

# Appendix 1.1.Z - PR14 engagement review

Wessex Water

September 2018



**Wessex Water**  
YTL GROUP

Business plan section	Supporting document
Board vision and executive summary	
1 Engaging customers	<b>1.1 Summary of research findings</b>
	1.2 Communications strategy
	1.3 Customer participation and behavioural engagement strategy
2 Addressing affordability and vulnerability	
3 Delivering outcomes for customers	
4 Securing long term resilience	
5 Markets & innovation: wholesale	
6 Markets & innovation: open systems & DPC	
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blue marble  
MARKET RESEARCH & PLANNING



# PR14 Customer Engagement Review

January 2015



## Background & research objectives

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PR14 has been different to previous price reviews as customer engagement has been a central part of the planning process, scrutinised throughout by specially formed Customer Challenge Groups. Now that Ofwat has published its Final Determinations, drawing to a close the lengthy and often very intense business planning process, the team at Wessex Water wish to review its customer engagement activities and record any specific learning in preparation for PR19.

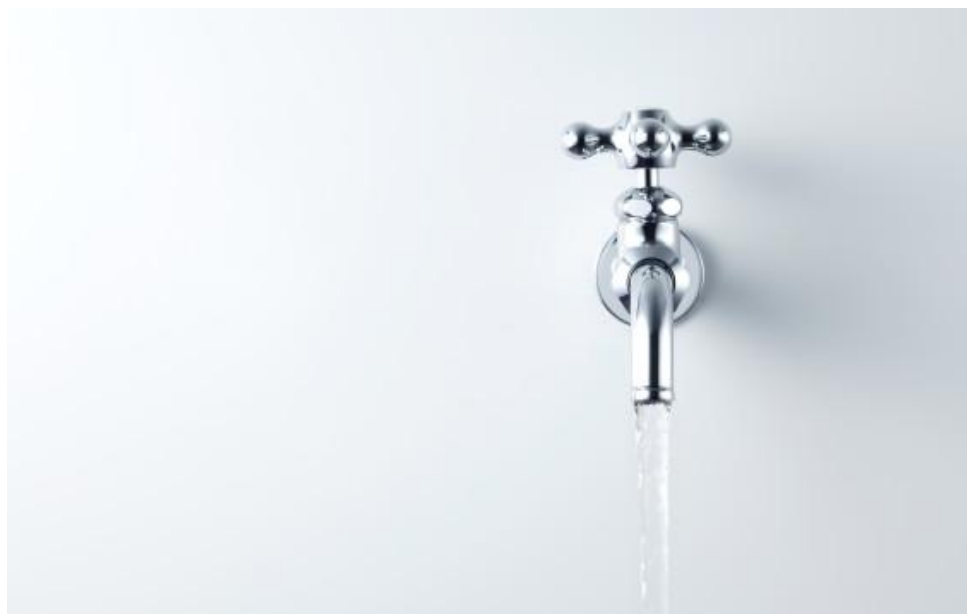
Blue Marble has recently completed an industry-wide review of PR14 for UK Water Industry Research (UKWIR): *Post PR14 Customer Engagement, Communications and Education*, part of which has been to develop good practice guidance and a set of principles for conducting customer and stakeholder engagement. This wider review will provide a useful framework to evaluate Wessex Water's engagement activities.

### Review objectives

- To record the customer engagement activities conducted by Wessex Water as part of PR14 and to provide a commentary on each element to capture the rationale for the methodology, any learning about the process or any inefficiencies or problems that occurred.
- To provide a short overview of the UKWIR guidance as a framework for evaluating Wessex Water's engagement activities.
- To show a structured analysis of how Wessex Water's engagement meets/exceeds/falls short of the UKWIR guidance.
- To highlight areas for Wessex Water to consider in light of this review and provide recommendations for planning PR19.

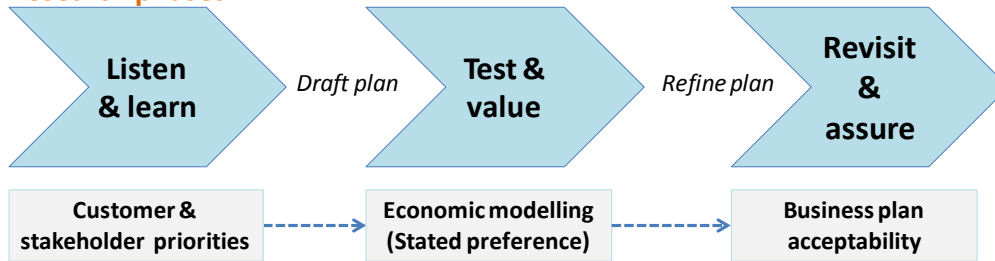
# Summary of Wessex Water's PR14 Customer Engagement

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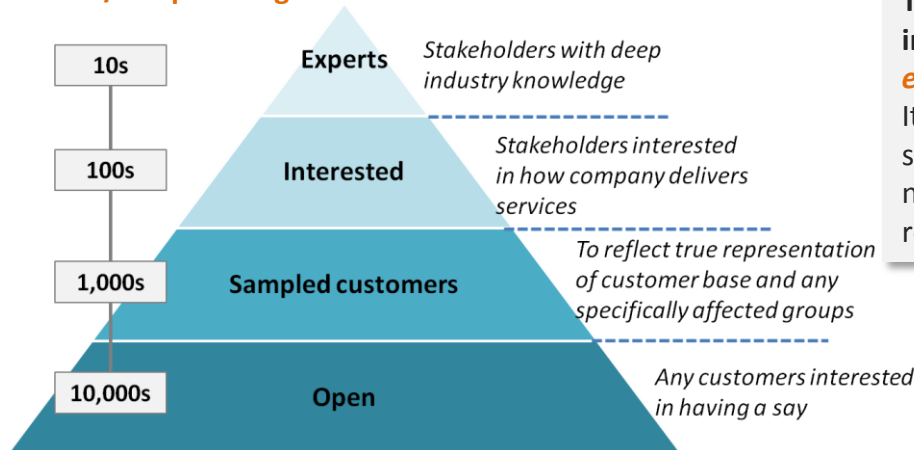
- The following pages capture all the research that Wessex Water undertook in the run up to PR14.
- In many respects, Wessex Water’s programme of research was similar to those of other water companies – and particularly other larger WaSCs. It followed three broad phases: firstly understanding customer and stakeholder priorities; secondly testing the draft strategic direction statement (SDS) and applying values through cost benefit analysis (using willingness to pay (WTP) economic modelling); and thirdly, testing the acceptability of the draft plan and refining through further research.
- UKWIR review indicates that larger (WaSCs) companies typically spent £500k on customer engagement programmes.

## Research phases:



In evaluating Wessex Water’s programme, we have drawn on some of the language and structures used by the industry. This diagram summarises the three phases of customer engagement undertaken by Wessex Water during the business planning process.

## Audience/sample categories:



**This model segments the different audiences that the industry wishes to engage in its business planning: *experts, interested, sampled and open.*** It is useful for considering how much weight any one segment should be given both in terms of finite numbers who participate but also in terms of the relative value of their views.

## Corroboration or ‘triangulation’:

An important recommendation from UKWIR’s review is that companies should be drawing together strands of corroborating evidence to represent the customer perspective. The following evaluation highlights any areas where Wessex Water is already doing this.

## Listen and learn: customer priorities

Date	Sample and methodology	Met objective/ timescales/ budget? Any learnings?	Sample category: <i>Expert, Interested, Sampled, Open</i>	Corroborates with other research/evidence**
Jan/Mar 2012	<i>Domestic Tracking survey: 1000 CATI (telephone) interviews</i>	Yes	<i>Sampled: representative</i>	Previous waves of tracking
Jan /Feb 2012	<i>Domestic: 10 group discussions</i>	Yes	<i>Sampled: broad qualitative sample across age, socio demographics and location. Included 2 groups of 'vulnerable' customers.</i>	<ul style="list-style-type: none"> <li>• Review PR09 customer expectations</li> <li>• Media review: current context/consumer confidence</li> <li>• Tracker data within analysis</li> <li>• Social Tariffs Research 2011</li> </ul>
Jan /Feb 2012	<i>Prospective bill payers (18-25s): 2 group discussions</i>	Yes	<i>Sampled: small sample sizes. Groups reflected different profiles e.g. older and younger aged school groups; higher and lower socio-economic grades for prospective customers</i>	
Feb 2012	<i>Teenagers: 4 classroom sessions in 2 schools</i>	Very hard to get teens to engage. Rethink required		
Feb Mar 2012	<i>Business: 36 depth interviews</i>	Yes	<i>Sampled: broad qualitative sample with quotas on 4 water spend categories &amp; including account managed customers, a range of sectors &amp; water usage.</i>	
Feb/ Mar 2012	<i>National stakeholders: 7 depth interviews</i>	Very hard to recruit: all water companies want to engage simultaneously. Rethink required	Mix of <i>Experts</i> and <i>Interested</i> 5 out of 7 consumer focus (rather than business or environment etc.)	Some stakeholder organisations had published policy statements on utilities and/or water industry expectations.
Feb/ Mar 2012	<i>Local stakeholders: 4 group discussions with the customer liaison panel (CLPs)</i>	Stakeholders from diverse backgrounds: difficult to facilitate groups. Business stakeholders under-represented (but counter-balanced by sampled businesses)	Mix of <i>Experts</i> and <i>Interested</i>	

## Test & value: Strategic Direction Statement

Date	Sample and methodology	Met objective/ timescales/ budget? Any learnings?	Sample category: <i>Expert, Interested, Sampled, Open</i>	Corroborates with other research/evidence**
June 2012	<i>Domestic 8 x 3 hour extended group discussions</i>	Yes	<i>Sampled: broad qualitative sample including 2 vulnerable groups</i>	Combined analysis of qualitative and quantitative
July/ Aug 2012	<i>Domestic: 600 telephone interviews</i>	Yes	<i>Sampled: representative Quotas to achieve 400 Wessex supply &amp; waste, 100 Bristol, 100 Bournemouth &amp; Hants</i>	
July 2012	<i>Business: 2 group discussions and 16 depth interviews</i>	Yes	<i>Sampled: a broad spread using groups with small users, depths with medium and larger users</i>	
July 2012	Local stakeholders: CLPs responded to SDS summary via email	Very low response rate. Rethink required.	Mix of <i>Experts</i> and <i>Interested</i>	
Oct- Dec 2012	<i>WTP: 1052 domestic, CAPI (in home) SUPPLY 1042 domestic CAPI (in home) WASTE</i>	Owing to WRMP timetable, SUPPLY survey needed to be advanced (adding cost to the project)	<i>Sampled</i>	Results shared as part of Accent's industry-wide benchmark analysis
Oct '12- Jan '13	<i>WTP: 508 non- domestic, recruit via phone to online survey, SUPPLY 506 non- domestic, recruit via phone to online survey, WASTE</i>	Owing to WRMP timetable, SUPPLY survey needed to be advanced Difficulty reaching quotas.	<i>Sampled</i>	
Oct- Dec 2012	<i>4 qualitative group discussions 620 domestic, CAPI (in home) LEAKAGE, METERING &amp; EFFICIENCY</i>	Yes	<i>Sampled</i>	



## Revisit & reassure: Acceptability testing

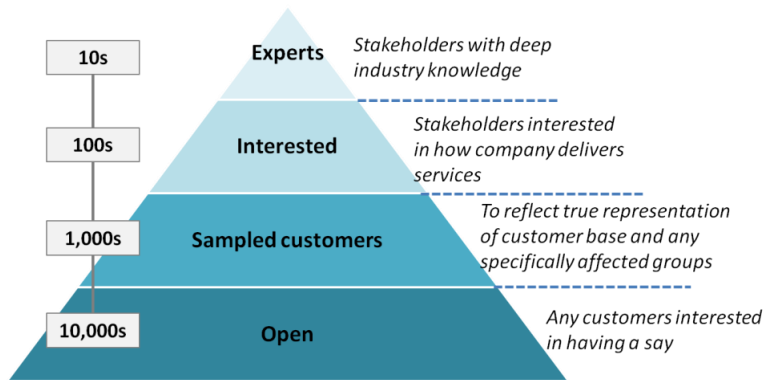
Date	Sample and methodology	Met objective/ timescales/ budget? Any learnings?	Sample category: <i>Expert, Interested, Sampled, Open</i>	Corroborates with other research/evidence**
Jan 2013	Domestic Image tracker: 1000 CATI (telephone) interviews	Yes	<i>Sampled</i> : representative	Previous waves of tracking Domestic SDS survey
Aug-Oct 2013	Domestic: 2 pilot + 9 main stage group discussions	Yes	<i>Sampled</i> : broad qualitative sample including 2 vulnerable groups	
	15 cognitive depth interviews	Yes	<i>Sampled</i> : broad representation by SEG	
	666 in-home CAPI interviews	Yes	<i>Sampled</i> : representative	
	1,167 panellists online survey	Yes	<i>Open</i> : self selecting panel sample	Panel surveys tended to elicit slightly more negative responses than purposefully sampled survey
	Business: 2 groups and 16 depth interviews	Yes	<i>Sampled</i> : broad qualitative sample. Quotas on water spend, sector & water usage	
	114 business panellists online	Lower uptake than hoped	<i>Open</i> : self selecting panel sample	
	National stakeholders: 8 tele-depth interviews	Hard to recruit: all water companies want to engage simultaneously. Rethink required.	Mix of <i>Experts</i> and <i>Interested</i>	
	Local stakeholders: 4 group discussions (CLPs)	Stakeholders from diverse backgrounds. Business stakeholders under-represented (but counter-balanced by sampled businesses)	Mix of <i>Experts</i> and <i>Interested</i>	
	Social Media mobile survey	Never went live	<i>Open</i>	

## Revisit & reassure: Acceptability testing

Date	Sample and methodology	Met objective/ timescales/ budget? Any learnings?	Sample category: <i>Expert, Interested, Sampled, Open</i>	Corroborates with other research/evidence**
Oct 2013	<i>Further acceptability testing: 489 in-home CAPI</i>	Survey re-run reflecting updated pricing proposals	<i>Sampled: representative</i>	Comparison with earlier (Aug) CAPI survey
Oct 2013	<i>Rewards &amp; Penalties: 1,093 domestic panellists</i>	Yes	<i>Open: self selecting panel sample</i>	
Jan 2014	<i>Domestic Image tracker:1000 CATI (telephone) interviews</i>	Yes	<i>Sampled: representative</i>	Previous waves of tracking; CCWater value for money survey
July 2014	<i>Business Tariffs: 25 depth interviews with businesses and 2 with representative organisations</i>	Yes	<i>Sampled: a broad spread with small users, depths with medium and larger users</i> <i>Interested: stakeholder representative organisations</i>	

\*\*NB: the development of the business plan also included evidence from ongoing customer data including:

- SIM Replica survey
- Feedback cards
- Customer Care Team Resolution Survey



## Stakeholders: *experts* and *interested*

- Stakeholders were categorised as National and Local however there were diverse interests and levels of water industry knowledge, especially amongst Local Stakeholders. The Expert voice was difficult to distinguish from the Interested voice when researched together in focus groups.
- Not always clear how much weight is given to the stakeholder voice.

## Sampled customers

- The majority of domestic customer engagement was conducted using purposefully sampled research giving robustness and reassurance that the findings represented the views of all customers.
- Business samples, which are generally harder to engage, were also purposefully sampled using qualitative rather than quantitative methods in the initial stages, with online quantification for WTP
- Engaging future customers, particularly teenagers, was very difficult. Perhaps the subject matter is too removed to be relevant? Certainly the approach of running group sessions in schools did not appear particularly comfortable for participants.

## Open consultation

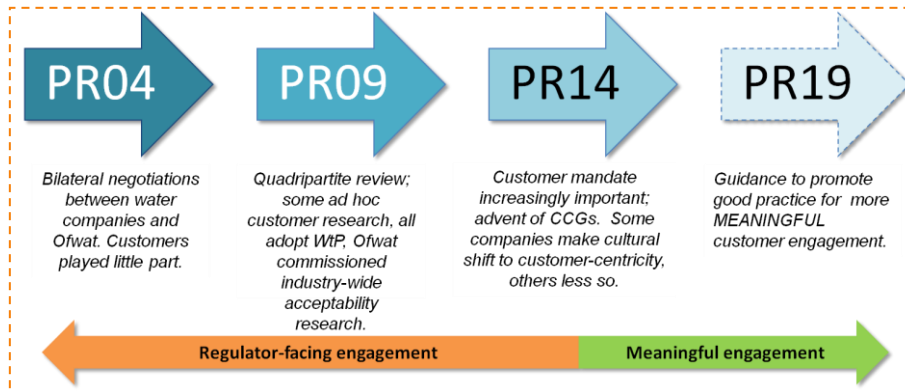
- There was much less 'open' consultation in Wessex Water's programme of research.
- Wessex Water used its online panels of domestic and business customers specifically in relation to the use of incentives and penalties and as another data source when testing the draft plan acceptability. We have classified panels as 'open' because while these are constructed to represent all types of customers, they are self-selecting in nature and therefore it is not possible to determine whether the views of panel respondents are representative of all customers.
- We have observed patterns in the panel data: scores tend to be slightly more critical from panellists than from representatively sampled respondents. This might also be a feature of methodology: case studies from UKWIR's wider industry review indicate that online respondents are slightly more critical – but as yet, evidence is anecdotal.
- The social media survey did not go live owing to concerns about possible media attention at a sensitive time in the business planning process. The UKWIR review shows that such surveys where they were used elicited very few responses unless they were well supported and promoted in wider campaign communications.

# Key learning from UKWIR's industry-wide review of PR14 Customer Engagement

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The industry's price review process has developed considerably in each five year period. The UKWIR report concludes that while customer views are increasingly evident in water company decision making, the industry - in terms of its engagement processes – often remains more regulatory than consumer-facing.



### When asked how they would approach customer engagement in future, companies highlighted:

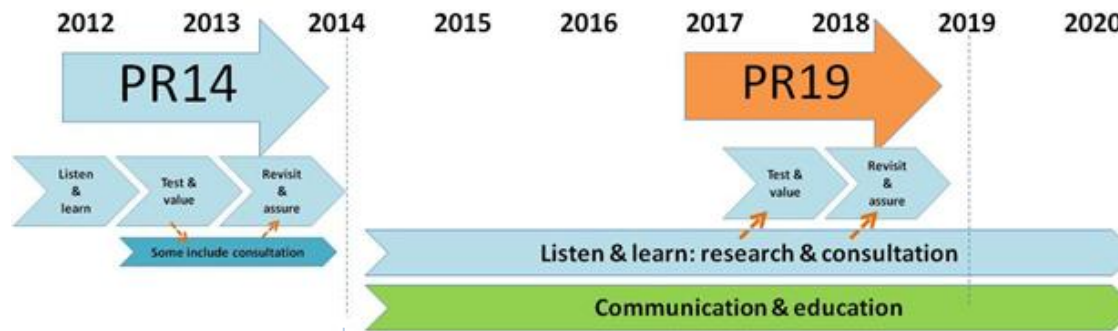
- Improving efficiencies with better alignment of customer research requirements for PR and WRMP processes
- Being smarter about incorporating business as usual research insight to the next price review (PR19)
- Using wider consultation and education campaigns to support customer engagement i.e. developing a campaign strategy
- Building in more briefing and reviewing time for CCGs

## Summary conclusions

- 1. The increased emphasis on customer engagement in the price review process is seen by all parties - regulators, industry bodies and water companies – as a positive development for the industry.**
  - Customer views were thoroughly investigated during PR14 & business plans were demonstrably shaped by this engagement.
  - Companies have developed closer relationships with stakeholders and for many (especially those less used to engaging with customers) there has been a step change in the value now placed on customer opinion.
- 2. PR14 had a ‘first time around’ feel:** Companies and CCGs have been critical of the guidance provided by Ofwat when it has appeared to be late in coming, inconsistent or simply too broad. Furthermore, time pressures were acute as not enough time was anticipated for e.g. CCG input, Board approval and Peer reviews.
- 3. UKWIR’s review demonstrated that many companies’ engagement processes remained orientated towards the regulator** and this has been evident in the design, execution and interpretation of customer engagement activity. By contrast, companies who embraced ‘*meaningful engagement*’, didn’t seek more prescriptive guidance from regulators but looked to develop new and innovative methods to engage with their customers i.e. putting the voice of the customer first.
- 4. The review highlights that if the industry is to become truly customer-centric it will need to undergo a culture shift embedded throughout individual businesses.** Such a change will take time and effort to implement but if implemented well, will improve the legitimacy of the industry, decreasing the proportion of customers who are unengaged.
- 5. Meaningful engagement, by definition, is part of an organisation’s ‘business as usual’ activities.** UKWIR’s review underlines the importance of **ongoing engagement** both as part of and beyond the PR process. Ongoing engagement, while requiring greater commitment, will have significant benefits for the industry. Instead of mobilising a large engagement programme to serve the price review, ongoing engagement via research, consultation and communications will enable companies to develop plans iteratively and over time.

Continued...

6. **Whilst there has been positive improvements in terms of use of customer facing language in PR14, stimulus materials remain very industry-facing.** To gauge response to business plans companies have focused – to use a motoring analogy - on showing customers the engine rather than describing the benefits of customer experience. To design research that adheres to the principles of good engagement there needs to be a **major re-think in how companies express their plans**. Those leading the field are developing interactive models, animations, visual aids and games for customers to experience the impact of decisions both on their bills and on their communities. Innovation (and investment) will be required if the industry is to achieve this.
7. Water companies should **draw on a variety of sources as evidence of customer needs and expectations** to develop plans strengthened by corroborating evidence. This could include revealed preferences captured in behavioural or other operational data and responses from open consultations and social media.
8. **In the future there should be more emphasis on consultation approaches to enable a wider range of customers to give their views in their own words.** Supporting customer engagement with branded communication will become more important to increase visibility of water companies and promote understanding of the industry. UKWIR’s review addresses the principles underpinning an integrated communications strategy. More active customer engagement through communications will also help companies demonstrate how the customer is influencing decision-making.



*This half of the diagram shows how engagement was implemented during PR14. Most companies took a three phased approach to customer engagement. A small number also engaged via open consultation initiatives (road shows, social media campaigns linked to online surveys etc.) supported by integrated and branded communications campaigns (specifically Welsh Water and Anglian Water).*

*This half of the diagram illustrates how engagement practices should evolve so that understanding customer needs (i.e. listen and learn) does not stop and start with the regulatory process but is part of business as usual - and supported by a communications strategy. Taking a continuous approach to customer engagement will:*

- *Take some of the pressure off the price review process because companies will be able to draw on existing evidence about their customers.*
- *Mean that evidence can be gleaned in a more strategic way. The current approach has tended towards engagement designed to involve all customers in all aspects of the business plan and research materials have not always distinguished between the different types of respondent.*
- *Help to validate results by using multiple sources of data to cross check analysis - providing a more detailed and balanced analysis.*



Six principles of good practice for customer engagement were developed from a literature review of both the water and other sectors, These are discussed in more detail in the following pages.

	PRINCIPLE	MEANING:
1	<b>Real</b>	<ul style="list-style-type: none"><li>• The customers' view is genuinely put at the heart of decision making</li><li>• The topics discussed with customers are timely and relevant to real decisions being made and plenty of time is factored in to act on customers' views</li></ul>
2	<b>Inclusive</b>	<ul style="list-style-type: none"><li>• The engagement reaches all groups who will be affected by the decision (or their representatives)</li><li>• 'Seldom heard' customers are included</li></ul>
3	<b>Appropriate</b>	<ul style="list-style-type: none"><li>• The engagement method(s) chosen are appropriate to objectives and the decisions being made</li></ul>
4	<b>Accessible</b>	<ul style="list-style-type: none"><li>• Concepts are communicated in a way which is relevant to customers</li><li>• Jargon is avoided</li><li>• The discussion is real – conceptual ideas (e.g. future scenarios) are avoided</li><li>• The participant is enabled to express their uninformed and informed views</li><li>• Participation is made accessible by removing barriers (cost, travel, language, cultural)</li><li>• The benefits participation can bring to decision-making are promoted</li><li>• The experience is enjoyable</li></ul>
5	<b>Transparent</b>	<ul style="list-style-type: none"><li>• Customer intelligence is considered in all aspects of business planning</li><li>• Clear explanations and evidence is offered on why decisions have been taken</li></ul>
6	<b>Ongoing</b>	<ul style="list-style-type: none"><li>• Engagement is fundamental to building trust and familiarity</li><li>• Engagement is a continuous process</li></ul>

Principle	Discussion
<p><b>1</b></p> <p><b>Real: Only ask when you intend to act</b></p>	<p>At its core is the requirement for any company that wishes to engage with its customers and stakeholders to have a genuine desire to both listen and then act. Engagement that does not act on the views of customers is simply ticking boxes. There are five areas to consider in order to conduct engagement that is ‘real’.</p> <ol style="list-style-type: none"> <li><b>1. Timing :</b> Engagement programmes lose credibility if participants perceive that the outcome is already decided, and/or that the moment to influence decision-making has passed.</li> <li><b>2. Align the corporate culture:</b> Senior buy-in is necessary to ensure engagement is appropriately resourced and links to the operational management of the business - in order to effect change. Engagement programmes should also adhere to the wider corporate strategy / goals and align with existing communication and education activities. If engagement is only conducted to serve the regulatory requirements then by definition it fails to have the customers’ interests at its heart.</li> <li><b>3. Do not seek customer views about decisions that they cannot influence, such as statutory requirements:</b> For instance, in PR14, once it was known that incentives and penalties (ODIs) were mandatory, researching customer views on the <i>principle</i> of including incentives and penalties was poor engagement because customer views could not impact their inclusion in a company’s business plan. In contrast, asking customers to respond to proposed <i>actual</i> targets and the impact of potential incentives/penalties on bills was valid as their views could impact the price control process.</li> <li><b>4. Communication:</b> An engagement programme also needs a feedback mechanism for companies to demonstrate how customer and stakeholder views have influenced decision making. This feedback may include specific communications e.g. to illustrate how views have shaped the business plan, or broad communications to customers generally e.g. via the media, or ‘<i>you said, we did</i>’ messaging on the website or bills.</li> <li><b>5. Develop a clear plan before embarking on engagement:</b> Ofwat’s risk-based review highlighted, as an example of exceptional practice, submissions that demonstrated ‘<i>an iterative approach to developing the business plan with multiple rounds of customer engagement enabling the company to develop its plan in line with customer expectations</i>’.</li> </ol>
<p><b>2</b></p> <p><b>Inclusive: Engage with all groups affected by decision making</b></p>	<p>The crux of this principle is identifying all customers and stakeholders who will be affected by the subject under discussion – and then making sound decisions about how to engage them. UKWIR’s guidance is concerned with sampling customers and stakeholders across all research methodologies – and specifically issues relating to the inclusion of hard to reach – or vulnerable – groups. For example:</p> <ul style="list-style-type: none"> <li>• For <b>qualitative research</b>, where the aim is to collect in-depth evidence, the concern here is less about ensuring that a representative sample is achieved and more about ensuring that the widest possible range of experiences and relevant viewpoints are included in sufficiently robust numbers to ensure meaningful conclusions can be drawn.</li> <li>• When considering the design of <b>quantitative samples</b> two key considerations determine the validity and reliability of the final results: firstly the representativeness of the sample and secondly the sample size.</li> <li>• <b>Vulnerable:</b> all engagement activity should consider how hard to reach groups may be affected and what the best mechanisms are to ensure their voices are heard. Consideration should be given to whether it is more appropriate to engage with these groups directly or whether it will be more effective (and/or efficient) to engage with representative organisations or groups to ensure their views are included.</li> </ul>



# The UKWIR review identified six principles of good customer engagement

Principle	Discussion
<p data-bbox="79 219 146 287"></p> <p data-bbox="65 305 272 472"><b>Appropriate:</b> Use methods that are appropriate</p>	<p data-bbox="324 201 1866 368">The effectiveness of research ultimately depends upon its design being appropriate to the stated objectives and audience. There are a broad range of tools at the researcher’s disposal, each with its own strengths and weaknesses. Research design should always be tailored and tools selected on the basis that they provide the best solution to the specific research problem. For instance, a broad exploration of customer needs and priorities requires a different approach to measuring customers’ response to a tightly defined policy/business plan.</p> <p data-bbox="324 411 1812 544">This principle, therefore, is primarily concerned with making the right methodological decisions – and the UKWIR review has detailed advice on what method to use, and when – including when it is valid to use online methods and how to incorporate consultation into a programme of engagement. With complex subject matter, it is also important to consider when to use cognitive testing and piloting of large surveys to improve their validity.</p>
<p data-bbox="65 611 133 678"></p> <p data-bbox="54 772 285 1072"><b>Accessible:</b> Make participation easy and make unfamiliar or complex ideas accessible</p>	<p data-bbox="324 639 1875 701">The water industry faces particular problems when it seeks to engage with a primarily uninformed and unengaged customer base on aspects of its business that are largely unfamiliar and invisible.</p> <p data-bbox="324 743 890 772">The principle of accessibility has two elements:</p> <ul data-bbox="343 779 1856 979" style="list-style-type: none"><li data-bbox="343 779 1856 843">• Firstly the practicalities of making participation easy by removing barriers including: time or cost barriers; fears of e.g. Bogus callers; and perhaps the most prevalent barrier – disinterest in the subject matter.</li><li data-bbox="343 851 1856 979">• Secondly, how water companies translate their plans in a way that makes it possible for customers and stakeholders to give informed and meaningful feedback. The review includes case studies showing how some companies are using more customer-centric and innovative ways to convey complex ideas e.g. Supply and demand scenarios, economic level of leakage and aspects of resilience.</li></ul> <p data-bbox="324 1022 1875 1150">This principle also links to another theme that emerged in the review: that companies should guard against falling into the trap of ‘false precision without validity’. This was particularly in relation to the Willingness to Pay methodology which uses a very complex research approach to elicit data that is then used in detailed modelling. Many argue that the current research instrument (a complex questionnaire and show cards) is not customer-centric and question the validity of the resulting values.</p>

# The UKWIR review identified six principles of good customer engagement

Principle	Discussion
<p data-bbox="67 207 125 264">5</p> <p data-bbox="67 292 270 592"><b>Transparent:</b> Demonstrate how engagement influences decision making</p>	<p data-bbox="324 307 1845 399">Transparency is key to meaningful engagement and is perhaps the easiest principle to overlook. However, its importance in demonstrating a company's 'customer-centricity' and for building trust should not be underestimated. Transparency should be considered in reference to each of the following:</p> <ul data-bbox="343 406 1796 542" style="list-style-type: none"><li>• To participants at the time of engagement: being clear about what is being asked, and why</li><li>• To participants and customers after engagement: to communicate how the company has listened to customer feedback</li><li>• To the regulator to demonstrate the transparency of its business planning: linking the engagement outcomes with the business plan formation</li></ul>
<p data-bbox="67 699 125 756">6</p> <p data-bbox="67 792 280 956"><b>Ongoing:</b> Engagement is a continuous process</p>	<p data-bbox="324 621 1854 678">Embedding customer and stakeholder engagement (not just research but consultation and education too) into business as usual has many advantages:</p> <ul data-bbox="343 685 1864 1099" style="list-style-type: none"><li>• Where engagement becomes part of 'business as usual' it will enable companies to take a more strategic approach to its design and use for different groups of customers and stakeholders. The current approach has tended towards engagement designed to involve all customers in all aspects of the business plan, and research materials have not always distinguished between the types of respondent.</li><li>• Connected to this, an ongoing approach is conducive to using multiple sources of data to corroborate findings (<i>triangulation</i>) and provide a more detailed and balanced picture which will improve the quality of engagement in future price reviews.</li><li>• Over time, it will increase the visibility of water companies in their communities and increase customer understanding of the industry. Familiarity breeds favourability: there is scope for companies to develop messages that translate into, for example, improved value for money scores.</li><li>• Ongoing engagement can encompass staff as ambassadors of the company – and potentially subcontractors too (as they are a visible presence in the community). The intensity of engagement programmes to meet regulatory deadlines has usually meant staff views are excluded.</li></ul>

Principle	To what extent was Wessex Water's PR09 engagement allied to these principles?
<p><b>Real: Only ask when you intend to act</b></p>	<p>Customer engagement has been integral to Wessex Water's business planning since PR09 and therefore the design and implementation of PR14 engagement was an evolutionary process. The research programme was planned well in advance with every intention to listen and act to customer opinion – and in that sense has been conducted within this principle. There may be room for improvement here in developing a listening approach to customers above and beyond the regulatory requirement and giving more emphasis to open consultation in future price reviews.</p>
<p><b>Inclusive: Engage with all groups affected by decision making</b></p>	<p>Wessex Water did include a broad reach of domestic and business customers in its qualitative research and specifically through representative samples at all stages of engagement. Specific attention was paid to economically vulnerable customers but there may have been scope to include other 'hard to reach' groups such as the very elderly and those with disabilities by involving link organisations such as charities and representative bodies. Other water companies achieved greater inclusiveness by going out into their communities e.g. setting up road shows and running mobile online surveys to canvass views. A specific group that was not represented within the engagement programme was Wessex Water's own staff.</p>
<p><b>Appropriate: Use methods that are appropriate</b></p>	<p>The methods used were on the whole appropriate. There is a need to consider a more relevant approach to younger samples/customers of the future e.g. interactive tools, gamification. There is a need to distinguish between the Interested and Expert stakeholder and treating them as separate audiences using depth interviews rather than groups for the 'Expert' stakeholders. Wessex Water did not go ahead with its mobile survey which would have been posted on its website, Facebook page and Twitter. The UKWIR review has shown that mobile surveys were only successful when supported with an integrated social media campaign.</p>
<p><b>Accessible: Make participation easy and make unfamiliar or complex ideas accessible</b></p>	<p>Much attention went into ensuring that the stimulus materials were jargon-free and in the case of the larger surveys, show cards were piloted and/or tested cognitively. Nevertheless this is an area for Wessex Water – and the rest of the industry – to review. In PR14, most material was conveyed in business-style presentations with supporting written information (and moderator clarification) when required. The UKWIR report contains case studies of interactive tools and use of gamification to communicate bill impacts in much more accessible ways. Adopting more visual and interactive platforms to convey future planning will be much more appropriate for the 'uninformed' and customers of the future while also being conducive to wider consultation. A key recommendation for the industry is to develop a better 'instrument' to gather data required for cost benefit analysis.</p>
<p><b>Transparent: Demonstrate how engagement influences decision making</b></p>	<p>Area for consideration: currently demonstration of how Wessex Water has listened to its customers is available via what's published on its website which is business rather than customer-focused. It is hard to see clearly how research has linked directly to the business plan and the iterative process that Ofwat has highlighted as key. This also links to the desirability of Wessex Water increasing its relevance in the minds of its customers by having a higher profile with customers – and standing for something positive in customers' minds.</p>
<p><b>Ongoing: engagement is a continuous process</b></p>	<p>Annual image tracker provides an ongoing measure of the customer temperature – together with quarterly dips from the customer panels. This is supplemented with CCWater's value for money tracker – the sample of which is boosted by Wessex Water. There are also usually issue-specific ad hoc projects. There is potential to consider this area further to forward plan for the next price review and allowing insight to be drawn about specific topics.</p>

# Areas for consideration in light of industry review

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## Listen and Learn: consider how to maximise ongoing research to support next price review

A key recommendation in the UKWIR review was for companies to refocus their efforts **to ensure customer engagement is 'meaningful' rather than a 'tick box exercise'**. Meaningful engagement is wholly focussed on listening to customers first and then applying this insight to business planning to improve efficiency and quality. Tick box engagement is focussed on second-guessing the needs of the regulator and/or using customer data to justify business plans. Ongoing engagement will enable companies to overcome the intensity of the research programme necessary in the run up to a price review and include wider consultation activities and communications. Reaching out to the unengaged majority will have long term benefits, improving the legitimacy of the industry and the profile of individual water companies.

### Key considerations for Wessex Water:

- Consider all customer engagement activities as strands of evidence that can be brought into play during PR19.
- This means taking a strategic view on the type of insight that will demonstrate customer and stakeholder needs and actively looking for insight and evidence that may be relevant.
- Horizon scanning for social and economic issues and themes that could have increasing relevance in the region.
- Reviewing external research that has relevance to the water industry e.g. from think tanks, Joseph Rowntree Foundation (JRF), Economic & Social Research Council (ESRC), government, Citizen's Advice, Charities and consumer bodies (e.g. Which?, CCWater).
- Developing an insight hub internally so that emerging themes and sources are recorded and evaluated.
- Optimise use of the flexible section of the annual tracker and the quarterly panel surveys to provide insight on emerging themes.

## Develop customer insight based on multiple sources to provide evidence 'packages'

Another key recommendation from the UKWIR report is that companies should consider *triangulation*: using multiple sources of customer data (qualitative & quantitative research, consultation responses, revealed behaviour e.g. complaints and other operations data) to corroborate findings, particularly in relation to topics that are complex to research.

The benefit of this is twofold: companies can be more tailored in their approach to gathering evidence from different stakeholder and customer groups (avoiding a one size fits all approach); secondly this approach lends itself to a more balanced analysis of customers. An example would be developing a stronger presentation of the affordability context by drawing on insight from earlier social tariffs and Tariff trial research (where bill sensitivity was heightened by recent life events) – and adding this to the output of the literature review, tracking data and so on. So when planning for the next price review, it would be beneficial to develop some themes at the outset that are likely to be relevant during the planning cycle and develop these throughout the engagement – drawing on research and other sources of information.

### Specific considerations for Wessex Water:

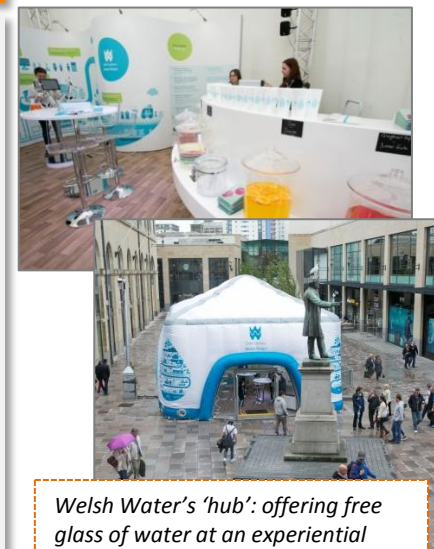
- Capture insight from all ad hoc and ongoing engagement and research that could provide a useful reference or perspective in future business planning e.g. capture customer data from campaigns (e.g. Salisbury Trial) as alternative evidence strands to support business planning.
- While Wessex Water has used multiple data sources in developing its business plan (including an initial literature review and customer service measures such as SIM replica survey data and Feedback cards) the 'Golden Thread' is less explicit in its published plan i.e. highlighting where customer views directly altered the shape of the business plan
- Greater use of 'open' consultation approaches: data from these activities was compared to sampled survey data and was found to corroborate findings, adding reliability to the engagement evidence.

## Incorporating wider consultation activities into customer engagement

Going beyond classic market research and using wider consultation techniques is an important means of engagement. It provides a broader and more open opportunity to engage with customers about issues and decisions which affect them (which links to the customer engagement principle of *accessible*). It also gives companies an opportunity to raise their profile amongst customers and develop their customer relationships (linking to the principle of *transparency*). Some water companies achieved thousands of consultation responses during PR14 via online surveys which were supported by campaign activity such as road shows and social media campaigns.

### Specific considerations for Wessex Water:

- Using wider consultation activities to generate customer feedback at the 'Revisit and Assure' stage of the process, thereby enabling many more customers to comment on the draft plan with its bill impacts. (NB: by using the same questions, data from online surveys completed by 'self-selecting' consultation respondents was compared to purposefully sampled survey data and found to corroborate closely).
- The UKWIR review noted that generally the wider staff body were not part of the engagement process – and yet they represent the organisation both in their work and home lives. Wider consultation approaches can engage staff too – having a positive impact on the internal culture.
- Incorporating wider consultation will require the development of a campaign strategy - including a visual identity – that is aligned to the wider business objectives.



*Welsh Water's 'hub': offering free glass of water at an experiential road show which captures thousands of responses to the business plan using iPads and paper completes.*

## Avoid 'false precision without validity'

Whilst the data provided by WTP is vital for cost benefit analysis within business planning, the UKWIR review challenges the industry to develop a new WTP instrument that conveys choices in a way customers fully understand.

### Specific considerations for Wessex Water:

- Support any industry initiatives to develop a customer-centric alternative to the complex stated preference questionnaire.

## Being explicit about how customers have influenced the plan

Ofwat required water companies to demonstrate how customers influenced the business planning process – referring to this as the Golden Tread. The PR14 Review concludes that some companies were more explicit than others in this respect.

### Specific considerations for Wessex Water:

- Show the development of the plan through iterative customer engagement – including clear examples of how customer views had had a tangible impact. Headline examples to emphasise very clearly how you have listened to customers.
- Develop a clearer narrative about how strands of customer data and insight have influenced the content of the plan: 'You said....We did...'

## Stakeholder engagement

The pool of national stakeholders e.g. national consumer bodies, environmental bodies, business representative organisations etc. is small. Latterly in the PR14 cycle, such organisation felt they had invested more than enough time to the water industry. Additionally, rather than using the same materials to describe the business plan to all audiences, irrespective of their expertise, companies should use stakeholder groups more strategically in the engagement programmes to support business plan decisions. The view of Expert stakeholders on complex areas should hold significant weight where the customer view is likely to be based only on a basic understanding of the implications.

### Specific considerations for Wessex Water:

- Consideration should be given to how Wessex Water engages with individuals who are sought after by many water companies (and who often sat on CCGs).
- Early (or ongoing) engagement is key. Potentially collaborating with other water companies (or pressing CCWater) to establish the policy perspective on the water industry from these stakeholder organisations .
- Differentiation should be made between Local stakeholders who could be termed ‘interested’ and those who are ‘experts’ who have a deep or rounded understanding of the decisions water companies are making.
- Wessex Water should decide how much weight it gives to stakeholder groups and make this clear in its use of customer and stakeholder engagement.

## Acceptability testing

The UKWIR review discusses the tension between prescribed approaches to customer engagement (regulator facing) and the need for more meaningful engagement (customer facing). Acceptability testing is a pivotal point in the process when company plans are likely to be compared using headline scores from acceptability testing research. In PR14 there has been a great deal of debate, mainly inconclusive, about the impact of methodology (e.g. 5 or 10 point scales, language and phraseology) on the final scores. For this reason the report recommends that the industry takes a consistent approach to acceptability testing in future.

### Specific considerations for Wessex Water:

- Adopt industry standard question approach: asked in the context of actual bill (or as close to actual as possible); uninformed and informed measures; using a 5 point scale with a further ‘don’t know’ option; using the following question structure: *Q. Overall, how acceptable or unacceptable do you consider [company’s] proposed plan for water [and wastewater] services to be?*



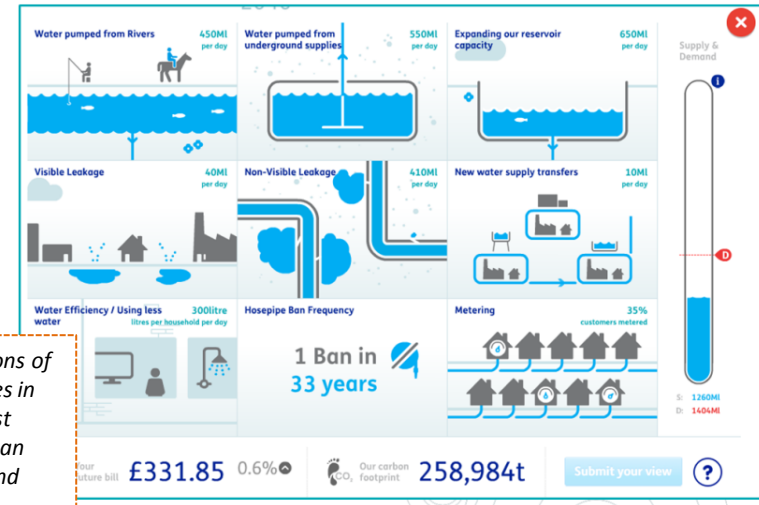
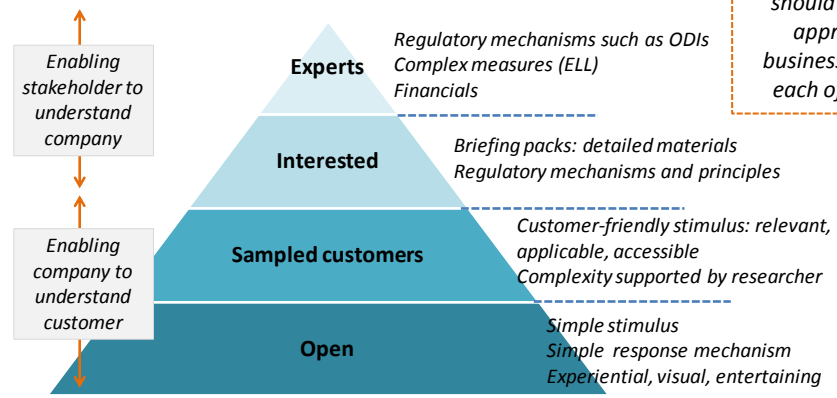
## Developing consumer-friendly research stimulus

The UKWIR review reported that companies need to tailor research materials according to the types of audiences they engage with based on level of interest and relevance (e.g. experts vs. lay-people). Furthermore, materials should go beyond describing the industry-centric problem or area of investment and should instead convey how the issue is relevant to customers. Some companies are leading the way in terms of developing clearer and more customer-centric means of communicating complex themes using animation, interactive games or visual aids to convey choices in a way customers understand.

### Specific considerations for Wessex Water:

- Engage with Waterwise who are currently working on gamification prototypes for the water industry
- Plan development and trial of interactive tool that can be adapted to business plan outcomes

*In future reviews, companies should move to more tailored approaches to conveying business plan content to reflect each of the target audiences.*



*Severn Trent developed an online tool which allowed customers to explore the implications of different choices in the area of water supply and demand. All options had consequences in terms of supply, demand and cost as reflected on bills. The tool implicitly models cost implications - a different approach from survey methods like WTP in that customers can effectively consider their water supply as if it was a product with different features and benefits that they can trade up or down.*



- 1 Develop a 'consumer insight hub' internally to gather published research that has relevance to the business. Include in this a directory of all research undertaken by Wessex Water and, ideally, capture emerging themes about customer needs, expectations and other observed consumer trends. This is then the foundation for a literature review at the beginning of PR14

Now
- 2 Develop a forward plan for customer engagement as this will ensure that ongoing research is fed into the early stages of the business planning process. Additionally, this will identify timelines for the activities below (actions 3,4 and 5)

Now
- 3 Plan for the inclusion of consultation activity – such as road shows and social media – to be part of the engagement programme for PR19. This will involve developing a campaign identity and communications strategy which will necessary for consultation engagement to be effective.

Planning for PR19
- 4 Involve staff as a key stakeholder groups in the engagement programme. In a sector that is putting customers at the centre of its long term planning, it is appropriate that staff (as ambassadors for the organisation) are consulted and informed during the price review period.

Planning for PR19
- 5 Develop an interactive online 'game' to support the research and consultation exercises for PR19 and specifically making the world or water more accessible to customers.

Planning for PR19
- 6 Emphasise the 'Golden Thread' more explicitly in the way customer engagement influences the business plan as it evolves. Additionally, demonstrate corroborating evidence to support the business plan.

During PR19

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