Delivering the Digital Dividend

Or

If Online Delivery Is So Cheap, Why Are **Our** Delivery Costs Not Falling Faster?

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Summary

This paper addresses the issue that despite a high level of internet uptake in the UK and consistent public sector investment, only a minority of public sector organisations have actually realised cashable benefits from online services. It is based on my eight years of experience working on channel shift and nearly 20 years working on change management. Over this time I have worked with local authority delivery teams, central government departments and ministers on channel shift change and efficiency. It has also been heavily influenced by recent work done with the charity Citizens Online, working to get excluded and disadvantaged groups online. The advice I seek to communicate is I hope clear, evidence based and of practical use to those having to actually implement change:

1. **The potential savings from digital self-service are real** as the majority of your customers are already online and comparable European nations (Norway, Sweden, Denmark and Finland) are already achieving around twice the UK take-up levels on e-government services.

2. The realisation of cashable savings does not simply follow as an inevitable result of providing digital service options; **uptake has to be actively managed with service users and change has to be actively managed within your organisation**.

3. **Savings are only realised when the reductions in manpower and premises requirements that self-service creates are actually taken as savings.** This implies a need to integrate savings realisation and change into your channel shift strategy.

Furthermore, while in principle all of this is possible, in practice none of it is likely to be achieved without the ability to understand how your organisation's current delivery model works and what actually drives **your** costs. This implies having a detailed understanding of contact and cost at the level of specific services and processes and monitoring how your actions are changing these contact volumes and costs.

This is the focus of the Contact Benchmarking Toolkit (CBT) that I have been developing in association with CIPFA and RedQuadrant for local authorities. It is my belief that with this toolkit – and a competent channel shift team – significant cashable benefits can and will be realised.

The History of the Contact Benchmarking Tool

The origins of the CBT can be traced back to 2006 and the creation of a team within the Cabinet Office dedicated to transforming service delivery and shifting to digital channels. My role in the team was to provide advice to ministers on channel shift and to manage the development and implementation of an online tool to monitor and benchmark customer contact across local and central government.

This was achieved successfully with support from experts working within local government, the major central government departments as well as leading private sector practitioners.[1] At the time of the last general election this tool was being used by

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[1] Special thanks to Natalie Calvert at Calcom for creating these early online tools and Peter Budd from Budd Consulting for helping shape some of our ideas and bringing us into contact with people like Bill Price, the first vice president of global customer service at Amazon.

all major central government departments and around 150 English local authorities to benchmark performance in telephone contact. However, with the change in government after the last general election, policy emphasis changed from looking holistically at contact across all channels and layers of government to developing central government web content.

While ministers undoubtedly had tough decisions to make at the time, I had always regretted that the job that I started on creating a channel shift tool had not been completed. In particular I felt that the investment of over £500,000 made by the taxpayer in developing this Cabinet Office work had not been allowed to yield its true potential benefits.

The CBT and its companion survey which are being offered to local authorities in partnership with CIPFA and RedQuadrant are an attempt to build on this earlier investment and deliver those benefits. The fact that I have now spent several years working "at the coal face" with local authorities has also helped create something I feel is simple and powerful while also being truly multi-channel.

In addition it fits with my philosophy and the philosophy of both CIPFA and RedQuadrant to place this kind of tool in the hands of local authority teams rather than attempting to keep it as a consultancy tool. If local government is to benefit from channel shift it cannot "buy in" all of the skills it needs; that would be unaffordable. These skills need to be developed in-house and through peer-to-peer co-operation and it is my hope that the CBT and its companion Strategic Customer Contact Survey will help achieve this.

The UK as a Digital Nation

The UK is one of the most "digital" nations in the world. Currently over 80% of UK households have broadband and the average UK household now has three internet enabled devices. Access via smart phones is rapidly growing with over 62% of adults owning them and using them to go online. In addition 30% of adults used a tablet to go online in 2013 and the UK leads among European nations in the number of transactions carried out from smart phones [1, 2, 3, 4].

The UK also has a long history of promoting and sponsoring digital skills and inclusion. In 2012 the UK was ranked 8th among 31 European nations with about 90% of its population having been online as compared to around 60% in the worst performing (Romania, Bulgaria and Greece) and over 95% in the best performing countries (Iceland, Norway and Sweden) [5]. However, while the UK is a leader in terms of its population being online, it lags well behind in delivering e-government as can be seen from Table 1.

Table 1: Usage of the internet: UK ranking versus 31 other European nations [5]

Internet use	UK ranking*
Posting messaged to social media sites including messaging	4
Uploading self-created content to any website to be shared	4
Selling goods or services	5
Listening to radio or watching web TV	7
Playing networked games with other persons	8
Sending and receiving emails	8
Finding information about goods and services	9
Travel and accommodation services	9
Playing/downloading games, images, files or music	10
Internet banking	11
Telephone or video calls	13
Reading/downloading newspapers/news	17
E-government usage	**18**

Percentage of individuals using the internet for this purpose. Lowest value implies highest usage for this purpose compared to 31 European nations, 2012 data.

This European data is supported by Ofcom telecoms market data for the UK, which shows that the rapid changes in internet uptake and in particular the adoption of mobile internet devices are not being matched by uptake of e-government – see Figures 1 and 2. This data also implies that while overall online activity is going up (and going mobile) the use of government services online remains low and may in fact be falling [1].
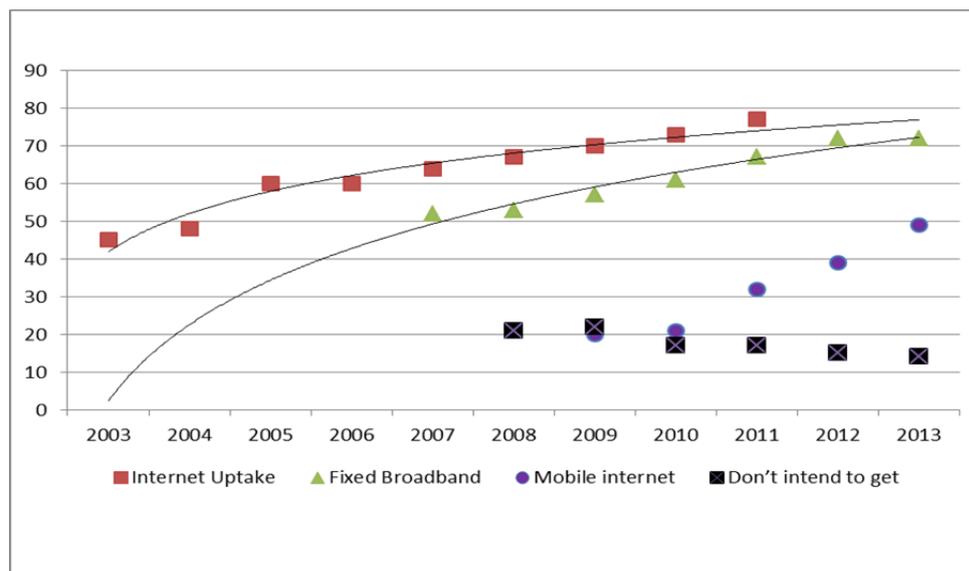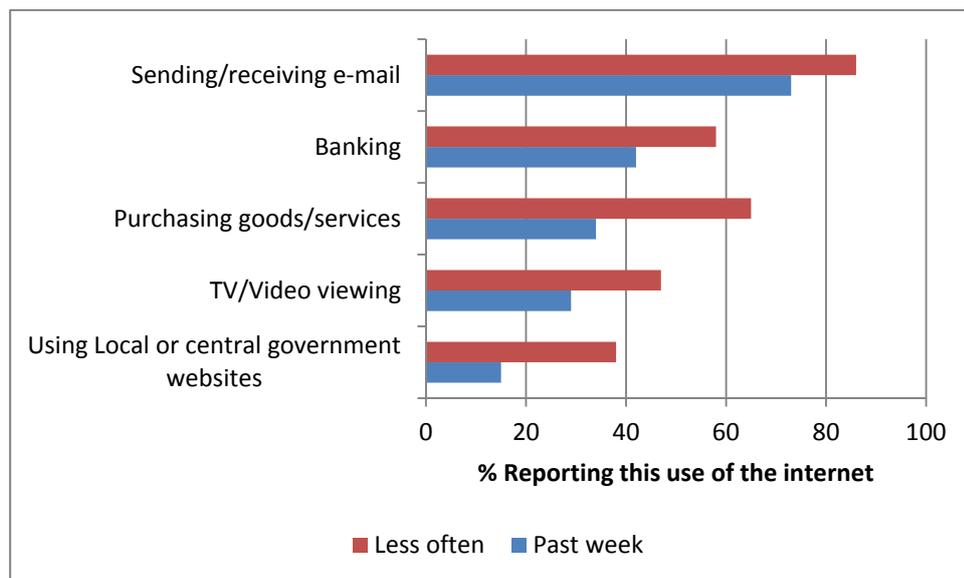
Figure 1: Internet uptake in the UK [6]

Figure 2: What people used the internet for in the UK in 2013 [1]

The Digital Dividend

The scale of savings achievable through more online delivery has been set out in several government papers over the last decade and is potentially huge [7, 8, 9, 10]. The frequently quoted report produced by PricewaterhouseCoopers for Martha Lane Fox stated that each contact and transaction switched to online could save the government between £3.30 and £12.00 [10]. The validity of these "per transaction" savings figures is explored in an earlier paper, which concludes that although the quoted values are not universally applicable they are possible if the right services are targeted [11].

Thus the available evidence implies that the UK will very soon be in a situation where although over 90% of adults are likely to be online via broadband at home or via mobile internet, the uptake of government services online remains low. If we look to the European nations with similar proportions of their populations online (Norway, Sweden, Denmark and Finland) around 75–80% of these populations have accessed e-government services. In comparison the most recent figures from Ofcom imply that only 40% of the UK population have done so and that the numbers using e-government services may in fact be falling [1]. This disparity is disappointing yet also offers clear evidence that much higher levels of online service uptake in the public sector can be achieved.

The most recent review of central government as a whole by the National Audit Office starts to offer some explanations as to why we have this disparity and why the "digital dividend" has not been realised. It stated that the approach to channel shift in many public sector organisations was often flawed, there was little clear evidence of benefits being realised for many programmes, and there was a reliance on generic channel shift policy and a failure to target specific services and realisable benefits [12]. It is my firm belief that this reliance on generic policy and "top down" initiatives on e-government is the main reason that benefits have not been realised.

Simply following generic national policies for digital service delivery in the hope that benefits will manifest themselves locally is in my view an almost certain road to failure. It goes against all of the fundamental principles of good business case development by assuming there will be benefits without challenging this and without making a clear and

specific case for the planned changes or investments. It also breaks fundamental rules of good project design and delivery by assuming that change will deliver benefits without agreeing and monitoring specific measures of progress, success and benefits realisation associated with that change.

This thinking has been central to the work I have done with organisations over the last several years and is at the heart of my work with RedQuadrant and CIPFA. In the course of this work it has also become apparent that what local authorities most need in realising benefits from channel shift is awareness of their current delivery models and costs. The kind of information required is increasingly available from digital telephony systems, customer relationship management (CRM) systems, finance systems and other digital systems used in normal business. The key is being able to aggregate this information into a holistic set of management information and use it in designing and implementing digital self-service options.

This is what the CBT along with the three principles outlined below is designed to achieve. It aims to both provide insight into what is actually happening within the organisation and allow comparison with peers and leaders in efficient delivery.

Principle One: The Targets for Channel Shift Must Be Specific and Evidence Based

Overall "cashable" savings are only achieved when the savings from contact reduction in existing channels is greater than the cost of the new digital self-service options. While in principle digital self-service may be assumed to be the cheapest option, it can in practice prove quite a poor investment if the wrong services are targeted. It is not possible to realise big savings where spending is already minimal or where the customer group or service is unsuitable. Furthermore, if initial investment costs are high then the time needed to realise a cashable saving needs to be considered very carefully. If it takes five years to break even in investment terms the "saving" from digital may cause more problems than it solves as it implies five years of net deficit before any benefit is seen.

This kind of targeting relies on having good insight into your organisation's contact volumes, costs and which services and processes drive them. Without this information you simply cannot target digital self-service accurately or quantify the risk and return on proposed investment in change.

An excellent example of an online service that has been very successful with customers but slow to realise cashable benefits is online car tax. The NAO reported that despite exceeding its uptake targets this service is likely to deliver only £3.9m cashable benefit on an investment of £39.5m and take over ten years to do so [13]. Although this investment was about non-financial as well as financial benefits, it demonstrates that successful online services don't always yield financial benefits.

The CBT aims to provide this kind of insight so effort is focused on the services and channels that really do have the potential to generate cashable savings. It also aims to show through peer comparison what is possible with an efficient delivery model.

Principle Two: The Self-Service Proposition Needs to Work for the Customers

In order to achieve high volume self-service transactions, completed without assistance, the online service must be perceived as attractive, intuitive and easy to complete by its users. If this is not the case then the customer either is not going to attempt the

transaction, will start the transaction in the digital channel and then switch to another channel, or will achieve the outcome via this channel only with significant and costly support from other non-digital channels.

It is important to restate that this is really more about the perceptions and experience of **specific users** than the organisation delivering the service. It is quite possible for an online service to be technically sound and meet the design brief of the service team while also failing with its users.

An excellent example of this was the Student Loans Company (SLC) which failed spectacularly in getting students to apply for loans online. In principle this should have been a very easy task as the service users were by their nature highly educated and digitally savvy. In practice the service was a disaster as SLC failed to communicate with potential service users, failed to engage with key partners and failed to manage demand for its new service [14]. The system was technically sound, but simply did not offer a service that met the needs of its users or provide a holistic end-to-end journey.

In the context of this paper the key lesson is that SLC did not understand how the new online element would fit into its service delivery proposition for users or how other channels would be affected and could be managed. The fact that fundamentally the service should have worked was probably not a lot of comfort to senior managers at SLC reading the newspaper headlines or the students that had to start university with empty bank accounts.

Process and customer journey mapping are invaluable as tools in creating "low effort" self-sufficient processes as they identify the start point of transactions and the most likely failure and dropout points. They also allow the points where relevant information and messages need to be provided in the process to be identified and can radically improve the unassisted success rates for digital self-service. This is stated very explicitly in the customer journey mapping guidance published by the Cabinet Office as part of the Transformational Government Programme [15]. Failure to do this was also one of the key reasons for failure identified in the above example of the Student Loans Company.

However, process and customer journey mapping incur an opportunity cost and tie up what will probably be limited in-house change team resource or consultancy support. Although in principle it would be desirable to apply them to all service journeys, in practice we cannot do this. These analysis processes can only realistically be applied to the most important services in terms of contact volumes and potential savings to the provider. They can also only be applied to the services where there is a realistic chance of achieving sufficient channel shift and savings to justify the use of the resource.

This again implies a high level of insight into where contact costs lie and how realistic major shifts to self-service are. For example it may be realistic to move to a digital by default service for ordering parking permits and vouchers and achieve near 100% uptake. However, assuming that a similar level of uptake could or should be achieved for housing register applications is far more debatable.

If projected uptake levels cannot justify the investment then it is likely you should be looking at another service to put online. Only actual service and process specific costs and volumes combined with an understanding of your service users will tell you this.

Also, from the outset an organisation must know how and when savings are to be realised. If the organisation is not willing to give up paper, reduce its face-to-face presence or reduce its telephone service for specific customers this needs to be flagged at the start of the process.

The CBT aims to provide insight into contact costs and volumes at the level of individual services to allow an organisation to start creating shortlists of specific services where investment in digital might realistically result in cashable savings. It also allows comparison of specific services on a peer-to-peer basis.

Principle Three: Promoting Uptake and Taking the Savings

The final step in achieving success and realising cashable benefits is actively managing the change. This means managing customers towards the self-service options you have created and managing your own service teams to ensure they are in fact taking savings in terms of headcount and premises when they are available. This is the final and most important principle of successful channel shift: once you have a good online proposition you have to actively promote it and once you have achieved the shift you have to take the savings.

In achieving high uptake levels there is often a need to fundamentally change the service provider's approach to communication and behaviour change. It is sadly still common to find organisations that believe that making information available about a new service is "communication". The fact that a letter has been sent out, posters have been put up and an advert taken out in the local paper does not mean a successful communication has occurred. In reality no "communication" has actually occurred until the service users', or potential users', beliefs or understandings have changed. Furthermore, it can't be counted as a *success* unless the service user actually does what you wanted them to do.

These lessons in behaviour change have long been recognised by the private sector where considerable resources are expended in advertising products to drive sales. If an advertising campaign does not change consumer perceptions and drive sales then it is a failure however much you spent on it or however great it looked. Although the ideas can seem alien there is good guidance available and the Cabinet Office Behavioural Insights Team has created specific guidance for the public sector. While these guides are by no means comprehensive, they do give a very good overview of the principles of behavioural insight and behaviour change in service delivery [16, 17].

After failure to achieve uptake, one of the most common failure points in channel shift is that organisations achieve the shift in contact, but fail to realise savings when they become available. A very common reason for this is that the senior team does not have any easy way of reconciling changes in demand with taking action on cashable savings. Either there is no team or individual responsible for managing this linkage or such a team exists but does not have the information it needs to measure the change.

It is not uncommon for service delivery teams to perceive the online proposition as the responsibility of the web team and not connected to their day-to-day business. Similarly it is not uncommon for a web or communications team to be highly successful in shifting demand to the web, but fail to flag that this implies a back office headcount reduction may be possible as a result.

In order to achieve successful realisation of cashable benefits, the whole change process needs to be joined up and one of the most effective ways of doing this is creating a common picture of contact and cost. This kind of "whole organisation" view allows the disparate actions needed to achieve benefits realisation to be seen in the context of whether the organisation is in fact achieving more self-service and reducing its costs as a result. It also allows very specific targets to be set for service managers that link the shifting of contact associated with their services to reductions in their team's size and cost.

In very simple terms, if your customers are not using the new services then the channel shift is not working. If they are and the size and cost of your teams is not reducing, then you are failing to realise benefits from the shift.

The final role of the tool is in supporting change by providing service specific data that can be integrated into channel shift and change programmes. This is aimed at both tracking progress and showing when savings can be realised.

Metrics and Targets

Each of the principles of successful channel shift that have been outlined above relies on having key management information available to inform decisions. This information is essential in understanding where to target change, how to implement that change and to track whether you have actually achieved the change desired.

However, capturing and using cost and contact data is a problem that the public sector has been struggling with for a decade or more. Typically public sector organisations are managed in ways that focus on managing spending, not managing efficiency. This results in these organisations having very good awareness of what they are spending, where they are spending it and when. But there is often much less insight into **why** money is being spent on contact and whether this is an "efficient" use of that money.

Framed differently, whether a service stays within its budget is always tightly monitored; whether its budget was in fact reasonable given the number of transactions or clients it dealt with tends not to be monitored or challenged.

This tends to result in a situation where service managers are held to account for whether they remain within budget, not whether they achieve value for money. It also tends to result in service managers being only aware of and responsible for "their" budget rather than the actual cost of their service to the organisation. While this may not always be a barrier to change and efficiency, it certainly does not incentivise it. It can also create perverse behaviours where managers perceive success as being able to maintain or grow the size of their teams rather than increasing their efficiency and shrinking them.

In order to drive change effectively there is therefore a need to move the focus away from budgets and towards value to the organisation. This is where I believe that having "whole organisation" contact metrics that look at all key channels and services is vital. This is something I have been working on one-to-one with clients for several years as part of change planning and implementation. It is also at the heart of the new CBT and partner Strategic Customer Contact Survey.

It is my firm belief that having this information available can be truly transformative for an organisation. It makes service managers aware and accountable for the true contact costs associated with their services, irrespective of which budget they fall to. It makes change managers aware of whether investment in digital delivery is in fact delivering change. It makes the senior team aware of whether channel shift is in fact leading to structural change in the organisation and delivering cashable savings.

I envisage that one of the critical uses of the findings of the CBT and its partner survey will be in culture change. In the absence of clear metrics and benchmarking data it is relatively hard to drive change; in principle it is easy to get agreement but in practice it is hard to get action or hold teams or individuals accountable for outcomes. Having a clear picture of how your organisation as a whole and its individual services are performing relative to each other and peers should make improvement easier. If this evidence is used by all levels of management in the organisation it should make improvement almost inevitable.

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Gerald has spent most of his career working within the public sector on change and efficiency improvement programmes. Gerald started his career with the Ministry of Defence on its science and technology fast track management training programme. Later he went on to specialise in change and benefits realisation with a particular emphasis on the role of technology, skills and behaviour change in effective delivery of outcomes.

During his career he has worked across all of the major central government departments including DWP, DH, HMRC, DfT, Directgov and DCLG. This has also involved working with local government, the third sector and industry in situations ranging from simple procurement to international collaborative alliances.

His most prominent role within government before leaving to become a freelance consultant was with the Cabinet Office where he provided advice to ministers and departments on the economic case for digital services and on delivering cashable savings. Since leaving central government he has been involved in working with local authorities to deliver savings and improvements from digital delivery and with the charity Citizens Online looking at new collaborative and "systemic" approaches to reach digitally excluded people. Gerald is a PRINCE 2 practitioner and is experienced in benefits based business case design and project management.