BACKGROUND AND PURPOSE OF PAPER

We believe that our strategy for customer research and engagement is industry leading and the Water Forums are central to it. We will provide a customer engagement update to each Water Forum meeting.

This paper covers specific customer research and engagement initiatives undertaken to develop policy or for business planning.

INITIATIVES UNDERTAKEN (APRIL TO SEPTEMBER 2016)

Defining the Conversation (phase 1)

The aim of the research was to test customers' preferences for ways in which we could go out into their local communities and engage with them. Two concepts were tested - a mobile vehicle and pop-up shops. Customers supported both ideas.

After further consideration, we decided that the mobile vehicle option would be the best option as this would allow us to travel to lots of areas and hold conversations with our customers 'on their turf'. We held a design sprint with students from Northumbria University to further develop our concepts.

We have now purchased a fantastic vehicle which we have re-designed to become our mobile customer engagement hub. This will be officially launched during National Customer Service week at the beginning of October.

Defining the Conversation (phase 2)

The aim of the research was to explore what matters most to customers about the services provided, which areas of the business they would most like to influence, and the best ways for us to engage with customers and stakeholders.

The objectives of the research were to explore:

1. What matters most to customers about the service delivered by us under three themes:
   a. The home, e.g. supply of water and waste water services, customer service.
   b. Community, e.g. corporate social responsibility.
   c. Environment, e.g. river and bathing water quality.
2. Which outcomes and aspects of the PR19 business plan customers would least and most like to influence, and the level of influence they expect - are there any parts of the plan customers trust us to manage without customer input.
3. The type and level of information customers feel they need to feel informed about the business plan.
4. What are the best approaches to engaging customers and their communities in the development of the plan (including using the mobile customer engagement hub)?

The research was undertaken with Explain Research. It was undertaken at four deliberative events. Each workshop included four tables of eight customers, with different profiles of customer at each table, a total of 128 customers. This approach allowed for both joint activities with respondents as a room, as well as smaller break-out sessions on each table, with interactive exercises to ensure that the session was engaging. Our employees attended to take part. We also undertook in depth interviews with eight stakeholders and eight Small and Medium Enterprises (SMEs).

Key findings:

1. There is an appetite from household customers, non-household customers and stakeholders to engage with us, in line with their individual priorities.
2. Household customers and SMEs prioritised ensuring customers receive a reliable and good quality product for a fair price. These two groups had a similar relationship with us, i.e. minimal engagement unless they experienced a problem, and trusted us to deliver a reliable service.
3. Account managed customers and stakeholders were more likely to want to hear about value for money and how we deliver added value. These groups were more aware of the market

changes due in 2017 and wanted us to engage with them when shaping a competitive service.

4. The majority of all customers were happy with the reliable service they received from us. They trusted us to fulfil our role, and were therefore less interested in learning about most aspects of service delivery, which they considered to be core offerings.
    a. All customers were highly financially motivated, wanting to know about the cost of distributing water, how their bill was calculated, and a simple breakdown of these costs
    b. Non-household customers were also keen to influence service offerings to meet their needs for the opening of the market in 2017
5. Outcomes that were placed in the 'talk to me pot' most often were:
    - Our customers are well informed about the services they receive and the value of water (majority of tables)
    - Our customers consider the services they receive to be value for money (majority)
    - Our finances are sound, stable and achieve a fair balance between customers and investors (more than half of tables)
    - We provide excellent service and impress our customers (more than half)
    - We are the retailer of choice for business customers (more than half)
6. For account managed customers and stakeholders who dealt with our employees regularly, organised, face to face engagement was preferred, in addition to industry led events and relevant current meetings - a continuation of established dialogue.
7. Household customers and SMEs favoured more traditional methods for us to communicate progress and allow customers to influence our plans, while face to face methods of customer engagement such as roadshows and local meetings were less popular
8. However, customers really enjoyed the workshops for this research. Although respondents were happy to talk about our outcomes in this context, this was not something they would think about in daily life.

Resilience

Working with Explain Research, we asked 125 customers about their understanding of resilience and resilience expectations for their water services at four deliberative workshops in North East England, Essex and Suffolk. 32 stakeholders representing businesses, environmental organisations and vulnerable customers also took part in workshops and telephone interviews. Our employees came to the workshops to present information, answer questions, and listen to customers' views. We included various research techniques, including voting and presenting scenarios based on possible events using news footage.

Key findings:

1. Some customers understood the word ‘resilience’ quite well, and how it could apply to the water industry.
2. Most customers had a strong level of trust in us, both generally, and to have resilient services.
3. Trust was a very personal and fragile thing, which was based on experience. Those who had never had an issue with their water and wastewater services were more likely to trust us to provide resilient services.
4. Customers did not expect no problems to happen, but expected us to prepare for these types of problems and resolve issues.
5. Customers expected us to invest enough money in infrastructure and new technologies to try to stop service issues happening. Stakeholders better understood the progress required towards resilience, and were interested in developing plans with us.
6. Customers expected us to communicate with them during service issues to provide information which would help them to deal with the impact.
7. Although customers placed a large proportion of the responsibility on us to deal with the effects of any damage to their services, they expected us to be helped to restore services by local government, Ofwat (the water industry regulator) and other organisations like the Environment Agency.
8. Many also felt that it was partly customers’ responsibility to deal with the effects of service issues.
9. To avoid some service issues, customers expected us to educate them issues such as water efficiency.
10. The levels of risk that customers were willing to accept depended on the impact on the customer, how long customers would be without services, and whether the event was planned or unexpected.
11. Most agree that our company outcomes effectively include our commitment towards resilience. The specific outcomes “Providing a reliable and sufficient supply” and “Delivering services in a changing world” were thought to be most relevant to resilience.
12. Customers thought that we had enough money to make water and wastewater services resilient in the future, but did not know of any specific things we were doing to achieve resilient services.

River water quality

Working with Qa Research, we ran two workshops about perceptions, expectations and aspirations for river water quality with around 24 customers at each - one in Newcastle and one in Bishop Auckland. Our employees and other representatives from the Rivers Trusts and Environment Agency also came along to present information, answer technical questions and listen to customers' views. Qa Research also undertook in depth interviews with a range of 15 businesses and organisations in July.

Customers first undertook an 'in camera' session, i.e. without us and our stakeholders present, to capture their uninformed perceptions. We then gave a presentation showing the current river water quality, influences upon it and options for improvement, including an element of willingness to pay in principle.

Key findings:

1. Apart from a small number of non-users, most customers saw rivers as an important part of the region's history, as essential for the environment and as providing good leisure opportunities.
2. Customers with no link to rivers judged river water quality on how the whole scene looks.
3. Most customers thought that river water in the region had improved significantly in the last twenty years.
4. Customers thought that people passing by rivers negatively affected river water by fly tipping, littering and vandalism. Businesses and industry were also seen as responsible, as was farming because of chemicals being washed by rainwater into rivers from fertilizers, feed and sheep dipping. Some also saw householders as damaging river water by putting the wrong things into drains.
5. River users felt that improving river water was everyone's responsibility, and that everyone who affected it needed to be better informed and more considerate. Non-users were more likely to say it was the responsibility of government or us.
6. Many customers would like to see litter free river banks, more wildlife and fish, improvements to the sewage system and better facilities and access when they visit rivers, to benefit residents, attract more visitors and help boost the local economy.
7. After customers had been told about the river water quality situation, many wanted more work to go into preventing further damage to rivers, because they thought prevention would reduce the need to clean up the mess created.
8. Apart from a small number of customers, most were willing to pay more on their bill to improve river water. However, customers did not want to be the only ones paying. River users were willing to pay more than non-users. However, customers wanted to see more detail and certainty around what this investment would achieve.

Vulnerability

The research was undertaken in partnership with Explain Research to understand how we could provide unrivalled customer experience to customers in circumstances which could make them vulnerable, and included:

- Reviewing statistics about vulnerability in our areas
- Researching the support offered by other UK water and energy companies
- Listening to 20 customer calls
- Interviewing 17 organisations offering support
- Eight discussion groups with customers in different types of vulnerable circumstances
- Interviews with ten customers receiving financial help from us.

Key findings:

1. All customers are potentially vulnerable, as at any moment their circumstances could change for the worse. Most of our customers are likely to be vulnerable at some point. Those with mental health issues or learning difficulties need help most urgently to avoid harm.
2. A large proportion of our customers may be in vulnerable circumstances at any time, but out of around four million customers we only had 17,000 people registered for our Extra Care services and around 1,500 people using our financial support as at June 2016. This shows that we are probably unaware of many of our customers' vulnerabilities.
3. Very few customers are aware of the help we can give them. This may be why more customers in vulnerable circumstances are unhappy with our services than other customers. Finding and communicating with customers in vulnerable circumstances can be difficult - particularly those in financial difficulty.
4. Customers are usually willing to tell us about their *non-financial* vulnerable circumstances, once they understand how this could improve our service to them. Many - but not all - are willing to share *financial* information, but need to trust us first.
5. No single way of communicating will work for all customers in vulnerable circumstances, as their lives are so varied. We need to communicate with different types of customers in different ways, including different leaflet designs, wording and ways of getting in touch.
6. Customers who we have helped financially think our service (including the referral for independent financial advice) is excellent and it had an enormous impact on their lives. However, they would have liked to have been aware of it sooner, and some thought not enough customers who needed it would be eligible.
7. Other water companies offer customers in vulnerable circumstances some services that we do not. We can learn from this.

8. The project identified many further organisations who offer excellent service to customers in vulnerable circumstances which we can also learn from.
9. The project has made new links with organisations offering support in our operating areas. Many are keen to be part of our efforts to inform those most in need of our support services.

PLANNED INITIATIVES

Discolouration

The project aims to identify improvements to our approach to discolouration, to inform the potential speeds of improvements we will test with customers for our Willingness to Pay research for our 2019 business plan.
The objectives are to find out about:

1. The appropriate pace of improvement towards our aspiration for zero discoloured water complaints (as stated in our PR14 business plan).
2. Consequences of discolouration on household and non-household customers.
3. The impact of having fewer discolouration incidents on customers' tolerance of discolouration events. When they were a more regular occurrence were people more accepting of them? Could this mean that discolouration will become a higher relative priority over time?
4. Customers' motivations for and against reporting discolouration, and their likelihood to do so.
5. How customers feel about our response to, and advice about, discolouration events.

We have commissioned Emotional Logic. The research method includes re-contacting customers who have recently reported a discolouration issue (approximately 300 telephone interviews), an on street survey with a representative sample of general customers in areas where there has recently been significant discolouration, 15 in depth telephone interviews with a variety of non-household customers, and 10 in depth interviews with a variety of social landlords to understand how well informed these are and their information needs. We have asked for a large proportion of customers in different types of vulnerable circumstances (health/communication/financial) in order to understand how their views may differ to other customers'.

The research draws upon psychological techniques, including Time Line Therapy (getting back to the decision moment) and neuro-linguistic programming (NLP) to identify subconscious influences on customers' trust in us.

Lead supply pipes

The project aims to identify improvements that can be made to our approaches to lead in drinking water. The objectives are to:

1. Measure customers' understanding of water supply pipe ownership and responsibilities, and the presence and impact of lead pipes in their property.
2. Understand the impact that making customers more aware of the dangers and presence of lead has on their perceptions of the quality of drinking water and the knock on effects of this, e.g. our reputation, contacts, demands for more sampling and replacements.
3. Explore customers' likelihood to replace lead pipe work.
4. Understand customers' drivers and barriers to replacing or lining lead pipes (and which of these two options they would prefer), e.g. free first fix cost to spend on private contractor; making it part of the meter fitting process; subsidies; a long term loan scheme paid back gradually through their bill or payable when the house is sold; requiring it to be flagged on surveys.
5. Present a range of arguments/incentive schemes to customers in favour of lead pipe removal to gauge the appeal and persuasiveness of each, e.g. environmental, health, cost and efficiency, and legislation.
6. Understand the best way to communicate such messages/who the messenger should be (e.g. us or external body?)/where information could be placed, e.g. GP surgeries.

We have commissioned Emotional Logic. The research method involves 150 telephone interviews with customers who have, or have had, lead pipes in their properties, including a large proportion of customers in vulnerable circumstances. We will then hold two deliberative events with our employees and 20 customers at each – one in the north and one in the south, and 20 in depth telephone interviews with a range of businesses and organisations that serve drinking water. We plan to use trade off analysis to understand the real prioritisation of lead pipe replacement by customers.

Future of combined sewer overflows (CSOs)

The project aims to identify our customers' expectations of the performance and operation of CSOs.

The objectives are to:

1. Explore customers' awareness and understanding of CSOs, with a focus on how their own behaviour in the home contributes to CSO spills (e.g. water efficiency and use of the wastewater network causing blockages etc).

2. Explore customers' tolerance of CSOs – specifically the trade-off between protecting homes and businesses from flooding, against the potential consequence of harm to the environment caused by spills.
3. Understand customers' aspirations for our future use of CSOs in relation to the economics of reducing spills towards zero. Do customers expect us to reach our aspiration of zero spills, or do they see the cost of achieving this as unacceptable?

We have commissioned Explain Research. The methodology involves two deliberative customer workshops in the North with our employees and 25 customers at each, and 15 in depth interviews with non-household customers.

Sewer responsibilities and flooding partnerships

There are two strands to this research project.

The aim of the first strand is to understand customers' knowledge of sewer ownership and responsibilities. This will be used to help decide whether or not to undertake an awareness campaign. If such a campaign is undertaken, it will also help to shape that campaign.

The second strand of the project is to understand customers' expectations of us when working in their community, and their valuation of the secondary benefits from work we undertake to reduce flood risk.

The research objectives for Strand 1 are to:

1. Quantify the number of customers who understand which parts of the sewerage system they are responsible for.
2. Quantify customers' understanding of responsibilities for the parts of the drainage network that they are not responsible for.
3. Quantify which part(s) of the sewerage system customers feel it is most important to maintain, i.e. public or TDS.
4. Understand if customers believe we should treat both networks equally.
5. Understand if customers believe we should have a proactive or reactive approach to sewer network maintenance.
6. Understand to what extent customers are conducting maintenance on the sewerage system.
7. Explore how customers would like us to communicate and educate them about sewer ownership.

The research objectives for Strand 2 are:

8. Explore any additional benefits customers perceive from our work to reduce the risk of sewer flooding.
9. Explore any extra additional benefits customers perceive from our partnership work to reduce the risk of sewer (and other) flooding.
10. Explore whether customers value our proactive approach to reducing the risk of sewer flooding.
11. Understand the information customers expect to receive or have access to about works in their area for reducing known flood risk and predicted flood risk.
12. Understand customers' preferences for the delivery of this information for reducing known flood risk and predicted flood risk.

We have commissioned Explain Research for this. The methodology for Strand 1 includes 1,000 on street interviews with a representative sample of household customers in the North, and online survey of non-household customers. For Strand 2, we will undertake two focus groups with household customers in areas where we are undertaking partnership projects. We will also undertake 10 door to door semi-structured interviews with a variety of non-household customers in these areas.

Social tariffs

The aim of this research is to quantify **household** customers' support for a social tariff. This must include willingness to *contribute* to a social tariff and willingness to *receive* a social tariff. Objectives include:

1. Measure whether or not customers are willing to fund a social tariff through a cross-subsidy charge on their water [and sewerage] bill, and which amount(s) would be acceptable.
2. Determine the profile of customers that benefactors would be willing to support.
3. Understand what customers expect from us in terms of administration and management of such a scheme (e.g. eligibility checks, company contribution, how administration is funded).
4. Measure customers' trust in us to administer a social tariff. Exploring customers' governance and assurance requirements and alternative management options.

The research is in two parts. The research will begin with a review of approaches to social tariffs research. Other companies have support for a social tariff – how did they achieve this? What can we learn from their approaches and the approaches of others?

We will then quantitatively evidence household customers' support or otherwise for a social tariff. We expect to design a tariff that includes various options that we can test with customers.

This area of research is currently out to tender, and a supplier will be selected in early October. We want to include a statistically representative sample of the two customer bases we serve, including areas where we only offer one service (water or wastewater, rather than both) and a large sub group of customers who are financially vulnerable.