

Closing the Expectations Gap

A DECADE AGO, A FELLOW BY THE NAME OF **REED HASTINGS** GOT SLAPPED WITH \$40 IN LATE FEES FOR NOT RETURNING THE COPY OF *APOLLO 13* HE RENTED FOR \$3 FROM HIS LOCAL BLOCKBUSTER. THAT HURT. BUT IT ALSO GOT HASTINGS THINKING. THERE MUST BE A BETTER WAY ...

THERE WAS. AND HE CALLED IT NETFLIX. Netflix changed the movie rental experience in three important ways. It did away with late fees. It eliminated the hassle of making a trip to the local video store (only to learn the movie you'd been dying to see wasn't in stock). And instead of leaving us aimlessly wandering the video store aisles wondering which movie we'd actually enjoy, Netflix provides subscribers with customized recommendations from friends, family and the company's proprietary movie match program.

In short, Netflix analyzed the video renting experience from beginning to end and eliminated the pain points for customers. By doing so, it became a billion-dollar company.

Of course, Netflix isn't the only company to revolutionize the customer experience. Amazon.com transformed the way buyers and sellers come together — simplifying, standardizing and personalizing the way you buy everything, from books to DVD players. eBay turned the way consumers dispose of products upside down — bringing auctions to the masses and at the same time fostering

thousands of communities of buyers and sellers. Nordstrom proved that a profitable business model could be built on the proposition that the customer is always right.

These and other innovations have raised the bar for government performance. It's a bar many government agencies are having a hard time clearing.

A surprising 71 percent of Canadians, for example, say that public services should be even better than the private sector, but only 41 percent actually believe existing public services are better. Meanwhile, a recent Pew Research Center poll found that the majority of Americans agree "when something is run by the government, it is usually inefficient and wasteful."

In short, governments worldwide face a growing gap between the level of service citizens expect from government and what they believe they're actually getting. As former British Prime Minister Tony Blair noted: "Expectations are higher. This is a consumer age. People don't take what they're given. They demand more."

Four myths
that keep
government from
delivering a better
customer experience.





Governments have been asking taxpayers for more revenues but continue to provide what is perceived as the same old product. According to Runzheimer International, local property tax burdens went up an average of 21 percent from 2000 to 2004 (leading taxpayers to openly revolt in some jurisdictions). This flies in the face of everything they've grown accustomed to in the private sector.

"In retail, consumers are continually getting things bigger and cheaper than before," observed Ontario's Secretary of Cabinet, Tony Dean. "But for public services, we just keep asking citizens for more money for the same product. That's no longer credible. People feel as though they're paying enough."

The problem isn't due to a shortage of efforts aimed at improving the citizen experience. On the contrary, many governments have invested significant amounts of time and money trying to bolster customer satisfaction. Instead, many governments are going about improving customer service the wrong way. Four misperceptions in particular often thwart the best-intentioned improvement initiatives.

Myth 1: Technology is the solution

If one were so inclined, it wouldn't be hard to attend a conference on customer relationship management (CRM) almost every day of the year. The discussions inevitably revolve around the technology component. That's because many government agencies and private companies have invested heavily in state-of-the-art technology to give them a single, integrated view of their customers and to maintain a mutually beneficial dialog with them. Forrester estimates the market for CRM solutions will grow to nearly \$11 billion by 2010.

But these investments have had mixed results. Success rates with private-sector CRM projects range from 30 percent to 70 percent. A Forrester survey of business and IT executives reveals about 47 percent of those surveyed were satisfied with their CRM systems (which had managed to meet their business objectives) — odds slightly worse than a coin toss.

The reality is that you can have the best CRM system on the market and still have the worst customer service. Think about the last late or canceled flight you took. If you're like most, you don't count yourself a beneficiary of the airline industry's CRM investments.

The problem is that many organizations have tended to view good CRM as solely a technology issue and assign it to the IT group. In most cases, however, the real issue is getting people to change their behavior. Technology can enable this change but cannot, by itself, instigate and sustain it.

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A big obstacle the public sector faces in improving customer service is a work force unaccustomed to customer-centric behavior. Having come into government after spending most of his career in the private sector focused on improving customer service, ServiceOntario CEO Bob Stark told *Canadian Government Executive* in May 2007, "A service-oriented mindset is crucial. ... Staff must be energized to customer service at every level of the organization."

Recognizing that customer service would falter if his employees weren't onboard and engaged, Stark created the ServiceOntario YOU program. The program provides rewards for service excellence and serves as a safe place for employees to discuss what it means to deliver a high standard of service, and share their concerns and suggestions. According to Stark, "80 percent of staff 'get it' and desire to be onboard."

Given the human dimension inherent in the majority of service interactions, technology investments alone are almost always insufficient for bolstering customer satisfaction. Therefore, cultural and behavioral changes become key components for large-scale service-improvement efforts.

Myth 2: We know what customers want

In the middle of the late 1990s dot-com boom, banks were racing to satisfy customers' demands for 24/7 services. As management gurus Ranjay Gulati and James Oldroyd have observed, like many of the big banks, the Royal Bank of Canada (RBC) interpreted the online boom as evidence that consumers valued convenience above all else and invested heavily in this area. Banking hours were extended. New service-line offerings rolled out. Branches were opened up as fast as RBC could build them, and the market was flooded with ATMs.

There was only one problem with RBC's strategy. Its didn't really know what its customers wanted.

While convenience was important, most banking customers considered it mere table stakes for what they looked for in a 21st-century bank. What they really wanted was for banks to see them as valuable customers, not simply transactions, and to recognize them as individuals across the entire banking enterprise — from savings accounts to mortgage and auto loans — irrespective of which door they turned up at.

RBC responded to the wake-up call by reorganizing itself around its customers (all 12 million of them), devoting the better part of a decade to understanding and serving the needs of each one of them. As a result, shareholder dividends more than doubled and sales of highly profitable bundled products and services jumped from 35 percent to 70 percent.

This disconnect between what customers want and what companies think they want is pervasive. A Bain & Company survey of nearly 400 firms found that 80 percent of them believe they deliver a “superior experience” to their customers. Unfortunately just 8 percent of their customers agreed.

This problem extends to the public sector. If you ask most government department heads whether they know what their customers want, they’ll say they do. After all, they conduct surveys. They hold town hall meetings. They might even do focus groups (though this is actually rare in the public sector). The problem is that while each of these tools has some value, they don’t really provide an accurate view of the customer’s experience and satisfaction with public services.

Surveys, for example, fail to uncover problems that you don’t think to ask about in the survey. Customers may be satisfied with the issues you query them about, but remain dissatisfied overall. At their best, surveys uncover “how satisfied customers are with the things we think they think are important,” explained Ken Miller, author of *We Don’t Make Widgets*.

While public hearings and town hall meetings serve as important forums for citizens to share their opinions and air grievances, they also tend to draw out the fringe groups and the loudest complainers (after all, the squeaky wheel gets the oil). The self-selection bias complicates how public officials should interpret and act on the information generated from these forums. Therefore, it’s important to complement these perspectives with other measures of customer satisfaction and then to engage with citizens in the context of actual service delivery in order to better understand the challenges they face.

To their credit, leading jurisdictions have acknowledged the gap and are stepping up their efforts to close it. Dallas, for example, developed a mystery shopper program as a way of gauging customer satisfaction with the city’s 311 system. Volunteers who enlist as mystery shoppers phone their requests for services or information to 311 operators and report back on the quality of the service they received once their request has been fulfilled. (It’s important to note that while a voluntary program is imperfect — suffering from the



Tools for evaluating the customer experience

- Interviews
- Call monitoring
- Contact center visits
- Branch visits
- Customer observations
- “Benchmark” assessment (which compares your organization against other agencies with similar service offerings)

Source: Deloitte Research 2007

same self-selection problems as public hearings and town hall meetings — it adds another piece of information to the puzzle and may indirectly improve customer-service levels since city employees are aware they’re being monitored.)

After investing a significant amount of time understanding its customers’ needs and expectations, Service Canada put a “voice of the customer” team in place to continuously monitor the pulse of citizens to make sure that what its doing is consistent with what customers expect. The team’s findings are used to inform the organization’s strategy and the development of new initiatives aimed at bringing service offerings into line with its customers’ needs and expectations.

Also important, but often overlooked, is what’s dubbed the “noncore” dimension of the customer’s experience. That is, what affects customer satisfaction isn’t always what we think of as core to the service in question. Take health care, for example. If patients see peeling paint on the walls of their doctor’s office or the quality of the meals they receive in the hospital is poor, they may associate these shortcomings with poor health-care service and rate their overall experience lower as a result — despite the fact that the quality of care they receive from their health-care professionals is considered to be world-class.

Failing to acknowledge their own blind spots can impede an organization's efforts to improve customer-service levels (not to mention the waste of resources spent doing things that don't actually bolster customer satisfaction). Many tools are available to help mine user experience information from customers. Using them provides a more complete view of the customer experience and helps to identify prime targets for improvement.

Myth 3: If you build it, they will come

Convincing citizens to complete their government transactions online, which was supposed to be the easy part of e-government transformation, has been a tough sell for many governments. Policymakers have discovered that even if they build it, citizens often won't come — at least not without a lot of creative marketing and even some economic incentives.

While citizens happily browse, bank and shop online, this behavior just hasn't carried over to their interactions with government. According to Forrester's latest e-government benchmark, only 63 percent of U.S. adults who go online have visited a government Web site in the last year. A much smaller percentage completed a government transaction online — fewer than 20 percent renew their license or register their vehicle online, and just 5 percent apply for federal services or benefits programs online.

There's no shortage of reasons for such low turnout — privacy, security, ease of use, lack of Internet access, insufficient marketing to generate awareness — but it comes down to the fact that few governments have really figured out how to enthruse citizens toward conducting their business online.

Getting customers to switch to more efficient and effective channels requires persuasive tactics to encourage people to move online. A combination of advertising, channel partnerships, incentives, "cross-selling" and mandatory requirements can significantly affect the uptake of electronic channels.

Myth 4: Government should treat everyone the same

Too often, "equal treatment under the law" translates into meaning government should treat everyone the same. But treating everyone the same is more likely to reduce, not improve, customer satisfaction.

Customers — whether public or private — typically have very different needs and preferences. While individually appealing to each customer generally isn't feasible, customer segmentation, which breaks down the larger customer population into sub-groups that share similar

Channel Migration Tactics

Advertising: Raising awareness of channels available to customers can improve take-up. The Norwegian government conducted extensive marketing campaigns to promote electronic filing by individuals, businesses and tax professionals. Activities included radio and cinema commercials, print ads and press releases. The campaign resulted in a sharp uptake in electronic filing. The number of individuals filing online rose by nearly 20 percent (up from 36 percent in 2004 to 55 percent in 2005). Meanwhile, the percentage of tax professionals filing online more than doubled (from 24 percent in 2003 to 60 percent in 2005).

Channel partnerships: The IRS enlists software companies and tax-preparation firms as channel partners in its effort to get more Americans to file their taxes online. The massive advertising campaigns from these IRS partners played a major role in convincing more than half (57 percent) of all American taxpayers to file their taxes online last year.

Incentives: Financial incentives are another useful tool in encouraging take-up of online channels. South Korea offered a number of incentives to individual taxpayers and tax professionals. The government offered rebates to both taxpayers and tax professionals when they filed tax returns electronically. Such schemes helped make South Korea a world leader in electronic filing with 75 percent of individual tax returns filed online.

"Cross-selling": Simple steps that refer customers from one channel to another are often both easy to implement and quite effective at accelerating channel migration. For example, the telephone and Internet channels for the Universities and Colleges Admissions Service in the UK reference one another. Customers phoning the customer service unit are informed about the kinds of queries the Web site can answer, and vice versa. While putting telephone numbers on Web sites goes against perceived wisdom in the public sector (which all too often tries to isolate channels from each other), using channels to complement each other can point customers in the direction of self-service, while providing the option of a human touch if necessary. For example, the UK National Debtline — a national telephone helpline for people with debt problems — online debt assessment tool is supported by a telephone helpline listed on the site that users can call at any time if they need assistance with the tool.

Mandatory requirements: Perhaps the most politically sensitive method of encouraging the take-up of electronic channels is through legislation. Governments can simply remove traditional channels or provide penalties for those who fail to migrate. Austria introduced legislation that required all companies with Internet access and an annual turnover of more than €100,000 to return online monthly VAT (Valued Added Tax) statements, annual income tax and corporate tax. Though this law wasn't enforced for the first year, the electronic filing rate for the monthly VAT statement increased from 10 percent in 2003 to 75 percent in 2005. Austria is now the leading country for online VAT returns.

Source: Deloitte Research 2007



Closing the expectations gap requires first returning to the basics. In the customer service realm, that means answering the age-old question: Who are our customers and what do they want?

characteristics, allows organizations to service the unique needs of each group more efficiently and effectively.

Consider a company like Staples. Basically “everybody” purchases pens and paper. But serving everybody is difficult. The process of dividing everybody into “somebody” allows you to disaggregate everyone into smaller user groups with distinct needs. For example, take the Fortune 500 company that wants volume price discounts and a monthly statement. Or small businesses that want to order from a catalog using a credit card. Then, you’ve got students who want to be able to buy a single stapler and would really prefer if it came in a cool color. Rather than trying to build sales channels, marketing materials and billing systems that work for everybody, segmenting different types of customers into homogenous groups allows companies to focus on the needs of these distinct customer segments. Doing so is far more manageable than trying to develop an umbrella that coherently encompasses everybody (at the expense of being relevant to nobody).

The same strategy can be applied to government. Consider the IRS: One is hard-pressed to find a more diverse customer group than the entire American taxpaying population. Each taxpayer group needs IRS customer service, and as Paul Jones, chairman of the IRS Oversight Board, observed in 2006, “All would benefit from tailored strategies given the substantially different challenges and opportunities each represents.”

The IRS conducted an extensive analysis of its customers to better understand their needs and expectations and how they prefer to interact with the tax agency. From this analysis, several distinct groups emerged.

First, there are the self-proclaimed experts who exude enormous confidence in navigating the tax code maze. This group tends to file the old-fashioned way — by paper — prefers self-service and is likely to benefit from expanded do-it-yourself offerings.

On the flip side, there are the taxpayers intimidated by the process of filing taxes. They’re more likely to use tax preparers and less likely to seek assistance because they don’t know how to query

the IRS directly. This customer segment can be helped by targeting tax preparers and through improved marketing for the direct-service channels available to them.

Lastly there are the tech adopters who shudder at the thought of manually completing their 1040s and snail-mailing them. Based on calculations using IRS figures, tech adopters make up nearly one-fifth of the taxpaying population. However, only around 60 percent of them file online, making them a prime target for increasing e-file adoption. Focusing on strategies to boost e-filing among the tech adopters could save around \$22 million annually.

The bottom line: Different groups have different needs. Clustering users into like-minded groups breaks everyone into manageable segments that align to the organization’s business objectives and addresses the distinct needs of each group.

Becoming a Citizen-Centric Organization

Overcoming these common misconceptions is a first step toward improving customer experiences with the public sector. Closing the expectations gap requires first returning to the basics. In the customer service realm, that means answering the age-old question: Who are our customers and what do they want?

Answering this question goes well beyond investments in fancy new technology. It requires a complete mind shift in the way governments approach service delivery. 🌐

Channel Migration Tactics

The Institute for Citizen-Centered Services in Ontario regularly asks Canadians what drives satisfaction with public services. It uncovered five principal drivers of customer satisfaction in the public sector. Together, these characteristics account for three-fourths of customer satisfaction scores for public services.

Timeliness	How satisfied were you with the time it took to get the service?
Knowledge/competence	Staff was knowledgeable and competent.
Courtesy/extra mile	Staff was courteous and made you feel comfortable.
Fairness	You were treated fairly.
Outcomes	In the end, did you get what you needed?

Source: Deloitte Research 2007