

## Retail to Regulator

### A new framework to improve customer service for citizens



The Internet's emergence at the close of the 20th century fundamentally changed the way the U.S. government interacts with citizens, businesses, and other government entities. Improving the quality and efficiency of federal services took on new urgency and promise as leaders rushed to meet expectations fueled by the private sector's online innovations.

Federal Government leaders did set out to improve the quality and efficiency of federal customer service in the early 2000s fueled by online innovations in the private sector. But as we entered the 21st century, momentum for improving citizen service began to wane. Impacted by the events of 9/11, the financial crisis and healthcare reform, the attention of government leaders turned to these priorities as agency budgets began to tighten.

The rollout of healthcare.gov and controversies at the Internal Revenue Service and Department of Veterans Affairs in recent years have brought the spotlight back to the need for improved customer service and the use of technology to support legislative priorities. The shortfall in federal service delivery has gained notoriety, which in turn has impacted public opinion and raised questions about the ability of Government to fulfill its mission. Hearing the drumbeats of dissatisfaction, government leaders are renewing their focus on service improvement.

Deloitte has identified a framework to improve citizen customer service that goes far beyond the efforts of the 1990s by reimagining how federal departments and agencies view and carry out their missions. This paper provides an overview of our approach, which we call **Retail to Regulator**. The paper highlights leading practices of organizations that excel in delivering customer service in the private sector. These practices can be used to improve the citizen customer experience (CX) and that they offer a framework for federal departments and agencies to pursue service excellence.

#### From the U.S. Digital Services Playbook

##### Understand what people need

"We must begin digital projects by exploring and pinpointing the needs of the people who will use the service, and the ways the service will fit into their lives. Whether the users are members of the public or government employees, policy makers must include real people in their design process from the beginning. The needs of people—not constraints of government structures or silos—should inform technical and design decisions. We need to continually test the products we build with real people to keep us honest about what is important."

### A real and pressing problem

Private sector companies in diverse industries are achieving high customer satisfaction ratings through a laser focus on CX and the use of innovative technologies, such as mobile applications. Even the beleaguered airlines are enjoying an uptick<sup>1</sup>.

It's a different story for federal agencies. According to American Customer Satisfaction Index® (ACSI) analysis, customer service rankings for government declined 6 percent from 2013 to 2014. Gallup poll results released in March 2015 reinforce this negative view. Americans who were polled continue to name the government the most important U.S. problem for the fourth consecutive month<sup>2</sup>.

The view from inside is no more encouraging. The 2014 Best Places to Work in the Federal Government rankings compiled by the Partnership for Public Service and Deloitte show a decline in federal employee satisfaction for a fourth consecutive year<sup>3</sup>.

### Fostering an employee mindset of customer service excellence

To achieve customer service excellence, federal leaders will want to build an employee engagement strategy that fosters a customer service mind-set. Recent Gallup research shows why employee engagement is so important. Engaged employees have an emotional investment in the organization and look upon their work as fulfilling a mission. Federal employees are less engaged than workers in the private sector which impacts their productivity. Improving engagement is linked to positive organizational outcomes such as improved retention, higher customer satisfaction and loyalty metrics, increased productivity, fewer safety claims, and minimized absenteeism according to the research.

The declines in customer satisfaction, public confidence, and worker satisfaction, together with President Obama's 2011 executive order to streamline service delivery and improve customer service, highlight the urgency faced by federal leaders to reverse current trends<sup>4</sup>. and focus on improving service to its customers.

### Retail to regulator: a new service framework

The missions of federal departments and agencies are diverse, from delivering the mail, to conducting scientific research, to regulating financial markets, and much more. These activities involve interactions with citizens, private businesses, and other government entities, a universe that can be thought of as "customers."

Deloitte has identified the diverse federal government functions that span a wide spectrum of services, going from "retail to regulator," or R2R (Figure 1). Understanding where on this spectrum a particular agency resides is foundational to developing its CX strategy, capabilities, and offerings. The spectrum position provides insight into an agency's relationship with its customers, helping unlock value for both parties.

Agencies in a variety of circumstances may find R2R a helpful framework, including:

- Agencies with acute customer satisfaction issues.
- Agencies with leaders who are championing customer-centered transformation.
- Agencies developing government-business partnerships to address pressing needs and issues.

On the retail end of the R2R spectrum are organizations that function like private sector businesses. Some sell products and services competitively among other providers—Amtrak and the US Postal Service are familiar examples. "Retail-like" organizations similarly offer products and services, but without competition, such as the Centers for Medicaid & Medicare Services.

Mission organizations include the National Institutes of Health, which fosters innovation through biomedical research. Mission entities such as the Department of Health and Human Services also provide citizen education.

Regulator organizations, as the label suggests, are focused on enforcing laws and protecting the nation. Examples include the Department of Defense, Federal Bureau of Investigation, Transportation Safety Administration, and Securities and Exchange Commission.

Figure 1. The retail to regulator (R2R) spectrum



<sup>1</sup> <http://www.theacsi.org/news-and-resources/customer-satisfaction-reports/reports-2014/acsi-federal-government-report-2014>

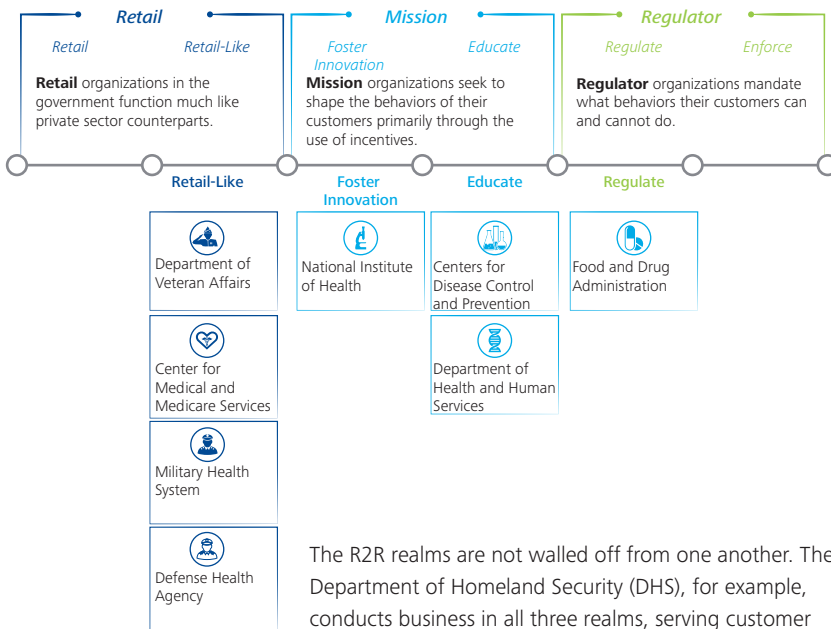
<sup>2</sup> <http://www.gallup.com/poll/181946/americans-name-government-no-problem.aspx>

<sup>3</sup> <http://bestplacetowork.org/BPTW/rankings/governmentwide>

<sup>4</sup> <https://www.whitehouse.gov/the-press-office/2011/04/27/executive-order-streamlining-service-delivery-and-improving-customer-ser>

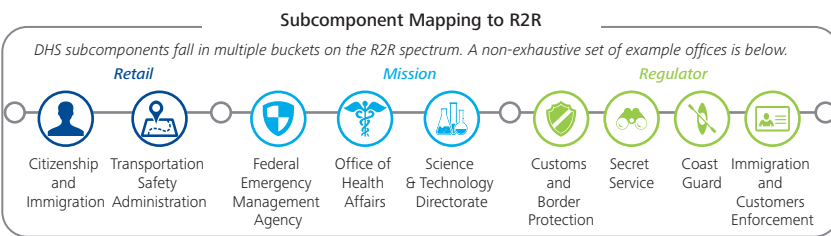
A mapping of health-focused departments and agencies (Figure 2) demonstrates the breadth and diversity of activity in the sector. The goals and interactions of each subordinate function within a department or agency determine where it falls on the R2R spectrum.

**Figure 2. Health sector retail-to-regulator distribution**



The R2R realms are not walled off from one another. The Department of Homeland Security (DHS), for example, conducts business in all three realms, serving customer groups including citizens, immigrants, state governments, employers, and federal agencies (Figure 3).

**Figure 3. Department of Homeland Security R2R mapping**



Agencies with narrower charters than DHS can also be active across the spectrum. Investors and businesses that regularly rely on the Securities and Exchange Commission’s free EDGAR database for corporate information would have a quite different experience facing an inquiry from the commission’s Division of Enforcement.

Asking key questions can help departments and agencies better understand their customer relationships and calibrate their mission focus within the R2R spectrum. Do they face competition for customers? Do they provide incentives or disincentives to action? For some agencies, multiple roles can complicate these considerations (see *How TSA navigated its way to PreCheck*).

### How TSA navigated its way to PreCheck

The Transportation Security Administration (TSA) is the model of a “retail-like” organization on the R2R spectrum, providing a defined service (security screening) to a defined set of customers (fliers) with no competition. To thrive as a customer-centric organization, TSA needs to align its activities around customers. However, the cultural center of gravity of the agency’s parent, the Department of Homeland Security (DHS), skews heavily toward the “regulator” end of the spectrum. DHS is also parent to other enforcement agencies including Immigrations and Customs Enforcement (ICE), the Coast Guard, the Secret Service, and the Domestic Nuclear Detection Office. Facing this conflict, TSA determined it could provide a more secure, faster process not simply by becoming more efficient, but by expanding security measures beyond the security checkpoint and recognizing that not all customers are the same. The popular TSA PreCheck program is the product of designing for the entirety of a customer’s journey.

### CX excellence: 10 leading practices

Whether in the federal government or private sectors such as retailing, media, and travel, leading CX performers share traits in how they allocate resources, use systems and technology, and otherwise run their business. A closer look at top CX performing organizations in the private and public sectors shows 10 key leading practices that other organizations can adopt:

- Hire a chief customer officer—nearly a quarter of Fortune 100 companies now have a CCO.
- Use customer relationship management (CRM) systems effectively—leaders extend the capabilities of CRM platforms to support CX solutions.
- Provide consistent and seamless omnichannel experiences—familiar interfaces, comfortable interactions, and smooth channel-to-channel transitions are core components of CX excellence.
- Offer quick troubleshooting through multichannel customer service solutions—problems are resolved rapidly through whatever channels the customer wants.
- Align employee incentives with a customer-centric focus—leaders tie bonuses and promotions to CX performance and provide culture-and-loyalty-building informal recognition.
- Tailor experiences based on record of customers’ personal history with the company—a customer’s buying patterns and areas of interest over time provide valuable context for creating and enhancing future offerings.

- Deliver information in plain language, with a simple user-centric design – maintaining focus on customer understanding and acceptance throughout the design process can produce high quality offerings.
- Use "open innovation" and prize challenges to solve problems—programs such as [XPRIZE](#) are opening doors to new breakthroughs and opportunities.
- Provide transparent, real-time process tracking that puts customers in control—leading organizations enable customers to always know the status of an order or inquiry
- Develop targeted behavioral objectives from deep insights on customer behavior—leaders analyze customer preferences, actions and profiles to help guide the relationship into the future.

Used effectively, these practices can help departments and agencies improve customer satisfaction, inspire employee performance, and increase efficiency.



### Other factors that support the path to high quality CX

Four related principles can provide a road map for formulating the strategic, human capital, and technology dimensions of customer experience-focused transformation:

**Action segmentation.** Today segmentation goes beyond demographics and geography to embrace people's beliefs, behaviors, and patterns of engagement. Segmenting customers into meaningful and actionable groups along the R2R spectrum can help uncover their unique needs and preferences.

**Behavioral influence.** Ethnographic research—understanding human needs and anticipating behavioral triggers and actions—can aid in designing channels, developing training programs, and creating marketing campaigns to achieve meaningful impact.

**Design for the future.** Deconstructing complex problems and imagining solutions from the customer viewpoint can provide the structure to transition from transaction-driven customer encounters to a CX-driven relationship.

**Service design and transformation.** Alignment of organizational operations, resources, and infrastructure supports customer-centric initiatives in organizations. Focus areas include workforce planning, organizational design, change management, and technology modernization.

### Harnessing customer insights to drive change

The R2R framework reflects the reality that federal departments and agencies can be subtly to broadly divergent in cultures, missions, and customer bases. As agencies work to restore public confidence and satisfaction with government services, their efforts can benefit from factoring these differences into the development of customer-centric solutions.

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