Channel Shift: Realising the Benefits

By Dr. Gerald Power
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Channel Shift: Realising the Benefits

Summary

Working under two successive administrations on channel shift and channel optimisation policy within the Cabinet Office I have had the opportunity to work with many very different channel shift teams. These have included teams from DWP, DH, HMRC, DfT, Local Authorities and some leading private sector practitioners. During this time I was also involved in national policy initiatives and papers such as ‘Digital Britain’, ‘Race online 2012’ and the ‘Digital by Default’ policy. However, I have long felt the need for a piece of work, aimed at practitioners and service delivery professionals rather than policy leaders and the general public. This paper is my attempt at such a piece that identifies the ‘golden thread’ of common factors that connect successful channel shift projects and lead to the realisation of benefits. I hope its conclusions will prove useful and spur debate on the practical issues facing those tasked with realising benefits from channel shift in the current economic climate.

The first conclusion I have reached will probably not be a surprise and is that I believe the potential savings from channel shift are real and significant. This may seem obvious, but the figures which have been widely quoted have seldom been explained or tested and I felt it important to validate them before moving on. The second conclusion is that realising benefits depends very much on targeting the channel shift effort to processes, customer groups and services where it will yield benefits and that not all channel shift has the potential to do so. The final conclusion is possibly the most radical. It is that in order to achieve effective digital self-service, organisations may have to radically re-think their communication strategies. In particular how they use communication to support digital self-service processes, manage demand and bring customers to the new self-service channels.
Digital Service Delivery

The political tipping point has already been passed for digital service delivery in the UK and the current administration has maintained its predecessor’s firm commitment to getting UK citizens online and delivering more public services online. This commitment is based on the belief that to be sustainable in the long term digital self-service options need to be the contact channels or first resort for a citizen or business accessing public services. This policy dates back to the 2006 Varney Report and the current government has re-endorsed the evidence base for these policies through their endorsement of the ‘Manifesto for a Networked Nation’ and ‘The Economic Case for Digital Inclusion’ commissioned by Martha Lane Fox, the UK Digital Champion. It has also sought to drive progress by establishing the Government Digital Service (GDS) and as recently as October 2011 committed an additional £10 million to support the Identity Assurance element of the ‘Digital by Default’ programme.

Outside the Public Sector the UK is also seeing a rapid increase in digital delivery. More than 54% of UK adults now use internet banking; e-commerce now represents more than 16.9% of total UK sales; over a quarter of adults and nearly half of teenagers now have a smartphone; and nearly half of all UK adults said they used social networking sites last year. In addition the falling cost of smartphones and wireless internet, the increasing use of games consoles to access the web and interactive digital television is providing access for groups that were once considered hard to reach. Thus, although we are likely to see face-to-face, phone and paper options for service continue for some time, justification is increasingly needed to continue delivering services via other channels if a digital alternative is available.

Potential Savings: Channel Shift & Avoidable Contact

In 2006 the Varney Report set out the importance of moving contact to lower cost channels and reducing avoidable contact in delivering the savings target of £21.5 billion identified in Sir Peter Gershon’s review of public sector efficiency. More recently the report produced by Price Waterhouse Coopers for Martha Lane Fox stated that each contact and transaction switched to online could save the Government between £3.30 and £12.00. These ‘per transaction’ savings are explored further in Annex A, which implies they are entirely plausible and provides an analysis of how channel costs and savings can be estimated for specific services.
Realising Benefits

The potential for savings identified in the above reports is supported by many specific examples of channel shift and avoidable contact reduction generating significant benefits.

- **TAMESIDE METROPOLITAN BOROUGH COUNCIL** reported a saving of £172,000 per year with the first 28 transactions offered online and a savings of £60,000 from closing their paper application process for free school meals.  
- **BLACKBURN WITH DARWEN BOROUGH COUNCIL** was able to achieve a drop of 10,000 incoming calls per year, by providing a ‘Winterpage’ from October through to March to provide key links and information.
- **POOL BOROUGH UNITARY COUNCIL** reported a 5% year-on-year reductions in calls since 2005 using a coordinated channel shift programme.

Examples such as these have influenced opinion and in a recent Local Government Information Unit (LGIU) survey of 377 respondents working in 245 local councils the respondents stated that they felt 15% to 35% of contact could be avoided through a more proactive delivery of information through digital channels.

However, though there are clear examples of success, there are also many cases of failure and the most recent review of Central Government as a whole by the National Audit Office (NAO) stated that the approach to channel shift in many public sector organisations was often flawed and there was little clear evidence of benefits being realised for many programmes. The NAO report identified a reliance of generic channel shift policy and failure to target specific services and realisable benefits as underlying causes. This finding is despite high uptake of online services such as Income Tax Self-Assessment (77%) and Vehicle licence and SORN applications (51%) and is attributable in part to a lack of benefits tracking.

One example that provides insight into failures is the Student Loans service. Between 2006 and 2009 the UK’s student loan system was re-structured under the management of Student Finance England (SFE). The change involved delivering loans to English Students through SFE rather than through 130 Local Education Authorities. The new service also offered applicants an online application option in addition to paper applications. In principle this should have produced a process that was better for applicants and cheaper to administer. Furthermore, as the users were motivated, IT savvy and highly literate it should have been an ideal opportunity for channel shift.

In practice in its first year of operation, the 2009-10 academic intake, it was major failure with SFE having not fully processed around 30% of applications two months after the start of courses. In its report into this failure the NAO identified failure to communicate effectively and proactively with service users as a significant and avoidable cause of failure. This communication failure led to a failure to manage demand which then led to a late and unmanageable surge in applications. In addition, failure to provide appropriate guidance at the right points in the process resulted in high levels of incorrectly completed applications which generated yet more contact and created further delays.
Success Factors: The Golden Thread

In the course of my work with the Cabinet Office I have had the opportunity to analyse the economic cases for the creation of new online services and engage with existing online projects. Coupled with my experience of systems thinking and benefits based project design this has allowed me to consider some of the common factors which may determine success. This has led me to believe there is a relatively simple path and set of criteria which - if followed - will lead to success and benefits realisation in channel shift:

STEP ONE: IDENTIFYING AND TARGETING SPECIFIC OPPORTUNITIES FOR EFFICIENCY

In order to realise benefits from a shift to digital self-service, one has to target processes and service areas where a shift is likely to yield savings. Such savings are only achieved when the savings from contact reduction in existing channels are greater than the cost of the new digital self-service option including any support to it. Thus, the economic case for digital self-service usually depends on exceeding a minimum target volume of transactions. Furthermore, as every call to a helpline or contact required to support the online process adds cost, there will also be a target for customers not needing assistance via other channels to complete the transaction. If either the volume of transactions or level of support necessary seems unachievable, then the channel shift should not be attempted.

STEP TWO: CREATING A PROPOSITION THAT WORKS FOR THE CUSTOMER

In order to achieve the user volumes and high levels of transactions completed without assistance necessary to yield benefits, the ‘service proposition’ must be attractive, intuitive and easy to complete. If this is not the case then the customer is either 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. “Customer Journey Mapping” is a valuable tool for creating such a ‘low effort’ self-sufficient process. It will identify the start point of transactions and the most likely failure and drop out points. It also identifies 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. Failure to do this was also one of the key reasons for failure identified in the above example of the Student Loans service.

STEP THREE: PROMOTING UPTAKE AND MANAGING DEMAND

The final step in achieving success and realising benefits is to get large volumes of customers to use the self-service options you have created and involves communicating the availability of the service and its benefits to your customers. This should also allow you to manage the demand, direct customers to the most appropriate channels and prevent demand surges that outstrip your organisations ability to deal with them. This is the final stage of the channel shift journey and relies upon both of the previous steps having been completed successfully for it to deliver benefits.
MATCHING CUSTOMERS, PROCESSES AND COMMUNICATION STRATEGIES

Creating profiles of customers and processes is probably the most important element of automated digital communication in channel shift. Once a profile exists for a customer and a process it becomes possible to automatically provide the appropriate message or information via the appropriate channel at the correct time. This could be a simple notification to parents of school closures due to snow via text and e-mail to prevent calls. It could be a prompt to renew parking permits in order to prevent a spike in demand and to promote an online system. It could be a reminder to bring specific documents to an interview. It could also represent a first stage in a complex process like student loans or housing benefits and provide a link to guidance at appropriate points. In all cases the electronic communication seeks to facilitate self-service and/or prevent contact with non-digital channels. Users of Amazon.com will be familiar with their very regular and targeted update e-mails that pre-empt questions and typically prevent the need for contact with the seller.
Channel Shift: Realising the Benefits

Choosing Channels

Any attempt to single out a digital channel as ‘the best’ channel for communicating with customers is to misunderstand the nature of both the channels and the customers. In reality customers will use a range of channels for their needs and providers will need to match the channel to the customer’s preferences and their desired outcome.

EMAIL AND SMS TEXT

Email continues to be a mainstay of communication and service delivery as it allows relatively complex messages and information to be actively ‘pushed’ to very specific users. It can also carry attachments or direct links to documents or transactional services bringing the customer directly to your preferred channel. Its limitations include that while 77% of UK households do have internet access a significant minority of the population will not have email access at home or an email account they regularly check. However, those that are active users are using and checking their emails more frequently as they adopt smartphone and tablet technologies that make email increasingly ‘mobile’ and immediate. In addition free web-based mail services allow people without computers or internet service providers to access email from public terminals or via their phones.

SMS cannot carry messages and information of the same complexity as email, but it has the great advantages of being ubiquitous and immediate. The majority of adults have a mobile phone and will read a text as soon as it arrives, and SMS text is increasingly being used as a means of prompting, alerting and updating customers in real time. Such messages can prevent contact by pre-empting an information request, e.g. informing a parent their child’s school will be closed or informing a resident that their bin collection date has changed. It can also prompt an action and nudge a customer into a channel, e.g. reminding a resident that their parking permit is due to expire and can be renewed online. If sent to a smartphone they can also pull the customer to another channel by carrying a link to a website page or an app. Text is also increasingly being used as a means of payment for low value services ranging from parking to pay-per-view television.

A key feature that both SMS text and email share is that they can target specific individuals with information relevant to them at the time when it is most relevant. In a world where customers are deluged with information it is critically important not to overwhelm them with content that is not relevant to them or not relevant at the point they receive it.

SOCIAL MEDIA

While it is often described as a ‘niche’ channel, the use of social media is growing rapidly and extending beyond the stereotypical user groups as shown by the ONS data quoted earlier with around half of those under the age of 44 now using newsgroups, blogs, chat sites, etc.² Services such as mumsnet are increasingly providing peer-to-peer advice that might otherwise have required advice from a service provider or voluntary agency. The potential of Twitter and Facebook as broadcast channels are increasingly being utilised during periods of crisis as they allow authorities to communicate with citizens more quickly and directly than email, radio or television. They also offer opportunities for real-time dialogue and consensus building that conventional media do not. Also through the use of interest groups and alerts they can achieve a degree of targeting of content that conventional media cannot.
Strategy

When taken together these channels, plus data feeds, widgets and apps, etc. provide a toolkit for executing highly targeted and low cost communication strategies. As discussed above they may be essential in creating effective self-service processes and changing channel preferences and achieving a shift to digital. However, in order to actually deliver results they need to be used in a strategic way. Simply blasting duplicated and non-relevant messages at customers because the medium is cheap is likely to have the opposite effect to the one intended as the customer considers their time to be valuable.

Service providers need to think through the combination of channels and communications best suited to achieve an outcome and track both what they have already communicated and its effect. The more targeted and relevant the communication, the greater the trust and the likelihood will be of users trying new products and promoting them to friends. Furthermore, although technology cannot create effective strategy, it can support it by helping service managers deliver several multi-channel communications strategies simultaneously.

Automated & Targeted Digital Communication: A Game Changer

From the above it can be seen that in order for the service provider to save money the customer needs to fully self-serve, but without the support of the human contact that traditionally guided them through the process they may struggle to do this. From the above it would seem that success in achieving this self-service depends on a good analysis of your business processes, good service design and very good digital communication with users to promote and support self-service. These are in many ways simply good practice in programme management and benefits-based design. However, it is the last of these I wish to focus on as it is where I believe the 'block' often occurs that prevents benefits being realised and where the most radical change in thinking is required.

The 'block' I am describing is the ‘Catch 22’ situation that although targeted communications increases uptake and successful completion it can be costly. Even with low cost digital channels the cost of a communications team to create and target messages can be considerable and the ‘free’ channels become too costly to fully exploit. This is where I believe digital communication management solutions such as GovDelivery and similar services have the potential to be a game changer. Through applying digital technology and systems thinking to message creation and generation it becomes possible to automate the communications which then allows targeted multi-channel communication to become affordable. Suddenly you don’t need a big communications and web team to have a big and highly targeted communications strategy.
Implementing these Approaches

None of what is described above is entirely novel in itself, what is novel is the ability to actually apply the approaches and technology in a practical way to deliver benefits for an organisation. The following examples are taken from a leading provider of digital communication solutions, GovDelivery. In principle similar outcomes might be achieved using different technology or approaches, but what follow are real life examples using available systems.

**AUTOMATION OF MESSAGE DISSEMINATION**

This is a simple but effective approach whereby service managers set their public facing website as the initiation point for customer communications. Site content is attributed to owners who update it and specific elements are selected which will trigger automated communications when changed. The service owners then agree which customers should be informed and by what combination of channels when content elements change. The result is that when a designated element of content changes, such as bin collection dates or school closures, the change triggers a set of pre-agreed automated communications. The change gets e-mailed, texted, tweeted, blogged and fed into relevant RSS feeds automatically using the pre-set plan. This automation is currently in use by more than 500 GovDelivery clients at government agencies in the UK, Europe and across the US.

**AUTOMATED PROCESS SUPPORT**

If a customer enters into a transactional process either online or through another channel, it is a relatively easy process to enrol them to receive automated supporting communication relevant to the transaction. All that is needed is a mobile telephone number or an email address and an agreed communications timetable for that process. This kind of system is being used by organisations including West Sussex County Council, Derbyshire County Council and New York State Tax to support automated self-service.

**COMMUNICATIONS CAMPAIGNS**

Automation can also be of use to communications professionals for one-off campaigns or crisis situations. Working with the service provider a communications team can devise a channel and communications strategy for elements of a specific campaign that is largely automated once set up. The communications team can then focus on the content and the automated service will ensure that it is distributed via the chosen channels to the desired recipients. This kind of system is being used by organisations including the Driving Standards Agency (DSA), Vehicle Operator Safety Agency (VOSA), Department for Energy and Climate Change (DECC) and the US Federal Emergency Management Agency (FEMA) to support communications campaigns. It was also used very successfully during the 2010 Swine Flu Pandemic by the US Center for Disease Control (CDC) to drive a multi-channel real-time communications campaign that reached millions of US citizens.
Sticky Content & Cross-Selling

The evolution of digital communications has created some phenomena which can be exploited by the public sector. The first is ‘sticky content’ and describes online content that the customer is interested in, changes frequently and will bring customers back to the site again and again. In the public sector this may be services such as bins, parking or school closures and may be of only modest value to the provider. However, once a page or pages are identified that draw in service users these pages can be used to promote services of more value to the provider such as online payments or setting up direct debits.

Similarly, if a customer contacts a service provider through another channel this provides also an opportunity to obtain an email address and mobile phone number through which they can be offered an alerts service. For example, citizens visiting Norfolk County Council for Library information are cross-promoted Met Office Severe Weather Warnings, Highways Agency traffic information and Norwich City Council newsletters and jobs. This is something that has been employed very successfully by GovDelivery’s clients in the UK where over 800,000 citizens have opted into this service with that number expected to exceed 1 million by the end of 2012. It also creates the potential to profile users and offer them the option to ‘opt in’ to further alerts from other public service providers. The nature of the service as an ‘opt in’ choice and the fact that personal information is not shared, just preferences for service information, also side steps many barriers the Data Protection Act might otherwise impose.
Channel Shift: Realising the Benefits

The Investment Case

The reports previously quoted on the potential for savings through channel shift and avoidable contact reduction establish that significant savings are potentially available. The discussion and analysis in Annex A confirms the potential size of savings and emphasises the need to target services and transactions where benefits can be delivered. The trend analysis from Ofcom and the ONS quoted earlier imply that more than 50% of the UK adult population are willing and able to transact via digital channels. Taken together this implies that significant savings are available and that large numbers of service users are currently willing and able to use digital self-service.

Taking the example of a Local Authority with a population size of around 500,000 adults if a modest 10% make use of this type of service and avoid on average just one phone call per year this implies a potential saving of up to £150,000 p.a. on telephony costs.14 In reality the objective would be to also switch users from face-to-face contact and encourage uptake of online transactional services. In times of austerity and very limited budgets this still begs the question of where should resources be invested to yield returns and in answer I would suggest the following ranking:

1. REDUCE AVOIDABLE CONTACT. It is always better to eliminate contact than shift it and investment in better communication in areas of known high avoidable contact often offers rapid returns as seen in the Blackburn with Darwen Borough Council ‘Winterpage’ example. 9

2. PROMOTE EXISTING DIGITAL OPTIONS. If you have existing digital services then encouraging more customers to use them by providing better, more proactive signposting should cut costs, as shown with Pool Council. 10

3. IMPROVE WHAT YOU HAVE. If existing services have high failure rates and support costs then look at how these can be reduced, as shown in Student Loans better communication and support could yield major improvements. 12

4. TARGET SPECIFIC NEW SERVICES. Targeting new services at simple high volume transactions for self-service can yield good returns as shown by Tameside. 8

Using the right approaches and technology all of these options should be capable of delivering benefits, although from experience it is wise to start with the simple low investment options before moving on to investing in new transactional services.
The End of the Paper Trail

Finally it should be noted that the recent communications guidance from the UK Government is likely to severely limit what can now be done using paper and newsletters. 15 This guidance is designed to prevent inappropriate communications spending and achieve value for money and will specifically require Local Authorities to:

1. Show that they have given thought to alternative means and satisfied themselves that the means of publicity chosen is the most appropriate.
2. Confirm that consideration has been given to the value for money being achieved.
3. Not issue newsletters, news sheets or similar communications more frequently than quarterly.

The reduction in the volume of paper available will I feel result in it being reserved for only the most high-level communication to citizens of broad policy and outcomes. This will I feel strongly favour the use of automated and digital communications channels, including social media, to promote and support digital services as well as to achieve general day to day communication.
Cost & Savings per Transaction

The figures set out in the table below are the most quoted for channel shift savings in the UK and have been used in many Local and Central Government papers and Channel Strategies. The message they give that digital delivery offers savings is also accepted by the 77% of respondents in the Local Government Information Unit (LGiU) survey who strongly agreed that digital technology will be a key instrument in Councils reaching their savings targets. 9

Average cost per transaction by Channel

<table>
<thead>
<tr>
<th>Source</th>
<th>Face to Face</th>
<th>Telephone</th>
<th>Post</th>
<th>IVR</th>
<th>Online</th>
</tr>
</thead>
<tbody>
<tr>
<td>PWC Report (3)</td>
<td>£10.53p</td>
<td>£3.39p</td>
<td>£12.10p</td>
<td>N/A</td>
<td>£0.08p</td>
</tr>
<tr>
<td>SOCITM (9)</td>
<td>£14.00p</td>
<td>£5.00p</td>
<td>N/A</td>
<td>£0.20p</td>
<td>£0.17p</td>
</tr>
</tbody>
</table>

However, the data behind the figures has not been published and due to their importance in driving policy I have long felt the need for them to be tested and validated. The PWC figures are averages from 19 Local Authorities in London and the South East and a mixture of services and transaction and the SOCITM figures were gathered from a group of Local Authorities in the North West. The samples sizes are not statistically significant and the values arrived at will be influenced by the size and type of the Authorities involved and the services chosen. Both surveys are however useful and give mean values that are representative of the savings that can be achieved. However, by their nature they do not imply that all services will yield savings through digital self-service or that the potential savings will always match these values. 16

In order to arrive at figures suitable for a business case the specific costs of the processes in question for the organisation would need to be reviewed and they may show larger or smaller savings are potentially achievable. What follows is a very brief guide to how these costs can be estimated and why the above costs seem plausible as averages for successful channel shift.
Channel Shift, Avoidable Contact and Savings

Target Change

Before attempting to estimate the savings available from channel shift or avoidable contact reduction it must be understood that it is the **sum cost of achieving the outcome for the customer** that matters, not the cost of any particular contact or channel. This means that the shift must be a true removal of contact from the delivery process or replacement of contact via an existing channel with contact via another cheaper one. It also results in some useful rules of thumb:

i) There are likely to be a relatively small number of services and information requests that cause disproportionately large volumes of [avoidable] contact and focussing on these tends to yield the most rapid returns.

ii) Simple transactions that can be fully completed by digital self-service are the ones most likely to achieve a ‘clean’ channel shift and deliver realisable benefits as they don’t need significant investment or support to achieve true self-service.

iii) Sending the wrong customers to self-service may drive increased contact demand as they will not be able to meet their needs which will result in failure and re-work costs and is likely to trigger complaints so targeting the right customers is critical.

iv) The cheapest channel is not necessarily the most cost effective as a single successful high cost contact can be cheaper than several ineffective low cost contacts.

v) The more complex the process the more costly and difficult it will be to design and support a workable digital self-service option and for some, digital will offer useful support but be unable to replace agent mediated contact.
The Cost of a Phone Call

The cost of a ‘call minute’ is highly variable as it is dependent on factors such as the location of the call centre, necessary agent skills levels, the local jobs market, ICT costs and centre management efficiency. However, it is possible to arrive at approximate figures using first principles and reported public sector data.

Assuming an agent cost of around £18,000 p.a. for salary and employers National Insurance contributions and overhead costs of around £12,000 including accommodation, ICT and management gives the cost of a telephony ‘seat’ at around £30,000 p.a. Assuming that 60% of the agents 37 hours per week paid for time is spent answering calls, with the remaining 40% going to leave (10%), sickness (5%), training (5%) and time between calls (20%) that provides around 70,000 ‘contact minutes’ per year per agent and equates to a cost of around 40p per minute. This value of 40p is lower than the mean average reported value of 75p per minute derived from reported Public Sector performance data probably due to contact centres not reaching the ‘optimal’ efficiency levels used in the calculation. These estimated costs imply a saving of between £1.60 and £3.00 per four minute call if that call is avoided or dealt with by self-service on a digital channel, with the actual reported values implying £3.00 is most realistic for a Local Authority.

TELEPHONE COST

The values of between £3.39 (PWC) and £5.00 (SOCITM) would seem plausible although the higher value from SOCITM would imply this was a relatively long phone call and not a simple information request. In building a business case it is always necessary to look at how long the phone calls you seek to replace are and how much they actually cost. This can be achieved fairly simply by sampling calls and looking at your staff costs.

The Cost of a Face-to-Face Visit

Contact costs at Face–to-Face premises are more complex than those for telephony as the staff often has a mixed workload which includes telephony, e-mail and case processing. However, by their nature the contact centres will tend to occupy larger offices at more expensive locations in order to allow customers to access them. They will also tend to handle an agents time less efficiently as customers are more difficult to move through a building than their calls are.

FACE-TO-FACE COST

An estimate for face-to-face contact being 3 to 4 times more expensive than telephone time would seem reasonable and both the PWC figure of around £10 and the SOCITM value of £14 for a ‘contact’ at face-to-face would seem credible and possibly conservative. However, care needs to be taken in extrapolating this as avoiding a contact such as ‘can I have a form for...?’ dealt with at a reception desk in a few seconds will save far less resource than a more typical 5-10 min face-to-face contact with an advisor regarding Housing Benefit. The latter brings bigger savings but is likely to be more difficult to avoid.
Channel Shift, Avoidable Contact and Savings

Online & Digital

For digital services the principle costs are the cost of initial site design and build plus an on-going cost for a web team to manage and update content and for hosting infrastructure which tend to remain constant regardless of how many people use the site. Where a service attracts very large volumes of users these ‘fixed’ costs quickly reduce to a very small increment per visitor. However, where visitor numbers are low these costs can result in a very high cost per visit that potentially exceeds the cost of a paper, telephone or face-to-face transaction. This can be seen from data submitted by government websites to the Cabinet Office relating to costs and visitor numbers which showed cost per visit of varying between 2p per visit for the DEFRA.gov.uk site and just under £12 per visit for the uktradeinvest.gov.uk site. In addition, visits to the website only add value if they deliver the desired outcome for the visitor rather than simply referring them back to telephone or face to face channels. If that is not the case the cost of the website cost whether it is a few pence or a few tens of pence per visit simply adds another cost to your total cost to serve it does not make it more efficient.

INFORMATION SERVICES

Assuming an organisation already has a website, adding and maintaining a page of relevant information and linked downloadable documents – such as a winter services page - is likely to cost less than a few hundred pounds per year. If this page can save twenty, three minute phone calls or three face-to-face visits each day it will potentially have paid for itself within a week or so and then start accruing savings. If the web is promoted as the channel of first choice for issues such as bin collection information, school closures, road gritting, library opening times etc. it has the potential to avoid a significant number of calls. However, such content needs to be promoted actively as an organisation cannot rely on customers searching for and finding the relevant pages even if they have search optimised the content.

TRANSACTIONS

If a customer wants to pay a bill, request a service or update the information held on them the design of the digital service will be more complex and expensive as ID authentication and secure transactions are likely to be required. The greater initial investment in this kind of digital service results in a much greater need to ensure that visitor and transaction numbers are high. If the service cannot attract sufficient volumes of traffic and achieve high unassisted completion rates it will not yield benefits.

In looking at transactions in the context of local authorities it is always worth considering whether the transaction is a common process across Local Authorities e.g. parking permits, bin swaps, schools admissions etc. If this is the case, then the design and running costs can often be shared and the higher overall volumes should make the economic case more attractive. Also, specialist providers of online transactions are increasingly offering ‘white badge’ transactional services that are run by the transaction provider but embedded into the service provider’s website and badged appropriately. Achieving a minimum volume to justify the service will remain an issue, but that minimum value will be lower as the generic service is likely to be much cheaper than a bespoke one.

WEB COST

From the above it should be seen that the quoted costs of 8p to 17p per online transaction can be highly misleading. If correctly targeted and promoted services such as a ‘winter page’ could deliver savings of this order or better through call reduction. However, to gain these savings from transactional services would require careful targeting, good service design and active promotion to get high volumes of unsupported digital self-service. If wrongly targeted, poorly designed and poorly promoted the online option could actually drive up the net cost to serve.
Channel Shift, Avoidable Contact and Savings

Automated Voice Recognition (AVR) and Text

Although automated telephone systems and text services are often grouped with call centre telephony they are actually more similar to web-based delivery as they are digital and self-service. If done well they offer customers without access to the web, or without the confidence to use the web, a means of self-service via a channel they are comfortable with using their phone. The savings available from AVR are potentially significant and the set-up costs can be very low if an organisation already has a digital call handling capability.

Similarly, text services can be relatively cheap to establish and represent a way of engaging with otherwise potentially hard to reach customers who may be heavy service users but unable or unwilling to go online. As with transactional web services there is an established market in outsourcing these kinds of services and following a generic process, such as parking payment, allows for lower cost delivery.

AVR AND TEXT COSTS

In both cases costs are likely to follow a similar pattern to websites with the cost of delivery via automated information services likely to be low and achieve good returns if targeted and promoted. Transactional services would be more costly and require more thought and effort but could also offer significant savings.

Paper

One of the key factors to consider in assessing the cost of a paper-based transaction is that few if any transactions are now completed on paper; they happen electronically. If a customer passes a request or enquiry to an organisation on paper it will probably have to be transposed to a digital system before it can be dealt with. This process adds cost through the agent time required to sort post, transpose data and scan in correspondence. It also has the potential to drive significant volumes of avoidable contact due to transposition errors or incorrectly completed requests. In cost terms this implies that the request will probably cost as much as if it was processed by a face-to-face centre and may in fact cost far more as the potential for error checking that an agent or ‘smart’ online form offers is not present. Overall this implies that the estimated cost of £12 in the PWC report is conservative.
Channel Shift: Realising the Benefits

About the Author: Dr. Gerald Power

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 working on computer based training systems. 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 CLG. 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. This included time at Directgov, soon to be provider of a single domain for government service delivery, working on customer proposition and maximising returns from investment in digital. Gerald is a full member of the Association for Project Management (APM), PRINCE II practitioner and is experienced in benefits based business case design and project management.

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13 Guidance can be found on the Cabinet Office section of the National Archive site.
14 Using the PWC contact cost figures or assuming the mean value of 75p per minute for a 4 min call.
15 Communities and Local Government Circular 01/2011.
16 Given the national minimum wage an annual salary will be above £12,000 and when training and skills are factored in £18,000 is a reasonable approximation for a relatively unskilled agent.
17 Published Cabinet Office Performance Management Framework data for stand-alone public contact centres dedicating more than 90% of their agent time to telephony in June 2010. The spread of quartile values for cost per contact minute in this set was Q1=£0.53, 2=£0.68, 3=£0.88, 4=£2.14.
18 Mean average call length of approximately 4 min reported in published Cabinet Office Performance Management Framework data for stand-alone public contact centres June 2010.
19 This holds true as long as user demand does not exceed the capacity of the hosting infrastructure to deal with it and if a site is not streaming video, audio or large documents to significant numbers of users, hosting capacity and cost should not be a problem.