



**HM Revenue  
& Customs**

**Research report**

# **Individuals Prioritisation**

An investigation into segmentation of the  
Individuals customer base

**24 September 2009**

## *Contents*

Contents	2
Research requirement (background to the project)	3
Who did the work (research agency)	4
When the research took place	4
Method, Data and Tools used, Sample	4
Main Findings	5

© Crown Copyright 2009 Published by Her Majesty's Revenue and Customs. Disclaimer: The views in this report are the authors' own and do not necessarily reflect those of HM Revenue & Customs.

### *Research requirement (background to the project)*

The aim of the Individuals Prioritisation project was to help improve the relationship between HMRC and individuals, and the engagement of individuals with HMRC products, processes and services. The project was commissioned to develop an overarching segmentation of individual customers, and a prioritisation of what matters to individuals, which identifies:

- How to increase compliance/reduce cost of compliance.
- How to improve customer experience.
- What innovations/different ways of doing things could be considered.
- How Individual customers engage with HMRC on multiple levels with taxes and benefits and credits.

The key difference between this and previous initiatives was that the project looked across all adult individuals in the UK, rather than individual groups of customers or HMRC products (taxes, benefits, credits etc). This wide perspective provides a more integrated and quantitative understanding of the needs and issues that HMRC's individual customers face.

Examining the totality of customer interaction with HMRC and developing an overarching segmentation of individual customers based on understanding of needs, attitudes and behaviours is a new activity and is generating deeper insight into the interface and relationship HMRC has with different customers, this will help us identify areas for reduction in administrative burden, improved cost efficiency for HMRC as well as opportunities for service improvement.

HMRC is seeking to deliver this ambition against the backdrop of wider public sector efficiency and reform programmes.

The project objectives were to:

- Provide HMRC with a robust and over-arching understanding of individual customers, their needs and their current and desired experience across product groups.
- Provide a robust segmentation of individuals.
- Identify priorities from an individual's point of view.
- Identify opportunities for improving the customer experience.
- Identify opportunities for improving the efficiency and cost-effectiveness of customer engagement with HMRC products and processes.

### *Who did the work (research agency)*

The research was conducted by Quadrangle and PriceWaterhouse Coopers.

### *When the research took place*

Phase 1 of the research took place March 2007 to May 2007. Phase 2 took place June 2007 to December 2007. Phase 3 took place January 2008 to April 2008.

### *Method, Data and Tools used, Sample*

Phase 1 of the research involved scoping and included:

- Desk research
- Knowledge trawl
- Stakeholder interviews
- Omnibus survey

Phase 2 comprised customer research, including:

- Initial qualitative research:
  - 42 depth interviews with the public.
  - Exploration of individual and societal attitudes and behaviours around tax.
  - Initial segmentation.
  - Ideas emerging.
- Quantitative research and analysis:
  - 3017 interviews (nationally representative plus 6 ethnic boosts).
  - Final segmentation developed through statistical analysis and modelling.
  - Segments profiled.
- Qualitative validation:
  - 10 focus groups with public, groups recruited to segment.
  - Validation and illustration of segments.

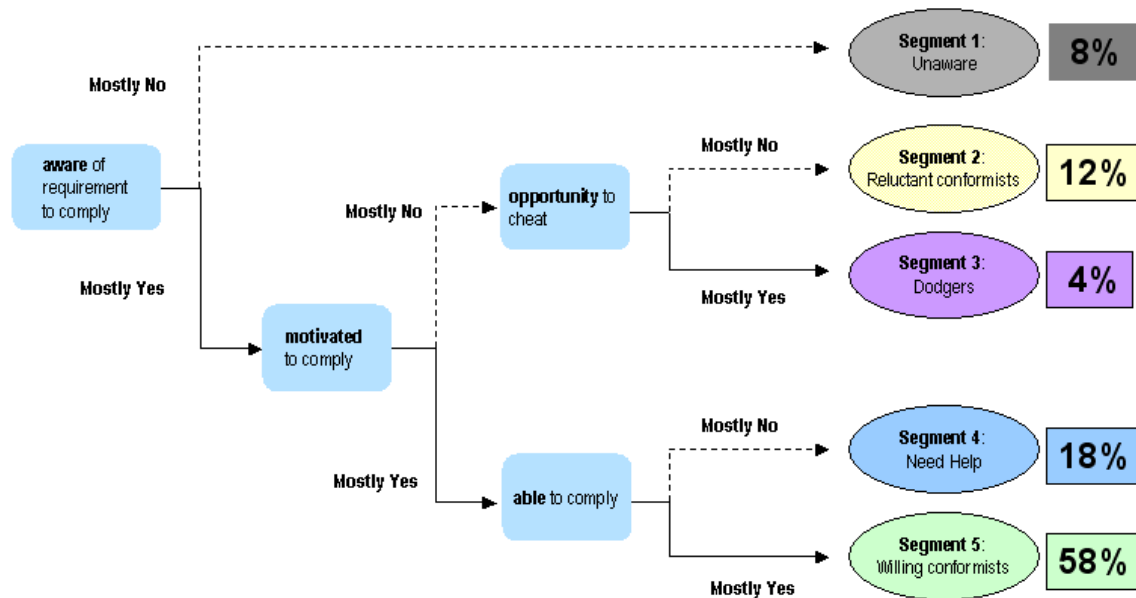
Phase 3 comprised embedding:

- Communication of the segmentation within the Individuals Customer Directorate and the wider business, including:
  - Customer film.
  - Workshops.
  - Communications events.

## Main Findings

The four fundamental dimensions of the segmentation are:

- Awareness (of one's obligations).
- Motivation (to comply with one's obligations).
- Ability (to comply with those obligations).
- Opportunity (to not comply).



### Profiles of each segment

- Key trends/tendencies
  - Female bias
  - Older, aged 55 plus (with 16-19s too)
  - Less educated than average
  - Half are not working
  - Likely to be single
- Products
  - Taxes: Many claim not to pay any tax or don't realise they do (NICs, PAYE)
  - Benefits: State pension, pension
  - Credit, smattering of other credits
- Awareness
  - Limited overall awareness and only piecemeal knowledge about taxation and entitlements.
- Motivation
  - Strong yet misguided sense of self-sufficiency, mainly relying on family for help.

---

### Individuals Prioritisation

- Ability
  - Find whole area complex, confusing and daunting. Unsure they pay the correct tax or have claimed all the credits and benefits they are entitled to.
- Opportunity
  - Too unfamiliar with system to knowingly not comply, but may do so because they don't know or understand what they need to do. But know that others 'work the system'.
- **Reluctant Conformists**
  - Key trends/tendencies
    - Male
    - Middle aged
    - Lower social grades, lower quartiles of educational achievement
    - Less internet access
    - High TV / radio consumption
  - Products
    - Taxes: NICs, PAYE
    - Benefits: State Pension, Pension Credit, Income Support
  - Awareness
    - They have reasonable working knowledge of the system, but not how to work around the system.
  - Motivation
    - Feel they are paying more than their due. Feel they work, pay taxes but get little or nothing in return.
  - Ability
    - Largely able to work within the system to fulfil their obligations; have a reasonable ability to manage their finances, but not sufficient to find ways to work around HMRC's regulations in a serious way.
  - Opportunity
    - Don't believe/ feel they have an opportunity to cheat the system as HMRC has removed these from them.
- **Dodgers**
  - Key trends/tendencies
    - Male
    - Low income or above £35K p.a.
    - Younger to middle aged
    - Single, divorced
    - Educated to A level or NVQ
    - Broadband internet users
  - Products
    - Taxes: SA, NICs, PAYE
    - Benefits: Mostly none, Working Tax Credits, (Job-seekers allowance)
  - Awareness

### Individuals Prioritisation

- Aware of responsibilities and entitlements although less aware of the scope for possible penalties. Understand and are able to navigate their way around the system.
- Motivation
  - Motivated by money to cheat the system. Do not fear getting caught. They make risk based decisions on basis of what they feel they can get away with. Feel no shame for avoiding their obligations.
- Ability
  - Confident in their ability to interact with official and unofficial sources of advice and guidance. Able to work both within and outside the tax system in equal measure.
- Opportunity
  - They see and take the opportunities to cheat where they believe they can get away with it. They are looking for invisible transactions, mainly cash.
- **Need Help**
  - Key trends/tendencies
    - Older, 55 plus
    - Low income or unsure of their overall annual income
    - Single, often widowed or divorced
    - Professional qualifications or no educational qualifications
    - Low internet use
  - Products
    - Taxes: None, PAYE, NI
    - Benefits: Pension, child benefit, child tax credit, income support
  - Awareness
    - There is general awareness of an obligation to pay taxes and of benefits, but this does not translate into a detailed understanding.
  - Motivation
    - Want to do the right thing and feel an obligation to contribute to society. Pressure on motivation is maintained by a fear of getting caught should they try to cheat the system.
  - Ability
    - Are limited by their ability to understand or navigate the system. They lack the skills to be confident in interaction with the system.
  - Opportunity
    - Do not believe they have an opportunity to cheat the system. 'Others' do cheat but they would not be able to get away with it.
- **Willing Conformists**
  - Key trends/tendencies
    - The majority of the population, hence the most diverse segment.
    - Range of socio-economic grades
    - Mid to high income
    - Educated to graduate / postgraduate level
    - Have a family
  - Products
    - Taxes: PAYE and NI

### Individuals Prioritisation

- Benefits: Child Benefit, Child Tax Credit
- Awareness
  - Widespread awareness of their obligations and entitlements and confident that they could find out more if necessary. Knowledgeable about range of taxes.
- Motivation
  - Expect to pay taxes and do. Recognise how it is spent.
- Ability
  - Fully able to work with and within the system. Typically confident to deal with HMRC should issues arise whether taxes, benefits or credits.
- Opportunity
  - Not actively seeking opportunities for deliberate non-compliance and fear of getting caught if they did.

### Average weekly media consumption

Reluctant Conformists and Need Help watch TV more than other segments. Willing Conformists and Dodgers are higher than average Internet users whereas the Need Help are well below average. TV and radio remain well-used media channels across all segments.

### Sources of advice and guidance

Those most in need of official advice, support and guidance such as 'Need Help' and 'Unaware' are those who feel further away from HMRC as a source of information and guidance. These groups use often equally poorly informed and resourced sources of advice and guidance thereby often perpetuating many of the myths and misunderstandings related to HMRC that have gained widespread traction (for example, that interaction will be overly complicated). Actual experiences/ interactions with HMRC people are almost unanimously positive (although there are issues of consistency of information provided)..

	Unaware	Reluctant Conformists	Dodgers	Need Help	Willing Conformists
<b>Where turn for information – What to do?</b>	1. Friends and family 2. Citizen's Advice Bureau 3. Colleagues	1. Partner 2. Website 3. Accountant 4. Payroll department	1. Partner 2. Friends 3. Financial professionals	1. Family & friends 2. CAB 3. Internet	1. Friends / relatives 2. Accountants / advisors 3. HMRC website 4. Employer
<b>Where turn for advice / guidance – How to do it?</b>	1. Nowhere 2. CAB 3. Friends	1. Partner 2. Website 3. Accountant 4. Payroll department	1. HMRC website 2. Accountant 3. Other professionals	1. Family & friends 2. CAB 3. Internet 4. Job Centre	1. Accountant 2. Lawyer

## Individuals Prioritisation

### Customer relationship priorities

The following tables outline the prioritisation of customer needs, broken down by segment, from the **customer's own perspective** rather than HMRC's perspective.

<b>Relationship Priorities - Need Help (18%)</b>	
1	I can easily calculate my required taxation contributions
2	They treat me appropriately whenever I contact them
3	They have their priorities right
4	They keep me informed of changes that may affect me
5	I am confident I receive all benefits and tax credits I am entitled to from HMRC

<b>Relationship Priorities – Unaware (8%)</b>	
1	They are approachable

<b>Relationship Priorities – Willing Conformists (58%)</b>	
1	They administer the tax system fairly
2	They make it clear where I need to go if I need help
3	They treat me appropriately whenever I contact them
4	They make it as easy as possible for people to receive what they are entitled to
5	They make it easy for me to pay any tax I owe
6	I am confident I receive all benefits and tax credits I am entitled to from HMRC

<b>Relationship Priorities – Reluctant Conformists (12%)</b>	
1	They offer flexible payment options
2	I think that the taxes that I am obliged to pay are fair
3	They make it easy for me to pay any tax I owe
4	They treat me appropriately whenever I contact them

<b>Relationship Priorities – Dodgers (4%)</b>	
1	They make it clear where I need to go if I need help
2	I understand what I need to do to meet my obligations
3	They treat me appropriately whenever I contact them

***In summary***

The Individuals segmentation is now being used as a basis for improving understanding of HMRC's customers still further and informing the development of improved products and services.