



Research report

Digital Customer Insight

**Desk Research on Customer Expectations for
HMRC Digital Services**

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About Central Customer & Strategy (CC&S)

Central Customer & Strategy Directorate owns HMRC's customer-centric business strategy through customer insight and customer tools and leads all strategy formation across the Department.

The role of CC&S is to put customer understanding at the heart of all the Department's activities and plans so that business decisions are designed to maximise influence on customer behaviour to achieve HMRC's principal objectives: maximising tax revenues, reducing administrative costs, and improving customers' experience.

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Digital Customer Insight***Research requirement (background to the project)***

This study was commissioned to establish the current evidence base for understanding what customers would expect from HMRC's digital services; identify gaps in the base and recommend further research; and draw out insight to inform next steps.

When the research took place

February to April 2012.

Who did the work (research agency)

James Humphreys, John Tatam and Mark Gill of Woodnewton Associates.

Method, Data and Tools used, Sample

The core was desk research covering over 200 individual sources, supplemented by depth interviews with a small number of experts and specialists in government, business, finance and digital consulting.

The desk research covered: user preferences for channels and technology in the UK and internationally, including within the business sector; how the underlying relationships between users and organisations are being shaped by the digital revolution, including how this shapes expectations towards HMRC; the experience internationally with digital tax and revenue services; and the experience with other public services in the UK. The review also covered HMRC's own evidence base through a search of the 'Enlightenment Room'.

Each source was given an initial rating from A+ to C- and analysis concentrated first on A and then B-rated sources. The ratings and location of the sources were recorded in a separate 'Source Register'.

Interviews were carried out using a semi-structured topic guide aimed largely at addressing gaps on the evidence base and testing emerging conclusions.

Analysis was centred on a number of themes, such as accessibility and security, linked to HMRC's digital strategy. We also drew together the main conclusions and implications of the study by imagining what a fully-digital HMRC might look like if it were set up as a free-standing organisation, much like an internet bank.

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Main Findings

There is very little published research on public expectations of tax services in the UK or internationally; or much on public expectations for digital public services. HMRC's research programme contains much valuable insight into underlying attitudes and behaviours, but less on practical issues such as service levels or channel preferences. There is more material on public expectations for commercial services, including in the financial sector, which is likely to have significant read-across to expectations towards HMRC. However, much of this material is commercially confidential and so not available, or is to some extent distorted by commercial interests, such as seeking to promote particular products or services. Consequently, the analysis and conclusions in the report rely to some extent on extrapolation and inference from a somewhat problematic evidence base.

Overall, the evidence clearly shows that a substantial majority of HMRC's customers have the ability and willingness to carry out financial transactions online, and this proportion will continue to grow for the foreseeable future. (Neither digital exclusion or problems with access to broadband are likely to affect significant numbers of HMRC's active customers beyond 2016.) If they believe that digital services from HMRC are reliable, can be trusted with their personal and financial information and offer them more convenience and control than the alternatives, then they will use them.

It is likely that customers will expect that HMRC should provide the kind of services they already receive from their bank (both quality of service and functionality), but with more sober branding and tone; and with the additional requirement of clear, comprehensive and accessible information, guidance and advice. Their preference will be for 'multi-channel' rather than 'digital': that is, internet-led services available across a range of platforms, including using apps; supplemented by alerts across a range of technologies (including SMS and Instant Messaging) and guidance in a range of formats (including videos and podcasts); and with 'real people' available (telephone, face to face or in 'online one-to-one chatrooms') for complex or sensitive problems, where online channels are not effective, or to resolve disputes.

It is unlikely that many customers will want (or put up with) a 'digital-only' approach, though examples such as Amazon show that very high customer satisfaction can be combined with a very high proportion of transactions being digital. In any case, developing digital channels that integrate with traditional channels or features (notably call centres) would allow improvements in service levels to be shared with non-digital users, so minimising the 'digital divide' effect, as well as enhancing the digital offer.

The evidence suggested that concerns over security were not a significant barrier to the uptake of HMRC digital services; though (following the US experience) concerns may arise over identity fraud. The main issue on security was the different approach taken by HMRC compared to other digital service providers, with customers having to obtain a password in advance by post. The most powerful incentives to persuade customers to switch to digital services were a greater sense of control from having instant access to information and greater flexibility in the timing of transactions. The actual functionality provided was important but not critical; and financial incentives did not seem to have more than a marginal role. Where individual customers used agents, or where decision-makers in an organisation were not involved directly in filing or other transactions, customer service incentives were of less importance, but this was balanced by a lower initial resistance to digital transactions in the first place.

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Customers appear open to potential partnerships or third-party involvement, for example to allow financial institutions to submit data directly to HMRC to help compile self-assessment returns. DVLA and Companies House were cited as successful examples.

There is considerable scope for pursuing the aim of 'digital by default' to drive change within HMRC. Different models for this are available: that of using digital 'tactically' to drive change on a manageable scale seem most appropriate for HMRC, though the HMRC's Real-Time Information project may provide other opportunities for innovation. More experimentation with applications and working with intermediaries to develop services would also help develop a digital culture within HMRC.

The international research showed that most comparable tax authorities had plans for digital-led services and had some examples of digital innovation; but that none had a complete solution. On the evidence available, Australia was the most advanced, particularly in integrating online filing into third-party business software.