



Research report

Going online: Qualitative Research for VAT Tranche 2

Qualitative concept testing among small VAT traders and small employers from the following segments: Nervous Enthusiasts, Insecure Sceptics and Traditionalists

BT SME Programme

May 2011

Qualitative Research for VAT Tranche 2

BT SME Programme

The 'BT SME Programme' is part of the wider Business Tax Change programme within HMRC and aims to improve the way HMRC engages with business customers, helping them 'get it right first time'. The Programme will deliver improved online channels that will:-

- enable business customers to self serve
- design out error through simplification of rules and processes
- provide educational support.

The aim is to minimise unnecessary customer contact, ultimately benefitting both the customer and HMRC.

The Programme is aligned with HMRC's Business Customer Segmentation and Customer Centric strategies.

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Research requirement (background to the project)

At April 2010, all existing VAT customers with a turnover of £100k or more were required to file their VAT returns online/ pay electronically any VAT due (these are referred to as Tranche 1 customers – T1).

The remaining customers (Tranche 2 – T2) will be required to file online in 2012. About 350k of the total 800k T2 customers had, at the time the research was carried out, already made the switch to online - those who are left are likely to be those who need reassurance before successfully converting to online, and include those who are most vulnerable, frightened or hostile to the change.

This said, the aim is to convert as many of these 450k as possible to online during 2011, which makes the job in 2012 that much lighter, and also means that these customers can be better supported during the transition.

A number of concepts, including some from Tranche 1, were shown to participants. These included communications concepts/messages and support concepts.

Who did the work (research agency)

The research was conducted by Stimulating World Research.

When the research took place

Fieldwork was conducted from 17th February 2011 to 23rd March 2011.

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Method, Data and Tools used, Sample

Fourteen in-home interviews (five in rural locations) and nine Power of 10 focus groups were conducted with the following segments: *Traditionalists*, *Insecure Sceptics* and *Nervous Enthusiasts*. The in-home interviews were one and a half hours long, the focus groups were two hours long.

All participants were registered for VAT. Those who were already filing VAT returns online, using agents or accountants were excluded.

In Home	Segment	Location
1	Traditionalists	South
2	Traditionalists	Midlands
3	Traditionalists	North
4	Insecure Sceptics	South
5	Insecure Sceptics	Midlands
6	Insecure Sceptics	North
7	Nervous Enthusiasts	South
8	Nervous Enthusiasts	Midlands
9	Traditionalists	North
10	Traditionalist or Insecure Sceptic	Rural Scotland
11	Traditionalist or Insecure Sceptic	Rural Scotland
12	Traditionalist or Insecure Sceptic	Rural Wales
13	Traditionalist or Insecure Sceptic	Rural Northern Ireland
14	Traditionalist or Insecure Sceptic	Rural south west England

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Power of 10 Focus	Segment	Location
1	Traditionalists	South
2	Traditionalists	Midlands
3	Traditionalist	North
4	Traditionalist	South
5	Insecure Sceptic	Midlands
6	Insecure Sceptic	North
7	Insecure Sceptic	South
8	Nervous Enthusiast	Midlands
9	Nervous Enthusiast	South

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Main Findings

Having considered a number of different messages, some of which were drawn from Tranche 1, the overall research recommendations are as follows:

A strong authoritative overarching message is needed to get this audience to consider filing in 2011 (rather than leaving to 2012)

This could powerfully supplement some of the key messages that have been used previously and which can effectively be used again

Even though many can be open to the idea of filing online they also admit habit and their tendency to leave filing to the last minute can get in the way of them filing in 2011. This could result in undue stress levels in 2012

There were some resistant customers who were adamant that they would only file online in 2012 and, even then, they were reluctant to do so. These customers came from segments which tend to be resistant to change, although many of them could use computers/ the internet.

Those in remoter areas can respond well to the same messages that will work for other customers but given practical problems with computers (e.g. access to a reliable internet signal), and in some cases ability, indications are that they are also tempted to leave it to 2012

Given that this audience has so far not begun online filing (or at least is not aware of it coming in 2012) all the messages need to be communicated in ways that help ensure *cut through* e.g. separate flyer rather than being contained in VAT Notes

Using organisations such as National Federation of Businesses and Business Link (in addition to HMRC) can help spread the word, offer help and reassurance

The research suggested that: an overarching message needs to communicate, and set the right tone, with an 'authoritative', overarching call to action that will help enable the other key messages to be heard. Key elements of the overarching message should be:

- It is time to complete your VAT online NOW
- We strongly recommend...
- Although filing is easy, anything new takes a little longer
- Don't put yourself under unnecessary stress by leaving it to the last minute
- File online now, and in 2012 (when it becomes mandatory) it will be even more straightforward

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The most promising communication concepts, for use within the overarching message, were identified as:

- Over two thirds of businesses file online
- Not so different from paper
- Get online instantly
- High success rate
- Security is better online

Responses to practical/support concepts

The research found that having a range of help points/materials can alleviate fears. However, it was important not to make online filing seem difficult and time consuming. The most relevant/appealing support concepts were ranked as follows:

<i>Most preferred:</i>	Step by step guides; top 5 out of 10 questions, reminder emails
<i>Moderately preferred:</i>	Online demonstrator, trade organisation communications, practical information time plan, HMRC events
<i>Least preferred:</i>	Twitter, Truths and myths, tuition and events (for all but those in rural areas), YouTube

Those living in rural areas could appreciate face to face events and tuition as a valuable way of acquiring skills. For some, however, face to face could seem threatening and using family network or telephone would be a preferred option.

Responses to the mandation letter

Two versions of the mandation letter were shown to participants – longer (version 1) and shorter version (version 2). Overall, mandation letter 2 was preferred by most as a shorter and more direct approach. Suggested optimisation of the letter, drawn from both versions, was as follows:

- Two pages (with appendices) is the right length
- Numbering Sections
- You Must Act Now (rather than Action Needed Now)
- Consider collapsing help options e.g. 'Filing online is easy to do but if for any reason you need help there is plenty available. This includes step by step guides, an online demonstrator, presentations and workshops and our contact centres (for help by phone). Please see the appendix for more information'
- Ideally retain the sign off line of 'Three quarters of VAT Customers....'