



Transformational Government

Customer insight in public services - “A Primer”

October 2006

“We must be relentlessly customer-focused. Many people want a single point of contact for a range of services. The public are not interested in whether their needs are met by Department X or Agency Y, they just want a good, joined-up service where X and Y talk to each other and share the information the public have provided. We should strive to meet this demand.”

Sir Gus O'Donnell, Cabinet Secretary

Contents

The Case for Insight	2
Making a Start	3
The Changing Face of Public Services	5
What is a ‘customer’?	6
What is a ‘service’?	8
What is ‘insight’?	9
The Sources of Insight:	10
1. Front line staff	
2. Surveys	
3. Customer journey mapping	
4. Usability testing and website analysis	
5. Ethnography	
6. Consultation	
Segmentation	16
Insight as a Strategic Asset	17
Conclusion	18
List of Contributors	19

The Case for Insight

Organisations who know what their customers need and manage to deliver that again and again succeed. They succeed not just because satisfied customers are more likely to become loyal customers, but because they are also more likely to recommend the service to others. They succeed because satisfied customers are cheaper to serve and much nicer to deal with, and because personal recommendation is one of the most powerful influences on a potential customer.

This approach does not mean, of course, that customers always get exactly what they want. In the private sector, a company is answerable to shareholders and must make a profit. Its infrastructure, however flexible, is not always capable of quick adaptation. It is always constrained by regulatory and other external requirements. But successful companies use customer needs as the starting point, developing propositions around their customers' needs, which also answer other corporate imperatives.

Understanding citizens in this way is something which government can no longer ignore. Demographic changes and social disengagement make large numbers of the public harder to reach. Driven by global competition, advances in technology and the offerings of leading commercial players have raised the standard of what constitutes an acceptable level of service. If we want our services to be used and our interventions to succeed, we need to meet the public on their terms and manage expectations more clearly along the way.

These trends are not going to reverse. Indeed, we have to assume that we will have to work increasingly hard to engage the public over the next decade. And we have to do so with fewer resources. Our capacity to increase spending is limited by prudence and by an increasingly well-informed public demanding the type of high quality and low cost service which they get from the brand-leading airlines and supermarkets.

Customer insight is the starting point to answering this challenge. If we don't understand what really matters to the people we are trying to reach, we will waste time and money and risk compromising our reputation by offering services which customers don't recognise as being for them and have difficulty accessing. We will base our management of those services on an illusion, recording as a triumph each duplicative and unnecessary phone call because it has been dealt with within the target time allowed. The complex social problems of exclusion, many of which can be alleviated by early intervention, will remain intractable¹.

Figures released in 2005 by the Department for Work and Pensions show that Housing and Council Tax Benefit helps four million or one in six households to meet their housing costs – yet as many as one in ten eligible people are still under-claiming and missing out on their entitlements*.

* As a result of recent work in the Pension Service, this figure may have now changed for pensioners.

¹ The Audit Commission estimates that every £42,000 spent on effective early intervention saves £153,000 on the costs of imprisonment

Working paper – this is not a statement of Government Policy

If we do make the effort to engage systematically in understanding the needs and behaviours of citizens and businesses, the rewards will be felt by everyone:

- A service which is designed to meet customer needs is likely to be efficient for government and save time and effort for the customer:

The Pension Service recently implemented a major transformation programme in response to customer feedback about service needs and channel preference. It has replaced and simplified processes and as a result each transformed pension centre is now dealing with 20 – 25% of State Pension claims over the telephone in one single telephone call of 20 minutes rather than taking the customer at least two hours and several contacts. This has resulted in high levels of satisfaction for customers and staff. By 2011/12, The Pension Service will be saving £170m annually in operating costs.

- No one benefits from the call to the help-line made by the customer who simply does not trust us to deliver:

It has been estimated that in the financial services sector, failure demand - essentially demand from the customer caused by the failure of the organisation to deliver - runs from 20% - 45%. In police forces, telecommunications and local authorities, failure demand is as high as 50% - 80%. In service organisations – such as those representing the public sector - failure demand is often the greatest source of waste. The question we should be asking is not how to deal with the volume of work – calls, enquiries, letters – but how to reduce the volume. The answer lies in listening to the customer.²

Making a start

There is much that can be done quickly and simply: the things which matter to people are often far more straightforward and basic than we think. The design of a form, the sequence of a process, a well-timed question can make the difference between success and failure.

However the real challenge is cultural. Being customer-centric and using insight is not just about being able to collect data and information. It is about having the capability to turn that information into action and it requires a culture which values insight and is willing to act on it.

The Customer Insight Forum - a small group of heads of insight from the public sector - is working individually and collectively to help Government to establish that culture. In our upcoming programme of work, we will be sharing some thoughts and experiences on how to establish an effective customer insight function in an organisation; using some insight tools to map customer experiences across organisational boundaries; and exploring some of the drivers of excellent customer service, including the importance of empowering front line staff. Each of our 'products' will be accompanied by a range of activities, giving those in government

² John Seddon, *The Vanguard Guide to Transforming Call Centre Operations*

Working paper – this is not a statement of Government Policy

the opportunity to share ideas with each other and with leading practitioners from elsewhere.

We need to establish a common language for customer insight for both government and its partner organisations and to understand what we mean by the terms, techniques and concepts which underpin it. The aim is not to be prescriptive – by its very nature ‘insight’ will be different in different areas of public life – but to enable us to share learning and to work collaboratively. This pamphlet sets out these basics and makes the case for customer insight.

The Changing Face of Public Services

This section explores how public services across the board are changing towards being more customer focused, the drivers that have created this change, the public sector's relationship with the customer and why the public sector needs to respond to the service delivery challenge being set by the private sector.

The public sector has come a long way since the days when uniform service delivery was commonplace. Today, the UK public sector market is more complex than ever before in its scale and the set of expectations, needs and outcomes that must be met. This has resulted in a slow but steady change towards more customer-focused public services, raising standards across the sector and bringing public service delivery more in line with the best of the private sector.

This change has been driven in part by major social, economic and technological factors which have transformed the world in which public services operate:

- Demographic changes brought about by shifts in the size and composition of family households and an ageing population (for example by 2020, 40% of the UK population will be aged 50 or above).
- Commercial and technological innovations in communications have opened up new channels of delivery – mobile, interactive television, text messaging, interactive voice response and others – and the range of delivery channels for government will continue to grow.
- As real incomes have grown and access to information has become easier, so people's expectations of services have risen. Standards have been driven higher and higher and the result is improved service and increased choice in product, pricing and delivery.

The customer has a different relationship with public services than with the private sector: by and large the public are more ambivalent about government services, not giving them much thought at best and wanting to have as little to do with government as possible, at worst. Nevertheless, the public sector has come under growing pressure to match rising private sector standards. What has been achieved by leading commercial providers shows what is possible: *I only need to tell my bank once that I've moved, so why do I have to tell 'government' so many times?* And the media encourages citizens to become more vocal and demanding.

What is a ‘customer’?

This section defines the term ‘customer’, the different perspectives in the private and public sectors and the concept of ‘service’.

The nature and significance of the ‘customer’ needs no explanation in the private sector. The best private sector companies know that a deep understanding of their customers’ needs is essential to ensure they provide the correct “fit” in terms of products and services. Failure to do this will make it difficult for them to compete and, as a result, they risk being forced out of the market.

In the public sector there are different factors at play:

- Competition does not play the same role and the implications of customer choice are different. But ‘customers’ of public services *do* have a choice: they can choose to ‘opt out’ (either entirely, or by failing to deal with requirements correctly). The costs of this end up back with government which has to enforce compliance, provide the help lines, or deal with the fall-out of a failed intervention. The way in which a public body is organised can disguise the cost of this unless it takes the trouble to find out, for example, how much time its front line staff spend with customers who are confused or lack confidence that they are being dealt with properly.
- Although people want their needs met as individuals, as citizens and taxpayers they still want a public sector that exists for the whole population and which provides services that are high quality as well as efficient. It is not just parents who are interested in schools.
- Unlike most of the private sector, public sector organisations do not have the luxury of selecting and focusing on their preferred and most profitable customers: they need to cater for the needs of the whole community. Indeed, for many services, the ‘customers’ of greatest concern to government are those of least interest to most commercial service providers. These people are often the hardest to identify.
- In many cases, the aim of an intervention is long term and reliant on a complex range of interrelated factors. Success relies on engaging a number of people in a coherent way – tackling child obesity or teenage pregnancy, for example, will involve reaching parents, teachers and role models as well as the child or teenager. Often, success will be years in coming and the conventional cost/benefit analysis used in the commercial world will simply not apply.

These factors combine to build a picture which shows that although the customer role is different in the public sector, the citizen has a right to be treated as a customer, and that public service provision must be equitable and fair to all, regardless of background.

So is the use of the word “customer” appropriate for public services? The public sector “market” encompasses the whole population and although there is no choice of supplier for most government services (many of which may be unwelcome or consumed as ‘distress purchases’) this does not mean that citizens’ interests can be disregarded or that they can be treated as a single uniform whole.

The gap between the public and private sector, from the citizen's point of view, is narrowing. Competition in the private sector will shape the future service delivery environment against which the public sector will be judged. Government needs to rise to the challenge with all that this implies.

“Why do we persist in calling taxpayers ‘customers’? Taxpayers don't have the option of buying or not buying goods or services from us; they can't shop around for better value from other suppliers of similar goods; they can't ask for their money back if they don't like what we've done. Only customers can do things like that.” – HMRC staff

“There are a couple of pressures that have led to the term being used in the public service. First, internally, there is the need for all of us to think of those whom we interact with as having rights (as well as obligations in the case of HMRC). They have a right to be treated fairly, with respect and promptly because they own the public services.

External pressure is the second reason why thinking and using the term ‘customer’ is important. Rising expectations in terms of customer service in the commercial sector mean we need to keep up with the game if we are to be seen as providing a public service that meets expectations.

So, in short, we use the term ‘customer’ to ensure that we think of those we interact with as having needs and expectations that we must address. We aim to treat them as if they had a choice and not exploit our monopoly position.”

- Nick Birks, HMRC Strategy

What is a ‘service’?

A service can be defined as the benefit an organisation delivers to its customers. This includes the experience of the customer receiving the service, as well as the actual outcome. In the public sector, a service can take a variety of forms: receiving health care, reporting uncollected refuse, help at the end of a tax self-assessment phone line. The delivery of the service can involve a complex delivery chain and can also require working across organisational boundaries. However, from the customer perspective, receiving the service they require is the key issue, not how government is organised to deliver it.

To deliver services to the customer in a seamless way is one of the biggest challenges for government at central and local level. Customers do not relate to government in terms of ‘Departments’. They may be completely unaware of and indeed uninterested in which department is responsible for their local street lighting or for administering their job seeker’s allowance, child benefit or council tax. Nor should they need to be. Neither do customers relate to ‘services’ in the same way that government, as the provider, does. Customers think in terms of ‘tasks’ and are driven to interact with government by events, sometimes unwelcome, that occur in their lives: (“*My marriage has broken down - I need financial help*”; “*I need to fill in my tax assessment form*”; “*My son needs a licence to learn to drive*”) and entitlements - child support, housing benefit etc. They also expect certain fundamental services as a matter of course, for example, education for children or hospital care for the sick.

All of this implies that in order to take full advantage of the business case benefits of putting the citizen first, there should be a fundamental shift in the way government services are both designed and delivered. This is particularly important to meet the needs of vulnerable citizens.

The Bereavement Journey

In one example cited by the team working for the Customer Group Director for Older People, a family went through at least 78 interactions with 13 separate public and private organisations over a three month period following the death of their father. This included visiting the hospital to collect documentation relating to the death, then the Registrar to register the death; contacting the council in order that Council Tax agreements could be changed, various parts of DWP to advise them of pension changes, HMRC on Inheritance Tax issues, The Probate Service on asset transfer, DVLA to cancel a driving licence and the Passport Office to cancel a passport.

In order to access her late husband's Post Office Card Account, the widow in question needed to complete forms, provide proof of death (the death was subject to an inquest so no formal death certificate could be issued at that stage), and make numerous trips to the Post Office. Eventually the Post Office released £127 to the widow. Conversely, the same widow received pay-outs from her insurance companies amounting to tens of thousands of pounds within days of reporting the death and in spite of the lack of a formal death certificate.

What is ‘Insight’?

This section explores what customer insight is, the sources of insight, customer segmentation and its uses, how to ensure customer insight is robust and how to embed it in an organisation.

Customer insight is not raw customer data. Nor is it the same thing as social research - although it may be sourced from qualitative or quantitative research studies. Insight cannot be ‘bought’ off the shelf. There is a gap between customer data, traditional social research and what we call ‘insight’; there is a leap that must be made to bridge it.

A useful working definition of customer insight is:

“ A deep ‘truth’ about the customer based on their behaviour, experiences, beliefs, needs or desires, that is relevant to the task or issue and ‘rings bells’ with target people.³”

The important element about this ‘truth’ is that it is powerful enough to bring about behavioural change and can be used to inform decision-making by policy officials or by those involved in designing or delivering services. Deidre Sorensen of the Department of Health says "*We shouldn't confuse ‘insight’ with ‘research’. Insight is about the strategic interpretation of customer data and information, providing a rich and deep understanding of our customers, their needs and what we can do to help ensure our services fit usefully into their lives. To succeed, we must know what information we need and how to collect it; have the capabilities and processes to analyse this and turn it into accessible and actionable material; and most importantly, promote the culture to create and value this insight on an ongoing basis.*"

There are two additional attributes of customer insight. Firstly, its value is not linked to the specific tools that have been used to generate it, but to its ability to tell a single, clear and compelling story which may be derived from multiple sources. Secondly, it should be used and valued as a strategic business asset.

³ This definition is taken from the Government Communication Network’s Engage Programme. The Insight section on the Engage web site (<http://engage.comms.gov.uk>) includes more detail on methodology and tools, together with some examples of where deep psychological truths derived from customer insight activity have been applied effectively in campaigns to drive behavioural change.

The Sources of Insight

So how is customer insight obtained? Some of the most powerful messages come from a comparison of different sources including:

1. Front line staff
2. Surveys
3. Customer journey mapping
4. Usability testing and website analysis
5. Ethnography
6. Consultation
7. Formal and informal contact with representative bodies
8. Agents or intermediaries
9. Written correspondence
10. Media coverage

Let's explore the first six of these in more detail:

1. Front line staff

The front line is a rich vein of customer insight which is often overlooked. Public sector staff working in call centres, contact centres and walk-in centres as well as front line staff in hospitals, schools and police stations, are in contact with the public daily. Typically they have an excellent idea of what is important to their customers, what customers would like to have more of, what frustrates them and what they would change.

Organisations in the public and private sectors that are customer-centric have formal processes in place to ensure that front line customer information – including complaints - is fed back into the organisation. These processes support a cycle of continuous improvement and tailoring of the services around customer needs.

The following example shows how a large government agency is learning from its front line:

One of the Customer Director's first actions upon joining DVLA was to spend a day in their contact centre in Swansea talking to staff and sitting in on customer calls. He'd seen research that suggested some dissatisfaction with being able to get through to the right person and wanted to see what it was really like. Putting himself in the shoes of a customer, he first tried calling in himself. Then he spent a day on the other end, receiving calls and talking to the operators and managers. It was an instructive experience. As a result of this front-line feedback and the research which underpinned it, DVLA took action in a number of areas: to simplify their automated call routing system, and to use online information to provide answers to customers' simple queries. An ongoing process has been put in place to understand why customers are calling DVLA and then to take action either to eradicate the causes of customer dissatisfaction or to make the right information available to customers and contact centre agents as easily as possible.

A second example from Holloway Prison, cited by COI Strategic Consultancy, illustrates the value of involving front line staff directly in the design of services.

Women prisoners usually arrived at HMP Holloway in a distressed state, either because of their arrest, drug use or other circumstances. Many of them presented with multiple needs – separation from their family, housing and health difficulties and high risk of self-harm.

There was a general consensus among prison staff that the induction and resettlement briefing procedures for new prisoners were ineffective: far from offering helpful information, the very large induction pack and set of processes were actually counter-productive and stress inducing, particularly for those with literacy problems. In these circumstances information about drugs was not going to be absorbed or acted upon.

A project team was formed to review the reception communications for new arrivals. Key members of staff were interviewed and detailed journey mapping completed with prisoners themselves so that a systematic understanding could be gained of which information was critical to the induction process.

The overall conclusion was that an entirely new approach was needed for more effective internal communication to women prisoners. The women all agreed that talking to someone was their preferred choice. Talking to each other also helped to relieve the fear and uncertainty surrounding the first night in prison and was an important positive influence on morale. The learning gained proved invaluable in producing a simple information pack with inserts written by the women themselves – official information in simple words.

The end results of the initiative will not just be seen in the prison but rather will be demonstrated by the women's behaviour when they are released. The products which resulted from the research have been regarded as groundbreaking and are being considered as part of new communications plans for other prisons.

2. Surveys

Surveys are a significant activity across government and can help to inform customer insight. The data from quantitative surveys is often useful for providing robust evidence to support a business case for change, for example.

The following example from the Vehicle Operators Services Agency (VOSA), of the Department for Transport, illustrates how using a quantitative survey focused on customer needs can provide powerful evidence to prioritise and take effective action, as well as to track performance over time.

All lorry, bus and coach operators in Great Britain must be registered with the Government via an 'Operator Licence'. This licence records all the key details about the company and fleet. As vehicles and fleets often change, these business customers generate high volumes of transactions through VOSA.

Customer research showed clearly that 'a speedy issue of licences' was one of the top drivers of satisfaction and priority areas that VOSA needed to improve. It used to take up to 15 days to get a new license disc. Using an online service, it now takes a few moments to change registered vehicle details and a further two or three days for the disc to arrive in the post. Other written requests are also being replaced by online applications to ease the operators' administrative burden. VOSA are considering abolishing the paper disc entirely and relying solely on computer records. Since tackling this issue, customer satisfaction with Operator Licensing has risen from 78% in 2003 to 91% in 2006. The proportion of customers saying they are very satisfied has risen from 27% to 51% over the same time period.

VOSA now assign a Director's name to each of the actions arising from the surveys to ensure it is acted on. The results of the customer surveys show how well this is working.

"Everything we do is backed up by research. We listen to what customers tell us and then act on it. It's as simple and as difficult as that."

Noel Shanahan, Customer Services Director, DVLA

However, to understand fully why customers behave or think in certain ways a blend of approaches is often needed. For those involved in generating insight, it is worth considering the following before commissioning any new survey:

- Is a formal survey actually going to tell us what we need to know? In terms of who to contact, look at the Magenta Book for information on what kinds of information surveys can give us⁴ and talk to departmental Heads of Profession for social research (each department has one). The Government Social Research Unit (GSRU) is able to give some general guidance.
- Do we already know the answer? A good way of finding out whether a question has already been asked in another survey is by going to the question bank⁵ which lists all the questions contained within the major social science surveys in the UK. Again your departmental Head of Profession should be able to help and GSRU can give advice on cross-government coordination work.
- Is it worth it? Surveys can establish a set of findings to a high degree of statistical accuracy and can be very useful in terms of monitoring change over time, quantifying what is known, and comparing different groups. But they are expensive and time consuming. Alternative methods can sometimes source the information required in a more cost-effective way and over a shorter time frame. Online surveying of staff, as a good proxy for customers for example, can be cheap and quick, but reasonably robust.

⁴ http://www.gsr.gov.uk/professional_guidance/magenta_book/index.asp

⁵ <http://qb.soc.surrey.ac.uk>

Insight does not always require a high degree of statistical accuracy: it is a business activity, based on judgement and the analysis and interpretation of different pieces of evidence. If all other sources are pointing in the same direction, there might be enough evidence to generate insight without the need to conduct a full-scale survey.

3. Customer Journey Mapping

A customer journey map is a way to describe the experiences of a customer during their interaction with a service or set of services and the emotional responses these provoke - from their first consideration of a related need, to receiving the service outcome.

In government, customer journeys are often complex, with multiple interactions taking place over extended timeframes. Customer journey mapping is a particularly useful tool to help describe the customer's experience of a series of services, their thought processes and reactions. It can help to ensure a consistently good service experience, optimising outcomes for all customer groups, increasing efficiency and ensuring the services, which often span organisational boundaries, are designed right first time.

The following example, cited by Demos in their recent pamphlet, '**The Journey to the Interface**', explains how BUPA have benefited from using this tool:

In order to improve their UK business, BUPA relies heavily on the concept of the 'end-to-end patient journey'. Every quarter, staff at BUPA Hospitals work with a handful of their customers to trace what happens from the moment someone begins to feel unwell – often some time before that person gets in touch with BUPA.

Having traced this, BUPA then maps its own processes, technology and interventions to the end-to-end journey. Staff ask themselves what each interaction looks like, what transactions are possible, what information any patient really needs.

A tangible change that has emerged from doing this exercise regularly is that customers calling to discuss their hospital visit are now offered a checklist of things that other people in similar situations have asked. This was introduced after BUPA realised that people often didn't know what to ask at the end of the call when faced with the question: "*Is there anything else I can help you with?*"

Alison Platt, head of BUPA Hospitals says: "*You have to do as much as possible to manage getting into people's shoes – psychologically, emotionally, physically.*"

4. Usability testing and website analysis

Usability testing should always be employed when designing new services, particularly within the online environment. It is a means for measuring how well people can use something (such as a web page, a computer interface, a document, or a device) for its intended purpose. During usability testing, the aim is to observe people using the product in as realistic a situation as possible. It involves users navigating their way through a system and set of processes and tackling tasks in a controlled environment. It can offer valuable information about how a customer is likely to respond to a service and practical ideas for service improvement.

For many organisations, websites themselves can be a valuable source of insight, provided that adequate tracking and management information systems are in place. Website analysis can provide information on the following:

- what search terms are the most popular
- how and from where users access the site
- the points in their journeys where users leave
- which areas and pages are the most frequently visited
- how much time users spend looking at pages

Again, analysis and interpretation of such information can provide useful insight into customer interests and behaviour, as well as concrete data to support online service enhancement.

5. Ethnography

Ethnography describes any scientific method used to understand human behaviour and culture. In the private sector it is widely accepted as a research technique for better understanding customers. Egg, a well-known internet bank, frequently uses ethnographers to observe the interaction of families with their personal finances in their homes. The observations are often surprising. Mark Pearson, Head of Research at Egg says: *“People can’t always articulate what they want or need. People aren’t experts in insurance, for example. You can’t expect them to just give you the answers.”*

The following example illustrates how ethnography was used by a government organisation to generate powerful customer insight:

HMRC undertook a small piece of ethnographic work in conjunction with the Royal Mail and Henley Headlight to understand how post travelled around the home and how HMRC post was dealt with when it arrived in conjunction with other mail. Henley Headlight found that customers often have established 'postal systems' with post tending to stay in a holding place for some time until dealt with via a system of 'sort', 'engage' and 'clear'. The sorting process was often very quick with the envelope providing the first clue for prioritisation. Government post tended to stick out, often due to the brown envelopes.

The study also revealed that Self Assessment Tax Returns and Child Tax Credit post moves through the home in different ways, Child Tax Credits post being kept visible in the kitchen or living room 'holding area'. However, 'hibernation' was found to be a problem in dealing with Self Assessment Tax Returns: the return was filed and forgotten about until a much later date. Reasons for this included “not enough information available when the tax return arrived to complete it”, awareness that the deadline is not imminent and “delaying the pain of filling it in”.

Although a small piece of work, the insight generated, especially around the 'hibernation' of Self Assessment Tax Returns, informed HMRC's Product and Process teams why sending HMRC post with a long lead time before customers have to action it, can result in them putting off the task until the last minute. Self Assessment paper return filing dates are now being revised so that there is a shorter period from the return being sent to the customer to when HMRC require completed returns back.

6. Consultation

Consultation exercises can be a useful way of engaging with a wide range of stakeholders. An inclusive approach should consult those responsible for service delivery (as discussed in the section on front line staff) and a representative sample of those people who could benefit from the outcome of the government service in question. Consultation covers a variety of techniques from more targeted and direct consultation with key stakeholders and customers to more traditional types of written consultation. It can provide insights that are otherwise difficult to obtain such as differing cultural perspectives, hidden costs and risks, likely winners and losers and the factors shaping entrenched positions on particular initiatives. It can strengthen the legitimacy of final decisions. It can increase the responsiveness of citizens and build the confidence of communities or interest groups dealing with specific issues.

Consultation is a powerful tool if used well. This implies using the consultation phase as an integral part of the service design process, rather than an ‘add on’ to review a fully worked up proposal. The consultation should be as inclusive as possible, ensuring that all the different groups affected are actively engaged, while being mindful of the political sensitivities around involving outside organisations. It is also important to be clear with customers about how their views will be taken into account, to avoid raising expectations too high.

The following is an example of a consultation which formed the basis of Islington Council’s Quality of Life Strategy, run jointly by Islington Primary Care Trust, local voluntary sector groups and Islington Council. It illustrates how consultation can show that customers’ views are often very different from what government might expect.

The crux of this work was a bottom up approach starting with asking the local population aged fifty plus what they thought about living in the borough, what would make it better or worse. We had no predestined ideas about the outcome of this but expected the responses to steer us in the direction of specific services and give us some pointers about how to change them.

The results of the focus groups were far more general than we as service planners had anticipated. Older people did not think in terms of services, thus they did not ask for any specific services to be changed. What older people identified was the feeling of not being engaged as people (customers) in the borough. They identified a growing feeling of indifference to their feelings, experience and worth.

The outcome of this was in fact for the service planners to look at changing the culture of the borough to be inclusive and more customer-focused. So what this consultation achieved was a move away from a services change to culture change. As with a lot of preventative work, it is hard to measure what the cost savings have been in this approach but evidence indicates that happy people live longer and in better health.

Paula Cooze, Prevention Manager, Islington Primary Care Trust

Segmentation

Segmentation in the public sector is a topic in its own right. However, this section would be incomplete without a word on the subject. Often widely misunderstood, segmentation is a powerful tool that can help managers and workers throughout an organisation to visualise their customers and to identify groups of customers who have common needs.

Government Communications Network's *Engage Programme*⁶ defines customer segmentation as:

“Subdividing a target audience into homogeneous and reachable groups based on shared needs and characteristics such as:

- who they are (socio-demographics)
- what they do (their behaviour)
- how they think and feel (their attitudes and needs)”.

Segmentation can be used as a strategic or operational tool. How you define your segmentation will depend on the objective you are trying to achieve. If applied well, it can give an organisation a common framework and language to talk about customers in the context of strategies and plans.

The following example from the Department of Constitutional Affairs (DCA) and Price Waterhouse Coopers illustrates how segmentation can be a useful first step in understanding a complex issue like relationship breakdown:

In relationship breakdown there will be various parties involved, from the person doing the divorcing, to the person being divorced, to others who are involved, notably children. Processes can be designed to embrace each of these parties. However, a segmentation based on this alone, would miss the human dimension of people's *attitudes* as they come to court. So the team developed another way of segmenting to overlay on top of the first. People were divided into three groups: 'wills' – those willing to engage in a constructive way, with or without court involvement; 'won'ts' – those with no intention of being reasonable and rather treating the court as a means of expressing their grief; and 'can'ts' – those with legitimate reasons for needing the courts, as when issues involving finances or children require court resolution. This further segmenting enabled the DCA to develop different solutions for their customers, and represented a very different way of thinking about the court process.

By considering how each segment will be best served, the organisation begins to take a customer-based approach to strategy, rather than a service or product-based approach. As we have seen, this approach can pay dividends not only in more satisfied and engaged customers, but also in greater levels of efficiency.

Michael Dell of Dell Computer says: “*You can't possibly manage something well if it's too big. Segmentation gives us better attention and focus It allows us to*

⁶ <http://engage.comms.gov.uk/>

understand (customer) needs in a really deep way. This closeness gives us access to information that's absolutely critical to our strategy. It helps us forecast what they're going to need and when. And good forecasts are the key to keeping our costs down."

The following is a useful checklist for successful segmentation:

- **Accountability:** Plan how the segmentation will be used – by whom and for what – up front so it's relevant
- **Leverage:** Use existing knowledge and data first to help design a segmentation questionnaire
- **Ownership:** Have it owned by the department and stakeholders
- **Deployment:** Present segments in a way that captures the imagination

The resulting segmentation scheme should be actionable. This means segments that are measurable, identifiable and definable, that can be reached via delivery, media and communications channels and that are substantial enough to be worth targeting separately. The scheme should also recognise that customers' needs, preferences and attitudes change and no segmentation scheme should remain unchanged for long, but should be updated accordingly.

As this paper has set out, government needs to serve the whole community and cannot personalise for everyone, but nor should we offer a single uniform service. Segmentation provides a cost-effective solution and helps us to understand how best to allocate resources. At the end of the day though, the success of any customer segmentation scheme will depend on the stakeholders' ability to describe the needs of customers with great vividness. So no scheme should be over-complex.

Insight as a Strategic Asset

"Customer insight should be treated and managed as a strategic asset to ensure that the right information is being supplied to the right people, at the right time and in the right way. Only in this way will it be applied to the greatest effect"⁷. The Customer Insight Forum's forthcoming paper, *Establishing an effective insight function*, explains how to embed customer insight in an organisation so that understanding customer needs is implicit throughout the policy, communications and delivery processes, and in order that insight is interpreted and used by those managers who have the capability and the responsibility to turn it into action.

⁷ *The Management and Communication of Customer Insight*, Steve Will, Customer Insight Solutions

Conclusion

In this paper we have made the case for customer insight and shared our understanding of what it is and how it can be used. Using case studies and examples, we have shown why understanding customers' needs has to be the starting point for service design and delivery. Unless we know what customers need and deliver accordingly, we cannot succeed. If we do make the effort to understand and to engage with our customers, the rewards will be felt by everyone.

We recognise that there is a challenge in getting organisations to value customer insight and to embed it at the heart of their service design and delivery processes. We won't get there overnight. However, we can do some simple, straightforward things to get the ball rolling.

What you do next depends on who you are, your organisation and its current priorities and issues. If you would like to explore some of these ideas further, understand what you can do, or just offer us your feedback or suggestions, get in touch with us via your customer insight representative in the Customer Insight Forum or contact Alex Oliver at Alex.Oliver@cabinet-office.x.gsi.gov.uk and on 0207 276 3412. It would also be useful to hear from you if you would like to be included on the circulation list for future updates, publications and events.

This paper has been written by the Customer Insight Forum. We would also like to thank the Government Social Research Unit and members of the Service Transformation Team and Government Communications Group within the Cabinet Office who actively contributed to this publication.

Many thanks to the following list of contributors:

Customer Insight Forum active members and Primer contributors:

Melanie Beard, HM Revenue and Customs
Nick Birks, HM Revenue and Customs
Peter Blair, Department of Communities and Local Government
Matt Briggs, The Pension Service
Siobhan Campbell, Government Social Research Unit, HM Treasury
Andy Carroll, The Pension Service
Paula Cooze, Islington Primary Care Trust
Franco Degan, Department for Transport
Paul Eaves, HM Revenue and Customs
Jayne Farrin, Department for Education and Skills
Sanjay Ghosh, Department for Constitutional Affairs
Annerie Hughes, London Borough of Southwark
Bob Johnston, Warwick Business School
Maryanne Kelly, Local Government Team, Office of the Deputy Prime Minister
Mark Pearson, Head of Research, Egg
Zoe Radnor, Warwick Business School
Teresa Randall, Directgov team, Cabinet Office
Peter Robinson, Central Office of Information
Lara Sampson, Department for Work and Pensions
Deidre Sorensen, Department of Health
Claire Webb, Local Government Team, Office of the Deputy Prime Minister
Hugh Wilson, Cranfield School of Management

Other people we talked to:

Brigette Giles, East Riding of Yorkshire Council
Alison Hopkins, National Consumer Council
Guy Mallison, RSe Consulting
Brian Marson, Treasury Board of Canada
Dave Martin, Better Government for Older People
Alison Miller, Local Government Association
Chris Naylor, London Borough of Hammersmith and Fulham
Sophia Parker, DEMOS
Chris Pyburn, Customer Services Direct
Noel Shanahan, DVLA
Mary Tetlow, Mary Tetlow Associates
Harriet Quinlan, Department for Education and Skills
Charles Vincent, Treasury Board of Canada

Crown Copyright 2006

