One Size Fits Few: Using Customer Insight to Transform Government
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Foreword

Government leaders frequently ask me, “What’s new?” in customer service strategies. “Who’s leading?” “How is my agency doing?” These are senior officials who realize that it is time to fundamentally improve customer service in their departments, and learn to apply the best practices of their peers.

Leading governments are improving customer service by developing personalized customer service strategies that meet the varying needs and preferences of their citizens. They understand that some families have very complex needs that require considerable attention, some businesses just want to comply with government measures and keep their interactions to a minimum, and there are individual citizens who just want to be left alone. Governments are finding that they can have the best of both worlds—personalized service delivery and reduced operational costs.

Meeting the needs of all citizens is exactly what customer service in the public sector is all about. Yet, rarely do public leaders step back to ask, “Are we providing the service that our customers really want?” For example, a public official recently shared an experience with me about observing calls to her agency’s call center. Her conclusion was that the callers’ needs were met less than half of the time. This means that today the agency will receive its normal volume of first-time callers, plus more than 50 percent of yesterday’s callers whose needs were not met the first time around.

The good news is that help is on the way. New customer service models are making it easier for citizens to engage with their governments. Powered by the latest social networking and collaboration technologies, citizens can now conveniently resolve, on their own, many of their needs that once required a visit to the branch office.

This study defines the emerging discipline of “customer strategy” in the 21st century, and shows how the insights of citizens can help your agency make more informed decisions, design and deliver more successful policies and programs, and improve customer service. In line or online, consumers of government services are savvier than ever. And citizens’ attitudes toward the public leaders that represent them are, in large part, shaped by the daily encounters they have with organizations like yours.

We hope you find this study useful.

Greg Pellegrino
Managing Director
Global Public Sector Industry
Deloitte Touche Tohmatsu
Every day more and more examples are cropping up of pioneers who dare to challenge the conventional business model and produce new value for customers.

Netflix changed the movie rental experience by eliminating the hassles for customers. Amazon.com transformed the way buyers and sellers come together. eBay brought auctions to the masses and at the same time fostered thousands of communities of buyers and sellers.

The list goes on. The common denominator: each of these companies defined their customer experience vision and then aligned their organization to deliver this vision.

At the same time, excitement about citizen-centric government has caught like wildfire in government circles over the past decade. Many governments have invested significant amounts of time and money trying to improve customer service. Despite all the enthusiasm, the results have fallen several orders of magnitude short of revolutionary. E-government has automated business, but it has not fundamentally changed the way business is done. The result is a growing gap between what citizens expect from government and what they believe they are actually getting.

The problem does not result from a shortage of efforts aimed at improving the citizen experience. Rather government organizations tend to make the same mistake many businesses do. Instead of understanding the end-to-end experience from the user’s perspective, improvement efforts are often approached one-dimensionally with public dollars frequently chasing the latest fix du jour.

Many government agencies and private companies, for example, have invested heavily in state-of-the-art customer relationship management (CRM) technology to give them a single, integrated view of their customers and to maintain a mutually beneficial dialogue with them. 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 service providers to change their behavior. Technology can enable this change but cannot, by itself, instigate and sustain it.

Previous e-government efforts largely fell short of transforming government service delivery the way many of the original architects dreamed they would. In the rush to move customers from in line to online, public managers did not stop to answer the basic questions that need to be answered to service customers effectively and efficiently: Who are my customers? And what do they want?

Thanks to advances in technology, understanding what customers want and how they want it is much easier than before. Advances in data analytics (which transforms data into useful information for fact-based decision making) and the increasing ubiquity of Web 2.0 technologies (such as social networking, blogs and wikis), along with an array of tried and true staples (focus groups, interviews, market research and call monitoring, among others), allow organizations to mine user experience from customers and use those insights to adapt their business model to rectify any shortcomings in the experience offered to them. The result is a more personalized, user-friendly and engaging experience.

The challenge extends beyond improving the way in which government services are delivered. Restoring public confidence in government capabilities to cope effectively with the challenges of governance in the 21st century, such as global competition and an aging population, requires using customer insights to transform the way public managers perform key government functions. That means a new way of approaching decision making—less guesswork, more reliance on facts. It means using deep customer insight to inform the design of big government initiatives to improve the odds of success. And it means adding new channel management capabilities to the public sector workforce, hitherto nonexistent in government, to improve the efficiency of service delivery without diminishing accessibility.

While today’s economic climate may not strike most government leaders as particularly ripe for reform, the reality is that customer-centered transformation can produce substantial cost savings. As counterintuitive as it may seem, organizations trying to cope with what could turn out to be some of the worst years in recent memory for government finances can reduce their costs without negatively affecting the level of service they offer their customers. Consider the Department for Work and Pensions (DWP) in the United Kingdom.
The old way of processing pension applications was arduous for both the applicant and the department. Applications had to be filed in person and involved several contacts with the department—consuming two hours of the applicant’s time and taking upwards of several weeks for DWP to process the application.¹ With the opening of a new phone-based channel, state pension applications can be handled by contact centers in just one 20-minute phone call. Nearly a quarter of state pension claims are now handled by phone—contributing to an estimated annual savings of £170 million by 2012.²

Leading organizations draw from a robust customer experience toolkit, as appropriate, to address the core problem of dealing with customers in a holistic manner (see table 1 on page 10). In much the same way, public managers can do the same to:

- Bolster decision-making capabilities;
- Enhance government’s ability to execute on major program and policy initiatives;
- Improve service delivery; and
- Reduce costs.

Making effective use of the toolkit requires public managers to understand the full range of tools and techniques available to them, and how and when to apply them. Toward this end, this study illustrates how leading governments are examining the challenges they face from the user’s perspective, drawing upon the toolkit as warranted, to improve the delivery and effectiveness of public services.
Introduction

When retail giant Wal-Mart decided to put flat-screen TVs within reach of the average consumer by dropping prices below the $1,000 mark, the ripple effect was felt by competitors far and wide. Overnight, hundreds of other merchants were forced to slash their own prices. When all was said and done, prices for flat-panel TVs plummeted 40-50 percent.3

In an era of increasing commoditization, consumers have grown accustomed to getting more for less. Yet what has been dubbed the “Wal-Mart effect” not only has brought prices down to new lows but also has had a profound effect on companies looking for the next source of competitive advantage.

Increasingly unable to compete on price and quality alone, leading firms are surveying the end-to-end experience they offer their customers and focusing their efforts on ways that experience can be improved. Take Netflix, for example.

Fed up with the dominant Blockbuster model, 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 that the movie you’d been dying to see was not in stock). And Netflix provided subscribers with customized recommendations from friends, family and the company’s proprietary movie match program—no more need for you to wander aimlessly up and down the video store aisles wondering what movie you might actually enjoy. 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 is not the only company to revolutionize what has been called the “customer experience” (a fancy way of describing the interaction between an organization—public or private—and its customers or potential customers). Amazon transformed the way buyers and sellers come together—simplifying, standardizing and personalizing the way customers 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.

The list goes on. Each of these companies began by defining their customer experience vision and then aligned their “back office” (including delivery channels, systems, performance management processes and training) to deliver this vision. Breaking with tradition, they went outside the walls of the organization and invited customers to contribute feedback to make their service offerings more compelling.

What does the customer revolution sweeping the business world mean for government? These and other innovations have significantly raised the bar for government performance. And it is a bar many government agencies are having a hard time clearing.

The unprecedented level of customization, ease and convenience that 21st century, “on demand” customers have come to expect has spilled over to the public sector, driving expectations of government to an all-time high. The numbers are telling. Take Canada, for example. Nearly all Canadians—97 percent—believe that the service they receive from government should be on par with service in the private sector. A surprising 71 percent of Canadians say that public services should be even better than those offered by the private sector, but only 41 percent actually believe existing public services are better.5

Meanwhile, a recent Pew poll finds that the majority of Americans agrees that “when something is run by the government, it is usually inefficient and wasteful.”6 Down under, New Zealanders express a similar sentiment. Fewer than half of New Zealanders believe that public service there provides good value for money.7

In short, governments are facing a growing gap between the level of service citizens expect from government and what they believe they are 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.”8
Governments have been asking taxpayers for more revenues while providing what is often perceived to be the same old product. In the United States, state and local property taxes have risen considerably in recent years. From 2000 to 2004, for example, local property tax burdens in the US went up an average of 21 percent, leading taxpayers to revolt openly in some jurisdictions.9 This experience flies in the face of everything the taxpayer/consumer has grown accustomed to in the private sector. “In retail, consumers are continually getting things bigger and cheaper than before,” observes 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.” As governments brace themselves for what could be some of the worst years in recent memory for public finances, proposals calling for further tax increases will be even less palatable.

The challenge extends beyond service levels. Public confidence in government’s capabilities to cope effectively with the challenges of governance in the 21st century such as global competition and an aging population is eroding. In the United States, public confidence in the federal government’s ability to protect the country from terrorist attacks and respond to natural disasters and disease pandemics has fallen to new lows.10 Governments around the world face similar performance gaps.

Forward-thinking governments have made bridging the gap between their mission and what actually gets delivered a top priority, borrowing leading customer experience practices that have emerged from the customer revolution sweeping the commercial world.

While today’s economic climate may not strike most government leaders as particularly ripe for reform (especially the kind that calls for improving service levels), the reality is that customer-centered transformation can produce substantial cost savings. As counterintuitive as it may seem, organizations grappling with tightening fiscal constraints can reduce their costs without negatively affecting the level of service they offer their customers. Take the Department for Work and Pensions (DWP), for example.

The old way of processing pension applications was arduous for both the applicant and the department. Applications had to be filed in person and involved several contacts with the department—consuming two hours of the applicant’s time and taking upwards of several weeks for DWP to process the application.11 With the opening of a new phone-based channel, state pension applications can be handled by contact centers in just one 20-minute phone call. Nearly a quarter of state pension claims are now handled by phone—contributing to an estimated annual savings of £170 million by 2012.12

This study examines the implications of the customer revolution for government and demonstrates how new approaches for improving the customer experience can be applied to the public sector to improve the delivery and effectiveness of public services. We begin with a survey of what the customer revolution is and what it means for government.
What Is the Customer Revolution?

Try broaching the subject of customer focus with businesses and you’ll almost always get the same response. Most businesses will say, of course we know what our customers want, we think about nothing but our customers (ergo by definition we’re customer-focused). Nevertheless, the 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.13

Such eye-opening results have meant that companies are increasingly paying more attention to the actual needs of their customers these days. As globalization increases the supply-side capabilities of the consumer economy and subsequently exerts downward pressure on prices, companies are forced to rethink how to improve shareholder value in today’s increasingly commoditized business climate. Coupled with the power shift from sellers to buyers that has resulted from the rise of the Internet and the price and quality transparency that it enables, this new business climate means that firms are forced to respond to well-informed customers who have become used to having the upper hand in their purchasing transactions.

Understanding these new marketplace realities, leading organizations have turned their attention to the customer experience, surveying consumers’ needs and desires and making some fundamental changes to their business model to improve the experience they provide. Increasingly, customers are able to custom tailor products and services to suit specific needs and preferences.

Principles of Customer-Focused Organizations

Leading organizations are delivering an improved end-to-end experience to their customers—an experience that is:

- **Personalized**—Customer insight is used to deliver valuable outcomes tailored to unique customer segments.

- **User-friendly**—Products and services are within easy reach of customers, meaning they are provided by an organization (or partner of the organization providing the product or service) the customer knows and has a trusted relationship with, and can be acquired through the customer’s preferred channel—online, telephone, over the counter, mail, mobile, kiosks, podcasts—at a time most convenient for the customer.

- **Interactive**—Customers are engaged in helping to develop and refine new products and services throughout the development life-cycle.

Perhaps no organization more closely embodies these principles than online giant Amazon. The second you click on Amazon’s Web site, you enter a store designed just for you, where you can get a summary of your past purchases and recommendations tailored to your preferences. With a single click you can easily sort through hundreds of sellers and see the best price on hundreds of goods and services. You can see what other customers viewing the same items ended up purchasing. You are invited to rate the helpfulness of reviews as well as to contribute your own, rate the service level provided by sellers and create lists. Amazon CEO Jeff Bezos recounts the online retailer’s rationale for inviting customers to provide feedback:
When we started posting customer reviews, a customer might trash a book and the publisher wouldn’t like it. I would get letters from publishers saying, “Why do you allow negative reviews on your website? Why don’t you just show the positive reviews?” One letter in particular said, “Maybe you don’t understand your business. You make money when you sell things.” But I thought to myself, we don’t make money when we sell things; we make money when we help customers make purchase decisions.\(^{14}\)

The robust and engaging experience Amazon offers, together with its guiding “what’s better for the customer” philosophy, has made it a leader in customer satisfaction.\(^ {15}\) According to the American Customer Satisfaction Index, Amazon posts an enviable customer satisfaction rating of 87, making it not only a leader in its industry, but also placing the retailer nearly 15 points ahead of the U.S. federal government.\(^ {16}\)

Leading jurisdictions are adapting these principles to the public sector environment. Australia’s tax collection agency, for example, regularly invites its customers into the Tax Office’s user simulation center where they collaborate with agency personnel to troubleshoot problems and test products before they are rolled out to the public. In the United States, the Internal Revenue Service did a yeoman’s job reorganizing its operations in the late 1990s to meet the unique needs of its major customer segments; it continues today to build on its earlier efforts, analyzing its customers preferences and behaviors to develop targeted strategies to meet a very diverse set of needs. In Uruguay, a number of local governments encourage citizens to engage in the budget allocation process. Local governments assign a certain percentage of their budget (anywhere between 3 and 18 percent) to specific projects—ranging from new infrastructure to recycling programs—proposed and selected by citizens in a process of direct voting. In addition to fostering a culture of civic participation, the benefit of this process is that the government programs and services that are funded reflect customer demand.

The customer experience revolution is really a return to first principles. Leading public and private sector organizations are using new tools and methods to answer the basic questions that need to be answered in order to service customers effectively and efficiently: Who are my customers? And what do they want?

The strategy boils down to embracing “know thy customer” as an organizing philosophy and leveraging advances in data analytics and collaborative technologies, along with an array of tried and true staples (focus groups, interviews, market research and call monitoring, among others), to find out exactly what customers are seeking and then adapting your business model to rectify any shortcomings in the experience offered to customers.

This approach has driven bottom-line growth in the private sector, as evidenced by increases in the stock value of those who have figured out how to improve the experience they offer their customers—Netflix, Amazon, take your pick. Similar improvement efforts in the public sector realm can translate into increased public value—more bang for the public buck—through leaner delivery mechanisms and more effective design and provision of services, a subject to which we now turn.
Just Who Is the Public Sector’s “Customer”?

Asking this question usually generates two types of responses: confusion or disagreement with the question’s premise. Let’s start with confusion—it’s easier.

A lot of confusion arises when this question is raised, and for good reason. Consider education. Students, parents, taxpayers and teachers themselves are among the slew of constituencies that are often cited as education customers. How is it possible to be customer-focused when the array of groups to satisfy is so broad?

Depending on the nature of the organization, the customer might be an individual citizen, a business that operates in a regulated industry, or another government organization (human resources, for example). Regardless of the particular segment, the key is to understand who the end user of the product or service is (be it a business or a student) so that you are looking through the right lens.

Back to education. Education by itself is far too broad and abstract a topic to identify a particular customer. Before the customer can be pinpointed, the product or service being provided must be specified. Is it a new policy adopted by the school board? Or a new form of instruction developed by an educator? If the former, then school administrators are the customers. In the latter case, the students who will be on the receiving end of the instruction in the classroom are the customers. The key is to figure out who is going to be using whatever it is that is being created and then to design the product or service with those users in mind.

How about disagreement with the premise of the question—is it appropriate to call citizens (or constituents or clients) customers? There are plenty of good arguments against using the term customer in the public sector realm. First, the term implies an element of choice, yet there is infrequently competition in the public sector (with the exception of a limited number of common services offered by both the public and private sector such as postal services). A second line of argument usually gets cashed out as follows: calling citizens customers belittles the important role of citizens in a democracy (that is, citizens wear a number of different hats—“customer” is merely one of them). Both of these arguments have merit. Yet neither of them overrides a compelling reason for thinking of citizens as customers, one that goes to the core of government’s mission: absent a focus on the end user of a particular product or service, effectively carrying out an organization’s mission becomes a difficult, if not impossible, task.

Take the Occupational Safety and Health Administration (OSHA), for example. OSHA’s mission is to protect the health and safety of American workers. If businesses do not understand the regulations and thus do not know which rules apply to them or how to apply them, OSHA cannot accomplish its core objective. Put simply, if businesses—the customer of OSHA’s myriad health and safety regulations—cannot effectively use the product OSHA is producing, then OSHA cannot carry out its mission of protecting workers. The customers, in this case American businesses, are the key link between the public sector and the workers OSHA exists to protect.

As such, OSHA’s principle aim ought to be working with businesses to understand how regulations can be designed and administered to maximize compliance. A customer-centered orientation could help to reduce the hostility that might otherwise characterize the relationship between the agency and the businesses it regulates. This orientation focuses the organization on working with, rather than against, this customer segment to make complying with the regulatory burden as easy and straightforward as possible.
Bringing the Customer Revolution to Government

The customer revolution sweeping the business world has not gone unnoticed by government leaders. Over the past decade, excitement about citizen-centric government has caught like wildfire in public sector circles. A survey of chief information officers (CIOs) in the public sector finds that citizen-centric service delivery rates among the top priorities of government. Many governments have invested significant amounts of time and money trying to improve customer service, mirroring some of the efforts made by their private sector counterparts. Despite all of the enthusiasm, the results have fallen several orders of magnitude short of revolutionary.

The problem isn’t the result of a shortage of efforts aimed at improving the citizen experience. Rather government organizations tend to make the same mistake many businesses do (see inset on page 10, Four Myths that Keep Government from Delivering a Better Customer Experience). Instead of defining the organization’s customer experience vision and then aligning the “back office” to deliver this vision, improvement efforts are often approached one dimensionally with public dollars frequently chasing the latest fix du jour.

Many government agencies and private companies, for example, have invested heavily in state-of-the-art customer relationship management (CRM) technology to give them a single, integrated view of their customers and to maintain a mutually beneficial dialogue with them. The problem is that many organizations have tended to view good CRM as solely a technology issue and have thus assigned it to the IT group. In most cases, however, the real issue is getting employees to change their behavior. Technology can enable this change but cannot by itself instigate and sustain it.

Previous e-government efforts largely fell short of transforming government service delivery the way many of the original architects dreamed it would. Up to now, e-government efforts have largely involved the automation of highly routine, simple and repeatable transactions, but these efforts have not fundamentally changed the way business is done.

Thanks to advances in technology, we are now on the verge of a fundamental shift in the way business gets done. Advances in data analytics (which transforms data into useful information for fact-based decision making) and the increasing ubiquity of Web 2.0 technologies (such as social networking, blogs and wikis) allow organizations to mine user experience from customers and use those insights to adapt their business model to rectify any shortcomings in the experience offered to them.

These insights can be used not only to improve service delivery, but also can transform the way public managers perform key government functions. While government has a fundamentally different mission and a different set of constraints than the private sector, this does not mean that the public sector can’t learn from business, and adopt leading commercial best practices where it makes sense. The types of analysis the private sector routinely does can be replicated in the public sector to increase an organization’s effectiveness while driving cost savings.

Netflix and other leading organizations draw from a robust customer experience toolkit to address the core problem of dealing with customers in a holistic manner (see table 1 on page 10). In much the same way, public managers can do the same to bolster decision-making capabilities; improve service delivery; enhance government’s ability to execute on major program and policy initiatives; and reduce costs.

Making effective use of this toolkit requires public managers to understand the full range of tools and techniques available to them, and how and when to apply them. Toward this end, we examine how leading public sector organizations are already approaching the challenges they face from a more multidimensional perspective, drawing upon the toolkit as warranted, to address some of the difficult questions facing government. For instance:

- In a Web 2.0 world increasingly dominated by a new “wikinomics” paradigm, how can government harness the wisdom of crowds to improve decision making and bolster mission performance?
- How can agencies work together to deliver important shared outcomes for their common customers?
- How can new programs be customized to address the needs of a diverse set of customers while improving the efficiency of delivery?
- How can government improve the efficiency of service delivery without diminishing accessibility?
<table>
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<th>Role of Government</th>
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| Decision Maker          | • Data mining: Computer programs that identify hidden patterns and relationships in large amounts of data through the use of advanced statistics and that then use those patterns to predict behavior.  
• Voice of the customer: Market research that captures customer wants and needs.  
• Citizen surveys: A mechanism for gauging the perspectives of residents of a particular jurisdiction on public issues.  
• Predictive modeling: An examination of customer behavior to predict both the likelihood and timing of various events.  
• Data warehouse: The central repository of an organization’s historical data. A warehouse can be used to draw the raw data needed to run complex queries and analysis, such as data mining, without slowing down an organization’s operational systems. |
| Program and service designer | • User simulation labs: A means of bringing users and developers together to develop and test products and services in an environment simulating real life.  
• Customer segmentation: A means of dividing a heterogeneous market into homogeneous customer segments based on demographic characteristics or attitudes. By understanding the differences between subgroups that exist in the population being served, organizations can better meet individual needs as well as reduce the cost of serving certain segments.  
• Persona development: Personas are derived from a customer segment as an archetype and serve to reveal the people behind the numbers. The development of personas enables an organization to bring customer segment data to life.  
• Co-creation: The engagement of customers in the development of a new product or service.  
• Beta testing: A quality-control test conducted before a new product or service is released to determine whether it performs as expected in the real-world environment in which it is intended to operate.  
• Panels/focus groups: The bringing together of a group of customers for the purpose of acquiring feedback on new products or services, thus allowing organizations to gauge market acceptance of a new offering before it is made available to the public.  
• Price optimization: Simulation of customer response to price changes to help forecast demand, develop pricing strategies, control inventory levels and improve customer satisfaction. In the public sector, price optimization can help organizations understand whether it makes sense to impose user fees for selected services. |
| Service provider         | • Integrated service delivery: Organization of service offerings related to individual needs to address problems from every angle.  
• Customer relationship management (CRM) systems: Technology that gives an organization a single, integrated view of its customers, enabling the organization to better manage its interactions with customers and maintain a mutually beneficial dialogue with them.  
• Multichannel: The provision of multiple ways for customers to interact with an organization and access services—online, telephone, over the counter, mail, mobile, kiosks and pod cast.  
• Mystery shopping: A method of measuring the quality of service provided by an organization. Mystery shoppers pose as normal customers and report back on the quality of their experience and the goods or services received.  
• Call monitoring: A feature allowing managers to listen in on calls coming into an organization in order to improve agent performance. Call monitoring can be done in real time, or without the agents knowing they are being monitored, or by recording the call to review later.  
• Site visits: Visits made to a location where services are being provided to observe the interaction of employees with customers and to gain insight into challenges customers face in obtaining goods and services.  
• Service standards: The development of tools, processes and employee skills that align to customer needs and meet specific standards, thus making the brand and service principles operational.  
• Service guarantee: An assurance provided by an organization attesting to the quality of the service customers are to receive, with a provision for accounting to the customer if the quality falls short.  
• Service charter: A description of the service principles and standards that a customer can expect when engaging with an organization.  
• Code of practice: An internal code that aligns employee behaviors to an organization’s service principles and standards.  
• Key performance indicators: Financial and nonfinancial metrics used to quantify objectives to reflect the strategic performance of an organization. |
| Channel manager          | • Channel management: A means by which an organization arrives at the right mix of channels (phone, Internet, mail, and the like) to provide goods and services. Arriving at the right channel mix requires that a service provider understand the different drivers—from the degree to which a service is standardized to the capability of a customer to self-serve—and adjust the channel offerings to reflect the nature of the service being provided and the interaction preferences of customers.  
• Root cause analysis: Identifies the underlying cause of a problem or event in order to deal with it directly rather than simply addressing the symptoms.  
• Customer coaching: A broad array of tactics (such as advertising, incentives and assistance) used to persuade customers to use more efficient and effective channels to conduct their business activities with an organization. |

Source: Deloitte Research
Four Myths that Keep Government from Delivering a Better Customer Experience

Many governments have invested significant amounts of time and money trying to bolster customer satisfaction—yet in many cases they go about improving customer service the wrong way. Four misperceptions in particular often thwart the best-intentioned improvement initiatives.

Myth 1: Technology is the solution

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 dialogue with them. Forrester estimates that the market for customer relationship management (CRM) solutions will grow to nearly US$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 that fewer than half (about 47 percent) of those surveyed were satisfied with their CRM systems (which had managed to meet their business objectives)—odds slightly worse than those of a coin toss.

The problem is that many organizations have tended to view good CRM as solely a technology issue and have assigned it to the IT group. In most cases, however, the real issue is getting employees to change their behavior. Technology can enable this change but cannot by itself instigate and sustain it. A big obstacle the public sector faces in improving customer service is a workforce unaccustomed to customer-centric behavior. 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

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. And 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 to better understand the challenges they face.

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 a patient sees 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 its own blind spots can frustrate an organization trying to improve customer service levels. 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.

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 enthuse citizens toward conducting their business online. Getting customers to switch to more efficient and effective online channels requires persuasive tactics. A combination of advertising, channel partnerships, incentives, cross-posting 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 subgroups that share similar characteristics, allows organizations to service the unique needs of each group more efficiently and effectively.

By clustering users into like-minded groups, organizations avoid trying to create a one-size-fits-all solution and instead focus their efforts on manageable segments that align to the organization’s business objectives, while better meeting the distinct needs of each group.
Government officials are responsible for making a number of important decisions that directly or indirectly impact the lives of citizens. Decisions range from deciding which individuals receive certain services and how resources are allocated to determining what direction and shape policy will take. Too often these decisions are made without the benefit of customer insight or meaningful analysis of what is often an abundance of raw data that by itself is of little value to decision makers.

Public sector organizations routinely collect, manage and store immense volumes of data on everything from health records and traffic violations to crime statistics and literacy rates. This information is stored in numerous systems (from mainframes to content management systems). When this data is aggregated and cross-tabulated it can provide a powerful tool for decision makers to understand customer interests and behaviors. Too often, however, this information sits in silos and is not accessible outside of the organization that controls it, limiting its usefulness. Without a centralized information system (or systems that are able to “talk” to one another) and mechanisms for discerning underlying patterns in the data, public officials must resort to making important decisions based on their gut feeling or limited information.

The problem is not unlike that which businesses regularly confront. Leading firms have overcome the tendency to make crucial decisions with incomplete information by using analytics tools to mine the terabytes of data they collect, teasing out the trends contained therein and enabling the firms to predict customer behavior. This capability allows managers to quickly call up answers to questions like “Which customers are most likely to defect to a competitor?” and plan accordingly. A similar shift toward fact-based decision making is starting to take hold in the public sector. Public managers are increasingly turning to sophisticated data analytics tools and various forms of market research to make sure their decisions are based on a sound understanding of what citizens want.

Using Data Mining to Harness the Wisdom of Crowds

A much-talked-about book in recent years, James Surowiecki’s *The Wisdom of Crowds*, explores the delightfully anarchic notion that experts do not come up with the best ideas. Surowiecki’s thesis is simple: a large group of people is better at solving complex problems than a single expert, no matter how brilliant. There is a rider of course—the group should consist of independent, self-interested individuals working on a problem in a decentralized way, without any direction from the top.

The ideas embodied in *The Wisdom of Crowds* have made a big splash in the business world, and they also have huge implications for public policy. In countless ways, government agencies can take decentralized, local knowledge and use it collectively to solve public policy problems or improve services.

The public sector has always collected a glut of data on the programs and services it provides, but it has rarely extracted the wisdom of the crowds contained therein. Immense volumes of data are collected and stored on shelves gathering dust or in a disparate array of databases that cannot talk to one another; few of them are ever tapped in a way that managers can use to inform decisions. The question facing governments today is how to systematize and apply “collective intelligence” to improve governance.

Thanks to a fortuitous—and unintended—unfolding of events, governments are beginning to understand how this can be done.

A decade ago, the city of Baltimore created a 311 hotline as a way to reduce the burden on the city’s 911 emergency response help line. Because there was no centralized number to phone in nonemergency police matters, citizens wound up calling the city’s 911 system. The result was predictable. Operators got tied up handling nonemergency matters, preventing emergency calls from being answered expeditiously.
The 311 solution worked—the volume of nonemergency calls flooding the city’s emergency response system went down. Five years after 311 went live, the system was expanded to accommodate a wide range of services provided by the city.23

What was happening in Baltimore did not go unnoticed.

That same year, while out on the streets campaigning to be New York City’s next mayor, business tycoon Michael Bloomberg noticed a leaking fire hydrant and asked one of his aides who to call to get it fixed. Bloomberg was astonished to learn that the Department of Environmental Protection—not the fire department—was in charge of maintaining the city’s fire hydrants. When he got back to his office later that day, Bloomberg opened the phone book only to discover that he had to wade through 14 pages of listings just to track down the right number to call to report the leak.24 Having fallen victim to the city’s bureaucratic maze, Bloomberg promised that, if elected, he would put an end to “the frustrating bureaucracy New Yorkers encounter when they need help.”25

When Bloomberg got to city hall, he made good on his promise to cut red tape for citizens trying to get in touch with government, creating a 311 system for the city of New York that put all the city’s services within easy, round-the-clock reach of city residents. But then he went a little further. Bloomberg, both a technocrat and a visionary, offered up an even bolder vision for the Big Apple’s 311 system: What if the city aggregated and analyzed all the millions of pieces of data that came into the 311 systems each month? The collective wisdom embodied in these calls could allow government officials to make better resource decisions and catch problems before they become crises. In essence, Bloomberg wanted to tap into a hitherto unused asset—the eyes and ears of 8 million New Yorkers—to better diagnose problems and manage the city’s business.

Leveraging his Wall Street background and analytical prowess that helped make Bloomberg L.P. the largest financial news and data company in the world, Bloomberg put in place state-of-the-art data mining tools so that insights from the millions of calls coming into the 311 call center could be readily extracted and used to help city officials make better decisions in real time.

Data mining helps pull all of the pieces of the puzzle together to uncover problems that might otherwise not make it onto a manager’s radar screen. Case in point: New York City’s chronic Sunday morning parking problem. Until 311 went live, no one knew that Sunday morning churchgoers were habitual parking violators, infuriating their fellow New Yorkers who reside in the vicinities of the city’s hundreds of churches. Before 311, residents calling in parking violations would basically phone their complaints into whomever they thought had the power to move the double-parked car blocking them in. Soon after the 311 system was implemented, parking complaint calls went into a centralized system where they could be aggregated and mapped out, revealing the nature and magnitude of the problem. Once officials realized there was a problem, they were able to allocate resources more effectively to resolve violations more quickly and make life better for the churches’ neighbors. As Bloomberg explains, “The important thing about 311 isn’t just that people, our customers, can interface with government and get a service they want, it’s now that management knows what services people want because we track every call and we know when they call and from where they call,” which means that “we can anticipate what kind of questions they’re going to have or what services they’re going to need.”26

Residents have taken advantage of the new helpline to report the matters that detract from their quality of life: excessive noise inspections are up 94 percent and rodent exterminations have increased by more than a third. And since the Building Department now uses 311 to streamline its permit review process, the wait time for builders to get an appointment with an inspector has plummeted from more than a month to under a week.27

The evolution of 311 illustrates how governments are beginning to harness the wisdom of their customers to bolster performance by developing mechanisms to aggregate information and knowledge from a diverse group of citizens. Doing so gives public managers a better picture of where they need to focus their attention so they can make changes that improve citizen satisfaction.28
Using Analytics to Support Fact-Based Decision Making

A similar shift is under way in the areas of law enforcement and education. Data collection and analysis are becoming an engrained part of tackling crime reduction in cities like New York and Los Angeles. Both Los Angeles and New York City police departments use a computer statistics program called CompStat (a variant of the real-time analytics system deployed commercially by companies like Wal-Mart) to map crime data to geographical regions to identify where problems exist and guide decisions about where resources should be deployed to bring down crime rates in those areas. CompStat tracks when, where and how crimes occur in real time so officers can be deployed to specific locations where they are most needed. Regular meetings that bring commanders together with precinct captains to distill information from crime data and analyze performance are an integral part of the CompStat management philosophy, ensuring accountability for results. As LAPD chief William Bratton puts it, “CompStat is a way of pushing power and responsibility down into the organization to the point where rubber meets the road,” adding that the coupling of data analysis with management strategy is what makes the program effective.

Given the success CompStat has achieved in helping to reduce crime rates, the system is now being adapted for schools. SchoolStat borrows the same data-driven management approach to boost performance in schools. Drawing from a wealth of standardized testing and school operations data, school administrators are held accountable for delivering improvement results on a range of metrics—from teacher vacancy rates and increased attendance to higher test scores.

In much the same way Six Sigma transformed quality management in the business world by using a data-driven, systematic approach to problem solving, the increase in data analysis and results management in the public sector enhances fact-based decision making by fostering a culture of learning about what works and what does not in delivering outcomes.

Self-assessment for government decision makers: How does your organization stack up?

☐ You use the data you have to better understand customer needs and to anticipate changes in customer behavior that will impact your organization.

☐ Your systems all “talk” to one another and your employees can quickly access information in real time.

☐ You have the capabilities in place for discerning underlying patterns in the data and can identify deviations to spot potential problems before they become widespread.

☐ You make decisions based on hard data (not gut instinct).

☐ You have a way of routinely gauging the perspectives of your customers and enabling them to provide feedback.

☐ You have the infrastructure in place to enable your employees to share information and collaborate.

☐ You have a mechanism for aggregating collective intelligence.
### Inviting them in: Government in a Web 2.0 World

If data mining represents an indirect way of tapping into collective intelligence, Web 2.0 technologies offer a direct means of harnessing the wisdom of crowds through user engagement. Recognizing the value of a distributed platform that encourages participation, leading government organizations are experimenting with new Web 2.0 applications to engage both internal and external constituencies. The move from Web 1.0 to Web 2.0 is facilitating a shift away from the cultural disposition toward insularity pervasive in government to greater transparency and engagement with citizens and government employees. Through social networking platforms, blogs and wikis, among other Web 2.0 technologies, governments are bringing an increasing number of people together to bolster decision making and address other important issues facing government.

### Table 2. Using Web 2.0 Applications to Address Difficult Issues Facing Government

<table>
<thead>
<tr>
<th>Issue</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improve decision making</td>
<td>Regulations.gov – In a world where 8,000 rules are created every year by 160 federal agencies, as many as 500 regulations can be open for public comment at any given time. Regulations.gov simplifies the process for gathering public input by aggregating federal regulatory activity in a single place. Citizens can visit the web site to view and comment on proposed regulations and other U.S. federal agency activities. The benefit is greater visibility into and participation in the rulemaking process. The site features an RSS feed for users who opt to receive automatic updates when new material is posted to the site.</td>
</tr>
<tr>
<td>Garner public feedback on programs and services</td>
<td>U.S. Transportation Security Administration’s Evolution of Security blog – Ever wonder about the underlying rationale behind TSA’s decision to limit the volume of liquids passengers carry with them onto aircraft or why shoes are now subject to X-ray screening? In an attempt to explain changes in airport security policies, TSA launched the Evolution of Security blog. The blog features short video clips of agency personnel explaining the motivations behind the changes in the passenger screening protocol and invites readers to share their own experiences—questions, gripes, even inconsistencies in screening procedures across different airports—with the agency. The goal is to open up communication channels between passengers and security personnel to improve the security of the country’s transportation network.</td>
</tr>
<tr>
<td>Share information across silos and multiple geographies</td>
<td>Intellipedia – To increase intelligence information sharing in the post-September 11th world, officials from the 16 U.S. spy agencies created Intellipedia, a secure collaborative workspace that uses the same open-source software that powers Wikipedia. Analysts across the intelligence community regularly use Intellipedia to weigh in on sensitive topics—the site now boasts over 7,000 users who have created more than 60,000 pages. Intellipedia enables cross-agency collaboration, subjects intelligence to community-wide peer review and serves as a repository of institutional knowledge.</td>
</tr>
<tr>
<td>Attract the next generation</td>
<td>Eduisland 3 – What’s the best way to recruit the tech-savvy twenty to thirtysomethings government IT shops are eager to hire? Taking a play from the Fortune 100’s recruiting playbook, the state of Missouri has established its own island, Eduisland 3, in Second Life, a popular 3-D virtual community with nearly 10 million residents, to host a 21st century job fair to attract this sought-after demographic into government. The idea is to nullify the perception of the public sector as a technology laggard and boost the state’s IT recruiting efforts.</td>
</tr>
</tbody>
</table>

Source: Deloitte Research
“Know thy customer” is a fundamental business tenet. The success of a company is directly proportional to how well it identifies and then meets the needs of its customers. This principle also applies to government. When public managers do not invest the necessary time upfront to understand who their customers are and what they need, problems can crop up when a new initiative is launched. To improve government’s ability to execute major program and policy initiatives, a number of tools are available to assist public managers with everything from customizing mass-delivered programs and services to the needs of individual citizens, to determining the right price for services that carry a user fee.

The nature of many of the policy challenges before government today—from meeting growing workforce retraining needs amid the waves of outsourcing and offshoring, to controlling long-term health care costs through more effective preventative care approaches, to serving the needs of an increasingly aging population—lends itself well to an approach that identifies and addresses the varying needs of different categories of customers.

Applying Customer Segmentation to the Design of Major Initiatives

Take wellness, for example. Instigating behavioral change at the individual level requires a deep understanding of what types of messaging, incentives (and disincentives) and customer engagement are effective in inducing and sustaining healthy lifestyle changes needed to stem chronic disease development and reduce health care costs. Similarly, the senior population includes everyone from 63-year-olds who run marathons and are highly proficient with computers to 93-year-olds with failing faculties. The diversity of needs in this population does not conform to a one-size-fits-all approach when it comes to how services are designed and delivered. Try designing a single workforce retraining program that effectively meets the needs of high school dropouts, mothers who have been out of the workforce for some time and need a skill refresh, lifelong workers who have seen their jobs relocated offshore and retirees who would like to reenter the workforce on a part-time basis for income support. The list goes on. In each of these cases, what works will differ from one category of individuals to the next. The problem is not unlike that which companies routinely confront when they must figure out the appropriate markets for their goods and services.

Consider an office supplies company like Staples. Basically, “everybody” buys pens and paper. But serving everybody is hard. The process of dividing everybody into “somebody,” or several somebodies (also known as customer segmentation) allows you to disaggregate that everybody into smaller user groups with distinct needs. Among Staples’ typical customers is the Fortune 500 company, for example, that wants volume price discounts and a monthly statement. Or small businesses that want to order from a catalogue using a credit card. Then there are 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).

Though it runs contrary to the conventional wisdom that says government should treat everyone the same, segmentation allows public sector organizations to design initiatives that meet the broad needs of every individual in a cost-effective and efficient manner. To see how customer segmentation might be applied to a major government initiative, consider the case of immigration.
The Immigration Challenge

One of the most pressing and difficult issues facing governments today is the need to balance homeland security concerns with broader economic considerations, particularly the need to fill worker shortages in certain industries. In the United States, this issue has drawn considerable attention, and with it, fervent debate. One of the immigration reform proposals put forth by President George Bush would have created a temporary worker program that would match foreign workers with U.S. employers unable to find American workers to fill their job openings.33

Under this proposal, immigration officials would be charged with designing an approach to process some 7 million undocumented workers, ranging from health professionals and engineers to domestic workers and restaurant employees, who speak different languages, have different levels of work experience and have very different levels of trust in the U.S. government—many of whom will not even know about the existence of the program.34

Were such a program to be implemented, a one-size-fits-all approach to processing applicants would be ill-suited given the characteristics of the undocumented worker population. The sheer size and the vast diversity of the population that would be affected by such a program make it a good candidate for segmentation analysis (see inset on page 20).

Registering the foreign worker who speaks only Spanish and wants to apply for a work permit but is a relatively new immigrant will be a different process from registering a bilingual immigrant who has lived in the United States for many years, for example. The Spanish speaker might require customized attention in Spanish and in-person help to understand the different requirements and compliance conditions. This might call for sending out mobile information centers with Spanish speakers to day-worker pick-up locations at peak times to enroll the workers.

At the same time, a certain percentage of English-speaking immigrants can probably be signed up through a much less costly self-service Web site or toll-free telephone number. Reaching this group requires knowing which communication channels receive the most traffic and tailoring the message to encourage immigrants to enroll through their preferred channel (see figure 1).

Dividing the foreign worker population into smaller segments is far more manageable than trying to devise a single approach to processing such a diverse group of workers. A segmentation approach represents the best of both worlds: effectiveness in meeting the needs of different customers with very different expectations and preferences regarding service delivery without the efficiency trade-offs of an all-encompassing umbrella strategy. As the number of policy challenges requiring customized solutions continues to grow, segmentation represents a pragmatic tool that public managers can use to address the problems they are called upon to solve.
Figure 1. Targeting Strategies to Meet the Needs of Different Customer Groups

Customer segmentation (illustrated below) translates raw customer data into meaningful service strategies, reducing the cost to serve certain segments while increasing the effectiveness of program outreach efforts. The size and diversity of the undocumented worker population make it an ideal candidate for customer segmentation, where a temporary worker program can be implemented.

Segments are developed for workers and employers

<table>
<thead>
<tr>
<th>Customer Segment</th>
<th>Differentiating Attributes</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Mature” Worker</td>
<td>• Lived in the United States for 5+ years</td>
</tr>
<tr>
<td></td>
<td>• Working proficiency in English</td>
</tr>
<tr>
<td></td>
<td>• 60+ hour weeks</td>
</tr>
<tr>
<td></td>
<td>• Mid-level manager in farming</td>
</tr>
<tr>
<td></td>
<td>• Access to Internet</td>
</tr>
<tr>
<td></td>
<td>• Prefers to solve problems on own, does not like in-person interaction</td>
</tr>
<tr>
<td></td>
<td>• Can be impatient</td>
</tr>
<tr>
<td></td>
<td>• Good awareness of TWP</td>
</tr>
<tr>
<td>“Emerging” Worker</td>
<td>• Very willing to comply</td>
</tr>
<tr>
<td></td>
<td>• Lived in the United States for 1-3 years</td>
</tr>
<tr>
<td></td>
<td>• Spanish speaker</td>
</tr>
<tr>
<td></td>
<td>• Elementary proficiency in English</td>
</tr>
<tr>
<td></td>
<td>• Varied, day worker</td>
</tr>
<tr>
<td></td>
<td>• 35-hour work week</td>
</tr>
<tr>
<td></td>
<td>• No access to Internet</td>
</tr>
<tr>
<td></td>
<td>• Prefers in-person help, community-focused</td>
</tr>
<tr>
<td></td>
<td>• Very patient</td>
</tr>
<tr>
<td></td>
<td>• Not aware of TWP, most likely not willing to comply</td>
</tr>
</tbody>
</table>

Targeted Strategies Are Developed for Customer Segments

<table>
<thead>
<tr>
<th>Customer Segment</th>
<th>Channel</th>
<th>Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Mature” Worker</td>
<td>Convenient and Fast</td>
<td>I Can Help Myself</td>
</tr>
<tr>
<td>(Ready to register)</td>
<td>• Registration kiosks are placed in farm communities and a TWP Web site is developed, both providing “Rapid Registration”</td>
<td>• Web site features include a “self-help” option, service center e-mail option with a 24-hour response guarantee, and e-mail information update option</td>
</tr>
<tr>
<td>“Emerging” Worker</td>
<td>Join Me in My Community</td>
<td>Hold My Hand</td>
</tr>
<tr>
<td>(What is the temporary worker program?)</td>
<td>• Mobile information centers are placed near day-worker pick-up locations at peak times</td>
<td>• Mobile center staffed with helpful, Spanish speakers who walk through program information, highlighting benefits</td>
</tr>
</tbody>
</table>

Source: Deloitte Research
Public managers can use customer segmentation to develop targeted initiatives that take into account the distinct attributes of the different customer groups they serve. Through segmentation, the unique needs of each sub-group within the broader population surface and can be translated into service offerings that benefit both the individual segments as well as those of the organization providing the service. Segmentation is not a one-off event, but rather a recurring exercise done at regular intervals to keep pace with changing customer populations and evolving needs and preferences.

While segmentation is more of an artful skill than a hard science (in the tradition of mathematics, for example, which is governed by strict formulas), the general process can be broken into 10 steps (see table 3).

### Table 3. A Closer Look at the Segmentation Process

<table>
<thead>
<tr>
<th>Step</th>
<th>Explanation</th>
<th>Key Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Determine the scope of the analysis</td>
<td>The first step is to determine what the right scope is for the segmentation analysis.</td>
<td>• What individuals and stakeholders should be included in the segmentation?</td>
</tr>
<tr>
<td>2. Determine what data already exist on the population that will be included in the analysis</td>
<td>The next step is to inventory what information about the target population is already available to draw upon.</td>
<td>• What information is available to assess potential segmentation factors? • What data exist across different departments that can be utilized? • What are the pertinent privacy issues to be mindful of?</td>
</tr>
<tr>
<td>3. Assess what additional information is needed to complete the profile</td>
<td>The idea here is to determine what important variables are missing and what additional data need to be obtained in order to validate the analysis.</td>
<td>• What additional data are needed? • Is the voice of the customer adequately reflected in the information collected?</td>
</tr>
<tr>
<td>4. Confirm organizational strategies and priorities</td>
<td>Defining objectives and requirements helps to focus the scope of the segmentation and develop actionable outcomes. The goal of segmentation is to divide the population into homogeneous groups based on common needs and wants you can act on with a common solution.</td>
<td>• What are the organization’s priorities? • How do these priorities relate to segment objectives and requirements?</td>
</tr>
<tr>
<td>5. Develop a segmentation logic and assess possible segmentation strategies</td>
<td>The next step is to develop a segmentation logic and weigh the advantages and disadvantages of all the possible models to determine the most appropriate segmentation for the program or service in question. Segmentation is an analytical technique rooted in statistics which computes the degree of similarity among individuals and divides the population into homogenous sub-groups. Public organizations should create a simple segmentation that makes sense to their business and resist the urge to overanalyze data.</td>
<td>• What are the pros and cons of each segmentation model? • Which segmentation model best serves the organization’s goals?</td>
</tr>
<tr>
<td>Step</td>
<td>Explanation</td>
<td>Key Questions</td>
</tr>
<tr>
<td>---------------------------------------------------------------------</td>
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<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>6. (Optional) if needed, use segments to develop personas</td>
<td>Once segments are defined, these groups can be brought to life by developing personas that give customer segments personality and add a story to the numbers. Persona development is an optional step.</td>
<td>• Do the personas developed resonate with people who have experience with the population affected by the policy?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• What problems are these personas most likely to encounter based on their characteristics?</td>
</tr>
<tr>
<td>7. Determine what segment-specific initiatives would create new value</td>
<td>Here you need to understand the “value” of each of the segments to you. In the public sector, this translates to cost savings, for example, through channel migration. Segment data should also be used to inform the development of initiatives aimed at reducing costs and improving service levels for these unique subsets of the population.</td>
<td>• How can the needs of each segment best be met?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• What techniques can be employed to increase the uptake of lower-cost channels?</td>
</tr>
<tr>
<td>8. Decide which of these segment-specific initiatives are feasible and prioritize the list</td>
<td>Of all the initiatives identified, which are actually achievable? Of these, which ought to be prioritized?</td>
<td>• How realistic is the initiative?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Which of the initiatives identified shows the greatest promise of delivering value to both the customer segment and to the organization?</td>
</tr>
<tr>
<td>9. Understand what capability is required to deliver these new initiatives to the segments</td>
<td>The key here is to determine what organizational capabilities (training, technology and process changes) are needed to get the organization from where it is today to where it wants to go.</td>
<td>• How does the current service model need to change?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• What capabilities does the organization need to successfully implement the initiatives?</td>
</tr>
<tr>
<td>10. Develop key performance indicators</td>
<td>If you don’t measure something, then you can’t manage it—the two go hand in hand. Developing key performance metrics allows you to track the progress of improvement efforts over time.</td>
<td>• How will you know if you’ve succeeded in delivering better value to segments?</td>
</tr>
</tbody>
</table>

Self-assessment for government program and service designers: How does your organization stack up?

- [ ] You can easily identify the customer segments that make up your customer base.
- [ ] You understand the needs and preferences of the different customer segments and how those change at different interaction points.
- [ ] You understand the persona the customer segment data represents.
- [ ] You embed the voice of the customer into your development process.
- [ ] You have a strategy in place for driving customer segments to their preferred channel when a program or service is launched (so they don’t have to be migrated down the road).
- [ ] You understand your organization’s cost-to-serve structures.
- [ ] You test new services or changes to existing services with users before they are rolled out to a wider audience.
Citizen perceptions of government are largely shaped by an individual's interactions with the government organizations with which they deal. To understand what drives satisfaction with public services, the Institute for Citizen-Centered Services in Ontario regularly asks Canadians about their expectations of government. What they find should come as little surprise. The majority of what drives citizen satisfaction with government services boils down to five criteria:

- **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 me feel comfortable.)
- **Fairness**: (I was treated fairly.)
- **Outcomes**: (In the end, did you get what you needed?)

To deliver services that meet these criteria, public managers can draw upon a number of different approaches (such as mystery shopping, call monitoring and site visits) to audit the quality of the experience they currently provide to their customers and then use other practices in the toolkit to address the weaknesses that assessment identifies (by defining and adopting service standards, for example).

Of the criteria on the list, often the most challenging for organizations is delivering the outcomes their customers are seeking. Whether the challenge is enhancing child welfare, reducing recidivism after prison or protecting citizens from terrorism, today's public policy issues are often too complex for individual agencies to tackle alone. Achieving these and other important societal outcomes requires the participation and collaboration of multiple government agencies across multiple levels of government, as well as involvement from businesses and nonprofits. Federal public health agencies, for example, cannot adequately respond to an anthrax or smallpox attack on their own; they need support from other public health organizations and emergency responder networks.

Historically, much government activity has been highly process driven, with government departments focused on administering the individual programs and services that fall under their purview rather than on the ultimate outcome those programs and services are meant to produce for their customers. Often a government agency's organizational alignment is not conducive to outcomes-based service delivery. Individuals are responsible for their role in the process, not the ultimate outcome at the end of the chain of processes.

With little coordination and information sharing between different departments and agencies, citizens are required to provide the same information over and over again. They can end up getting the runaround and are forced to make multiple visits to multiple offices—and stand in multiple lines—even for services that are closely related. For example, someone on public assistance might need a variety of related services, including job training and placement, child care, food stamps and drug rehabilitation. Navigating the maze places a tremendous time burden on individuals in need—time that could be better spent working toward independence. In short, all too often no one in government is watching the end-to-end experience delivered to the customer or is responsible for the resulting outcome.

Similarly, this problem can be pervasive in the private sector. Customer information is often scattered across multiple departments within firms—from marketing to sales—without collaboration between departments to ensure a positive customer experience and the outcome the customer is seeking. To overcome this challenge, leading firms have invested in customer relationship management systems for sharing customer information across the enterprise. They have also developed capabilities to monitor the customer experience lifecycle and make continuous improvements to the experience delivered to customers (see inset on page 24, The Customer Experience Life-Cycle). Taking their cue from this increased focus on customer insight, public managers are starting to adapt this focus to their own organizations to meet the challenge of delivering shared outcomes to their customers.
Using Customer Insight to Deliver Shared Outcomes

Social programs often span multiple agencies and multiple levels of government. When recipients of these programs experience a change of circumstance, such as finding a job for example, they must notify the various agencies affected by the change and complete a slew of redundant forms. This redundancy translates to increased cost for government agencies processing the same information multiple times and to inconvenience for the customer. If one of the affected agencies is missed, then the assistance is not terminated as it should be or new benefits like tax credits are not provided.

Recognizing this problem, the UK government has made it a top priority to increase collaboration among agencies at all levels of government where there is overlap in the customers each is serving. To shift the focus from siloed processes to improving the customer experience and generating positive outcomes for customers, the Department of Work and Pensions and Her Majesty’s Revenue & Customs (HMRC) have joined up to share insight on their common customers and explore ways to improve the quality of identity-related information housed in both departments.

The recent creation of tax credits expanded the common customer base of DWP and HMRC, challenging their individual service models. Under the old model, when an unemployed citizen found a job, he notified DWP to close his existing benefits claim, contacted HMRC to claim tax credits and, if applicable, pursued relevant benefits offered by his respective local authority—meaning the transition to work generated at least three possible contacts with government to provide the same information. The Cabinet Office found that following a death in the family, a typical family in the United Kingdom might have to make as many as 44 contacts with government.

To streamline the business model for cases like this, DWP and HMRC, in conjunction with the North Tyneside District Council, are piloting a new data-sharing project to reduce the number of contacts related to a change of circumstance. Customers now simply provide their information once and the information is shared between entities affected by the change. By guaranteeing a single point of contact for the customer, the frontline costs are reduced (given the time savings and elimination of redundancies), as is the potential for fraud (since the agencies now use a single identity system for customers).

Moreover, to overcome broader organizational silos that thwart information sharing, DWP and HMRC hold regular meetings to share insights regarding their common customers, and HMRC has made its online customer insight repository available to DWP staff. Data sharing enables the departments to group their customers by common characteristics and needs so that common solutions and channels can be designed to serve them. In addition to dismantling information silos, DWP and HMRC also are conducting joint projects involving their common customers to understand the deeper problems underlying frequent transitions in and out of work so preventative approaches and related service offerings can be developed to foster greater independence (see figure 2 on page 24).

The need for collaboration presents an opportunity for simplification for the customer and cost reduction for partnering agencies. Through sharing customer insight, DWP and HMRC are uncovering a way to break down the information barriers silos create and to deliver better outcomes to their customers.
Prevent people from becoming more dependent
- Preventing, or reducing the chances of, people in falling into more dependent states

Supporting people through transitions to greater dependency
- Responding to people’s needs when they transition to a more dependent state—e.g., lose job, bereavement

More self reliant state

Customer Information

Encouraging transitions to less dependency
- Enabling/encouraging people to move to less reliant states—e.g., new deals, conditionality, sanctions, informed choice

More dependent state

Support people who are more dependent
- Supporting people in dependent states—e.g., paying benefits, pension

The Customer Experience Life-Cycle

For too long government organizations have typically focused solely on the delivery aspect of the programs and services they offer. Customer definition has been ignored. There are either too few or too many delivery channels—without regard for cost relative to actual usage or the suitability of the channel to the nature of the service being provided. And measurement and evaluation take place years after the fact, if post-mortem analysis is done at all.

Contrast this approach with how leading commercial enterprises go to market today. Companies that deliver a superior experience to their customers start by:

1. Analyzing who their customers are;
2. Investing significant time upfront understanding what these customers want and how they want it delivered;
3. Evaluating on an ongoing basis how well they are identifying and meeting their customers’ needs and preferences once the product or service is launched.

It is an iterative process that enables companies to keep up with changing customer populations and evolving preferences and to take midcourse corrective action when the original strategy no longer meets their customers’ needs or their business objectives. In other words, leading companies first survey the entire customer experience life-cycle from beginning to end. They start by developing a deep understanding of who they are trying to serve and then build their strategy around their target customer. The approach, by definition, is customer-focused.

The benefit of adopting a life-cycle approach is that you are continuously aligning supply with demand. Because the approach is built around a deep understanding of what customers need and value, time and resources are not wasted on initiatives that don’t actually benefit the end user. Moreover, the dynamic nature of the approach enables organizations to learn from their successes and failures and to refine their strategy in real time, rather than resigning.
the initiative to another case of lessons learned from major investments gone wrong, confirming public perception that government is not “good at admitting mistakes or learning from them,” as a report examining public service provision in New Zealand recently observed.41

A life-cycle perspective also helps government organizations to think holistically through the experience they want to create for their customers and clearly connect that experience to their business objectives. The life-cycle consists of four major phases: define; design; deliver; and measure (which then feeds back into the definition phase to continuously refine the experience; see table 4).42

### Table 4. Customer Experience Life-Cycle

<table>
<thead>
<tr>
<th>External</th>
<th>Internal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Define</td>
<td>Define</td>
</tr>
<tr>
<td>Design</td>
<td>Design</td>
</tr>
<tr>
<td>Deliver</td>
<td>Deliver</td>
</tr>
<tr>
<td>Measure</td>
<td>Measure</td>
</tr>
</tbody>
</table>

**Marketing and communications to customers**

- Enabling change through people, process, technology, funding, and governance to develop and sustain a customer-centric culture

### Key Activities

**Definition**

- Understanding your customers’ needs, behaviours, and satisfaction drivers, and using that information to define customer expectation by segment and channel
- Creating and validating the detailed customer experience by segment, channel, and process and aligning it across services
- Rolling out and delivering the customer experience across all services, channels, and processes
- Assessing internal operations, employee engagement, and overall service delivery capabilities by service, channel, and process

**Design**

- Collect customer data and determine satisfaction drivers (e.g., market research, focus groups, complaints)
- Consolidate and track customer data
- Escalate and redress specific customer issues
- Synthesize data and develop customer insight
- Report and distribute findings
- Develop customer experience models and service standards that correspond with customer insight
- Develop segment/channel/process initiatives based on standards
- Prioritize initiatives based on a set of criteria aligned with organization goals
- Validate prioritized initiatives
- Ensure standardized delivery of services across every channel using enablers (e.g., people, process, technology, funding, governance)
- Measure internal operations and capabilities
  - Effectiveness (e.g., employee engagement, service standards)
  - Efficiency (e.g., capacity utilization)

**Measure**

- Customer service charter
- Code of practice
- Training plan
- Operational processes to support the service delivery model
- Performance measures framework

**Related Concepts**

- Customer insight capability (e.g., office of customer satisfaction)
- Service mandate
- Customer experience models
- Operational service standards
- Service guarantees

Source: Deloitte & Touche LLP
E Is for Engagement: Partnering with Customers to Develop Meaningful Outcomes

Internal collaboration will only get you so far. A prerequisite for delivering the outcomes customers are seeking is an understanding of what outcomes are important to them. Thanks to new collaborative technologies, getting inside the heads of customers is getting easier.

New Web 2.0 platforms help facilitate a two-way conversation between government organizations and their customers. This marks a fundamental departure from the e-government era. Over the past 10 years governments around the world have invested significant sums of money in technology to automate routine business processes. The forms didn’t change, but now they can be downloaded or filled out online. Today’s collaborative technologies enable government leaders to go beyond automating the old business model to actually transform the business of government by inviting customers into the process. This is already beginning to happen. Take the Toronto Transit Commission (TTC), for example.

Frustrated after not being able to figure out how to get to a New Year’s Eve party using TTC’s website, local Toronto blogger Robert Ouellette issued a challenge to TTC chairman Adam Giambrone. Local bloggers would solicit feedback from their readers on how to improve the 10-year-old Web site at no cost to TTC. Having already recognized the need to redesign the Web site, Giambrone welcomed Oulette’s offer of assistance. The list that came back from users not only validated the list of requirements TTC had originally developed for the redesign project, but also surfaced new ideas for improving the site’s usefulness for transit users. When the new site launches later this year, riders will be able to check for service delays, while disabled citizens will be able to schedule trips online. Eventually the site will offer personalized maps to assist riders with directions for getting from point A to point B.43

Self-assessment for public service providers:
How does your organization stack up?

☐ You can easily identify your customers and their needs and regularly engage with them in the service delivery environment.

☐ You can predict and quickly respond to changes in demand for services.

☐ You have mechanisms in place for regularly monitoring the end-to-end experience you deliver to your customers.

☐ Your service offerings are organized around the needs of your customer, not bureaucratic processes.

☐ Customer information is collected in a consistent format and shared (as necessary) across the entire enterprise.

☐ You clearly communicate the organization’s service standards to customers so that they know what to expect.

☐ You have the right performance metrics in place to align employee behavior with the organization’s service vision.

☐ Your employees possess the requisite capabilities needed to deliver a positive customer experience.

☐ You know what success looks like and you regularly measure progress against the organization’s service goals.

Source: Deloitte Research
Citizens want to interact with government in different ways—much the way they do with businesses. The emergence of new delivery channels (online, kiosks, mobile, and so forth) has enabled new mixes of channels that can, as a package, be much more efficient than traditional delivery models. Yet having more channels has also increased the scope for confusion. Take the United Kingdom's Jobcentre Plus program, for example.

The Jobcentre introduced a broad mix of channels to promote access to its services—from physical one-stop shops, phone-based services, Web sites, text messaging and interactive digital television to kiosks in supermarkets and council offices. Despite the new menu of delivery offerings, the mix of channels has not lived up to expectations. The Jobcentre lacks an effective channel strategy. For example, it has encouraged its customers to use new channels without ever providing help in how to use them.44

While getting the channel mix right can pose a considerable challenge for many public services, the benefits of doing so can be great. Optimizing the mix of channels can offer a significant dividend in improved quality and lower costs. The savings from a well-managed channel optimization project can be as high as 15 to 25 percent.45

Despite the large potential for optimizing an organization’s service delivery approach, there is a limit to the benefits that can be achieved from a static channel mix. Without anyone managing the channel mix on an ongoing basis, an organization ends up spending more than it should to maintain underutilized, or in some cases, outdated channels and misses out on cost-saving opportunities from actively migrating customers to lower-cost channels when they indicate a preference for using these channels.

Developing (and maintaining) an optimal channel strategy is akin to managing a stock portfolio. The latter requires doing due diligence upfront to understand the right mix of stocks and bonds, actively monitoring changes in performance over time and regularly recalibrating the mix as necessary. In a similar vein, managing an organization's channel portfolio requires first identifying the channel preferences of customers and assessing the suitability of channels for delivering a particular service, then monitoring channel usage and changing preferences over time and adjusting the channel mix accordingly. Doing so requires adding a new role that up to now has been absent from public sector workforces: the channel manager.

Using Channel Management to Ensure Services Are Accessible and Efficiently Delivered

A common problem many public sector organizations struggle with revolves around the issue of which channels to use to deliver services efficiently. Ensuring that public dollars are directed to where they’ll do the most good means adopting an effective channel strategy that delivers services efficiently through customers’ preferred channels—balancing efficiency concerns against accessibility requirements.

Talk of accessibility in government used to be something of a joke, conjuring up images of unavoidable long lines stretching around the Department of Motor Vehicles building, characterized by dread that you’d be missing a document and have to make a repeat trip (and in some cases, it still does). Then along came electronic government. Delivery channels went from too few (meaning citizens had to queue up in a long line at a government office or wait on hold for half an hour to access a service) to, in some cases, too many. A vast array of channels were opened to expand access to government services with the expectation that citizens would automatically migrate to lower-cost online channels to conduct their business with government much as they did with online banking and shopping.

But convincing citizens to complete their government transactions online has been a tough sell for many governments. Only 63 percent of U.S. adults who go online have visited a government Web site in the last year, according to Forrester’s latest e-government benchmark.46 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.47 The result is a wide range of channels that have to be operated and maintained but that have comparatively few customers. In light of the significant investment in e-government, this is a disappointing outcome.

To choose the right channel mix, public managers need to understand the suitability of a channel for service delivery and the capability and desire of customers to self-serve...
Customer segmentation can help identify the channels preferred by customers for their different interactions with government and the best means to persuade them to migrate to more efficient channels. A key element is to understand why a segment chooses one channel over another. For example, Her Majesty’s Revenue and Custom’s “segment 2” may be intimidated by self-service transactions. Mapping services to customer segments effectively can identify, for example, that for this group online channels are inappropriate (see table 5 on page 29). Good customer segmentation helps to set realistic targets for channel migration.

Channel managers should start with a simple segmentation that makes sense for their organization and resist the urge to overanalyze data, bearing in mind that customer segmentation is not a one-time exercise. It is simply not possible to get the segmentation 100 percent correct the first time. Rather, usage data should be regularly analyzed and used to routinely recalibrate the channel portfolio.

Customer Coaching

Where customers indicate a preference for electronic channels, public managers should adopt persuasive tactics to encourage this customer segment to move online, recognizing that doing so frees up resources that can be redirected to serving more vulnerable, “high-touch” customer segments. A combination of advertising, channel partnerships, incentives, cross-posting and mandatory requirements can have a significant effect on the uptake of electronic channels (see sidebar on page 30, Channel Migration Tactics).

Just as important as actively migrating customers to their preferred channels is getting customers to the right place the first time. Government can manage customer demand through proactive and targeted marketing communications and the effective provision of information at first contact. Marketing, for instance, can raise awareness about a service, clarify who is eligible and inform customers on how they should enquire about a service. Effective customer outreach includes making use of the channels that users are already familiar with. Internet users, for example, use commercial search engines such as Google or Yahoo to perform online searches. Ensuring that government Web sites are accessible to these search engines for indexing means that customers arrive at answers to their government-related enquires in a way that comes naturally to them (and can reduce the volume of customer enquires that have to be handled directly).

Selecting the Right Channel

Typically five key factors drive channel selection:

- **Volume**: Given the high fixed costs of creating self-service channels, greater volume will give them greater economic viability.

- **Standardization of process**: Self-service is less viable if service delivery needs to respond to unpredictable demands.

- **Complexity of information**: Personal contact is generally more appropriate when dealing with more complex information.

- **Need for the “human touch”**: Services requiring sensitivity or human judgement are more appropriately delivered in person.

- **Propensity of customer to self-serve**: Customers have different capabilities and access to self-service channels. Their propensity to self-serve often correlates to distinct demographics such as age or class.


When marketing and customer enquiries are not used to manage demand for service delivery, problems can arise. Take the UK Passport Agency, for example. In 1999 the agency implemented a new processing system. The implementation predictably disrupted workflow, increasing the processing time for passports from 10 business days to 10 weeks. Instead of using marketing to influence customer demand, the agency did nothing to manage the volume of applications submitted and ended up with a backlog of over half a million applications. Only after this occurred was a statement of the problem released—far too late to avoid an expensive operational crisis. Fast forward to today. U.S. Citizenship and Immigration Services faces a similar problem. The bureau saw the number of naturalization petitions filed in 2007 soar to 1.4 million following the announcement of a significant increase in application fees. Lacking a plan to proactively manage the huge increase in volume, processing time has slowed dramatically from an average of 5 months to 18.
<table>
<thead>
<tr>
<th>Segment</th>
<th>Size of Population</th>
<th>Defining characteristics</th>
<th>Channel behaviour and preferences</th>
<th>Methods to achieve channel migration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Segment 2</td>
<td>18%</td>
<td>Slightly older than average, below average income and education level. Reject online and face-to-face strongly, unlikely to have PC or Internet access.</td>
<td>Preferred channel: Phone. Second choice: Post.</td>
<td>Reduce cost of serving segment by automating more phone contact. Educate in this automation. Do not try to push segment online.</td>
</tr>
<tr>
<td>Segment 3</td>
<td>37%</td>
<td>Use post through habit and need to keep records. Some own PC/ have Internet access. Would switch if they felt they understood channel, would strongly consider phone.</td>
<td>Preferred channel: Post. Second choice: Phone/online.</td>
<td>Educate in possibilities of keeping records using low-cost channels, emphasize speed and convenience. Promote use of phone and educate in online use.</td>
</tr>
<tr>
<td>Segment 4</td>
<td>25%</td>
<td>Younger than average. Positive attitude to online use, may use home banking and online shopping. Choose phone for convenience, lack information on online services.</td>
<td>Preferred channel: Phone. Second choice: Online.</td>
<td>Educate on benefits of using online channels, focus on speed and efficiency. Emphasize phone support available with Web usage. Use Internet advertisements to ensure good signposting to online channel.</td>
</tr>
<tr>
<td>Segment 5</td>
<td>8%</td>
<td>Higher earnings than average. Very positive about online services. Find processes easier to follow. Will use phone when they feel they need human interaction.</td>
<td>Preferred channel: Online. Second choice: Post/phone.</td>
<td>Ensure online usage maintained by improving services and focusing communications. Use signposting. Aim for e-mail contact.</td>
</tr>
</tbody>
</table>

Source: Deloitte & Touche LLP, 2007 (based on Cabinet Office, 2006)
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 tax return 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 percentage 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 U.S. Internal Revenue Service 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 customers to use online channels. South Korea, for example, 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-posting: 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 United Kingdom each reference the other. 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 migration to 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 statements as well as annual income and corporate taxes. Though this law was not 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.


Self-assessment for public sector channel managers: How does your organization stack up?

☐ You know how your customers prefer to access service.

☐ Your delivery channels match the nature of the service being provided and the preferences of customers for accessing services.

☐ You have a strategy for coaching your customers to use lower-cost channels where customers exhibit a willingness to do so.

☐ You have the necessary infrastructure in place to allow information to be easily accessed and shared across departments and agencies.

☐ Your employees are aware of all the sources of information available to them.

☐ You have safeguards in place for protecting sensitive data.

Source: Deloitte Research
Getting from Here to There

While today's environment—characterized by shrinking budgets, reduced workforces and ever greater public scrutiny—may not strike most government leaders as particularly ripe for reform (especially the kind that calls for improving service levels), the reality is that customer-centered transformation can produce substantial cost savings. As counterintuitive as it may seem, public sector organizations grappling with tightening fiscal constraints can reduce their costs without negatively affecting the level of service they offer their customers. Take the U.S. Postal Service (USPS), for example.

In 2002 USPS faced a barrage of forces: heightened competition from private sector delivery services, a huge uptick in electronic commerce and deficit spending. In response USPS implemented a customer care strategy that increased the number of calls resolved in automation by 19 percent, without adversely affecting customer satisfaction. How? In addition to upgrading the automated system, a team of specially trained agents was created to handle frustrated callers who are unable to resolve their issue in the system. The result? An annual savings of $7 million.52

The path to reform entails moving through four major phases.

1. Self-Assessment: Understand the As-Is Situation

First, diagnose the current state (see Customer Experience Self-Assessment sidebar). This is not a gut check but rather a holistic assessment grounded in hard evidence. This diagnosis requires collecting hard voice-of-the-customer data to answer the following questions:

- Why do customers contact you?
- Why do they come into a physical location? Why do they phone a call center? Do they inquire over e-mail or the Internet?
- Are there certain patterns around how and why customers contact you?
- What can you deduce from these patterns about the different customer segments?

Customer Experience Self-Assessment:

☐ You can easily identify your customers.
☐ You have a clear understanding of customer expectations.
☐ Your organization is consistently aligned to meet customer expectations.
☐ You clearly understand how your customers feel about you as a provider.
☐ You have systematic processes in place to understand and analyze satisfaction among these customers.
☐ You understand the relationship between the mission of your organization and the service and value you provide to your customers.
☐ You understand all the facets of your relationship with these customers.
☐ You have an appropriate level of security measures in place to protect customer information.
☐ You can quickly respond to major changes in your relationship with a customer.
☐ You can measure the effects of service on the total mission of your agency.

Source: Deloitte Research

Next comes the treatment phase.
2. Develop and Prioritize Improvement Initiatives and Build the Business Case

The next step involves prioritizing problem areas and developing a compelling business case to support improvement initiatives. Once an organization has collected voice-of-the-customer data to understand why customers behave in certain ways and what types of problems they experience, a good foundation has been laid for a productive brainstorming session. This session involves developing and debating ideas for improving the current customer experience.

Once ideas are generated, they must be prioritized in order to drill down deep to better understand the financials involved in moving forward with proposed changes. Delivering a good customer experience should be a cost reduction initiative. A financial benefit model has to be put in place that says if employees are trained to better handle a particular transaction type, for instance, it will result in fewer calls back into the call center, or less foot traffic into the physical location. Improvements should translate into higher first-contact resolution rates, among other efficiencies, which offset the investment costs of the improvement effort.

Here, being a follower has its advantages. Instead of charging headlong into uncharted waters without a deep understanding of what has worked and what hasn’t in other cases, public sector organizations can borrow and steal (so to speak) from their private sector counterparts who have a significant leg up on them in experience with implementing similar improvements. In developing a realistic business case for improvement initiatives, public sector organizations can use private sector data—reasonable cost savings and benchmarks, for example—to arrive at a sound conclusion grounded in hard evidence. The key is to understand the true financial benefits and costs derived from delivering a good customer experience and pursue those with a clear net benefit.

3. Develop a Road Map: Decide What Is Feasible and When

The next step is to develop an honest road map for moving forward. This means understanding internal capabilities—maybe an organization can make a particular improvement, maybe it can’t. If the improvement is technology related, maybe a road map of technology changes already exists—and so this improvement will have to wait for those changes to be completed. Once all this information is added to the picture, a realistic timeline can be developed.

The road map should address the short- and long-term issues:

- What can be done right now?
- What should wait until next year?
- What should be put in the wait-and-see category?

4. Proof of Concept: Do a Pilot to See What Works and What Doesn’t Before a Wider Rollout

Once the business case is completed and everyone feels comfortable with the road map, the next step is to put a pilot in place. Before doing a wider rollout, see how the improvement initiative works in practice. Determine what makes sense in the context of the changes proposed and decide whether a certain location or channel is conducive to doing a pilot. Data—not a gut check—should underpin the decision. Doing a proof of concept serves to guide that process and ensure that refinements are made before scaling changes to a wider audience.

Delivering a good customer experience should be a cost reduction initiative.
Conclusion

Henry Ford was famous for telling would-be Model T buyers that they could have the car in any color that they wanted so long as that color was black. Fast forward to today. Cars are custom built to individual customer requirements—from interior and exterior color and horsepower right down to what fuels the car. Companies like BMW bring customers into the design process even earlier, enlisting them as partners in the innovation process to be sure their products satisfy customer demands. The bar for customer service has been forever lifted.

Government can no longer give its customers more of the same. One-size-fits-all solutions requiring citizens to navigate a complex bureaucratic maze to obtain services simply don’t cut it in today’s “on-demand” world. The challenge confronting government extends beyond improving shoddy service levels. Restoring the confidence of citizens in their public institutions means demonstrating competence in carrying out the difficult task of governance in the 21st century and delivering citizens better value for their hard-earned tax dollars.

Recognizing the magnitude of this challenge, forward-thinking organizations are applying innovations from the private sector to help improve the delivery and effectiveness of public services. They are paving the path forward, illustrating how this new discipline of customer experience can be adapted to the public sector to drive cost savings, deliver end-to-end improvements in servicing customers and inform the design of new programs and services to improve the odds of successful execution.

In today’s era of tightening fiscal pressures, increasing citizen expectations and a growing number of policy challenges facing government requiring deep customer insight, other government agencies must follow suit. Realizing the benefits derived from delivering a better customer experience does not happen overnight. Public sector organizations must cultivate the culture, skill sets and infrastructure necessary to support a customer-focused organization. So much the better for governments who start down this path sooner than later.
Endnotes


11 “DWP: Delivering Effective Services through Contact Centers,” 2006.

12 Ibid.


17 Web 2.0 refers to the next generation of Internet tools such as social networking, wikis and blogs, which are changing the way that society interacts, information is shared, and public opinion is formed.


22 Ibid.

23 Whether they wanted to file a complaint, request a trash pickup, report a pothole, or even inquire whether an upcoming parade would cause their street to be blocked off, Baltimore residents could dial 311 and get their questions answered and service requests forwarded to the appropriate government agency.


28 It’s important to note that real-time measurement needn’t imply volatility and short-term reactive focus. Key to any successful performance management system is a sound understanding of the normal distribution—whatever is being measured will naturally cluster within a given range of the average. Measurements outside that range signal a deviation from the norm that may or may not warrant action. It is up to those with the requisite authority to decide how best to proceed in these instances, both in the short- and long-term. The benefit of real-time measurement is that it gives an organization’s leadership team regular information they can use to detect anomalies before they escalate into major problems and correct course mid-way.


30 Ibid.


Ibid.


Varney, “Service Transformation.”


The customer experience life-cycle represents a model governments seeking to enhance the customer experience can use.


Ibid.


Ibid.


While service improvements can lead to greater efficiency in service delivery, they can at the same time increase the volume of services an agency delivers. If the increase in volume outweighs the efficiency savings, an organization’s total costs might actually rise—particularly in the short term—which could be a deal breaker for cash-strapped governments. These considerations need to be factored into the business case for improvement efforts.

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Tiffany Dovey is a research associate with Deloitte Research where she has responsibility for public sector research and thought leadership. Before joining Deloitte, Tiffany worked at the American Council on Science and Health. There she produced reports and published articles on science and public health policy. Before Tiffany joined ACSH she worked at the Independence Institute, where she analyzed state policy issues related to health care and transportation. Tiffany has a BA in philosophy and public health and community medicine from University of Washington and a Masters in Public Policy from The George Washington University.

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