NORTHUMBRIAN WATER living water | ESSEX&SUFFOLK WATER living water

Appendix 2.4

PR19 ACCEPTABILITY RESEARCH

July 2018

Northumbrian Water Group

PR19 Acceptability Research

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Executive summary

Northumbrian Water Group (NWG) has undertaken a programme of strategic customer engagement as part of PR19, inviting their customers to engage on the development of their business plan. This strategic engagement has underpinned the development of the 2020-25 business plan that NWG will submit to the water industry regulator, Ofwat, in September 2018.

NWG's plan for 2020-25 has been shaped by the views of over 400,000 customers. Explain Market Research was commissioned to conduct research with Northumbrian Water and Essex & Suffolk Water customers to measure if they accepted the overall plan.

NWG's customer research, participation and engagement strategy for PR19 has been to consult with customers on every aspect of their business, therefore they were confident that their plan would closely reflect their customers' preferences. In designing the approach for this research NWG and Explain Market Research reflected on the findings of early PR19 research and engagement, where customers had said they don't always want to be consulted on every detail of their water and wastewater services. On this basis NWG decided that measuring both high-level informed and informed acceptability, using different levels of information would be appropriate. Explain Market Research recommended a mix of quantitative and qualitative methodologies. It was also essential that a representative sample of household customers receiving water and wastewater services, and non-household customers receiving wholesale services, were consulted in the research. Representatives from three retailers and one New Appointments and Variations (NAVs) also participated in the research.

As part of the research a "killer question" was developed to test the acceptance of customers across all methodologies:

"In their proposed plan, Northumbrian Water /Essex & Suffolk Water will make improvements to the services you receive between 2020 and 2025, and they will also reduce the risk of more serious problems happening in the future. This plan is built on what customers have already said is important to them and will be delivered for a lower bill than you pay today."

"On the basis of this information, do you accept Northumbrian Water's / Essex & Suffolk Water's plan?"

Customer-friendly household, non-household and retailer-focused summaries of NWG's 2020-25 plan were developed into brochures. The household and non-household brochures had tailored Northumbrian Water and Essex & Suffolk Water versions. These brochures were used as the main stimulus when measuring informed views.

Fieldwork took place in June and July 2018. In total, 2,808 customers were consulted. The methodologies used were:

Telephone survey (household customers) (999 customers)	Telephone survey (non-household customers) (399 customers)
Online suvey (household customers) (865 customers)	Household customer workshops (177 customers)
Community Engagement Vehicle Interviews (293 customers)	Community Venue Face-to-face interviews (75 customers)

In addition, in-depth telephone interviews were conducted with three retailers and one New Appointment and Variation (NAV). Details of the participants and the organisations they were representing are as follows:

Jacob Tompkins, The Water Retail Company (Retailer)	Matthew Glover, Wave (Retailer)	Sylvie Natalia, Pennon Water (Retailer)	Mike Leeke, Anglian Water Group Utilities (NAV)

Please note, the respondents named above stated that they were happy to be listed as participants in the research.

Both the qualitative and quantitative research materials were piloted with customers prior to the main fieldwork, to ensure cognitive validity.

Overall acceptability of the plan

At PR14, CCWater set a threshold of acceptability of 70-75%, a level NWG set out to maintain during PR19 as a benchmark of acceptance for the 2020-25 business plan. There was overwhelming acceptance of the plan from customers, significantly exceeding the 70-75% threshold, with 91% stating that they accepted the plan. Despite differences in acceptance levels between supply areas, it was clear that high majorities of Northumbrian Water and Essex & Suffolk Water customers accepted the plan.

Overall acceptance (2808)	91%	93%	89%
Household customers (2409)	92%	94%	90%
Non-household customers (399)	87%	88%	85%

Customer acceptance of the business plan was high regardless of the methodology used. This further demonstrates that there is extremely strong customer support for NWG's 2020-25 business plan.

Overall acceptance (2808)	91%	93%	89%
Telephone (household) (999)	88%	91%	84%
Telephone (non-household) (399)	87%	88%	85%
Customer workshops (177)	88%	91%	85%
Online panel (865)	96%	97%	95%
Flo (293)	96%	95%	97%
Community venues (75)	96%	98%	93%

When looking at acceptance based on high-level information (the initial wave of quantitative research), among those household customers who participated in the telephone research, online survey, at community venues and on Flo, overall acceptance was also high at 92%.

Overall quantitative household (telephone, online survey, community venues, Flo)	Overall (2232)	Northumbrian Water (1368)	Essex & Suffolk Water (864)
Yes, I accept the plan	92%	94%	90%
No, I don't accept the plan	3%	2%	4%
I would like more information	5%	4%	6%

Those belonging to the AB socio-economic group had slightly lower levels of acceptance of the plan (89%). They were slightly more likely to request further information. The minority who didn't accept the plan were typically dissatisfied with their bill and lack of choice of water (and wastewater) supplier, however it is important to note that this was a very small minority of customers.

	Overall	Northumbrian Water	Essex & Suffolk Water
Overall sample (2195)	91%	93%	89%
AB (417)	89%	91%	88%
C1 (847)	94%	96%	90%
C2 (369)	91%	93%	88%
DE (306)	91%	91%	89%

Participants who accepted the plan stated that improved service levels and a reduced bill were intrinsic to acceptance. Positive service experience and interactions with Northumbrian Water / Essex & Suffolk Water were also drivers for customer acceptance.

The small minority who didn't accept the plan had typically had a negative service experience or thought bills were too expensive. In the customer workshops, participants suggested they would like greater clarity on how the plan will be delivered as opposed to what the outcomes will be.

All four retailer and NAV participants stated that they accept NWG's plan for 2020-25. They stated this was because it was clear the plan had been underpinned by the view of NWG's customers. It was also clear from the qualitative discussion that the plan was felt to be comprehensive, addressing the right areas, and none of those participants suggested any areas were missing from the plan.

Trust the plan has been built based on customer views

Customers who participated in the telephone research, online survey and at community venues were asked if they trusted that the plan has been built based on the views of customers. Two thirds of customers (66%) stated that they did trust the plan has been built based on customer views. It is important to note that the majority of those who didn't answer 'Yes' to this question, stated they 'didn't know', as opposed to not trusting the plan has been built based on customer views. Levels of trust were higher amongst non-household customers than household customers (71% and 65% respectively), due to a slightly higher proportion of household customers (+8%) stating they didn't know when asked this question.

Do you trust that the plan has been built based on customer views?									
	Overall			Northumbrian Water			Essex & Suffolk Water		
	Yes	No	Don't know	Yes	No	Don't know	Yes	No	Don't know
Overall sample (2195)	66%	8%	27%	69%	7%	24%	60%	9%	32%
Household customers (1838)	65%	7%	28%	68%	7%	26%	59%	8%	32%
Non-household customers (357)	71%	9%	20%	74%	8%	18%	64%	10%	27%

Looking at results by socio-economic group, those belonging to the DE socio-economic group had the highest level of trust (73%) overall the plan had been built based on customer views. As with the distinctions between household and non-household customers, those with lower levels of trust (AB and C1 SEG) were more likely to state they didn't know for this question.

Do you trust that the plan has been built based on customer views?									
	Overall			Northumbrian Water			Essex & Suffolk Water		
	Yes	No	Don't know	Yes	No	Don't know	Yes	No	Don't know
AB (389)	60%	10%	30%	62%	12%	27%	57%	8%	35%
C1 (815)	62%	7%	31%	66%	6%	28%	55%	9%	36%
C2 (346)	70%	6%	25%	71%	5%	25%	68%	8%	24%
DE (288)	73%	6%	22%	78%	6%	17%	64%	6%	30%

Those who stated they had experienced a service failure had slightly lower levels of trust that the plan has been built based on customer views (61%) compared to those who hadn't experienced a service failure (67%). Those who had experienced a service failure were more likely to state that they didn't trust the plan had been built based on customer views (13%), suggesting there is a relationship between their service failure and trust. It is worth noting, however, that this is not the majority view point of those who had experienced a service failure.

Do you trust that the plan has been built based on customer views?									
	Overall			Northumbrian Water			Essex & Suffolk Water		
	Yes	No	Don't know	Yes	No	Don't know	Yes	No	Don't know
Service failure (279)	61%	13%	25%	64%	11%	25%	57%	17%	26%
Non-service failure (1475)	67%	6%	27%	69%	6%	25%	62%	7%	31%

Belief the plan will be delivered

Customers who participated in the telephone research, online survey and at community venues were also asked if they believed that the plan would be delivered. Overall, 63% of customers stated they believed the plan will be delivered, with belief higher among Northumbrian Water customers (67%) than Essex & Suffolk Water customers (57%). Non-household customers were more likely to believe the plan will be delivered (70%), compared to household customers (62%). It is important to note only a very small majority believed it wouldn't be delivered; with just under a third overall (31%) stating they didn't know.

Do you believe Northumbrian Water / Essex & Suffolk Water will deliver the plan?									
	Overall			Northumbrian Water			Essex & Suffolk Water		
	Yes	No	Don't know	Yes	No	Don't know	Yes	No	Don't know
Overall sample (2195)	63%	6%	31%	67%	5%	29%	57%	8%	36%
Household customers (1838)	62%	6%	33%	65%	4%	30%	56%	8%	37%
Non-household customers (357)	70%	6%	24%	73%	5%	23%	63%	9%	28%

Participants belonging to the C2 socio-economic group were most likely to state that Northumbrian Water / Essex & Suffolk Water will deliver the plan (70%), whilst those belonging to the C1 socio-economic group were the least likely (58%).

Do you believe Northumbrian Water / Essex & Suffolk Water will deliver the plan?									
	Overall			Northumbrian Water			Essex & Suffolk Water		
	Yes	No	Don't know	Yes	No	Don't know	Yes	No	Don't know
AB (389)	60%	7%	33%	63%	6%	31%	57%	8%	35%
C1 (815)	58%	6%	36%	62%	5%	33%	51%	8%	41%
C2 (346)	70%	4%	26%	72%	2%	26%	67%	6%	28%
DE (288)	64%	5%	32%	69%	3%	28%	54%	8%	39%

Those who have experienced a failure were slightly less likely to believe that Northumbrian Water / Essex & Suffolk Water will deliver the plan (58%) compared to those who had not experienced a service failure (63%).

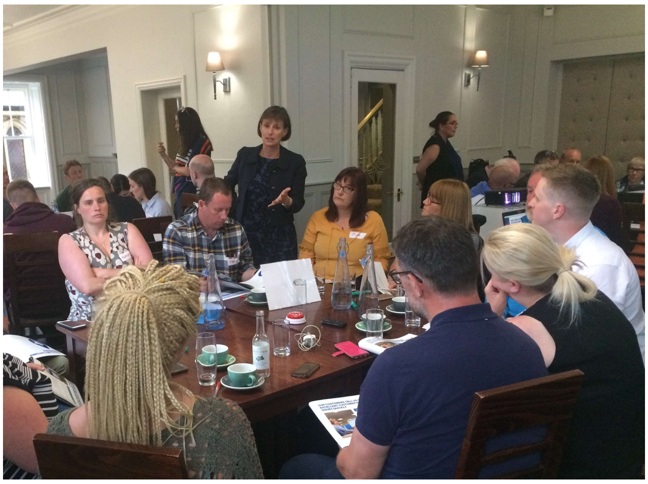
Do you believe Northumbrian Water / Essex & Suffolk Water will deliver the plan?									
	Overall			Northumbrian Water			Essex & Suffolk Water		
	Yes	No	Don't know	Yes	No	Don't know	Yes	No	Don't know
Service failure (279)	58%	10%	32%	60%	10%	31%	53%	12%	35%
No service failure (1475)	63%	5%	32%	67%	3%	30%	57%	7%	37%

Customer insight on the detail of the plan

Explain Market Research led the deliberative workshops, with a team from NWG in attendance at them all to answer questions from customers. The NWG team included two members from Strategic Research who attended every session, alongside NWG Independent Non-Executive Directors, members of the Executive Leadership Team including the Chief Executive Officer, Senior Managers and Water Forum members.

Household customers who participated in the deliberative workshops were each given a brochure which provided a summary of the 2020-25 business plan. This brochure included:

- Who NW / ESW are and what they do
- How customers have shaped the 2020-25 plan
- What average bills are now and how they compare to the rest of the industry
- How customers' bills will change – a 10% reduction
- How customers' money is spent now and how it will be in 2020-2025
- Rewards and penalties, and how they could change the 2020-2025 bill
- Inflation and other considerations (including Anglian Water's and Thames Water's proposed wastewater bills in the Essex & Suffolk water supply area)
- What the plan includes – unrivalled customer experience, affordable and inclusive services, reliable and resilient services, leading in innovation, improving the environment, and building stronger economies in our regions.



Where appropriate, information included what Northumbrian Water / Essex & Suffolk Water plan to do, how they will measure success, and how performance compares within the industry. The purpose of this context was to make sure that customers were fully informed and given the full picture when it came to making their decision on accepting the business plan.

A member of the Explain Market Research team took participants through each section of the brochure during the workshop, pausing for discussion and to ask the team from NWG to answer questions and clarify key points as required. Insights from participants at the household customer workshops can be summarised as follows:

- Participants were positive about the 10% reduction to the average water (and wastewater) bill for 2020-25
- Participants were impressed that Northumbrian Water / Essex & Suffolk Water would be able to reduce customers' water and wastewater bills, especially in comparison to other utility bills which continue to rise
- It was agreed a reward and penalty system should be in place to ensure a good quality of service, and that customers should pay more to receive the best service in England and Wales
- For the theme 'unrivalled customer service', customers felt this was an integral part of the plan and they welcomed and expressed positive views on the focus on this within the plan. However, some customers did say there should be a greater emphasis on the specifics of how this aspect of the plan is going to be delivered. Trust was a complex issue when it came to discussing water and wastewater services, as typically customers stated they find it difficult to establish trust without choice. Customers supported the Outcome to make customers feel informed about the services provided and the importance of water, and thought the work being delivered in schools to be positive and of continued importance
- For 'providing affordable and inclusive services', customers supported the principle that water should be affordable for all but had some concerns around how identifying customers in water poverty would be carried out in practice
- Providing a reliable and resilient water and wastewater service was seen to be an important aspect of service delivery and an area customers expected to see stretching performance in
- Participants welcomed NWG's plan to be a leading, efficient and innovative company, and recognised the link between these values and improvements to efficiency, expertise and performance

- The environment was of great importance to customers when discussing the plan and participants felt this should be a high priority for NWG. The plans presented were felt to be ambitious, however participants would like to know more about how these plans will be achieved and measured, demonstrating a need to communicate progress in these areas through the delivery of the plan
- For building successful local economies, the work NWG are doing with schemes like 'Just an Hour' was met with an extremely positive response by customers. Participants also responded positively to the Refill campaign, which tapped into the personal values held by many on aiming to reduce single use plastics for the benefit of the environment.

Retailer and NAV insight on the plan

- Overall views of the plan were positive, and it was clear that participants felt NWG had engaged with their customers extensively on the plan
- All participants expressed positive views around the reduction in net profit for the 2020-25 period. One commented that the presentation of the average bill percentage breakdown was good, and that this would be very reassuring to customers, especially the way that profit is transparently presented to customers
- For an 'unrivalled customer experience', overall views on this section of the plan were positive, although there was a feeling that this was very much aimed at domestic customers as opposed to retail customers
- All participants stated that providing 'affordable and inclusive services' was an important aspect to the plan, but less relevant and significant for them and their organisation. When discussing the current water poverty rates of 21%, all expressed surprise that this was the current level, and whilst in agreement that NWG should be working to reduce this, the goal of 7% was ambitious and potentially difficult to achieve
- For 'providing reliable and resilient services', all participants felt it was the most important section for them, as this was subsequently of high importance for their own customers
- All participants were positive that the plan contained a specific focus on innovation. It was noted by many that this was an area of importance across the sector, and so understood why this was an area of focus. All participants made specific positive comments on the app Utileyes
- For the 'environment' section of the plan, all participants stated this was important. They felt the Outcomes within this section were the right ones, but several commented that the ambitious goals and targets within these were extremely stretching and had some concerns around NWG meeting these; especially the reduction of carbon consumption

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