GUIDANCE NOTE

Improving Taxpayer Service Delivery: Channel Strategy Development

Prepared by
Forum on Tax Administration
Taxpayer Services Sub-group

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ABOUT THIS DOCUMENT

Purpose

The purpose of this guidance note is to promote thinking among revenue bodies on the development of a channel strategy, a set of actions intended to achieve optimal usage of the various means (i.e. channels) for delivering services to taxpayers. The note provides ideas on developing such a strategy, based largely on the experiences of selected revenue bodies.

Background

Recent years have witnessed major reforms in public sector administration as governments strive to improve the efficiency and effectiveness of their operations. Central to these reforms has been the establishment of sound governance practices, including the application of modern technology in delivering information and transaction services to taxpayers.

During meetings of the CFA’s Forum on Strategic Management (now the Forum on Tax Administration) in 2002 it was agreed that further work should be carried out by country tax officials to share experiences and to provide more comprehensive guidance on the provision of electronic services to taxpayers. The Forum’s Taxpayer Services Sub-group was established with this objective in mind. The Sub-group’s mandate is to 1) periodically monitor and report on trends in taxpayer service delivery, with a particular focus on the development and deployment of electronic services (hereafter referred to as ‘e-services’) by revenue authorities; 2) examine ways to promote the uptake and use of e-services by revenue authorities; 3) examine options for cross-border administrative simplification and consistency; and 4) assist, as appropriate, other groups of the Committee of Fiscal Affairs (CFA) in their work on taxation.

The Norwegian Tax Directorate co-ordinated this work with the aid of invaluable contributions from Australia, Canada, Ireland, the Netherlands, Sweden, United Kingdom, and the United States and prepared a first draft of this note. Other members of the Forum on Tax Administration’s Taxpayer Services Sub-group also provided useful input in the deliberations leading up to its completion.

Caveat

Each revenue authority faces a varied environment within which they administer their taxation system. Jurisdictions differ in respect of their policy and legislative environment and their administrative practices and culture. As such, a standard approach to tax administration may be neither practical nor desirable in a particular instance. The documents forming the OECD tax guidance series need to be interpreted with this in mind. Care should always be taken when considering a country’s practices to fully appreciate the complex factors that have shaped a particular approach.
Inquiries and further information

Inquiries concerning any matters raised in this guidance note should be directed to head of CTPA Tax Administration and Consumption Taxes Division, Richard Highfield, telephone +33 (0)1 4524 9463 or email richard.highfield@oecd.org.
The taxpayer service delivery function plays a crucial role in the administration of the tax legislation in all countries. Providing services that are user-friendly, in the sense of being accessible and understandable for all, helps to maintain and strengthen the taxpayers’ willingness to comply voluntarily and thereby contribute to improvements in overall levels of compliance with the laws.

For some time now, revenue bodies have been providing more accessible information services through use of new technology (e.g. by building on-line capability or making information available 24 hours a day, 7 days a week). More recently, many revenue bodies have given taxpayers the functionality of registering for tax system purposes, filing tax returns and paying tax electronically, all at times convenient to them. There have also been developments in the use of telephony services with revenue bodies in many countries establishing large call centre arrangements employing sophisticated telephony technology to facilitate access by phone for taxpayers to the information and other services they require.

The increase in channel options has also made it possible for revenue bodies to choose a more optimal mix of channels, trying to strike a balance between the objectives of improving customer service and the need for revenue bodies to cut costs; these objectives are not mutually exclusive. Developing a sound and comprehensive channel strategy is in this respect a win-win exercise, since it makes it necessary to put all crucial channel factors together in a consistent and comprehensive way, thereby creating new insights into the existing channel structure and generating visions of a possible future structure. Well defined strategic channel objectives are, of course, also a prerequisite for clear directions on how to change the existing channel structure to the new, preferred one.

This guidance note focuses on channel strategy development and implementation from a holistic channel perspective, emphasizing the importance of being customer-oriented, but also cost conscious when developing channel objectives. In short:

- What are the major factors to consider when developing and implementing a channel strategy?
- How to solve the issue of coordinating and integrating multiple channels in an efficient and effective way?
- What tools are available for creating a positive customer experience across channels?
- What are the costs connected to the different channels for revenue bodies and taxpayers and how should they be analysed?

The note does not purport to cover all aspects of relevance to the development of a channel strategy, or to be a comprehensive guide on how channel activities should be conducted. Rather, it draws together information provided by selected member countries through various information-gathering activities conducted over the last two years and presents an array of facts and observations that may assist member countries improve the efficiency and effectiveness of their channel activities. Revenue bodies are encouraged to use the ideas and experiences expressed herein as they take steps to improve service delivery performance.
INTRODUCTION

1. An effective and efficient program of taxpayer service activities is a critical objective of all revenue bodies. The general complexity of tax laws coupled with the relatively large populations of taxpayers to be administered mean that all revenue bodies must rely substantially on taxpayers' voluntary compliance to achieve the outcomes expected of them. It is axiomatic that to achieve high levels of voluntary compliance, taxpayers and their representatives must have a good standard of services to help them determine their obligations under the laws and to complete the steps required to acquit those obligations.

2. Revenue bodies have a variety of methods (hereafter referred to as “channels”) at their disposal for delivering services to individual taxpayers and their representatives. These include the operation of physical sites (e.g. office inquiry centres) enabling face-to-face contacts, the provision of phone inquiry services (including through use of modern call centre facilities), communication by written correspondence using normal postal services, and increasingly through the provision of electronic services through the Internet and other mechanisms. However, each of these channels is subject to varying strengths and weaknesses, not to mention cost considerations. For example, large office networks within a revenue body providing physical face-to-face contact may meet the needs of some taxpayers who desire the “reassuring” nature of personal contact services but are likely to entail significant overhead costs (and can typically only be provided in normal business hours). On the other hand, services provided via the Internet can generally be provided universally on a 24 hour/7 days a week basis. However, not all taxpayers have access to Internet services and some segments of a revenue body’s clients may be reluctant to use them.

3. Given these sorts of considerations, revenue bodies ideally require a systematic approach or strategy for arriving at an optimal mix of channels for service delivery, one that achieves high standards of effectiveness while at the same time also meets efficiency objectives, both from the viewpoint of the revenue body and taxpayers at large. The term “channel strategy” has been coined within modern business literature to describe such an approach.

4. A channel strategy affects most organisational dimensions including the technical and physical infrastructure, all delivery channels, services content, administrative processes and culture. In addition to internal stakeholders, there are also external stakeholders who often have a view on what the channel strategies should be – individual customers, businesses, government, tax agents and different user groups. How does a revenue body deal with all these at times conflicting or differing interests?

5. Given members’ common interests and goals, the Forum on Tax Administration saw merit in examining the approaches and experiences of selected revenue bodies in this area to identify learnings that could be shared more widely and to generally provide guidance that may be of value to countries wishing to improve the effectiveness and efficiency of their service delivery activities. This note has been prepared with this objective in mind.
From the work done in preparing this note it is apparent that there is no universal formula for developing a channel strategy. Different revenue bodies and various other government and non-government organisations have approached this task in a variety of ways. However, there does appear to be a strong body of support for the view that a channel strategy is an important element of a revenue body’s overall strategy for improved performance.

**Structure of the guidance note**

This note is structured around a set of guiding principles that are based on the experiences of the eight revenue bodies that participated directly in this work. Part 1 provides a brief description of each principle, while subsequent Parts provide further elaboration, as follows:

- Part 2 (dealing with guiding principle 1) describes channel strategy objectives, the different stakeholders of a channel strategy, how channel strategies are developed and some common approaches to strategic topics.
- Part 3 (dealing with guiding principle 2) outlines the nature of the different channels as service providers and also describes the challenges and advantages connected to putting a seamless, multi-channel integration system in place.
- Part 4 (dealing with guiding principle 3) explains and gives emphasis to the importance of customer segmentation and elaborates the concept of “user value” as well as giving advice on how to conduct user analysis.
- Part 5 (dealing with guiding principle 4) analyses in some depth the concept of channel cost and presents principles for cost analysis as a basis for applying the principle.
- Part 6 (dealing with guiding principle 5) describes the challenging phase of channel execution and evaluation.

As noted at the outset the guidance note is based on different sources of information such as written material, discussions during workshops, interviews with channel strategists and more informal discussions with colleagues in different revenue bodies.
1 GUIDING PRINCIPLES

9. In a rapidly changing environment, one cannot expect concrete step-by-step guidance and advice since this would be applicable only for a short period in a rapidly developing customer contact environment; a detailed and specific guidance note that might stand the test of time is probably not therefore achievable. Under such dynamic circumstances a more generic approach, outlining guiding principles is considered more appropriate.

10. Consequently, this paper does not provide a list of procedures giving directions in specific situations but, rather, a set of guiding principles that have proven to be valid in the experience of member countries, and therefore of a more strategic nature. Even within that context, these general guiding principles should be revisited from time to time to verify whether they are still valid or must be replaced by new ones. The following guiding principles have been distilled from insights and information gathered from selected revenue bodies and other sources.

1) Develop a channel strategy to improve service delivery and compliance

- Develop a clear understanding of what you want to achieve with your channel strategy i.e. the outcome you want to achieve for the organisation and its customers
- Consider channel strategy development in the context of broader organisational strategies and objectives
- Set clear goals for channel strategy development and ideally also some clear targets

2) Move towards a holistic channel approach

- Understand the nature of your services and channels
- Move towards an integrated channel approach, including governance
- Define clearly the roles and responsibilities of each channel by customer group and product
- Join-up and share services across public bodies where that is sensible

3) Put the customer in the centre

- Understand your customers
- Use customer segmentation models to add value and support migration to alternative channels that better meet customer needs
- Conduct customer surveys and analyses in proactive way to improve customer service
4) **Raise channel cost awareness**

- Produce an overview of all the relevant costs and their nature for the respective channels, including the costs for customers
- Undertake a broad cost analysis based on different assumptions about channel traffic and possible interaction between channels
- Establish a cost accounting system to accumulate and report reliable cost information

5) **Establish sound implementation and evaluation systems for the channel strategies**

- Shift channel usage through take-up and migration strategies
- Develop momentum for change within the organization
- Measure changes in voluntary compliance and costs due to channel changes
- Produce reliable management information for a range of metrics covering each channel
Channel strategy development must be seen in the context of broader organisational objectives and as a means of achieving strategic goals, e.g. improve compliance and reduce the compliance burden of taxpayers.

There are different approaches to channel strategy development. Some are more ad hoc and develop on a piecemeal basis, whereas others are more centrally planned and develop along a unified view on channel strategy.

Channel strategy development is subject to influences from many stakeholders, such as the central government, customers, tax agents, and the revenue body itself. Drivers and trends in the environment influence these stakeholders.

A channel strategy may have several, not mutually exclusive, purposes such as:
- Improving compliance
- Promoting user friendliness and cost efficiency
- Contributing to a “joined-up” government

A channel strategy document containing channel objectives and major principles for channel development

A survey of the different stakeholders of a channel strategy, including their interests and major concerns

What is a channel strategy?

11. Channel strategies often touch several functional areas, but will also have implications on a business and corporate level. When a channel strategy is developed it is important to consider the extent to which the channel strategy is influencing the whole business. Some organisations look at channel strategy as part of their marketing strategy some see new electronic channels as something belonging to the IT-department whereas others again have a separate functional unit for channels or it forms a part of a bigger customer services department.

12. It is, however, important that the implication of channel decisions is seen in the context of the wider organisational objectives and that it is recognized that the channel strategies are not an end in themselves, but a means to achieve strategic goals. Channel strategies should therefore be seen as a key part of wider existing planning processes – not a separate exercise resulting in a stand-alone one off document set apart from the rest of the strategic process. It should also form an integral part of the strategy and for public organisations it should ideally support wider government policies such as universal access to services, modernising
13. The term channel strategy has gone through major changes over the last few years and a lot of the traditional channel strategy literature was written at a time when the main channels were relatively constant and dealt mostly with face-to-face interactions. It seems natural to see the increased importance of channel strategy in connection with the introduction of new electronic channels and an increased focus on users and their expectations. As a consequence of this development there is also an increasing need to better understand how the portfolio of channels should be managed and further developed to meet both organisational goals and user expectations.

14. The UK revenue body (i.e. Her Majesty’s Revenue And Customs (HMRC) has defined its channel strategy as:

   “A directive and differentiated approach that clearly guides customers to the most appropriate channel that meets both the needs of the customer and the organisation and achieves compliance at the lowest cost.”

15. Other revenue bodies have developed their own definitions. These are discussed in more detail later in this note.

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**Stakeholders are shaping channel strategy development**

16. In their channel strategy development revenue bodies are also subject to influences from many stakeholders. In addition, there are drivers in the environment that influence these stakeholders. These can be political, economic, socio-demographic and technological. An outline of environmental drivers and the different channel strategy stakeholders is depicted in Figure 2.1 below.
Government as stakeholder

17. Governments are increasingly placing demands on revenue bodies to perform better with fewer resources. In addition many governments in OECD countries also have, as discussed above, ambitious e-Government agendas that will challenge and sometimes put constraints on what some revenue bodies can do themselves as they form a part of a bigger governmental plan and have to take government’s overall goals and plans into account when developing their own channel strategies. In some countries, revenue bodies have been given mandate such as delivery of benefits programs, e.g. the collection of student loans, thereby presenting additional challenges to a channel strategy.

18. Over the last few years, there has been a radical development in the way the public sector is using new technology to approach, inform and serve their users. The emergence of the Internet, call centre technologies and computer and telephone convergence has provided innovative and effective channels to communicate and interact with users. Revenue bodies are among the organisations that have been at the forefront of introducing new technology.

19. Convergence of electronic channels and integration and coordination with existing channels so that the channels can interact with each other in a coherent way, make the development of a consistent channel strategy even more challenging. In many cases electronic channels have been developed in silos, more or less as stand alone projects. Despite being a very important part of service delivery electronic channels have not been developed holistically in conjunction with more traditional channels like the telephone or face-to-face.

20. In a drive for cost efficiency and improved customer services, there is also a positive trend of using IT to design services around the customer, not the provider, through modern, co-ordinated delivery channels across public bodies. This is a
trend that will influence how users interact with their government, and reduce the frustration associated with trying to understand government structures to find the right agency. The ambition is to present a consistent and unified face regardless of whether approaches are made in person, over the telephone, using the internet or any other form of technology.

21. The use of legislation will also have an effect on the uptake and use of different channels. For instance, simplifying legislation in order to make it easier for users to comply will probably direct users towards channels that are efficient in delivering simple, standardised information such as the Internet. A direct channel effect of legislation is of course to make use of e-channels mandatory for customers.

The revenue body as stakeholder

22. The revenue body is interested in offering services that meet both user expectations and cost efficiency demands. Rapid technological developments, combined with user expectations have led to a sharp increase in the number and nature of channels that revenue bodies can offer. With this comes an increase in investment needed both in technology and organisational capacity. Processes have to be re-engineered from a holistic perspective, new competencies are required, and existing organisational structures might no longer be relevant.

23. In parallel with the technological development, many revenue bodies are facing budget constraints and consequent reductions in numbers of staff, which make it necessary to allocate increasingly scarce resources in a more efficient and effective way to achieve targets set by other stakeholders. For instance, replacing manual processes with electronic ones can be an important cost saver for the revenue body as well as a time saver for its customers.

The user as stakeholder

24. Users have come to expect from public organisations a level of service that they receive from the best of the private sector. They want their interactions to be convenient and some may prefer to be online rather than use traditional channels. Customers are increasingly becoming more comfortable using new technology and are looking for easier, more efficient and time effective ways to obtain information and interact with service providers.

25. Currently, businesses and citizens cross borders more easily, often incurring tax liability in several tax jurisdictions at different times during the year. A consequence of this trend is that businesses and people need access to information and transactional facilities independent of time and place; this trend can typically be well served by electronic channels.

26. More and more people in all OECD countries are getting access to the Internet and the penetration/adoption of e-services has increased significantly over the last five years. As a consequence individuals and businesses are, to a larger extent, able to access electronic services, making it easier for revenue bodies to offer their services
online. On the other hand this development also creates a sharper divide between those that have access to the Internet and those that do not, and care has to be taken that the service level to these user groups is maintained.

27. Customer segmentation approaches to the delivery of services to users have become increasingly significant, and there is a growing understanding that users cannot be treated as a homogenous group, but need different treatments.

The tax agent as stakeholder

28. Tax agents (accountants, legal professionals etc) are also perceived to be an important stakeholder and partner for many revenue bodies. The extent to which individuals and businesses make use of different type of agents varies considerably across national revenue bodies, especially regarding individual taxpayers. In the countries where they are used widely (e.g. Australia and the United States) they are a very important user group acting as representatives for many individual and business users. Their opinions are important and it is also crucial to have them on-board when developing new channels and services.

Other stakeholders

29. There are also a number of other stakeholders that influence channels and services, such as third party information providers, financial institutions, other government departments, software providers associations that represent taxpayers (and how they interact with revenue bodies), voluntary organisations, bookkeepers, superannuation or pension funds and auditors.

Revenue bodies’ channel strategies

30. In relation to the different channel strategies and approaches, the review showed some interesting results. Some general trends and development themes could be found with most revenue bodies, but there were very definite individual differences in goals, approaches and implementation.

How the strategies are developed

31. Several revenue bodies reported that while they do have a channel strategy it cannot be found in one “piece” in a single document. It may mainly consist of statements and work related to other strategies in the organisation. Some also felt the need to develop an explicit strategy at a time when they faced many changes in channels and ways of delivering services, embedding this as business-as-usual, with the explicit strategy then integrated in other strategies.

**Planned approach**

32. The planned channel strategy approach in a revenue body is likely to be led from the top down and consist of a longer-term project or programme put in place to develop and subsequently implement the strategy. In many cases the channel strategy work has coincided with a substantial IT investment and the strategic elements have been part of that. It appears that the average time to develop the strategy is 12-18 months, and often a dedicated team from the revenue body carries out the work. More often than not external consultants will assist this team. The benefit of that is that they will often have experience with channel strategy development from other private and public organisations, providing the tax administration with insights and inspiration for their own strategy development.

33. The strategy development is evidence driven and extensive analysis is done as part of the development. The time frame for the implementation of the channel strategy is quite long (5-7 years) and the total project cost is high.

**Fragmented, emergent approach**

34. A channel strategy process that emerges over time is usually internally driven, and investments are made on a more ad-hoc basis. The strategy is often more fragmented and starts with one user group or channel and develops from that. The approach is characterised by continuous strategic development based on channel silos and with an “ear to the ground” approach. Consultants might also be used with this approach, but more on a project basis rather than in a big strategy development sense. One of the main challenges with an approach like this is being able to see the whole picture to ensure the integrated and coordinated approach necessary to avoid channel conflict and inconsistencies.

35. The two approaches described above represent two ends of a wide spectrum. The interviews have shown that most approaches fall somewhere between these two.

**An optimal channel mix**

36. One of the main reasons for developing a channel strategy is to end up with a view of the optimal mix of channels by conducting a channel mix analysis. This will include an understanding of the end-to-end user pathway, so that all the channels that a user must use to complete their business with the revenue body will be known. The user may need to use multiple channels, but should also be able to complete their business in the same channel.

37. Based on combined research, analysis of client preferences, tax administrative requirements and channel characteristics, a hierarchy of channel preferences has been identified for each service type by the Australian Taxation Office (ATO). Getting the right balance of these elements will achieve the optimum channel mix. Over time, due to changes in one or more of these elements, the hierarchy will need to be reviewed, as they may need to reflect the changes. In Figure 2.2 below, the first mentioned channel is the preferred channel for the particular service or product type. This hierarchy of channel preferences is of course, not the same for all client segments since needs, and preferences vary across client groups.
38. So the approach is a channel migration strategy where they have defined recommended channels for the different types of services offered. Australia is very explicit in their statements and has indicated that their channel strategy differs according to the type of service that their users require. They define the channel preferences according to the service type classification (as described in Part 2) and state that for transactions and information the web is the preferred channel whereas phone is the preferred channel for interactions.

Approaches to common strategic topics

39. Although the strategic approaches can be different, there are some topics that most revenue bodies are concerned about and are therefore focussing on. All relevant topics cannot be listed here, but the most important ones seem to be: channel strategy’s contribution to compliance, how to reduce contact, continuously developing electronic offerings, increased cooperation across government bodies, segmentation and Customer Relationship Management (CRM).

Channel strategy as a tool for increasing taxpayers’ compliance

40. The channel strategies are related to compliance strategies for all revenue bodies. Some revenue bodies are very explicit about the link between the two and the overall compliance strategy is directly guiding channel development, whereas for others, the compliance issue forms a more implicit part of the strategy. Regardless of approach, it is clear that a sound channel strategy is seen as one of several important contributors to achieving compliance.

41. The channel strategy therefore becomes a means of encouraging voluntary compliance (making it easier to comply) through consideration of the way clients are treated, client preferences and inherent channel characteristics. It can also contribute to effective enforcement, e.g. using outbound call centres for collections enforcement activities.

42. It is difficult to measure, if possible at all, a channel or service delivery strategy’s impact on compliance. As far as this study has revealed, the US Internal Revenue Service (IRS) is the only revenue body that is actually planning to establish a link between the two. The IRS will be producing a five-year plan for preferred service delivery to individual taxpayers within available resources. A part of the plan is to use a qualitative approach to establish an inferential link between service and compliance. This will probably be a combination of filing, performance, satisfaction, and efficiency data.
Channel strategies as a tool for promoting cost efficiency and user friendliness

43. For all the revenue bodies interviewed, the focus is on further developing the electronic channels. The goal is to have channels that are cost effective for the revenue body while at the same time giving users the service level they require. Another trend is what is often referred to as e-dialogue, where the focus is on managing and developing continuous communication and interaction with users. The channels must support this e-dialogue.

44. One of the interviewed revenue bodies expressed their strategy along the following lines: Our goal is to offer all our services electronically, but at the same time we have to be aware that even if many of our country's citizens are online we have to offer the full range of channels because some users will never move online, and some cases or interactions are of such a nature that face-to-face, written or telephone interaction is a necessity. User friendliness according to this view is then not synonymous with electronic channels.

Increased cooperation with other government bodies

45. In many countries the government is actively promoting “a shared services culture”. This is needed to release efficiencies across the system and support delivery more focused on customers needs. Technology now makes this far easier than before. Shared services provide public service organisations with the opportunity to reduce waste and inefficiency by re-using assets and sharing common infrastructure?

46. Most revenue bodies are following this trend and cooperate with other public bodies, but the extent of the cooperation varies. Several revenue bodies have plans for integration of web applications both related to design and content. Some go as far as talking about a blurring of the different government bodies into one public administration that serves all user needs. There are, however, challenges associated with this, as experienced by a number of revenue bodies. The challenges range from security issues to terminology and organisational cultures to priority issues and resource allocation. Many of the government agencies have long traditions that are difficult to change over night, and sometimes result are expected too fast.

Example: Increased co-operation with other government bodies

Canada has a long history of achievements when it comes to improving service through governmental cooperation, particularly when it comes to the use of technology. Recently, its internationally acclaimed Government On-line initiative concluded. The Canada Revenue Agency has been at the forefront in working together with other government departments in developing common government infrastructure. The Secure Channel is the centrepiece of the government's common IT infrastructure, providing citizens and businesses with secure, private, high-speed access to the government's on-line services, as well as network services for all federal departments.

The Norwegian Directorate of Taxes has come far with their Altinn project as described below. Altinn is an example of successful cooperation across government bodies. It has been a very conscious and important strategic e-channel choice.

In 2002 the Norwegian Tax Administration, Statistics Norway, and the Brønnøysund Register Centre joined forces in order to create a common Internet
portal for public reporting. The portal was launched in December 2003, and has been in full operation from 2004. Today 19 government agencies in total participate and more are on their way in. Some of the other agencies are The Norwegian State Housing Bank, The State Educational Loan Fund, Norwegian Pollution Control Authority and The Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime.

It has been a very important strategic e-channel choice, and it has made it much easier for companies to fulfil their obligations to the government. Altinn means that they only need to interact through one portal with one password, it is easy to find the right form, they have an archive of their own submitted information, the users can either fill in the forms directly in the Internet portal or they can use their own IT systems to transfer data (for example salary and accounting systems or a year-end accounting package) and sign in the portal and there are no special demands for software programmes or equipment.

47. Experience indicates that it is major challenge to cooperate on solutions across government agencies. It is a slow process and a process where the government has to consider all participants’ needs and preferences. Sometimes it is necessary to give up short-term gains for long term, more enduring improvements. In many cases it would be much easier and faster to build a solution that is tailor made for a specific service. But, on the other hand, one common solution makes it much easier for the users who have to report to several agencies; this can mean that political backing is very strong and can open up other, long term funding models.

Customer relationship management (CRM)

48. Customer relationship management (CRM) is a well-known concept in the private sector, but the idea is also maturing in the public sector; in the future one will see further enhancements to support this approach. Most revenue bodies have expressed the view that they would very much like to be able to track contact with users across channels as part of a multi-channel strategy, as they believe this would be of great value both to the revenue body (efficiency) and the user (improved service). However, it needs to be recognized that the incidence of contacts with taxpayers will vary significantly across different segments of taxpayers, which may have implications for design and cost/benefit considerations.

49. CRM should ideally govern an organisation’s philosophy at all levels, including policies and processes, front of house customer service, employee training, marketing, systems and information management.

50. An efficient CRM system should at least be able to:

- Identify factors important to clients.
- Promote a customer-oriented philosophy
- Adopt customer-based measures
- Develop end-to-end processes to serve customers
- Provide successful customer support
- Handle customer complaints

51. But, implementing a full scale CRM solution is perceived as complex and costly. Therefore, not many revenue bodies have introduced these types of systems so far, but ATO has implemented such a full scale system as one of the few. One challenge is that contact made through traditional channels is more resource intensive to track than contacts via electronic channels.
Example: Customer Relationship Management system

Ireland has a CRM type of system, which they call iC - Integrated Contact system. The system was developed in-house, with a minimum of assistance from external consultants. It has been used by the Collector-General’s Division for four years, and was tested in pilot mode for a limited group of PAYE users for two years. It is now a well-established system and has been running for more than one and a half years for all PAYE users in all regions in the country. The system is subject to continuous development and the Division is now planning to expand it to include contact with all businesses.

The system is a repository of all contacts with taxpayers. When a taxpayer makes contact via phone frontline staff get an instant on-screen retrieval of all previous contacts with the taxpayer, based on the personal identification number. The contact registered in the system can be correspondence, email, phone, walk-in visit or any kind of self-service, including SMS text messages. (In addition, self-service transactions by the taxpayer that failed are also recorded). This provides a detailed contact history at customer level and makes it possible to perform analysis of contact channel trends etc. The contact is categorised according to predefined categories such as degree of complexity, whether urgent or not, region, status and some other categories. The developers have emphasised that the system should be easy for the staff to use when it comes to language and selection of categories (not too refined). The system has a number of benefits:

- **Instant viewing – no paper anymore.** The caseworkers no longer have to count and file post, or search for missing post. It also enables countrywide viewing of all post, and it reduces inter-district phone calls and emails. Different teams can see the same documents at the same time.

- **Full contact history** – All contact in all channels is registered.

- **Accountability** – System shows who is working on documents in real-time, and provides a full audit trail for all documents.

- **Management** – Correspondence is very easily directed to the appropriate team, and can be readily distributed and redistributed among teams and caseworkers, if necessary.

- **Statistics** – The system provides sophisticated correspondence and workflow monitoring statistics which is automatically generated. All manual counting is now eliminated.

- **Archiving** – Long-term savings on paper and storage of files.
3 A HOLISTIC CHANNEL APPROACH

KEY POINTS

- Transaction services are the “core business” of a revenue body, and the information and interaction services can be seen as services supporting the transaction services. All revenue bodies provide services in all categories.

- The goal for multi-channel service delivery is to provide the revenue body with a consistent view of the customer and that the customer experiences the revenue body as a unified and cohesive organisation. Tighter coordination and integration between channels is needed to achieve this than is currently the case.

- Electronic channels are playing an increasingly important role in a multi-channel service. Most revenue bodies have now made it possible for users to enter secure information and effect transactions.

- Most public bodies are there for the whole population and may have to continue offering traditional channels. The challenge is then to attain the right channel mix, based on a balance between user preferences and channel costs. Channel convergence might make this task easier.

KEY PRODUCTS

- An overview of the different channels in use, their technical and user characteristics, and their interaction and possible convergence.

- A measurement system that provides statistical data for further analysis of use of different channels

Which services do different revenue bodies offer?

52. Revenue bodies provide a broad range of services and products related to their different tasks. It can be everything from pure dispersion of information, via different types of guidance services, which often include a dialogue between revenue body staff and users, to different types of transactional services. These types of services are relevant to channel strategy discussions due to the fact that some channels may be more suitable than others for providing different types of services, and the users, citizens and organisations, may have different channel preferences, based on who they are and which service they require.
To approach the services in a structured way, and which is of relevance to channel use and users, the following categorisation is useful and inspired by the approach of the ATO:

Table 3.1: Service categories and examples

<table>
<thead>
<tr>
<th>Service category</th>
<th>Description</th>
<th>Examples of services</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information</td>
<td>Information services and products which are one way communication and do not result in a change to account status</td>
<td>■ Education</td>
<td>■ Timing volume: partly predictable</td>
</tr>
<tr>
<td></td>
<td></td>
<td>■ Publications (paper and web)</td>
<td>■ Size volume: flexible, can be influenced, revenue body initiate</td>
</tr>
<tr>
<td></td>
<td></td>
<td>■ Campaigns</td>
<td>■ Standardisation/automation: possible in many cases</td>
</tr>
<tr>
<td></td>
<td></td>
<td>■ Mass distribution of different types of info</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>■ Instructions</td>
<td></td>
</tr>
<tr>
<td>Interaction</td>
<td>Two-way communication, which in itself does not result in any change in account status.</td>
<td>■ Enquiry</td>
<td>■ Timing volume: partly predictable</td>
</tr>
<tr>
<td></td>
<td></td>
<td>■ Audit</td>
<td>■ Size volume: flexible, can be influenced</td>
</tr>
<tr>
<td></td>
<td></td>
<td>■ Guidance</td>
<td>■ Standardisation/automation: difficult</td>
</tr>
<tr>
<td></td>
<td></td>
<td>■ Debt collection</td>
<td></td>
</tr>
<tr>
<td>Transaction</td>
<td>Activity or services that result in a change in account status or account information.</td>
<td>■ Filing of tax returns, VAT etc</td>
<td>■ Timing volume: very predictable</td>
</tr>
<tr>
<td></td>
<td></td>
<td>■ Payment/refund</td>
<td>■ Size volume: can to a very little degree be influenced</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>■ Standardisation/automation: great potential</td>
</tr>
</tbody>
</table>

The transaction services are the “core business” of revenue bodies, and the information and interaction services can be seen as services supporting the transaction services. All revenue bodies provide services in all categories. The spectrum of services within each category varies from country to country, but more differences will be found when studying how these services are provided to users regarding choice of channels and the degree to which the revenue body is influencing the user’s choice of channel. There are also variations in the degree of service integration and how they are organised internally. This is what makes it interesting studying the different revenue bodies’ channel strategies.
Which channels are being used?

55. All organisations that have customer contact have at least one but normally many channels for providing different kinds of services. Over the last few years the options have increased significantly and will continue to do so. While private sector organisations can choose to close down or degrade certain channels, most public bodies are there for all and may have to continue offering traditional channels even as they introduce new ones. For each service, the revenue body will have to make channel choices taking account of the following sorts of factors:

- Which channels are suitable for which services?
- What are the costs and benefits for the revenue body and the user?
- What is the impact of moving a service/user from one channel to another?
- What is the best combination of channels to best meet all customer needs?

56. User requirements will also have to be considered when deciding on which channels to use for different services. General user requirements are: 1) Flexibility; 2) Accessibility; 3) Quality; and 4) Security.

57. Table 3.2 provides some insights as to the observed strengths and weaknesses of the different channels (not exhaustive) based on surveyed revenue bodies' experiences, while Figure 3.1 illustrates a typical channel hierarchy for the main channels offered which many countries use.

58. The goal for many revenue bodies is to move the contact volume from lower part of the triangle upwards (see Figure 3.1). Many revenue bodies have stated that the ultimate goal is to make interaction with them so easy that there will be minimal or no need to contact them at all. It is important to have public confidence in the tax system for this to occur. Australia refers to this in their strategic statement as “we are not visible to those who comply, other than when they require help, but we are highly visible to those who choose not to comply.” Within the UK, the goal is not simply to move contact volume to self-service but to manage contact through the most efficient channel that meets the needs of the customer and the organisation.

![Figure 3.1 Hierarchy of service channels](image-url)
## Table 3.2. Strengths and weaknesses of the different channels for service delivery

<table>
<thead>
<tr>
<th>Channel</th>
<th>Description</th>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
</table>
| Internet  | Web sites for one-way **information** dispersion from one to many. Web-based and therefore easy to link and combine information and self-services, and to update content. **Interactions**, such as the use of online calculators and other tools. If a secure environment, it can also facilitate interactions such as requests for advice. Web portals that include **transactional** services with secure log-in options, for instance e-filing | - Can be accessed 24 hours a day/7 days a week  
- Independent of time and place.  
- Very low cost per visit. Cost per visit decreases as accessibility increases.  
- Can address small segment needs in a cost effective manner  
- Can be personalised  
- Customers are happy to use internet, great acceptance  
- Present complex information in an easy way, if you do it right - have the text in front of you  
- Can push information to the client, either through list service or by placement of account specific information in secure space | - The user must actively search the information (pull).  
- Not all have access to internet  
- Content may be too general  
- Can be difficult to find the information you need  
- Transaction services and some interaction services may require rigorous security measures  
- Can trigger more contact with revenue body. |
| Electronic|                                                                             |                                                                                                                                            |                                                                                                                                         |
| Email     | Structured: mainly via web forms on internet  
Unstructured: free text from email program or website  
Can be with or without security solutions. Possible to use automated system for handling. Can give automated and/or manual response. | - Can send e-mail 24/7  
- Independent of time and space  
- Can present complex info  
- Many are familiar with use of email | - Often not a secure solution for sending personal information  
- Often expensive to operate  
- Difficult to meet client expectations, they often expect immediate answer (almost as a phone call).  
- Time sensitive and labour intensive  
- Can trigger more contact with revenue body. |
| Telephone | Calls to local tax offices or different types of call centres or contact centres (which also includes other channels). | - Immediate answer, interactive  
- Ability to probe effectively  
- Facilitates channel integration, e.g. co-browsing, click-to-talk Web/Phone integration and making face-to-face appointments  
- Often preferred channel by taxpayers  
- Can handle large volumes | - Can be high cost  
- Can be challenging to flexible capacity, in particular for peaks |
| **Telephone** -automated | Automated services that can provide both information services and interaction services, in some cases also transactional services. **Touch tone** systems - “press 2 for VAT” **Speech recognition** systems – IVR (Interactive Voice Response). The user receives information through the system through a recorded (digitised) or synthesised voice. Can retrieve virtually any kind of data. The system can ask questions like “what is your personal ID code”. | • Access 24/7. Independent of time and geography.  
• Can be very easy to use if properly configured  
• Low cost  
• Flexibility, popular | • May be limited to a narrow range of services  
• Low client tolerance, some people hate automated systems  
• Offers a poor customer service when poorly configured  
• IVR can be expensive and difficult to configure  
• Can be expensive for the user (phone charges)  
• May require referrals to other channels if user can not navigate system |
| **SMS** | Messaging via mobile phone. Can be used for notification services (outbound) and in a few countries filing or ordering forms (inbound). Example: Allow a customer to update/change tax credits, transaction, updated directly in the systems. Check status of correspondence. Allow customers to update change of address to their file. | • Access 24/7. Independent of time and space.  
• Mobile phone is a personal device that the owner always brings with him  
• Low cost  
• Easy to use  
• Appeals to young people | • Limited options, small screen  
• Security  
• People changing mobile numbers  
• Not yet the acceptance as channel for self service (still an emerging technology) |
| **Letter** | Outbound letters from revenue body, or inbound from taxpayers. Increased use of scanning for automation of handling process. | • Legally binding (if registered)  
• Most people are very comfortable with paper products | • Takes time from sender to receiver.  
• Time consuming handling.  
• Expensive to process |
| **Mass distribution** | Distribution of mass-produced written material like forms and brochures from revenue body to target groups or all taxpayers. | • Proactive from tax administrative perspective (push)  
• Most people are very comfortable with paper products  
• Suited for presenting information in a pedagogic way /logical order.  
• Easy for taxpayer to study content as many times as needed. | • Can be very expensive  
• Will also be received by many users who do not need the info.  
• Uncertainty related to recipients level of understanding  
• Tends to prompt high volume of low value inbound contact  
• Encourages traditional behaviour |
| **Written** | | | |
| **Fax** | Written documents transferred via fax, but are mostly handled as other paper documents. (Therefore grouped together with letters and other documents) | | |
| **Walk-in office** | Counter at local tax office, or counter at local public office shared with several other public agencies. Opening hours normally corresponds with normal office hours. Drop-in or by appointment. | • Provides direct and personal contact.  
• Allows for assisted self-service to encourage channel migration  
• If by appointment, eliminates waiting times. | • Limited access in time and place.  
• High cost  
• Less equitable, limited number of office mostly in larger urban communities |
| **Face to face Outreach activities** | Tax officers offer face-to-face services in public spaces like shopping malls, libraries, schools, railway stations, airports, place of business, etc | • Can target special user groups. From one to many – meet many at once.  
• Proactive. Can prevent unnecessary contact. | • Time consuming |
| Other | Interactive kiosks | • Can be available 24/7 if in a public space  
| | | • Low cost  
| | Can be placed in local tax offices, other public offices, or in public spaces.  
| | | • Security, vulnerable for hackers  
| | | • Can be uncomfortable to deal with your personal data in a public space.  

Convergence of different channels

59. Often a distinction is made between “traditional channels” and “e-channels”. But some of the so-called traditional channels are also changing rapidly, as a result of new ways of organising the channels and possibilities given by new technology. The traditional telephone service tends to be organised in call centres, and call centres are transformed into contact centres integrating several channels. In addition, new technology, such as VoIP (Voice over Internet Protocol), is changing the character of the call. A “call” may include voice, video and data conferencing. The technology is not very mature but a few revenue bodies are now implementing VoIP (e.g. Ireland). One of the advantages is that it may lower the telephone costs for the revenue body considerably. The technology also enables development of new integrated services for users, but the drawback is that it will only be available to users who have broadband Internet access.

60. The revenue bodies interviewed were asked about what they thought would be future channels, and they indicated that Interactive (digital) TV could become the next, although many found it hard to be precise about the timing and implementation of this channel. A few revenue bodies are now testing the future potential for services in this channel. Digital TV makes it possible to integrate video, text and data, and to make it “interactive” you also need a two-way connection with a “back channel” (which is one of the most challenging parts of the concept). One of the advantages with digital TV is probably the fact that a vast majority of the population is already very familiar with the TV as a medium.

The main developments of the different channels

61. In this part, some of the main developments within each channel in revenue bodies are briefly described.

62. The electronic channels are playing an increasingly important role in a multi-channel service and another way of looking at development of electronic channels is by looking at the level of maturity of these services. The model below appeared in the OECD report, “The e-Government Imperative” from 2002 and is a model adapted from the Australian National Audit Office (ANAO). The model shows the main strategic direction for e-services, which is expressed more or less by all governments and revenue bodies.

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Figure 3.2 Online Service Delivery Maturity

63. Stage 1 is normally a website that publishes already available information about service(s). In stage 2 the users’ ability to access organizations’ database(s) and to browse, explore and interact with that data is made available. While stage 1 information tends to be static, developing services to stage 2 allows users to access an organization’s database for publicly available information and to interact with the information to do electronic searches and calculations based on their own criteria.

64. In stage 3 transaction ability is added making it possible for users to enter secure information and engage in transactions with the organisation. Developing online services to stage 3 makes it possible for customers to enter secure information and to engage in electronic transaction. This stage of service delivery requires real-time responsiveness by government agencies to the service demands of citizens and businesses. It requires that agencies rethink online service standards, security and privacy protection, back office processes and relations among agencies for seamless service delivery.

65. Stage 4 features transaction including data sharing making it possible to share data with other government organisations and personal information when approved by law and/or with the user’s prior consent. It is particularly difficult to define a model for e-service delivery with regard to such advanced online services. In certain countries, sharing data among ministries or agencies is limited because of privacy protection legislation.

66. Most revenue bodies are now at stage 3, but within this stage a range of variations in services and strategies for further development can be found. There are also several revenue bodies and governments that are on their way to realising stage 4, with the challenges it entails for the channel strategy work.
Electronic channels

Internet

67. Many of the revenue bodies surveyed have made large investments in this channel and see this as their main arena for the future. Many of them started their electronic channel development by developing online services for one segment of users, most often business users. One revenue body indicated that it had saved business users a total of 477 man-years over the prior year. This was a result of developing online solutions and also cooperating with software package providers so that businesses use accounting software that supports revenue body systems with the software producing the necessary reports and filings to the revenue body in the correct format.

Example: Service delivery over Internet

Canada has placed high priority over the past several years on improving its service delivery over the web. As with most revenue bodies, the CRA has identified the Internet as the channel of choice to which it seeks to migrate as much customer interaction as possible. In keeping with most, the CRA site was created in the mid-1990's as a convenient communications vehicle. By the turn of the century, it became apparent that the success of online service delivery, take-up of self-service transactions (e.g. Netfile, My Account) and reduction of traditional service delivery methods depended on a strategy for managing the CRA Web site as a full-service channel.

As part of the Web Redesign Strategy, the CRA undertook an extensive review and redesign of the tax information on the CRA Web site (www.cra.gc.ca). As a result, a significant amount of tax specific content was tailored for the Web. One of the primary objectives in developing the CRA Web site as a full-service channel was to reduce telephone call traffic and to mitigate against any future growth. Thus, in order to prioritize information development, field offices and call centres were extensively consulted to determine the most popular questions asked of frontline agents. In doing so, not only were they able to establish a rollout plan for information development, they also gained invaluable insight into requisite navigational paths and content linkages for the Web site.

From the outset, managing the Web as a full-service channel not only meant allowing people to file tax returns and access general information, it also needed to have a clear direction on how and when personal account information would be made available electronically. In 2003, the CRA launched “My Account”, providing information on individual tax accounts or benefit entitlements. Since then the application has progressively placed more and more information at the clients’ finger tips and allowed them do an ever-increasing amount of personal transactions online.

Today, in order to access the services under the CRA's My Account for the first time, a client needs to register for Government of Canada Epass. Once registered, an individual can see most of his or her personal tax information on the CRA Website, such as summary of assessment/reassessment, account balance and payments on filing, and address and telephone numbers on file.
With My Account a client can also manage their personal income tax and benefit account online. They are able to do such things as change their tax return, authorize a representative, and formally dispute their assessment or determination.

In October 2006, the CRA launched “My Business Account” on the CRA Web site. The CRA plans to rapidly increase options under My Business Account throughout 2007 and beyond. With content redesign and the launch of an ever-increasing amount of online services, visits to the CRA Web site have risen significantly and continue to grow at an impressive overall rate in excess of 20% per year, coupled with a satisfaction rating of almost 80%.

Email

68. In 2005, a survey of email strategies solutions implemented in six member countries was conducted by the Forum of Tax Administration. The information note documenting the findings indicated that no significant breakthroughs had (to then) emerged in relation to business practices or systems approaches that could be clearly defined as “best practice”. This view was also reflected in the qualitative interviews conducted for this work which revealed the status of developments in this and strategic thinking generally in relation to email. It seems to be a problematic channel and presents service issues for all revenue bodies.

69. Several revenue bodies are finding the email channel to be a challenge. The characteristics of the channel are such that it can be more time and cost intensive than initially expected. Unstructured email poses the biggest challenge and it can take a long time to respond to such contact. One interviewee stated the following: “they don’t come with a question, they come with a problem”. This means that there often needs to be some communication back and forth until it becomes clear what the user is asking about so that the correct answer can be given – which might be a time consuming process.

70. Email can be offered in many ways, which also makes it difficult to place in one channel category. Sweden has defined four categories of contact: the technical meeting, telephone meeting, written meeting, and face-to-face meeting. For Sweden, email is interpreted as a written meeting and therefore a part of that strategy. For other tax administrations, it is mainly part of the electronic strategy.

71. Most revenue bodies do offer email as an option, but they do not promote the channel. Several revenue bodies also commented that they are mainly reactive to the user’s needs, as one interviewee put it:

“We do not have secure email so we do not promote that channel – but it promotes itself. We are actually not

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For further insights, see the information note “Management of Email”, prepared by the Forum on Tax Administration, Taxpayer Services Sub-group, January 2006. The note covers: levels of success, issues encountered and/or resolved, processes employed, systems in use, technical and security design and other relevant aspects.
leading on this, we are more responding to our customers because they are firing email at us”.

72. For the user, email is often seen as an alternative to a telephone call or a letter. For most citizens and businesses, email has become a natural part of the communication options and they will often search for an email-address at the website. Therefore, they also anticipate finding that option available within the revenue body.

73. The Netherlands does not offer email at all, and some other tax administrations have a very limited offer. One interviewee stressed that email should be a part of the e-channel portfolio: “Those revenue bodies that don’t have email, are sticking their heads in the sand, because email is there. If you want e-channels, email is part of the deal. You can not have web presence and not have email.”

Example: email management system

Although the Netherlands is not offering email as an option anymore, they have recently gained useful experience worth sharing.

For about three months, they tested an email management system for automatically categorising unstructured email. Seen in isolation, this was a well-functioning system. The emails had to be fed through a centralised structure which defined who was going to receive and answer the email. The only way to do that was via an email management system. The system structured the email, read it by help of word pattern recognition etc., and directed it to specific mailboxes. The agents then logged in to the mailboxes and handled the email. Initially it was the system, based on key words, which gave a suggestion for an answer but it was always a staff member who decided if the answer was correct. However, one of the main challenges mentioned was the knowledge base that the system depended on. It started with an initial knowledge base and this had to be continuously developed. Every time staff gave a new answer that was not generated by the base, the answer had to be added to the base. This way every answer would improve the knowledge base and within a year it had a success rate of around 80%. But this was a challenge for the staff, as it required a lot of discipline and time to follow up. In the case of the Netherlands, the same staff handled both incoming emails and telephone calls, but the telephone channel was so dominant that it had to be given priority. Piloting the email system also revealed a measurement challenge. Time answering both calls and emails was measured. Average time spent answering an email seemed to be dramatically longer than for telephone calls. In reality, it only reflected the fact that it was possible to leave the email open on the screen for a while and do something else while that is not possible when answering a call.

74. Most revenue bodies have now established call centre facilities. The next step for some of them is now to transform these into contact centres, where several channels are integrated including e-mail.

Telephone

75. The survey work revealed that no revenue agency had what could be described as a unified telephone strategy. However, several revenue bodies have been developing modern centralized call-centre facilities
to handle the bulk of phone calls. A number have also introduced VoIP technology. It seems like that in many countries the telephone is the preferred channel of many users for many services. Most agencies are working on reducing number of phone numbers.

76. With a 90-95% penetration the telephone will remain an important channel for revenue bodies’ universal access objectives. Call centres can be used as a stepping-stone for customers who do not want or cannot use electronic channels. The centralization of call management aims to improve a revenue body’s operations and reduce costs while providing a standardized, streamlined, uniform service for costumers, making this approach ideal for large organisations with extensive customer support needs.

77. Centralised offices mean that large numbers of workers can be managed and controlled by a relatively small number of managers and support staff. They are often supported by computer technology that manages, measures and monitors the performance and activities of the workers. Call centre staff are closely monitored for quality control, level of proficiency, and customer service. Working in call-centres is developing into a new profession in many revenue agencies (as is the case in private industry).

78. Many call centres use workforce management software, which is software that uses historical information coupled with projected need to generate automated schedules. This aims to provide adequate staffing skilled enough to assist callers.

79. The relatively high cost of personnel and worker inefficiency accounts for the majority of call centre operating expenses and is generally influencing outsourcing in the call centre industry. However, none of the surveyed revenue bodies are contemplating such a strategy.

Example: Call centre modernization

In Canada, call centre modernization began at the Canada Revenue Agency over 10 years ago. It was based on 4 key strategic components:

- Reducing the need to call
- Consolidation into fewer but larger sites
- Investment in call centre technology
- Implementation of industry call centre management practices

Over this period, a number of call centre initiatives have taken place to improve the overall telephone service delivery. The first major change was the introduction of an advanced call centre technology platform in 3 large call centres. Significant investment was made in these 3 sites with the introduction of Interactive Voice Response Systems and Computer Telephony Integration.

Next, regional and local 1-800 numbers were replaced with national 1-800 numbers followed by the introduction of telephone performance indicators in all 48 call centres, based on call centre industry best practices. Shortly thereafter, the CRA elevated its
General Enquiries and Business Window calls to national 1-800 networks. This resulted in the elimination of local calling. The introduction of these new national networks allowed the CRA to strengthen its business continuity capabilities and tap into excess national capacity that existed across the country. On the heels of their success, other national networks were created for different business lines, e.g. benefits.

With these successes behind them, a number of challenges emerged around the regional coordination and scheduling of agents in 48 sites across the country. The next round of activity for the CRA was to embark on a Call Centre Consolidation Strategy. A number of drivers contributed to the call centre consolidation effort, such as seasonal workloads, varying hours and the need for a flexible part-time workforce. Today, the number of sites has been reduced from 48 to 11.

Face-to-face

80. The general trend across countries is to aim for a reduction in the volume of users that are served in physical channels. One of the main reasons for this is that it is known to be the most expensive channel, and therefore efforts are made to reduce volumes. Some of the reduction comes by itself, as a consequence of the introduction of electronic and telephone channels and services. But at the same time, all revenue bodies feel that there will still be a need for the face-to-face meeting, as there are many user groups who have special needs or complex tax matters that are best solved face-to-face.

81. The general trends regarding the face-to-face channel are mainly:

- Reducing the number of walk-in offices.
- Increasing cooperation on common physical presence with other government bodies, municipalities and local authorities.
- Move from drop-in visits to increased use of appointment systems.
- Integration of other channels in the remaining face-to-face channels, such as telephone and Internet access.
- Increasing outreach activities – proactively meet the users face-to-face in their own locations, or arranged ad-hoc locations.

82. Many revenue bodies have reduced the number of walk-in tax offices in the past 10 years, often as a part of extensive reorganisation and modernisation programmes. In some countries it has involved a complex balance between stakeholders’ goals. The main driver for the revenue body has been to reduce costs and create larger, stronger units, which normally means closing down the smallest units. The central and local government also focus on district politics and viability of small communities (e.g. USA, Norway, and Sweden). In Norway reduction of the number of offices is an ongoing process.

83. Increased cooperation with other public bodies in one office seems to be a strong trend for the near future. Examples can be found for instance in the Netherlands, Norway and Sweden.
84. In Sweden a part of the strategy is to cooperate in common local public offices where and when it is natural. The revenue body is part of a collaboration project (the VISAM project) with several other public branches and has established a pilot with common local offices where users can get help with almost all government services. There is also ongoing local cooperation wherever it is convenient.

85. The UK has introduced a system where the customer has to make an appointment in order to see someone at the tax office. The end vision is that unless it’s an emergency you can only have a face-to-face service by appointment:

“In the new organisation we continue to deliver face-to-face service through a local distributed network of enquiry centres. However, we are implementing quite a significant change in design of our face-to-face services. Only those who actually need face-to-face service can access it by an appointment system, and for the others who come in to our face-to-face service they need to establish their requirement at the point of entry, and if they don’t need a face-to-face service they are directed to phones or to online services at the premises via computers. They can have their enquiry resolved this way”. (Source: Interview UK)

86. Several other revenue bodies also indicated that the development will go in the same direction. This often includes introduction of more flexible appointment hours, for instance after normal office hours, to provide better service to the users.

**Paper**

87. Revenue bodies are not investing heavily in this traditional channel but it will always have to be available since users should have the option of delivering their tax return on paper and because some interaction between the revenue body and the users have to be written in order to meet legal requirements.

88. One challenge that several revenue bodies identified was that their paper products in some cases are “too good” and are therefore preferred by the users for that reason. It is not generally an option to develop the paper products to less favourable standards than web based products. Instead, they ceased developing the paper products.

89. Many revenue bodies are now scanning incoming letters and forms to make the handling process more efficient. Ireland’s iC-system has already been mentioned. The ATO will image around 18.5 million of the expected 24 million paper forms and items of correspondence forecast to be received this financial year; more correspondence will be imaged and a new indexing and classification will be introduced. Also, a new enterprise content management system was introduced to improve the consistency and reliability of information via paper or electronic channels.
A multi-channel future

90. The goal for so called multiple channel service delivery is all about trying to achieve and maintain a single view of the customer for the provider – and a single view of the provider for the customer, in order to maximize the level of service. Emphasis is put on the channels being perceived as mutually beneficial. This means a tighter coordination and integration between the channels than most have today.

91. This integration challenge is outlined below using two different models. The first shows a multiple-channel service delivery. This is an environment in which channels and front office functionality are tightly integrated rather than separate entities and in which information that becomes known in one channel is not automatically shared with other channels. This means that the front offices are not aware of other contacts or services that are given to the user in another channel because there is no “central view” of the user. Functionality and databases are often built separately for each channel. The result is often a complex structure with a high degree of inefficiency and high maintenance costs.

Figure 3.3 Multiple-channel service delivery

92. This service delivery model should be familiar to many public sector service providers. This is first and foremost because they were very early adopters of new technology. In the early days of channel development this “thinking in silos” and vertical integration was more common and the technology needed for close integration wasn’t readily available. The more integrated view of channel management is something that has become more prevalent in the last ten years. The same is the case with banks etc.
The second model shows a more integrated and coordinated approach and is often referred to as Multi-channel service delivery. Here the data used by all the front office applications is stored centrally and shared with other applications. Storing data centrally means that it can be shared by the applications and it only has to be collected once. Central storage also means that users can access the services they want from the location they want, as the data will be retrieved from the same database. This also ensures that available data is identical in all channels and processes. In addition, this integration means that different channels can complement each other, thus improving the quality level of service and the service delivery.

Integrating online channels with conventional channels to create a seamless experience for the customer is of course the ideal situation. However, seamless integration is still more the exception than the rule because substantial obstacles exist. The challenges involve not only the technology but also the ways in which information from each division is leveraged across the organisation to promote business goals. From a purely technological perspective, integrating legacy systems with newer Internet front-end and back-end systems is both time-consuming and painful.

Securing the cooperation of staff responsible for channel development takes on added importance in a multi-channel environment. Because there are more channel options for reaching customers, managers of traditional channels may fear being bypassed by electronic channels, thereby creating potential conflicts and inefficiencies. One way of dealing with this is to appoint managers responsible for a customer group, leading the design of services including overall channel planning, joining-up presentation and delivery; branding and communication, and service improvements, and to represent their customers interests independently of their channel choice. In this way the roles and responsibilities of each channel by customer group and product are more clearly defined.
4 THE CUSTOMER IN THE CENTRE

KEY POINTS

- Sound user segmentation is seen by many revenue bodies as important, although challenging.
- The use of segmentation models varies according to purpose, but most revenue bodies divide users into individuals, companies, where companies again are divided into large companies and small and medium sized enterprises, and tax agents.
- Users need more effective channels that meet their requirements and give them increased access to high value added services. Examples are:
  - Choice of channels available
  - The security and confidence associated with the channel
  - Cost of using the channel
  - How accessible and effective the channel is
  - The inclusiveness of the channel
- Revenue bodies have started to approach their users more proactively, by conducting surveys and analysis on users’ communication preferences, and their perception of the communication. The insights from this research are then used as input to provide better service.

KEY PRODUCTS

- User segmentation reports
- User surveys and analysis undertaken at regular intervals

Customer segmentation

Segmentation

96. The user or customer of the revenue bodies’ channels and services is not a very precise term as it contains a very broad range of types of users. The degree of interaction will vary slightly due to the country’s taxation system and additional non-tax services the different tax administrations offers, but one will hardly find another public body which is dealing with such a large portion of the individual and
business population as the revenue body. This poses significant challenges for the revenue body when looking for the perfect channel strategy that suits all user needs. The main categories of users are normally defined as individual taxpayers and businesses. In addition, the tax agents, who assist many taxpayers, can be defined as a separate user group as they have some special characteristics.

97. User segmentation is an area that is of interest for many tax agencies. It enables differentiation by grouping users with common needs, attitudes and behaviour to maximise benefits for users and the organisation and increase value to users.

98. A good segmentation approach has the following characteristics:

- It will categorise customers into mutually exclusive and statistically valid groupings
- Within each grouping, customers are likely to have similar responses to revenue body services and treatments
- Between different groupings, customers will have significantly different needs and responses to our services and treatments

The same segmentation is not necessarily of relevance for all services. In Canada, from a tax filing perspective, individual and small business needs are quite similar, whereas they have distinctive needs regarding other services.

99. The interviews have shown that user segmentation is something that many of the revenue bodies see the importance of, but generally find challenging. The use of segmentation models varies according to purpose. As outlined in chapter five most of the revenue bodies divide users into individuals, companies, where companies are again divided into large companies and small and medium sized enterprises, and tax agents citizens.

**Individuals**

100. For marketing and information purposes the segmentation of individual customers is more specific, and publications, marketing material and information are adjusted (language and message) according to socio-demographic criteria like age (youth, pensioners, families), income and social status. Some revenue bodies also operate with life event segmentation, targeting users according to stages in their life such as education, starting a family, retirement, etc.) In addition, there are event segments such as people starting up companies, buying/selling shares etc.

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5 HM Revenue & Customs (2005): Managing customer interactions: HMRC Channel Strategy
101. Several revenue agencies use customer segmentation as a tool, but there are variations in how the segmentation is used. The UK tax administration states that customer segmentation enables differentiation by grouping customers with common needs, attitudes and behaviour to maximise benefits for customers and the organisation. A segment should be categorised by mutually exclusive and statistically valid groupings. Within each grouping customers will have similar responses to services and treatments and between the different groups, customers will have significantly different needs and responses to services and treatments. The objective of a successful segmentation is as a tool to migrate customers to the most appropriate channel to meet their needs at the lowest cost to them and the revenue body.

102. In the US socio demographic variables like income and age are seen as providing insights into taxpayer filing behaviour. The IRS has conducted an analysis showing that user behaviour is highly dependent on income and generation. Higher income filers and the older generations are more likely to use a paid tax agent and file complex returns and less likely to use electronic filing and receive a refund. Low income and younger generation filers account for the majority of tax filers and are more likely to electronically file a less complex return and receive a refund.

Example: User segmentation

In Norway an analysis of users conducted in connection with a channel cost analysis project showed that it was useful to divide users into segments in order to achieve a better understanding of their use of channels, preferences, value drivers (why they have the preferences they have), attitudes, and barriers. This insight was initially used to assess the potential for optimisation of their channel mix and will later also be used to make it easier to identify tailor-made measures aimed at segments to improve service and realise cost benefits.

The Norwegian tax agency found that the most suitable way to segment wage earners and pensioners was by educational level and age. The following segments were identified:

- Young and middle-aged (under age 60) with a high level of education (more than three years of college)
- Young and middle-aged (under age 60) with an average level of education (one to three years of college)
- Young and middle-aged (under age 60) with a low level of education
- Elderly over age 60

They also found that the most suitable way to segment business users was by size, organizational structure and use of third parties (accountants and auditors). The following segments were identified:

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6 Ibid.
<table>
<thead>
<tr>
<th>Description</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro-enterprises (excl. public limited companies) with fewer than five</td>
<td>enterprises (excl. public limited companies) with fewer than five employees who are in contact with the revenue body (with their own accounting function)</td>
</tr>
<tr>
<td>employees who are in contact with the revenue body (with their own accounting function)</td>
<td></td>
</tr>
<tr>
<td>Medium-sized enterprises (excl. public limited companies) with 5-99 employees</td>
<td>Medium-sized enterprises (excl. public limited companies) with 5-99 employees who are in contact with the revenue body (with their own accounting function)</td>
</tr>
<tr>
<td>Large enterprises with over 100 employees and public limited companies who</td>
<td>Large enterprises with over 100 employees and public limited companies who are in contact with the revenue body (with their own accounting function)</td>
</tr>
<tr>
<td>are in contact with the revenue body (with their own accounting function)</td>
<td></td>
</tr>
<tr>
<td>Auditors and accounting firms who represent enterprises without their own</td>
<td>Auditors and accounting firms who represent enterprises without their own accounting functions.</td>
</tr>
<tr>
<td>accounting functions.</td>
<td></td>
</tr>
</tbody>
</table>

When it comes to the Internet, determining accurate demographic user profiles can be challenging to revenue bodies due to privacy and confidentiality restrictions. Canada overcame this challenge by engaging a Web Audience Measurement Service to augment their integrated client intelligence framework. A Web Audience Measurement Service was used to analyse a representative sample of web users, to provide data about web user behaviour, web site popularity, and web user demographics. It provided key information over and above what could ever be gathered using in-house web-log analysis. The Service provided user demographic information, user segmentation information, and site popularity information. While keeping any particular client information totally anonymous, it provided statistics on unique site visitors, and repeat site visitors and longitudinal analysis using historic data (i.e. trend analysis).

The CRA also gained access to non-confidential data for thousands of other web sites – rather than the single site information offered by traditional web-log analysis. For example, using traditional log-file analysis the CRA can only extract information from the log files that it ‘owns’, whereas Web Audience Measurement Services provided information about thousands of other sites. This feature greatly facilitated comparative analysis across multiple web sites. The key requirement was that the panel needed to be large enough, i.e. greater than 10,000 users, such that the behaviour patterns were representative of the entire population of Canadian internet users.

**Businesses**

103. Businesses are often divided in different categories similar to individuals, i.e. large, medium and small based on some criteria, but also according to line of business, business life cycle (new, ongoing, and closed-down business) ownership structures, service, manufacturing, construction subject to taxation laws, etc.

**Tax agents**

104. Tax agents are a special group. They are users of the tax administration’s channels and services, but as intermediaries for the actual taxpayer. If you, for instance, manage to migrate one tax agent from paper to electronic channel, you potentially reach hundreds or even thousands of taxpayers (possibly all the customers of that tax agent). The user group has some fundamental characteristics. They are mainly professional users in the sense that tax matters are their
business and they are sometimes legal practitioners, accountants or auditors. In many countries these professions require authorisation and standards, which ensures high quality.

105. Some countries have other types of helpers than the professional tax agent. In Australia, USA, Canada and UK there is a network of volunteers who assist individual taxpayers often the elderly, those on low income or the less educated. Similarly, in Canada partnerships with financial institutions are largely effective in providing an efficient and effective channel for paying taxes owing.

User value

What is user value?

106. Earlier in the report the increasing sophistication of users and their expectation of effective, safe and easy to use channels have been described. This poses a challenge for revenue bodies. There are two main initiatives that could provide the users with better value.

107. Users need to be provided with more effective channels that meet their preferences and give them increased access to high value-added services. Examples of user requirements are:

- The choice of channels available to them
- The security associated with the channel
- Cost of using the channel
- How accessible the channel/service is
- How effective the channel/service is
- The confidence that the user places in the channel
- How inclusive the channel is.

108. Lowered cost to customers in using the channels, including reduced need for contact, reduced time spent in contact and lower direct costs of using channels are attractive to customers.

109. The challenge in today's multi channel environment is therefore to define innovative channel combinations that best meet users' expectations and are, at the same time, cost efficient to the provider.

110. There are however a few limiting factors that need to be considered. If a multi channel strategy is based primarily on cost analysis, channels with face-to-face interaction or physical presence might prove very expensive compared to electronic alternatives and would be discouraged from a cost point of view compared to the Internet. On the other hand, not all user groups might have access to the Internet and these users also deserve a good service level.
User value as a main driver in revenue bodies’ channel strategies

111. In most countries improving the customer experience is one of the major drivers behind channel strategy development. This is also the rationale behind the coordination of channels allowing the customer to use the channel best suited to their needs. On the other hand, a major element of their strategy is to direct the customer to the most cost effective channel that will satisfy their need. If a user has a need to interact with the revenue body face-to-face then that service will be offered to him/her, but users will generally be encouraged to use more cost effective channels. By putting emphasis on servicing user needs and recognising that users are different, the UK strive to provide a positive experience that is upheld and maintained.

112. Recognising customer expectations and needs has also been the foundation for channel strategy development in Sweden. Their goal is to have a simple system, a system that the citizens accept which is easy to control, easy to understand and that is not too costly to the users and to the revenue body. In their own terms, they have gone from focussing on control to focusing on service. Their assumption was that many taxpayers wanted to comply but that they were making mistakes unintentionally and that compliance would increase by focusing on service and information, influencing policy makers and initiating changes in the law to make it easier for users to comply. The shift from internal to external focus has also meant that they listen to their users to a larger extent than before. Today, user surveys focus on how the public would like to communicate with the tax administration, their opinion on the Revenue’s ability to communicate with them and the attitudes they meet when they interact with them. These surveys subsequently form the basis for different initiatives related to new methods and tools.

113. User value is often described in terms of meeting user needs and making the contact with revenue bodies easier, faster and more efficient. Australia have even named their change program “Easier, cheaper and more personalized”.

User value analysis

114. The focus of recent years on better understanding the users has led to more qualitative analysis tied to users’ experiences, attitudes and actions. In Sweden revenue bodies have started to listen to their users more proactively and conducted surveys and analysis on how the public would like to interact and communicate with them, how they perceive this communication and how they feel they are being treated by the revenue body. The insight from this type of qualitative analysis is then used as input in order to provide an even better service, also by addressing the underlying reasons for attitudes towards the revenue body and the willingness to comply.

115. Research done in the Netherlands looking at user behaviour identified certain industry groups that were much more predisposed to dealing
with the revenue body online. Based on that analysis, those groups would be targeted first.

116. Australia is conducting online services research with tax agent and business clients on an annual basis. The survey looks at what the blockers are for people to going online and what incentives might move people. The survey also identifies what attitudes people have around tax return filing and whether they are more predisposed to use paper or electronic channels. The main goal of the analysis is to understand how to make it easier and more accessible for the public to use different channels. They are also including the client impact and experience in their benefits realisation process for the Change programme.

117. In relation to phase 1 of their 2006 Taxpayer Assistance Blueprint the USA has conducted research to get a better understanding of taxpayers’ needs and preferences. Information has been collected through primary research such as surveys, focus groups, interview with stakeholders, employees and partners and secondary research gathered through studies, research reports and literature reviews.

118. Most of the revenue bodies will conduct channel specific analysis, often related to the Internet or telephone channel. In Ireland for instance they analyse incoming phone calls to determine the public’s top ten enquires in order to better understand why people are calling. The result of these surveys is then used as input in the channel design. Ireland is also about to introduce call recording. This will be used for quality assurance and for identifying further development areas.

Examples: User analysis in practice

As part of their 2006 Taxpayer assistance Blueprint, the USA conducted the Board Service Channels survey in 2005. This was a random phone administered survey of 1000 taxpayers, sampled to reflect the diverse national population. The purpose was to develop a better understanding of service needs and service channel choices by demographic factors such as income level, geographic location and language ability. Preliminary findings from this survey and the Pacific Consulting group Conjoint analysis indicated that taxpayers prefer the telephone and web when making a choice between service channels. When taxpayers were asked to provide their preference for service a majority indicated that the telephone, Internet, face to face and community-based channels are very or somewhat important when no qualifying criteria were applied. When qualifying criteria or service attributes such as distance, wait and response time or resolution percentage is introduced into the decision process, the likelihood of use changes significantly.

Canada has developed an integrated approach in gathering and analysing client intelligence. By pulling together information from a variety of sources, such as broad public opinion research (e.g. Citizen’s First), telephone surveys (e.g. Profile of Enquiries), and

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7 IRS Oversight Board: The 2006 Taxpayer Assistance Blueprint, Phase 1, April 24, 2006

8 Ibid.
Web site statistics and testing (Quantitative Benchmark Usability Testing), they are better able to understand what is occurring. This allows them to develop actionable business recommendations that drive continuous improvement to the service channels. A key component for analysing cross-channel client behaviour is a process called Smartlinks. Smartlinks is about integrating the web and telephone for improved client assistance and cross-channel performance measurement. Detailed client feedback drives immediate improvements to service delivery.
5 INCREASED AWARENESS OF COSTS

KEY POINTS

- The volume in high cost channels will not automatically go down as a result of the introduction of a new channel.
- There are three main initiatives that can reduce cost:
  - Reduce user contacts in costly channels
  - Use migration initiatives
  - Improve internal efficiency
- All revenue bodies focus on trying to serve users in the most cost efficient channels. Some prefer to see costs in an overall channel perspective/wider setting and not focus in isolation on cost of serving users in each channel.
- Related to channel costs, two aspects are of particular interest:
  - How large are the total costs (personnel, technology, other operating costs) for a given volume?
  - What are the marginal costs of each channel when increasing the volume?

KEY PRODUCTS

- A survey of costs, identifying all relevant costs related to a channel
- A cost structure analysis, distinguishing between fixed, variable, and marginal costs for different channel traffic

Channel costs

Reduction of channel costs

One of the key challenges in service delivery is how to reduce costs and at the same time provide efficient services. The volume in high cost channels will not automatically go down as a result of the introduction of a new channel. In recent years, particularly in the public sector, the fact that it is easier to get in touch seems to have led to an increase in the total number of contacts. Consequently, organizations must anticipate the need to provide support for new channels that offer greater accessibility.
120. Developing channels often involves substantial investment not only in technology but also in organisational capacity.

121. When looking at costs there are three main initiatives that can reduce cost and/or increase the efficiency:

- Reduce the volume of user contacts in high cost channels – or even reduce user contact all together.

**Example:** Reduction of the number of telephone calls

Australia has been seeing a reduction in the number of telephone calls. For example in 2004-05 the Tax Office received just under 11 million telephone calls which represented a drop of around 4% from the previous year. The introduction of the Tax agent Portal and the ability for agents to view their clients’ details has resulted in a marked reduction in the number of these types of calls. Further strategies to reduce calls have included the further development of Self Help IVR applications. These are designed to be an alternative to operator assisted service for high volume low complexity type calls, assisting in the reduction of call volumes to operators thus reducing queues, queue wait times and improving service levels with a reduced resource base. For example, an automated publications phone ordering system has recently been introduced.

- Reduce the time spent interacting with customer in costly (labour intensive) channels like face-to-face or telephone-based contact.

**Example:** Time saving strategies

In Australia, a CRM system allows phone operators to have client details available at the beginning of a call to reduce call times.

In Canada, transforming the in-person service from a walk-in service to a service-by-appointment is part of the Canada Revenue Agency’s long-term service goal to migrate Canadians to more affordable, accessible, and equitable service channels. 33% of public enquiries are handled electronically through the use of technological solutions such as IVR and click-to-talk Web/phone integration.

- Use migration initiatives to try and move users over to channels with lower cost.

122. Migration initiatives through active use of available incentives play an important part in the implementation strategy and are covered under that heading.

- Improve the internal efficiency through improved processes and structures “behind the scenes” and staff competence.

**Example:** Imaging of client correspondence

In Australia inbound correspondence is imaged, tracked and made available electronically to all front-line staff. As well as providing a complete view of a taxpayer’s client contact history for contact staff, this will ensure that client correspondence gets to the right tax officer in the first place.
123. Costs associated with serving customers in different channels are an important factor in channel strategy development. There are different cost analysis approaches to consider. Some of these have been identified in the OECD report “E-Government for better Government” and many of these approaches are also applicable for tax administrations. The interviews have unveiled differences in the focus revenue bodies place on channel costs. All revenue bodies focus on trying to serve users in the most cost efficient channels but some prefer to see costs in a wider setting, not focusing solely on the cost of serving users in each channel. They argue that if for instance a face to face meeting is perceived in a positive manner and the result is a more compliant and satisfied user then maybe that is better than a cost effective four minute phone call with no subsequent change in user attitude or behaviour. Analysis of the cost associated with serving a user in different channels often has surprising result. Several revenue bodies have for instance realised that email is a costly and time-consuming channel to use. It is also important to note that costs vary according to which service is delivered.

124. The UK saw their channel strategy in two steps in terms of cost and efficiency. The first point was to look at the interactions that actually took place and try to eliminate non-value contact, meaning contact that is avoidable for the customer and of no value for the tax administration. The second part was to migrate the users to more cost effective channels identified as phone and Internet.

125. In Sweden they have, as previously mentioned, focused on ensuring that users understand and know how to provide correct information and that this, together with trust in the revenue body will lead to increased compliance. If a cost analysis is to be conducted they believe that the costs of making unintentional mistakes also have to be included in the calculation along with the trust users and businesses have in the revenue service since this in turn will influence compliance.

**Reducing unnecessary contact**

126. Many revenue bodies report increased contact volumes in total. Some experience considerably reduced contacts for instance in the face-to-face channels but an increase in other channels which in total bypass the reductions. There seems to be a much lower threshold for contacting a public agency than before – they are becoming more service minded and open towards society, which makes it less “frightening” to contact them. They have also established new channels that make it easier to get in touch. This generates more contact, probably including unnecessary contact. At the same time the revenue bodies want to bring the volumes down. “Where is my refund” is a question that millions of taxpayers ask every year. Many revenue bodies ask themselves how they can avoid or prevent contact in the first place. Many contacts are a result of taxpayers unintentionally making mistakes when they try to fulfil their obligations to the tax authorities. A part of the strategy is then to find out how these mistakes can be avoided, mainly by provision of better information and making things easier.
Example: Reducing un-necessary contact

The UK’s review of growth in contact volumes across the channels indicates that overall volumes grew at a rate of 9% from 2004/2005 to 2005/2006. With limited resources, this growth cannot continue. In their work with reducing volumes, the UK has paid special attention to what they call non-value contact. Non-value contact is defined as contact that adds no value to the user and no value to the revenue body – and it has to be mutually non-valuable. Examples are progress chasing, and questions like “I can’t find the phone number to... can you redirect me?” Besides giving no value, it consumes contact centres resources and capacity, and also diverts resource from answering higher value calls. Therefore, a large part of the strategy is to significantly reduce the levels of non-value contacts into the organisation. They have started to aggressively analyse why the users are contacting them, and to use that knowledge to drive business improvements”.

In Canada, a great deal of attention is paid to the periodically run Telephone Profile of Enquiries Study. The purpose of the study is to gain a better understanding of what taxpayers are calling about. It also allows the CRA to determine the extent, if any, to which telephone enquiries have changed since the last study, gain information on service channel preferences; and analyse the information gathered to identify potential recommendations that may improve programme performance and services in various areas throughout the organization such as their telephone service, publications, web site, and returns processing. Understanding call profiles and drivers is a critical component in achieving the key strategic goal of reducing the need to call.

Channel Migration

127. Another way of reducing the costs of contact volumes is of course channel migration - moving contacts to a more appropriate channel. Australia is working across the organisation to influence migration, not just by making strategic statements.

128. They have developed a “Channel Migration Action Plan” which is a planning and reporting tool. As a means to making the strategy come alive, they use this tool to plan discrete activities to affect migration. The document contains recommendations, current trends, intended channel shifts, agreed channel migration targets and, not least, channel economics.

Cost analysis

129. Related to channel costs, two aspects are of particular interest.

- How large the costs are for the different categories (personnel, technology, other operating costs) for a given volume
• How large a percentage of each category is fixed and how much is variable? This is important because it is the marginal change in costs that is of interest when understanding the impact of changed channel use.

Example: Channel cost analysis

In Norway the revenue body has conducted quite an extensive cost analysis focusing on identifying cost levels in each channel. The purpose of the analysis was to enable the revenue body to make informed decisions on what combinations of channels, services and user segments were most suitable. They developed an activity based costing model that used process mapping to understand time spent and identified other costs associated with channel specific user contact.

The model includes costs that are incurred in connection with upholding and using a channel. What is classified as a channel specific cost is evaluated for each service; the costs are mainly variable costs. The model looked at three main categories of costs, personnel, technology and other operating costs. The costs were analysed based on how large the costs were for a given volume. This is an important distinction since the degrees of freedom to reduce personnel cost is different than for other operating costs.

Table 5.1 below shows a couple of examples for the cost analysis for individual taxpayers are presented.

Not surprisingly the paper channel is the most expensive channel for the provision of complex information enquiries (guidance). It is maybe more surprising that the cost of e-mail is very close to the paper channel. The high average costs are mainly a result of time consuming manual processes in these channels. The average cost for business users varies slightly from this. This is mainly because this user group has more complex enquiries and because all enquiries are registered and answered in a formal way.

In the Netherlands the revenue body did some cost calculations a few years back in connection with a CRM/IT investment. The costs per channel and cost per interaction were calculated. They did however conclude that their results were not significantly different from publicly available cost benchmark literature from other industries so they now use industry benchmarks as a guideline for their channel strategy development and migration plans.

The Canadian revenue body has also conducted cost analysis. In their cost analysis the cost per unit methodology was used for each type of activity: telephone, Internet, face-to-face and correspondence. All costs involved in the direct provision of the goods or services were included but not fixed costs. The analysis showed that counter and correspondence are the two most expensive channels whereas telephone and the Internet are the two most cost effective channels. The direct cost per enquiry was calculated by dividing the total salary cost by the volume (produced outputs).

The cost calculations show that correspondence is the most expensive channel followed by over the counter (face to face) and telephone. Internet is by far the most cost efficient channel when estimating direct costs.
This is not surprisingly in line with the service strategy hierarchy referred to in chapter 4., the exception being that correspondence and counter has “swapped” places in terms of costs compared to the preferred channels for revenue body to serve users through.

Table 5.1 Norway. Cost analysis examples

<table>
<thead>
<tr>
<th>Service category</th>
<th>Average cost for each type of channel (Norwegian krona)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Face-to-face</td>
</tr>
<tr>
<td>Complex information enquiry</td>
<td>53</td>
</tr>
<tr>
<td>Filing of tax return form</td>
<td>12</td>
</tr>
</tbody>
</table>

130. At present it seems that no country has started a full-scale channel cost analysis, the major reason probably being the dearth of relevant data; but also the lack of a sound model for analysing all relevant aspects of channel costs. In addition, quite substantial costs will be incurred in collecting such data when an automated cost system to do so is also lacking.

131. The USA is also planning to focus more on cost in phase II of their Tax Payer Blueprint. As one of their strategic improvement themes for improving taxpayer service they have identified short-term performance and long-term outcome goals and metrics. As a subset of this they will conduct research to better understand what the service delivery costs are by taxpayer segment and channel and what the relationship is between service cost by channel and service performance by channel.

132. Several of the revenue bodies interviewed for this report do however believe that it is important to have a clear understanding of their channel costs but are finding this type of analysis hard to conduct. The main reason is that it is difficult to find the right data since it is not configured to enable them to work out the cost of serve per transaction. The first step in this direction for several tax administrations is therefore to understand the types of data requirements needed to enable them to truly understand the cost aspect.

133. An alternative view, although not wide spread, is that if a user engages with the revenue body online, he/she will then call two or three times to check if that transaction has been recognised and is being processed. In terms of total cost to serve this customer, that online transaction is actually a very expensive one.
6 IMPLEMENTATION AND EVALUATION OF CHANNEL STRATEGIES

KEY POINTS

- The use of incentives in implementing channel strategy seems to be a relatively important tool in channel migration for revenue bodies.
- All revenue bodies use campaigns extensively to persuade the customer to choose the electronic channels for filing.
- The introduction of new channels and refocusing of existing channels will change the way tax staff interact, cooperate and meet customers. This may cause uncertainty and resistance to change from staff and needs to be dealt with in an appropriate way.
- The introduction of a measurement system that provides, in a reliable and consistent way, information on the efficiency of the channel strategy. For this purpose new procedures for performance and cost reporting must be established.

KEY PRODUCTS

- A migration plan for achieving the optimal use of different channels.
- A measurement system that provides senior decision makers with evidence for strategic channel choices.

Introduction

134. So far this report has shown that there are some general elements in channel strategy development that all revenue bodies agree on. All of the revenue bodies want to improve their service to users and they want to do this in an efficient way resulting in cost savings. For all of them the potential of utilising online services is formidable.

135. Research has shown however that it is a challenge to get users to change their behaviour. It is a known fact that many users are more comfortable with more traditional channels like the telephone than online, even in countries considered mature in terms of Internet usage. This is not confined to revenue bodies but applies to the public.
sector in general. Many revenue bodies are struggling to increase take up rates, and some are considering mandatory use of e-channels. Many of the revenue bodies rely on market communication/information to encourage take up of the new channels.

136. In the Netherlands for instance, the revenue body is very focused on communications and communication strategies. They frequently run television ad campaigns. They also use print media but are focusing on TV communication to raise public awareness and the tax administration’s image. The ads have changed over time alongside the changes in channel focus. A few years ago the ads would feature a toll-free number to call whereas today there is only a web address.

The use of incentives

137. The use of incentives in implementing channel strategy seems to be a relatively important tool in channel migration for revenue bodies. In some cases a new channel or service “sells” itself by being more time efficient and easier to use for customers and many revenue bodies have spent a lot of time and energy in making the online services easy to use, flexible and accessible in addition to providing good technological support. In the UK, mandatory electronic filing of Employers Annual Returns is pretty well advanced. A further programme to 2010 will extend mandatory e-filing to cover “in year” forms for Employers as well as Company tax returns and electronic payments.

138. In some countries like France, Ireland and Singapore they offer an extended filing period for users of online tax filing services. In USA the Free File website allows most tax payers to prepare and file their taxes online for free and also get their refund in half the time. This is the practice in Norway. There has not so far been a strong trend among revenue bodies to make certain channels mandatory, although several have made the electronic channel mandatory for the largest businesses. Most revenue bodies are however trying to make their preferred channels as attractive as possible for taxpayers, so that, for instance, declaring online would be preferred to paper regardless of incentives. The revenue bodies that have implemented mandatory electronic filing arrangements have typically targeted large businesses and have taken a cautious approach in an introductory phase.

139. In several countries local tax offices have had competitions and lotteries to encourage online filing.

140. It is helpful to distinguish between (a) incentives based on improved features and benefits (enabled by the characteristics of a channel, e.g. speed of electronic processing allows real-time confirmation) versus (b) incentives based on preferential treatment (if permitted by tax policy or administrative discretion, e.g. concessions or extra time to lodge or pay).

141. Improved features arising from the characteristics of a channel would be an example of increased ‘user value’ and is a way of sharing the
channel return on investment (ROI) with clients. The alternative of offering preferential treatment in order to persuade users to adopt a channel which they would otherwise not prefer will expend social capital without necessarily creating extra ‘user value’. 

For a more thorough and very interesting summary of these issues, see the OECD report “Strategies for Improving the Take-up Rates of electronic services”

The use of communication and mass communication

The use of communication, particularly mass communication, is an important means for all revenue bodies to provide their users with relevant information and to influence their behaviour and attitudes. 

All revenue bodies use campaigns extensively to persuade the user to choose the electronic channel for filing.

Australia had a very successful campaign in raising the awareness of small businesses to deal with the revenue body electronically. It was known internally as the “Cookie campaign” and used the image of a fortune cookie in its creative concept. This was a direct mail campaign accompanied by print, online and radio advertising. Over 3 million mini CDs were sent to taxpayers who lodged a quarterly BAS on paper. The CD contained information on the range of the Tax Office’s online services. 89% of businesses reported awareness of online BAS lodgement and the number of businesses registering for a digital certificate to enable them to begin dealing online increased over the life of the campaign.

Most revenue bodies are using written communication extensively. So do the Netherlands, but the Netherlands has been using television commercials even more since the early 1990’s. More than advising or informing people, the main messages in these commercials are aimed at influencing peoples’ attitudes towards the revenue body.

“I think we started using television commercials in early 90’s. We use print media also quite often, but I think we use the power of the television media a lot more. And we always put a corporate message underneath. For years we have had the statement, which is regarded as the most successful statement in advertising in The Netherlands: “We can’t make it nicer - we can make it easier”. It is really a famous one here in The Netherlands and we put it in every ad, every print. Our communication strategy is very much about marketing. What most do is that they say, “You should quit smoking” and that sort of messages. It never works. We never say, “Pay your taxes”! What we actually did is that we used television communication to raise public awareness, and you could almost say to make the revenue body more popular. We think that if a revenue body becomes less ...

OECD information note Strategies for Improving the Take-up Rates of electronic services, March 2006
hostile, shows that there are normal people there and it is an open and flexible organisation, it is in the service of the society, and they can laugh too, they have humour. That actually makes processes easier for our offices, makes the public less wary of taxes and paying taxes etc. There are a couple of things we never do. We never say “Pay taxes”, we never have any sort of advertising on “It’s good to pay taxes because then you can build bridges”. We say that we are a collecting agency, don’t talk with us about how money is being spent.” (Source: Interview, the Netherlands)

148. Many revenue bodies target campaigns at specific user groups, like youth who will be the future taxpayers. This may be the user group where revenue bodies show the most creative approaches, often by using the target group’s preferred channels, media or their own arenas like schools etc., as in Sweden. In an Internet campaign targeted at youth and undeclared work, instead of using their own website www.skatteverket.se, they took a more proactive step and launched the campaign at www.lunarstorm.se to get in touch with the target group. LunarStorm is the largest and most well known dating service for young people in Sweden, with 1 200 000 visits every week.

149. Communication should be consistent with your strategies. An example could be around clear sign posting, where the UK found that they were sending mixed messages to the user on how to get in touch with the revenue body. When they reviewed their phone directories they found that their sign posting within those was not channel strategy consistent. They directed everyone to face-to-face. This was changed so now an online banner is placed on top of every ad so when users look at it the first reference is to online and if that is not what they were looking for; the next contact point offered is the phone and so on.

Organisational Considerations

150. The development and implementation of new channel strategies is bound to affect the revenue bodies’ internal organisation. Though a move to a customer centric channel strategy may seem a good idea, it does not mean that it will be accepted or supported by everyone in the organization. The introduction of new channels and refocusing of existing channels will change the way people interact, cooperate and meet customers. This can cause uncertainty and resistance to change.

151. Sharing information, keeping employees continuously informed and discussing the meaning of the new strategy with them can help generate a common internal understanding. Employees can also get involved in the design phase and managers can provide incentive for employees to become engaged. These actions can help in getting people involved and allow them to become an important factor in transformation.

152. A focus on competence development and sufficient training are also factors that will most likely contribute to a positive internal momentum. Several revenue bodies have highlighted the importance of having highly competent employees in front line roles,
especially as there is a trend for general enquiries to be dealt with electronically whereas more complex enquiries will be handled by telephone or face to face. The Canada Revenue Agency is transforming the way that staff get information. In the fast paced and ever-changing complex world of the front line tax agent, information needs to be at the user's fingertips. Under Training Modernization emphasis is placed more on learning rather than up-front training. Agents, who were traditionally information holders, now find themselves more and more as information seekers. New tool sets, such as online interactive manuals and just-in-time multi-media desktop training packages, are being developed to meet this new reality.

153. It is also important that senior management takes a proactive role, that they are visible and accountable throughout the process. In the research interviews done for this report, several of the interviewees stressed the importance of having top management buy-in and dedication in order for the channel strategy to become an integral part of the revenue bodies' strategic processes. As expressed by one respondent: “the strategy needs to be continually communicated and explained so that it doesn’t get “lost” in the daily operations. You need to keep the fire burning”.

154. Several of the revenue bodies have gone through reorganisation efforts over the last few years. In Ireland for instance, the revenue body has gone from a highly centralized system to more independent regions. The role of the centre is to manage the autonomous units, making sure that the strategy is followed and that there is a consistency in standards. A certain amount of friendly competition between the different units is also ensuring development of the channel strategy and successful local initiatives are being introduced to the whole organisation so contributing to the national strategy.

155. The interviews also highlighted the importance of having someone who has overall responsibility for the channel strategy development. If the accountability gets divided up, projects and tasks run the risk of not being co-ordinated and the “bigger picture” might be lost.

156. It is also worth mentioning that channel strategy development takes time. Some of the revenue bodies operate with 5-8 year time frames when talking about their channel strategies. Also IT infrastructure changes have a longer planning, budgeting and implementation timeframe than communication activities. It is a complex development process and is likely to involve technological developments and so it is also important to have a long term focus and have patience. Change will not come over night but a lot can be achieved by focus, patience and dedication of resources.

157. Introducing new channels needs to be viewed from an enterprise perspective. While there will be savings and efficiencies in some areas, the same measure will create increased costs and efforts in others.
Measuring successful implementation of the strategy

158. Measurement is necessary but not at the expense of organisational performance and it is very important that both quantitative metrics and more qualitative measures are able to describe how the strategy is working.

**Example:** Evaluation against a set of balanced measures

In the United States all IRS service channels are evaluated against the balanced measures categories, including employee satisfaction, customer satisfaction and business results. However the definition of similar performance metrics such as accuracy differ across channels, as do the availability, collection processes, and quality of data, which all limit cross-channel comparative analysis.

159. Several of the revenue bodies have found it challenging to establish a baseline from which to analyse channel strategy improvements. In many cases the goals are also set before the baseline is known. Similarly to the data difficulties related to cost as discussed above also, there are challenges tied to the data systems not providing appropriate data. There are also some restrictions in place related to the type of data that the revenue body is allowed to combine due to protection of personal privacy issues etc. As already mentioned, collecting data is costly and if the benefit of spending more resources and improving the measurement system is outweighed by the costs the existing measurement system, at least for the time being, should be considered to be good enough.
CONCLUSION

A consistent approach when changing channel use patterns

160. First of all, the contribution recent developments in information technology have made to improvements in service delivery to the taxpayer cannot be emphasized strongly enough. Any customer-oriented revenue body must make use of these new tools in order to make the taxpayer's dealings with the revenue body easier, cheaper, and more personalized, thereby also promoting voluntary compliance.

161. To make use of information technology in an efficient and effective way a consistent approach must be followed. At the very start, strategic objectives for service delivery through different channels must be set and an analysis undertaken to measure the gap between current channel practices and the preferred ones. A prerequisite for a sound gap analysis is a good understanding of taxpayer channel preferences and behaviour, combined with a relevant and realistic channel cost model.

162. Implementing a strategic plan is always a big challenge and a channel strategy is no exception. Incentives and disincentives must be created to change the behaviour of taxpayers. Changing the working patterns of internal staff may also be necessary. The incentives must be consistent and promote the strategic objectives. And even a well-prepared plan must be measured against reality to find out whether the plan did achieve its goals and, if not, what changes are necessary.

Key advice

163. Some key advice relevant to this process, emphasised in this guidance note and presented as guiding principles in the note, includes the following points:

- Develop a consistent and future-oriented channel strategy to improve service delivery and voluntary compliance
- View the different channels in a holistic way, having different roles to play for different customers
- Ensure a good understanding of your customers through surveys, channel metrics and involvement in administrative channel design
- Put in place a channel cost model that supplies essential information in a targeted and efficient way
- Establish mechanisms, such as incentives and marketing, to promote the strategic objectives
ANNEXES

ANNEX 1 – CHANNEL STRATEGY DEVELOPMENT IN DIFFERENT COUNTRIES

Australia

The Australian Taxation Office (ATO) first developed its channel strategy in 2003. The main driver for the strategy was its administrative reform program known as the “Easier, cheaper, and more personalised programme”, which began as a community-driven initiative to improve taxpayers’ experience in tax administration. The ATO’s understanding of channel strategy is the following:

A “Channel Strategy” is simply a plan for (1) determining which channels we want clients to use for different purposes, and (2) determining which channel the ATO should use to meet it’s objective.  
(Source: Tax Office Channel Strategy overview, presentation 21 Sept 2005)

The ATO expresses the following strategic intent:

“The Tax Office will promote the use of particular channels to achieve the following outcomes:

- Clients will use channels that improve their experience when dealing with the Tax Office; and

- Costs for both clients and the Tax Office will be as low as possible.”

- A successful channel migration strategy will contribute to confidence in the Tax Office and the tax system.”

Based on combined research, analysis of client preferences, Tax Office requirements and channel characteristics, a hierarchy of channel preferences has been identified for each service type. Getting the right balance of these elements will achieve the optimum channel mix. Over time, due to changes in one or more of these elements, the hierarchy will need to be reviewed as it may need to change accordingly. In the figure below, the first mentioned channel is the preferred channel for the particular service or product type.
So the approach is a channel migration strategy where they have defined recommended channels for the different types of services offered. Australia is very explicit in their statements and says that their channel strategy differs according to the type of service that their users require. They define the channel preferences according to the service type classification (as described in chapter five) and state that for transactions and information the web is the preferred channel whereas phone is the preferred channel for interactions.

Canada

The Government of Canada has a long history of improving the quality of service to the public through better managing the channels through which it is delivered. For over 2 decades specific government-wide initiatives have set the direction for strategic channel management. Early client-service orientation soon led to the establishment of published service standards, performance measurement and heightened channel scrutiny by all, including the Auditor General of Canada. From Public Service 2000 and The Service Improvement Initiative to Government Online, service delivery priorities have been set nationally.

The Canada Revenue Agency (CRA) has traditionally been and remains at the forefront of service delivery and excellence in channel management. CRA strategic channel priorities are an inherent part of the Corporate Business Plan. Clear statements of purpose, such as “Improve efficiency of taxpayer service in all channels” and “encourage the use of self-service options for enquiries and information services” provide the necessary direction for efficient and effective channel management.

Overall, the main objective of all CRA channel strategy undertakings remains the same, i.e. taxpayer migration towards more affordable, accessible and equitable service channels. Initiatives such as the establishment of the 1-800 telephone network, enhanced Web presence, and taxpayer access to secure online information and transactions were all undertaken with this in mind.

Ireland

Ireland’s channel strategy work can primarily be found as part of their customer contact project, which is one of the first steps in their current channel strategy work. The vision for the project expresses what they would like to achieve:
Minimise contacts and maximise automated self-service. Contacts should be easily made, routed to right person, recorded & tracked, resolved quickly.

This is a more operational approach than seen in some other revenue authorities. In general, the strategy is to work in a multi-channel environment. The point of departure for the channel strategy work is the different user groups, and they are pursuing developments and improvement of services based on their needs. Currently they are focussing on the PAYE\textsuperscript{10} client group, due to the fact that they are defined as a “problem area” at the moment. The challenges are mainly increased contact volumes and keeping up with customer service standards for this group. Therefore, they are the focus for the current strategic work which is to develop a contact strategy. The goal is to reduce contact, and in particular reducing face-to-face contact. As a result of this approach, the time horizon of the current strategic work is shorter.

**Norway**

The Norwegian revenue authority has no unified channel strategy document expressing their channel strategy. Instead, important guidance is expressed in the main strategy, in lower level strategies and in particular a separate strategy covering electronic channels for transaction services. Some of the strategies are also expressed in a more indirect way through different activities with projects and decisions at management level forming more emergent strategies. There is also a consistent understanding at a management level that guides decisions they make as a result of channel strategic issues being constantly on the agenda.

As one of the interviewees said….. “We have been talking about channel strategies all the time – without using that word – we have talked about where users are meeting us.” When asked about how they define a channel strategy, they say that….. “It is about the whole communication with the users, the exchange of information in total”.

The revenue body’s high level strategy document “**Strategies 2005-2008**” identifies three strategies:

- We will make it easy to do things right
- We will fight the underground economy and tax crime
- We will cooperate actively with others

The strategies are not very detailed but are still quite explicit about some channel strategy elements such as the following statement related to the first strategy:

> “Our services will be available electronically. We will develop our relations with users through web-based services, telephone and personal contact. Taxpayers will receive assistance at tax offices regardless of the nature of the tax problems needed to be solved.”

\textsuperscript{10} The PAYE client group are largely employees and constitute the vast majority of individual taxpayers in Ireland. Under Ireland’s personal tax arrangements they generally are not required to file annual income tax returns.
The third strategy also contains central elements of the channel strategy:

“Web-based services are developed in cooperation with other businesses and public agencies, and we will be represented in public service centres.”

As can also be found in many other revenue bodies, there is a separate strategy for all electronic transaction services and channels “Strategies for electronic reporting 2005-2008”. This has of course been a focus area as the interviewees emphasise: “we have been very focused on reporting of data because of special challenges related to logistics, volumes, quality of data, and the types of efficiencies we can achieve in this area. To start using electronic services to do this, part of the communication has been about more efficiency as an important driver for this department”. The e-strategy ensures a unified approach to an important area of the channel strategy dimension.

The strategic statements and how these will be achieved are:

• Value for external and internal users
• We will prioritise those filing arrangements that gives the most value for our users
• User friendliness and user interface

We will offer user-friendly solutions with a uniform user interface adjusted to prioritised target groups.

Volume and frequency:

• We will prioritise those reporting/filing arrangements which have high volumes and frequency.

Regulations development:

• Regulations development will/shall contribute to make electronic reporting to a preferred channel for reporting, both for individuals and businesses/organisations

There is a strong long-term link between the strategic statement “We will cooperate actively with others” and the e-strategy. Norway chose at a very early stage of the electronic era (before web technology/solutions was a reality) to cooperate with external bodies and public agencies to develop technological solutions and services for the citizens and businesses. This approach is in line with the Norwegian Government e-strategies, “eNorway 2009”\(^\text{11}\). According to this strategy, business and industry will have a common gateway for all electronic services from the public sector. One of the goals is that by 2008, all official forms shall be available electronically through a common user interface.

Recently, Norway has undertaken several studies related to channel strategies. First, a pre-study to uncover the organisation’s understanding and approaches

to channel strategies, and then to synthesize the actual strategies that the revenue body seems to have or live by.

The study revealed that the revenue body was lacking some basic knowledge about their channels and service delivery. Second, the study resulted in an extensive cost analysis to estimate the unit cost and total cost of delivering the major services in the different channels. At the same time, a study of the user’s preferences, benefits and barriers for using different channels for different services, was undertaken. These two studies were then integrated.

At an early stage of these studies top management considered whether it was necessary to develop a more unifying channel strategy document or not. They decided that having gained the knowledge and insights described above, it was sufficient to continue initiating further actions in the channel and service delivery field without developing new strategies. Consequently, the Norwegian revenue body will continue to operate an action oriented strategy approach. Last year they also launched a project that will develop a completely new call centre service covering the whole country, and the revenue body will aim to solve several related channel strategy issues within that project over the next couple of years.

Sweden

Sweden represents one of several revenue bodies that have no separate channel strategy and no channel strategy document but that still have a specific and clear focus on this strategic dimension. The strategy is developed and formulated in relation to the main strategies and several underlying strategic documents and studies. When asked about where the channel strategies can be found, the interviewees did not hesitate to refer to the following documentation:

- “Strategic directions 2003”
- “Business plan 2006”, which includes goals towards 2012
- The report “Right from the start – research and strategies” from 2005
- The report “Meeting the citizen” (Medborgarmøtet, 2002)
- “Strategic directions 2003 –“include vision, purpose, end vision for 2009, long term goals and strategies. One of the overarching strategies is the following:
- “Offer attractive and easy to use services which are based on citizen’s demands and needs, resulting in a release of resources” (authors’ own translation)

The illustration in Figure 2 below, which is now well known in the organisation, shows the different forms of meetings with citizens and businesses and the development that Sweden is working towards. The arrows represent the directions in which they would like to migrate the user contacts. More detailed strategies are developed for the technical meeting and a few other areas.

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12 The report “Right from the start” can be found in English here: http://www.skatteverket.se/download/18.6121476d10702eaf567b80002569/rapport200501_eng.pdf
The overriding purpose of the channel strategy is to enable the taxpayers to do right from the beginning.

In 2001, the Swedes initiated the programme “Meeting the citizen“. The programme, which was finalized in 2002, has formed a very important basis for the channel strategy thinking in the Swedish revenue body. The new contribution of this programme was the unified approach to all meetings or contact points with the users in all channels. The goal of the programme was to identify a long term direction for the different meetings (the four circles in the figure above), and not least that the directions should be based on the demands and needs of the citizen. Further, the work should lead to action programmes and development of new methods and tools and changed ways of working to become better at developing the meeting with the citizens and businesses.

The Swedish channel strategy consists of strategies for the different meetings. The personal meeting strategy was the first strategy developed. An interesting aspect here is that this strategy is more focused on modernising a traditional channel than many other revenue bodies’ strategies for physical presence. Other revenue bodies are mainly focusing on reducing the number of offices and visits.

Some highlights from the face-to-face strategy:

- The tax authorities will be represented, in one way or another, at considerably more locations than today.
- The tax authorities will seek to cooperate and be co-located with other authorities, including municipalities
- Continuously develop the face-to-face meetings by help of surveys
- Continuously take advantage of new technology to develop the face-to-face meetings

Strategy for the technical meeting:

- Increase the number and improve self-service services on Internet, to increase the availability for the users
- Cooperate with other government bodies
Strategy for the telephone meeting:

- The revenue body will be available on telephone at times that meet the needs of citizens and businesses.
- Our telephone service will be organised in special telephone units with high competence and degree of service.
- The regional telephone centres will be organised in one telephone service covering the whole country.
- If regarded as an improvement of availability/service, we will cooperate with other public bodies or organisations.

Strategy for the written meeting:

- We will strive towards reducing the number of written requests during a case, and instead use telephone or email.
- The written language will primarily be adjusted to the recipient and not any possible legal steps at a later stage.

**United Kingdom**

The UK has a clearly defined channel strategy, which is stated as follows:

“Our channel strategy means the active management of contact with customers to best meet their needs while minimizing the overall cost of contact and maximizing compliance. We will actively manage channels by using a directive and differentiated approach.”


Further, their strategy outlines that an integrated channel strategy is more than an online strategy. It addresses all channels, recognising that customers use a combination of channels to complete transactions and those different channels may be appropriate depending on a specific situation. The strategy also emphasises integrated management of channels since this allows a more meaningful “total cost to serve” metric, in place of a channel centric view of costs that might save costs in one channel but add cost to another. The strategy also places significant emphasis on the customer experience stating that “a good customer service is not a “nice to have””, and that understanding the drivers of customer experience helps understand customers which brings direct business benefit in efficiency and improved compliance.

The UK’s channel strategy work represents a top-down and long term approach. The time horizon is divided into several stages, with year 2008 and year 2011 as milestones, but they also operate with a time frame beyond as they do not believe the strategy will be fully implemented in 2011.

A main driver for the strategy itself is coordinated and integrated channel management. It has therefore been important to bring the channels together under the responsibility of one manager. The ownership of the strategy rests with the Individuals Customer Unit, on behalf of all the customer units but responsibility for delivery of it sits in their Customer Contact Directorate which manages the day to day running of all the channels. A very interesting feature is that the UK has established a dedicated team within their Customer Contact Directorate whose main responsibility is to operationalise the strategy and drive
implementation it across all channels and services. The team was established in September 2005 and now amounts to about 13 employees.

Within the main strategic statement the UK has developed three types of implementation themes; these are directive, differentiated and foundational themes - 20 themes in total. The concept being that... “if you could populate those themes with activities supportive of those themes, you are in essence, delivering the strategy”. The most significant example of the directional theme is mandating, which is at the hard end of the directive approach. End of year electronic filing by employers for PAYE has already been incrementally mandated depending on the size of the employer and, over the next four years, filing of returns for Corporation Tax and VAT, plus in year PAYE electronic filing for employers, will follow. In addition, in 2008 the paper return filing date for Individuals will change from 31 January to 31 October with those filing electronically retaining the original 31 January filing date.

Other central elements to the UK’s Channel Strategy include targeted channel migration for both individuals and businesses based on a customer segmentation approach. The segments recognise the differing propensity of customers to use the available channels and are used to inform the migration strategies being deployed to move customers across the various channels.

United States

Traditionally, the USA has had a strong focus on managing their channels and service delivery, without having one single document describing the whole strategy dimension. Instead they have had a number of strategies that also have governed how they have dealt with channel management.

On top of the strategy hierarchy the US has an e-Government strategy. This provides the main directions and the goals to make it easy for citizens to obtain services and interact with the federal government, improve government efficiency and effectiveness and improve government’s responsiveness to citizens.

The channel strategy is represented in the IRS strategic plan 2005-2008, where one of the three main goals is to improve taxpayer service. Means and strategies to achieve this goal are:

- Increase the scope and accessibility of services offered electronically.
- Deliver focused education, outreach and alternative services directly and through stakeholder relationships, especially for those taxpayers not utilizing electronic services.
- Provide tools to ensure accurate, timely and accessible responses to tax law and account issues and inquiries

The USA has been through an extensive modernisation process between 1998 and 2001 and a modernised channel infrastructure was a part of that programme. Further, each operating division within the IRS has developed Concepts of Operations designed for the future which also describe channel management strategies.
The USA is now entering a new phase in their channel strategy development. The Taxpayer Assistance Blueprint (TAB)\(^\text{13}\) can be seen as the next major step related to channel strategy, representing a more holistic approach. The US has recently undertaken a comprehensive review of its current portfolio and will develop a five-year plan for taxpayer services. It builds on several years of both planned and actual operations improvements and also addresses recent signals from Congress. The TAB will include long-term goals that are strategic and quantitative, and balance enforcement and service. In phase 1, a set of strategic improvement themes has been developed, based on research, analysis and studies. Phase 2 will produce the five-year plan. See the illustration in Figure 3 below:

**Figure A3 TAB Phase 1 and 2, timeline and outcomes**

Strategic improvement themes identified in Phase 1 are:

1. Improve and expand education and awareness activities
2. Optimise the use of partner services
3. Elevate self-service options to meet taxpayer expectations
4. Improve and expand training and support tools to enhance assisted services
5. Develop short-term performance and long-term outcome goals and metrics

Phase 2 will validate these themes through further research and develops the five-year plan for service delivery.

As with many other revenue bodies, the USA has a separate strategy for electronic channels and services. In the document “IRS e-Strategy for Growth”, the following vision is presented:

“The future vision of IRS electronic tax administration is one in which any exchange or transaction that currently occurs in person, over the phone or in writing can be accomplished electronically”

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\(^{13}\) “The 2006 Taxpayer Assistance Blueprint”, phase I, April 24, 2006 can be found at: http://www.irs.gov/individuals/article/0,,id=156394,00.html
The USA has formulated nine key strategies:

1. Make electronic filing, payment and communication so simple, inexpensive, and trusted that taxpayers will prefer these to calling and mailing.
2. Substantially increase taxpayer access to electronic filing, payment, and communication products and services.
3. Aggressively protect transaction integrity and internal processing accuracy.
4. Substantially reduce IRS electronic filing per return processing costs.
5. Deliver the highest quality products and services as promised.
6. Seek the best people, ideas and partners to ensure success.
7. Create a work environment where employees and partners are skilled, informed and empowered to succeed.
8. Partner with states and other governmental entities to maximize opportunities to reduce burden for our common customer base.
9. Encourage private sector innovation and competition.
ANNEX 2 – INTERVIEW GUIDE AND PROCESS METHOD

Interview guide

General introduction to the interview

- Introduce the interviewee to the project and purpose of interviews – they are also informed about this beforehand

1. Facts about your revenue body – channels and services

- Which channels does your revenue body have?
- What types of services does your revenue body provide?
- Only tax, tax/customs, other services like student loans, public registers, social benefits etc?
- How are your channels and service delivery organised?
- Part of tax agency’s organisation, centrally or locally?
- Joined up with other public sectors (e.g. public service centres or portals)?
- Outsourced?

2. What is your channel strategy – choice of strategic directions?

- To what extent does your revenue body have a clearly defined channel strategy, or service delivery strategy?
- What are the main features of your channel strategy?
- What are the main areas and directions?
- How far out does your strategy take you into the future?
- How specific is the strategy? (general terms <-> operational)
- Do all channels or only specific ones form part of your strategy?
- Which choices were made regarding existing and planned channels?
- What inspired (or forced) your organisation to develop channel strategies?
- Need for cost cutting, new technology, organisational changes, demands from the government, the public or others, inspiration from other organisations, etc?
- What is the relation to the revenue body’s main strategies and other strategies? (e.g., IT strategy…)
- Channel strategy’s role in promoting main goals like compliance etc?
- Balancing service versus enforcement?

3. Balance between different stakeholders

- Which categories of stakeholders have you identified in relation to your channel strategy?
- Government, taxpayers, tax agents, revenue body, others? Any contradictions?
- What kind of approach did you use to strike a balance between the different stakeholders drivers?
- Through implementing strong directions given by your political masters?
- Through implementing fairly detailed directives from the commissioner?
- By using different exploratory approaches, like internal interviews, different types of measurements, other?
- Have you asked for customer/client input?
• How do you get the input? (user surveys, etc)
• How do you use the input in your strategy and how does this influence the approach?

4. The process of developing the strategy

• When was the strategy developed?
• How was the strategy developed?
• A dedicated project or an emergent strategy?
• “Top down” or “bottom up” approach?
• Who was involved in developing the strategy?
• Many, few? Did you use external consultants in the process?
• Which areas did you focus on (taxpayer interest, cost savings, other), and why?
• What do you consider to have been the major challenges in the work?
• To what extent did you have relevant knowledge available beforehand, like knowledge about your channels, services, costs, volumes, users etc?
• What kind of research/surveying/fact finding did you conduct as part of the channel strategy work?
• User surveys, cost benefit analysis, internal interviews, contact with similar organisations to find best practice, literature studies?
• Categorisation of channels or services or other aspects?
• Did you develop segmentation models, reporting systems or other tools as part of the strategy work?
• How is the strategy documented - reports, brochures, presentations, web pages?

5. Implementation of the strategy

• How did you implement the strategies?
• Did they get integrated in your managerial systems, e.g. through new measurement systems, budgetary consequences, new organizational structure, etc
• To which groups of staff was the strategy communicated and by which communication tools/means?
• The role of senior management during the implementation phase?
• What was the change management process within your organisation?
• Were new skill sets introduced to your organisation?
• What forms of risk management were used?
• In which ways did you apply means like reorganisation, assignment of responsibility for implementation, communication of strategies?
• What kind of response did you get from the “receivers” of the strategy in the organisation?
• Did you tell your users (taxpayers, tax agents) about the new strategy, and what kind of response did you get?
• Which incentives did you implement for take up of new channels: monetary, information, longer deadlines, technological support etc?

6. Results/effects and further steps

• What have your organisation achieved through the channel strategy?
• How does it work in the organisation?
• What are the main results?
• How do you measure your results?
• What benchmarking was undertaken in order to allow meaningful future measurement?
• What kind of measurements are established? Have you developed a set of goals – provide some examples.
• What cross-channel implications and monitoring has been put in place?
• To what extent is it supporting your main strategies and goals (compliance etc)
• Success stories?
• What did not meet your expectations?
• What would you like to change (or is changing, have changed) after having evaluated your strategies?

7. Key success factors and pitfalls you would like to share, related to:

• The strategy per se
• The preparation process
• The implementation
• Interaction with other stakeholders
• Results/effects
• Lessons learned
• Have you eliminated any channels, if so, when, why and how?
• Reactions?
• Have you limited the use of channels to specific segments of your customers, if so, when, why and how?

**Process/method**

To best illustrate the different approaches to channel strategy, the working group decided to conduct **qualitative, in-depth interviews** to acquire **primary information**. There were two main reasons for this. First of all, interviews with channel strategists provide much richer and more detailed insights into the strategic processes than by using a questionnaire. Secondly, it is easier to understand the thinking and rationale behind strategies and priorities in this type of setting as the interviewees are able to explain and elaborate in more detail.

Qualitative interviewing is a research method in its own respect, but it is not a standardized process, and will often not give clear cut answers suitable for quantification in graphs and tables. It is also a time consuming approach. The rewards are however interesting insights and reflections that a traditional questionnaire cannot easily convey. The main topics for the interviews were:

• Facts about the revenue bodies’ channels and services
• What is the channel strategy – choice of strategic direction
• Balance between different main stakeholders
• The process of developing the strategy
• Implementation of strategy
• Results/effects and further steps
• Key success factors and pitfalls the interviewee would like to share with other revenue bodies

The interviews are conducted as open, but to a certain degree steered, conversations. The interview guide is mainly used as a check list to check that all relevant topics are covered during the conversation. All questions were not
relevant to all revenue bodies, due to the fact that they approach channel strategy development in many different ways.

The selection of revenue bodies for interviews was based on the following criteria:

- They had substantial experience with electronic channels and services, as this represents the main strategic direction for all revenue bodies.
- They represented various characteristics like types of environments in their respective countries, both large and small countries represented, organisational models, services, use of channels etc.
- They represented different approaches to working with channel strategies (process, content etc)

Based on these criteria, the following countries’ revenue bodies were interviewed: Australia, Canada, Ireland, Netherlands, Norway, Sweden, United Kingdom, and United States.

For detailed information about characteristics as organisational arrangements, management practices, filing obligations, assessment regimes, etc, see the OECD report “Tax Administration in OECD and Selected Non-OECD Countries: Comparative Information Series (2006 - Draft). This report also gives an overview of approaches to strategic planning of the revenue bodies in the United States, Canada and Netherlands.

Four interviews were conducted face-to-face, and the others via telephone or video conference. There were two experienced interviewers present at all interviews. The interviewees were all senior staff in their revenue bodies and heavily involved in channel strategy activities. One, two or three persons participated in each interview. All interviews were recorded and then transcribed. The results are used in this note in two ways: it is either integrated in the text at a more generalized level, or as more detailed case descriptions and examples.

There are also many other revenue bodies that are doing interesting work related to development channel or service delivery strategies. These examples are collected from other types of secondary sources i.e. like websites, studies and journal articles.