



HM Revenue
& Customs

Research report

SME Customer Journey Mapping

Understanding business life events.

Business Customer & Strategy

August 2014

SME Customer Journey Mapping

About Business Customer and Strategy (BC&S)

Business Customer and Strategy is part of Business Tax.

The goal of BC&S is to maximise Business Customer compliance for HMRC at best cost for both HMRC and the customer. This is done by developing business tax strategies through customer understanding, working with teams in HMRC and across government departments.

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Research requirement (background to the project)

The overall purpose of the research was to enable HMRC to develop an understanding of businesses – from their own perspective – before considering how the life events businesses experience relate to tax and the opportunities to improve HMRC services by more closely aligning them to business lifecycles.

Specifically, the research sought to:

- Provide a comprehensive and practical understanding of the life events that SMEs experience from business birth to death
- Identify how these life events relate to each other and how they are experienced by businesses
- Identify whether business decisions are influenced by tax and in what ways
- Identify opportunities within different life events for improving the service HMRC offers
- Consider how best to understand business life events (e.g. whether meaningful typology/ segmentation of business with similar lifecycles can be developed or whether an event focused model is more suitable)
- Identifying 'pinch points' and areas or themes highlighting those with recognisable tax risk through both error and evasion and SME engagement with HMRC
- Consider the data sources for testing/ operationalising the proposed model(s)
- Provide the basis for a future piece of quantitative research to test/ develop/ prove the proposed models
- Identify life events or areas and themes where complexity, lack of support, bureaucracy or uncertainty heighten the barriers to compliance or increase the administrative burden, making it difficult for a business to get their tax right first time with a high degree of certainty.

When the research took place

This programme of work – incorporating a detailed literature review, qualitative research and the synthesizing of the findings – was designed and carried out between January and July 2014.

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Who did the work (research agency)

The project was run by Quadrangle, working in close collaboration with the HMRC project team. Quadrangle carried out all activities except the literature review, which was carried out by ICF GHK.

Method, Data and Tools used, Sample

Project Set up and scoping

Purpose:

- To establish modus operandi; agree scope and coverage of the work and success factors; to establish a literature review framework

Activities:

- Project set up meeting
- Establishment of a literature review framework and sources for the literature review
- Scoping out of the research, detailed project plan and an initial gap analysis of documented intelligence

Detailed literature review

Purpose:

- Increase understanding of business life events and business life cycles and subsequently how tax issues may be overlaid, thus constructing an understanding of businesses from their own perspective
- Identify first conclusions and gaps in knowledge, to help inform the qualitative work

Data collection:

117 pieces of literature were identified as relevant. After a quality check of the sources, 87 were reviewed in greater detail. The review took in sources covering a mixture of academic articles, government journals, research institute documents and research papers. The review followed a business life-stage framework

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Customer journey research – qualitative research

Purpose:

- Understand businesses from their own perspective, fill gaps identified in the literature review and develop SME customer journeys

Data collection:

44 businesses were recruited on the basis of their current life-stage which was self defined by the business as part of the recruitment process and the questions asked of them at this point (including 4 case studies conducted with SMEs in the growth life-stage and submitted as a separate report):

- 32 x 1 hour face to face depth interviews; 8 tele-depth interviews; 4 case studies with SMEs in the growth life-stage
- 7 'start ups'; 8 'inception'; 7 'survival'; 15 'growth'; 7 'decline', this allocation of interviews was arrived at by the research agency and HMRC working together and evaluating what came out of the early stages of the literature review.
- Businesses were recruited to ensure a range of business life events, a variation of business size, tenure and taxes paid
- Face to face depth interviews took place in London, Nottingham and Leeds

Consolidating outputs and laying the foundation for future work

Purpose:

- Fully integrate the Literature Review and Qualitative research

Activities:

- 3 workshops to enable a full integration of the work conducted with Quadrangle and HMRC.
- Combine insights and recommendations from outputs of this work and the SME education strategy research into one output
- Provide a consolidated report
- Outline steps for further research/ data collection to prove and operationalise findings

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Main Findings

1. Tax and tax implications are not typically a driving factor, or even part of, the decisions businesses make either day to day or strategically. Many businesses start with little knowledge of the practicalities of tax. This presents HMRC with both a risk – of non compliance through error / lack of awareness – and an opportunity to educate / raise awareness of the tax implications of a business’s evolution and decision making.
2. A business life-stage model is a useful and intuitive way to divide up the SME space as it provides a way to better understand SMEs and think about influencing behaviour / service delivery differently.
3. The business life-stages that this work identifies are pre start up, formative, maintain, growth, decline and cease trading. These stages are not linear, in the most part you cannot predict when a business moves from one stage to another and businesses can move in and out of life-stages freely.
4. The business life-stage model offers HMRC a way to achieve four things:
 - i. Put businesses first and therefore understand SMEs from their perspective and the various stages of their evolution
 - ii. Put tax into a business context
 - iii. Help businesses tackle specific business issues they face and link these to potential tax implications
 - iv. Identify which events / activities are most commonly experienced during which life-stage and start to inform prioritisation of effort based on the small number of businesses interviewed
5. Events in a business’ lifecycle lead to a multitude of activities, actions and decisions that businesses need to make. These differ by business and where they are in their evolution.
6. A life stage model helps identify businesses and the relevant challenges (tax or otherwise) they face as some events cluster within life-stages.
7. SMEs often need more support, and are more likely to make errors, the first time they do something, This is not only true of tax specific issues, but almost all significant business life events (e.g. employment). Hence transitions from one life-stage to another can indicate a risk of non-compliance.
8. Building awareness and understanding of SMEs and how business decisions can link through to tax implications, both directly and indirectly, is a critical part of the content/ organisational delivery job HMRC needs to do.

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9. Life-stage and the events and activities accompanying it generally do not directly influence the support networks used. Micro and less sophisticated businesses tend to have a more limited support network, while larger more sophisticated businesses have a more extended network spanning the three categories of Informal (e.g. friends and family), Formal (mentors, professional advisors, HMRC) and Paid for (Accountants, Solicitors) All these support channels represent opportunities for HMRC to exert influence.
10. Eight opportunities have been identified to help HMRC develop a more personalised and customer centric service to SMEs:
 - i. Address common frustrations across life-stages
 - ii. Adopt a life-stage model as an effective way to engage/ interact with mass market SMEs
 - iii. Offer relevant proactive and reactive support: better organisation of information around life stage to enable businesses to find the considerable support available and undertake earlier consideration of tax
 - iv. Focus scarce resources away from many SMEs who have very simple tax affairs
 - v. Target mass market SMEs by ensuring they are Tax Prepared
 - vi. Re-organise digital content
 - vii. Develop website, using life-stage as a way in from a customer perspective
 - viii. A new offer for the minority of High Growth businesses
11. Life-stage alone is not an accurate determinant of compliance/risk. To augment the rigour of the life-stage model other business characteristics, including customer complexity and capability should also be considered
12. As a follow on from this work, 4 potential streams of work have been identified which would build on the current outputs:
 - i. Developing a survey of SMEs to size potential sub-populations
 - ii. Proposition development from a business life stage perspective
 - iii. Using HMRC data to develop a complexity index
 - iv. Develop a mechanism to tier areas of greatest potential risk