



CRM transformation using new technology in the public sector: DVLA Case Study

Peter Mouncey



Contents

Background.....	1
DVLA	1
DVLA business transformation.....	3
Identifying a market for an online channel	4
Data needs to support the new channels.....	6
Vehicle licensing	7
Driving licences.....	7
Implementing the online channel	8
Promoting the new channels	8
Achievements (EVL)	11
Impact.....	11
Other benefits.....	12
Summary	13
Other sources of information.....	13
Acknowledgements	13
Figures and tables	
Figure 1: DVLA customer segmentation	5
Figure 2: DVLA Databases and channel linkages	6
Figure 3 Launch press coverage:.....	9
Figure 4: EVL Envelope	10



Background

This case study is based on a presentation made by Noel Shanahan, Customer Service Director DVLA, at the Cranfield Customer Management Forum workshop on 23rd February, 2006, as well as public-domain sources.

The objective is to provide Forum members with a public sector case study illustrating a CRM based business transformation. It provides an illustrative follow-up to earlier research in 2005 for the Cranfield CRM Research Forum investigating outsourcing CRM/customer service models and issues. The case study shows the benefits that can accrue to all stakeholders – in this case, customers, the DVLA itself and other government agencies – from a strategic review of customer-facing channels and processes.

DVLA

The Driver and Vehicle Licensing Agency (DVLA) is an executive agency of the UK Department of Transport, based in Swansea. Primary responsibilities include issuing drivers' licences, maintaining driver and vehicle registers, collecting vehicle tax on behalf of the Treasury in the form of the vehicle registration certificates for England, Scotland and Wales, law enforcement and reducing fraud.

By any standards, the volumes of business through the DVLA are of staggering proportions. The total value of annual revenue exceeds £4.5bn., and the Agency handles over 200m. transactions per year relating to 39m. drivers and 31m. vehicles. Some other statistics are:

- 41,299,699 driving licences (full or provisional) in total
- 6.8m driving licences issued per year
- 32,984,753 vehicles licensed
- 18.4m vehicle registration certificates ('log books') issued per year
- £4.9bn collected in Vehicle Excise Duty ('tax discs')
- 19,202,109 calls through the call centre per year
- 20.2m items of mail received per year
- 120m pieces of paper per year.

Each year the DVLA also sells over 222,000 registration marks ('number plates'), via direct purchases or auctions.

DVLA is based near Swansea in South Wales and employs 6500 people. A large call centre with over 700 telephone agents is located in its own purpose built building close to the main office.



CRM transformation using new technology in the public sector: DVLA Case Study

The culture at DVLA has historically been orientated towards coping with predicted growth – planning being focussed around increasing resources to cope with the steady forecast growth in telephone calls and mail items, in line with the growth in vehicles and drivers. For example, the 19m inbound calls in 2005 was forecast to rise to 21-22m over the next two years. ‘Customers’ were encouraged to phone or write if they needed to contact DVLA. Business processes were developed to handle vast quantities of paper. The language used to describe the services, or products, was also rather official in its nature – for example ‘vehicle licensing’, whereas the public tend to use the term ‘tax disc’.

DVLA business transformation

As the figures shown above indicate, the costs of operating the DVLA are obviously substantial and the government has set tough targets to reduce the overall public service budget. Historically, DVLA has depended on higher cost face-to-face channels, working with partners such as the Post Office, and paper based systems to transact with its customers, but the increasing availability of internet access and secure automated telephone systems provide new opportunities to reduce the overall operating costs of the services provided. In addition, the traditional processes are prone to human error rates, misinterpretation and losses of documentation. It is also harder for DVLA to identify and track illegal and fraudulent behaviour. Resource planning needed to move away from being growth based to consider strategies that would reduce levels of activity and associated costs – for example, setting targets for reduced levels of inbound calls, by taking away the need for the customer to call in the first place.

From a customer's perspective, the annual, or quarterly, vehicle licence renewal requires a degree of inconvenience or delay – either joining the month-end queues in the nearest Post Office (a shrinking network, and not all outlets can provide this service), visiting a licensing centre (relatively few in number) or using the postal service. Supporting documentation in terms of valid insurance and MOT certificates is also required, leading to many cases where incorrect documentation means a frustrating wasted trip. The new channels could provide customers with convenient, simple, secure and 24/7 opportunities to undertake key transactions.

However, without access to other information sources essential to processing driving licence applications and vehicle licensing, the service could not be provided. To realise the benefits that could be achieved from enabling services to be transacted over the internet or through automated telephony, DVLA also required 'real-time' electronic access to other databases of information within the public and private sectors.

The overall objectives were summed up by Julie Palmer, DVLA Electronic Vehicle re-Licensing (EVL) Project Manager:

'One of DVLA's primary goals is to make compliance with car tax legislation easier for customers. That's why we're shifting channel emphasis from post offices to online and automated telephone renewal.'

IBM Global Business Services were selected by DVLA as a 'transform and operate' partner in developing and implementing the new strategy. A key initial stage in IBM's approach for projects of this scale is to undertake a very detailed analysis and assessment of current processes.

A partnership agreement was put in place with IBM. Labelled 'Partners Achieving Change Together' (PACT) it is a genuine effort to extract the latest skills and thinking from an IT expert in order to drive change in a government organisation.

Identifying a market for an online channel

Market research played a crucial role in identifying whether to invest in the internet channel. Unless sufficient numbers of the population were prepared to use this channel to undertake transactions with DVLA, then this might not be a cost efficient option.

Through the research, the agency had ascertained in 2004 that internet access and familiarity with using this channel had reached the threshold levels that could make this a highly attractive lower cost channel for delivering DVLA services. The research had shown that 79% of UK adults had internet access and 61% of these claimed that they would have carried out a DVLA related transaction on line if this was possible. Comparisons with research undertaken the previous year showed that usage of the internet at home amongst drivers (learners and passed) had risen to 83% (of those with any access to the internet). In addition, the proportion with access via a mobile phone had risen to 58% - the fastest growing internet access channel identified in the research. Other key access points were work/college (72%) and interactive digital TV (58%).

Within the research, DVLA benchmarked interest in using the internet to access their services against other possible service improvements. The results clearly showed that access via this channel was significantly preferable to any of the other options. Looking at the services in more detail, the research confirmed that between a third and a half of those who were business online users would be interested in accessing a range of DVLA services, covering informational updates via email, renewing/amending operator licences, accessing confidential information on drivers or vehicle fleets, amending a vehicle logbook, buying road tax, and booking and paying for a vehicle test. This tended to confirm that there were substantial levels of trust in the DVLA where payment related transactions or controlling access to confidential information were concerned.

Whilst the research also showed that around half of the adult population were at all likely to use this channel to access DVLA services, the research also underlined the continuing resistance, or reluctance, to using the internet for certain types of transaction with nearly a third of those with internet access stating that they would prefer to continue using traditional channels for accessing DVLA services. Access through existing channels would need to be maintained.

To help plan for these different customer groups, DVLA undertook a segmentation of their market. The vision was to enable differentiation by identifying common needs, attitudes and behaviour and maximising the benefits for customers and DVLA.

Six segments were identified (Figure 1) and given titles from Star Wars to reflect the dynamic nature of channel usage and the need to reflect the changing nature of many customers in terms of their preferences for communication.

Figure 1: DVLA customer segmentation

Segment name	Proportion of market	Profile and impact of online channel	Implications for DVLA communications strategy
Luke Skywalker	8%	Young & go-getting, Luke types enjoy being different. Use the internet for nearly everything. Expect 24 hrs access and to save time by transacting online	<ul style="list-style-type: none"> Communicate through online advertising Use PR to raise awareness Likely to become frequent user Establish email reminder system
Qui Gon Jinn	10%	Independent thinkers who care little for the opinion of others. Quite disorganised/busy; leave it late to renew. Potential convenience of ELV is offset by low awareness	<ul style="list-style-type: none"> Strong call to action on V11 envelopes etc Use PR to raise awareness Use national quality press to raise awareness
R2 D2	18%	Busy working; looking for time saving related benefits; pay 12mths possibly by DD. Have internet access but concerned about internet security; prefer to use phone	<ul style="list-style-type: none"> Highlight phone & web in V11 material Use specific PR to allay security concerns Ensure communications address online security concerns
C-3PO	26%	Minimal internet access; can't be bothered with online transacting. Prefer phone & will tolerate simple IVR	<ul style="list-style-type: none"> Highlight phone channel in V11 material Use PR to raise awareness
Master Yoda	38%	Prefer face-to-face, like social interaction of post office, no time constraints. Would consider DD instalment payment (with no additional charge), but unlikely to consider other options	<ul style="list-style-type: none"> Ensure V11 instructions for Post Office are rewritten in plainer language Communicate when DD option available
Darth E-Vader		<p>Passives</p> <p>Respectables</p>	<ul style="list-style-type: none"> Use examples to educate Use PR to raise awareness Publicise DD & EVL in CREC outgoing mail Establish email reminder system

These segments are being used to help design the customer communications, and promotion material. The research is also being used to amend and update the web site and the sort of information that is provided.

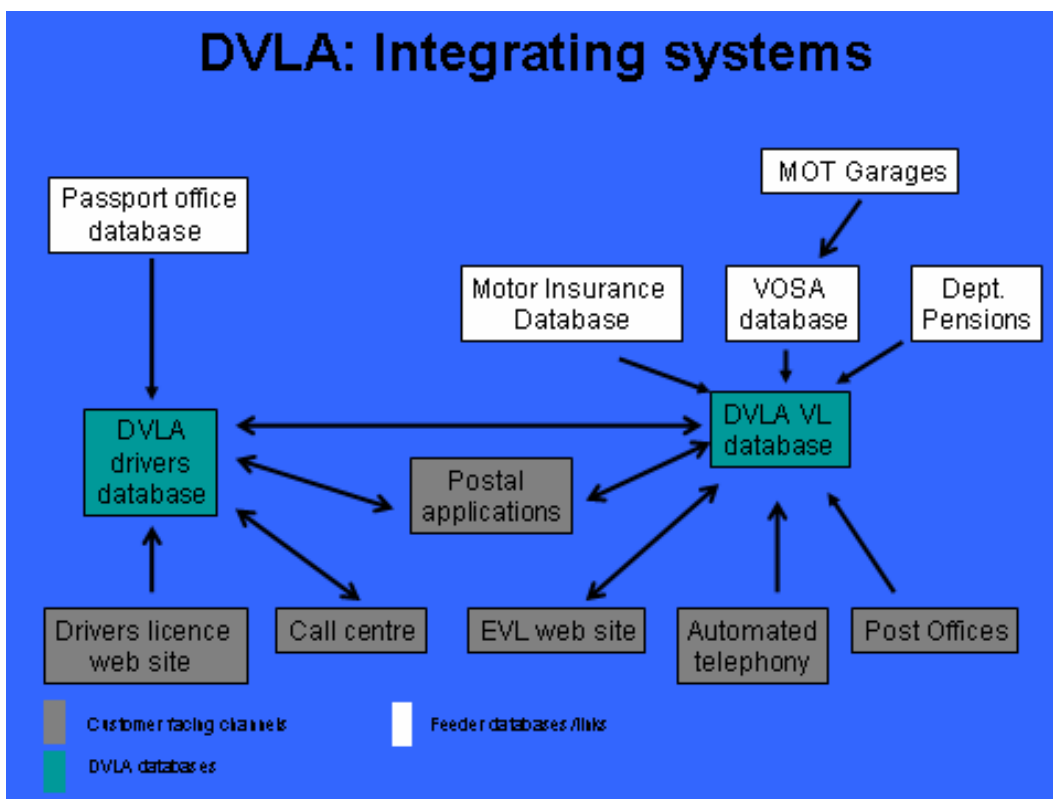
DVLA also researched the attitude of previous purchasers of registration marks to see if the internet was viewed as a viable channel for this service. The findings demonstrated that this was overwhelmingly the preferred channel, with 63% of consumer customers stating this as their first preference (and 10% of others also mentioning this channel),

compared to 9% for the next most popular options (phoning a DVLA agent or visiting a DVLA local office). The figures rose to nearly three quarters for those who were internet users or ordered goods and services via this channel.

Data needs to support the new channels

The links with other databases is summarised in the following diagram (Figure 2).

Figure 2: DVLA Databases and channel linkages



The Passport Office can provide digitised photographs and signatures, for those driving licence applicants who already hold a valid UK passport. In order to validate an application for a vehicle licence, access is made to the motor insurance industry database and the VOSA database which holds MOT details. Access to the Department of Pensions database is necessary to confirm applications from disabled drivers. These are described in more detail in the next two sections.

Vehicle licensing

The plan for implementing an online channel did not just depend on the willingness of the public to use the internet. Historically, physical sight of the necessary supporting documents for a vehicle certificate was required, whether the application was in person or via post. However, as mentioned above, the success of this channel also depended on accessing other sources of information – electronically and in real time if core services were to be delivered to the public.

Access to MOT and other vehicle records in real time is essential in order to confirm that an application to renew a vehicle licence for a vehicle over three years old has a valid MOT certificate. This requires access to the VOSA (Vehicle and Operator Services Agency) database. Associated with this, all MOT agents (20,000 in total) have new technology that enables MOT details to be entered direct to the database, using the vehicle VIN number as the core data item. By early 2006, 90% of outlets were using the new technology, with completion scheduled by the end of March. Once all customers have either a car under 3 years old, or a new version MOT certificate, the service will be fully operational. The first annual cycle of renewals will be completed at the end of this year. The new VOSA database also provides vehicle manufacturers with a stream of information about vehicle faults as identified through the MOT process.

A further link was also necessary to the Department for Work and Pensions to facilitate applications from disabled vehicle keepers who are not required to pay to re-licence their vehicles.

In addition, all vehicle licence applications require evidence of valid insurance cover. This required real time access to the motor insurance industry's database (Motor Insurance Database) of policy holders, with confirmation of the vehicle and policy holder's details.

Finally, the capability for secure credit and debit card payments was also essential to delivering the service.

Creating the necessary real time data links and new payment methods also enables the call centre to process renewals over the telephone.

Driving licences

The key issue with driving licences was whether there was an existing source of information on likely applicants that could be used to populate and confirm applicants' personal details provided on line. In addition EU legislation decrees that by 2008 all drivers within the community must have a standardised licence, in a card format that includes a portrait of the individual. To achieve this objective as cost effectively as possible, a link had already been developed to the central Passport Office database. This provides the necessary digitised signature and photograph that could be screened and printed onto the new licence without the need for applicants

to provide them and also obviating the associated costs of converting these to a digital format that could be stored electronically and printed. There is also the option to provide an updated photograph if required.

Implementing the online channel

The overall project to develop and pilot the proposed online service and products took two years up to launch in January 2006. A key objective was to ensure that the site was simple, straightforward and as customer centric as possible. Therefore it was very important to resist pressures to cover all possible eventualities and query topics within the web site. The decision was taken to identify the top five queries currently experienced through the call centre and ensure these were covered in the core FAQs on the web site. This strategy has reduced the level of basic queries handled by the call centre, enabling them to focus on the more complex queries, also leading to enhanced job satisfaction. Part of the pilot programme was to conduct web-clinics using samples of students from the University of Wales in Swansea to help develop an effective and user friendly web site.

The first phase, online and automated telephony for vehicle licensing (EVL) was launched in January 2006. The process is driven by a unique reference number (URN) printed on the renewal invitation that links to insurance and VOSA databases. This initial launch was restricted to cars under three years old and was initially only available for renewals containing an invitation to use this service. This, however, provided an immediate confirmation that the market research findings indicating a substantial potential demand for an online service were correct. Demand then fell to around the forecast level of 11%, but is already increasing above this level.

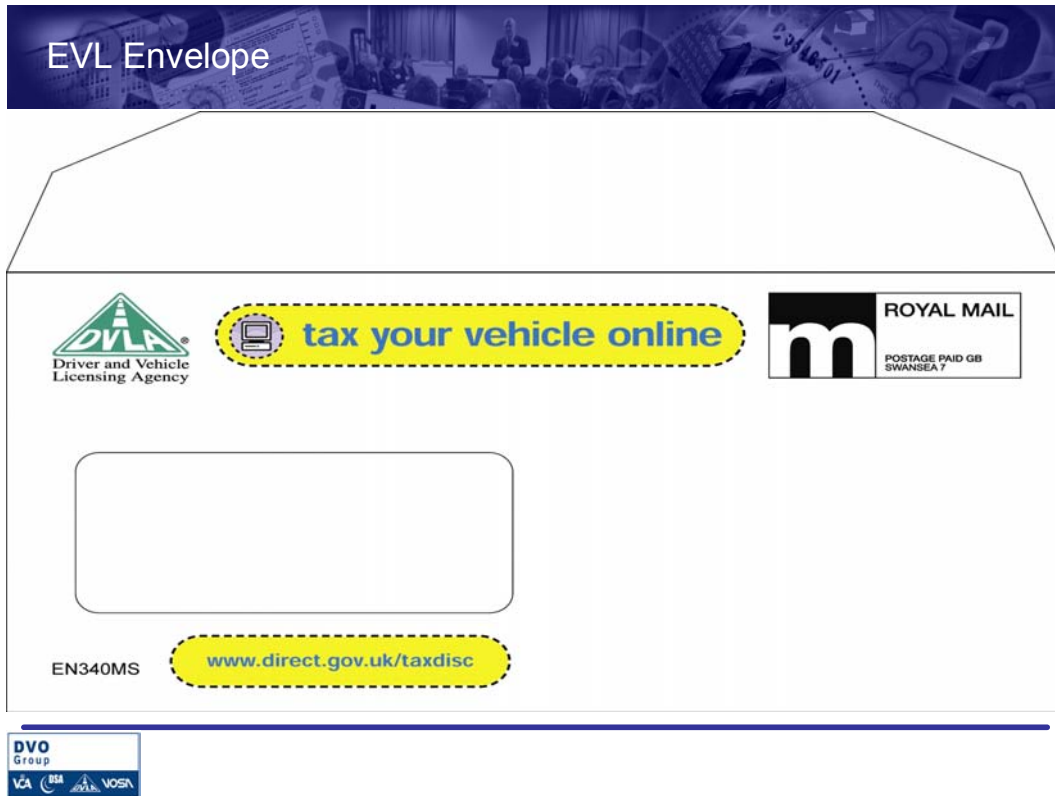
The second phase, applications for provisional driving licences, was publicly launched in April 2006, followed by transfers from paper to photo-card, changes of address and issuing of duplicates, which goes live later in 2006. The next step, scheduled for later in 2006, is that when a change of address is requested for a driving licence, the system will also automatically update any vehicle licence details at the same time and re-issue new documentation, such as an amended registration certificate.

It is also possible to register bids for registration mark auctions on-line.

Promoting the new channels

The first phase was officially launched on 10th January 2006 at the Imagination Gallery, London, by the Transport Secretary, Alistair Darling, along with the model Jodie Kidd to publicise the new service. This assured high profile coverage by the media (Figure 3).

Figure 4: EVL Envelope



Some other commercial services to offer discounts to those using the online channel – to both incentivise usage and reflect the savings in costs. However, the Treasury are not prepared to sanction any form of discount as this is a tax rather than a payment. The taxation levels for vehicle licensing are set annually by Government and Parliament and any savings from channel switching would be in line with current government policy to cut the costs of delivering public services. Similarly, any move to increase the cost for those using the Post Office would be equally politically unacceptable. Alternative strategies to incentivise online usage through prize draws or enable commercial third parties to offer vehicle registration as a 'loss leader' discount are, at the time of writing, awaiting the views of the Treasury and Department of Transport. There are potential partners interested in the latter opportunity.

The research clearly indicated that mobile telephony is becoming an increasingly important communications channel. A further step will be to introduce electronic reminders for vehicle licensing, either via text messaging or e mail (to phones or computers). These would be optional.

Sale of registration marks through the internet is scheduled to launch later in 2006.

Achievements (EVL)

Electronic vehicle licensing (EVL) is now available for all vehicles under three years old or older vehicles that have an electronic MOT certificate. Current usage by eligible vehicle owners is 28% with a target of 60% of eligible customers by 2008.

The turn-round time for the new automated channels from application to receipt of certificate is under 5 working days. The new channels require minimum information from the customer and provide the desired 24/7 transaction capability.

The overall benefits to customers can be summarised as:

- Convenient, simple, 24/7 access without leaving home or joining a queue;
- Speed – documentation within 5 days;
- Increased variety of channels and payment methods;
- No need to produce supporting documentation (e.g. insurance and MOT certificates);
- Instant notification when a vehicle is taken off the road (SORN declaration) – first introduced in March 2004 for certain vehicles;
- Up to date vehicle information for enquiries;
- Free electronic vehicle enquiry service.

Surveys of users show a very positive response to the new services, with 91% of those using the EVL channel stating they would be likely or very likely to use it again.

Impact

Some of the key impacts of developing the new channels are:

- **Channel usage:** the new channels already account for 5% of vehicle related business.
- **Call centres:** these are migrating to a contact centre concept, supporting the online channel. New competencies and skill-sets are required to deal with the changed nature of the calls away from basic queries
- **'Cross sell' opportunities:** an example is the facility to book a theory test when applying for a provisional driving licence.
- **Forms:** all contain reference to the online alternatives.
- **Training:** new training programmes are being implemented throughout DVLA.

- **Commitment:** a management priority is to demonstrate active commitment to realising the benefits from the new channels.
- **Post Offices/other stakeholders:** remain a key stakeholder and channel to market. The strategy is to have an open relationship.
- **Political:** Political peer pressure is leading to those responsible for other government departments considering the introduction of similar strategies.
- **Business processes and IT:** the project has emphasised the need for a key external partner to provide the necessary technology and business transformation skills.

The project has been acclaimed as a major step forward in the public sector ('a project that could make UK e services world class'). Electronic Vehicle Licensing (EVL) has won two awards for the creative and innovative use of new technology to improve efficiency and modernising services – the Modernising Government category of the New Statesman New Media awards and the Central e-Government Excellence Strategy & Leadership award for delivering and implementing e-government strategies which contribute towards achieving targets. The DVLA has also won a government Charter Mark, reflecting the customer centric focus of the new channels.

Other benefits

A further key benefit relates to detecting crime. Currently, it is estimated that around 2.5% of the UK population evade vehicle tax. The target is to reduce this by 50%, through for example the increased use of Automatic Number Plate Recognition equipment by police forces. In addition, a clear relationship is emerging between vehicle related offences and other criminal behaviour.

The project will also create further efficiencies in the reduction of paper and speedier response to queries. Also, it will reduce the number of other pieces of paper contained within DVLA communications, required under current legislation.

Summary

The move to online and automated telephony channels is transforming this government agency. In essence the strategy provides a 'win-win' for both the DVLA - by reducing costs, streamlining core processes and enhancing job satisfaction - and customers, who gain convenience, simplicity, bundled products (a 'one-stop shop' experience) and 24/7 access. As such it provides an excellent example of e-government and the benefits to all stakeholders that can result from well thought through channel strategies.

The project demonstrates the importance of changing the culture of a business in order to identify, embrace and exploit new opportunities. It is described by the DVLA as a classic 'hearts and minds' project, requiring commitment at all levels in the organisation.

The need for a strategic partner to deliver the degree of holistic transformation required is also underlined – rather than engaging in a more traditional client-supplier relationship focussing on single processes. This was not simply a project designed to create a more efficient communications channel: the real benefits could only be realised by re-engineering the entire business model.

DVLA have also learned how to work with other organisations within the public and commercial sectors in order to create an integrated approach that delivers potential benefits to all those involved. For example, the police gain a more comprehensive 'real-time' database to help combat crime; motor manufacturers gain a new source of information about vehicle faults; and public libraries gain an additional opportunity to offer a service to their local communities. In addition, a large proportion of the UK population have a new reason to want internet access.

Other sources of information

- *DVLA drives government e-transformation agenda with IBM*. IBM Global Business Services web site
- *Case study: Online vehicle licensing*, PublicTechnology.net, 09-02-06

Acknowledgements

The author thanks Noel Shanahan, Customer Services Director DVLA for making the original presentation at Cranfield School of Management and for his subsequent comments on the drafts of the case study.



Cranfield Customer Management Forum
In association with
IBM Global Business Services

Forum Director: Dr Hugh Wilson
hugh.wilson@cranfield.ac.uk
www.cranfield.ac.uk/som/ccmf

Cranfield, Bedford, England MK43 0AL
Telephone: +44 (0) 1234 751122
Fax: +44 (0) 1234 751806