

Digital

Transformation for **Tax & Welfare**

Digital Tax & Welfare:
Not just the future but the **NOW**.

Tomorrow's tax and welfare agencies today. That's the outcome of "digital" as it transforms the way that we interact with each other. Digital has profound implications for how we do business and the way in which governments and citizens interact.



What is Digital?



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The Digital Revolution

“Digital” has the potential to help governments transform public services to achieve step change improvements in policy outcomes, customer service and productivity improvement.

“Digital” has the potential to help governments transform public services to achieve step change improvements in policy outcomes, customer service and productivity. It creates new operational processes and business models, and it drives better customer insight that helps to reduce tax non-compliance and welfare fraud and error.

But what is digital in practice and how is it bringing about a fundamental change in tax and welfare administration? Capgemini Consulting and the Massachusetts Institute of Technology (MIT) carried out a three-year research program into the impact and nature of digital.

This explored how a group of 400 organizations worldwide (both public and private) viewed digital; what they were investing in; and how they were driving these changes forward to deliver a step change in business outcomes. Our research identified distinct differences in the way that these organizations have approached digital. It offers new insight into the compelling argument for transforming tax and welfare administration through digital means.

The research revealed how the leaders (the “digerati”) make strategic decisions about where to excel digitally and combine digital capabilities to exploit synergies. They are also rigorous in how they drive digital into their day-to-day operations: they define a strong vision; they focus on key digital initiatives that drive value; they innovate by combining different disciplines, such as brand management, digital marketing and IT; and they put in place effective governance mechanisms to drive rapid progress across complex organizations.

Those “digerati” who were quoted in the Capgemini / MIT study significantly outperformed their peers in terms of revenue growth (+9%), profitability (+26%) and market valuation (+12%), across all sectors.





Why Digitize?



Why Digitize?



“Digital” will transform tax and welfare

Capability: Predictive analytics to deter and prevent crime

Los Angeles Police Department uses mathematical models to predict where crime is likely to occur



The model draws in details from police reports, such as:

- Time
- Location
- Types of crime

Like those tax and welfare agencies using predictive analytics to prevent fraud and error, the Los Angeles Police Department is using a similar technique to anticipate where crime is likely to occur. It then uses the information gathered and analyzed to deploy police on the ground and prevent criminal activity taking place or to apprehend and arrest criminals as they carry out a crime.

Mathematical models for predicting earthquake aftershocks were applied to predict the “after-crimes” of an initial incident. The model draws in details from police reports, such as the times, locations and types of crimes that have already occurred to predict burglaries, car break-ins and car theft. During a six-month trial period, one division saw a 25% decrease in burglary compared to the previous six months.

Digital is blurring the lines between business strategy and IT strategy. Technological advances are revolutionizing every aspect of how we interact with each other. They are having profound implications for the way that we do business and the way that governments and citizens interact. Digital tax and welfare administration is already undergoing fundamental changes as a result of digital.

Capgemini is at the forefront of helping businesses and government organizations transform their business outcomes through digital. This experience gives us a unique perspective on leading best practice.

A number of tax and welfare administrations – for example in the UK, Australia, New Zealand and the Netherlands – have committed to move the majority of their customer interaction to digital channels¹. This is an important dimension of digital, but not the only one. We believe that digital will touch all aspects of tax and welfare administration, moving beyond just these ‘front of house’ customer activities.

¹Advancing Australia as a digital economy: update to the National Digital Economy Strategy 13 June 2013 “By December 2017 Australians will be able to complete the vast majority of their business with Government online” UWW Jaarverslag 2012 (annual report). The goal for 2013 is that at least 90% of all unemployment benefit (WW) claimants will use the digital channel for benefit applications or changes of circumstance. 70% of employer contact with UWW will be in a digital way by 2015.

UK Government Digital Strategy November 2012 sets out how government will move delivery of 650 transactional services from offline to digital channels saving £1.7bn+ per year by default (today there is only a handful of services where a significant majority of people who could use the online channel actually do).



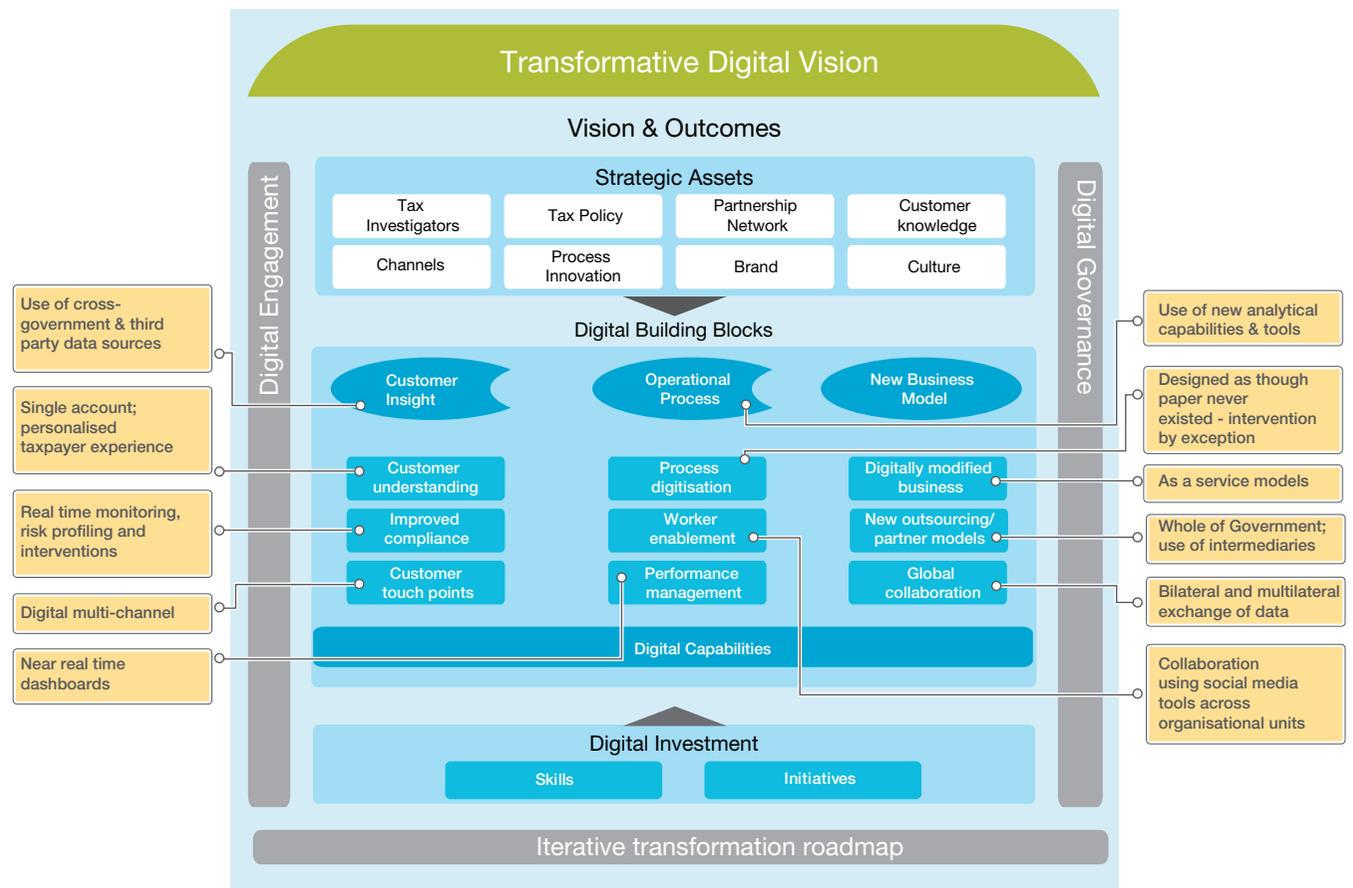
Why Digitize?



Digital will fundamentally change the tax and welfare administration by 2020... requiring a new range of capabilities.

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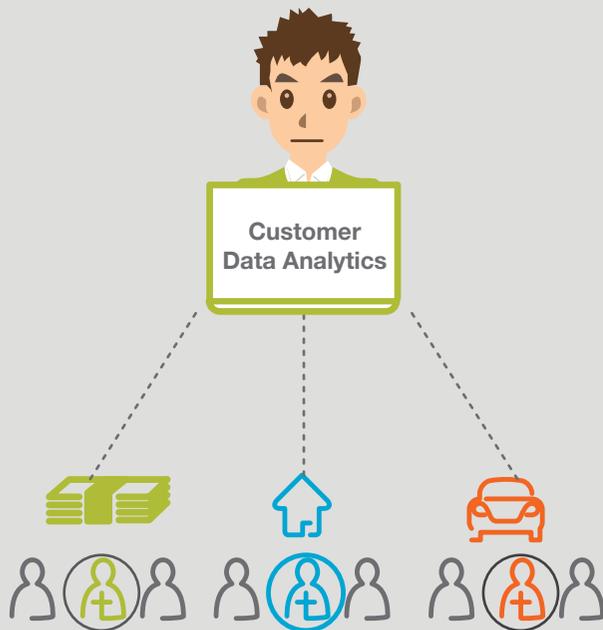
Figure 1 shows the Capgemini Consulting MIT digital framework, which comprises the three pillars of customer insight, operational processes and new business models, overlaid with the key trends that we see in tax and welfare administration.



Why Digitize?



Banks can now carry out hundreds of highly targeted small campaigns instead of huge scatter-marketing campaigns.



Capability: Targeted campaigns

A leading bank in Asia is using analytics to inform much more targeted marketing offers around customer acquisition, retention and cross-selling of services.

The bank is now able to carry out hundreds of highly targeted small campaigns instead of huge scatter-marketing campaigns.

This means that customers are not deluged with irrelevant offers and the bank achieves a higher return on its marketing investment.

As the Transformative Digital Vision sets out, these trends touch customer insight, service design and channel interaction. But they also impact end-to-end operational processes and IT systems. They ask fundamental questions about the role of government and the potential for new types of service delivery.

The digital tax or welfare agency will be simpler and more convenient for the customer, offering relevant timely services, designed around life event needs. It will draw together customer information in one place in a personalized tax or whole of government account, making use of pre-population and enabling people to interact and self-serve 24/7 from any digital device.

The digital agency will leverage new data sources and analytical techniques, both to provide a more personalized service, and to encourage people to be more compliant. Tax and welfare agencies will be able to monitor what a customer is looking for and provide personalized tailored information or services. Risking, using both deterministic and predictive risk factors/ models, and intervention will be designed into upstream transaction processes, such as applying for a welfare benefit or filing a tax return and making a repayment claim. This will prevent overpayments and allow tax administrations to pursue high risk cases much earlier in the value chain. By demonstrating the ability to match tax, welfare benefit and private sector data on, for example, fraud, the digital agency will better deter non-compliance.

It will also be more productive, utilizing new ways of presenting and drilling down management information in real-time. We will see new digitized processes re-designed for a world where paper no longer exists and where most activities are fully automated driven by business rules. There will be new business models, including the use of intermediaries such as banks or payroll agencies to carry out processing, or the use of "as a service" risking or debt collection.



Delivering the **Digital** Agenda

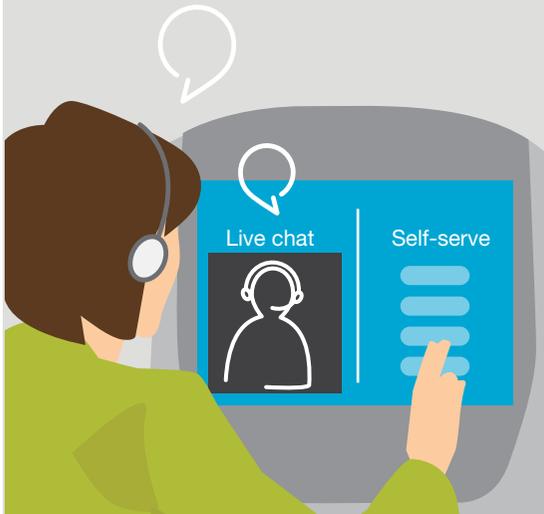


Delivering the Digital Agenda



New capabilities and organizational change

The new solution has created a virtual contact center that routes customer calls to interactive voice recognition where they can self-serve.



Capability: Multi-channel self serve

Pôle emploi in France has 45,000 agents working across 1,000 sites. It has recently implemented a multi-channel capability designed to improve customer service for people looking for a job and claiming unemployment benefits (single number, right first time, waiting time and self-service is free); move people to self-service using web, email and live chat; and increase productivity. The new solution has created a “virtual contact center” that routes customer calls to interactive voice recognition where they can self-serve.

As part of the solution Pôle emploi has also piloted the use of an avatar called Cecile to explain how to navigate the process of getting a new job and provide live chat to support those who could not find what they were looking for in frequently asked questions. It is currently trialing new mobile services such as submitting a change of circumstance or locating a Pôle emploi branch.

As the Capgemini Consulting / MIT study found, many organizations have so far focused on building customer insight by gathering and mining new or hitherto untapped data; adding new channels such as social media, apps and mobile; and starting to put in place a more seamless multi-channel experience. But leading private and public sector organizations have found that transforming through digital is about much more than this.

For example leading luxury goods brand Burberry has built out from existing strengths to successfully leverage new digital capabilities step by step. For instance, when former CEO Angela Ahrendts took over in 2006, Burberry was significantly underperforming against its peers in terms of growth. To turn this around, Burberry focused on going online; leveraging digital technologies to enrich the in-store customer experience; whilst at the back end, it rolled-out a global ERP program to unify processes and integrate data across the globe. It is now moving into social media and mobile. Burberry made explicit choices about where to focus its investment and how to build out its capabilities step by step. Tax and welfare agencies will need to do the same.

Transforming through digital will require tax and welfare agencies to develop a range of new capabilities. Applying these will involve significant changes to the work people do; the types of roles required; how decisions are taken within the agency and with other organizations; and to the underlying technology platforms. In some cases it will require changes in policy or changes to the law.



Delivering the Digital Agenda



Capability: Risking at the point of application for an insurance policy

Monitors how potential customers complete online forms



Leading insurers are applying risk scoring at the point of policy underwriting to identify the risk of mis-representation or non-disclosure. They monitor how a potential customer completes the online application form and communicate this back to the web browser, such as whether they hover over certain questions or change the answer multiple times to see the impact on the quote price.

This information is used to determine whether to move to fulfillment; ask additional questions; or price out the business as too high risk. They are also building much closer links and sharing data between the underwriting and claims functions to align their anti-fraud strategies.

We have identified a number of key capability and organizational changes in our work with leading agencies. These include:

- Designing out human contact for the mass market willing and able to self-serve using digital channels – and freeing up agency staff to focus activities on the tax affairs of high value customers, the vulnerable, and the non-compliant
- Re-designing and digitizing business processes to make much greater use of automation and business rules – reducing re-keying, manual interaction and exceptions
- Building in risking and compliance interventions within front line operations, leading to a very different customer experience depending on whether or not the customer is compliant – rather than relying on post-event risking and interventions
- Re-focusing people roles on policy, complex interactions with customers that require human judgment, business analytics (to define rules, adapt them in response to fast-changing environments, and edit process), compliance investigations / policing, and enforcement (debt collection/recovery) – requiring a more skilled workforce with new capabilities
- Building enterprise capabilities such as data warehousing and analytics (particularly around the customer) that can be drawn on and combined by multiple units across the tax or welfare value chain – enabling information to be more easily captured and shared, cases to be moved immediately if required between process paths and organizational units, and business rules to be rewritten in hours not months
- More integrated working with tax agents, banks, the voluntary sector and with third party information bureaus, risking & scoring services and debt collection agencies – as tax and welfare agencies focus on their core capabilities.



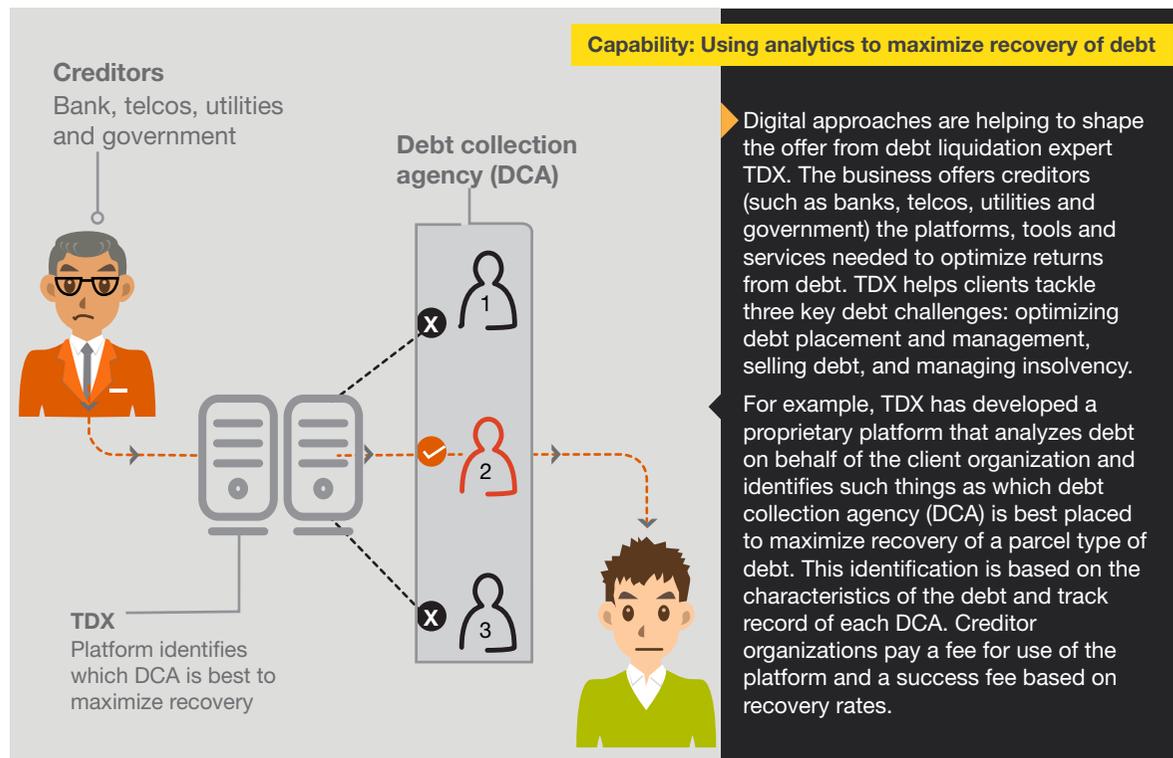
Business **Results** and **Benefits**



Business Results and Benefits



How Capgemini can help you deliver a step change in outcomes through digital transformation



Capgemini is a leading partner to government worldwide. We help tax and welfare agencies deliver and sustain a step change in business results as they transform through digital.

This change touches all dimensions of their business outcomes, transforming agencies to become:

- Simpler and more convenient for the customer
- Better able to detect and rapidly combat tax evasion and welfare fraud, and to prevent and recover debt
- Better able to deter non-compliance
- Much more productive with great potential to continuously improve.

Capgemini is at the forefront of helping organizations transform through digital. Here's how we help to deliver the above results and benefits:

- **We can advise you on how best to transform your tax or welfare agency through digital – we understand what others are doing in tax and welfare and are experienced with leading practice across relevant sectors:**
 - Capgemini is the largest global systems integrator in tax and welfare in the world, working with 33 of the leading tax and welfare administrations across Europe, North America, South America and Asia Pacific



Business Results and Benefits



As experts in business transformation we can help you translate your vision and strategy into a robust target business design, program, roadmap and business case that you are confident can be implemented.

- We supported the international tax benchmarking study led by the UK's HMRC during 2010-11, covering ten countries
- Capgemini Consulting is ranked as the number one digital consultancy company by Kennedy. We are at the forefront of helping businesses and government organizations transform their business outcomes through 'digital' and can bring you knowledge and experience of how digital is transforming other industries.

- **As experts in business transformation we can help you translate your vision and strategy into a robust target business design, program, roadmap and business case that you are confident can be implemented:**

- We helped a leading tax agency to develop its digital strategy, setting out the 2020 vision covering customer service, compliance and productivity outcomes; the capabilities required; and the implementation roadmap
- Capgemini supported a leading welfare agency in its development of a fraud and error target operating model setting out how it intended to deliver its strategy to reduce fraud and error
- We supported Toeslagen, which administers tax credits in the Netherlands, in the design and implementation of new processes and IT systems organized around life events, making it easier for claimants to notify changes of circumstance and claim the right amount
- Capgemini was engaged by the French Ministry of Finance (MoF) to plan, manage and implement the renewal of existing legacy tax systems under the Copernic Program over a 10-year period. The program has enabled the MoF to deliver online tax declaration capabilities to 11 million taxpayers, creating a single taxpayer account; and to simplify the tax affairs and interactions of citizens through different channels.

- **We can accelerate and de-risk delivery of a sustainable step change in outcomes. Capgemini is a leading business and IT transformation partner with more than 25 years' experience of helping governments to shape, design, implement and run the new capabilities required to deliver improved results:**

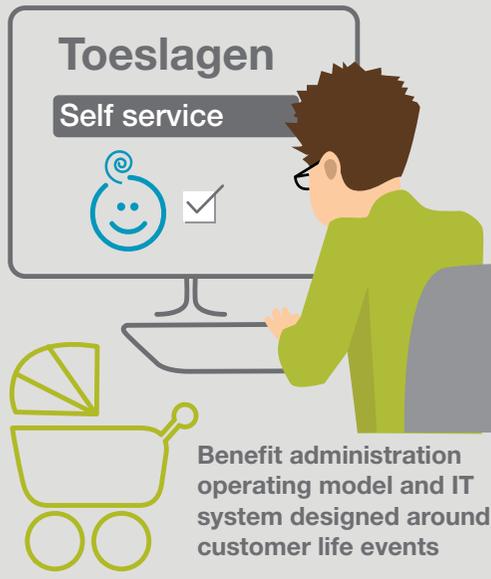
- We bring a proven tax and welfare architecture and a set of digital solutions, leveraging industry leading technologies, that allow us to de-risk and accelerate delivery
- We can help you understand how best to reuse your existing capabilities, advise you on how to integrate new technologies and determine how best to de-commission legacy systems



Business Results and Benefits



Capability: Digital processes designed around life events



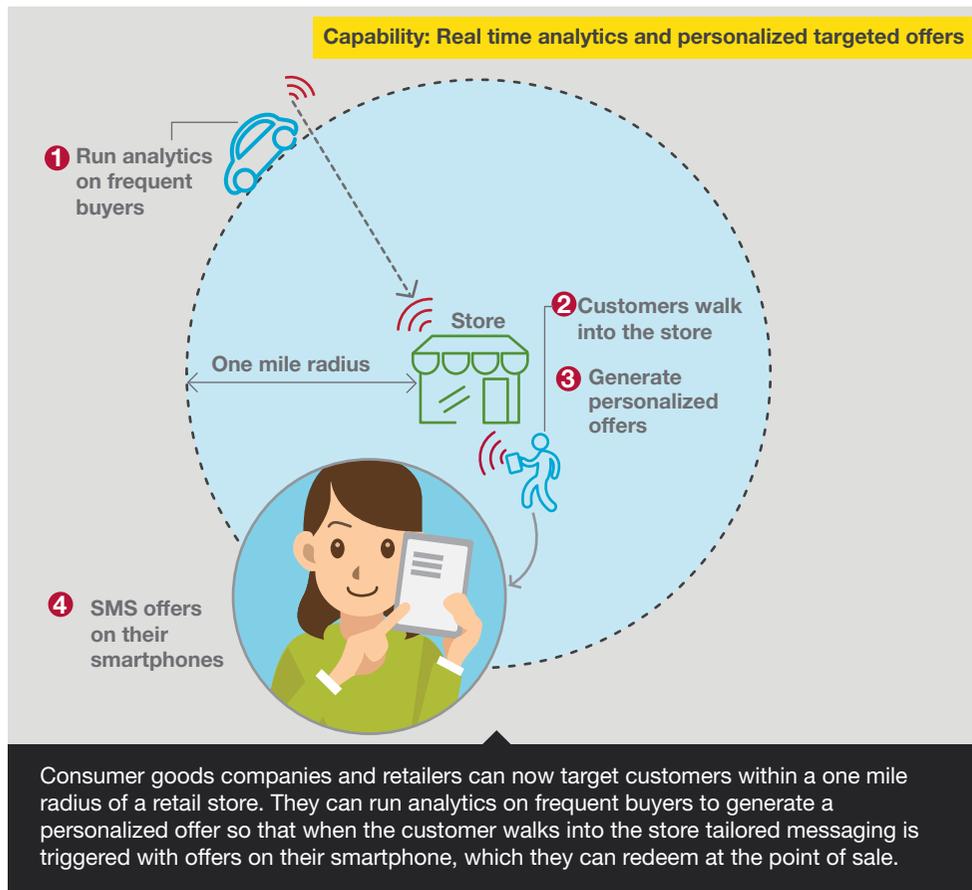
Toeslagen is part of the Dutch tax service and is responsible for processing financial allowances to over 12 million individuals.

Toeslagen recently completed implementation of a new benefit administration operating model and IT system, which is designed around customer life events. The new model is designed to make it easier for claimants to self-serve – for instance to notify Toeslagen of a change to household income.

The new IT system is based on a component-based open architecture, making it easier to accommodate changes in policy or eligibility rules.

- We can support you throughout your journey, helping you design, trial, build and roll out new capabilities, comprising changes to policy, processes, people & organization, as well as technology. This will deliver immediate wins and sustainable year-on-year improvements in results
- Our proven business consulting and IT systems integration delivery capability and track record in digital transformation have delivered significant business benefits for our clients. For instance, we supported UK tax agency HMRC in the design, build and deployment of its strategic risking tool Connect. This takes information from 28 different data sources and cross-matches one billion internal and third party data items to uncover hidden relationships across organizations, customers and their associated data links. In total HMRC has recovered £2.6bn additional tax yield to date by using Connect.
- **Our tax and welfare team is one of the most experienced in the world. We bring you the best experts and we work with you to co-develop the best solution for your needs:**
 - Capgemini has 4,700 people with experience of tax and welfare projects
 - We are able to draw on our experience of working with 33 tax and welfare clients globally, as well as on our digital expertise across other parts of government and in the private sector
 - We challenge and advise based on our expertise, but we also have a culture of co-developing solutions with our clients and of helping them build their capability throughout the journey.

Business Results and Benefits



- **We can offer you a number of commercial models to meet your requirements, providing you with the assurance that our interests are aligned with yours – we are used to using a range of contracting models and can find the right one to meet your specific needs:**
 - Some projects such as initial studies or pilots are better suited to fixed price or capped Time & Material contracts
 - For longer delivery projects, where we can deliver clear outcomes, we are prepared to sign up to risk-reward deals, where part of our fees are contingent on successful delivery against agreed milestones. This is the approach we took when we supported the UK Department of Work & Pensions in its roll out of Lean
 - Capgemini is a quoted company with reported 2012 global revenues of €10.3 billion. Our strong balance sheet and scale mean that we can fund projects in a number of ways to suit our clients' financial constraints or practices. For example, to reduce up-front capital investment we can accept payment by results or amortize upfront set-up costs as part of a service-based delivery. This flexible approach allowed us to help the UK's HMRC transform its IT estate without capital investment. We agreed an innovative commercial model to self-fund IT transformation, making an up-front investment in a team that started decommissioning so that initial cost savings could be reinvested back into the program.

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Digital matters. It matters in every industry. And it matters now.

We understand how to quickly help you mobilize and start to deliver value. To learn more about our digital capabilities in tax and welfare,

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About Capgemini

With more than 130,000 people in 44 countries, Capgemini is one of the world's foremost providers of consulting, technology and outsourcing services. The Group reported 2012 global revenues of EUR 10.3 billion. Together with its clients, Capgemini creates and delivers business and technology solutions that fit their needs and drive the results they want. A deeply multicultural organization, Capgemini has developed its own way of working, the Collaborative Business Experience™, and draws on Rightshore®, its worldwide delivery model.

Learn more about us at

<http://www.capgemini.com/digital-tax-welfare>

About Capgemini Consulting

Capgemini Consulting is the global strategy and transformation consulting organization of the Capgemini Group, specializing in advising and supporting enterprises in significant transformation, from innovative strategy to execution and with an unstinting focus on results. With the new digital economy creating significant disruptions and opportunities, our global team of over 3,600 talented individuals work with leading companies and governments to master Digital Transformation, drawing on our understanding of the digital economy and our leadership in business transformation and organizational change.

Find out more at:

www.capgemini-consulting.com

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