

ANNEX 1: EXAMPLES AND ILLUSTRATIONS (Part 1: Stage 1 Examples and Illustrations)

This annex contains examples of the use of some of the methods listed in the paper together with a number of illustrations of the outputs. These are real-life examples drawn from various parts of Government, both local and central, and from the private sector.

In some cases there is both an example of activity and an illustration of output from the same organisation. In this case this is noted and cross-referred (with hyperlink) in the text. However, this is not always the case and many examples / illustrations stand alone.

Use of the table on the following page:

The table on the following page shows correlation between examples / illustrations and methodologies:

- The horizontal numbering (1 – 4 in this part) corresponds to the numbering of the methodologies in the paper
- Each example / illustration is separately numbered and given in order according to the methodology it best illustrates e.g. those numbered 1.x relate to methodology 1, 5.x to methodology 5 etc.
- Each example / illustration is annotated in columns to show which sector and usage it relates to, which page it appears on and which methodology it relates to.
(Note that the annex has been split for size reasons, but that page numbering continues from part to the next)
- To go straight to a particular illustration to view use the hyperlinks in the illustration column. (Hover over the relevant number in the illustration column and (CTRL + click))

Illustration	Sector *	G2C / G2B **	Page	STAGE 1: Basic Rules				STAGE 2: Lay Foundations				STAGE 3: Develop your ongoing plan							
				1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1.1	CG	G2C, G2B	3	■															
1.2	LA	G2C	3																
1.3	CG	G2C	4																
1.4	CG	G2B	5																
1.5	CG	G2C	6																
1.6	LA	G2C	7	■	■														
2.1	CG	G2B	8		■														
2.2	CG	G2C	9		■														
2.3	CG	G2B	10		■														
2.4	CG	G2C, G2B	10		■														
2.5	CG	G2C	11		■														
3.1	CG	G2C, G2B	12			■													
3.2	CG	G2C, G2B	13			■	■												
4.1	LA	G2C	15				■												
4.2	CG	G2C, G2B	16				■												

* CG: Central Government
 LA: Local Authority
 GA: Government Agency
 PS: Private Sector

** G2C: Government to Citizen
 G2B: Government to Business
 B2C: Business to Citizen / Consumer

STAGE 1: THE BASIC RULES

1. KNOW WHO YOU ARE TRYING TO REACH

ACTIVITY

1.1 DVO Group used segmentation to identify groups of motorists with differing propensity to use online services. This has helped them to achieve increased take-up of these services. They have used segmentation to identify if there are different types of MOT garage for the purpose of rolling out and training these garages in the use of the new computerised MOT system.

Segmentation had been seen as a tool for customer insight and had become oriented around the measurement of customer satisfaction. Since 2003 DVO Group has segmented customers on by demographics, behaviour, compliance and channel preference (and business type for commercial customers) but opportunities to use segmentation for other reasons such as developing strategies which significantly affect channels shift have been limited. By thinking of segmentation as a tool to achieve a desired delivery outcome new insights are being generated.

The new approach to segmentation offers the triple proposition of lowering regulatory burden on the compliant, improving the effectiveness of face to face training interventions with commercial customers, and of customising service transactions.

Success will strengthen the linkage between segmentation of commercial customers and the delivery of SoS targets, Departmental and wider Government outcomes.

DVO Group: Know who you are trying to reach – Segmentation

1.2 The London Borough of Hammersmith and Fulham found clear evidence that existing processes and channels for delivering the Council's services were failing, sometimes dramatically, to meet very basic customer needs. The team, under Chris Naylor, Head of Customer First, developed a segmentation model which cross-referenced census data with information on service usage and individual channel preference.

This resulted in the identification of seven customer types. A distinct and significant proportion of the borough's population - whose consumption of council services was generally restricted to "quick" transactional services (council tax, parking) - preferred to interact with the Council only online or by phone. Another distinct cluster of segments had a greater need to speak to the Council on discretionary issues on a face-to-face basis.

The borough is now planning a major restructuring programme to bring service delivery and channels more in line with customer preference and need. This includes enhancing service delivery on web and phone channels for those services and customer groups that do not require face-to-face support, and multi-skilling staff to deal with customer queries within a single contact, as well as investing in community based face-to-face reception points that target customers in need.

(An example of London Borough of Hammersmith and Fulham output appears at [1.6](#))

Illustration 1.2: London Borough of Hammersmith and Fulham: Know who you are trying to reach – Segmentation

1.3 DVLA used data from those already using EVL (Electronic Vehicle re-Licensing) to predict categories for profiling customers by means of Geo-Demographic profiling software, always trying to segment from the customer's perspective. For example, using the service without being invited indicated "Early Adopters" whilst using the IVR (Interactive Voice Recognition) indicated they were in groups who preferred the phone over the internet.

Combining this information in a qualitative way with the results of several market research studies enabled them to identify clusters of customers who would be satisfied by a distinct marketing proposition. For example, communicate the benefits inherent in the online environment (real-time automated interactions) to customers who value convenience and speed (Early Adopters).

(An example of DVLA output appears at [1.5](#))

Illustration 1.3: DVLA: Know who you are trying to reach – Data collection / Segmentation

OUTPUT

1.4 HMRC (Business customers)

Business Segment Summaries			
	Size % of population	Needs summary	Overall Channel objectives
Segment 1	28%	“I embrace automation provided it does not remove my ability to talk to someone.”	Emphasise automated services currently available. Explain alternative methods for interacting with HMRC
Segment 2	18%	“Leave me to resolve my tax affairs in my own way, I don’t want tax to distract me from my core business.”	Active migration onto lower cost channels, will require a high visibility campaign to capture attention.
Segment 3	39%	“My tax affairs are simple, I am not naturally inclined to use technology but have not ruled it out.”	Provide hand-holding guidance on how to access higher levels of automation
Segment 4	15%	“Fundamentally I want more automation. However given the complexity of my tax affairs I don’t think its appropriate.”	Keep informed on latest advances in interaction functionality, emphasise improvements and new functionality. Give detailed support for online services.

Illustration 1.4: HMRC: Know who you are trying to reach – Data collection / Segmentation

1.5 DVLA

Tax disc population segmentation			
	% tax disc population	Customer Needs for Segment	Channel Tactics to Service Needs
Segment 1	8%	Young and go-getting, These types enjoy being different. They use the internet for just about everything. They expect 24 hour access to services and to save time by transacting online.	<ul style="list-style-type: none"> •Communicate by preferred medium – ie online advertising •Use PR to raise awareness •Likely to become frequent user and advocate •Establish e-mail reminder system
Segment 2	15%	Independent thinkers who care little for the opinion of others. Quite disorganised and/or busy, so can leave it late to renew. The convenience of electronic option is important as it saves time, however, awareness is key.	<ul style="list-style-type: none"> •Strong call to action on reminder envelopes etc •Use PR to raise awareness •Raise awareness using appropriate media
Segment 3	24%	Busy working and looking for time saving benefits. They like paying 12 months tax at a time and possibly by DD. Have some concerns about web security, they have internet access, but would also use automated phone.	<ul style="list-style-type: none"> •Highlight both phone and web channels in reminders. •Use specific PR to raise awareness of web safety •Ensure security of online transactions addressed in communications.
Segment 4	21%	Has access to web and will use if can be 'bothered'. However, will use automated phone or face to face if these channels are perceived to be simpler/more convenient than web.	<ul style="list-style-type: none"> •Ensure 'simple' web experience •Phone option prominent on reminders •Use PR to raise awareness •Target via intermediaries who can 'take the fuss out of transacting'
Segment 5	32%	Likes face to face channel for social interaction and are not worried by time constraints. Would consider DD payments in instalments without a charge.	<ul style="list-style-type: none"> •Create alternative face to face channels •Communicate DD when available •Reminders to maintain instructions for Post Office channel
Segment 6	?	<p>Passives</p> <p>Respectables</p>	<ul style="list-style-type: none"> •Publicise availability of DD and electronic channel options in 'Fines' letters. •Establish e-mail reminder system •Use PR to raise awareness

Illustration 1.5: DVLA: Know who you are trying to reach – Data collection / Segmentation

1.6 The London Borough of Hammersmith and Fulham

Evidence from Client Index showed Segment Demand for Services (1)

Simplified Summary of Segmentation Analysis & Client Index Data

Segmentation	Population	% Pop	Adults Services	Housing Tenants	Benefits	Children's Services
Well Off Older Global Professionals	19310	12	Low Uptake	Very Low	Very Low	Very Low
Well Off Families in High Value Homes	7982	5	Low – Blue Badge Users	Very Low	Very Low	Low
Prosperous Mobile Single Young Professionals	35015	21	Very Low	Very Low	Very Low	Very Low
Prosperous Settled Young Professionals	22713	14	Some Usage - Blue Badge	Very Low	Very Low	Very Low
Families in Manual Occupations	1696	1	Moderate	Very Low	Low	High
Modest Means Mixed Inner City Urban	23971	15	Moderate	Moderate - Low	Moderate	Moderate
Poorer Minority Families	7563	5	High	Moderate	High	High
Older people Inner City Urban Neighbourhoods	8492	5	High	High	High	Moderate
High Occupancy & Students – Inner City urban	5607	3	High	High	Moderate	High
Young mobile single renters	3609	2	High	Moderate	High	Very High
Deprived Families in Public Housing	28224	17	High	Very High	Very High	High
Older people in sheltered housing	974	1	Very High	High	Very High	Low

Illustration 1.6: London Borough of Hammersmith & Fulham: Know who you are trying to reach – Segmentation

2. ESTABLISH WHAT TYPE OF CONTACT YOU AND THEY NEED TO HAVE WITH EACH OTHER

ACTIVITY

2.1 Companies House uses information gathered in a variety of ways and formats to determine the contacts needed by customers: their attitude to and use of available services, and channels and potential demand for new ones. These include:

- *Quarterly customer satisfaction surveys*

Provide a regular, albeit retrospective measure of performance and progress across a range of indicators which contribute towards customer satisfaction. This serves to identify key areas of deficiency or decline which merit control action that can then be assessed in forthcoming surveys. Over the last 2 years this activity has evolved to focus on satisfaction relating to the user base of transactional services in addition to an overall organisation-wide rating.

- *Annual Market surveys*

Autumn 2006 will see the 3rd annual surveys of our filing customer base. These surveys have enabled Companies House to plot trends in terms of filing behaviour and attitudes which web-based applications cannot uncover. The surveys of DIY filers and Accountants have been central to shaping the product development, policy changes and promotional messages which have been deployed to encourage customers to shift towards 'e' channels over the past 2 years.

- *Focus groups*

Companies House gains more qualitative measures of customer reaction to concepts and plans from 21 geographically-defined customer focus groups. These groups convene once every 6 months to share and discuss views surrounding their experience of dealing with Companies House and also to consider proposals for future development.

- *Website feedback forms*

Companies House solicits feedback from its customers through feedback forms on its website and embedded into the end of its WebFiling service. The latter are managed by the Product Manager who deals with or escalates enquiries that provide a valuable source of market feel for current service design or performance.

- *Website visitor tracking software*

Companies House use a software tool called Webabacus to monitor trends in page usage and drop-out rates. This tool played a key part in shaping the business case for a broad redesign of the original WebFiling registration and log-in procedure which was experiencing a worrying level of drop-outs. Webabacus reports were able to demonstrate an immediate and dramatic improvement in visitor retention following implementation of several new screens.

- *External website usability testing*

Companies House has successfully deployed website usability testing to tease out design issues with proposed new website screens and processes. The revised registration screens that were implemented in 2005 and the e-accounts templates that were introduced in 2006 all benefited enormously from this treatment which is now a standard component of pre-launch plans for new online products and services at Companies House.

- *Customer Care Managers*

Dedicated customer care managers at Companies House fulfil a key account management role covering highest volume Companies House clients.

Illustration 2.1: Companies House: Establish what type of contact you and they need to have with each other – Intelligence Gathering

2.2 HMRC Channel Strategy was developed from a large evidence base of surveys and interviews (3000+) with customers and internal stakeholders/staff, including reactions to using the web and transacting online. The research was designed to investigate customers' interactions with the department, the channels chosen for contact and the propensity of customers to consider alternative channels.

Included in the research programme was a face to face survey deliberately aimed at hard to reach groups who might have special needs when contacting the department:

- People with no fixed line phone
- People with a limiting disability
- People whose first language is not English

The survey sample of eligible respondents was established from the professional survey company, as our own database by definition would be unlikely to identify these customers. The questions asked were a sub-set of the main Channel Strategy Survey.

The responses gave some very important indicators around considering channel provision and how difficult it can be for people to migrate to alternative channels. For example, a very high proportion (85%) of people without a fixed line phone own 'pay as you go' mobile phones, which may affect their use of our helpline support. We are now undertaking follow up work with specific customer groups to identify potential barriers to customer contact and how we might put solutions/alternatives in place.

Illustration 2.2: HMRC: Establish what type of contact you and they need to have with each other – Those who don't engage

2.3 Approximately 5% of companies fail to file their accounts or annual returns at Companies House. Whilst late filing penalties that increase over time ensure that most late filers do eventually file their accounts, Companies House frequently instigates strike-off action against the minority that do not respond to compliance communications. The threat of strike-off is often sufficient to prompt action, but in many cases companies are removed from the live register.

Compliance communications are currently paper based. Future plans include the provision of reminders both on-screen on log-in to the Companies House website and e-mailed to the individual company, with suppression of the paper output leading to substantial potential savings. There are current limits as to how far this can be taken as there is a statutory requirements to deliver some notifications to the company's registered office address.

Illustration 2.3: Companies House: Establish what type of contact you and they need to have with each other – Those who don't engage

2.4 HMRC recognised that data on contact was patchy in the 'old' departments and that they needed a view of contact across HMRC. A study of 'total' contact was a first step in airing and resolving issues and aimed to get a holistic picture of all contact which can be broken down in various ways.

A contact was defined as '*any interaction between a customer and HMRC*' - self contained or part of a longer interaction, covering:

- Transactional contact – driven by the annual and in-year cycles and processes of taxes, contributions, duties and benefits; changes of circumstances, and
- Non-transactional contact – queries, questions, reassurance, progress chasing, etc

The initial work focused on inbound contacts only, covering all main channels: post (including fax); other paper; E (subdivided into non-transactional web, online transactions, EDI and eContact) telephone, face to face.

As a result of the analysis, HMRC put together a strawman of what the customers' outcomes could and should look like, recognising that the wrong contact strategy could result in contacts escalating with the need for reassurance, questions because guidance is unclear, errors in completing transactions, failure to comply, progress chasing, mistakes by staff, and increased complaints.

(HMRC consideration of channels analysis appears at [3.2](#) and goals for customer contacts at [2.5](#))

Illustration 2.4: HMRC: Establish what type of contact you and they need to have with each other – Intelligence gathering

OUTPUT

2.5 HMRC

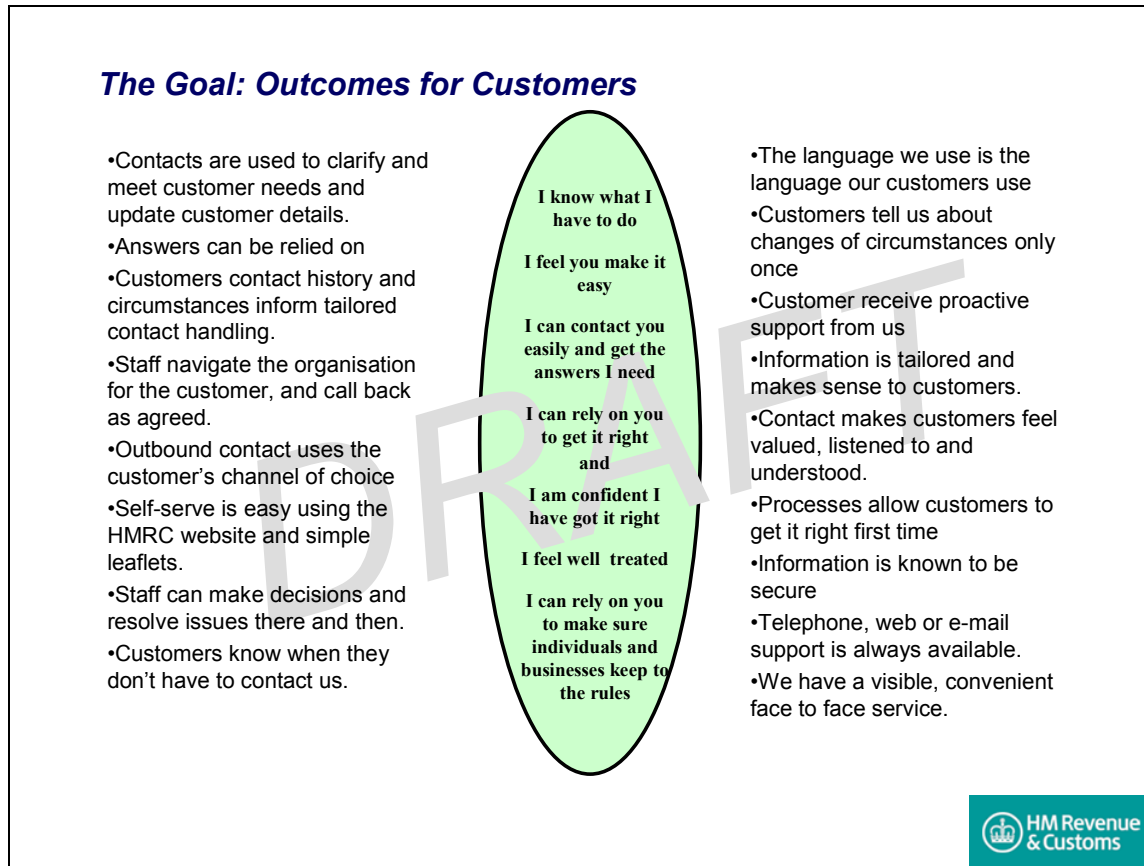


Illustration 2.5: HMRC: Establish what type of contact you and they need to have with each other – General illustration

3. ANALYSE CURRENT CHANNEL USAGE

ACTIVITY

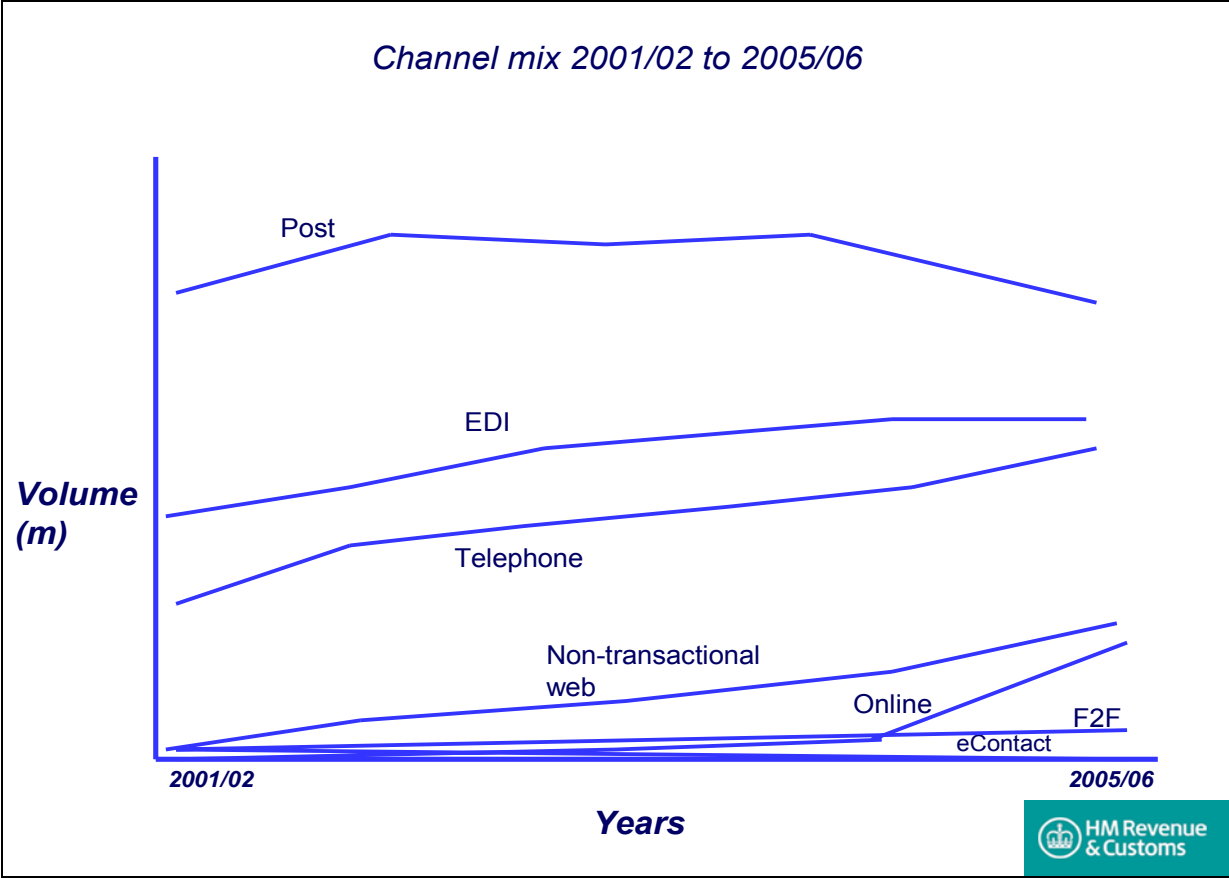
3.1 HMRC's work on channel analysis (see [2.2](#)) identified trends in overall level of contact and use of individual channels. This information is important for planning and to see if their channel strategy is having the intended effect. The study revealed relative use of various channels and identified some of the drivers of change in contact volumes and may indicate intervention points.

(An example of HMRC channels analysis output appears at [3.2](#))

Illustration 3.1: HMRC: Analyse current channel usage – General illustration

OUTPUT

3.2 HMRC: The current picture



HMRC: A potential vision for 2011 is being developed; incorporating a view of the future channel mix and linking this to segmentation, considering outbound as well as inbound channel usage:

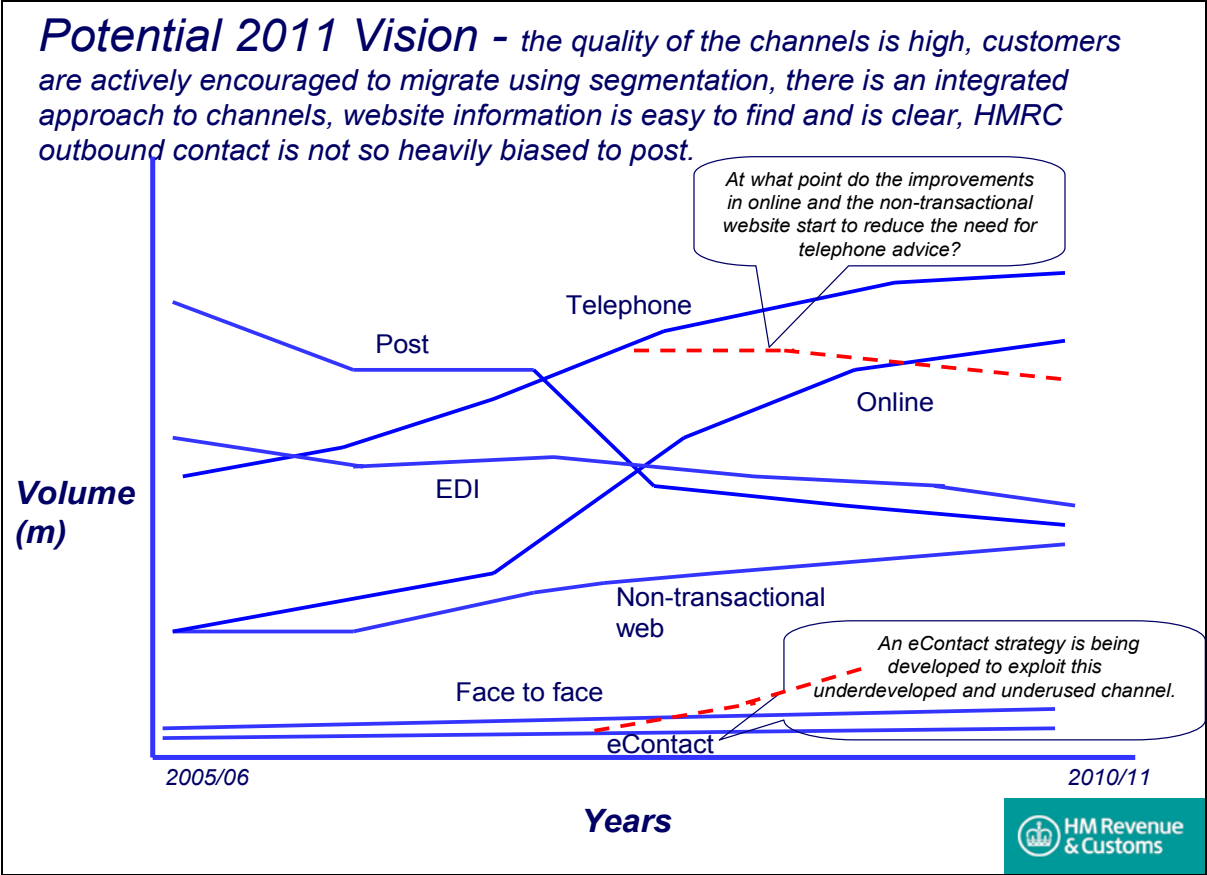


Illustration 3.2: HMRC: Analyse current channel usage – Current channels

4. GATHER (SINGLE CHANNEL) COST TO SERVE DATA

ACTIVITY

4.1 NWECC (North West E-Government Group) commissioned a report as part of a larger project investigating validated service delivery costs across three specified service delivery channels: face-to-face, telephone and web.

Members of the NWECC working group were approached to provide available breakdowns of costs and transactions at an aggregate level, and, where possible, broken down by service. Due to the limited timeframe of the exercise, existing data was used and caveats need to be recognised around the different calculation, costing and reporting structures from which the data was generated. These differences reflect the fact that there is not, as yet, an agreed methodology for measuring and calculating such costs across authorities.

The report recognises that a combination of factors needs to be considered when formulating a customer channel strategy, e.g.

- Customer needs and preferences
- Channel volumes
- The appropriateness and capability of the channel to receive and respond to service requests
- The complexity and emotiveness associated with the transaction
- Access to technology and social inclusion objectives

The cost per service figures derived show that within a particular channel, different services will have different costs due to the complexity of providing the service. For example, due to the nature of the service, environmental and social services calls have a higher proportion of complex transactions and therefore take a longer time to handle. This leads to the conclusion that a more informed measure of channels costs – as well as benefits from the migration of services across channels – would be derived by comparing the costs of the same service across channels (for example, the cost of processing a council tax payment by face-to-face, telephone and electronically, both within the authority and against other authorities).

Illustration 4.1: NWECC: Gather cost to serve data – General illustration

4.2 For DVO Group, producing a channel shift plan required a baselined definition of services mapped against delivery channels using volumes and costs of transactions as a simple starting point. Management accounting based on cost centre data did not support this need. The organisation had aligned around customer sectors, but clear channel ownership was not yet in place.

The organisation is being challenged to produce quantitative channel models that use estimation and proxy data rather than data derived from accounting systems of record.

The base model is likely to require substantial iteration and will initially have low to moderate confidence levels in much of the cost data. Target setting using this quality of base data will require appropriate caution and flexibility.

Illustration 4.2: DVO Group: Gather cost to serve data – General illustration