1. BACKGROUND AND PURPOSE OF PAPER

This paper covers specific customer research, engagement and participation initiatives undertaken, since our last update, to develop policy or for business planning. The paper is provided to give Water Forum members some detail of the initiatives we have been carrying out, the findings of which will be shared with members by the end of June 2017.

Members will be asked to consider the findings as and when they are shared, and will be invited to a workshop during July/August 2017 to reflect on our 'triangulation' of the findings as well as other customer insights.

2. INITIATIVES UNDERTAKEN (MARCH 2017 TO MAY 2017)

2.1 Defining the Conversation – phase 2 (waiting final report)

Defining the Conversation (DtC - phase one was a qualitative strand of work commissioned to engage with both domestic and business customers and stakeholders. Its aim was to explore what our customers and stakeholders consider, which areas of our business they would most like to influence and the best ways we could engage with our customers and stakeholders.

The research indicated that our customers' were interested in being able to talk to us about and influence a number of our 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. DtC phase 2 was a quantitative project to do that. 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.

The draft report from this engagement has been received and we are working through it, to feed the findings into the next phase of our customer research and engagement and business plan development. We will share the final report with Water Forum members via Sharepoint.

High level (draft) findings are that the first three Outcomes in the above list are validated as being a priority for engagement with our customers, although this is relatively low with no more than 36% of customers overall agreeing. The Outcome 'We supply a reliable and sufficient supply of water' was classed third most important for engagement. 'We provide excellent service and impress our customers', and 'We are a company that customers can trust' were less of a priority.

The draft findings show that there is a difference between our Northumbrian Water customers and our Essex & Suffolk Water customers, with customers in the North East wanting to engage more than those in Essex and Suffolk. For example 42% of customers in Northumbrian Water and 27% of customers in Essex & Suffolk Water wanted to talk to us about 'Our customers are well informed about the services they receive and the value of water'.

2.2 Our Finances Explained (waiting final report and design)

At a number of customer events, the subject of finances has cropped up with customers asking about subjects such as profit and tax. This led us to designing a draft document called Our Finances Explained, which we planned to share with our customers. However, before we did this we wanted to test our thinking with customers to ensure that we:

- Understand which elements of finances customers are most interested in knowing about.
- Understand the level of detail required by customers on each topic.

- Determine if customer would proactively seek out financial information, or if they expect us to proactively provide it.
- Understand customers preferred communication methods and formats for this topic.

We held a customer participation event with 31 customers in Newcastle. Our Finance Director led this event where we explored in detail with the group what information they wanted to see, in what format and where they would expect to find it.

The draft report has been shared with our design team who are now creating Our Finances Explained. We plan to share this with more customers in June, using Flo (our customer engagement vehicle), to make sure that we have got it right.

2.2 Service perceptions, measures and priorities (on-going)

There were a number of purposes for this strand of research. We wanted to:

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

We have worked with QA Research to host six deliberative events across the Northumbrian Water and Essex & Suffolk Water.

This engagement allowed our customers to co-create how we can best undertake our valuation engagement in our next phase of research, and will also help in deciding the MoS that we will use within our business plan.

2.3 **Understanding and communicating risk** (waiting final report)

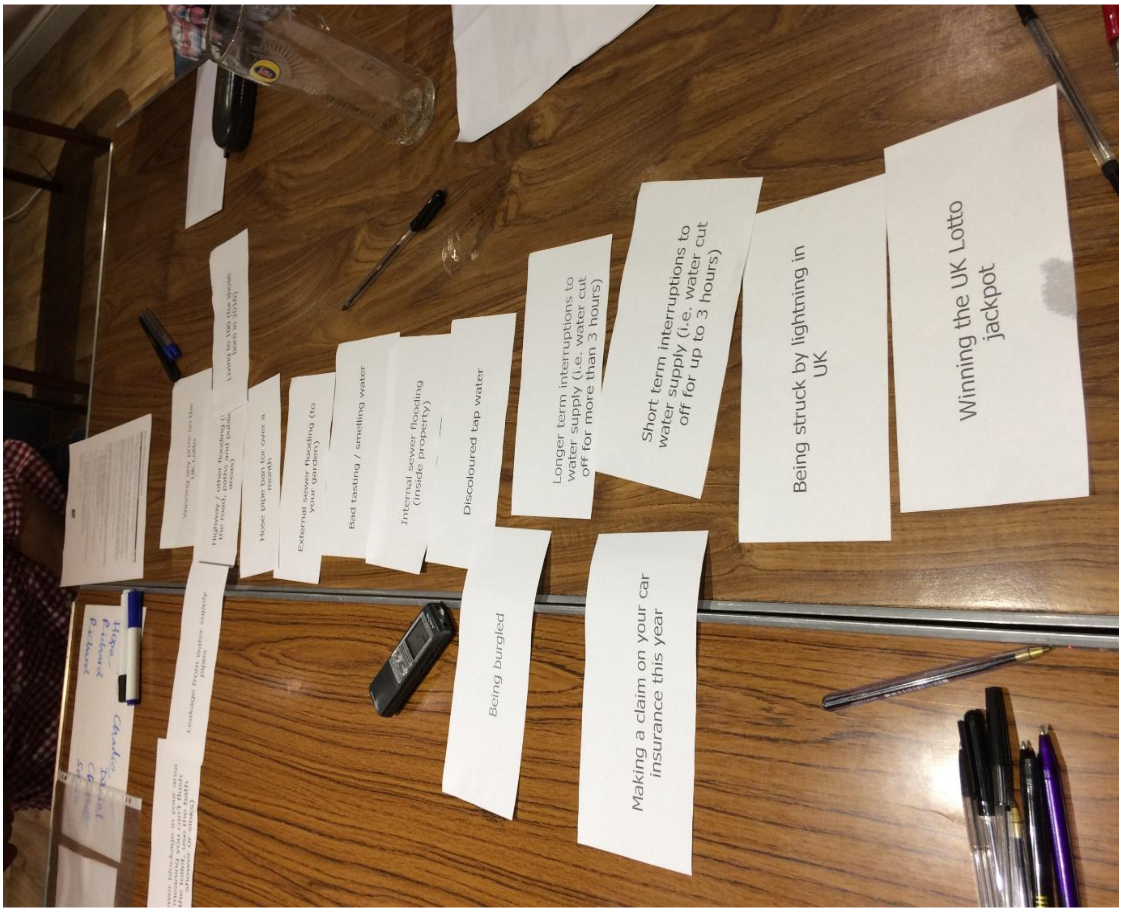
The aim of this research was to find the best possible way to communicate risk (probability and consequence) in future strands of engagement in particular for Willingness to Pay (WTP) and relative priorities within the bill research. We wanted to find the best possible way of communicating risk to customers to allow them to make informed choices.

Working with Qa Research, we held eight workshops with customers. 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.

To ensure we obtained the views of customers who are in vulnerable circumstances, who may not have been able to attend the workshops, Qa carried out in-depth interviews.

The final report from this engagement is being produced and we will share it with Water Forum members via Sharepoint when it is available.



2.4 Outcomes – review of language and presentation (waiting final report)

During the initial development of our Outcome statements at PR14, we asked customers to pick three words to describe us then we looked for themes coming through and what language customers used. Customers told us they wanted Outcomes to avoid jargon and technical terms such as ‘sustainable’, ‘resilient’ and ‘environmental impact’.

We shared the draft Outcomes with Water Forums who helped us to refine the content, style and wording. These statements were then subject to further customer research and the final versions received support from 88% of customers.

However, in 2016 when we carried out our ‘Defining the Conversation’ engagement, asking customers what they wanted to talk to us about, it became clear that the language used in our Outcome statements wasn’t as clear to customers as originally thought. This was because there was some confusion around the intended meaning of the Outcome statements. For example, when we were talking about a reliable and sufficient supply of water (meaning continuity of the water supply); some customers assumed we were talking about water quality.

We have held five deliberative events with customers to explore what they think about the language we use in our existing Outcome statements and whether it is clear and easy to understand or not. We were not exploring whether or not they agree with Outcome, just whether the wording was clear or if we could describe our Outcomes in a more transparent way.

Our customers have made a number of suggestions on how we could change the wording of each Outcome to make it clearer. The only Outcome that customers suggested no change to is ‘We provide a sewerage service that deals effectively with sewage and heavy rainfall’.

The final report from this engagement is being produced and we will share it with Water Forum members via Sharepoint when it is available.

2.5 Trust and Value (on-going)

The objective of this research is to identify what forms and drives customer perceptions of trust and value for money. As part of our PR19 research and engagement strategy, it is important we gain an insight into trust and value for money and understand what these topics mean to our customers. These findings will be used to help build further trust and confidence with our customers.

We know that a consistent relationship is shown between superior customer satisfaction and high levels of trust, reputation loyalty and recommendation. In the utilities sector there has been an increase in customers seeking a premium service. Competition, regulation and a focus on customer experience is influencing the way customers choose and consume utility services.

Value for money perceptions are important to our overall reputation and we recognise that reputation and customer satisfaction levels will play a key role in achieving our company vision to be the leading water and wastewater company. We already know that value for money perceptions in the north are more positive than in Essex and Suffolk.

We are working with Explain Market Research to host four deliberative workshops. In these workshops we will use a number of scenarios including an unexpected interruption to supply, a pollution to the sea from a leaking combined sewer overflow (CSO) and changes to customers’ bills. The scenarios will be used to spark debate to understand how customers feel, what concerns they have and how they would expect NW or ESW to put things right, and how it affects their trust in the company. We are also using a court room scenario to split our customers into groups who will either prosecute or defend NW/ESW over a breach of trust.

We will ask how our customers’ define ‘value’ and what organisations or products they believe are or are not value for money. Finally, we will ask our customers’ to think about all of their household bills and day to day expenses and to rank them in terms of value for money.

The first two workshops have taken place in Essex and Suffolk with the other two scheduled to take place in our Northumbrian region on 31 May and 1 June 2017.

2.6 Metering

We are currently undertaking a strand of research with DJS Research to help with the revision of our metering policy and provide input to our Water Resources Management Plan (WRMP). We are seeking to understand what our customers' thoughts are on a large number of areas including:

- Uninformed customer perceptions: What customers think metering is for, the benefits and disadvantages associated with it, and who they believe it benefits?
- Customer drivers and barriers: Which drivers and barriers are most important for different types of customer?
- Customer expectations and attitudes towards choice, e.g. optant, selective or compulsory metering.
- Installation, reading and billing timescales.
- Attitudes towards meter reversion: Whether customers support us allowing customers who opted for a meter to revert back to unmeasured billing.
- Information requirements: What customers would like, and what they expect us to provide, including a consideration of SMART metering, including their experiences with the energy industry.
- Meter location: Customers' preferences on internal vs external metering.
- Tariffs – What do customers think of the tariffs we currently offer and what opportunities do meters create for new tariffs?
- Prejudicial impact: Concerns customers may have about metering. How they expect us to manage the impact on lower income families and vulnerable customers.
- Customer opinion on leakage: what do customers think is a tolerable level of leakage? Is there a 'sustainable' level of leakage – cost vs. savings? Do customers want NWG to help them reduce waste?
- Consumption: Do customers want NWG to tell them how to manage their consumption? Views on targets for water usage.

We have created a series of eight deliberative groups with a focus on Essex and Suffolk Water customers where the research will impact decisions more directly (NW two groups, four in Essex and two in Suffolk). Our customer base was represented and included customers who are and are not metered at present. We have completed the qualitative events and are in the process of creating an online and face to face in home questionnaire to further inform our WRMP. We will use a sample of 800 ESW customers to complete this questionnaire.

The final report from this engagement is due at the end of June 2017.

3. TRIANGULATION

We have been developing our approach to triangulation of research and other customer insights/evidence. We have shared this with an expert Water Forum member. We had a workshop with Water Forum members on 5 June 2017 to share and refine our proposed approach.

Following this workshop, we will be taking the results of all our recent engagement as well as other customer insights to triangulate our findings. The output of this exercise will inform the second phase of our research predominately exploring customers' priorities within the bill.

We will organise a workshop during July/August 2017 with Water Forum members to share this information so that they can provide appropriate challenge to our interpretation.

CLAIRE SHARP
Customer Director

25 May 2017