1. EXECUTIVE SUMMARY

This paper covers specific customer research, engagement and participation initiatives undertaken, since our last update (June 2017), to develop policy or for business planning. Our main focus this year is on the development of our PR19 business plan. The paper is provided to give Water Forum members some detail of the initiatives we have been carrying out. Members can find the full details of all of our completed research and engagement projects in Sharepoint. Initiatives covered in this paper are:

- The NWG Innovation Festival
- HaveYourSay at the Innovation Festival
- Defining the Conversation – phases 1 and 2
- Service perceptions, measures and priorities
- Understanding and communicating risk
- Metering, supply and demand
- Outcomes
- Trust and value

The paper also provides an update on our overall approach to customer research, engagement and participation to facilitate the development of a customer focused PR19 business plan. Members have been invited to a workshop on 1 September, where we will be exploring our approach, in particular our plans for Phase 2 (relative priorities within the bill and support for ODIs customer engagement) and Phase 3 (acceptability customer engagement).

We have also been developing our approach to triangulating all of our customer insights. Following a workshop that we held with Water Forum members in June 2017, we will also be sharing our updated proposals for triangulation and discussing the optimal role for the Water Forums on 1 September.

2. INITIATIVES UNDERTAKEN/CONCLUDED (JUNE 2017 TO AUGUST 2017)

2.1 The NWG Innovation Festival

In July 2017, NWG held its first ever **Innovation Festival** - a week-long showcase of innovative thinking and new technology.

We were supported by our headline sponsors IBM, Microsoft, Ordnance Survey, BT, CGI Group and Reece Innovation who each sponsored one of the festival's six design sprints and data hackathon:

- **'Rain, Hail or Shine'** *How can we reduce flooding for our customers?*
- **'Preparing for the Future'** *How do we upgrade our infrastructure for the 21st Century effectively and affordably?*
- ***'Keep It Flowing'*** *What do we know about leakage from water pipes and how can we fix it for our customers?*

- **'Tomorrow's World'** *What will living and working look like in 2030?*
- **'How Green is Your City?'** *What can businesses do to improve the environment in the North East?*
- **'21st Century Reach'** *How can we optimise a mobile workforce for a complex network business?*

Around 1,000 people participated including NWG customers, stakeholders, our people and infrastructure experts, academics and representatives of companies from as far afield as Hong Kong and America.

Over the course of the week, hundreds of ideas were streamlined into 20 projects which were presented to an audience of water industry leaders, customers, stakeholders and other guests at the end of the festival.

Work is already firmly underway to bring these ideas to reality, such as the idea proposed by the *'How Green is Your City?'* sprint to install 'moss trees' as a means of extracting pollution from the air and collecting rain water to free up space in the sewer network. Northumbrian Water and a group of partners are working to identify a suitable location and establish a moss tree in the North East. This will allow Northumbrian Water and other organisations to learn more and to understand how further trees can be used elsewhere.

NWG will also be working to put in place a new text messaging or mobile app system that encourages car sharing and working from home or alternative locations, to help save time and money, while also making carbon savings and reduce traffic.

We gathered feedback from Festival attendees including customers on the Festival itself. Attendees were asked if their perception of NWG had changed as a result of the Festival. Everyone who responded said that their perception had changed positively. Below are a selection of quotes from attendees.

It's clear that NWG is a forward thinking company with smart and energised people

They've talked about being innovative and they are really backing and putting money into it to do so. They've talked the talk, they are now walking the walk

Willing to take more risks, it has been a fantastic huge event

They have a proactive approach, it is interesting to see them bringing innovation forward

They have took the lead and are brilliant with the eco system

We are finalising a report on the NWG Innovation Festival experience, which will include feedback from participants as well as an evaluation of the economic impact that the Festival had in the region.

***HaveYourSay* at the Innovation Festival**

NWG non executive director Simon Lyster hearing about our research and engagement work through Flo – our mobile customer hub.

HaveYourSay is our campaign is about putting our customers at the heart of our PR19 plans. Our customers' views, opinions and ideas will drive decision making and make sure we remain constantly focused on providing an unrivalled service to our customers.

Our Phase 1 research and engagement has focused predominately on household customers. The Innovation Festival presented a great opportunity to reach out to our wider stakeholders, non-household customers, future customers and other organisations and businesses. We even managed to hold two impromptu focus groups with future customers!

Our Strategic Research and Assurance Team worked alongside Explain Market Research to engage Festival attendees in informal conversations on a range of topics relating to our Phase 1 research and engagement and Ofwat's Futures, Actions, Communities and Experience model (as presented in TappedIn). The purpose of this was to gather new feedback and validate findings from Phase 1. We used a range of approaches including visual materials, 'conundrum cookies' and feedback surveys.

Festival goers had in-depth conversations with us on the topics. The key themes arising from our conversations were:

- **Enhanced engagement** is essential in the ongoing delivery of services, especially on long-term issues relating to **resilience** and the **future** of services.
- Meaningful engagement needs to happen in **communities**, **on customers' turf**.
- **Collaborative working** across the utility sector, charities, representatives, local authorities and other businesses is an important way to solve issues and improve customer experience.
- Information must be succinct and clear. NWG should make of **digital communication** methods such as digital leaflets, apps, social media and mobile workshops.

2.2 Defining the Conversation – Phases 1 and 2 (final reports in Sharepoint)

Defining the Conversation (DtC) – Phase 1 was a qualitative strand of work commissioned to engage with both domestic and business customers and stakeholders. Its aim was to explore which areas of our business our customers and stakeholders would most like to influence and the best ways we could engage them.

The research indicated that our customers were interested in being able to talk to us about and influence a number of Outcomes, including:

- Our customers are well informed about the services they receive and the value of water.
- Our customers consider the services they receive to be value for money.
- Our finances are sound, stable and achieve a fair balance between customers and investors.
- We provide excellent service and impress our customers.
- We are a company that customers can trust.

We found it interesting that our customers were less interested in engaging with us around operational service measures and as such wanted to validate these findings. We completed this through DtC Phase 2, a quantitative research project.

On our behalf, Explain Market Research ran a series of hall tests with 500 customers – 300 in our Northumbrian Water area and 200 in Essex and Suffolk. In our last update we reported on the high level initial findings from Phase 2 of this research. The final report has now been received and members can access it in Sharepoint.

Whilst in Phase 1 there was a clear majority of customers expressing a desire for NWG to 'talk to me' about a number of Outcomes, once quantified in this phase of research there was no majority demand for conversation across any Outcomes. The desire for NWG to 'just deal with it' ranged from our customers are well informed about the services they receive and the value of water (61%) to the People Outcomes (84%). Customers in ESW were more likely to indicate NWG should 'just deal with it' than NW customers.

The Outcomes which customers were most interested in talking to us about were mostly consistent with the findings of the qualitative strand (Phase 1), these include:

- Our customers are well informed about the services they receive and the value of water - (36% of customers).
- Our customers consider the services they receive to be value for money - (34% of customers).
- We supply a reliable and sufficient supply of water - (31% of customers).
- Our finances are sound, stable and achieve a fair balance between customers and investors - (30% of customers).

Views on customer trust are a key measure of our reputation. During Phase 1 our household customers were split between 'talk to me' (six tables of customers) and 'just deal with it' (seven tables of customers). However in Phase 2, customers more strongly associated the Outcome 'we are a company customers can trust' with 'just deal with it', with 75% expressing this view.

Our customers belonging to the D/E socio-economic classification group (semi-skilled & unskilled manual occupations, unemployed and lowest grade occupations) demonstrated a preference for NWG to ‘talk to me’, especially for ‘our customers consider the services they receive to be value for money’ (44%), and ‘we supply a reliable and sufficient supply of water’ (38%). We also found our customers in younger age categories (18-24 and 30-44) were most likely to express a preference to ‘talk to me’.

Our customers identifying themselves with a financial vulnerability indicator also showed a higher preference than the overall customer base for NWG to ‘talk to me’. This was particularly evident across ‘our customers are well informed about the services they receive and the value of water’ (44%) and ‘our customers consider the services they receive to be value for money’ (42%).

2.3 Service perceptions, measures and priorities (final report in Sharepoint)

We wanted to:

- Understand how ‘uninformed’ domestic customers view NWG as performing.
- Explore how they judge the success of a water company, and companies in other sectors.
- Determine preferences for Measures of Success (MoS), exploring in detail the role of service measures vs customer perception measures.
- Establish customer views on NWG’s MoS and how they prioritise these, especially for improvement.
- Understand in detail how being ‘informed’ about NWG’s performance influences customer views.
- Explore how comparative performance information influences customers’ views.
- Establish a list of recommended MoS, supported with quantitative data from a representative sample of customers.

We worked with Qa Research to host six deliberative events – two in North East England, two in Suffolk and two in Essex. Qa Research carried out in-depth, in home interviews to ensure customers who may otherwise not have been able to attend the workshops and in potentially vulnerable circumstances could participate.

This engagement allowed our customers to co-create how we can best undertake our valuation engagement in our next phase of research. It will also help in designing the MoS for our business plan.

The main findings are as follows:

<u>How customers judge NWG’s performance (uninformed of our measures)</u>

- Most customers have little interaction with NW/ESW, beyond receiving their bill. Most customers have never experienced an issue with their water or sewerage service. Those who have experienced an issue typically receive a prompt response.
- Perceptions of NW/ESW’s performance are usually based on customers first hand experience or hearing about experiences from others, rather than technical or corporate measures. No-one had previously sought performance information out and most are unlikely to read it if it’s communicated via the bill.
- Customers see NW/ESW as providing both a product and a service.

<u>How customers judge any company’s performance</u>

- Customers evaluate companies they interact regularly with and have a choice over using, via the experiences they have with them, with regard to:
  - value for money;
  - quality (with a trade-off between price and quality, depending on what they are buying); and
  - customer service (this includes transparency, ie no hidden small print).
- They also judge performance based on the reviews and ratings of other customers.
- However, many customers saw these types of measures as irrelevant to a water company.

- The companies that pre-family and family life-stage customers interact with most frequently (and therefore judge performance of the most) were online retailers like Amazon, utilities like Npower, and mobile and digital providers like O2 or Sky. Older customers included these companies, but were more likely to mention traditional retailers like M&S or Lidl. Younger customers particularly mentioned online reviews such as those provided by Trustpilot.
- Customers do not usually think about how their water company is performing, nor how it compares to others - either within or outside the sector. This is because there is no option to switch providers, and customers think they are getting a high quality service (which is linked to having few reasons to contact NW/ESW).
- Customers are usually unaware of the work that goes on behind their water supply and sewerage service, and are unaware of the MoS we use.

<u>Most important measures of success to do well in (uninformed of performance)</u>

- When customers were shown our MoS (before seeing our actual performance), they were both surprised and reassured by the long list of performance measures and information about regulation given, and this increased positive perceptions of NW/ESW. Many NW customers were unaware that we contribute towards bathing water quality. This revelation had a positive effect because they had a high degree of pride in their coastline.
- Customers tend to think it is most important for NW/ESW to do well in things that can impact on them or that they understand. These happen to be the factual, objective measures, such as drinking water quality, bathing water quality, discoloured water occurrences, leakage, bursts, pollution and flooding. They were unwilling to categorise many of our measures as unimportant, because many sound technical and therefore serious.
- They also feel that one overall customer satisfaction measure is important, but feel less strongly about more detailed measures like NPS, how well informed customers feel, trust, or value for money perception based measures.
- Vulnerable customers are more likely to select a reliable supply of water as their most important measure for NW/ESW to do well in, given that many of them were infirm or had water dependent medical conditions.

<u>Most important measures to do well in, once shown comparative performance information</u>

Caution! Customers tended to rate the measures they understood most easily as more important than those they struggled to understand.

- Customers tended to see measures as more important to improve on when NW/ESW's performance was significantly worse than the national average. However, some measures were seen as important to do well in, regardless of current performance.
- Customers who rated NW performance highly before they were given any information increased these scores when they saw the measures we are using, and our performance against them. However, they reduced their scores when they saw our comparative performance on 18 measures from the Discoverwater website. NW's current performance was worse than the national average for bursts, complaints about appearance, taste and odour, low pressure, consumption and pollution. Customers expected our performance to be much better than average.
- ESW customers did not change their scores significantly when shown our MoS, they decreased them when they saw our actual performance, then slightly increased their scores (but not to the previous uninformed high) when they saw how our performance compared to other water companies on 12 measures from the Discoverwater website. ESW's current performance was much better than the national average on all measures except for the average bill, consumption and bursts.
- NW customers mostly did not change their views about which measures were most important when they saw the comparative information. This was mainly because they were happy that the average bill was less than the national average, so they interpreted NW's performance as broadly average compared to other water companies. There were always several other companies with significantly worse performance than NW's, even when performance was below average. In addition, for some of the Discover Water charts, the variation of NW from the average appeared very small.
- In contrast, ESW customers were very unhappy to learn that their average water bills were the highest in the country. Before learning this, many did not know how much their water bill was

and perceived it to be reasonable. The high comparative bill led them to look for reasons why in the other measures and to be disappointed when they didn't find them. ESW customers were divided between two contrasting sets of expectations:
  - expecting to find much higher performance than the national average (higher quality product/service), because of increased investment; or
  - expecting to find much lower performance, because ESW had a lot of problems that we are investing to fix, eg waste through leakage (there was no measure showing the level of investment we were making in our infrastructure, which some customers asked for).

- ESW customers were significantly less satisfied with the company's performance once they were aware of our leakage performance which they linked to their high average bills. Despite leakage in ESW at the time being significantly below the national average, customers did not decrease the high level of priority they gave this measure when shown comparative performance information, because they had been informed what a megalitre was and thought this was an enormous amount. However, customers were not informed about the Sustainable Economic Level of Leakage (SELL) theory as part of these sessions and, our Metering, Supply and Demand research in 2017 found that there is some support for the SELL among ESW customers.
- Most customers saw the following measures as most important for NW/ESW to do well in (these are not in ranked order):
  - Average bill, in a comparative context, to assess value for money (however, some customers said this would be frustrating, as they could not choose their provider).
  - Quality of water supplied (very important – but expected to be high as a 'right').
  - Mixed views on interruptions – but this was very important to vulnerable customers. (Customers want % of properties affected – not average time).
  - Leakage per property per day (with explanation of what a megalitre is).
  - Flooding (but perhaps as a % of properties served, rather than number of properties).
  - Bursts (but the frequency is less important than repair speed and water volume lost).
  - Pollution (but they did not understand the measure).
  - Whether meeting or exceeding government environmental standards and targets (eg extremely high levels of compliance with discharge consents maintained and pollution incidents reduced).
  - Customer service, measured by a single overall customer satisfaction rating (but incorporating employee attitude, responsiveness (speed of resolution), communication and honesty, (ie no hidden issues in the small print). However, some customers questioned the value of perception based measures.
  - Response times to complaints, instead of numbers of complaints. If numbers of complaints have to be used they prefer this as a percentage of our properties served.
- The discoloration and taste and odour measures were seen as less important because they were perception based.
- Only some customers saw environmental performance indicators like pollution and emissions as important. However, customers struggled to understand these measures so may rate them higher with greater understanding.
- A small number of customers suggested alternative measures including level of investment being made, tax paid and profits. This reflected their awareness and suspicion of private ownership of water companies.
- The measures frequently seen as unimportant by customers were:
  - Credit rating (mainly because customers did not understand its implications).
  - Employees involved in community activity.

<u>General points about what information customers want to see</u>

- Many customers requested year on year comparative information which they saw as more relevant than comparing water companies. They wanted to know that NW/ESW's performance was going in the right direction, or when it was not, why. They mentioned that water bills had been increasing, so they wanted to ensure that performance was increasing accordingly.
- Some customers said they would be cynical of companies showing performance against targets, unless the targets were high and had been set by an independent body. For example, customers were suspicious of all water companies completing 100% of environmental improvements in the National Environment Plan (NEP). However, some customers were supportive of using and seeing performance against targets.

- Many customers showed a preference for performance data at a more local level so they could see performance in their own area – at the very least a regional level.
- Participants had to work very hard to understand the data before they could comment on it.

2.4 Understanding and communicating risk (final report in Sharepoint)

As reported in our last update, the aim of this research was to find the best possible way to communicate risk (probability) in future strands of engagement - in particular for Willingness to Pay (WTP) and relative priorities within the bill research. We wanted to co-create our approach to communicating risk with customers to empower them to make informed choices. We will use the findings from this engagement to help us design our Phase 2 research.

Working with Qa Research we held eight workshops with customers. Qa also carried out in-depth, in home interviews enabling customers in potentially vulnerable circumstances to participate.

Our aims were to:

- Explore levels of understanding of the long-term challenges that the water industry faces and determine how well domestic customers can evaluate these.
- Explore in detail how well customers understand levels of risk/probability based on different approaches to presenting this.
- Establish how customers interpret each approach to presenting risk/probability and understand which works best, both overall and for different audiences.
- Evaluate whether customers' interpretation of risk/probability aligns with what each means to the industry, and establish whether any differences in understanding may cause customers to value levels of service differently.
- Determine the most appropriate way to present risk/probability in future research.

The findings were as follows:

<u>Awareness of risk</u>
Most customers had not experienced any issues (nor know anyone who has). Therefore, the risks of most water and sewerage related events happening are not 'top of mind' and are assumed to be very low. Customers base any perceived risks on what they have seen or heard. For example, bursts and leakage are seen as more likely and a higher priority to address.

Most customers are unaware of the work NWG does behind the scenes to keep water flowing etc and the challenges involved in this so they are also unaware of associated risks to their services. It is very difficult for customers to understand the risk levels to them of NWG not tackling certain issues, as they have never thought about them, nor their potential impacts.

<u>Customer expectations for how NWG manages risk</u>
Customers most frequently cited population increases, climate change and ageing infrastructure as issues for water companies to tackle. Customers expect water companies to be managing and planning for many of these issues already. This means that the challenges are not seen as a risk per se to customers. So, when conducting willingness to pay research, NWG need to educate and inform customers about the service failures that can occur, and the levels of risk they face.

Similarly, because some customers think these are things water companies should be taking care of, NWG must explain to customers that there is a trade-off between charges and service levels.

<u>Probability figures which are easiest to understand</u>
A large minority of customers demonstrate either little confidence when dealing with numbers or clear misunderstandings of numeric probability data. One size does not fit all, but customers generally prefer percentages or easily understandable ratios.

Percentages were most familiar to customers and were most preferred as the easiest way to assess whether the level of risk is "worth taking". Customers often converted fractions or other expressions into a percentage before making a comment on the level of risk.

Risks need to be presented in ways that make it easy for customers to visualise the likelihood of them happening to them so they can make a relatively quick judgement about whether it is a very small risk or not (ie x number of people out of 100, or 1,000 will experience this in a year).

Customers initially perceive visual expressions as easier to understand. However, the interpretation and actual comprehension of these can vary hugely between customers and can cause confusion. Customers were also confused by different units and ways of presenting probability, so this needs to be expressed consistently throughout any surveys or workshops (including timeframes).

Impressions rather than precision
Numbers give an impression of risk and this impression stays with customers rather than the specific number. Customers group probabilities into low, medium or high chance, rather than thinking in detail about small differences between the figures.

Most customers react emotionally, rather than thinking about any probabilities shown in a detailed mathematical sense. Different ways of expressing a probability often have an impact on the impression of risk and emotional responses it produces, for example:

- 5% sounds less likely than 1 in 20.
- It’s easy to imagine being 1 in 116 so that seems higher than 86 in 10,000.
- 1,660 complaints sounds like more than 20 in 10,000 or 0.2%.

Customers often do not appreciate that whole numbers showing service failures only represent a small proportion of our overall customer base. (We did inform them of this during the workshops).

Expressing probabilities of things not happening to them gave customers greater reassurance that it would not occur. However, a minority strongly objected to this approach, because it used a double negative.

Words to express probability
The words chosen to express probability will depend on whether NWG want to convey a sense that the risk is very small or something that customers should be worried about.

The words ‘risk’, ‘chance’ and ‘probability’ create different impressions and emotional responses. “Risk” is seen as more negative than “chance,” and “probability” is seen as more mathematical/technical. There is no universal preference. However, customers need the same word to be used throughout, to avoid confusion.

2.5 Metering, supply and demand (final report in Sharepoint)

This research, conducted on our behalf by DJS Research, was undertaken to inform our future over-arching metering policy and Water Resources Management Plan (WRMP). We wanted to actively involve our customers in order to understand:

- Uninformed customer perceptions about metering: what customers think metering is for, the benefits and disadvantages associated with it, and who they believe it benefits.
- Expectations and attitudes towards choice, eg optional, selective or compulsory metering.
- Preferences for installation (including preferred location), reading (for example change of occupier) and billing timescales.
- Attitudes towards meter reversion.
- Attitudes and experiences relating to SMART metering.
- How customers expect us to manage the impact of metering on lower income families and vulnerable customers.
- What customers think is a tolerable level of leakage and acceptance of SELL.
- Whether customers want NWG to help them reduce their consumption and who is responsible for consumption.
- Customers’ views on the tariffs we could offer to incentivise water saving.

We held eight deliberative groups, with a focus on Essex & Suffolk Water customers where the research will impact decisions more directly (two groups in North East England, four in Essex and two in Suffolk). Groups were representative of our customer base with customers who are metered and unmetered participating.

Following the qualitative research, we created a questionnaire to further inform our WRMP. We achieved a sample of 687 ESW customers, with large segments of unmetered, optants and selectively metered customers.

The results were as follows:

Understanding, advantages & disadvantages

- Nearly all customers knew what water meters were (including future customers).
- Saving money is the main driver for getting a meter, but many also like that they provide more accurate bills.
- Increased bills, a perceived lack of freedom about how much water they use and worrying about bills were the main barriers to getting a water meter. Customers not knowing that they could revert to unmeasured billing was also a barrier.
- 50% of unmetered customers in ESW said they would be in favour of having one installed.
- 40% of metered customers in ESW had chosen to have their water meter installed.

Promoting meters

- Customers would like our help to be better informed about metering, but not pushed into having one.
- Having a choice over whether to have a water meter is very important to customers, more informed customers support compulsory metering more, as do those who already have meters. This suggests that as the number of metered customers increases, support for compulsory metering could increase.
- Two thirds of ESW customers think our support for vulnerable customers on meters offers enough protection for people who might struggle to pay their bill, but 10% think we should do more.

Installation time

- Unprompted, ESW customers expect an average of 14 days to installation after requesting a water meter. On prompting, 30 days is seen as acceptable by three quarters of ESW customers. Our current target is 90 days.

Location

- Half of our ESW customers prefer their meters to be located away from their house, and in a drive, yard or garden is equally acceptable to being in the pavement or road.
- Those who have meters in their garden or drive criticise how this can look.
- 53% of ESW customers agreed with ESW offering customers a financial incentive to have their meter in their garden, drive or yard. 23% were neutral about the idea, but customer agreement depends on the amount of incentive offered. £100 to £1000 were suggested in the workshops, depending on the cost of reinstatement to the customer.
- 42% of ESW customers disagree with a charge for having a water meter located in the pavement or road, with 21% neutral about the idea.
- Only 15% of ESW customers would prefer for a water meter to be indoors, and those already with an indoor meter often prefer elsewhere.
- Customers don’t expect a choice of meter location – they expect to be told by ESW.

Reversion

- Very few customers were aware of the possibility of reverting to an unmetered tariff within two years.
- Awareness that they can revert makes customers more likely to try a meter.
- Two thirds of ESW customers support the reversion policy. Unmetered and optants support it more than selectively metered customers.
- Customers would like reminders near the end of the trial period.

<u>Reads and bills</u>

- More frequent bills (eg quarterly) help customers to manage their finances – particularly those who are financially vulnerable.
- Customers prefer to submit meter readings online or have them read automatically.
- The concepts of stepped and seasonal tariffs are very unpopular.

<u>Smart meters</u>

- Most customers are aware of what smart meters can do and a quarter of ESW customers already have smart energy meters.
- 57% of ESW customers are in favour of getting a smart water meter, and 21% are neutral. More younger customers and already metered customers are in favour than older and unmetered customers.
- 66% of ESW customers say they would not be willing to pay anything towards a roll out of smart water meters.

<u>Consumption</u>

- Some customers are sceptical of the need to reduce their water consumption – in both NW and ESW areas.
- Many would like to reduce their consumption, but not at the expense of their lifestyle.
- Customers only estimate per capita consumption at half of the actual level. Metered customers make only slightly better estimates than unmetered customers.
- Bill payers try harder to save water and higher income customers are harder to convince to save water.
- Most customers think it's important to save water.
- The main things customers say would motivate them to save water are saving money and water shortages. Educating them about how to save money and environmental arguments would also help. Many also wanted us to expand our school programme.
- Barriers to water saving are the low cost of water and needing more reminding/advertising.
- ESW customers are most likely (45%) to see customers as most responsible for the amount of water used, but a third see ESW and customers as equally responsible. Younger customers are more likely to say that ESW is most responsible.
- Half of ESW customers say ESW is not doing enough to encourage water saving, and 63% expect ESW to do more in future to encourage water saving.

<u>Leakage</u>

- Customers think leakage is bad and a waste. They would ideally like us to find and fix all leaks.
- After they are informed of the size of our distribution network, ESW customers see an average of 9% of treated water as a level they would find acceptable. Our current level is 15% in ESW.
- When informed about the SELL, there was some support for it. 43% of ESW customers agreed that the SELL was a reasonable way for ESW to tackle leakage, and 29% were neutral about this. Support was even stronger at the workshops than in the online survey, possibly because customers were better informed.
- Customers linked leakage to consumption, and want to see reciprocity from us in the form of us treating leakage with more urgency (which they sometimes confused with bursts, which are more visible).

<u>Choice/compulsory metering</u>

- 63% of ESW customers think people should be able to choose whether or not to have a water meter. Optants are more likely to agree.
- 38% think ESW should make it compulsory for all households to have a water meter, and 22% are neutral about it. Metered customers who did not choose to have a water meter are more likely to support compulsory metering.
- Informing customers about the benefits of metering (including leakage detection, better monitoring of demand, reversion, and support for vulnerable customers) increases support for compulsory metering, but they would still prefer other options.
- Most customers still prefer supply increases to demand side reductions after being informed of these things because they don't want to change their lifestyles.

2.6 Outcomes (final report with recommendations being developed)
To make sure that we are using plain English and that our customers understand our Outcome statements, we have been asking them what they think of the language we use.

Across both of our operating regions, we have:

- Held conversations with 218 household customers. We did this on their turf, through using Flo and her team of Customer Heroes.
- Hosted five dedicated Outcomes focus groups with Explain Market Research, reaching 49 household customers.
- Gathered the views of 468 of our own people, through an online poll and a further 13 employees who attended a discussion group.
- Spoken with eight key stakeholders.

Our customers, our stakeholders and our people have made suggestions as to how we could improve our Outcomes and we are finalising a report with recommendations.

2.7 Trust and value (report in Sharepoint)

We engaged with 60 customers, at four workshops, throughout our operating areas to gain a clear understanding of what forms and drives perceptions of trust and value for money, and where customers get their perceptions from.

In general, customers did trust NW/ESW and their water company was commonly cited as an organisation that they felt they could trust. This feeling was stronger in NW than in ESW, which reflects the latest CCWater Matters research.

The research demonstrated that trust is something that is built up over time but can be broken quickly by service failure and customers who had experienced a service failure were more likely to provide a lower rating for value for money and trust perceptions. Customers shared a number of ways that the risk of lower perceptions could be mitigated and trust retained despite service failure, and we will consider these when further developing Our Unrivalled Customer Experience Strategy to make it inclusive to all customers.

The link between service failure and value for money was more tenuous and dependent upon whether the issue was seen as a degradation of service. Ensuring failures were one-off were key to maintaining value to money perceptions.

There was some cynicism around whether value for money and trust matter to NW/ESW since customers cannot switch supplier. Since this finding was identified we have been exploring with our customers, through *HaveYourSay* and Flo, what we can replace ‘choice’ with to ensure value for money perceptions are strong.

3. OUR APPROACH FOR DEVELOPING A CUSTOMER FOCUSED PR19 BUSINESS PLAN

Through a variety of methods we are engaging with our customers inviting them to ***HaveYourSay*** and to help us shape our PR19 business plan. We are using creative approaches to reach out to customers and to make it easy for them to contribute. An example of this is Flo, our customer engagement vehicle; Flo travels throughout our operating regions with our Customer Heroes who gather valuable feedback through meaningful conversations with customers, on their turf, about their priorities and expectations. Our *HaveYourSay* Forums are another channel we use for gathering insights from customers.

We have developed our approach for gathering customer insights to inform our PR19 business plan so that it is industry leading, innovative and wherever possible demonstrates customer participation subject to robust assurance.

3.1 Phase 2 (and 3) research

Our approach is created around three principal phases of gathering customer insights:

Phase 1: Exploring what we know, what we don't know and gathering insights to complement our existing evidence. Taking this evidence, alongside additional guidance and expert knowledge to develop our strategic themes and propositions (service improvements) for PR19. We will also develop our performance commitments including bespoke measures.

Phase 2: Exploring customers' priorities, service valuations and their appetite for Outcome Delivery Incentives (ODIs). This phase also includes Cost Benefit Analysis. The results of this phase will be available in December 2017 after which we will engage with our Water Forums to carry out a formal exercise of triangulating our evidence.

Phase 3: Acceptability of our PR19 Business Plan. This will take place in early 2018 before we carry out a final formal triangulation review of all our insights and produce our draft business plan submission.

On 1 September we will share with Water Forum members our innovative approach to Phase 2 customer research and engagement.

3.2 Triangulation

We recognise that triangulation of customer insights is an ongoing process and, as a matter of course, we review all sources of information and evidence when making business decisions. However, for the development of our PR19 business plan, we have built into our approach two distinct points at (Phases 2 and 3) where we will formally triangulate and review all customer insight that we have gathered.

Our customers are at the heart of everything that we do and we want to develop a business plan that meets their needs and expectations. We also want to make sure that our customers are active participants in the creation of our business plan. We are creating our triangulation framework to provide a clear way of demonstrating how we are placing the views our customers at the centre of our plan.

At a Water Forum workshop in June, we presented an early draft of our triangulation scoring matrix. We outlined the criteria that would help us weight our range of evidence for our business planning at PR19. We took constructive challenge from members.

Since the meeting we have refined our thinking using our Water Forum feedback and having reviewed CCWater's paper – '*Defining and applying triangulation in the water sector'*. We have adopted CCWater's framework and included additional questions and sources from NWG. Our Triangulation Framework will help us manage the process of understanding the robustness and relevance of all our insights. Our triangulation framework has been developed with PR19 specifically in mind. However, our approach will become business as usual and we will apply our triangulation framework to all future customer research and engagement. Our framework is based on CCWater's seven steps.

On 1 September we will explore the role that Water Forum members would like to take within our triangulation approach.

4. NEXT STEPS

These will be agreed at the customer research, engagement and participation, and triangulation event with our Water Forums on 1 September.

CLAIRE SHARP
Customer Director

24 August 2017