, different requirements and differing propensities to use particular services. This segmentation can then be used to determine how to address the different segments in order to achieve aims for them. It may for instance be used to drive migration to a particular channel or to address a problem with engagement or compliance in a particular segment. The nature of the segmentation may therefore vary depending on the objectives to be achieved as a result.</p> <p>Determining who you are trying to reach should also extend beyond the obvious immediate audience to consideration of the wider perspective. This may be in terms of both target audience (e.g. potential for enriching the customer experience, cross-selling, working with life events) and service delivery (e.g. which</p>

		other service areas might be collaborated with, what data sharing might be possible)
2. Establish what type of contact you and they need to have with each other	<ul style="list-style-type: none"> • Identify relevant statutory compliance issues • Gather intelligence on customer contact • Identify unnecessary contact points • Identify reasons for non-engagement 	<p>Establish what type of contact you, and those you are trying to reach need, based on the nature of the service you provide – you will need to consider any statutory or compliance issues which affect the type of service you are providing and whether they will influence the contact you need to have. It is also vitally important to undertake some “intelligence gathering” work to help inform the way in which you interact with them – this could take the form of surveys, feedback forms or focus groups or appointing a customer service manager to provide a clear customer focus. Contact needs can then be used as the basis for developing your ongoing customer contact goals. The more you learn about who does engage with you, the more you can try to establish about those who don’t engage, why they don’t and what you might do to try to reach them.</p> <p>It may also be possible to engage directly in other ways with those who don’t engage with your services, for instance through research. This does however rely on being able to identify those not engaging.</p>
3. Analyse current channel usage	<ul style="list-style-type: none"> • Gather channel usage data • Measure role played by 	<p>Analyse the current channels of service access used by your customer – once you have a clearer idea of who your customers are and aren’t and what kind of customer contact is appropriate to your service(s), you can then start to look at your</p>

	<ul style="list-style-type: none"> intermediaries • Measure outbound / inbound customer contact • Quantify customers who do not engage at all 	<p>current channels, collecting data on current usage and the degree to which any intermediaries (such as voluntary organisations or any other third party) may be involved. It is also worth looking at the outbound channels your service uses to initiate or respond to customer contact to see if you are unwittingly perpetuating the usage of certain channels through your own behaviour. Now that you have carried out some customer segmentation, it may also be possible to quantify more precisely any existing lack of engagement and what you might do to reach the target audience.</p>
4. Gather cost to serve data	<ul style="list-style-type: none"> • Gather basic single channel cost to serve data 	<p>Gather cost to serve data - how much each channel costs to provide is just as important as how much they are currently used. As a starting point, simple costings per single channel will be helpful in determining current efficiency and potential savings and will therefore be vital to the building of a robust business case. A transparent, consistent and transferable methodology is essential to enable valid (benchmarked) comparisons.</p>
STAGE TWO – LAYING THE FOUNDATIONS OF A MULTI CHANNEL STRATEGY		
PRINCIPLES	METHODOLOGIES	GUIDANCE NOTES
5. Treat different people differently	<ul style="list-style-type: none"> • Use segment information • Apply journey mapping 	<p>Treat different people differently – the basic segmentation you have already done will now be very useful in terms of</p>

	<p>techniques</p> <ul style="list-style-type: none"> • Gather customer experience information • Analyse complaint information 	<p>planning for the future. Knowing your different customer groupings, attitudes and behaviours will inform how to address their individual needs and motivations. Journey mapping and capturing the customer experience are excellent ways of putting yourself in your customers' shoes and seeing your service from the "outside in". You can also better tailor how you deliver services to customers by acting on survey results, general feedback and through complaint analysis.</p>
<p>6. Map different channels for different purposes</p>	<ul style="list-style-type: none"> • Map appropriate channels to functions • Identify customer channel "behaviour" examples • Identify "cross channel jumping" points in a transaction • Measure cross channel usage 	<p>Map different channels for different purposes – the information you have gathered so far should enable you to start mapping appropriate channels to particular functions and customer groups. Much of this will be common sense founded on the accurate observation of particular channel "behaviour". Customers rarely use just one channel during a complete transaction and it is also useful to track patterns of "channel hopping" for a more sophisticated view of potential channel usage. Measuring cross-channel usage and behaviour is quite difficult and it will be useful to compare how other organisations have approached this.</p>
<p>7. Take into account the complex nature of public service provision</p>	<ul style="list-style-type: none"> • Identify factors affecting your service(s) 	<p>Complex nature of public service provision – at this point it will do no harm to reflect on any particularly complex or unusual areas of the service(s) you provide or particular life events your customers are likely to encounter, as these may all require the use of a certain channel.</p>

<p>8. Organise and measure around citizens and business</p>	<ul style="list-style-type: none"> • Identify means of empowering citizens and business • Balance customer needs / wants with what can be realistically delivered 	<p>Organise and measure around the citizens and businesses you are trying to reach – a customer-centric approach is essential and empowerment, trust and buy-in can be facilitated through focusing on making your service accessible, simple and effective for all; and also through appropriate collaboration with other service providers. Your channel strategy will need to demonstrate these key features. However you will also be held accountable by government for managing expectations in a realistic and effective manner.</p>
<p>STAGE THREE – DEVELOP ONGOING STRATEGIC PLAN</p>		
<p>PRINCIPLES</p>	<p>METHODOLOGIES</p>	<p>GUIDANCE NOTES</p>
<p>9. Overall contact strategy</p>	<ul style="list-style-type: none"> • Ensure key factors are aligned • View channels as part of an end to end delivery chain 	<p>Overall contact strategy – a channel strategy must be seen as an integral part of a clear overall contact strategy with key factors and messages clearly aligned in all strategy documents and backed up by an effective end-to-end delivery chain mechanism.</p>
<p>10. Identify realisable savings</p>	<ul style="list-style-type: none"> • Identify costs of multi channel usage • Track and cost customer movement per transaction 	<p>Determine total cost to serve – you have already looked at single channel costs and how customers cross-channel “jump”. Now you need to factor in total costs for multi-channel usage. This will be difficult as your existing accounting structures may not be set up to do this. To start with you will need to have</p>

	<ul style="list-style-type: none"> • Measure both physical and hidden costs to the customer 	<p>mechanisms to accurately track customer movement and calculate costs per transaction rather than per channel. You will also need to balance the costs to the organisation against costs to the customer (in terms of money, time, effort and satisfaction), as all these will be measures of the success of your strategy and identifiers of future cost savings. You should also bear in mind that shifting customers to lower cost channels could lead to the cost of higher cost channels rising further thereby increasing total cost of ownership of your channel portfolio. You should also consider whether the volume of transactions and therefore potential savings is high enough to warrant expenditure on building the service and therefore support a business case.</p>
<p>11. Future business and citizen behaviour patterns</p>	<ul style="list-style-type: none"> • Gather data on future preferences • Analyse data as the basis of future channel strategy 	<p>Future business and citizen behaviour patterns and channel preferences - all your tools of customer insight (surveys, focus groups etc.) can also be put to good use to gather data on which channels citizens and business might be willing to use in future and what might put them off using them. Your findings can then be used to inform the strategic decisions you then take in the light of likely ethnographic and technological trends.</p>
<p>12. Compliance / regulatory factors</p>	<ul style="list-style-type: none"> • Capture any specific learning points regarding these factors 	<p>Compliance/regulatory factors – now is the time to bear in mind and integrate any of the factors you originally identified in point 2 above and identify any specific learning points for the future.</p>

<p>13. New channel combinations</p>	<ul style="list-style-type: none"> • Be innovative in the application of IT • Learn from the private sector where relevant • Focus especially on resolution at the first point of contact and empowerment of citizens and business 	<p>New channel combinations – your channel strategy will need to demonstrate new ways of delivering services, and you might seek inspiration in how others have utilised IT innovation or it may be appropriate to learn from the private sector. Key goals in innovation will be the resolution of issues at the first point of contact and empowerment through enabling people to take control of their relationship with government. Both of these will make your service delivery more effective and cost efficient. New channel combinations need not be limited to your own services, but may also be provided through joining up services with other service providers where effectiveness and efficiency could be increased further.</p>
<p>14. Channel migration</p>	<ul style="list-style-type: none"> • Develop sound business case for channel shift • Identify ways in which you will educate and enable people to use new channels • Explore if the use of mandation is appropriate for new channel • Explore the use of incentives and how you will market the new 	<p>Channel migration - you will need a firm business case for any form of channel shift strategy built upon a sound understanding of current channel usage and a logical approach to future service development. You will need a take-up programme that encompasses education and enablement. It may be appropriate to consider some form of channel mandation and / or incentivising (especially if your customer is a business user), and in all cases marketing skills will be important. Focus your attention just as much on the implications of degrading or eventually closing old channels as on the scope for shifting to new ones.</p>

	<p>channel</p> <ul style="list-style-type: none"> • Consider implications for degrading and eventual closure of existing channels 	
15. Inspire joined up services	<ul style="list-style-type: none"> • Identify potential areas for joined up services • Explore the use of partnerships to develop and deliver services • Utilise existing service provision to best effect 	<p>Inspire joined-up service – remember always that customers of government services don't view them in distinct silos. We all recognise that government needs to be more "joined up" in its approach to service delivery but be sensible in your approach and learn from best practice in establishing partnerships that will improve the customer experience. Also look to utilise existing e-service provision and infrastructure rather than investing in costly and unproven alternatives.</p>
16. Learning and innovation	<ul style="list-style-type: none"> • Ensure continuous learning and innovation takes place as part of the channel development process 	<p>Continuous learning and innovation – any strategy, whether radical or incremental, is a continuous exercise in learning, innovation, flexibility and future sustainability. Be prepared to readily adapt to any factors which may influence your channel transformation and most importantly, listen to what people are telling you. Monitor and review regularly. This will allow you to form a feedback loop in which review data influences future planning and changes, the effect of which will in turn be reflected in future review data.</p>

3. Recommendations for the Way Forward

This paper suggests ways to tackle a complex area of strategic planning with the aid of tools and illustrations to enlighten and encourage. Without more active involvement and debate, though, it is unlikely to achieve good practical results across the board.

Therefore, it is recommended that the principles and methodologies outlined here are used as the basis for ongoing discussion and collaboration across government to foster a much greater degree of practical application of channel thinking than has yet been demonstrated.

The following activities, recommended and agreed by the Channels Strategy Working Group and others, will contribute to this ongoing work -

1. *Incremental formal project and pilot activity designed to further develop this emerging channel framework and test its practical applicability*

A project, “The Shift to Citizen Empowerment” is already being taken forward, sponsored by Stephen Hickey (Director General of DVO) and the Delivery Council. Addressing the issues discussed on pp 9-12 above, it will focus on a practical approach to redesigning public services from the customer perspective

Additionally the North West e-Government Group of local authorities is supporting the work that is underway in the National Process Improvement Programme and the Take Up Campaigns on identifying the costs of delivering specific services and channel appropriateness of different services. NWeGG is also funding specific research that will help councils to cost their processes more effectively and consistently and will be working alongside the esd toolkit¹⁶ on a model for categorising the relative ‘depth’ and complexity of transactions so that authorities are able to compare transaction costs effectively.

These projects will feed into the practical dissemination of this paper and ongoing cross-government learning.

2. *“Trial runs” of the framework (for example, with the local authority Customer Services for London Group and collaboration with Dudley Metropolitan Borough Council on completion/implementation of the council’s channel strategy)*
3. *An interactive medium for highlighting and bringing to life the key learning points which the case studies included here serve to illustrate – such as video, audio, web-based material, wiki etc.*

¹⁶ See www.esd.org.uk - esd-toolkit is a hosted, secure, online resource that enables all local authorities to record their public facing services against a comprehensive list of services, processes and interactions

4. *Seminars at which recognised “experts” (both within and without government) speak on different aspects of channel strategies (as part of the Service Transformation planned series of talks)*
5. *Channels “slots” on existing cross-government meeting agendas to ensure the message reaches a broader audience than those who are already engaged and enthusiastic*
6. *Channels conference(s) with speakers and syndicate work shops to “try out” some of the tools and methodologies in the context of real local and central government service scenarios, followed by pilot activity with progress to be fed back at a follow-up event¹⁷ - see also Annex 2 for a possible model for particular application in Local Authority Networked Learning Communities¹⁸.*
7. *Creation of a recognised discussion and decision-making forum, leading on from the Channel Strategy Working Group, with defined remit, terms of reference and reporting structure to continue the multi-channel debate. Two purposes of such a group to be: 1) the promulgation of best practice in this field and 2) to gain traction through working collectively on cross-government channel issues and recommending practical solutions¹⁹*

Clearly the potential for future cross-government knowledge-sharing, learning and collaboration in this field is considerable and should be encouraged. This paper represents work in progress and comments, further contributions and questions will be welcomed.

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¹⁷ The content and handling of these will need to be determined by the audience – for those already engaged, an event would serve to consolidate the network and pursue shared areas of interest, for newcomers it would serve as a more basic introduction to the framework, with, perhaps “booster” workshops for those who have just started out on its practical application in their own service area. It is recommended that an important basic component for inexperienced channel practitioners should be a foundation course on marketing and customer segmentation.

¹⁸ Thanks to Tony Hinkley, Dudley Council.

[¹⁹ Decisions to be made on this recommendation include: make-up of such a group, accountability (for example, should this be to the Delivery Council, as is in the proposed case of CIF?), models upon which to be based (such as Engage), overlaps and interaction with other similar bodies across government (some of which we may not currently be aware of but all of whose activities should be coordinated)]

Working paper – this is not a statement of Government Policy

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