



Research report

Mass personalisation: Capital Gains Tax Pilot

Pre-testing for the main pilot

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Mass personalisation Capital Gains Tax Pilot

About Personal Tax Customer & Strategy

Personal Tax Customer & Strategy (PT C&S) works with colleagues in Personal Tax (PT) and across HMRC to help develop our approach to implementing HMRC's customer centric business strategy. We use customer insight to help PT design, deliver and operate services for individual customers which

- improve customer experience
- maximise tax yield
- serve willing and able customer at the lowest possible cost to them and us
- ensure that those who need help get the support they need, when they need it.

PT C&S also has a corporate role, to manage the relationship with the voluntary and community sector on behalf of HMRC

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Research requirement (background to the project)

HMRC is undertaking a number of pilot exercises to test the application of mass personalisation in interactions with its customers. Mass personalisation entails segmenting the customer base and varying communications according to the customer's likely segment. A successful intervention would reduce customer error and low value contact, so saving costs for HMRC and the customer

During one such exercise, the Capital Gains Tax pilot, two versions of a letter were produced for customers to alert them to their potential liability to Capital Gains Tax (CGT) and the possible need to file a Self Assessment tax return. The content of the letters was tailored for two customer segments, referred to as Willing and Unwilling, and was designed to prompt the appropriate behavioural response from each.

A research project was designed to test potential customer understandings of the content of the letters and whether the correct behavioural response was prompted. Customer perceptions of the CGT pages of the HMRC website were also tested within the research.

Who did the work (research agency)

The work was conducted by Holden Pearmain, a full service market research agency.

When the research took place

The data was collected between the 13th and 29th of December 2011 and the findings were reported in January 2012.

Method, Data and Tools used, Sample

A self-completion online survey was sent to respondents, over the age of 18, who would potentially be liable to pay CGT in the future – either on disposal of a second property or assets worth over £10 000. Respondents were recruited from an online panel.

A total sample of 416 was achieved, split broadly between respondents from the Willing and Unwilling segments, and within these groups between respondents viewing each letter. To this extent both letters were tested in each segment, though each respondent assessed only one letter.

A main component of the study was to determine which sections of the letters respondents found confusing or did not understand completely. The online survey allowed respondents to choose all the areas that they found confusing by clicking on the relevant part of the letter.

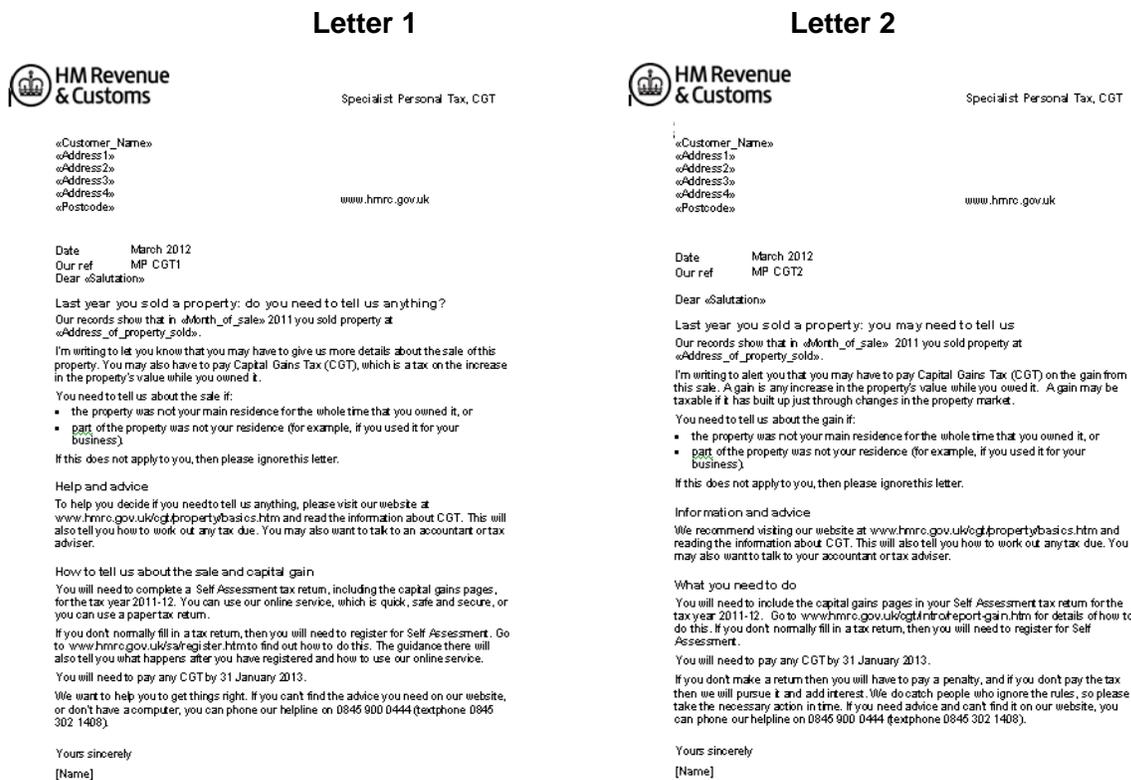
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Main Findings

Letter 1 was designed for the Willing segment while Letter 2 was designed with the Unwilling segment in mind. The main difference between the letters was the tone of voice, with the start of the final paragraphs offering the clearest example of the differentiation between the letters:

Letter 1: We want to help you to get things right

Letter 2: If you don't make a return then you will have to pay a penalty, and if you don't pay the tax then we will pursue it and add interest. We do catch people who ignore the rules, so please take the necessary action in time.



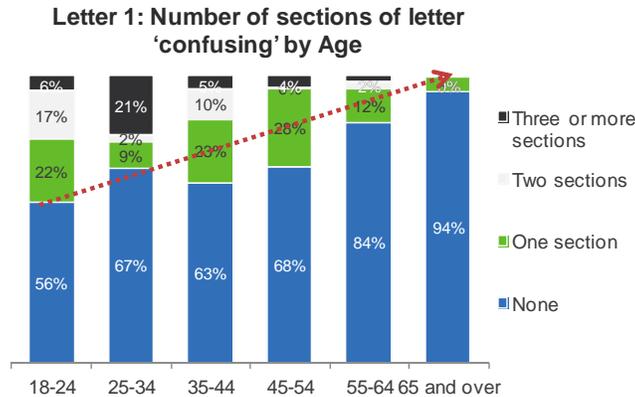
At a total level both letters tested show broadly similar results and it is mainly within age and segment subgroups where differences emerge. The following paragraph, located towards the start of the letters, did however generate a high level of confusion consistently among all age and segment subgroups:

Letter 1: I'm writing to let you know that you may have to give us more details about the sale of this property. You may also have to pay Capital Gains Tax (CGT), which is a tax on the increase in the property's value while you owned it.

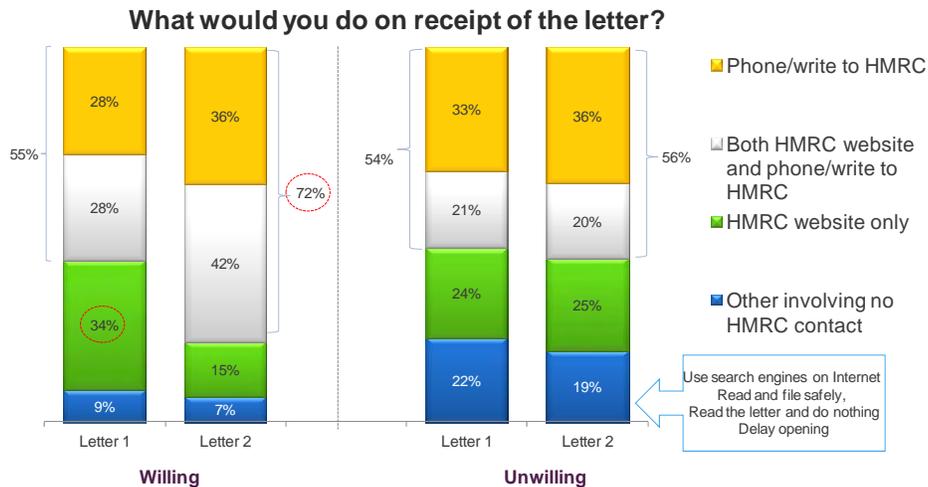
Letter 2: I'm writing to alert you that you may have to pay Capital Gains Tax (CGT) on the gain from this sale. A gain is any increase in the property's value while you owned it. A gain may be taxable if it has built up just through changes in the property market.

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The Willing segment was generally more likely to understand all sections of both letters than the Unwilling segment. The study uncovered a sharp relationship between the age of respondents and their understanding of the communication. Younger respondents were more likely to find areas of the letters confusing than older respondents. This trend is illustrated in the graph below for Letter 1. Further statistical analysis indicated that it is often age difference, more than segment, which drives results.



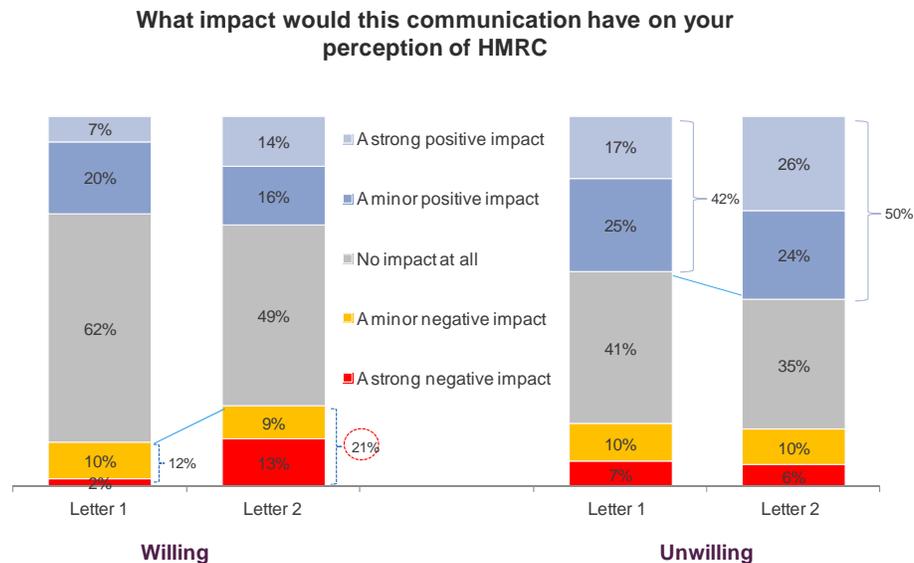
The Willing segment: Letter 1 was significantly more successful among its targeted segments, the Willing, than Letter 2 in conveying its correct purpose *“To direct me to the website to see if I would have to pay CGT”*. Letter 2, in contrast, was more likely than Letter 1 to convey the purpose *“Tell me that I have to make an additional tax payment”*. On the other hand, after reading Letter 2 respondents in the Willing segments were significantly more likely to claim they would contact HMRC (phoning or writing for some reason) than those who read Letter 1 (55% vs. 75%).



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The Unwilling segment: Within the Unwilling segment the difference in tone of voice of the letters had very little impact on the perceived purpose of the communication or on planned action once they received the letter. Letter 2, designed for the Unwilling segment, was therefore not more or less successful than Letter 1 for these segments. The Unwilling were instead generally more likely to take alternative action such as delaying/filing safely away/looking on search engines on the internet irrespective of the letter they read.

Sending Letter 2 to the Willing segment would have a greater negative impact on their perception of HMRC than sending the intended Letter 1. Once again, respondents from the Unwilling segment would not be influenced to a significantly greater extent by one letter rather than another.

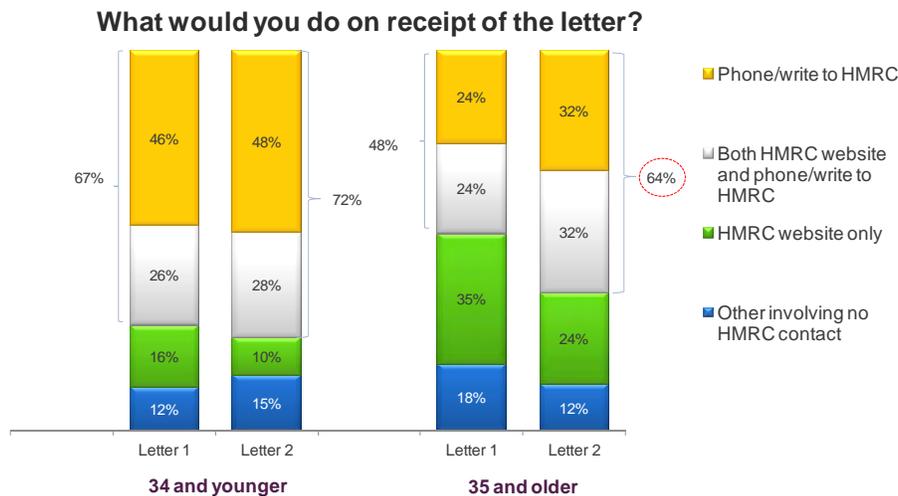


The impact of age: Older respondents, who fall mostly in the Willing segment, show results consistent with those found for the Willing segment. The younger respondents, particularly those under the age of 35, show their own unique set of results.

Younger respondents struggled with comprehension of the letters. Although both letters created confusion it is particularly the reference to penalty and pursuit in Letter 2 that raised concern for younger respondents. Letter 2 was more successful in communicating the correct purpose of visiting the website, with Letter 1 pointing them towards providing information about the property.

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However, when asked what they would do on receipt of the letter, most young respondents would still be more likely to contact HMRC by phone or in writing than rely on the website only. It could be hypothesized that due to their lack of experience with tax they lack the confidence to trust that they can find solutions on their own.



Ratings of the website: As an additional element of the study, respondents spent a few minutes on the CGT pages of the HMRC website and they rated their experience on a scale of 1 (strongly disagree) to 5 (strongly agree) relating to a number of descriptors.

The website was generally perceived as easy to navigate and well structured. Around 6 in 10 respondents felt that the content was easy to understand. Some bits of information (such as the annual tax free allowance) were felt to be easier to find than others (such as what would happen if they did not declare CGT).

Ratings of the website were similar between age and segment subgroups, although, interestingly, younger respondents were more likely to feel the website would suffice, without the need to phone HMRC once they had been encouraged to explore it within the research. This emphasises the need to encourage younger age groups to actually visit the website.