



HM Revenue
& Customs

Research report

Digital Support Strategy

Maximising the take-up of HMRC digital offering for Business.

Business Customer & Strategy

August 2014

SME Education Strategy***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.

Contents

Research requirement (background to the project)	3
When the research took place	4
Who did the work (research agency)	4
Method, Data and Tools used, Sample	4
Main Findings	8

© Crown Copyright 2014 - Published by Her Majesty's Revenue and Customs.

Disclaimer: The views in this report are the authors' own and do not necessarily reflect those of HM Revenue & Customs.

SME Education Strategy

Research requirement (background to the project)

HMRC is operating in a challenging environment, where it is under pressure to deliver a step change in the administration of the UK tax system, specifically with regard to the closing of the tax gap, but at a time when it also has been reducing its overall spend and headcount levels. Rather than compliance, the issue here is tackling the tax gap attributable to error and the disproportionate amount of HMRC costs incurred in dealing with customers who make mistakes (especially those who make the same mistakes time and again), and in supporting those who are driven to contact the helpline for support in completing their tax obligations.

The potential for increasing take-up of digital offerings – across a range of public sector issues – is significant, and it is clear that targeting HMRC digital support is a critical part of maximising efficiencies in dealing with business.

Research was therefore needed to inform a better understanding of business needs, drivers and attitudes from a digital education perspective, in order to feed into the development of digital support strategy and investment decisions.

The research was conducted in two phases;

- Phase 1: Exploratory qualitative research to support the development of a new digital support strategy for business
- Phase 2: Generating quantified evidence of the digital education needs of SME customers

It was designed to investigate 6 specific digital support products;

1. Downloadable content
2. Online tools
3. E-learning
4. Live webinars
5. Recorded webinars
6. Mobile Apps

When the research took place

The research programme spanned January 2014 - August 2014

Phase 1: Qualitative fieldwork was undertaken in January 2014

Phase 2: Quantitative fieldwork predominantly took place in February 2014, with an additional boost of interviews (with new businesses) completed between May and June 2014.

SME Education Strategy

Reporting encompassing both Phases was delivered through July and August, 2014.

Who did the work (research agency)

Both phases of research were undertaken by Quadrangle.

Method, Data and Tools used, Sample

Phase 1: Exploratory Qualitative Research

Method:

32 x 1 hour depth interviews with SME customers under £10m turnover.

Where possible, interviews were conducted face-to-face (particularly for customers who were less digitally able and/ or had not used HMRC digital support before), but where respondent preferences / availability necessitated, the remainder were conducted over the telephone.

Data and tools used:

The discussion guide was designed to ensure interviews covered the following topics;

- Business activity and digital experience
To understand the type of business and their role within it, and the extent to which digital channels are used currently, either for business or personal use
- Financial and tax management
To understand how financial / tax matters are managed and implemented, current use of advisors / agents, and support channels known and/or used
- Attitudes to the current HMRC digital support offer
To introduce the full range of digital support products offered by HMRC, and understand initial reactions around what is liked and what is less appealing
- Triggers and barriers to using the current digital offer
To understand triggers and barriers to using HMRC's current digital support, and what would make them more likely to use it in the future
- What customers want from online support from HMRC
To provide insight into customer expectations and needs from online education
- Increasing awareness and take up
To understand how best to reach customers of varying levels of digital and tax capability, and how to market digital support to increase uptake
- Addressing the needs of those who cannot/will not use digital support

SME Education Strategy

To understand how HMRC can use the online service and the network of education partners to support the 'Could' and 'Never will' customer groups, and develop the necessary skills to use online education.

Sample:

The core sample structure was built around 4 types identified by HMRC as a potential way of dividing customers;

1. 'Do' (already use online education)
2. 'Should' (have the digital ability to use online education but have not)
3. 'Could' (lack ability to use online education but could use with support)
4. 'Never Will' (will always remain digitally unable)

To ensure a spread of different business types, additional sampling and screening criteria were implemented around;

- Geographical spread
- Life-stage (to ensure representation of start-ups and growing businesses)
- Sector (to ensure representation of construction/ trade businesses)
- Membership/ engagement with representative bodies
- Heads of duty (to ensure representation of customers engaged with SA, VAT, PAYE, CIS)
- Experience of life-events in the last 12 months (e.g. taking on an employee for the first time)
- Use of Agents for tax management

Phase 2: Generating quantified evidence

Method:

Interviews were carried out using a structured questionnaire and by telephone via Computer Assisted Telephone Interviewing (CATI).

Data and tools used:

The survey was designed in collaboration with HMRC (including a 2.5 hour questionnaire design workshop with core project team and key stakeholders at HMRC), to produce a 20 minute interview (although in practice the average interview length was closer to 25 minutes). The structure of the interview is outlined below;

- Section A: Screening
Introduction to the purpose of the survey, and respondent screening to ensure that;

SME Education Strategy

1. *The business was eligible to take part – i.e. that the size (turnover/ employee numbers) were within scope.*
 2. *The correct person within the business was interviewed, i.e. the responsible for the day to day handling of tax and dealing with HMRC*
 3. *Target quotas were met (to produce a nationally representative sample)*
- Section B: Individual digital use and learning styles
Internet access and devices used, online behaviour and preferred learning styles
 - Section C: Competence and tax management
Internal qualifications/ understanding of obligations and use of agents
 - Section D: Sources of information for business use
Online confidence/ behaviour (for business), events where information may be sought, sources of information used, awareness, usage and propensity to use HMRC Online support tools
 - Section E: Triggers and barriers
Reasons to use, likelihood to recommend, intention to repeat use, barriers to use, potential to increase awareness and take-up
 - Section F: Profiling
Business age, life-stage/growth and business ownership, respondent gender and age, recontact question

Sample:

The target population for this work was SMEs, defined for the purpose of this study as:

- A business with a turnover under £10m and/or
- A business with less than 250 employees

A quota sample design was implemented (informed by BIS population statistics) to ensure a robust and nationally representative sample of 1,628 SME businesses. This sample was drawn from a purchased list (source: DBS Data. Data collated from Companies House in addition to a number of other sources, and regularly updated through data cleansing activities). Prior to drawing the sample, DBS were instructed to stratify the SME population of businesses by;

- Number of employees
- Sector
- Turnover
- Length of time trading

A random sample was then drawn within each strata, such that the sample frame for this research was representative of the SME population (based on BIS population estimates). In recruitment, quotas were set on number of employees, and sector to ensure that the responding sample was also representative of BIS population statistics.

SME Education Strategy

Population statistics were again referenced to inform post-weighting of the data, to ensure data was representative of the SME population as a whole.

In addition to the nationally representative sample, a 'booster' sample of 426 respondents was also drawn from HMRC's customer database, to ensure sufficient numbers of customers who are using education to enable detailed analysis around their experiences in the event that the 'natural fall-out' of digital education users did not generate a sufficiently robust sub-group for analysis. This sample was analysed separately from the core nationally representative sample of SMEs

All respondents (regardless of sample source) were responsible for the day to day management of finance and tax in the business.

Main Findings

The context for digital support: Access and confidence, and SME requirements for HMRC support

- Digital channels, including social media, are now 'Business As Usual' for the majority of SMEs.
 - Only 3% have no access to the internet at all. This small group are significantly more likely to be in decline/ downsizing, and/ or older survey participants. The majority of this small group have agents, meaning that those with neither an agent nor digital access is in reality approximately 1% of SMEs.
- However digital isn't a 'like for like' replacement for other channels; channel preferences inevitably 'exclude' some businesses
 - Although a minority, some businesses find it difficult to find what they need, and to know which sources to use
 - For some, offline support is simply preferred/ more likely to be trusted
- The requirement for support is intrinsically linked to life-stage (and within this, specific 'events' a business encounters);
 - Regardless of life-stage, businesses have an ongoing need for general support and clarity;
 - new and growing businesses experience more significant changes, impacting on their requirements for *specific* support;
 - life-events can create a change in tax implications for businesses at any stage of evolution – whether they realise it or not
- The perceived need for support is also linked to tax management style
 - Tax management is determined by size/ ambitions and the complexity of their affairs, and directly influences the requirement for additional support
 - For the majority, at least some tax management is outsourced (83%)
 - But a significant minority have neither in house competence, nor the support of an agent (12%)

SME Education Strategy

- There are two core requirements for SMEs; practical support, and emotional reassurance

Awareness and understanding: The biggest challenge for HMRC digital support

- Current opportunity is limited by awareness and understanding of support available (what they are, and who they are for)
- 72% are unaware of the 'core' products (E-learning, Webinars, Mobile Apps), whilst 42% haven't come across any (not even Downloadable content or Online tools)
- Customers expect to hear about digital support from the HMRC website, but this is not currently reaching its full potential
 - Just 28% are aware of core products, compared to 62% who have visited the website
 - Getting the website 'right' is critical to raising the profile of digital support products
 - but the current web experience can affirm and exacerbate anxieties, particularly for those who have less financial confidence
 - content is typically organised around tax issue or support product type, rather than by the business issues that would resonate with SMEs
 - A number of those who would benefit from digital support simply do not know enough about it to see the value/ reason to use
 - Even where businesses are aware of its existence, it is not always clear what they can expect to get out of online support
 - For 6 in 10 businesses, improving the relevance of topics offered and being clear up front about what support covers would make them more open to using HMRC support
 - Whilst 'simpler' businesses might assume it is for larger, more ambitious or more qualified businesses than their own, larger more competent businesses may feel it is not detailed enough for their needs
- To increase awareness and understanding (and increase relevance), HMRC must;
 - Raise the profile of digital support directly (utilising existing customer touch-points, such as deadline reminders), and indirectly (e.g. via social media and positive recommendation of agents/ intermediaries)
 - Increase salience and clarify purpose by organising online content through the lens of business issues and life-stage, in a way that 'makes sense' and provides a way in for businesses
 - Align product type (format, language and tone) to business type (tax confidence, information needs), potentially through the provision of a tiered service offer

Performance of HMRC Digital support: Overview of HMRC online support products

- Digital support products vary in the extent to which they are recognised, understood and used by customers.

SME Education Strategy

- Downloadable content and Online tools are most embedded in routine use of online support, providing SMEs with a quick reference point that can be easily retained for future use.
- Presence (in terms of awareness, current and stated intent for future use) drops considerable for the core channels - E-learning, Webinars and Mobile Apps – which typically require more active (and prolonged) engagement from SMEs. However, the interactivity they enable has potential to support the need for emotional reassurance.
- Combined they provide a comprehensive suite of digital support, with inherent complementarities between the individual products.
 - Individual support channels offer SMEs different strengths and benefits;
 - Online tools for practical checks
 - Downloadable content for a quick (repeat) reference point
 - E-learning for an interactive test and learn programme
 - Live webinars for supported learning and clarification
 - Recorded webinars for convenient modular learning
- The range of support products available is therefore suited to a range of different learning styles, and different information needs, providing great potential to become a valued and trusted resource base;
 - Meeting a range of information needs (both practical and emotional) throughout the customer journey
 - Improving compliance (by driving repeat usage)
 - Improving the customer experience (by enhancing perceptions of HMRC as a supportive body)
- The use of online support is driven predominantly by practical requirements for information
 - As such, products offering a quick reference point – i.e. Downloadable content and Online tools – tend to have broader appeal (based on both measured use, and stated intent to use), than those which offer a structured learning programme.
- However, a substantial minority are looking for confirmation that things have been done correctly, suggesting online products could support the need for emotional reassurance, reducing low value contact to the helpline.
 - A sizeable minority would use E-learning and Webinars, which are particularly valued for their interactivity - a major driver where SMEs are seeking clarification/ reassurance.
- Harnessing the complementarity between products could increase the volume of repeat users;
 - With current usage typically limited to one or two key products there is considerable scope to drive uptake, across products, through existing users.

SME Education Strategy

Opportunities and implications: Maximising the take-up of HMRC digital offerings

Drawing together qualitative and quantitative insights, and with reference to the SME Customer Journey Mapping work undertaken by Quadrangle on behalf of HMRC earlier this year, there are six key implications for HMRC which consistently come through the work;

- The first step is to breakdown and articulate the challenges for HMRC (in terms of awareness, understanding, relevance and usage);
 - Ultimately, this comes down to two key challenges for HMRC;
 1. Appeal to a broader range of businesses (by raising awareness, increasing understanding and articulating the relevance) to increase the number of unique users of online support
 2. Increase repeat usage through
 - positive user experience (ensuring support is fit for purpose, matching business expectations and requirements)
 - a complementary suite of support products, tailored to support differing information needs throughout the customer journey
 - (1) and (2) are not mutually exclusive –improvements to awareness, understanding and relevance will almost certainly drive up the number of repeat users, as well as opening up online support to a wider audience.
- Both direct and indirect approaches should be used to increase awareness amongst *all* SMEs
 - ‘Easy wins’: raising the profile of online support through existing communications;
 - Helpline referrals to *specific* online resources;
 - Referencing *relevant* online support alongside standard reminder communications
 - Beyond this, opportunities for engagement depend on the level of motivation SMEs have to find out more;
 - Email alerts substantially drive up awareness and usage, amongst *those who sign up for them*
 - Aligning website content to information needs (e.g. life-stage) will assist those *actively seeking information* from HMRC
 - Search optimisation – to pick up key search phrases – will help SMEs *motivated to look for the information* in the first place
 - However, indirect channels must also be used to increase up-take amongst (higher risk) disengaged SMEs
 - HMRC should drive engagement with SMEs who do not actively seek support (who may be most at risk) through increasing *awareness of tax implications rather than support per se*, and utilising indirect channels such as social media and recommendation via Agents/ accountants to raise visibility.
- There is a need to help businesses to understand *what* support is for, *when* to seek it and *how*

SME Education Strategy

- Business events and life-stage offer a more tangible ‘way in’ to promote awareness and understanding of online support
 - In terms of changing obligations, the need for help/ support occurs (most) often when businesses move from one life-stage to another; or when they experience an event for the first time (for example, taking on employees, investing in Research and Development, etc).
 - However – crucially, the associated changes in tax obligations are not always understood by SMEs themselves, and not all *recognise the need* for help/ support.
- To increase take-up of digital support you must first increase understanding of the tax implications of business changes, so that businesses recognise the need to seek support (in time to do something about it).
 - Reorganisation of website content around business driven issues rather than tax driven issues (much as has been done for start up businesses), would support businesses in locating the content that is most relevant to them, and offer a more appropriate ‘way in’ to online support.
- The HMRC website should provide businesses with an easy ‘way in’ to business support
 - Support is currently difficult for many businesses to find on the HMRC website. Although there is a wealth of support and information already available on HMRC’s website it is not seen to be relevant to many businesses;
 - focused on start-ups, but less clear what is meant for later life-stages
 - organised by tax implications , the current ‘way in’ does not ‘match’ business journeys
 - The support products themselves are not seen as a separate resource to the website itself;
 - where these are not well integrated with the relevant content they may be missed by businesses altogether.
 - Businesses want to ‘*know what we don’t know*’.
 - Content should be arranged in a way that both *resonates with* and is *recognisable to* businesses
 - Work already underway on digital accounts and on the development of GOV.UK both offer real opportunities to develop this line of thought.
 - Routes to implementation of support and guidance focused on issues SMEs can self-select as relevant to them (that will prevent error/ omission) can be identified; these principles could be fed into GDS work already underway to develop the HMRC website.
- Levels of service should be *tailored to fit* different information needs/ levels of capability
- There is a need for business support products to support a range of capabilities within the SME audience
 - Perceptions of relevance depend not only on the extent to which online support meets information needs, but also the extent to which it is appropriate for the business. A sense of ‘*it’s not for me*’, may be driven by misconceptions;

SME Education Strategy

- that online support is for (higher capability) larger/ more complex businesses; vs.
- that online support is intended to inform on the basics, and will not deliver the level of understanding required.
- To broaden the range of SMEs for whom online support is relevant and useful, HMRC must recognise that one size does not fit all;
 - There is a need to communicate the benefits of the content and make it clear to SMEs; (i) what they will get out of it; (ii) what they will be able to do that they can't do now; and (iii) how it meets their needs
- To ensure support is pitched at the right level to be relevant to the audience there may be a requirement for a tiered service offer, which appropriately triages customers by business size/ capability/ tenure/ sector.
- Positive customer experience across a holistic suite of support will drive repeat usage
 - Customers give a clear view of what constitutes an *effective online support* offering that would encourage repeat usage;
 - Clear and comprehensible language - support must be straightforward and easy to understand, and appropriately pitched for the audience it is intended for
 - Tone must be supportive, and enabling to ensure digital support enhances positive perceptions of HMRC (the formality of HMRC/ government communications is credible, but could be more supportive)
 - User-friendly and convenient, i.e. quick and easy to sign up for (and ideally confidential)
 - Supported by quick reference checks, with signposting to more detailed support options (e.g. FAQs – what to do if...)
 - Digestible & concise – volume & pace is important (particularly for start-ups, so as not to become overloaded in the early days of running the business)
 - HMRC have an opportunity to encourage repeat usage through provision of a holistic suite of online products, built around the customer journey to ensure a *positive ongoing experience across life-stages*
 - Intuitively aligned to specific business events (and accessible by life-stage) making it easy to navigate around/ identify appropriate support
 - Joined up & complementary (with signposting to ensure appropriate cross-usage of different products), making use of a range of formats and styles to suit the information needs of different businesses at different times
 - Timely and relevant, designed to support
 1. actions required to meet specific deadlines
 2. informed business planning (with awareness of tax implications)