south east water

PR19 Customer Challenge Group

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What is this paper about:	The purpose of this document is to provide an overview to the CCG of our initial views on the PR19 research findings to date.
What is the context of this paper:	Requested by the CCG in the last meeting.
What is the relevance of this paper:	Provides the CCG with our initial views on the PR19 research findings to date.
Action needed from the CCG:	For information only.

PR19 research findings – SEW initial views

24 October 2017

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Contents

1. Document overview

1.1.1 Purpose

The purpose of this document is to provide an overview to the CCG of our **initial** view on the PR19 research findings to date – i.e. it is not a conclusive summary. Our overall view of the research will continue to develop over the coming months as we complete each stage of the research programme and triangulate the results we find – both internally and externally.

A separate document containing the high level findings of each piece of research has been circulated to the CCG research sub-group and a 'debrief presentation' has been given to the full CCG for each item of research completed to date.

This document should be read in conjunction with the research findings document described above.

1.1.2 Who this document is aimed at

This document is for internal review only by South East Water and the members of the CCG. It is not intended for external publication in its current form.

2. Customer segmentation

2.1 Overview of the research

Qualitative and quantitative research undertaken during March to May 2017 for household customers.

2.2 Aim of the research

The aim of the research was to try and understand if customers' views about their water service are influenced by their attitudes and values/beliefs.

Before we can test whether customers' views on their priorities, service and satisfaction levels are different for water - based on what attitudinal segment they identify with - we first need to define what those segments are.

2.3 SEW's initial view on the findings

The findings revealed six different attitudinal segments based on 'self vs world view' on one axis and 'consciousness/control of water use' on the other.

The research showed that people's attitudes to water do differ based on these characteristics – i.e. there is no average customer.

Understanding these segments means that we will be able to improve our daily interaction and service to customers in the following ways:

- Tailoring our communications approach to different segments to improve its effectiveness
- Tailoring the information we provide to customers in each segment
- Tailoring the services we offer based on what is important to them
- Using different customer segments as advocates to help deliver our shared goals (eg water efficiency)

Intuitively, we feel that these six segments work well in describing the types of attitudes customers have – albeit the differences between some groups can be subtle. One way to overcome this issue is to view the segmentation grid as a 'quadrant' rather than each distinctive group.

Using the insight gained from the segmentation we have developed a' resilient customer' concept as a central pillar to our resilience approach. A presentation has been shared with the CCG outlining this concept and the potential benefits for customers and company in a win-win relationship. We believe this concept will enable us to move customer participation to a new level, with the foundations of this being grounded in our segmentation. We are working with a communications specialist Corporate Culture to develop this concept further and how we can engage the different customer segments on the various aspects of it.

Now that we have defined a range of attitudinal customer segments the overall test is to see whether they have different expectations of what they want from a water supplier and whether they value service changes differently.

A set of 'golden questions' have been developed such that the remainder of our research programme can be analysed by these segments so that it is able to provide this level of insight.

3. Customer priorities and satisfaction

3.1 Overview of the research

Qualitative research (focus groups) undertaken in July 2017 for household customers.

3.2 Aim of the research

The aim of the research was to try and understand the following

- customers' priorities now, and if these have changed since PR14
- what customers think could/should be their/future customers' priorities for water in 2050
- how satisfied are customers now and how satisfied do they want to be in the future?
- how do customers' priorities change from 'normal service' to 'when things go wrong'?

It should be noted that one of the key drivers of this initial stage of research is to feed into the quantitative Willingness to Pay research (to allow appropriate measures/attributes to be defined and tested).

3.3 SEW's initial view on the findings

We highlight below our key observations and comments against each of the aims shown above.

Customers' priorities now, and if these have changed since PR14

The results from this research on customers' current priorities showed that there were common themes among the attitudinal segments and that at a fundamental level many customers' needs and expectations are similar. Where they differentiated from each other was how we should connect with them at a personal/emotional level – ie how we communicate and interact with them and through the information we provide to them.

We have seen this in our experience with customers in our daily interactions. Recent initiatives we have implemented to improve customer satisfaction have been focused on improving the human touch / personal nature of how we communicate – be that through a 'welcome to your new home' card after a customer has contacted us to move house, or through adapting the tone of our written complaint response to make them more individual and more conversational.

The research enabled the priorities to be split into 'hygiene factors' and 'enhancing factors'. This new way of showing customer priorities enables us to gain additional insight into which factors potentially have more of an impact on customer satisfaction and their views on value for money.

At PR14 the following priorities were established:

- Clean water
- Low leakage
- Effective service
- Affordable bills
- Reliable supplies

The priorities identified for PR19 show many of the same priorities as those identified at PR14 (commons ones shown with an asterisk*), albeit it is interesting they are all hygiene factors.

Hygiene factors:

- tackling leakage (*)
- satisfying customers (* effective service)
- keeping bills affordable (*)
- security of supply - meeting increased demand (* reliable supplies)
- clean water/good taste (*)
- investing in network/treatment works (* reliable supplies)

Enhancing factors:

- investing in new water sources
- tackling implications of climate change
- educating customers to reduce water usage
- protecting the natural environment
- water softening
- water neutral schemes
- investing in new technology
- smart meters

This potentially shows how customers' expectations of companies are shifting from companies being effective at getting 'the basics' right to dealing with longer term and wider issues such as environmental impact and education of customers. It clearly shows that a company's business plan must as a minimum deliver on all of the hygiene factors shown above.

The next stage of the research is to understand how customers value changes in service levels. We anticipate that the attitudinal segments may show a different weighting of the priorities shown above and different willingness to pay for service improvements.

What customers think could/should be their/future customers' priorities for water in 2050?

This was a particularly interesting piece of research for us – being the first time we have used methods and tools devised by a futurologist to help try and understand what customers' future priorities may be.

Our overall view of the research approach was that it was a success with many of the participants commenting how much they enjoyed the focus groups.

We believe it has given us a very useful insight in the potential future priorities of our customers and how they differ from the current ones.

At the simplest and highest level the key 'take away' message from the research is that all of the current 'hygiene' and 'enhancing' factors become 'the basics' in the future i.e. it is expected that we will progress technologically to deliver our services more efficiently but we were also challenged whether we would become more part of our customers' lives by delivering services beyond the boundary of their property and into their homes.

This is shown in the following high level findings.

In addition to everything we deliver today customers expect us to meet new emerging expectations such as:

- artificially-intelligent customer service
- water/waste recycling
- smarter pipework (self-fixing infrastructure, no leaks)
- water efficiency measures
- environmentally friendly/reducing carbon footprint/reduce wastage
- smart meters
- protection against terrorism
- modern, honest company image
- enough supply to meet demand (new water sources eg desalination vs. population demand)
- clean water/good taste
- using science to progress treatment/maintenance (eg desalination)
- solar powered purification
- community projects – conservation/recycling centres
- a pollutant free service – dedicated to the environment

The future-focussed research discussions also revealed the opportunity to delight customers even further by:

- offering a tailored product to their door e.g. softer, flavoured water, health benefits, two grades of water
- promoting (and installing) products for self-sufficient houses
- rewards and credits for efficient water usage
- diversify into other utilities to keep costs down

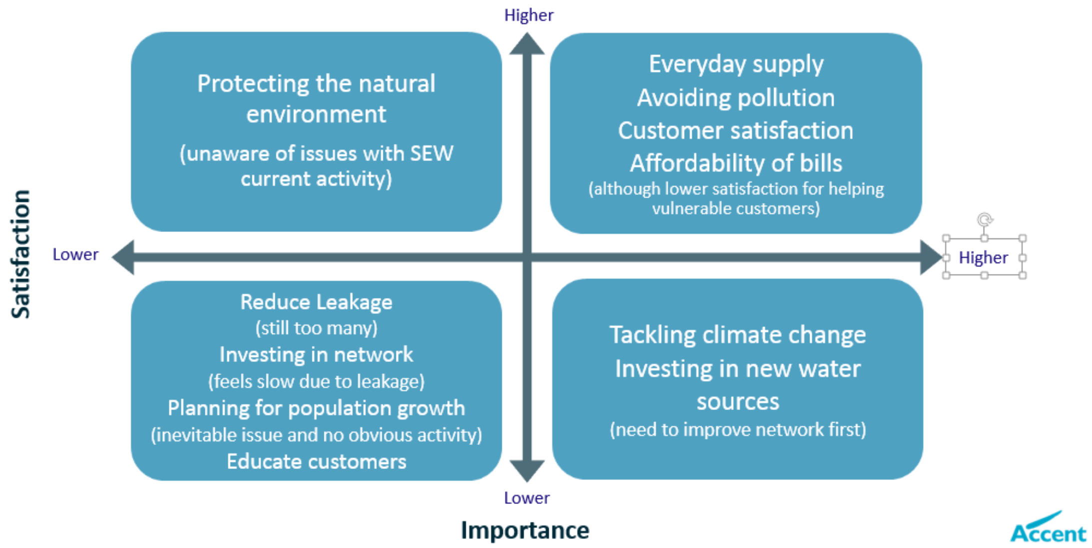
We also noticed in the focus groups that the threat of terrorism is generally more front-of-mind than we saw at PR14 – something that we also see customers taking an increased interest in when we carry out open days at our treatment works.

It is clear from this research that customers expect us to plan over the longer term and that we should ensure our business plan is consistent with this focus – e.g. proposing a stable leakage performance over the next five years and lack of ambition in this area is unlikely to deliver a focus on zero leakage in the future. Also the increased focus on environmental sensitive solutions confirms the need for longer term catchment management activities and seeking to reduce overall demand to relieve environmental pressures for example.

How satisfied are customers now and how satisfied do they want to be in the future?

This part of the research showed that across the focus groups customers are generally satisfied with our current performance – certainly when they consider the ‘hygiene factors’.

The findings also revealed interesting results with lower levels of satisfaction - and counter-intuitively lower importance - around reducing leakage; while there was lower satisfaction but higher importance attributed to protecting the natural environment - as the following diagram shows.



Showing customer priorities in this way helps us to see where we need to place more focus – either in terms of actively showing and communicating to customers the work we are doing in these areas (e.g. protecting the natural environment) or working even harder to deliver an improved service (e.g. leakage).

How do customers' priorities change from 'normal service' to 'when things go wrong'?

This was a new area of research for us, not previously undertaken at PR14. We decided to carry out research in this area due to our experiences over the past few years of managing water supply incidents, as these provide valuable insight into how customers want to be treated when there is a problem and how they want to be communicated with.

Similar to the hygiene factors discussed above, there were common themes across the segments about what is important to customers when things go wrong. Customers are confident that we will fix the issue but they want to understand what has happened and want to see/know that we have a plan in place to resolve the issue. They want regular updates using a variety of communication methods.

These findings are in line with the experience we have had in dealing with larger scale water supply interruptions and is exactly why we have invested more into improving our communications during incidents and making maximum use of technology to do this – website, social media, text messaging.

An interesting observation in the research was that how we show empathy in our 'service recovery' response is also important, and we should not just focus on 'fixing the pipe' - for many customers this is more important than any form of compensation. This shows how we can still ensure customers remain satisfied with our service even when things go wrong. It is also at this point where the segments did start to differ based on whether they customer wanted a more 'emotional' relationship with us rather than a 'transactional' one.

It was particularly nice to experience the positive feedback in the focus groups that were held directly in areas such as Hailsham where our customers have experienced a significant supply interruption. We believe this shows us that the efforts we are putting into *how* we deliver the service to customers does make a difference to their perceptions of and overall satisfaction with SEW.

When discussed with the groups, the priority services register was popular across all customer groups but some expressed concern that it felt like the burden of responsibility lies with the householder to find out about this. This is an area where we will be undertaking further work as part of the vulnerability sub-group research.

Overall this research has highlighted a number of areas for us to consider how we can improve our service when things go wrong; we are looking at how to use these findings in workshops with our management and field teams to embed these learnings into the business. Whilst not likely to be a driver of material investment the research provides useful learning points for incident management and the promotions of learnings.

4. Water Resources Management Plan research

4.1 Overview of the research

Qualitative research (focus groups) undertaken in July 2017 / August 2017 for household customers.

4.2 Aim of the research

The aim of the research was to try and understand the following

- Gain insight into what language/material is best to use when it comes to engaging with customers about resilience, levels of service and risk to future water supplies
- Explore different types of resilience and associations/expectations customers have of SEW
- Prioritise the activities/options associated with these scenarios, taking account of the relative costs for these activities
- Ascertain how much current customers feel it is their responsibility to contribute to the resilience of future generations

4.3 SEW's initial view on the findings

Overall the key findings from the research undertaken at WRMP14 look similar to the qualitative findings for WRMP19 so far. The findings from WRMP14 are shown below:

- Knowledge among customers about where their water comes from is very limited, for example the relationship between water abstraction and the environment – and most are not really interested in the details
- Most customers are happy to leave it to 'the experts' – and trust us to keep delivering clean drinking water by whatever means
- Most customers who took part in the research assume that reuse is widespread, and is responsible for much of our drinking water at the moment
- Direct and indirect reuse are both acceptable – customers know standards will be maintained either way

At WRMP14 when given different options and asked to show a preference for each the ranking was as follows (1 being most favoured and 11 being least favoured).

1. Leakage reduction
2. Compulsory metering
3. Water saving measures
4. Water transfers from other companies
5. Expanding existing reservoirs
6. Stepped tariff
7. Water Re-use

8. Seasonal tariff
9. New reservoirs
10. Reducing hosepipe bans from 1 in 10 years, to 1 in 20 years
11. Desalination

The results from the WRMP19 qualitative work so far show the following groupings of ranked options (1 most favoured, 11 least favoured):

- 1 to 3: Catchment management, water treatment works improvements and surface reservoirs
- 4 to 6: Leakage reduction, water efficiency, licence trading
- 7 and 8: Desalination and groundwater
- 9 to 11: Effluent re-use, water transfers and artificial storage / recharge of groundwater using excess surface water and pumping into the ground

Key differences when you compare WRMP19 to WRMP14 is that reservoirs are much more favoured and valued by customers now, whereas water transfers have fallen down the priority order. Potentially this shows that customers want to ensure their 'own region' is resilient before relying on other companies and areas for water. It also shows that the most appealing solutions are those with lower environmental impact.

Leakage and water efficiency are still high on the priority scale, with desalination and effluent re-use sitting at the lower end of preference order.

One aspect of the research was also to try and gain some insight into what language/material is best to use when it comes to engaging with customers about resilience, levels of service and risk to future water supplies. The feedback from the research showed that most customers see us as the experts and trust us to make the right decisions. When trying to understand resilience issues customers told us that keep descriptions simple were important and explaining the likelihood and impact of not meeting levels of service. The output of this has helped to ensure that the quantitative research we are now undertaking is worded in the most appropriate way.

Once the quantitative research is completed we will be able to use this qualitative research in combination with the quantitative results to help with prioritising scheme selection.

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