



Research report

HMRC Self Assessment: Mass Personalisation Pilot Research

Understanding the impact of taking a segmented targeted approach to customer communications

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April 2012

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About Personal Tax Customer & Strategy (PT C&S)

Personal Tax Customer & Strategy works with colleagues in Personal Tax and across HMRC to help develop our approach to implementing the customer centric business strategy. We use customer insight to help PT design, deliver and operate services for individual customers which

- improve customer experience
- maximise tax yield
- ensure that those who need help get the support they need, when they need it

PT C&S also has a corporate role, to manage the relationship with the voluntary and community sector on behalf of HMRC

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Research requirement (background to the project)

This research was commissioned to help understand the impact of using targeted communications (based on customer circumstances and needs) on helping customers file their Self Assessment (SA) return form on time. To measure the potential benefits of this new approach, HMRC ran a pilot test with those people who were – based on previous filing behaviour in recent years - likely to file late. The test followed the introduction of a new penalty regime in 2011/12, designed to incentivise customers to file on time by increasing penalties. The Mass Personalisation Pilot used internal data to identify the customers most likely to file late or not at all for this year both on paper and online and send tailored communications to prompt them to file on time.

When the research took place

Wave 1 research (paper filers) took place in November 2011; Wave 2 research (online filers, new filers, late paper filers) took place in February 2012.

Who did the work (research agency)

The work was carried out by Solutions Strategy Research Facilitation Ltd and Duckfoot Research & Development

Method, Data and Tools used, Sample

- Face to face interviews were carried out with 128 respondents in total across the two waves. Insight recruitment in addition, screened potential respondents for their HMRC segmentation type and explored the accuracy of the profiling.
- The sample was made up of previously late filers, and included respondents who were involved in the pilot and had therefore been sent a 'pilot' letter from HMRC relating to self assessment before the filing deadline, and those who had not been sent a pilot letter and were therefore in the control sample.
- At each wave the following attitudinal segments were covered: Willing & Able, Willing But Needs Help, Unwilling and Vulnerable audiences. In addition at Wave 2 a sample of 'New' filers and 'paper filers who had missed the paper filing deadline' were included.
- Stage 1 interviews were carried out in November 2011 with 48 respondents, following the October 31st paper filing deadline. The age range of respondents was 22-89, with 35 males and 13 females. 16 control and 32 pilot respondents were interviewed.

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- Stage 2 interviews were carried out in February 2012 with 80 respondents, following the January 31st online filing deadline. The age range of respondents was 25-81, with 59 males and 21 females. 52 pilot and 28 control respondents were interviewed

Main Findings

Contextualising the samples for Wave 1 (paper filers) and Wave 2 (online filers)

Overall, the online filer sample felt much more 'willing and able' than the paper filer sample (this was also reflected in screening) and more confident in their approach, particularly in terms of technology-use. The online sample also showed a greater use of accountants to deliver their tax returns (which in turn prompted their own pre-Christmas paperwork deadlines); although they also recognised that the onus was upon them to provide the relevant information in a timely manner. Finally, there was a sense that the online sample spend less time reading written communications – they expressed a far greater interest in electronic means of communication.

The paper sample, in contrast, included a wider mix of attitudinal types, comprising Willing and Able, Willing but Needs Help, Unwilling and Vulnerable although more 'Vulnerable' types were found than were predicted. They included those who were not computer-literate, or who did not trust the internet for official transactions. Overall, the sample felt more traditional in their preference for written communications and phone calls over any other means of communication (e.g. email, text etc).

SA completion was often delayed across both samples

SA completion was seen as a negative task involving thinking about money, completing paperwork and fulfilling legal requirements. It was considered "human nature" to put this off until the last minute. Respondents tended to blame their late filing either on barriers at the last minute (either emotional or practical), time 'running away with them' or being confused or struggling with their involvement in SA.

In the online filer stage, an additional barrier arose with the issue of making payment. The fact that this was done at the same time as filing was cited as an extra reason to delay – respondents preferred to wait until the last minute to part with money, and did not see a good reason to go online twice to deal with the same issue (filing and paying). Finally, for online audiences who did not use an accountant, Christmas could be an additional barrier. The deadline of Jan 31 encouraged the attitude of "I'll face that after Christmas".

Different types of late filers

Although nobody *intended* to file late, different subsets emerged – those who accepted their previous late filing, those who were confused and those who did not think their previous late filing was their fault.

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Firstly, there were those who ‘*accepted that the responsibility to file on time was theirs*’, as was the error in not doing so. Of these, some simply lead busy lives and tended to leave SA until the last minute, but were not habitual late filers. They may have faced unexpected barriers, which ultimately prevented on-time filing. These included both logistical and technical problems with the SA process, or other “life events” which had ‘got in the way’, such as holidays or hospital visits. Others were more habitually disorganised. These could be classed as “paperwork avoiders”, who found the process stressful to deal with and so put it off and then found themselves unable to meet the deadlines.

A “*Confused*” audience also emerged who needed clear instruction and support. They included those who felt SA did not apply to them, or did not understand why they were being asked to complete an SA Return, or those who had simply forgotten. “Confused” online filers could be classified more as “struggling”. Rather than being confused about why they were in the system, they may have tried and failed to leave the process, or had communication problems with HMRC. They were more likely to have outstanding issues that resulted in resentment over their inability to solve them.

Some filers fell into the category of those who thought that their late filing was “*not their fault*” and that ‘someone else’ (usually HMRC) was to blame, and had made an error. This minority were convinced they were correct, so require a careful approach to avoid a counter-productive response. Fewer of this type were however seen in the online sample.

Those who were “*new*” to SA felt different to other filer typologies. They generally were keen and willing to file correctly and on time the first time they completed a return, and worried about fines. They often presented as quite organized although could also be confused and daunted by the process. Consequently, they felt receptive to and welcomed information, adverts and other communications.

Knowledge of penalties this year

There was good understanding of both the paper and online filing deadlines, but mixed levels of knowledge about the specifics of the new penalty regime. Across both online and paper filers, the pilot samples were generally better informed about the new penalty regime than were the control samples, and pilot audiences were more likely to spontaneously raise or at least recognise the ‘£1300’ penalty figure. The paper pilot sample felt better informed overall about penalties than the online pilot sample. Furthermore, those in the online pilot phase who did not know about the penalties, often did not recall receiving the pilot letter. There was however some confusion across all audiences between late *payment*, and late *filing* penalties. Those who were aware of the new penalty regime attributed this to various sources, including

- Media coverage,
- The pilot letter,
- Previous experience of being fined,
- The SA return pack
- During the online phase, other media such as the radio adverts.

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Recall of communications

The timeline from the end of the tax year in April to filing deadlines in October and particularly January was seen as long, and it could be hard for filers to accurately recall information they had received, and when.

Overall, there was low recall of the detail of the notice to file/paper return and the accompanying flyer was rarely recalled. The notice to file was generally considered to be something that was scanned then put aside and other communications alongside this felt unlikely to be closely studied. Time of arrival was seen as key, with a general lack of urgency and hence lack of engagement surrounding a document that referred to something with such a long deadline. In addition, respondents with accountants sometimes passed all communications directly to their accountants, without reading them at all.

There was recognition of more communications around the online deadline than the paper deadline. There was an awareness of general 'advertising' during the on-line phase, even when the specifics were not well-known. Interestingly many believed they had recently seen a TV campaign ("Moira in the cupboard"). Receiving a 'reminder letter' was also often spontaneously recalled at both phases, and some online pilot respondents recalled two such reminders.

Recall of specific details of the advertising during the online phase was however quite low although there was a better recall of radio ads than print, outdoor or online ads. Overall, the creative work felt familiar to respondents. Moira Stewart is well-associated with SA, and seen as a credible, appropriate figurehead. Consequently, seeing Moira could trigger a useful reminder that it was time to complete the SA form. Quite a few respondents did however respond to the creative work by assuming they already knew the message, so "switched off" without realizing that there was new information about penalties.

Overall, the key take-out messages of the creative work/communications were seen as referring to the SA deadline rather than new penalties, although again there was some evidence that the radio ads worked at a broader level. The message about changing penalties was not felt to stand out overall, which raised the question of whether the changing penalty regime should have received a greater focus to drive engagement and understanding.

The standard reminder letter (which was only sent to online filer sample) had a good level of recall across both the pilot and control audiences. The visual "red box" device was felt to stand out and grab attention, and drew attention to key information about the deadline date (amplified by the inclusion of a payslip). The remainder of the letter however felt less well read, and the penalty information was not well-recalled from here. It felt somewhat text-heavy, and the familiar visual could suggest that there was no new information, so no need to read on. Overall, therefore, the standard letter worked better as a useful reminder rather than a 'call to action'.

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Recall of the pilot letter

The pilot letters were differently recalled by the paper and online filers; although overall they were quite well-recalled. For the paper filers, almost all pilot recipients remembered their letter either spontaneously or on prompting. The pilot letters felt less well recalled by the online sample, although slightly more of the sample recalled them than did not, either spontaneously or on prompting. Those who did not recall their letter in the online phase fell into two types; those who were convinced they had not received it, and those who were hazy about whether or not they had seen it. There was also a greater recognition of more communications around the online filing deadline, whilst the pilot letter was the key piece of communication during the paper filing phase.

Across both paper and online filers who recalled the pilot letter, it was described as a reminder and was typically welcomed, seen as appropriate, well-timed and felt to fit well as one of the range of communications, albeit one that was more direct and personal. Reminders were typically seen as commonplace.

Those who recalled the letter claimed to have read it at different levels of detail. 'Skimmers' claimed to skim-read the letter and were unlikely to spend too long with it. They primarily noticed the key points, particularly those in bold or bulleted, and they felt less likely to have absorbed other content. They may have automatically referred all communications from HMRC, and therefore engaged less with communications personally. In contrast, "Focused Readers" claimed to have read the letter thoroughly, and so were more likely to have broader take out. Finally, "Scanners" started reading the letter thoroughly, but after the first few lines, realized that it was not a bill or rebate, so assumed it was not personally relevant. Some classified it as "junk mail", or something they already knew about. This meant that they were most likely to discard the letter.

The audiences who were new to SA did stand out as different. They felt more keenly engaged with the process and, unless they had an accountant, were therefore more likely to read the pilot letter in detail.

Impact of the pilot letter

The pilot letter worked at different levels depending on how well it was read:

- At its most basic level of take-out, it functioned chiefly as a reminder of the filing deadlines. It was therefore typically seen as a useful prompt (due to personalisation), but not 'new' news.
- For others it could however act as both a deadline reminder, and convey information about the new penalties.
- Finally it could serve as all of the above plus a practical reminder of action needed – for example, for online filers that they had to request a code before they could use the service.

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When the letter worked at the latter two levels, it felt at its most powerful, providing new information or practical help.

Information about the new penalty regime could be transformational. For some, it was the first time they had heard about new penalties. The £1300 figure was particularly engaging – this was seen as a substantial sum that would be hard to overlook, and the fact that it was often presented in bold text made it stand out further. The £100 penalty could also be a trigger to file, although for most this was not new information. The subsequent message that the penalty would be imposed even on those who did not owe tax was new information, although the fact that it was not always presented in bold text meant that some people failed to notice it.

All of the above points effectively demonstrated the importance of highlighting key information visually. The key points were felt to be: £100 even if you do not owe any tax, the escalation up to £1,300, the information about getting an online code sufficiently in advance, the filing deadline date, and the fact that help is available for those who need it. Highlighting via bolding out, bullet pointing and order of presentation on the page all felt like important considerations that could be improved in some letters.

Across both paper and online filer waves, three levels of perceived impact of the pilot letters were identified. It was best received by those who explicitly acknowledged they needed a nudge to be in time and get organised and it worked particularly well when the new penalty regime was understood, or it reminded them about the unusual online code process.

The levels of impact can be classified as “trigger”, “nudge” and “no impact”. Trigger responses were those where direct action was inspired by the letter. These felt primarily driven by the penalty information; some examples included: prompting on-time filing, calling friends and family in SA to warn them about the penalties, prompting action to get an accountant, and providing a reminder to get an online code in good time. For those new to SA, the pilot letter often drove a trigger response.

The “nudge” category felt more difficult to quantify in terms of scale of impact. A “nudge” was considered helpful in encouraging people to file on time although direct action was not attributed to it. Within the ‘nudge’ category, the possible impacts ranged from being more active – i.e. a good reminder to take action (which included, in the paper sample, the notion that they could go online to get more time) - to passive, i.e. a reinforcement that action was necessary by the deadline. The key ‘nudge’ responses across both waves were to remind people about the approaching deadline. Although not ‘critical’ in respondents’ views, the letter did provide a very helpful reminder that they thought worked better for them than other communications currently used. It is possible therefore that the letter had a greater impact for such respondents at a subconscious level than they directly attributed to it.

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Others claimed that the letters had no impact on them. In both the paper and online filer categories, this was attributable either to people who had already filed by the time the pilot letter arrived, or who had engaged the services of an accountant, or who claimed never to have seen the letter. Others also considered the letter redundant as they were convinced that they would have definitely filed on time this year without it.

Those in the control sample who saw the letters during the research session typically felt they were useful, and some expected to see something similar next year.

Overall, the pilot letter was considered more impactful than other communications used this year. It was generally considered to be a more useful way of HMRC contacting them than other communications, including the standard reminder letter. It was not considered as generic as other letters perceived, as it was personalised and reminded them of specific previous late-filing behaviour. The personalised, specific nature of the letter was a core strength. It also went further by more clearly communicating the new penalty information than the advertising, although responses highlighted opportunities to revise text and layout to improve impact of this information – particularly around the new penalty information, as this could be transformational.

The pilot letter was however considered one among many factors that could push to on-time filing. Others included a general desire to ‘do the right thing’ and meet requirements or a desire not to be fined (especially among those who had previously been fined, or those who knew of the penalty regime this year, though some can see the £100 penalty as a cost of living). Their decision-making to file on time was supported by useful reminders at key moments in the run-up to filing (Sept/Oct for paper filers, Dec/Jan for online).

People with accountants were the most inclined to ignore HMRC letters, although the pilot letter had some value in that it could trigger checking with the accountant that everything was on-track to on-time filing. Several respondents were prepared to openly acknowledge that their accountant (or qualified friend) could need a nudge to file on time, and some blamed their record of late filing on these people. However, for most, their accountants requested paperwork in good time, at least a month before the deadline – by the end of September for the paper filers, and by Christmas for online. For such people, the pilot letters were therefore deemed to have arrived too late as a prompt to get paperwork organised, although not too late as a reminder to check with the accountant that all was going to plan for on-time filing.

Overview points across letters

Personalisation via name and behaviour, worked well, and was considered engaging rather than offensive. The tone of voice was deemed appropriate across the letters and was most often described as straightforward, simple, clear and not patronising, and could even feel caring when support was offered. The letters generally felt about right in terms of length, although they could benefit from further streamlining if possible.

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In terms of formatting, the bulleting and bold text were both well liked. Structurally this helped to draw attention to key points and would be welcomed across all the letters including those for Willing and Able audiences. The elements in bold were typically most engaging and having key information higher up the letter was also felt to increase prominence. The key information across audiences was therefore felt to be:

- Filing date (although this was well known)
- Fine information (*£100 even if you owe nothing; £1300*)
- Online code reminder
- Helpline information

Certain other elements were also welcomed, although not seen as key information needs. These included, signalling the course of action to take if the respondent had already filed with “thank you...”, and generally signalling the need to file. Having an engaging headline was also considered important to ensure that ‘new penalties’ was communicated.

The timing of the letters felt right, although the run-up to Christmas was a barrier for the online sample that had no equivalent in the paper sample. Christmas and SA felt mutually exclusive, and the festive season could be used as an excuse to delay. This impacted on recollection as well as action – for example, in the online sample; there was a greater lack of recall about when the letter had arrived, i.e. pre- or post-Christmas. However, regardless of this, the timing was generally perceived to be about right – had the letter arrived much earlier, it may have been entirely forgotten over Christmas, and if an online code was needed, then a mid January letter would be too late.

Other routes to earlier filing

Financial incentives were often mentioned as a good way to encourage earlier filing, or other ‘worthwhile’ activities such as HMRC checking that the return was filed correctly. Creating some relevance around the penalty charges was also raised as an idea – for example, ways of bringing the issue to life (‘What could you do with £100/£1300 ?’ e.g. family holiday, present for spouse etc).

The ability to set up online payments in advance was also raised by a few online filers, particularly those who only file at the last minute (and sometimes late) because they do not wish to go through the online process twice, or do not wish to pay before they have to. They raised the idea of filing earlier and arranging the payment to be taken on January 31st by default, e.g. by a direct debit.

Some online respondents did note that HMRC could feel out of sync with the online world – for example, in requiring registration and code-sourcing by letter rather than via a secure site. This was felt to be clumsy, time-consuming and frustrating for online customers. Some people would prefer all communications to be online, and were enthused by the idea of email or text alerts at critical moments in the SA timeline. Others however, particularly those who still preferred to file on paper, valued the formality of paper. “Opting in” to any future form of electronic communications therefore felt the most appropriate option.

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Although reminders were welcomed – particularly those that clearly communicate the fine information - techniques that would encourage people to think earlier about SA, or that would integrate the process more within their life were also raised, for example text reminders, email reminders, electronic diary invitations and tear off reminders to put on notice-boards.