PR19 Customer Challenge Group – Research Subgroup

Meeting number: 3

Meeting Date: 6th October 2017

Paper No: 4

Agenda No: 4

Title: NHH segmentation

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Printing: n/a – discussed via conference call

What is this paper about:	Proposed NHH segmentation
What is the context of this paper:	Need to define and agree NHH segments to be used in NHH PR19 research programme
What is the relevance of this paper:	As above
Action needed from the CCG:	The CCG research subgroup is asked to provide feedback on the proposed segments.

PR19 Non-household customer research programme

We are currently developing a PR19 non-household research programme to be implemented during October/November to bring the NHH research in line with our household programme. We propose that this follows the same stages as the household programme to ensure all customer priorities and needs are captured.

This is being developed with Accent and we have asked them to carry out a review of each stage of the research and the methods used for the household programme to determine if the method is appropriate for a non-household customer base.

The draft programme will be shared with the CCG research subgroup for comment once a final proposal has been developed.

Customer segmentation

The first stage of the research programme is to segment the non-household customer base. In preparation for the opening of the non-household market in April 2017, we undertook a detailed review of our non-household customer base and developed a range of segments that was primarily used to understand their purchasing behaviour. These are shown on the following page.

We have reviewed the work carried out at that time and believe that they represent a good segmentation of non-household customers and we therefore propose to use them for our PR19 NHH research programme.

The CCG research subgroup is asked to provide feedback on the proposed segments shown below.

Commercial in confidence
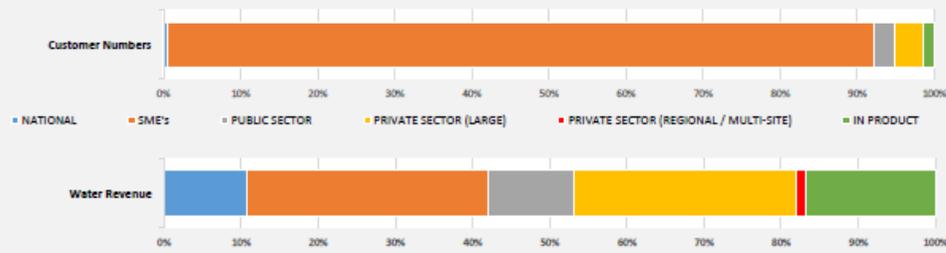
Outline description of segments

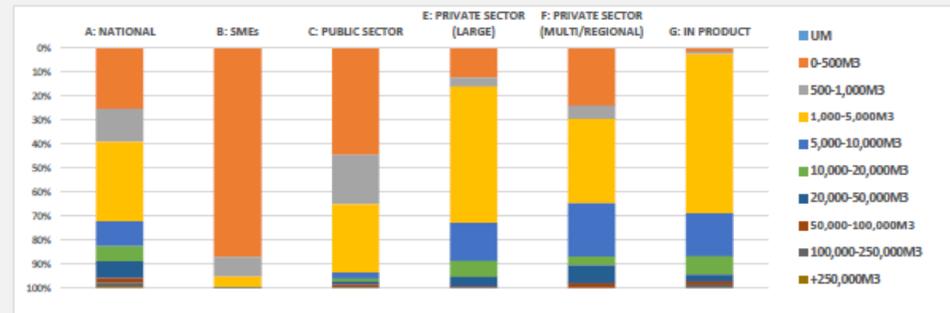| Segment	Description / purchasing characteristics
Nationals	▪ Businesses are well-known national brands operating across the UK ▪ Often follow a national procurement strategy ▪ Procurement of services through a defined procurement function ▪ Many will use intermediaries to maximise service and tariff options
Public sector	▪ Follow collaborative procurement strategy ▪ Obliged to tender for services ▪ Often driven by national policy
SMEs	▪ Consumption below 2,000m3 per year ▪ Mainly single sites ▪ Water is not a significant cost driver ▪ Transactional relationship with water supplier ▪ Some linked to 'small business organisations' – eg Federation of Small Business ▪ Likely to use brokers and/or price comparison websites
In product, in process	▪ Water is critical component of their end product ▪ Water is sizeable cost to their business ▪ Many will have trade effluent ▪ Complex water and waste infrastructure ▪ Many will have maintenance/utility managers on site ▪ Some will have cashflow issues (seasonal users) ▪ Some will tender for multi-services
Private sector – large sites	▪ Domestic style use – but high consumption ▪ Large recreational sites ▪ Extensive on site infrastructure
Private sector – regional and multi sites	▪ Often tender for services ▪ Group company usually directs purchasing policy/decisions

Segmentation dashboard

The following page shows a summary dashboard of the segments to give an outline of the number of customers and consumption levels for each group. Please note the information shown in the dashboard relates to analysis undertaken in 2015 and is provided for illustration. It therefore does not reflect any reclassification of customers undertaken in readiness for market opening in 2017. More detailed dashboards on each segment are available and can be issued to the subgroup if required.

south east water

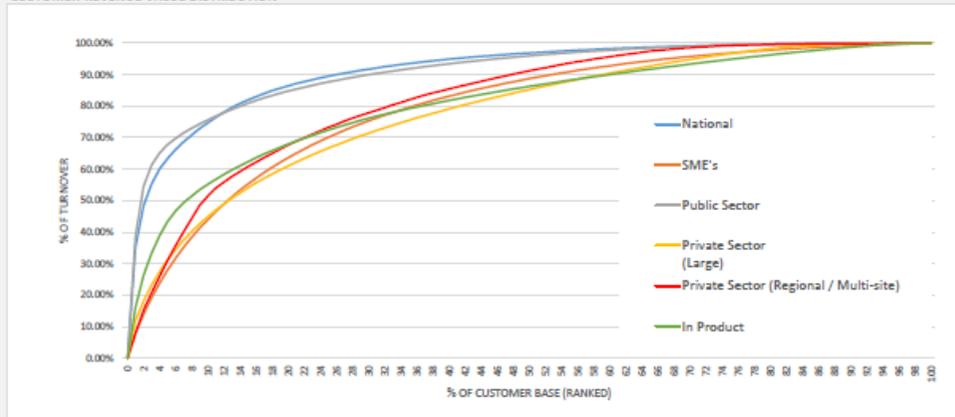| INDICATORS	National	SME's	Public Sector	Private Sector Large	Private Sector Regional/Multi-site	In Product
Number of customers in band	258	42,214	1,153	1,700	54	656
Number of sites	3,253	42,215	2,773	2,233	426	953
Total revenue in band - Water	£4,567,988	£13,219,064	£4,664,374	£12,275,045	£534,322	£7,073,582
Contact propensity - billing queries per annum per customer	19.0	1.0	4.0	3.1	11.1	3.5
Contact propensity - supply queries per annum per customer	2.0	0.2	1.0	0.7	2.2	0.9

CUSTOMER SEGMENT VOLUME ANALYSIS

BAND ALLOCATION: NUMBERS vs REVENUE

Customer Numbers

■ NATIONAL ■ SME's ■ PUBLIC SECTOR ■ PRIVATE SECTOR (LARGE) ■ PRIVATE SECTOR (REGIONAL / MULTI-SITE) ■ IN PRODUCT

Water Revenue

CUSTOMER-REVENUE VALUE DISTRIBUTION

— National
— SME's
— Public Sector
— Private Sector (Large)
— Private Sector (Regional / Multi-site)
— In Product

VALUE DISTRIBUTION PER 20% OF CUSTOMER BASE

CUSTOMER BASE	NATIONAL	SME's	PUBLIC SECTOR	PRIVATE (LARGE)	PRIVATE (REGIONAL / MULTISITE)	IN PRODUCT
20%	86%	64%	85%	61%	68%	68%
40%	95%	83%	93%	79%	85%	82%
60%	98%	93%	98%	90%	96%	90%
80%	100%	98%	100%	98%	100%	96%
100%	100%	100%	100%	100%	100%	100%

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