Using Customer Profiling and Activity Based Costing to inform channel shift and to increase service take-up – A practical guide

### 1 Introduction

This document illustrates how municipalities can use **customer profiling** and **activity based costing**<sup>1</sup> methods together to better understand their customers, to successfully market to those customers, and to generate efficiencies by fully understanding the costs of service delivery.

*Customer Profiling* is a technique used to segment customers by socio-economic groups, which gives an indication of their likely behaviour and service and lifestyle preferences.

Activity Based Costing (ABC) is the technique used to calculate the true cost of delivering a service via different delivery channels by analysing the activities that are involved in service delivery. Using *business improvement* methods with the ABC data can also help identify how activities can be made more productive and improve the customer experience.

This brief uses Council Tax payments and Library Services as examples to illustrate the application of Customer Profiling and ABC. The approaches described here can be adapted to use with other services. The scale and potential for efficiencies will vary across municipalities - for example Nuneaton and Bedworth in England estimated that the annual cost of processing face to face payments was £173,000 per year. Customer Profiling techniques were used to determine which other payment methods customers in Nuneaton and Bedworth were likely to use, and this indicated that annual costs could be reduced to £61,000 by moving customers to more efficient service channels. The difference of £112,000 per year represents saving from winding down cash offices: additional income could also be received from renting out office space freed by this service change.



Smart Cities Brief No.11

<sup>1</sup> The Cost Architecture products within esdtoolkit are free to subscribers. Use of profiling techniques requires that you have a license to data that associates socio-economic profiles with post codes or household addresses. Such data is provided by the CACI Acorn and Experian Mosaic products.



2 Background

This brief is based on the findings from recent on-site case study workshops carried out with East Herts Council and Plymouth City Council, and builds upon earlier ground-breaking work by other English councils, notably Nuneaton and Bedworth Council, Wear Valley Council (which now forms part of the Durham Unitary Council), and local authorities who participated in Phases I and II of esd-toolkit's Customer Profiling Project.

The document is not a training manual, but highlights the practical application of the two methods. Municipalities trained in both the customer profiling and ABC costing techniques will already have the in-house skills and knowledge to use and adapt these approaches. Staff who are not trained in either method should be able to follow the examples, but may need further training to be able to apply these techniques.

While the esd-toolkit's customer profiling and ABC methods are already used by a large number of councils in the UK, they are seldom used together. When they are used together to support projects the two methods can quickly capture a range of additional information that might otherwise not be available. While the potential usages of these approaches are numerous this brief concentrates on two areas:

- 1. Encouraging customers to use alternative and less expensive access channels<sup>2</sup>. In this case marketing the use of less expensive Council Tax payment methods to target cost savings (and possibly choosing to increase benefits take up to support those who are encountering difficulties).
- 2. Encouraging the increased take-up of community based services such as Libraries while considering the best method of delivering and marketing new services over existing or new access channels.

Both cases use similar methods, which have wider applicability across a range of services.

<sup>2</sup> The channels through which public services are delivered and by which the public has contact with government, be that via telephone, online, in person, or via other means, are a critical part of public service provision, and there is an ongoing impetus for them to be managed effectively and efficiently for everyone. For further reading on channel management please refer to the Cabinet Office Channel Strategy guidance:

http://www.cabinetoffice.gov.uk/public\_service\_reform/ contact\_council/resources/channel\_strategy.aspx



### **3 Objectives**

#### 3.1 Council Tax

We will document the steps necessary to fulfil these primary objectives:

- Encouraging channel migration, specifically to direct debit as the preferred method of payment, and
- Encouraging payment by other electronic payment methods where profiling indicates that signing up to direct debit is less likely.

Related secondary objectives set by partner councils included:

- East Herts Better management of the tax collection process.
- Plymouth Better management of the recovery process by the early targeting of current year debt to break the cycle of calling in bailiffs.
- Plymouth and Wear Valley Targeting harder-to-reach potential benefits claimants which in itself may reduce arrears.
- Plymouth Encouraging e-Billing take up by identifying customer groups who are more likely to use internet banking.

The approaches used to meet the primary objectives can be adopted to meet the secondary objectives, and it may be possible to use the savings made from meeting primary objectives to fund work addressing secondary objectives – e.g. increasing the take up of benefits by hard to reach groups.

#### 3.2 Library Service

We describe approaches taken to improve library service take-up that are primarily based on the work of Plymouth Council, which began in 2010. The work's objectives were:

- To bring back lapsed customers and attract new customers.
- To identify and promote potential new services, deploying new media and technologies as necessary, in accordance with customer preferences.



### 4 Approach

#### 4.1 Council Tax

If we assume that you have clearly defined objectives for your project, then there is a sequence of activities that you will need to undertake.

#### Step 1 - Assemble the information you already have

- · What are the existing payment methods?
- What is the unit cost of each payment method? The cost can be obtained from your Activity Based Costing calculations or from external providers' unit transaction charges e.g. bank or Post Office charges.
- What do you already know about your customers e.g. through consultation, surveys, questionnaires?
- How many customers pay through existing channels?
- · Are your customers using the most cost effective payment channels?
- Does your project plan allow for considering the impact of **closing** an existing payment channel?

Figure 1 shows a decision tree that examines whether a customer is able to pay Council Tax and how they may be transferred to alternative methods of payment, with the primary emphasis being on switching to the least expensive and most efficient collection method – payment by Direct Debit.



Decision tree modelling how to citizens can be encouraged to use Direct Debit (DD), the lowest cost method of collecting council tax

Figure 1



#### Step 2 – Document ways of paying and their costs

Document the ways in which customers can currently pay their Council Tax, any potential new ways to pay, and the unit cost of paying by each method. Be careful that you are not introducing a new payment method that is more expensive than the method it replaces. For example, offering a payment card may entice people who presently pay at their bank (a low cost method) to use a payment card, which has a higher unit cost per transaction.

Table 1 illustrates the cost and potential savings that can be made by transferring payment channels. It can be made more sophisticated by adding rows for additional payment methods, and by adding columns to record the savings (or increased costs) for alternative payment methods. Estimates of the number of transactions that can be potentially transferred may be based upon the number of households transferred (as in this example), the number of accounts transferred, or by transaction volumes. If accounts or households are used, then you should factor in the number of payments that will be made – e.g. 10 or 12 payments per year depending on how the tax is paid, and the council's instalment policy for each payment method.

\* The cost of bank payments are £0.09 per cheque or £0.09 per £100 if paying by cash. £0.09 is being used for simplicity.

#### Table 1

Understanding the costs of different payment channels

Payment channel	Unit payment cost	Cost per 1,000 households (estimated on 10,000 instalmentsper year)	Annual savings per 1,000 households from moving to direct debit (over alternative methods)	Annual savings per 1,000 households from Bank over alternative methods		
Direct Debit	£0.04	£400 n/a		£400 n/a		+£500
Bank	£0.09*	£900	-£500	n/a		
Local Authority cashiers/ service desks	£0.73	£7,300	-£6,900	-£6,400		
Post Office Counter	£1.44	£14,400	-£14,000	-£13,500		

The unit payment costs used here have been based upon ABC costing by East Herts Council and an external provider's transaction unit charges. The unit cost of cashiers' payment handling is derived from the salary cost and the time taken per transaction. It should not be assumed that these costs will be the same for other organisations: **it is therefore strongly recommended that you calculate your organisation's unit costs yourself**. The esd-toolkit's ABC Calculator provides you with a Service Cost Calculator and a methodology to do this.



#### Step 3 – Analyse customers who do not not pay by direct debit

This requires you to understand the types and numbers of taxpayers who are **not** paying by Direct Debit, and to analyse this group by their socio-economic profile types. To do this, you will need to:

- Export a file of transactional data from your internal Council Tax system or Customer Relationship Management System to show those paying council tax and their payment method(s). The file should contain a post code or household address for each transaction.
- Match the exported data to:
  - the Local Government Service List (LGSL) for the 57 "Council Tax"
  - the Local Government Interaction List (LGIL) for the interaction type 4 "Paying for goods & services"
  - the Local Government Channel List (LGChL) for the channel type 26 "Direct debit".
- Using the esd-toolkit, match transactions to the socio-economic profiles that are licensed for each address/postcode. Profiles available for licensing include Experian's Mosaic and CACI's Acorn.
- Download a report from esd-toolkit's Customer Profiling, which will reformat your data and add profile type attributes.



#### Experian's customer profiling groups

Groups	Profile group name
А	Symbols of success
В	Happy families
С	Suburban comfort
D	Ties of community
E	Urban intelligence
F	Welfare borderline
G	Municipal dependency
н	Blue collar enterprise
I.	Twilight subsistence
J	Grey perspectives
K	Rural isolation

# Table 2 Experian's customer profiling groups

Table 3 on the following pages is an example of outputted profiling data on non-direct debit payers in East Herts. East Herts only had data in their Council Tax system on the number of accounts not paying by Direct Debit, and could not therefore break the information down by the numbers paying by each of the alternative payment methods. By revising their system, they will be able to provide this breakdown in the future.



Profile Group	Profile Type Code	2009	Average household income band	Visit Bank	Internet Banking	Phone Banking	Direct Mail	
Non-assigned	Non-assigned	149						
Symbols of success	A2 A3 A4 A5 A6 A7	65 93 72 76 196 420	High High High High High High	Average Below average Average Below average Average	High High High Above average High High	High High Above average Above average High High	Above average Average Below average Below average Below average	
Happy families	B10 B11 B12 B13 B8 B9	166 242 38 121 71 194	HighBelow averageHighHighHighAverageHighHighAbove averageAverageAbove averageAbove averageAbove averageAverageHighHighAverageBelow averageHighHighAbove averageBelow averageHighHigh		High High Above average High High High	Average Average Above average Above average Low Below average		
Suburban comfort	C15 C16 C17 C18 C19	179 49 171 160 341	High Above average Above average Above average High	Average Average Average Average Average	Above average Low Average Below average High	Above average Below average Above average Average High	Average Below average Below average Average Above average	
Ties of community	D21 D22 D23 D25 D27	439 29 8 17 2	Above average Average Average Low High	Above averageAverageHighAbove averageAverageAverageBelow averageAverageAverageAverageAverageAverageAverageLowAbove averageAverageAverageAverageHighAverageAbove averageAbove averageAverage		Above average Average Average Average Above average	<ul> <li>Above average Low</li> <li>Below average Average</li> <li>High</li> </ul>	
Urban intelligence	E28 E29 E30 E31 E32	27 246 405 107 343	High High High High Above average	Average Average Below average Above average Average	High High High High High	High High High High High	High High High Above average High	
Welfare borderline	F35 F37 F39	6 59 40	Below average Low Low	Above average Average Average	High Low Low	High Below average Low	High High Above average	
Municipal dependency	G41	35	Low	Average	Low	Low	High	

#### Table 3

Understanding the financial service use and media channel preferences of non direct-debit payers in East Herts



Newspapers & Magazines	Posters	Radio Adverts	Telemarketing Calls	TV Adverts	Prefered Method	2nd Method
High	Above average	Above average	Low	Below average	Newspaper	f2f
High	Average	Below average	Average	Below average	Newspaper	f2f
High	Low	Below average	Low	Below average	Newspaper	f2f
Above average	Below average	Below average	Below average	Below average	f2f	Newspaper
Average	Below average	Below average	Below average	Below average	Newspaper	f2f
Average	Low	Average	Below average	Average	Newspaper	Local radio
Average	Average	Average	Below average	Average	Local radio	Newspaper
Average	Average	Above average	Below average	Average	Direct mail	Newspaper
Below average	Above average	High	Above average	Above average	Local radio	Direct mail
Low	Average	Average	Low	Average	Local radio	Posters
Below average	Average	Above average	Below average	Above average	Local radio	Posters
Above average	Below average	Below average	Average	Below average	Newspaper	Direct mail
Average	Below average	Low	Low	Below average	Newspaper	f2f
Below average	Below average	Below average	Below average	Low	f2f	f2f
Above average	Below average	Below average	Below average	Average	Newspaper	Direct mail
High	Above average	Above average	Above average	Above average	Newspaper	Direct mail
Above average	Above average	Above average	Above average	Above average	Direct mail	Newspaper
Low	Below average	Low	Below average	Low	f2f	f2f
Low	Below average	Average	Average	Average	Local radio	f2f
Below average	Average	Average	Average	Average	Direct mail	Local radio
High	High	High	High	High	Direct mail	Newspaper
High	High	High	High	High	Direct mail	Newspaper
High	High	High	Above average	High	Direct mail	Newspaper
High	High	High	High	High	Direct mail	Newspaper
Above average	Above average	Above average	Above average	High	Direct mail	Newspaper
Above average	High	High	Above average	High	Direct mail	Local radio
Above average	Above average	High	High	Above average	Direct mail	Local radio
Above average	High	Above average	High	High	Direct mail	Posters
Above average	Above average	Average	High	Above average	Call	Direct mail
Average	High	High	High	High	Direct mail	Local radio



Using this information, East Herts were able to develop a marketing approach for each profile type, and used a colour code system to better distinguish how responsive the customers might be to different media i.e. green (high), amber (average), deep pink (below average) and red (low). In an ideal world, you would have records showing how each of your existing payment methods were being used, which would allow you to gain a better understanding of the numbers you would need to transfer to a different payment channel, and thus the potential savings for each customer profile type. This approach might also allow you to better focus your media campaign.

While the quality of the results councils get from analysis does depend on the quality of information they are able to provide, we can see in Table 3 that East Herts were still able to identify:

- The customer profile types with the largest number of accounts (highlighted in lilac across the first 3 columns).
- Those profile types that are more likely (i.e. have a propensity) to use internet or phone banking, and which are therefore more likely to be willing to use Direct Debit as a method of payment.
- The propensity for different profile types to respond to different media channels.

In the case of East Herts, Experian's Mosaic socio-economic profiles were used. These profiles are accompanied by data from Experian on the service channel and media preferences of the people in each profile type. For this approach to channel shifting to work, the socio-economic profile data needs to be accompanied by information on relevant channel and media preferences.

You may also want to consider how you might deal differently with your citizens, dependent on their personal circumstances. From your profile groups and types, identify who **can** pay, those who **can't** pay, and those who are **struggling** to pay. Given the current financial situation, it might be prudent not to assume that those who are typically are in the "can pay" groupings are actually able to pay – for example you could check your current Direct Debit payments to identify payments that have been refused by the bank. This will not only improve your customer satisfaction rate, but may also reduce costly and unnecessary proceedings at a later date.

East Herts decided that they would target all customer profile types. An alternative strategy might have been to target advertising at the biggest group of non-users of Direct Debit, while expecting that your communications would also reach other types of customer profiles – this would be true for different types of blanket media channels, such as radio adverts, posters or newspapers. The success these channels can be estimated according to the impact of different types of media on different groups of citizens, and by each group's inclination to transfer to different payment systems.

Another way of directing your marketing efforts – and of setting your migration targets – is to look at the guides provided by the companies that license customer profile data for addresses (e.g. postcodes) – one example is Experian's multimedia guide. esd-toolkit shows some information from such guides as a series of "attributes" which are shown alongside service profiles for transactions. These attributes show the tendency of each profile type to:

- Use internet banking as a proxy for Direct Debit
- Use telephone banking as a proxy for other electronic payment channels
- To visit banks as a proxy for face to face payments



A highly visual way of presenting this information is through the use of 'smiley face' symbols. A sample key is show in Figure 2, and is mapped to the banking preferences given in the service profile summary in Figure 3.

Key: Propensity to use the selected access channel	Symbol
Highly Likely	٢
Likely	$\odot$
Average	•
Below Average	$\odot$
Highly Unlikely	$\overline{\mathbf{e}}$

#### Figure 2

Using symbols to show how likely people are to use different types of services or service channels

Group code	Type code	Type name	Internet banking	Phone banking	Visit banking	Direct debit	Other electronic means	Face to face
D	25	Town centre refuge	Average	Average	Above average		•	۲
D	26	South Asian industry	Low	Low	Average	<b>(</b>	$\odot$	•
D	27	Settled minorities	Above average	Above average	Average	۲	۲	•
Е	28	Counter cultural mix	High	High	Average	۲	۲	•
Е	29	City adventurers	High	High	Average	۲	۲	•
Е	30	New urban colonists	High	High	Below average	۲	۲	۲
Е	31	Caring professionals	High	High	Above average	۲	۲	۲
Е	32	Dinky developments	High	High	Average	۲	۲	۲
Е	33	Town gown transition	High	Above average	Above average	۲	٢	۲
Е	34	University challenge	High	High	Above average	۲	۲	۲
F	35	Bedsit beneficiaries	High	High	Above average	۲	۲	۲
F	36	Metro multiculture	Low	Average	Below average	$\odot$	۲	۲
F	37	Upper floor families	Low	Below average	Average	<b>(</b>	$\odot$	•
F	38	Tower block living	Low	Low	Average	<b>(</b>	$\odot$	•
F	39	Dignified dependency	Low	Low	Average	<b>(</b>	$\odot$	•
F	40	Sharing a staircase	Low	Low	Average	:	$\odot$	•
G	41	Families on benefits	Low	Low	Average	<b>(</b>	:	•
G	42	Low horizons	Low	Low	Average		$\odot$	

#### Figure 3

Service channel preferences for different types of customers



#### Step 4 – Produce a targeted marketing campaign

When you understand the types of people who are not paying by direct debit, you can then do some sums to decide who to target in a campaign to get people switch to direct debit, and you can decide what marketing channels will be cost effective.

Figure 4 shows the preferred marketing media of different profile groups, with example savings that have been estimated on the basis of moving a specific percentage of customers to Direct Debit. The percentages of customers that are targeted for a channel shift are different for different profile groups. Profile groups are non-overlapping collections of profile types.

The figures given in Figure 4 are approximations based on a mix of data provided by the participating councils. They assume a council has 120,000 households, and that Council Tax is paid by an average of 10 instalments in the year. The figures are included to illustrate the approach and should not be used as the basis for calculations in individual councils.

The targets take into account that profile Groups A, B and E are most likely to use internet banking, and you would thus expect a larger percentage of people in these groups to transfer to payment by Direct Debit. Groups G and I have a low propensity to use Internet banking (as they tend to visit banks in person) and would be much less likely to move to Direct Debit.

Profile group code	Accounts NOT paying by DD	Current cost to serve (per account, per trans'n)	Total cost for profile type	Target DD migration for profile type	Preferred method	Savings per account transferred	Total savings if target achieved
А	1800	£1.50	£27,000	75%	Newspaper	£14.00	£18,900
В	1700	£1.50	£25,500	75%	Local Radio	£14.00	£17,850
С	1800	£1.50	£27,000	55%	Newspaper	£14.00	£13,860
D	1000	£1.50	£15,000	70%	Direct Mail	£14.00	£9,800
Е	2200	£1.50	£33,000	75%	Direct Mail	£14.00	£23,100
F	200	£1.50	£3,000	15%	Direct Mail	£14.00	£420
G	100	£1.50	£1,500	10%	Direct Mail	£14.00	£140
Н	1600	£1.50	£24,000	20%	Direct Mail	£14.00	£4,480
I	500	£1.50	£7,500	10%	Direct Mail	£14.00	£700
J	700	£1.50	£10,500	40%	Newspaper	£14.00	£3,920
К	400	£1.50	£6,000	70%	Newspaper	£14.00	£3,920
Total	12000		£180,000				£97,090

Figure 4

Calculating the potential savings of moving consumers to Direct Debit



Media method	Accounts not paying by Direct Debit	Target Conversion to Direct Debit	Savings per account	
Newspaper	4700	2900	£14.00	£40,600
Local Radio	1700	1275	£14.00	£17,850
Direct Mail	5600	2760	£14.00	£38,640
Total	12000			£97,090

Figure 5 shows another way of representing the data which helps decide if a media channel is potentially too expensive.

Using local radio to produce £17,850 worth of savings may not be cost effective, and your savings target may need to be revised downwards if you use other media channels which may not be as effective in reaching your target profile types as radio advertising is.

#### Step 5 – Review the results

After running a marketing campaign you should assess its success. You can do this by adapting the tables in Figures 6 and 7 by adding columns to compare the actual number of customers who changed channels against your original estimates for channel conversion and cost savings.

There will be a proportion of the council's customers who will not be enticed to pay by Direct Debit – for example profile groups F, G, H and I choose 'face to face' as the primary channel through which they pay their Council Tax. This does not necessarily mean that the council has to continue to provide cashiers: there are other payment alternatives customers can use to pay their Council Tax by cash (e.g. via a bank), where the council receives the tax revenue at a fraction of the cost of running its own cashier service. These groups may be targeted once the Direct Debit campaign has finished and if it is proving uneconomical to continue to target profile types who have a low propensity to pay by Direct Debit.

Customers who do pay by Direct Debit are less likely to need to check their Council Tax account than are those who pay by other methods. This creates an issue for Councils as customers who pay by other methods (e.g. at banks or by other automated mechanisms), will still want to check their account balance. If customers pay tax and then visit the council to check their balances, then the savings you have made by shifting their payment method may be offset by this form of avoidable contact.

You should not view your accrued projected savings as occurring only in a single year. You should forecast the savings that will also occur in years two and three, possibly factoring in new targets from repeating the pay by Direct Debit campaign and adapting your choices of marketing media in the light of previous campaigns.

#### Figure 5

Calculating the cost effectiveness of different media channels





You can further refine your analysis to produce a 'Return on Investment' model which includes project costs and other benefits, such as:

- · The cost of the project management and marketing.
- The cost of administering the up-take in Direct Debit.
- Any drop-out rate from Direct Debit.
- Savings from avoidable contact resulting from customers not needing to make balance enquiries.
- · Reducing the cost of debt recovery processes.

#### 4.2 Library Service

This approach is primarily based on the work of Plymouth City Council. Their primary objective is to increase library use, but within this broad general aim you are likely to be considering a number of additional requirements, such as:

- Marketing and delivering existing services more effectively to bring back lapsed customers and attract new customers.
- Identifying and promoting potential new services over new access channels, by deploying new media and technologies.
- Testing the approach in a single area prior to wider roll-out. For example, Plymouth are considering using the replacement of an existing area library with a new building as an opportunity to review the types of library services they will offer in the future.

While this section specifically addresses increasing the use of library services, other community services such as sports centres, leisure centres, museums, art galleries and theatres might benefit from similar approaches.

If we assume that the take-up objectives have been well defined, then we may again identify a series of implementation steps.

#### **Step 1** – Gather baseline information

Assemble the information you already have to profile all the users of library services within the catchment area of the library. This may for example be within a two or three mile radius of the local library or a wider area catchment area if it is known that there is significant usage outside of the local area (or possibly across the authority's boundaries). Ideally, you should have a baseline by profile type of your existing services such as profiles of:

- · People who borrow books.
- People who use computers.
- People who borrow books and other resources.
- People who borrow books and use computers.
- People who borrow books, and other resources and use computers.

The availability and detail of this information will depend on the extent that it is held and can be output from your library system (the process for exporting your data is similar to that summarised under Council Tax, Step 3).



Figure 6 shows a decision tree that examines the basic questions to ask when considering how to increase levels of take up for existing services and/or the introduction of new services. The reference to **access channels** is there to remind you that some customer types may prefer to access services in different ways besides the traditional visit to the library's premises.



Figure 6

Decision tree showing how to devise a strategy to increase take-up of a service

- Cross reference the profile of library usage with the profile of the library catchment area.
- Use **Activity Based Costing** to calculate the cost of providing individual services. Where services are chargeable you should consider the following:
  - Is the charge appropriate to the effort?
  - What would people be willing to pay?
  - Is there any external competition e.g. for DVD rentals?
- Collect customer service and survey data to understand whether people are satisfied with existing services.
- One of the Citizen Profiling Project (CPP) authorities calculated the average number of weekly trips to the library per 1000 citizens, with the aim of using this data to create a baseline which can be used to measure the impact of future service improvement initiatives. This data is shown in Figure 7.





Group	Profile group name	Average trips per week	% of households in the group
Α	Symbols of success	8.93	0.77
В	Happy families	5.63	13.83
С	Suburban comfort	8.07	25.43
D	Ties of community	6.59	34.14
E	Urban intelligence	6.68	2.18
F	Welfare borderline	5.96	2.32
G	Municipal dependency	4.41	1.39
н	Blue collar enterprise	5.10	7.99
I	Twilight subsistence	6.31	4.46
J	Grey perspectives	6.01	7.35
К	Rural isolation	2.58	0.17
TOTAL		65.28	

Figure 7

Average number of trips to a library per week per 1000 citizens by customer profile group in an English Local Authority

This approach may need to be adapted to include existing or new services that do not require a visit to the library.

#### Step 2 – Develop a marketing strategy

Use the base-lining information you have collected to develop a strategy for the services (and access channels) you would wish to promote. You should consider these questions:

#### Which of the existing services will we market?

- Extended opening hours.
- · Hiring DVDs and Blue Ray discs to save customers money.
- Providing information services (e.g. an "ask a librarian" service).
- Free sheet music.
- Music services.
- Music / spoken word CDs / DVDs.
- Children's / adult activities.
- Patent library.
- EU questions and answers.
- Europe Direct Library.



#### Which new services will we develop and market?

(Do you also have a goal to increase income, or is it not a current priority?)

- Downloads.
- Amazon type services.
- Postal service to home address.
- Work place delivery (reserve & deliver).

At this stage you should be developing plans and targets for how you would like the service to perform and be delivered, including a return on investment model covering a number of years. This model might include:

- Targeted take-up.
- Additional costs and any offsetting income.
- Offsetting project costs (staff time, advertising costs etc).
- An estimate of potential drop-out rates.
- Savings from avoidable contact.
- Reduced cost of recovering fines or debts.
- Any new income e.g. from rental revenue.
- Co-location of services (both council and partner).

Prior to launching a campaign, you should also consider whether your service is ready and able to deal with any new demand. For example, new electronically enabled services may require that you have new technologies and electronic payment methods in place. You may wish to use Activity Based Costing to help identify the likely impact on staff cost and other resources of the new activities you will be undertaking. If increased demand for a service or the introduction of a new service cannot be sustained by redirecting existing activities, is there a possibility to bring in new resources or introduce charges for services to help fund the new expenditure?

#### Step 3 – Determine to whom you are marketing

This step requires that you consolidate the baseline information generated at Step 1, and your strategy at Step 2, to determine which groups you would wish to market your services to.

The service use propensity graph in Figure 8 and the table in Figure 9 were both compiled from data collected from Citizen Profiling Project participants. They compare library usage for each profile group against the percentage of households in each group in the catchment areas. The data comes largely from London Authorities and is included here by way of illustration. You should **use information generated from your own systems** to perform this analysis, rather than relying on this information which may not reflect service use in your area.





The data analysis by the Citizen Profiling Project participants found that:

Profile groups C and E had an over-propensity to use the library services, whilst the remaining groups had an under-propensity to use the service. Groups C and E represent 30.46% of the households in the sample and they made nearly 45.31% of the library transactions. Group K (rural isolation) were least likely to use the library service. Group K is comprised of rurally isolated households with varying levels of affluence and of access to library services. Surprisingly, the groups who tend to have school aged children (B, D, F, G, and H) were less likely to use the service than groups who tend not to have responsibility for young children (A, C, and E). Group I (elderly people who are most reliant on state benefits and tend to live in social housing) and to a lesser extend group J (who are mostly pensioners who tend to own their own homes and have some source of income beyond the basic pension) also showed a propensity to underutilise library services.



#### Figure 8

Propensity to use library services by Mosaic group. A propensity index greater than 100 indicates that people within the group are more likely than average to use library services.



	Symbols of success	Library Transactions <sup>-</sup>	Library Transaction %	Households 6	Household %	Propensity
Α	Symbols of success	69,887	9.78	70,755	10.34	95
В	Happy families	37,800	5.29	66,087	9.66	55
С	Suburban comfort	269,527	37.72	169,468	24.76	152
D	Ties of community	154,954	21.68	147,615	21.57	101
Е	Urban intelligence	54,251	7.59	39,039	5.70	133
F	Welfare borderline	24,837	3.48	24,583	3.59	97
G	Municipal dependency	7,229	1.01	32,721	4.78	21
н	Blue collar enterprise	45,233	6.33	55,992	8.18	77
I	Twilight subsistence	16,311	2.28	24,518	3.58	64
J	Grey perspectives	33,389	4.67	36,715	5.36	87
К	Rural isolation	1,151	0.16	16,907	2.47	7
тоти	AL .	714,569	—	684,400	—	—

Figure 9

Analysis of the use of library services by different citizen profile groups

You may choose to prioritise your marketing efforts by targeting the groups and customer types **in your catchment area** who already show a clear propensity to use your services, before targeting harder to reach groups who are less likely to use your services. In each case, you should be determining the most appropriate form of advertising media, and setting targets for increased take-up (similar to that described in Steps 3 and 4 of the Council Tax process). When drafting your marketing material you should identify the type of newspaper that people within the profile group / type are most likely to read, and copy their style e.g. The Sun vs. The Guardian. You should also choose the **type** of message that would interest that group most. Guides that accompany licensed socio-economic profiles, as such Experian's Mosaic multi-media guide, show the sorts of things people of each profile type may be interested in.

#### Step 4 – Review the results

The success of the marketing campaign will need to be reviewed against the targets you set in your strategy in Step 2.





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### 5 Final Word

Customer Profiling and Activity Based Costing have traditionally been implemented separately. We feel the two approaches are inextricably linked, and the esd-toolkit provides an example of how to bring them together. Using customer segmentation data and unit cost calculations together should help you achieve channel shift, increase service take up, and gain efficiencies.

There are other approaches to achieving similar goals, but the Customer Profiling and ABC techniques described here are relatively mature, have been tested in practice, and can be adopted without incurring excessive external costs.

We encourage and welcome feedback so that these techniques can be improved and expanded across other services.

### 6 Further information

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