

Research report

Antecedents, Behaviours and Consequences

A deep-dive investigation into understanding
segment allocation for the individuals'
segmentation

19th October 2010

ABC Deep-dive

About the Individuals Customer Directorate (ICD)

ICD is part of the Personal Tax Group in HMRC, which has responsibility for personal tax policy and operations as well as some work streams with personal and business customers.

ICD's role is to work with Directorates across HMRC to design and deliver customer focused policy and services to individual customers to make it as easy as possible for them to get their tax affairs right.

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Purpose of this document

This document provides an overview of the Antecedents, Behaviours and Consequences (ABC) deep-dive research project that ran between October 2008 and January 2009.

The ABC research follows on from the Individuals Segmentation (2007/08) (www.hmrc.gov.uk/research/individuals-prioritisation-publication.pdf) which identified five key segments in the UK population in relation to compliance (taxes and tax credits). This work was commissioned to add to the understanding of why people are in the segment they are in and what influences segment allocation.

The document highlights the context and background for the study, details of how the research was conducted and subsequently outlines the main findings from the project.

Research requirement (background to the project)

The aim of the ABC deep-dive project was to dig deeper into the Individuals segmentation to better understand segment antecedents, drivers of behaviour and their consequences as manifest for HMRC and the individual.

HMRC commissioned the research to understand the viability of migrating customers from one segment to another in order to:

- ◆ reduce the cost to serve
- ◆ increase yield, and
- ◆ improve the reputation of HMRC.

The individuals' segmentation was built on four core dimensions:

- ◆ awareness (of one's obligations)
- ◆ motivation (to comply)
- ◆ ability (to comply)
- ◆ opportunity (to not comply)

The study aimed to understand how different segment antecedents impact upon the core segmentation dimensions outlined above. In enhancing knowledge and understanding of the original building blocks of the segmentation, it is possible to shed further light on how individuals are influenced, by what and with what effect. This provides the platform for understanding how HMRC can influence segment movement and what the most likely levers might be for each segment.

To understand what determines an individual's segment membership, it is necessary to thoroughly investigate an individual's deep rooted attitudes, beliefs, personal and social

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norms and to use an understanding and application of behavioural theory to investigate how these are linked to actual behaviours.

Using this understanding HMRC can define what might be the likely effect of particular customer strategies in relation to compliance and how these might differently affect the segments.

In summary, the primary objectives for the research were to:

- ♦ understand key drivers of each segment – emotional, psychological and behavioural.
- ♦ determine why an individual is in the segment they are in
- ♦ understand what currently happens as an outcome for individuals: what are the consequences for the individual of different HMRC actions?
- ♦ identify possible levers that HMRC can use in order to change customer behaviours to help them meet their tax obligations and receive the benefits they are entitled to.
- ♦ inform a study that will quantify the links between the antecedents and the behaviours and the impact of possible levers in customer and HMRC outcomes

Who did the work (research agency)

The research was conducted by Quadrangle.

When the research took place

Phase 1 of the research fieldwork was conducted in mid-late October 2008 with a second phase of fieldwork in early December 2008.

Method, Data and Tools used, Sample

The research was conducted in two phases:

Phase 1 involved qualitative depth interviews to explore the psychology of the segments and develop initial profiles of each segment based on this investigation.

- ♦ 20 interviews conducted at central locations, with 4 interviews per segment.
- ♦ An additional 2 interviews were conducted with the Reluctant Conformist segment to ensure full coverage in the 'core' as well as 'periphery' of this segment.
- ♦ The interviews were conducted in London, Manchester, Cardiff and Birmingham.
- ♦ In order to delve below surface attitudes and opinions it was necessary to conduct intensive interviews, with each lasting 90 minutes.

Phase 2 used qualitative focus groups with the aim of validating and expanding on Phase 1 interviews and exploring in more detail the 'consequences' element of the work.

- ♦ 10 focus groups conducted with 2 groups per segment .
- ♦ Again, these were conducted in London, Manchester, Cardiff and Birmingham.

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For both stages, respondents were recruited to match demographic profiles of the different segments and were asked KDQs (Key Discriminating Questions) to ensure correct allocation to a segment.

In addition, all respondents filled in a brief questionnaire prior to the interview / discussion to ascertain taxes they may be liable for and benefits claimed in order to provide a 'tax profile' of each to capture contextual detail for analysis.

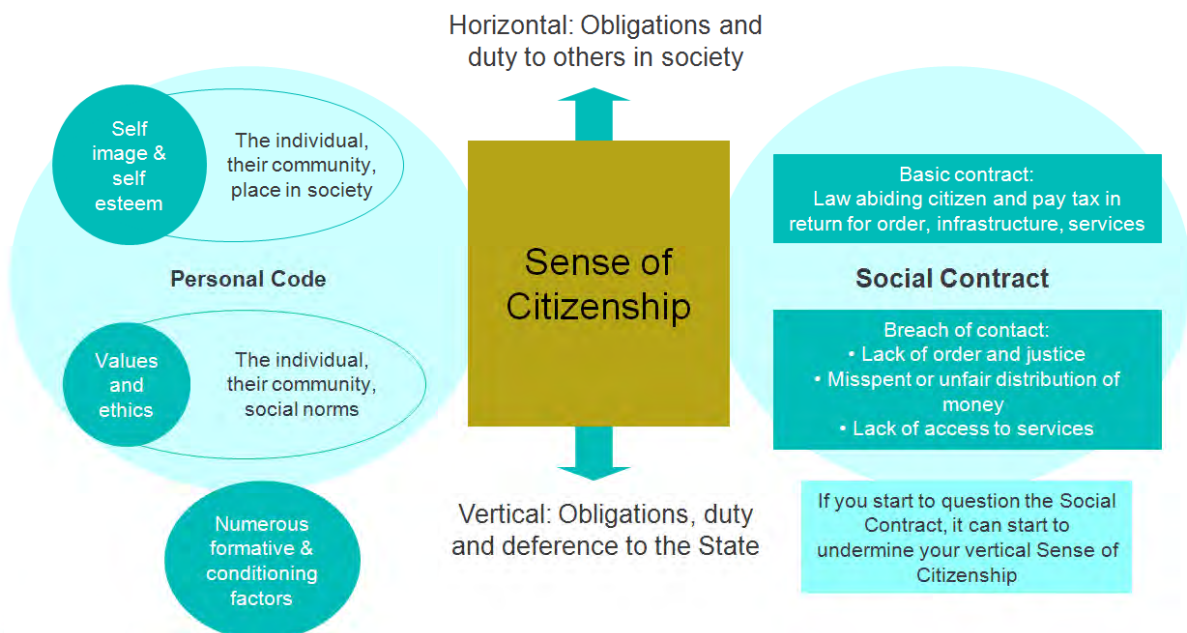
Main Findings

A key determinant of an individual's attitudes in relation to compliance is their sense of citizenship.

Sense of citizenship is rooted in and determined by the interaction of an individual's personal code and perception of a social contract and exists in two forms:

- ◆ vertical: obligations, duties and deference to the State
- ◆ horizontal: obligations and duty towards others in society

We all have a 'sense of citizenship', which is rooted in our personal code and our perceptions of our 'contract' with society



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As illustrated in the diagram above, an individual's personal code is made up of their:

- ◆ Self-image and Self-esteem
- ◆ Values and ethics

A social contract is based on an individual's attitude to:

- ◆ the State
- ◆ society.

Sense of citizenship can be undermined – in particular the vertical 'axis' – by a questioning of the social contract. However, this alone does not result in non-compliant behaviour as the influence of the personal code can override any erosion of the social contract. For example, an overriding deference to authority can prevent non-compliance despite disgruntlement with the State and a questioning of the purpose of taxation.

Sense of citizenship, personal code and the social contract are the three foundations of a broader qualitative model of antecedents. Within this model, the work focussed on:

1. Facilitating conditions

- ◆ These frame the antecedents in a more circumstantial manner, for example, an individual's financial circumstances at the point when a decision regarding tax may need to be made.
- ◆ Within this is the perception of income vs. money: what an individual perceives as being liable for tax or that which they regard as additional income or 'extra' money for themselves.

2. Habit

- ◆ Ingrained habits of behaviour can override conscious, rational choices and results in the repetition of both 'good' and 'bad' behaviour.

3. Rational vs. emotional judgement:

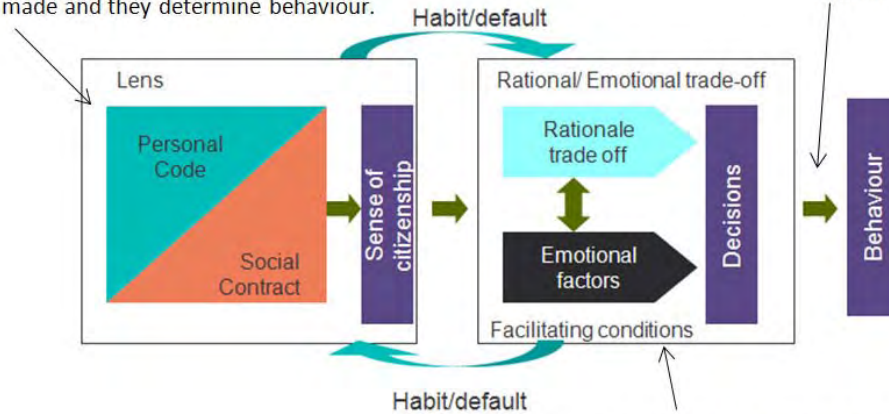
- ◆ The manner in which individuals actually make a decision differs between a more calm, rational evaluation of risks and rewards and a more emotion-driven evaluation. This affects perceptions of risk, for example, likelihood of getting caught.

All these elements form key components of a qualitative model of antecedents, used to understand what drives behaviour. An annotated version of this model is illustrated overleaf.

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An individual's personal code is deep-rooted and influences how they approach decisions and interpret circumstances. Along with a perception of the social contract these are the basis on which decisions are made and they determine behaviour.

The *intention* to behave in a certain way is not always linked to *actual* behaviour.



Habits are formed through regularity of a past experience. They are both conscious and unconscious. When in a repeat or similar situation habit can override conscious decision-making and result in default behaviour.

Decisions are made in a rational or emotional manner and facilitating conditions can frame the context within which the decision is made.

Segment profiles

The next section contains a profile of each segment, outlining antecedent characteristics and associated behaviours. In addition, a graphical example, mapping behaviour and consequences are shown for each segment.

The segment maps illustrate the decision-making routes that can be identified when we apply the qualitative model to a given scenario. They highlight how behaviour differs by segment and the potential varying consequences (for the individual and for HMRC) resulting from this.

To best highlight the differences in decision-making and consequences between the segments, the same example – opportunity to work a second job cash in hand – has been used for each segment.

The segment maps show steps and choices individuals go through in the decision-making process – these are not based on a single individual rather they are generic to the segment overall. Depending on the choices, the path branches out in different directions and can end in different consequences.

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The segment maps are best used together rather than in isolation, to compare the different decision-making paths and thus consequences.

By way of introduction, the individuals' segmentation comprised five segments:

- ◆ Willing Conformist
- ◆ Need Help
- ◆ Dodger
- ◆ Reluctant Conformist
- ◆ Unaware

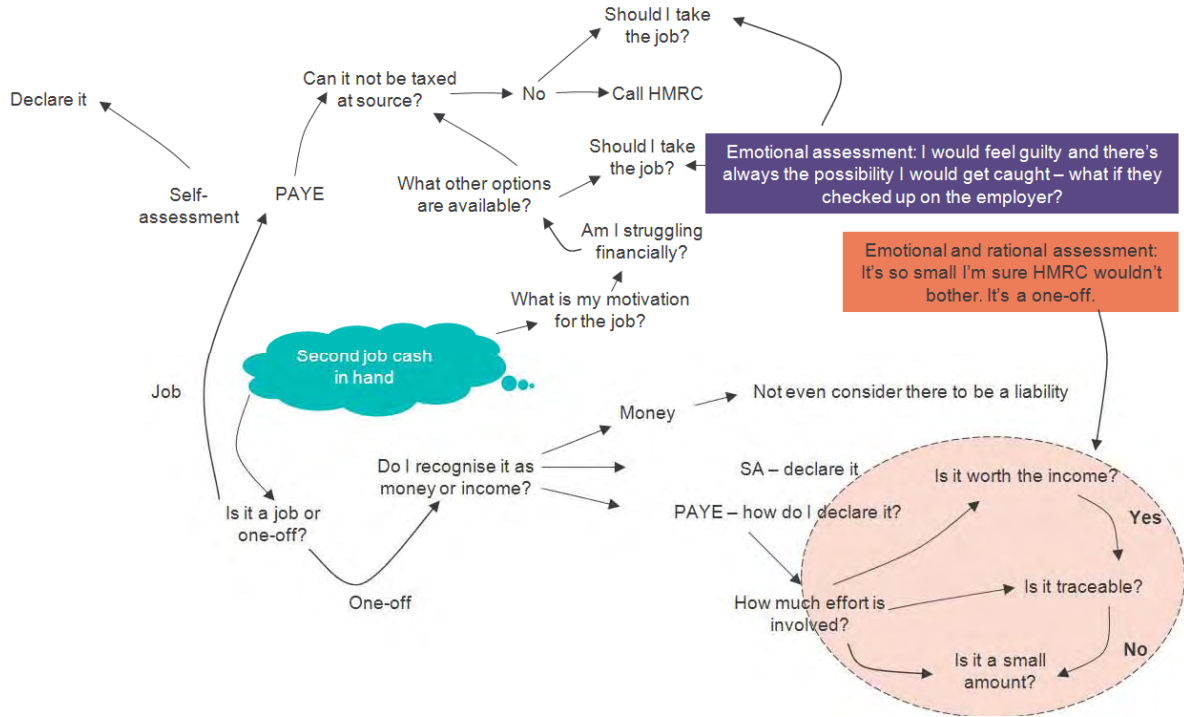
What follows are the segment by segment profiles, starting with the Willing Conformist segment.

Willing Conformists: profile

- ◆ Willing Conformists have a strong and consistent personal code.
- ◆ They have a strong and positive self-image and sense of self-worth as an individual, as part of a family, and as part of a functioning society.
- ◆ They live their lives with a clear and consistent notion of what is right and wrong at individual, family member and societal level.
- ◆ This strong sense of self means they are conscientious, and thus readily practice self restraint in any behaviour that does not align with their self image. They also tend to be risk averse in their actions.
- ◆ When thinking about the Willing Conformist, the notion of a 'model' person and citizen comes to mind. While they are very much part of society they value their ability to be (with their family) self reliant and able to make their own way in life.
- ◆ A strong work ethic is very much in evidence, ensuring that as far as they are able they make their own way in their lives.
- ◆ Generally they are quite capable, organised and confident individuals, who feel they are able to handle their obligations and duties as an individual, parent, member of society.
- ◆ This notion is supported by a respect for their peers, others in society and the State/authority.

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Willing Conformists: decision-making map

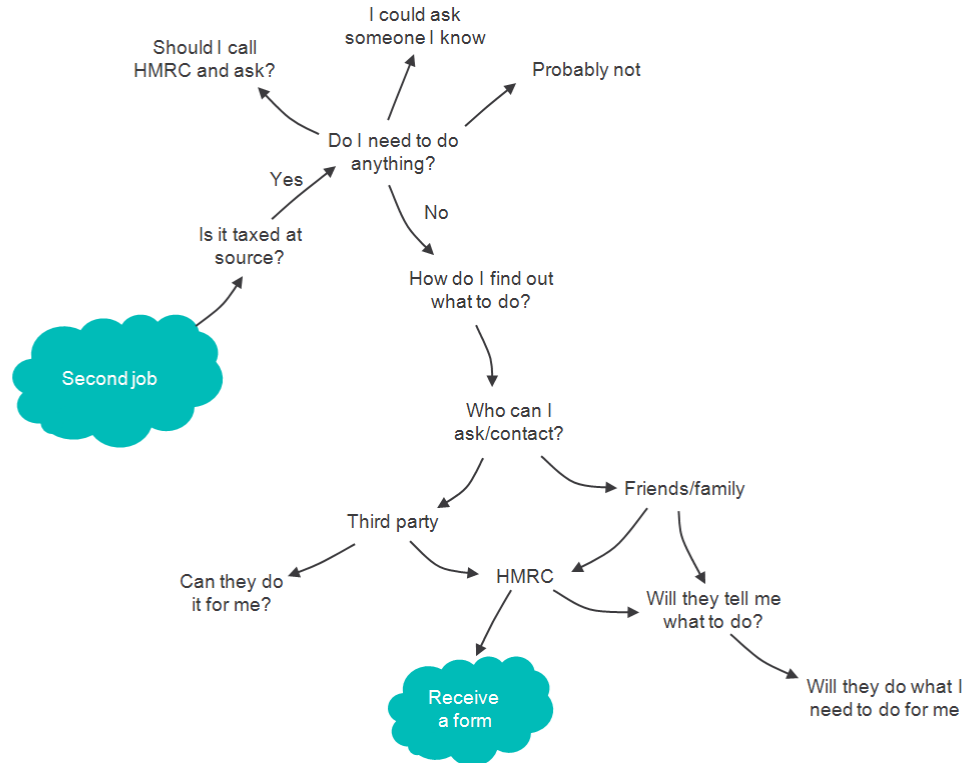


Need Help: profile

- ◆ On one level the personal code of the Need Help is similar to that of a Willing Conformist.
- ◆ They have a strong and positive self-image and sense of self-worth as an individual and part of a family, although they can feel they play a smaller 'role' than Willing Conformist in society.
- ◆ They, like Willing Conformists, live their lives with a clear and consistent notion of what is right and wrong at an individual, family, and societal level.
- ◆ They too are conscientious, practice self restraint in any behaviour that does not align with their self image and tend to be risk averse in their actions.
- ◆ What sets the Need Help apart is a weaker sense of self-reliance; relying more on family and others in comparison, having lower confidence and being more hesitant.
- ◆ The most marked difference is the greater inconsistency in terms of their duties and obligations as a member of society and their lack of application to fulfil them.
- ◆ They can expect others to help them and do not regard self reliance as optimal.

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Need Help: decision-making map



Dodgers: profile

- ◆ Dodgers are much less risk averse than other segments, more entrepreneurial and aware of the system and its limitations. They have a weaker sense of citizenship in particular at the vertical level.
- ◆ A characteristic of the Dodger's personal code is that they place a higher priority on the individual and being independent than other segments.
- ◆ They perceive the social contract to be unfair and imbalanced and are critical of the State's side of the contract.
- ◆ This, together with the fact that they feel they pay their tax already (or pay enough), helps them justify their non-compliant behaviour. As such, they are more likely to be in a position to make a conscious decision regarding compliance.
- ◆ Dodgers are likely to undertake a much more rational, calculated analysis of risk and reward with emotional influences (e.g. worry/ fear of consequences) less evident.
- ◆ Importantly, this calculation takes place against a backdrop of 'righteous conviction'... Dodgers do not view their actions as especially immoral or illegal.

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Dodgers: decision-making map

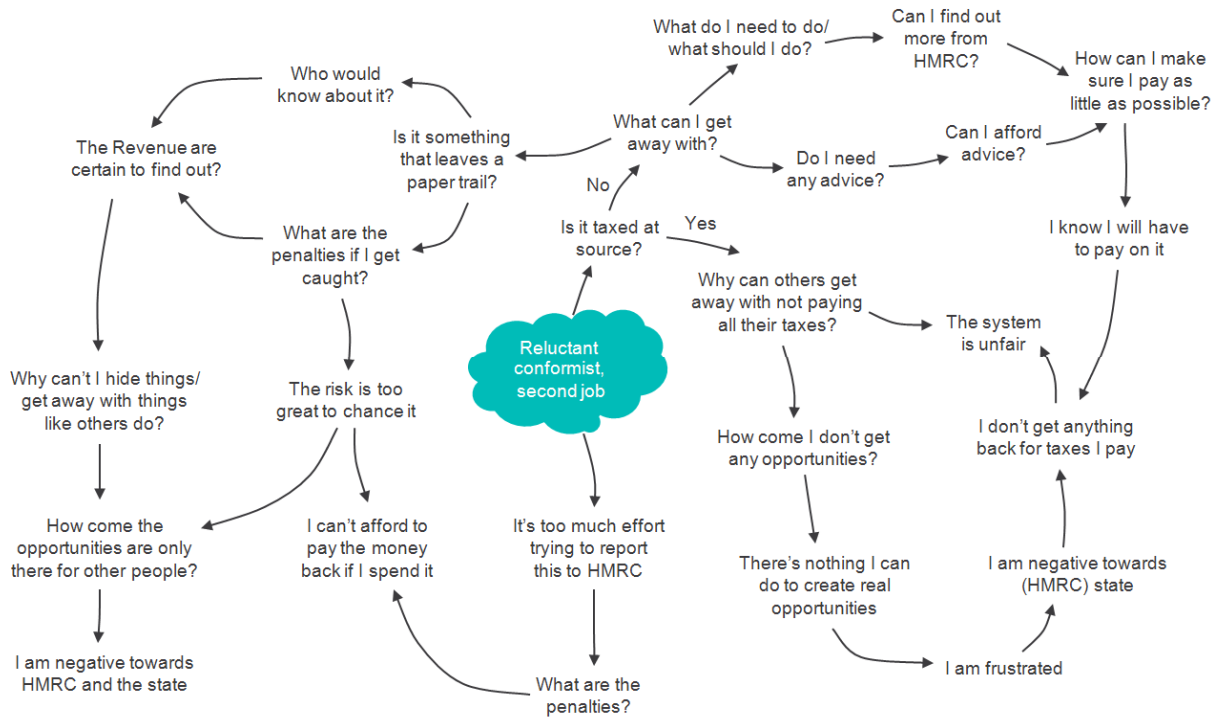


Reluctant Conformists: profile

- ◆ A key characteristic of Reluctant Conformists is the belief that non-compliant behaviour is the norm, where there is the opportunity. However, they just fail to see the opportunity or are unwilling to accept the risk associated with the taking the opportunity.
- ◆ Reluctant Conformists feel put upon by the State and unable to navigate its complexities to their own benefit.
- ◆ Their resentment is fuelled by perceptions that 'everyone else is getting away with it' although very often this is not grounded in actual experiences.
- ◆ With regards to the State and compliance, Reluctant Conformists are, like Dodgers, quite contradictory in their attitudes.
- ◆ They tend to be quite vocal and negative about the Social Contract, which they see as unfair and can feel it is stacked far too much in the State's favour.
- ◆ They are not natural problem-solvers and are unable to use knowledge or experience of the system to further their desire to avoid payment of taxes where possible.
- ◆ They also retain a strong deference to the State and authority, which can ring-fence their non-compliant attitudes from turning into non-compliant behaviour.

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Reluctant Conformists: decision-making map

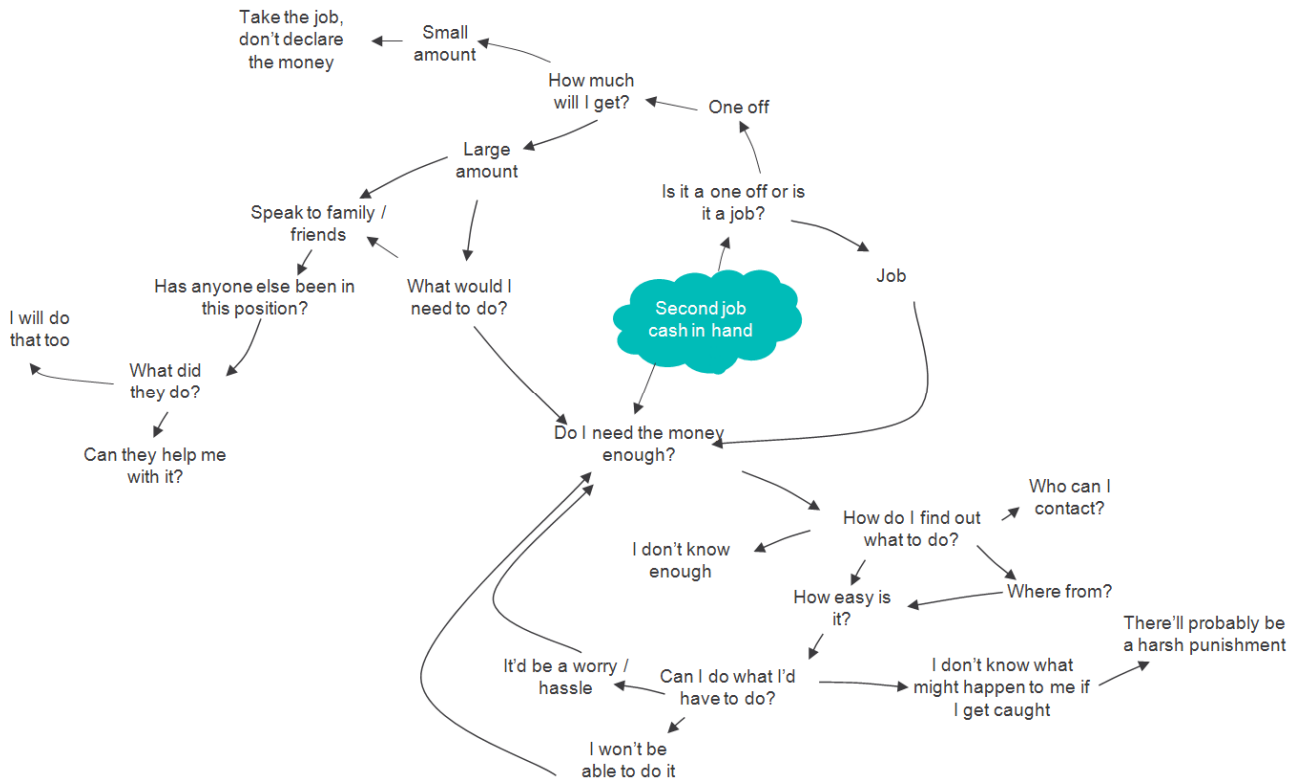


Unaware: profile

- ◆ The Unaware have low confidence in their own ability and linked to this, a lesser or unformed appreciation of self.
- ◆ They are characterised by a lack of engagement with the State and, to a certain degree, 'society'.
- ◆ Central to this disengagement is the lack of confidence the Unaware have when it comes to dealing with the State. This is influenced by:
 - ◆ Their confidence in their own ability: most think that they do not know enough – and, for some, will never know enough -to fully engage with the State
 - ◆ Their perception of the State and HMRC as a 'huge', 'unapproachable', 'enforcer', with the odds stacked in its favour and against them.
 - ◆ For the Unaware who are not new to the system, this state of detachment is to a certain extent contradictory and self-deluding as they do recognise that it can be detrimental for them not to engage.

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Unaware: decision-making maps



In summary

The findings from the ABC Deep-dive project have been used to further develop organisational awareness of the segments and how they might be influenced by HMRC.

The qualitative understanding and model that has been built as a basis for understanding segment membership and behaviours is are now being tested quantitatively. The quantitative work will feed statistical modelling to explain segment antecedents.