Value for Money

A report on Drivers of Satisfaction in the Water and Sewerage Industry

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Prepared for:

The Consumer Council for Water

Creative Research

Creative Research Ltd
43 Broadway, London W13 9BP

Phone: 020 8567 6974
Fax: 020 8567 6979

Email: creative@creativeresearch.co.uk
www.creativeresearch.co.uk

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1.1 Introduction

Consumer Council for Water's (CCW) tracking research consistently finds that although levels of overall satisfaction with their water company are high, when it comes to Value for Money (VfM), there is a gap – the VfM gap - of some 20 percentage points between satisfaction with service and satisfaction with the VfM of water and sewerage services. Ensuring that customers are getting good VfM is one of CCWater's five main priorities, as set out in its forward work programme[1]. With this in mind, CCWater is keen understand why the VfM gap exists and what steps water companies[2] can take to narrow the gap. Creative Research was commissioned to carry out research to provide insight into this.

A total of 21 workshops, each lasting between 2½ to 3 hours, were carried out during late September and October 2012. The sample included both domestic ('mainstream' and 'potentially vulnerable'[3]) and business (small and medium sized) customers. A further six in-depth interviews were carried out with businesses using more than 5,000m^3 of water each year.

The sample was structured to allow comparisons between:

- customers who are 'very satisfied' with the VfM of their water/sewerage services and those who are 'not satisfied' – are they judging VfM in different ways, what is driving their views?
- water companies with greater/lesser levels of overall satisfaction and larger/smaller 'VfM gaps' – are water companies doing different things that are driving these differences?

The research was carried out across eight of the nine water and sewerage company regions in England and also the water and sewerage company region for Wales. The South West Water region represents an outlier in relation to satisfaction with VfM of water and sewerage services. After discussion with CCWater, it was decided that customers of South West Water would not be included in the research sample.

The workshops and interviews covered three broad sets of issues:

- what VfM means to people irrespective of market sector and how perceptions of VfM differ from perceptions of satisfaction with service
- what VfM means in the utility sector and, in particular, how VfM is assessed in relation to energy and water and sewerage

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[1] http://www.ccwater.org.uk/upload/pdf/fwpengwale.pdf

[2] Throughout the report, the term 'water company/companies' is used as a shorthand for both water and sewerage companies (WaSCs) and water only companies (WoCs).

[3] 'Potentially vulnerable' customers are those who could be considered vulnerable because of income, age, illness, or disability.

- why there is a VfM gap for water and sewerage services and how water companies could set about narrowing the gap.

The findings are qualitative in nature and should be treated as broadly indicative of customer views and opinions. Nevertheless, care should be taken when generalising to the wider population of customers. The findings are best considered as hypotheses as opposed to definitive statements about the way customers think about the issues.

1.2 A Model of Value for Money

Five key dimensions were found to underpin perceptions of VfM and satisfaction with service, namely: price, quality, delivery, expectations and outcomes.

Although the same five dimensions underpinned both concepts, the importance of each varied. Price, quality and delivery were felt to be equally important in determining VfM while satisfaction with service was largely a function of delivery. In other words, when talking about what makes them satisfied with the service, respondents were mainly focusing on aspects of customer service.

The model of VfM put forward is based on the finding that VfM was seen to be derived from the appropriate balance between the quality of the goods and services, the way the goods and services are delivered, and the cost of the goods and services. Any combination of these three gives rise to a set of expectations and the extent to which these are met determines whether or not the customer feels they have got VfM.

However, VfM is a dynamic, fluid concept. It is relative, not absolute, and it varies according to a wide range of factors, for example, the intrinsic value the customer attaches to the particular goods and services and the customer's financial circumstances.

When it comes to VfM, a good relationship between the customer and the supplier can act as a buffer. In a situation where a supplier raises their prices, this is less likely to trigger shopping around or feelings of dissatisfaction in a customer who enjoys a good relationship with the supplier. Good customer relationships are built on mutual respect and trust.

Competition was universally seen to be a good thing in principle in terms of delivering VFM. However, in reality, competition can fail to deliver. The energy market was often seen as an example. A key finding was that while competition may result in lower prices, if this is brought about by reducing the quality of the goods and services or the way these are delivered, this is unlikely to result in customers feeling they get VfM.

The model of VfM held up across all the research audiences. Where there were differences, this was in the relative weight that was attached to the different dimensions. Thus, 'potentially vulnerable' customers, who were more likely to be on low incomes, gave more weight to cost over quality, reflecting the fact that they needed to make the little they had go as far as possible.

1.3 Value for Money in the Utility Sector

Telecoms providers were often nominated as examples of organisations that consistently provide VfM. In contrast, energy and water companies and local councils were almost never nominated.

The telecoms sector was perceived to offer customers considerable choice with products and tariffs that can be tailored to the customers' needs and suppliers which are felt to be open to negotiation. Services are bundled together in such a way that suggests to the customer they are getting 'free' extras. As a result, customers feel empowered and in control.

In contrast, council services were consistently seen as offering the least VfM. Despite a government freeze on Council Tax, the perception was that the cost is both high and increasing while, at the same time, services are being axed. The situation was made worse because residents and businesses have no choice over who supplies these services, they therefore lack any control and do not feel empowered.

Energy and water and sewerage were ranked somewhere between telecoms and council services. Those respondents who were 'very satisfied' with the VfM of their water and sewerage services, tended to rank their water company as offering better VfM than their energy supplier and closer to telecoms. In contrast, respondents who were 'not satisfied' with the VfM of their water and sewerage services, tended to rank it below their energy supplier and closer to council services. The research explored why this was the case in some detail.

1.3.1 Cost of the goods and services

For many customers, their water and sewerage bill is lower than their energy bill. Moreover, water bills were felt to increase less steeply and less frequently. Some respondents had switched to a meter and had seen reductions in their bill while those without a meter can use as much water as they like without this impacting on their bill. In contrast, not only were energy bills seen to be higher and constantly increasing, a lack of transparency means it can be very difficult to work out which supplier represents the best VfM.

Nevertheless, some respondents still considered that their energy bill represented better VfM than their water and sewerage bill. One of the main drivers was the fact that respondents had no choice over their water and sewerage supplier and their charges and so lacked any point of comparison making it difficult to know if their water bill represented VfM. In addition, some respondents felt that water was a 'free' resource and, while energy may be more expensive, they got better use out of it. Some customers, mainly those without meters, felt the method of charging was unfair as they felt that friends and neighbours in similar circumstances sometimes had much lower bills.

Many respondents were unaware that water and sewerage bills vary across England and Wales. Where a water company's average bill was lower than the national average, this sometimes suggested to respondents that their bill did represent VfM. However, where a respondent's individual bill was higher than the average bill for their water company, this sometimes suggested to them that their bill did not represent VfM.

Information about the cost of water and sewerage services expressed in terms of the daily cost per person (such as Yorkshire Water's *Ow much?* advert or the statement that the average person uses around 150 litres per day at a cost of less than 35p) caused some respondents to reassess their feelings about the VfM of their water and sewerage services; that is, they were more likely to feel they were getting VfM for the water and sewerage services they received.

1.3.2 Quality of the goods and services

The majority of respondents rated their drinking water as 'high quality' although they tended to overlook the waste water element of the service. However, they also acknowledged that the quality of their drinking water was something they tended to take for granted. In contrast, respondents felt it was impossible to judge the quality of their energy and, for this reason, most described it as 'acceptable'.

1.3.3 Delivery of the goods and services

The way service issues and complaints had been handled was often a major discriminator in determining feelings of VfM. Many respondents had experienced very few problems with their energy and their water and sewerage services, and so had limited experience of customer service. This meant it often did not appear on their radar and was taken for granted unless they had reason to question it. However, this meant that a single incident could have a profound impact on perceptions of VfM. There were a number of examples where respondents' feelings about the VfM of their water and sewerage services could be attributed to a single incident – sometimes going back 2-3 years or more. Some of these were positive – these were almost exclusively found among the 'very satisfied with VfM' customers. Some were negative – these were mainly found among the 'not satisfied with VfM' customers.

Although there was recognition that the water companies are upgrading an out of date network, concerns about water companies wasting water by not doing enough/ responding quickly to repair leaks was raised in all workshops.

Respondents often struggled to describe in any detail what is involved in delivering energy and water to their homes/businesses. They also had no clear idea whether it cost more to be supplied with energy compared to water. Nevertheless, a number of opinions were expressed about water that implies it should be relatively cheap to deliver, for example, that it is a free, natural resource.

Despite this lack of understanding, there was a mixed response to information about the water industry (see Figure 4). It was difficult for respondents to appreciate just what the huge sums of money being invested represent. While it can suggest the customer is getting a good deal for their money, it also raised lots of questions/doubts. Furthermore, there was a disconnect between some of the information and respondents' own perceptions. For example, if so much is being spent on upgrading the infrastructure, why are there still so many leaks and problems with flooding?

1.3.4 The value of customer relationships

Most respondents felt that they either had 'no relationship' or a 'distant relationship' with both their energy and their water companies. Although customers may be happy with an arm's length relationship, the research has also shown that a good relationship is a sign that the customer is getting added value and this is likely to impact on perceptions of VfM.

1.3.5 Self promotion

There was limited awareness of marketing/promotional materials from both energy and water companies. Low interest and a lack of willingness to engage meant that important messages may not get across.

Levels of awareness tended to be higher for messages from energy companies but the majority of these messages reinforced respondents' negative impressions (e.g. price increases). This more frequent marketing on the part of energy companies suggested to some respondents that they represent poorer VfM.

There was some (limited) awareness of water company bill inserts and leaflets about what they are doing/how they are spending their money. The main messages respondents recalled were in relation to droughts and hosepipe bans. Some respondents felt their water companies were usually pretty good at alerting them to planned disruptions.

1.3.6 Media representation

Respondents tended to hear/see/read more in relation to energy than water although, in both cases, coverage tended to focus on negative stories. In relation to energy, the focus was felt to be prices going up, profits, price fixing, cold calling, customers being switched without their agreement. In relation to water, the focus was said to be water leaks, drought, floods, and Victorian infrastructure.

1.3.7 Competition

Competition was generally considered to be a good thing and, in many cases, the lack of competition was said to be a driver of perceptions of lower VfM in the water industry even though bills are often much lower. Competition was felt to be failing in the energy sector (prices forever increasing, tariff complexity means it can be impossible to decide who offers the best deal) and there was a concern that, if competition was to be introduced into the water industry, the outcome would not be any different. This was true for both domestic and business respondents.

Only one business customer in the sample had any awareness that businesses may be able to switch water supplier; none of those already using >5000 cubic meters were aware they could already switch. Moreover, reactions to the information on switching (see Figure 5) were mixed. For example, although in principle, it was considered to be a good thing especially if it results in lower prices, some respondents felt prices might drop at first but would soon go in the same direction as energy – upwards. Some felt service standards may be reduced in order to achieve lower prices and this was not deemed acceptable by many.

The anticipated take-up among business respondents would depend on the savings to be achieved and some respondents assumed these would not be very large. While not ruling it out, a majority of the businesses in the sample felt they probably would not switch; some might adopt a 'wait and see' attitude.

Those businesses already eligible to switch expressed the same range of opinions. They felt they would need to be getting a saving of at least 5-10% before they would consider switching. Other than looking on the internet, none of them knew where they could go to find out more information.

The research suggests that the impact of competition on perceptions of VfM in the water industry will depend, in part, on the savings to be achieved. The model of VfM also suggests that if customers experience a fall in service quality and/or delivery, this is likely to offset any reductions in price.

1.3.8 Water company reputation

Respondents sometimes found it difficult to differentiate between their own personal opinions of their water company and its reputation in the wider community. In many cases, they were unable to comment simply because they had no idea what sort of reputation their water company had. There were a few exceptions to this although the findings need treating with caution as they are based on the comments of just a handful of respondents.

Where water companies were felt to have a more positive reputation, this often seemed to be linked to regional and local connections. For example, in the North East, Yorkshire and Wales there was a sense of regional or national identity and pride which the water company name played to. There was also a strong local connection in Birmingham with Severn Trent despite the fact that respondents often knew the water was from mid-Wales and the company is not named after the city or the wider region of the West Midlands.

1.3.9 Community involvement

Awareness of specific initiatives was usually very low and respondents often assumed that any large corporation gets involved with the community (i.e. it was a hygiene factor, organisations do not gain very much from doing it but could lose out if they are seen not to do it). There were mixed views on whether getting involved with the community impacts on perceptions of VfM – but a number of respondents in most workshops felt it did make them re-evaluate their views on VfM in a positive way. It is also likely to impact in a positive way on company reputation.

Again, there was some suggestion that localism is important – where respondents could identify with a particular initiative in their local area it generated a positive response.

1.3.10 Profits, ownership and corporate structure

It proved difficult to get respondents to engage with information about profits, partly because it is complex but also because they often had strongly held preconceived ideas. Some business respondents commented that profits were not as excessive as energy company profits and where a substantial proportion had been reinvested, this was welcomed. Nevertheless, the issue of water company profits was potentially a can of worms – it elicited strong views and it was difficult to get respondents to consider it in a non-judgemental way. It was not identified by respondents as a factor underpinning perceptions of VfM. Thus, supermarkets were often associated with VfM despite making large profits - so it may not impact directly on the perception of VfM unless it is brought to people's attention.

There was a preference for UK ownership with some low level concerns about overseas owners (are they less interested in what happens? do they divert resources/profits elsewhere?). The corporate structure adopted by their water company was largely an unknown and not a high priority for respondents. There was some awareness that Dŵr Cymru is a not-for-profit organisation and this was welcomed on the grounds that any profits are reinvested in the business rather than being paid out to shareholders/ investors. Questions of ownership and structure were not top of mind and were not felt to impact on perceptions of VfM.

1.4 The Value for Money Gap

1.4.1 Why is there a VfM gap?

Data collected as part of the recruitment process suggests that customers who are 'not satisfied' with the VfM of their water and sewerage services were also more likely to feel they did not get VfM from the energy and telecoms provider and their local council. This suggests that different people have different thresholds for deciding what represents VfM. This goes some way to explaining why there is a gap within all four sectors considered in this research (water, energy, telecoms and council services) although it does not explain why the gap for the water industry is larger than the other three sectors.

It became clear that the VfM gap in the water industry does not so much represent a perception that water and sewerage services are poor VfM but that respondents found it difficult to decide whether it was VfM. There were several reasons for this doubt including the fact that much of the service is taken for granted (especially the waste water element), the lack of choice of supplier, the lack of a benchmark or point of comparison and a lack of knowledge/ awareness of and understanding about what is involved in providing the service.

A few respondents were willing to consider a reduced level of customer service, largely on the grounds they have little or no experience of this in the first place. However, no one was prepared to accept a lower quality product in exchange for a lower bill and the majority would also not want lower standards of delivery either.

1.5 The Value for Money Gap in relation to the Value for Money Model

The findings of the research suggest that in relation to all three elements of the VfM model – **quality** of the goods and services, **delivery** of the goods and services, and the **cost** of the goods and services – there is a lack of information and/or understanding which may contribute to the VfM gap. In addition, much of what water companies provide to their customers is taken for granted and therefore not brought to mind when water customers are asked to evaluate the VfM of the service (see Figure 9).

The findings also suggest that many of the other variables that might influence perceptions of VfM (see Figure 10) are either not being fully exploited or currently serve to lower perceptions of VfM.

1.6 Reducing the Value for Money Gap

The research has identified a number of ways in which water companies could seek to improve their customers' perceptions of the VfM of the goods and services being provided. These are summarised below.

1.6.1 Quality of the goods and services

Water companies could take steps to promote the value of the high quality drinking water they supply together with an explanation of what goes on behind the scenes to provide it. They could also remind customers of the importance of waste water services. Currently, most customers tend to completely overlook this and yet it represents a substantial component of the service. It is also important for water companies to counter the notion that water is a 'free' resource.

1.6.2 Delivery of goods and services

A key priority here is to be visible in taking all necessary steps to reduce wastage and repair leaks. Albeit qualitative in nature, the research would suggest this is still a major concern among customers and one that strongly signals to them that water (and therefore money) is being wasted.

One of the key discriminators between those customers who were 'very satisfied' with the VfM of their water company and customers who were 'not satisfied' was in relation to customer service. Clearly, it is in the water company's best interest to ensure all issues are dealt with to the customer's satisfaction. For example, maintaining water company call centres in the UK rather than locating them offshore would be high on many customers' list of priorities.

1.6.3 Cost of the goods and services

A clear lesson from this research is that if the only way in which prices can be reduced is through a reduction in either the quality or the delivery of the goods and services, this is unlikely to be perceived by customers as representing VfM. The three key things that water companies could aim to do are:

- providing a concise explanation of how the money raised from customer bills is used (but see below Section 1.6.4)
- providing price comparisons which help customers evaluate whether their bill represents VfM especially in relation to the cost per person per day. Providing comparisons with other water companies will, by definition, only benefit those companies with lower than average bills however, all companies could make comparisons between, for example, the daily cost of water and sewerage services and other types of purchases, such as chocolate bars, soft drinks, or a pint of beer/litre of petrol
- providing proactive information and advice to help metered customers use less water and thereby reduce their bill and encouraging non-metered customers to switch to a meter where this is in the customer's interest.

1.6.4 Self promotion

Water companies could be more actively communicating to their customers to promote the idea that water and sewerage services represent VfM although it will be important to avoid being seen to waste money. This information may already be available, for example, on water company websites and it may already be shared with customers (a few mentioned seeing something included with their bill, for example). Research carried out by Creative Research earlier in 2012 (see footnote 10, p14) revealed that despite the fact that water companies provide information in a variety of guises, most customers were either unaware that it was available or found it was conveyed in an uninteresting way. This implies that water companies need to consider **how and when** they provide this information such that it is engaging and reaches the intended audience.

A theme that emerges from this research is for water companies to make connections at the **local** level. Although some of the water only companies cover relatively small geographical areas, the water and sewerage companies are responsible for large regions. The research suggests that they could be doing more to make connections at a more local community level.

1.6.5 Media representation

It was widely assumed by respondents that the only stories the media are interested in are 'bad news' stories. Moreover, it can be difficult for customers to differentiate between 'national' and regional coverage. For example, some respondents believed that they had a hosepipe ban earlier this year when, in fact, they did not.

While it may be difficult for water companies to have much impact on national news coverage, this may be an area where they could attempt to exploit media representation at a more local level and this would also enable them to target their communications more locally.

1.6.6 Customer relationships

Currently, most customers would say they do not have a relationship with their water company or, at best, they enjoy a distant relationship. Moreover, many of these customers would say they are happy with this state of affairs. Nevertheless, this presents an opportunity for water companies, especially in the longer term as and when competition is introduced. A good customer relationship can act as a buffer when a company puts up, or a competitor lowers, its prices.

This is not an easy, short term fix as it takes time to develop good relationships with customers and it requires an approach that puts emphasis on customer service with more frequent and proactive contact. However, those companies that make the investment are likely to find that they are in a better place to retain existing customers and gain new ones on the strength of personal recommendation[4].

[4] Household customers cannot change their water supplier at present, however, if at some point in the future they can, CCWater envisages a similar model to that for business customers where they would switch to an associate company of one of the current water companies, or a new licensed entrant to the market. i.e. they would not be able to switch from say, Thames Water to Severn Trent Water, which is what respondents were talking about potentially doing here .

1.6.7 Competition

The lack of choice was seen by many respondents to be one reason why they do not consider they get VfM from their water company. There was almost no awareness that some businesses can switch already and considerable inertia when they found out that they could. It was also clear that they had no idea how to go about finding out more about it other than searching on the internet.

Although competition was considered a good thing in principle, if the market is opened up to more competition, the impact this has on perceptions of VfM will depend on what happens in practice.

The research suggests that a 'low cost/low service' model is unlikely to result in a smaller VfM gap.

1.6.8 Community involvement

Many customers were interested in knowing more about what their water company is doing in terms of community involvement. It has the potential to tick a range of boxes – charitable giving, environmental responsibility, education, leisure. Each water company could be doing more to communicate the extent to which it is involved with the community. Once again, making connections at a local community level would be more effective than promoting what it does regionally.

1.6.9 Company reputation

Most, if not all, water companies had failed to register on their customers' radars i.e. they have little or no view on their company's wider reputation, at least as far as the respondents taking part in this research were concerned. This means they are vulnerable to unfavourable media reporting and to any isolated experiences (positive or negative) that customers can recall.

The sample sizes were small, nevertheless, there was some suggestion that where there is a clear link between a water company (for example, through its name, where it is known to employ local people – as reflected in regional accents) and its customers, this can work in its favour – yet another indication that 'local' is a strength.

As with building relationships, there is no quick or easy fix when it comes to building a positive company reputation, nevertheless by making improvements in other areas, this should have a knock-on effect. Examples include proactively helping customers save water and lower their bills, getting involved at the local community level, tackling wastage more rigorously, and so on.

1.6.10 Profits, ownership and structure

Dŵr Cymru has a distinct advantage with its not-for-profit status although it is questionable whether it is making enough of this. In this and other research projects, the level of awareness of its status and the benefits this might offer its customers was not widely known.

Raising the issue of profits, ownership and corporate structure anywhere else is likely to be counter-productive. Unless and until it is raised as an issue, it does not appear to influence people's views on what drives perceptions of VfM, as shown by the fact that supermarkets (which typically declare high profits) were invariably seen as organisations that consistently offer their customers VfM.

1.7 The Value for Money Gap: Differences between Water Companies

The size of the gap varies between water companies and this begs the question, is this because some companies were felt to be doing things differently?

Although there was a suggestion of differences for certain water companies (e.g. customers possibly feel stronger connections with the regional/national identities of Northumbrian and Yorkshire Water and Dŵr Cymru), there was no clear evidence to suggest companies were seen as doing particular things that result in bigger or small gaps. One of the reasons behind this was that most customers had very limited knowledge of their water company and what it is or is not doing.

The fact that the research did not identify any differences between different water companies should not be taken as evidence that no such differences exist. The research has shown that a key driver of perception of VfM is customer experiences of either good or poor customer service. This suggests that companies that enjoy a small VfM gap, especially those who receive the highest overall satisfaction ratings, are likely to have a larger number of customers who have had good customer service experiences. Conversely, those companies that have the largest VfM gaps, especially those that also receive lower overall satisfaction ratings, are likely to have a higher proportion of their customer base that have had negative customer service experiences. This is something that should be explored further (see below).

1.8 Next Steps

CCWater has been tracking domestic customers' satisfaction with VfM since 2006. It has also more recently started tracking business customers' satisfaction. This data could be re-analysed along similar lines to that used by the LGA (see footnote 9, p13). The hypotheses that the current research has given rise to could be tested quantitatively. If necessary, future waves of the tracking research could be adapted to capture additional information in order that the model of VfM proposed here can be validated.

The tracking data could be subjected to regression analysis to identify which variables are driving perceptions of VfM, whether there are differences between different 'types' of customer, and the extent to which the drivers or the strength of the drivers vary from one water company to the next.

For example, on the basis of the current research, one might expect that customers' experience of customer service will be a key driver of perceptions of VfM and that those companies that are seen to offer the most effective customer service, will have lower VfM gaps. The results of such an analysis should also confirm which approaches to reducing the VfM gap are likely to be most productive as it will reveal the relative 'weight' of the different drivers.

2 Introduction

2.1 The Value for Money Gap

Set up in 2005, the Consumer Council for Water (CCWater) is an independent organisation which represents the interests of consumers in the water industry and aims to ensure that customers receive high standards and value for money in relation to water and sewerage services. It has tracked domestic customers' satisfaction with the services they receive since 2006 and this has shown that levels of satisfaction with water and sewerage services have been consistently high with nine out of every ten customers stating they are either 'very or fairly satisfied'.[5] When it comes to value for money (VfM), although a majority of customers are either 'very or fairly satisfied' with this, there is a gap of some 20 percentage points between overall satisfaction with the service and satisfaction with the VfM of water and sewerage services. This gap has been found consistently over the period CCWater has been tracking customer perceptions. It has also been found in a tracker with small and medium sized enterprises (SMEs) conducted for the first time in 2011/12[6]. CCWater has some evidence that this 'VfM gap' can be found in other industries, in other words, it may not be unique to the water industry. However, the gap appears to be larger for water and sewerage compared to other sectors (see, for example, Figure 7).

It is likely that the gap is a function of a range of factors, such as:

- **Price:** clearly, the price being charged by the service provider is going to be one of the drivers. It is almost certainly no coincidence that South West Water, which has by far the highest water bills, demonstrates the largest 'VfM gap' (51% and 43% for water and sewerage services respectively). In contrast, Northumbrian Water has one of the lowest bills and the lowest 'VfM gap' (9% and 6% for water and sewerage services respectively)[7]. However, the size of the bill is not the only

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[5] http://www.ccwater.org.uk/upload/pdf/CCWater_Annual_Tracking_Survey_2011_FINAL_300512.pdf

[6] http://www.ccwater.org.uk/upload/pdf/Understanding_the_needs_of_SMEs.pdf

[7] Based on data provided on the CCWater website in relation to bill sizes (http://www.ccwater.org.uk/upload/pdf/Average_bills_briefing_sheet.pdf) and levels of customer satisfaction (http://www.ccwater.org.uk/server.php?show=nav.1349)

factor at work here. Severn Trent Water also has one of the lowest bills in the country and yet it also has a larger than average 'VfM gap' (24% and 22%).

- **Appreciation of the service being provided:** we know from previous research we have carried out on behalf of both CCWater and Ofwat that most customers have a very limited appreciation of the full extent of the services their water companies provide them with and this might also underpin the 'VfM gap'. A media campaign developed by Yorkshire Water attempts to inform customers of what they get for their money. Over the last four years, the CCWater tracker has recorded a 10% increase in VfM for water services for Yorkshire Water and it is possible the campaign has played a part in this. In a similar vein, the London Borough of Hammersmith and Fulham decided in 2007 that they were going to launch a communications campaign to emphasise the VfM of its services. They claim that in just two years, this resulted in a 23% increase in the percentage of residents believing they get VfM[8].

  An analysis by the Local Government Association (LGA) of residents' satisfaction with their council services and whether this represents VfM concluded that:

  "The strongest driver of 'perceived value for money' – and the primary driver of resident satisfaction with councils – is effective information about council services. Councils whose residents feel well informed about services are the most popular and vice versa."[9]

- **Company image:** the image conveyed about a company by the media may impact on customer perceptions of VfM; it is interesting to speculate what impact the recent Libor scandal has had on the perception of Barclays' customers in terms of whether they receive good VfM; more broadly, given the well documented bonus culture within the banking industry, it would be interesting to see if there is a 'VfM gap' among bank customers as well as the size of the gap. Again, we know from other projects we have worked on that customers often

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[8] http://www.idea.gov.uk/idk/core/page.do?pageId=12286188

[9] The key drivers of resident satisfaction with councils. LGA analysis of BVPI customer satisfaction data for all councils in England. LGA 2008; http://reputation.lga.gov.uk/lga/aio/1308005

express concerns about their water company making what they perceive to be excessive profits. Our observation is that people often seem not to appreciate why it is important for a company to make profits and do not understand where the profits go or what they are used for – it is often assumed that all of the money ends up in the pockets of the directors and shareholders. All water companies claim to take social responsibility seriously and yet it is likely that most water customers have limited awareness of this aspect of their work. Another reason why some water companies tend to have smaller 'VfM gaps' may be due to positive local media coverage relating to the companies' work in their local communities. In contrast, research we recently completed for Ofwat revealed that some forms of communication by water companies can be seen as 'PR puff' and may be perceived to be a waste of money[10].

- **Customer relationships:** the nature of the relationship a customer has with a supplier is likely to have a profound impact on how the supplier is perceived and this, in turn, is likely to relate to perceptions of VfM. In research we carried out last year for Ofwat[11], we found that while most customers were satisfied with the service from their water company, the relationship was at best remote.

2.2 Improving Service and Narrowing the Value for Money Gap

Ofwat has developed the service incentive mechanism (SIM) to improve the level of service that water companies provide. It is based on two consumer experience measures:

- a quantitative measure based on the number of complaints and unwanted contacts a company receives
- a qualitative measure (one based on the quality of the experience) derived from a consumer experience survey among a sample of customers who have had reason to contact their water company.

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[10] Empowering Water Customers. Customers' attitudes to information provision in the water and sewerage sectors, Creative Research 2012
http://www.ofwat.gov.uk/regulating/tools/consumerpolicy/rpt_com1209empower.pdf

[11] Domestic Water and Sewerage: Customers' Expectations of Service. Deliberative Research Findings, Creative Research 2011
http://www.ofwat.gov.uk/future/monopolies/fpl/customer/rpt_com20110406creres_fpl.pdf

These two measures aim to capture both the number of times a company fails to meet the expectations of its consumers, as well as the experience of those consumers. Ofwat will take account of companies' performance in the SIM when it next sets prices in 2014.

CCWater is concerned that the SIM does not reflect the views of the majority of customers who do not contact their water company and it bears no relationship to perceptions of VfM. It may also inhibit companies from trying to innovate because this could result in an increase in complaints and unwanted contacts. CCWater is currently trying to persuade the industry to adopt new incentive measures once the current price review is completed. Their preference is for an incentive based on the current qualitative SIM measure together with measures based on overall satisfaction and perceived VfM. With this in mind, it has commissioned research to explore perceptions of VfM and how these relate to satisfaction with service in the water industry and what drives these perceptions. The research is also intended to shed light on how companies can drive up satisfaction with VfM, thereby narrowing the ‘VfM gap’.

Creative Research was commissioned to carry out this research to provide insight into the relationship between satisfaction with service, perceptions of VfM and ways in which water companies might attempt to narrow the VfM gap.

2.3 Aims and Objectives

The overall aim of the research is to assist CCWater to develop a detailed understanding of the drivers of VfM in the water industry, together with ways in which water companies can try to narrow the ‘VfM gap’.

The business objectives are to understand:

- what drives satisfaction with VfM
- why someone can be satisfied with service but not with VfM
- how customers view services in VfM terms in competitive and monopoly utility industries.

The research objectives are:

- to explore what the concept of VfM means to consumers

- to explore what VfM means in the context of utility industries and what drives satisfaction and dissatisfaction with VfM of services in utility industries
- to explore consumer views on VfM of the water and sewerage services they receive
- to explore views on VfM of energy services
- to explore why VfM for energy scores are so close to those for water services although energy bills are on average higher
- to identify which, if any, utility services consumers do identify as good VfM
- to understand what other goods or services consumers perceive to be good VfM
- to explore what it will take to drive up satisfaction with VfM with water and sewerage services
- to explore the impact of the image or brand of the service provider on VfM
- to explore the effect of media coverage at local and national level on perceptions of water and sewerage companies, the services they provide and views on VfM
- to understand how awareness of the services they are paying for affects views on VfM and how the industry might better communicate to customers about how they provide their services
- to understand what else the industry can do to improve consumer perceptions and influence views on VfM favourably
- to understand if there are things outside the scope of the water industry which influence views on VfM – for example, changes in other bills or services which lead to a relative shift in the perceptions of water and sewerage services
- to explore consumer views on what might be a fair profit (within the context of VfM)
- do customers value water? in what context e.g. environmental, relatively low cost, other?

2.4 Research Method

A programme of qualitative research was carried out based on 21 workshops, each lasting between 2.5 and 3 hours, together with six depth interviews, each lasting up to 1.5 hours.

The sample was constructed to ensure sufficient coverage of:

- domestic customers – including 'mainstream' and 'potentially vulnerable' customers (defined as those in receipt of certain benefits/tax credits, and/or who struggle to pay their household bills, and/or who have themselves, or have a partner who has, a long term impairment/illness)
- SME customers – including
  - smaller (<50 employees) and medium sized businesses (50-250 employees)
  - those who use water mainly for 'domestic' purposes and those that rely on water for 'business purposes'
  - those currently using >5000 cubic meters of water (depth interviews).

The sample was also structured to allow comparisons between

- customers who are 'very satisfied' with the VfM of their water and those who are 'not satisfied'[12] – are they judging VfM in different ways, what is driving their views?
- water companies with greater/lesser levels of overall satisfaction and larger/smaller 'VfM gaps' – are water companies doing different things that are driving these differences?

The research was carried out across eight of the nine water and sewerage company regions in England and also the water and sewerage company region for Wales. The

[12] 'Not satisfied' customers were those who answered the question by selecting any of the following options: Neither satisfied nor dissatisfied, Fairly Dissatisfied, Very Dissatisfied or Don't know

South West Water region represents an outlier in relation to satisfaction with VfM for water and sewerage services. For example, the most recent tracking data (see footnote 5) shows that only 35 percent (water) and 39 percent (sewerage) of South West Water's domestic customers considered the service represented VfM. Moreover, only 10 percent of domestic customers were 'very satisfied' with the VfM of their water service (11% sewerage). Given that in each location we wanted to find groups of 'very satisfied' customers, this would have been a considerable challenge. Moreover, one of the aims of the research was to explore with customers different ways in which water companies could try to improve their VfM ratings. In all probability, respondents from the South West region would be so fixated on the higher cost of their bills that it would prove difficult moving such a discussion past the need to lower their bills. For these reasons, and after discussion with CCWater, it was decided that customers of South West Water would not be included in the research sample.

2.4.1 Domestic customers

Thirteen workshops were carried out with domestic customers. All of the respondents were responsible for paying their water and sewerage bill(s) either solely or jointly. In addition, in each workshop we recruited

- a mix of men and women, metered and unmetered supplies and a spread of bill sizes
- 2-3 respondents from each of the following lifestages: pre-family, family, post-family, and retired.

Nine of these workshops were among 'mainstream customers' and were drawn from SEGs ABC1C2 with a good spread in each workshop. Four workshops were among potentially vulnerable customers. Respondents were recruited from SEGs DE and included a mix of those with long term health issues and/or disabilities and those who struggled to pay their bills[13].

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[13] Social grade is a classification system based on occupation and it enables a household and all its members to be classified according to the occupation of the Chief Income Earner (CIE) as follows:
AB: high and intermediate managerial, administrative or professional occupations
C1: supervisory, clerical and junior managerial, administrative or professional occupations
C2: skilled manual workers

2.4.2 Business customers

The business sample was limited to SMEs i.e. organisations with fewer than 250 employees. Respondents were those responsible for paying the water and/or sewerage bills and handling queries and complaints with their water company on behalf of the business.

Eight business workshops were recruited to include a mix in terms of the nature of the business, the volume of water used (where known), the size of the annual water and sewerage bill (where known), and whether they were metered or unmetered.

In addition, these workshops were structured by number of employees and water usage:

- all businesses were using less than 5,000 cubic metres of water a year (this criterion was relaxed in the Peterborough area due to the higher proportion of businesses using more than this amount of water)
- half of the workshops were with 'small' businesses i.e. <50 employees, and the rest were with medium size businesses i.e. 50-250 employees
- some of the workshops were with businesses that used water primarily for 'domestic' purposes (e.g. drinking water, staff toilets) while others were with businesses that also depend on water for the nature of their business (e.g. a hairdresser, a farmer, a manufacturer).

In addition, six depth interviews were recruited with SMEs that use >5,000 cubic metres of water a year.

2.5 Perceptions of Value for Money and the Value for Money Gap

In seeking to understand what drives perceptions of VfM and why the size of the VfM gap varies from one water company to another, we felt it was important to look at this from two different perspectives:

D: semi and unskilled manual workers
E: state pensioners, casual or lowest grade workers, unemployed with state benefits only

- **in terms of differences between customers:** what leads some customers to be very satisfied with the VfM of the services they receive while others are less satisfied?

- **in terms of differences between water companies:** why is it that some water companies achieve low 'VfM gaps' while others experience much larger gaps?

2.5.1 Differences between customers

Although CCWater's tracking research suggests that overall levels of satisfaction are high, a closer examination of the data suggests that both domestic and business customers fall into a number of different groups.

Table 1: Levels of satisfaction with the VfM of water and sewerage services among domestic and business customers

	Domestic[14]		Business[15]	
	Water services	Sewerage services	Water services	Sewerage services
Very Satisfied	27%	27%	38%	38%
Fairly Satisfied	45%	46%	34%	34%
Neither	13%	15%	18%	15%
Fairly Dissatisfied	10%	9%	3%	4%
Very Dissatisfied	5%	4%	3%	3%
Don't know	-	-	4%	6%
Not Satisfied	28%	28%	28%	28%

Table 1 reveals that just over a quarter of domestic and nearly four out of every ten business customers are 'very satisfied' with the VfM of the water and sewerage services they receive. Some 45-46% of domestic customers and more than a third of business customers are 'fairly satisfied'. Interestingly, over a quarter of all customers are 'not satisfied'; that is, they answered the question by selecting one of the remaining answers. If we were to understand the drivers of satisfaction with VfM, we needed to be able to understand and account for the **differences** between those customers who are

[14] Source: http://www.ccwater.org.uk/upload/pdf/CCWater_Annual_Tracking_Survey_2011_FINAL_300512.pdf

[15] Source: http://www.ccwater.org.uk/upload/pdf/Understanding_the_needs_of_SMEs.pdf

already satisfied and those who are not. Our recommendation therefore, was to focus on the two ends of this spectrum and to recruit respondents who were either ‘very satisfied’ with the VfM of the services or those who were ‘not satisfied’[16]. Those who fell in the middle (i.e. say they are fairly satisfied) were unlikely to throw as much light on what drives this difference and, if anything, might muddy the waters as they are likely to share some of the views of both the other two groups.

2.5.2 Differences between Water Companies

We can map out the relationship between overall satisfaction and satisfaction with VfM by looking at where each water company sits in terms of four quadrants: A, B, C and D. (see Table 2).

Table 2: Relationship between overall satisfaction and the VfM gap

		size of ‘VfM gap’	
		small	**large**
overall satisfaction	**higher**	**A** good service and good VfM, that is, the size of the VfM gap is relatively narrow	**B** good service but not so good VfM
	lower	**C** not such good service but good VfM	**D** not such good service and not so good VfM

This reveals that there are differences between water companies both in terms of the overall level of satisfaction (higher/lower than average) and the size of the ‘VfM gap’ (higher/lower than average). Moreover, these differences are not the same for domestic and business customers and, in the case of water and sewerage companies (WaSCs), some companies fall into different quadrants in terms of their delivery of water and sewerage services. This is illustrated in the following tables (see Tables 3 and 4).

[16] In the Thames Water region, a third group made up of a mix of ‘very satisfied’ and ‘not satisfied’ domestic customers was recruited.

Table 3: Relationship between overall satisfaction with water and sewerage services and the size of the 'VFM gap' – domestic customers[17]

	small 'VfM gap'	large 'VfM gap'
higher levels of satisfaction with water services	A Northumbria Water (-11) Portsmouth Water (-15) Yorkshire Water (-15) Hartlepool Water (-16) Sutton & East Surrey Water (-16) Bristol Water (-17) Cambridge Water (-18) Dee Valley Water (-19)	B Wessex Water (-30) Sembcorp Bournemouth Water (-27) Dŵr Cymru (-25) Severn Trent (-24) Essex & Suffolk Water (-20)
lower levels of satisfaction with water services	C Affinity Water, formerly Veolia Water Central (-14), Veolia Water South East (-15), Veolia Water East (-17) South Staffordshire Water (-17) Thames Water (-18)	D South West Water (-51) Southern Water (-25) Anglian Water (-21) South East Water (-21) United Utilities (-21)
higher levels of satisfaction with sewerage services	A Northumbrian Water (-6) Yorkshire Water (-10)	B Severn Trent (-22) United Utilities (-19) Dŵr Cymru (-18)
lower levels of satisfaction with sewerage services	C Southern Water (-12) Thames Water (-14) Anglian Water (-15)	D South West Water (-43) Wessex Water (-21)

Among domestic customers, for example, some water companies (e.g. Northumbrian Water and Yorkshire Water for both water and sewerage or Portsmouth Water for water services) get high overall satisfaction ratings and have low VfM gaps while others have low overall satisfaction ratings and large VfM gaps (such as South West Water, Southern Water and South East Water). However, other companies have either high overall satisfaction ratings and larger than average VfM gaps (such as Wessex Water and Sembcorp Bournemouth Water) or lower overall satisfaction ratings but also smaller VfM gaps (such as Affinity Water and Thames Water). Some have larger VfM gaps for water compared to sewerage service e.g. Southern Water and Anglian Water.

[17] Source: http://www.ccwater.org.uk/server.php?show=nav.1349

Table 4: Relationship between overall satisfaction with water and sewerage services and the size of the 'VFM gap' – business customers[18]

	small 'VfM gap'	large 'VfM gap'
higher levels of satisfaction with water services	**A** South West Water (-8) Anglian Water (-9) Southern Water (-12)	**B** Dŵr Cymru (-25) Yorkshire Water (-23) Northumbrian (-23) United Utilities (-21)
lower levels of satisfaction with water services	**C** Wessex Water (-10) Thames Water (-11) Severn Trent (-12)	**D**
higher levels of satisfaction with sewerage services	**A** South West Water (-6) Anglian Water (-13) United Utilities (-13) Yorkshire Water (-18)	**B** Dŵr Cymru (-27) Southern Water (-23)
lower levels of satisfaction with sewerage services	**C** Northumbrian (-18) Thames Water (-18)	**D** Severn Trent (-24) Wessex Water (-22)

There are also some striking differences between the perceptions of domestic and business customers. For example, South West Water receives low overall satisfaction scores and has a high 'VfM gap' for both water and sewerage services among domestic customers whereas just the opposite is the case among business customers (high overall satisfaction ratings and low 'VfM gaps')[19].

In order to understand what is driving these differences, we needed to explore the views of the customers of those water companies that fall into each of these four different quadrants. This should help highlight what it is, if anything, that the water companies are doing that contributes to their larger or small 'VfM gaps'.

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[18] Source: http://www.ccwater.org.uk/upload/pdf/Understanding_the_needs_of_SMEs.pdf; data only available at WaSC region level, NB labels shown in the tables in the report do not always match the WaSC regional names e.g. North West rather than United Utilities.

[19] The finding of high overall satisfaction ratings and low VfM gaps among business customers in the South West was unexpected and contradicts other research among SMEs conducted by CCWater. Possible reasons for this are discussed in section 5.7. of the report (footnote 18). Further data is needed before one can confidently concluded that SMEs in the South West region are very satisfied with the service they receive and consider it represents VfM.

2.6 Sample Structure

2.6.1 Domestic customers

The 13 domestic customer workshops were structured as shown in Table 5 below.

Table 5: Domestic Sample Structure

		A higher levels of satisfaction with service and small VfM gap	B higher levels of satisfaction with service and larger VfM gap	C lower levels of satisfaction with service and small VfM gap	D lower levels of satisfaction with service and larger VfM gap
Mainstream	very satisfied with VfM	Yorkshire Water	Essex and Suffolk Water	Thames Water	Southern Water
Mainstream	not satisfied with VfM	Yorkshire Water	Essex and Suffolk Water	Thames Water	Southern Water
Mainstream	mix of very satisfied and not satisfied with VfM			Thames Water	
Vulnerable	very satisfied with VfM	Northumbrian Water			United Utilities
Vulnerable	not satisfied with VfM	Northumbrian Water			United Utilities

The research was conducted in a mix of locations including:

- Eye (rural Suffolk)
- Hastings
- Leeds
- London
- Manchester
- Newcastle.

2.6.2 Business customers

The business sample structure is set out below in Table 6.

The research was conducted in:

- Carmarthen
- Chippenham
- Hastings
- London
- Peterborough
- Solihull.

Two pilot workshops, one with domestic and one with businesses customers, were carried out in advance of the main fieldwork, which was carried out during October.

Table 6: Business Sample Structure

<table>
<tr><td colspan="2"></td><td>A
higher levels of satisfaction with service and small VfM gap</td><td>B
higher levels of satisfaction with service and larger VfM gap</td><td>C
lower levels of satisfaction with service and small VfM gap</td><td>D
lower levels of satisfaction with service and larger VfM gap</td></tr>
<tr><td rowspan="4">using >5000 cubic meters</td><td rowspan="2">very satisfied with VfM</td><td rowspan="2">Anglian Water
50-250 employees domestic</td><td rowspan="2">Dŵr Cymru
<50 employees domestic</td><td colspan="2">Wessex Water#
<50 employees domestic and business</td></tr>
<tr><td colspan="2">Severn Trent#
50-250 employees domestic and business</td></tr>
<tr><td rowspan="2">not satisfied with VfM</td><td rowspan="2">Anglian Water
50-250 employees domestic</td><td rowspan="2">Dŵr Cymru
<50 employees domestic</td><td colspan="2">Wessex Water
<50 employees domestic and business</td></tr>
<tr><td colspan="2">Severn Trent
50-250 employees domestic and business</td></tr>
<tr><td rowspan="4">using >5000 cubic meters</td><td rowspan="2">very satisfied with VfM</td><td colspan="2" rowspan="2">Southern Water#
as found</td><td>Thames Water
as found</td><td></td></tr>
<tr><td colspan="2">Severn Trent
as found</td></tr>
<tr><td rowspan="2">not satisfied with VfM</td><td colspan="2" rowspan="2">Southern Water
as found</td><td>Thames Water
as found</td><td></td></tr>
<tr><td colspan="2">Severn Trent
as found</td></tr>
<tr><td colspan="6"># Southern Water, Severn Trent and Wessex Water have lower VfM gaps for water services and higher VfM gaps for sewerage services.</td></tr>
</table>

2.7 Nature of the Discussions

The workshop and depth interviews started off looking at VfM across all sectors then focused on utilities before narrowing down to the water industry. They incorporated a deliberative element whereby information about the water and sewerage industry was shared with respondents to see to what extent this had an impact on perceptions of VfM.

A number of changes were introduced in the light of the pilot sessions. This was partly to save time (the sessions were over-running) but also to reflect initial learnings. In particular, during the initial discussion, a number of factors that might be considered to influence perceptions of VfM were not covered in subsequent sessions including:

- the cost of providing goods/services
- media representation
- profits
- self promotion
- community involvement
- ownership and corporate structure

These factors were never spontaneously used by respondents themselves when discussing what they understand by VfM and satisfaction with service; moreover, some issues, such as the level of profits an organisations makes, tended to evoke quite strongly held views which often had little bearing on VfM or satisfaction with service.

The first three factors were explored later in the sessions in relation to energy and water. Community Involvement was explored just in relation to water towards the end of the discussions. Profits, Ownership and Corporate Structure were only explored in relation to water if respondents raised them.

Copies of the topic guides and the stimulus materials are provided in the Appendices.

A range of verbatim quotes have been used to illustrate the findings in respondents' own language. Comments and questions from the moderator are shown in bold. Where a quote has been edited to improve the clarity, or where two quotes on the same topic have been combined from different parts of the discussion, this is indicated by the use of square brackets [ ]. Each quote is attributed in terms of whether it is from a customer who was 'very satisfied' or 'not satisfied' with the VfM of their water and sewerage services. In the case of the additional group among Thames Water customers which involved a mix in terms of levels of satisfaction with VfM, this is indicated by 'very satisfied/not satisfied'. The attribution also indicates whether a comment is from a domestic or a business customer and the location where the research was carried out. Quotes from potentially vulnerable respondents are further attributed as 'potentially vulnerable', while those from depth interviews with businesses using >5000m^3 per year are shown with '>5000 cubic metres'.

The findings reported here are qualitative in nature and, as such, should be treated as broadly indicative of customer views and opinions. Nevertheless, care should be taken when generalising to the wider population of customers. The findings are best considered as hypotheses as opposed to definitive statements about the way customers think about the issues.

3 Value for Money

3.1 Introduction

The first part of the workshops and depth interviews explored respondents' views on VfM in general without focusing on any particular sectors. This initial discussion included identifying:

- a range of types of organisations and suppliers that were felt to consistently offer VfM
- the main dimensions that were felt to underpin perceptions of both VfM and satisfaction with service.

The extent to which perceptions of VfM varied according to a variety of other factors emerged from this discussion. The value of building good customer relationships and the role of competition in delivering VfM were also explored.

Based on this part of the discussion, as part of the analysis and interpretation of the findings, a model of VfM was developed and put forward.

The key findings and conclusions are summarised below in Table 7.

Table 7: Summary of main findings and conclusions relating to VfM

1. When it comes to consistently offering their customers VfM the main contenders included supermarkets, other retailers such as John Lewis as well as online retailers such as Amazon, local independent businesses, 'value' stores and low cost holiday providers. Telecoms was a sector that was also associated with VfM. In contrast, there was almost no mention of local authorities, energy companies or water companies.
2. Five key dimensions were said to underpin perceptions of VfM and satisfaction with service, namely: a. price b. quality c. delivery d. expectations e. outcomes i.e. how consumers feel about the outcome of the transaction
3. Although the same five dimensions underpinned both concepts, the importance of each varied. Price, quality and delivery were felt to be equally important in determining VfM while satisfaction with service was largely a function of delivery. In other words, when talking about what makes them satisfied with the service, respondents were mainly focusing on aspects of customer service.

4. The model of VfM put forward is based on the finding that VfM was seen to be derived from the appropriate balance between the quality of the goods and services, the way the goods and services are delivered, and the cost of the goods and services. Any combination of these three gives rise to a set of expectations and the extent to which these are met determines whether or not the customer feels they have got VfM.

5. VfM is a dynamic, fluid concept. It is relative, not absolute, and it varies according to a wide range of factors including:
    a. the intrinsic value the customer attaches to the particular goods and services
    b. the customer's financial circumstances
    c. the importance/value attached to certain brands
    d. the 'ticket price'; there is a greater risk attached to more expensive items if these prove not to represent VfM
    e. whether something is being bought as a 'one off' or for short term use as opposed to something that the customer buys on a regular basis or for long term use
    f. prospective vs. retrospective perceptions; sometimes the true VfM of goods and services only becomes clear weeks, months or even years after they were purchased
    g. in addition, for business customers, the impact of the goods and services on their own business was a key consideration.

6. Good customer relationships are built on mutual respect and trust. Respondents felt that they were more likely to develop good relationships with smaller, more local suppliers compared to larger, national organisations. Important elements of such a relationship include:
    a. it is personalised, typically on a one-to-one basis and involves continuity
    b. the customer feels listened to and their needs are understood and acted on
    c. there is a dialogue between customer and supplier
    d. suppliers take ownership and resolve problems, are willing to go the extra mile and are seen as offering advice as opposed to a hard sell.

When it comes to VfM, a good relationship can act as a buffer in terms of the cost. In a situation where a supplier raises their prices, this is less likely to trigger shopping around or dissatisfaction in a customer who enjoys a good relationship with the supplier.

7. Competition was universally seen to be a good thing **in principle** in terms of delivering VFM. However, **in reality**, it was recognised that competition can fail to deliver. In particular:
    a. it does not invariably result in lower, more competitive prices
    b. larger companies can dominate smaller ones
    c. where a small number of businesses dominate a market, they can effectively act as a 'cartel'; the energy market was seen as a prime example of this
    d. conversely, where there are a large number of suppliers, it can be difficult for the customer to identify which one offers best VfM
    e. in some situations, where a single organisation markets itself under a number of different brands, this can result in 'sham' competition

f. some organisations adopt tactics that ‘confuse or trick’ customers about how competitive they really are.

A key finding was that while competition may result in lower prices, if this is brought about by reducing the quality of the goods and services or the way these are delivered, this is unlikely to result in customers feeling they have had VfM.

8. There was nothing to suggest that the dimensions underpinning perceptions of VfM or Satisfaction with Service differed across the different research audiences. Likewise, the same ‘model of VfM’ held up across all the audiences. Where there were differences, this was in the relative weight that was attached to the different dimensions. Thus, ‘potentially vulnerable’ customers gave more weight to cost over quality, reflecting the fact that they needed to make the little they had go as far as possible.

3.2 Organisations that are Perceived to Consistently offer Value for Money

At the start of the discussions, respondents were invited to nominate organisations that they dealt with that they felt consistently provided VfM. They were also asked if they had any examples of where they felt they had had exceptional VfM. This exercise was partly to warm respondents up to the topic but also to see what types of organisations were associated with offering VfM.

Their suggestions for organisations that consistently offer VfM fell into a number of categories. These are summarised in Table 6 below.

The most frequently mentioned category was ‘supermarkets’. In addition to pricing their goods competitively, supermarkets were nominated for a range of reasons including operating loyalty schemes, the degree of choice they offer customers including own label and lower priced ranges, and for having no quibble returns policies. Smaller, local suppliers were also frequently mentioned. As well as offering the convenience of being close at hand (e.g. a local garage), they were often associated with higher levels of customer service. The main example of the category ‘other retailers’ was John Lewis which was also associated with good customer service and a no quibble returns policy. A number of respondents nominated ‘value stores’ where the emphasis was primarily on lower prices.

Telecoms was another sector that was often nominated; not only was this associated with competitive prices, but it was also seen as one of the few sectors in which prices were felt to be coming down. In addition, customers had plenty of choice and services were often bundled together in a way that could suggest some elements were being offered ‘free of charge’. Customers also felt they were offered rewards (e.g. Orange

Wednesdays) and product upgrades, often at no additional cost (see Section 4.3 for a more detailed discussion of the telecoms sector).

A number of online retailers were mentioned and one of the benefits associated with this category was the relative ease of shopping around and comparing prices.

Table 8: Organisations that are perceived to consistently offer VfM

Category	Exemplars	Why they were nominated
Supermarkets	ASDA SAVING YOU MONEY EVERY DAY M MORRISONS Sainsbury's Try something new today TESCO Every little helps	• competitive prices/price matching • loyalty schemes • product range/variety • own label/ best value range • good returns policy
Independent organisations/ local chains	OSBORNES stationers Taylor ELECTRICAL	• competitive prices • prompt delivery • proactively bringing things to one's notice • good service • good aftercare • convenience (local)
Other retailers	John Lewis	• good customer service • good returns policy • range of goods
'Value' retailers	LIDL Poundland TK maxx	• very competitive prices/cheap • some lines as good quality as more expensive supermarkets/retailers
Telecoms	BT orange TalkTalk Phone and Broadband	• competitive prices/prices coming down • unlimited/free minutes • bundles of services including 'free' elements • ability to tailor the package to meet your needs • rewards, upgrades • reliable service

Online organisations	amazon.co.uk and you're done. GROUPON redspottedhanky.com	• discounted prices • easy to compare prices • prompt delivery
discount holiday providers	LateRooms.com RYANAIR THE LOW FARES AIRLINE	• very cheap deals • good standard of accommodation • upgrades
public sector	NHS Royal Mail	• there when you need it and free no matter what treatment is needed (NHS) • fixed price universal service (Royal Mail)
wholesalers/cash and carry/ distributors	BOOKER KUEHNE+NAGEL	• competitive prices • good quality control

'Discount holiday providers' were typically associated with the ability to find really good deals including, on occasion, unexpected upgrades.

A small number of respondents mentioned public sector organisations including the NHS (always available and at no cost) and the postal service (the ability to send something anywhere in the country at a fixed rate). Two respondents nominated their local council, although they were the exception; local councils were almost invariably considered to offer poor VfM (see Section 4.4).

Business respondents also included various examples of wholesalers they used as well as, in one or two cases, distributors.

Noticeable by their almost complete absence were:

- financial services: for example, banks and insurance companies were almost never mentioned
- energy companies: a business respondent nominated British Gas because they had recently negotiated a two year contract with a 15% reduction in their charges but this was an exception

- water companies: two respondents nominated their water company, one was a domestic customer and the other a business customer and in both cases this was linked to a switch to metering and a reduction in their bill

> *"We're on water meters in our factory, and although we don't use a lot of water, I just think it's damned good value for money, because it's taken us away from the old water rates as was." (Not satisfied; business; Solihull)*
>
> *"Mine dropped from £36 a month to £7." (Very satisfied; domestic; potentially vulnerable; Newcastle)*

Respondents often found it harder to come up with examples of exceptional VfM although, across the workshops and depths, a range of examples were put forward. These often involved getting goods or services at a much reduced price, for example, a £59 dress from M&S for just £2 or a 5 day cruise to Dublin for £300. A business respondent who runs a chain of estate agents described how Zoopla were trying to win market share from Rightmove by offering subscribers much reduced rates. He recognised that once they had acquired a large enough share of the market, their rates would go up; nevertheless, in the short term he felt they were offering exceptional VfM.

> *"Rightmove charge me £500 per branch per month plus add-ons to put my properties onto Rightmove. Zoopla are so aggressive in trying to take business away from Rightmove, they charge me £45 per branch per month." (Very satisfied; business; Solihull)*

There were also examples where respondents had been surprised at the way the organisation had responded to a situation. For example, one man described how he bought a ready meal from Waitrose on his way home one Friday evening only to find when he got home that the seal was broken. He phoned them up and pointed out he was both tired and hungry. They sent someone round with a replacement meal plus a complimentary bottle of wine and a dessert together with an apology. Another man described how he and his wife had been on a number of cruise holidays with P&O and they decided to book another cruise to celebrate their 25th wedding anniversary. Unfortunately, his wife broke her leg and they had to cancel the holiday. According to P&O's terms and conditions, if they rebooked a cruise in the following 12 months, all they would be charged was a £100 re-booking fee. When they checked their options, they discovered that the only places remaining were to destinations they had already visited. He contacted P&O expecting to lose his deposit but when he explained the situation, they agreed he could re-book more than 12 months ahead; moreover, he was not charged the re-booking fee and was given an upgrade on the original booking at no extra charge.

3.3 What Underpins Perceptions of Value for Money and Satisfaction with Service?

As part of the early discussions, respondents taking part in the workshops were invited to suggest the sort of things they associated with VfM. They began by writing their ideas on different post-it notes which were then shared with the rest of the group. They then undertook a similar exercise but this time focusing on the sorts of things that made them feel satisfied with the service an organisation provides.

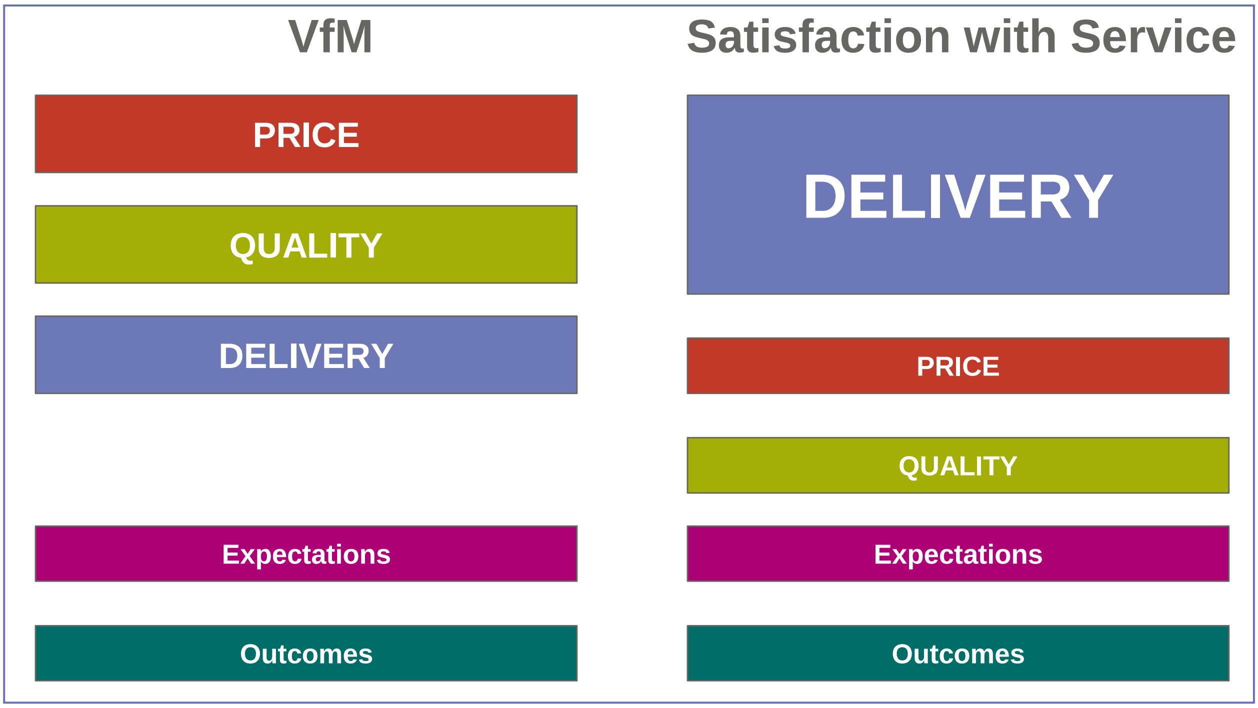
Their ideas were collated into a spread sheet and grouped into a number of themes. This revealed that there were five key dimensions underpinning both perceptions of VfM and satisfaction with service: price, quality of the goods/services, delivery of the goods/services, customer expectations and how the customer feels about the outcome. These are illustrated in Figure 1.

Figure 1: 5 key dimensions underpinning perceptions of VfM and Satisfaction with Service

Price	• competitive, affordable, fair • bargains, offers, deals, discounts
Quality	• meets your needs/does the job • robust, reliable, guaranteed, reputable brand • ease of use/operation • how much you get for your money • choice/availability
Delivery	• good customer service, speed, accuracy • appointments/deliveries • after sales and returns policy, problem resolution • attitude of staff • knowledge of staff • communications: accessible, UK call centres, ownership of problems • transparency and honesty • loyalty and relationships
Expectations	• being met or exceeded
Outcomes	• happy/satisfied • money well spent, a price worth paying • not feeling ripped off • happy to return/recommend to others

While the same five dimensions were used when talking about both VfM and satisfaction with service, there was a striking difference in the frequency with which the different dimensions were applied. In the case of satisfaction with service, almost three-quarters of all suggestions came under the heading of the way the goods and services are delivered. In other words, when thinking about what makes them satisfied with the goods or a service, respondents focused on aspects of **customer service**. In contrast, when talking about what VfM means to them, respondents gave more or less equal weight to three of the dimensions: price, quality and delivery – in each case, approximately 30 percent of suggestions fell into that category. This is illustrated in Figure 2.

Figure 2: What is the difference between VfM and Satisfaction with Service?



3.4 The Meaning of Value for Money

In addition to the post-it note exercise, respondents discussed what VfM meant to them in some detail – for example, the relationship between VfM and the price one pays, the relationship between VfM and the quality of the goods and services – as well as the difference between feeling one has got VfM and being satisfied with service.

3.4.1 The relationship between VfM and Quality

Respondents acknowledged the truism that one 'gets what one pays for', in other words higher quality goods and services attract higher prices.

> *"I've got this saying going around in my head what my mum used to say, 'you only pay for what you get'. I think if you pay that little bit more, you're going to get that little bit better. It's not always the case but you hope it is going to be better." (Very satisfied; domestic; potentially vulnerable; Newcastle)*

> *"It's a kind of balance between the price and the quality of the item. So if it's a quality item that you need or even if you just want it, it's worth paying that for that item." (Very satisfied/not satisfied; domestic; London)*

This is as true for toilet rolls as it is for cars.

> *"I think like tissues or toilet roll and you buy really cheap tissues, you tend to need more…*

> *…Yes absolutely and because there's less on the roll as well…*

> *…So they don't last as long and you have to go and buy some more." (Very satisfied/not satisfied; domestic; London)*

> *"I drive a BMW 3 series and previously before that, my fiancé bought me a Clio and I had nothing but grief." (Very satisfied; domestic; London)*

Most customers would aspire to purchase high quality goods and services. Some respondents considered the quality of the goods/service as something they would willingly pay extra for.

> *"I would go for the higher quality and strive heaven and earth to go for the higher quality whether it meant I had to go without for two or three weeks to save up enough money to get the higher quality because that'll last and in the long run will be cheaper than going for cheaper quality, but that's my perspective on life." (Not satisfied; domestic; Eye)*

High quality Low quality Acceptable quality A quality that is higher than you would expect for the price

When asked which of the following terms they associated with VfM, 'high' and 'low quality' were rarely used. Many opted for 'a quality that is higher than you would expect for the price', although, as some acknowledged, this implies it is exceeding one's expectations and would therefore represent exceptional VfM.

> *"That is almost like getting a lot of value for money…*

> *…It's almost a bonus, isn't it? The perspective is you are going to get what you think you are paying for." (Very satisfied; domestic; London)*

The trade-off that most customers make involves opting for goods and services that represent ‘acceptable quality’.

> *“My perception is that it’s value for money if the tomatoes you buy taste more tomatoey even if you’ve paid more for them. What isn’t value for money is buying cheap tomatoes that just taste of refrigerated mush.” (Not satisfied; domestic; London)*

> *“I think it doesn’t matter what your product is, it’s got to be an acceptable quality. It’s no use having a low quality and if you want a reasonable price you’re not going to get a high quality item at a decent price, it’s going to be high end price.” (Very satisfied; domestic; potentially vulnerable; Newcastle)*

> *“Obviously a quality that’s higher than you expect for the price is the ideal but I think acceptable quality is what you’re looking for.” (Not satisfied; business; >5000 cubic metres; Hastings)*

3.4.2 The relationship between VfM and Satisfaction with Service

As with the quality of the goods and services, some respondents considered customer service (delivery) as something they would always pay more for while others were more selective.

> *“Sometimes I’d rather pay a little bit more but I know I’m getting something really good quality. Good customer service, no quarrels, no questions asked, if something has happened you’re not happy with, they sort it out there and then. They’re reliable and getting the best deal.” (Not satisfied; domestic; Hastings)*

> *“Yeah the garage where I buy petrol from the guy – he is really rude but I don’t care, it’s cheap.” (Not satisfied; domestic; potentially vulnerable; Manchester)*

> *“I think in my experience I’ve found that sometimes I would be prepared to pay more if I got a better service…*

> *…[ ] Yeah I agree. Even if something was a little more expensive I’d rather pay a couple of quid whatever it is, with someone who’ll look after me.” (Very satisfied; business; Chippenham)*

One of the aims of this research was to understand the relationship between perceptions of VfM and being satisfied with the service one receives. When asked about how the two are related, the starting point of the discussion was for them to be seen as closely related. As noted earlier, satisfaction with service was mainly associated with the way goods and services are delivered, in other words, customer service. VfM is broader than this and also encompasses the Quality and the Cost of the goods and services. Where Quality, Delivery and Cost match up with expectations, a customer will feel both satisfied with the service and that they have got VfM but where they are not appropriately balanced, the outcome will be different. For example:

- **the customer is satisfied with Quality and/or Delivery but not Cost**; in this situation the customer is likely to be satisfied with the service but nevertheless feel they are not getting VfM

"I went to a really sort of expensive restaurant and the food was, the service was excellent and the way all of it was presented, but it just wasn't worth the money. The service was absolutely incredible but I wouldn't do it again. [ ] The opposite would be in the Vietnamese restaurant where the service can be absolutely terrible, you've got to sort to beg someone to bring the food to you, but it's fantastically cheap." (Very satisfied; domestic; London)

- **the customer can be satisfied with Cost and/or Quality but not Delivery**; in this situation, there has to be a sufficient cost saving to offset the poor customer service before the customer is likely to feel they are getting VfM. Budget airlines were the most frequently mentioned example and it was interesting to note that some respondents were happy with this trade-off while others were not.

"The quality of hostessing or whatever on board might not be too good but the actual bums on seats, low cost is what's getting you there." (Not satisfied; domestic; London)

Well I hate to use it but Ryanair is a classic example of that. You feel as though he hates the people who are his customers but he does give them a great price. [ ] But that doesn't take away from the fact that it's probably the cheapest around. So the two don't necessarily go hand in hand." (Very satisfied; domestic; Eye)

"But you can have value for money and not be satisfied with the service. I hate going to Ikea, I find the whole experience of going to Ikea really stressful, but I come home with the stuff and once I'm home with it, once I'm out of Ikea, I'm happy with all my stuff and I think it's good value for money and everything." (Very satisfied; domestic; Leeds)

- **the customer can be satisfied with Cost and/or Delivery but not Quality of the goods or services**; in this situation excellent customer service and a competitive price are unlikely to result in the customer feeling they were getting VfM.

""I wouldn't say I had value for money I think because overall, my expectations weren't entirely met by the car itself, but the dealer was quite good, so in terms of the customer service and that side of things they were very, very good. But in terms of the product, I wasn't too happy." (Very satisfied/not satisfied; domestic; London)

3.4.3 The Relationship between VfM and Cost

It is important to recognise that while VfM is not associated with paying high prices, it is also not achieved by paying low prices. When shown the following descriptions and asked which they associated with VfM, almost no one selected the first two options.

Low prices High prices Affordable prices Competitive prices Fair prices Money well spent A price worth paying

> *"I just wanted to say in terms of places like Primark, you can buy [ ] say a top, you can wash it once and it will shrink or it will go disgusting after a few washes and then you've got to chuck it away, so it's not good value for money. But then designer stuff is just too high a price and probably the quality isn't as you might expect. So I think going back to what you were saying about wines, I think it's kind of somewhere in the middle is probably really good value for money because you get the quality and you get the good price or a kind of reasonable price." (Very satisfied; domestic; London)*

The exception to this was some of the potentially vulnerable respondents for whom 'low prices' could be seen to represent VfM.

> *"Primark is value for money, the clothes. But it's not good service, you are rushed, you are queuing for ages, it's not good service but you are not paying for good service, you want cheap clothes." (Not satisfied; domestic; potentially vulnerable; Manchester)*

All of the remaining five descriptions were felt to imply VfM, however the last two tended to be selected more often. Interestingly, these two descriptions are not just related to the price paid but also to how the customer **feels** about the purchase. In other words, it relates to the overall Outcome (see 3.4.4).

> *"I think 'money well spent'. If you are really happy and satisfied, you think, 'oh, that's money well spent'." (Very satisfied/not satisfied; domestic; London)*

> *"I think 'a price worth paying', because I decide then if the price was worth paying. I'm satisfied with the goods, I'm satisfied with the service, that's it." (Not satisfied; domestic; Eye)*

One respondent made an interesting observation in terms of deciding if something represents VfM which was to think about how much it costs on a daily or weekly basis over the lifetime of the goods or services (this ties in with the findings relating to telling water customers how much the service costs per person per day, see Section 5.2.4)

> *"If you bought a washing machine for X amount and you had it for 10 years and you broke it down into how much money you've had it for paying by week and it was £1 a*

week you'd think it was value for money." (Not satisfied; domestic; potentially vulnerable; Newcastle)

A key requirement when it comes to assessing the VfM of goods and services is the ability to compare prices in a meaningful way.

"Well you've got nothing to base it against if you don't perhaps know a range of prices." (Very satisfied; domestic; Eye)

"It's if someone's got a monopoly, specifically within my industry only a certain person can supply. They might give me blinding service but at the back of my mind I'm thinking, 'well, I can only get it from you and I'm not too happy about that'. How do I know it's better when I haven't got any other option? I haven't got an alternative." (Very satisfied; business; Chippenham)

"It'll affect the perception of what's value for money because you can't work it out, is the simple answer." (Very satisfied; business; Peterborough)

Special offers and promotions, such as BOGOF ('buy one, get one free'), and sales were generally perceived to offer VfM because in most situations, **the quality of the goods and services and the way they are delivered remains unchanged and it is only the cost that has been reduced**.

"I think clearance sales are great. I think sales in general are good as long as the price that they are saying that they've cut is actually the price that they were originally at, which sometimes is a bit of a con." (Very satisfied; domestic; London)

"Buy one get one free on certain items…

…I think that's good…

…Or buy one get the next one cheaper, or pay for the dearest one only…

…Half the price. You could more or less stockpile it depending on the life of stuff." (Not satisfied; domestic; potentially vulnerable; Newcastle)

Having said this, respondents were also aware that suppliers could use such promotions to encourage them to spend more than they otherwise would.

"Well I just shop for the two of us unless I've got grandkids and the family coming and things, for example two punnets of strawberries for the price of one, is more strawberries than the two of us can eat particularly because they don't seem to last. Why can't they just give me them half price or a small punnet?" (Not satisfied; domestic; London)

"How about things though like Buy 1 Get 1 Free? Do you see that as value for money?...

…I think I do at the time but then when I look back on it, it's false economy isn't it because you're buying more than what you really want?…

…The only exception to that is if it's stuff you're actually going to use. If it's fresh food, if you're not going to consume all that then you're wasting your money. But if it's something you're going to use anyway then there's maybe an advantage to it. But to me,

if they're going to offer buy one, get one free, then why not reduce the price of one by half? Let's pay the real price for it." (Very satisfied; domestic; Eye)

There was also a degree of suspicion associated with organisations that seemed to constantly be advertising sales offering large price reductions.

"It's the whole DFS question sort of thing, isn't it? It's like a constant sale. It's like it was never worth that to start with if every time we do a round, it goes down to half price…

…So that is a good example, DFS, I guess the only time most of us see them is when you get these adverts and they've got these mega sales on, but interestingly enough it might not say to us their offer is value for money...

…No it just says, 'look, these are quite cheap prices', but it doesn't say it's value for money, jump in there quick." (Very satisfied/not satisfied; domestic; London)

A particular cause of annoyance was where a supplier was perceived to offer special deals to new customers which are not available to existing customers.

"They are trying to bring them in and as an existing customer I always think it's not fair because I'm the one who is paying it, why should the newbie's come in and - do you know what I mean?" (Very satisfied; domestic; London)

However, the fact that an organisation lowers its prices is no guarantee the customer feels they have got VfM. Providing the quality of the goods and services and the way they are delivered is unchanged, and providing the supplier is not charging uncompetitive prices to begin with, it was felt that this was likely to result in the customer feeling they were getting VfM. For example, larger organisations might operate on lower margins than smaller competitors to enable them to offer the same goods or services at a reduced price.

"I think it's what you were saying actually earlier on about Wetherspoon's, that's a classic example of value and it's not because their products are any worse. It's because they are able to buy, especially with beers, they are able to buy in such bulk and make their prices cheaper. You are getting quality beers and whatever but they are not inferior quality drinks, they are just cheaper because they can afford to buy in bulk and retail them cheap." (Very satisfied; domestic; London)

Respondents were very aware of circumstances where a lower price would not result in VfM either because the quality of the goods or services is also lowered or the customer service is poor or non-existent or the customer simply gets less for their money.

"It might've been overpriced to start off with…

…Yeah they might be lowering the quality of the product just to appeal to us to buy." (Very satisfied; domestic; Eye)

"It's often that they've cut their staff to give this lower price and things like that so the actual people that are working in them are expected to work doubly hard and still have a smile on their faces which is not always there." (Not satisfied; domestic; Eye)

"Mars Bars are smaller." (Not satisfied; domestic; potentially vulnerable; Newcastle)

Respondents were also wary of organisations that offered lower prices to win their custom, only to then find prices increase; insurance was felt often to be an example of this.

"I used to be a manager at Direct Line before I was made redundant and what they used to do is they used to roll out these adverts on telly and they used to give it to us about these cross sale and things like that. And what I found is that when it came to the renewal of insurance policies, people were like, 'my god, my policy has gone up so much'. And it's not that, it's just that they gave you all these discounts to start with for new business and then you are kind of tied in, do you know what I mean?" (Very satisfied; domestic; London)

"Virgin - I thought I was getting a good deal because the promotion was for £36 per month and I thought it was a great deal but it turned out to be just for the first six months and then it went up to £52.00 and I could have got a much cheaper one which stayed at the same price, so that promotion was quite misleading." (Not satisfied; domestic; potentially vulnerable; Manchester)

3.4.4 The relationship between VfM and Expectations and Outcomes

Unless they are trying a new supplier or particular goods or services for the first time, customers normally know what to expect. This might be in relation to the supplier they are going to use or the goods and services they are going to buy.

"I prefer to shop at Sainsbury's, which I know is more expensive than Asda but I feel like I have a more pleasant experience. So I get better value for money even though if I consider the price, I don't think it's as good value for money as Asda. So it depends what you want on that day and if I'm feeling a bit broke, I'll go to Asda and if I'm not, I'll go to Sainsbury's, but either way I'm happy with, I'm satisfied because I've made that decision." (Very satisfied/not satisfied; domestic; London)

A number of examples were given of choosing different types of restaurants and the expectations associated with this choice.

"Well, I think it's your perceived kind of experience. I think that it's important and, you know, if you wanted to do something special, like, I mean, you can go eat in a Morrison's cafe for three quid, and have their famous fish and chips, but sometimes you go to an expensive restaurant and you put value on that because maybe you're taking someone out and you're having a good time. And it's kind of the whole ambience, but you'll still think that's good value for money even though it cost you 10, 20 times as much, because the whole experience was really nice. Whereas you went to the Morrison's cafe just because you needed food, whereas there was an experience associated to that." (Not satisfied; business; Solihull)

"You know, you look at the superb service you get when you go to a 5 star hotel or a Michelin guide restaurant is always going to be different from going to the local chippie. You're paying, that's not necessarily value for money but it's what you're prepared to pay to get the good food and the service so I mean there is a difference between the two. But it's got to be relative, you know you go to a 5 star restaurant or hotel that you are paying for that service and you are paying a higher amount and therefore you should recognise if you're being … So I think you've got to know it's value for money for what you're prepared to pay." (Not satisfied; business; >5000 cubic metres; Hastings)

Where the customer's expectations have been met, or in some cases, exceeded, this has an emotional impact and results in feelings of satisfaction.

"I think you'd come away from getting something buying the goods or service and feel good about it then you've got value for money, haven't you? You feel you've come out with a good deal. I think the thing is these days everybody's looking for a deal." (Very satisfied; domestic; Hastings)

"That cushy feeling (laughs). It's hard to explain really, you just feel that, you know if you've bought something and it's been a good experience you feel better about yourself, it doesn't matter what it is. It's like you can go into the hairdressers, if you come out feeling you've had a nice hairdresser, good head massage, did what you wanted, you come out feeling a million dollars. If you go in, they're grumpy, you know you might still look good but you just feel a bit low." (Not satisfied; business; >5000 cubic metres; Hastings)

"Well from my point of view, value for money means I'm satisfied, I know I got a good deal, I'm happy…

…[ ] Feel good factor could probably go alongside that. If you think you've got value for money you're going to have a feel good factor." (Very satisfied; business; Solihull)

These positive feelings are likely to result in customer loyalty and repeat purchases as well as customers recommending a supplier to others.

"Like if you've been given good service or you've paid for something that you think was worth it then you're going to go back or you're going to get good service I think." (Very satisfied; business; Carmarthen)

"I've got 'something that prompts me to go back for more'." (Very satisfied; business; Solihull)

"I just kind of put value for money for me really is something I'd tell someone else about, do you know what I mean?...

…[ ] Value for money and you would go back, you would buy it again." (Very satisfied; domestic; London)

3.5 A model of Value for Money

The findings suggest a model of VfM (illustrated in Figure 3) in which perceptions of VfM are a result of the balance or trade-off between the cost of the goods and services, the perceived quality of the goods and services and the way those goods and services are delivered. For any combination of cost, quality and delivery, there are a set of expectations. For example, if one chooses to eat lunch in a ‘greasy spoon café’ there will be a set of expectations associated with this experience and these will be very different from the expectations one would have about having lunch in a Michelin star restaurant. The extent to which these expectations are met will determine whether the customer feels they have had VfM. Where the experience does not live up to expectations, the customer will conclude it was not VfM and where one’s expectations are exceeded, the customer is likely to feel they have experienced exceptional VfM.

Figure 3: A model of VfM

While the model suggests that VfM is relatively straightforward, in reality, it is a slippery, fluid concept which is difficult to pin down. It is a relative not absolute concept, it varies from one individual to the next and it can vary for the same person depending on the context. The impact of a range of factors is outlined below.

- **the intrinsic value** of the product/service; different goods and services are associated with a higher or lower intrinsic value and this will vary from one individual to the next. The following quotes illustrate this with a range of examples from pasta to guitar strings.

  “I think it depends on the product and the person as well. So I would pay for more skin care, but I wouldn’t pay more for pasta, pasta is pasta. So it depends what you get from that product.” (Very satisfied/not satisfied; domestic; London)

  “Guitar strings. I spend over the odds on them because I don’t want them to break, I just don’t want them to break. I spend whatever they are, it’s as simple as that, I’m prepared to fork out on guitar strings.” (Very satisfied; domestic; London)

"I'd go for the higher priced thing as it would last longer…

…Depends what you're buying. Clothing, I'd go for the higher one because it would last longer. But food and stuff you'd think - I don't know…

…Because you use it immediately yeah. M what were you going to say?...

…I would almost say the exact opposite. If it were clothing I'd go cheap because I know I'm going to wear it at work and I'm going to mess it up. I might like slightly better food." (Very satisfied; domestic; Eye)

Some goods and services were perceived to be largely commodities; there was felt to be little differentiation in terms of quality or delivery and, as such, they would be chosen largely on the basis of cost alone. Both energy and water were sometimes referred to in this way.

"It depends what product you're getting. Like water that's coming out of a tap or electricity out of a plug, I just want the cheapest but stuff I want to be pampered with, I want to feel like I am getting good service." (Not satisfied; domestic; potentially vulnerable; Manchester)

- **the customer's financial circumstances;** although just about everyone would aspire to buy high quality goods from organisations that offer excellent customer service, in reality their choices are constrained by their financial circumstances.

"So it just depends on what actually you're buying and your circumstances at the time when you need it, you know what I mean?...

…That's what I was just about to say, yeah…

…If you can only afford the cheaper one, obviously you're going to buy that one, aren't you?" (Very satisfied; domestic; potentially vulnerable; Newcastle)

"It was like having a pay rise when Netto came to town because you're saving so much on your food bill." (Very satisfied; domestic; potentially vulnerable; Manchester)

"If I've got to buy something, I'll go for the cheapest thing I can get that does the same thing…

I shop around. To me money is the most important thing. I haven't got money to go to a posh restaurant. If I can get the same meal somewhere else cheap, then that's more important to me than going to spend a lot of money…

…Yeah, I agree…

…If I go shopping and I find a supermarket own brand product that does the same thing as a brand name, I'm happy with that, I'm satisfied." (Very satisfied; domestic; Eye)

- **the importance attached to certain brands**; certain brands were more likely to be associated with better quality goods and services that are more reliable and last longer and therefore represent VfM.

"I think if you've bought a Sony TV compared to a bog standard TV, the Sony one's going to last you a lot longer than the cheapest…

…Would that make it value for money?...

…It would really." (Not satisfied; domestic; potentially vulnerable; Newcastle)

In contrast, there was very little discussion around the emotional value of brands, the following quotes being an exception.

"Again it's all the brand name, isn't it? I mean people buy a Honda because they expect a high quality product…

…[ ] A lot of people are swayed by kudos as well. If they see a brand name, it's cool to have that brand name, you know they've got to have this particular or that particular handbag." (Not satisfied; domestic; Hastings)

"I'm not sure how to explain this one but, and not personally me but for some of my friends, they will want something designer because they feel like it says something about them. So they will feel that that is good value because they have that handbag or to wear those shoes, so I've put what it says about someone." (Very satisfied/not satisfied; domestic; London)

and even when respondents were buying higher priced, designer brands, they might justify their choice by referring to its physical qualities as opposed to what it might say about them as a person.

"I only buy designer jeans because I've found that if I buy perhaps a pair of jeans from H&M, the zip keeps coming down, whereas if I bought a pair of Armani's or G Star then I know it's got that quality. Does that make sense? So whereas somebody like my mother would think I'm a loony for spending £90 on a pair of jeans, for me, that is value for money because it's going to last and it's going to have duration, do you know what I mean?" (Very satisfied; domestic; London)

- **the 'ticket price'**; perceptions of VfM are also influenced by whether the goods and services are low or high priced items. This reflects the consequences of 'getting it wrong'. If something that only costs a few pounds turns out not to be very robust or reliable this is less important compared to something that cost hundreds or thousands of pounds.

"It depends what you're buying doesn't it? Because if you're just going to get a loaf of bread, then you're not really going to think about it but if you're going to buy the washing machine and you've probably spent time thinking 'this is what I want from the £300 that I'm going to spend on it'. So I suppose it depends what you're going to buy." (Not satisfied; domestic; Eye)

"I refuse to buy anything other than top of the range i-mac, I can't use PCs, I hate them. I have to get the best of the best for my computer and I'm a bit stupid about that. In terms of the low quality I don't care when it comes to kettles and toasters I just buy like the Argos Cookworks or whatever it's called, the cheapest, £4.99." (Very satisfied; domestic; London)

- **one off vs. repeat purchases, short term vs. long term usage**; where goods or services are only going to be used once or for a short period of time, cost may be considered more important than either quality or delivery.

"I always tend to buy my suitcases in Primark because the way they get thrown around at airports it's silly buying Louis Vuitton cases because the baggage handlers don't give a monkeys, they just throw it around as well as they throw a Primark case around. If you can get six or seven flights out of a suitcase from Primark for 25 quid or whatever it is, that is value for money to me." (Very satisfied; domestic; London)

"I bought a plasma telly about 10 years ago and there's not a thing gone wrong with it, it's crystal clear. It's as good as the day I got it. Now to me, that was money well spent. When I worked in an office, one Saturday lunchtime my wife came in and said, 'I've just saved £170.' She'd bought a Jaeger suit in Fenwicks reduced from £350 to £180. She wore it once. It's still hanging in the wardrobe and that must have been the best part of 25 year ago, do you know what I mean? That wasn't money well spent." (Very satisfied; domestic; potentially vulnerable; Newcastle)

"I think it also depends on the length of time, whether it's a long term sort of deal you're doing or a sort of a contract. You can get value for money on a one-off purchase if you're not worried about the back-up. I'm trying to think of an example now. But you know, if you've got a long term relationship with a company or somebody, then satisfactory service is to me as important as what it's actually costing us." (Not satisfied; business; Chippenham)

- **prospective vs. retrospective**; perceptions change over time depending on such things as reliability/robustness and the nature of aftercare. Something that started out representing VfM can, with the benefit of hindsight, be seen as poor VfM and conversely, something can become VfM if the high initial price is accompanied by durability.

"If I bought something and everything is going swimmingly until I have to pick up the phone and speak to somebody on the phone who doesn't offer me a good service, then that is no longer value for money. If I can't fix it, or don't know how to use it…

…[ ] I'd have to say my car insurance at the moment. If you asked me this about four weeks ago I'd have said no, it's perfect, but I made a claim and my car has gone in and it's just taking ages and I'm calling up and the call handler can't help me and this person and that person. For me, I feel as though I'm paying for a service, if something was to happen you are supposed to deal with it and I'm getting pushed from pillar to post." (Very satisfied; domestic; London)

"The bitterness of poor quality remains long after the sweetness of low price is gone." (Not satisfied; business; Carmarthen)

"I think we look at price first thing but it's not until something goes wrong that we realise that if we had gone to another supplier we would have got a better service. It's not until there is a problem that you realise that the service is bad and that's why the price was low." (Very satisfied; business; Peterborough)

"We bought a Honda because of the reliability and service and it certainly wasn't ever going to be value for money but it's turned out in the end, we haven't spent anything on it

apart from the servicing and we've had it 9 years now, so. It was value for money." (Very satisfied; domestic; Leeds)

- **the potential impact on their own business**; for businesses, an additional factor is the impact of the quality of the goods/service and their delivery on their own business. Where there is little to choose between suppliers in terms of these factors, then finding the lowest price will be important. Commodities, including energy and water, would tend to fall into this category. In contrast, if the quality of the goods and services or the way they are delivered has a direct impact on their own business and/or its reputation, then these factors become as important, if not more so, than the price they pay.

"Cheap toilet roll. Yeah it's not going to be the be all and end all, is it?...

…Yeah whereas my card machine, I depend on that to make money and if I go for a rubbish company that has got a rubbish service, then I am asking for trouble. So I'd rather pay Barclaycard a bit more money and know that I'm in safe hands. I really think it depends on how much you depend on that thing to make your life or your business." (Very satisfied; business; Carmarthen)

The following respondent worked for a catering business; she spoke about an occasion when their client was looking to put on a cut price function and they tried using a cheaper supplier.

"I mean that was an example actually when we had this, it was sort of a public catering and we thought, 'right we've got to go to - because people only wanted to spend a couple of pound when they go in for the burger and chips'. But when they came and you're thinking, 'oh all the boxes are open and they don't look nice', and people are looking at them and thinking, 'well, they've dropped their standards'. You've got to think of your reputation and that. Or they don't turn up, part of the order that's the other thing, you wouldn't want to be ordering 20 cases for 2 cheap cases to turn up you know and things like that." (Very satisfied; business; >5000 cubic metres; Birmingham)

Another respondent working in the horticultural trade, described how he was not willing to opt for a much cheaper supplier even though he could be making a lot more money.

"In our business at the moment, I've got a supplier who supplies me with grass, and there's a guy over in Norfolk who wants to supply me something around about 30% cheaper than what I'm buying at the moment. It could mean a massive amount more profit for me, but the quality, if the quality doesn't suit the customer base I've got, then I could end up losing more business, so it's a no go. So I'm not even going to consider it, not even consider." (Not satisfied; business; Chippenham)

3.6 The Value of Building Relationships

Respondents were asked to think about suppliers with whom they felt they had a good relationship and to outline the factors that underpin this. The discussion around this revealed that a **relationship is built on mutual respect and trust and this offers peace of mind and confidence.**

Elements of a good relationship include:

- it is **personalised** and often on a one to one basis e.g. with known individuals, possibly on first name terms. There is also **continuity** – the customer deals with the same people each time

  "Yes I like my tailor, to be quite honest with you. As I said, I like having my suits made. I've known the guy for years, we have a bit of banter." (Very satisfied; domestic; London)

  "I've seen the same guy for the last 14 years, come to my house year after year after year, very same person and they're so efficient and it's only a simple job really. It works, it's really cheap, it's consistent and it's all those things. Having the consistency of the person I know, I see him for 45 minutes once a year and I know his children's name and we have a very slight rapport and I'm sure he does it with every single house he goes in because he's personable. I feel I have a relationship with that company." (Very satisfied; domestic; Leeds)

- the feeling that the customer is **being listened to**, that their **needs are understood and acted on**

  "I'm very happy with Virgin Media because if I've got anything wrong I can dial the 150 number and I've spoken to the sales people. And sometimes I say, 'I'm not happy about this bill and where am I going wrong?' And they will talk and I'll say, 'I wanted such and such'. Instead of using a landline - I use my mobile but I still have a phone, and they have reduced it down. I have found they are extremely helpful." (Very satisfied; domestic; London)

  "Knowing my needs, because that's important in my business, people phone me up and they know what I want rather than the stuff I don't want, giving me offers on the products that I need, not spending my time talking about stuff that I'm never going to buy from them." (Not satisfied; business; Chippenham)

- being able to enter into a **dialogue** and to **negotiate/haggle** to get a good deal.

  "I've got a good relationship with my T-Mobile, my mobile phone because basically they give me what I want. So I'm happy with that, I know how to press their buttons, I make a complaint and threaten to leave, so I think that's quite a good relationship I've got." (Very satisfied; domestic; London)

Moreover, the supplier:

- takes **ownership of and resolves problems**

"You ring up and invariably they can't answer you instantly but they've set up a job number and very rarely does it go past the end of that day irrespective of when you ring that they come back and give you hopefully an answer or explain why they can't tell you then but what they're doing about it." (Not satisfied; domestic; Eye)

- is willing to **go that extra mile** (thereby exceeding expectations)

"Them understanding our business and our requirements. Them meeting or exceeding our expectations with regard to the product that they supply." (Very satisfied; business; >5000 cubic metres; London)

- is perceived to offer **advice** (as opposed to a hard sell) and to bring opportunities to the customer's attention

"They ring me and it's quite informal and it's quite friendly, they give me options and ask me what I want. I like that kind of informal but direct communication." (Very satisfied; domestic; Eye)

"Peter, their sales manager, is a good chap. If I call him now and say, 'Peter look, we are thinking of painting this, what's your advice?' And he will come down, not just with his colour charts and sell you Dulux top of the range, he'll say, 'well, no Dulux is expensive, you don't need that'." (Very satisfied; business; >5000 cubic metres; Hastings)

Good relationships were often associated with smaller, local organisations even though they may charge somewhat higher prices.

"What you've lost is the personal service. That's what everybody's looking for I think as well, personal service. I think with big companies you don't get it because you don't know anybody. Small companies you can get to know people." (Very satisfied; domestic; Hastings)

In contrast, large organisations tended not to be put forward as examples.

"One of the worst things is the bigger companies like British Telecom, Yellow Pages, Thomson's. You're just talking to a brick wall really…

…That's if you can get hold of them, have you ever tried talking to British Gas?...

…You can't…

…And BT's the same…

…You sit there for about 45 minutes and you're stood there, and it's still costing money on the call isn't it because it's being connected isn't it?" (Not satisfied; business; Chippenham)

A good relationship is something that customers are likely to value and feel is worth paying for. As such, it can act as a buffer to the cost. In the situation where a supplier raises their prices, this is less likely to trigger shopping around in a customer who enjoys a good relationship with the supplier.

> *"I suppose an incident of that would be my car insurance. I'm sure I paid possibly more than I need to but because I'm really happy with the insurance company and they've been there when there's been problems, sorted it out, I've stayed with them rather than shopped around." (Not satisfied; domestic; Eye)*

> *"That's when the importance of a relationship that you had with someone, for example, my garage, lovely man, I've been with him for sort of like 15 years. He tells me an honest price of what something's going to be, he tells me what actually really needs to be done and gives me a sensible price for it whereas if I go to another garage that I don't know then they might, I just don't have any confidence in them because I don't know whether they're going to say something else needs doing when it doesn't." (Not satisfied; domestic; Leeds)*

> *"There's a lot of occasions where people buy from people as well. So if they like the person, they'll pay the extra and carry on buying from that person. It don't matter whether it's the cheapest. As long as you like that person, you'll carry on buying from them." (Not satisfied; business; Chippenham)*

3.7 The Role of Competition

Competition was universally seen as a good thing **in principle** in terms of delivering VfM. It was perceived to:

- keep organisations 'on their toes'

> *"You have to have competition to keep people on their toes. Otherwise they'll think they've got the market to themselves, they can charge whatever they like. So competition is vital for that." (Very satisfied; domestic; Eye)*

> *"It's a good thing because it hopefully keeps people on their toes and keeps them looking at their suppliers and how much they're spending to pay. No, I think it's a good thing." (Very satisfied; business; >5000 cubic metres; London)*

- empower consumers as they can choose to take their business somewhere else

> *"Well yes if you're buying a car, if you threaten to go somewhere else sometimes they throw a deal in for you and it can make it worthwhile. So the threat of competition alters a salesman's mind." (Not satisfied; domestic; Leeds)*

> *"Well it can work in your favour with the bank because I went for a car loan and the interest rate was high, they could do it quickly and as soon as the bank knew, 'well we'll match it. In fact we'll give you a better rate'. So they were quick and it went in my favour." (Very satisfied; domestic; potentially vulnerable; Newcastle)*

- result in competitive prices, lots of choice, high standards

> *"No for me, I think it's a good thing because you've got telecom companies offering all sorts of things at all sorts of prices. Years ago you just had BT, the market has been*

liberalised and developed a bit and you've got more choice, but there's more competition. I think that's good." (Not satisfied; domestic; London)

"Well generally I think it's good. The more competition you've got normally means better prices for everybody." (Very satisfied; domestic; potentially vulnerable; Newcastle)

"It tempers prices, doesn't it?...

…Keeps the prices down. Keeps people on their toes…

…[ ] But it keeps all standards up, not just price, it keeps standards up in general I think if you're in competition." (Not satisfied; business; Chippenham)

However, in all the workshops and depths, **in reality** it was recognised that competition can fail to deliver:

- it does not always result in lower/competitive prices; examples included rail fares, petrol, and energy

"Well, it's not always on the railways I don't think, the prices have gone through the roof and the companies are taking a slice out for their profits, the money has got to come from somewhere." (Not satisfied; domestic; London)

"My experience has been it starts off feeling like you could be getting a good offer, this one is going to drop its rates, and this one is going to lower their price per kilowatt unit or whatever, but actually sometimes the standing charge can be quite high as well, so it balances out and at the end of it, you are not really getting the rate that you think you're getting. You are not really saving any money at the end of the year, over a 12 month period and it's quite complex going through that process as well." (Very satisfied/not satisfied; domestic; London)

"I don't think it's value for money at all. But we're a captive audience aren't we so you don't have a choice do you?...

…Although people would argue there is lots of choice because there's Shell, there's BP, there's Esso and what-have-you…

…Yes, but they're all within a penny." (Not satisfied; domestic; Eye)

- large companies may 'steam roll' smaller ones, for example the rise of out of town retail parks dominated by major brands was felt to have had a negative impact on smaller, local high street businesses

- where a small number of players dominate a market, they can effectively act as a 'cartel' (energy was the prime example)

"It's a contentious issue but I'm very suspicious of power providers. They say it's meant to be a market but they seem to behave like a cartel. I know it's contentious and I could be shot down for that but they don't really feel like a proper market…

…So just explain what you mean by 'it's like a cartel'?...

…Well they all give the same excuses for putting prices up, they all do it together. And some of the reasons for them putting the prices up wear a bit thin, without going into

detail. When they're describing market conditions wherever the independent press disproves what they're saying, they think up another excuse [ ] and you think 'we haven't heard that one for a while'. It just makes you think this is all rigged. So in that sense, the so-called competitive energy market doesn't work because it's not a true market." (Very satisfied; domestic; Eye)

"I think there are too many price cartels still going on. It's amazing how, like the gas companies, their prices are so close to each other, petrol companies, you know there's obviously price fixing going on, isn't there?" (Not satisfied; domestic; Hastings)

- conversely, where there are a large number of competing suppliers, the customer may find it difficult to identify which ones offer VfM

"You can have too much competition. What really frustrates me is obviously Comparethemarket, brilliant and then there's - what's the other one?...

…Moneysupermarket…

…And then there's GoCompare, it's just ...

…It's overloading, isn't it?...

…I just want one, it's too much, it gets stressful then." (Very satisfied/not satisfied; domestic; London)

- there can be situations where there is 'sham' competition where an organisation markets two or more brands as if they were in competition

"I think also or I believe that you have one mega company with different subsidiary companies with different names and so they put themselves up as vying against each other and competition, but actually it's all the same company and in a way that controls prices because they are never going to go below a certain price. So I think there is a sort of artificial side of competition as well." (Very satisfied/not satisfied; domestic; London)

"Petrol suppliers in this area, there is only two companies, all your Goughs and Butlers and all that, they're all owned by Watsons…

…But they source it from one place don't they, so why are they different prices?" (Not satisfied; domestic; Eye)

- organisations attempt to 'confuse/trick' customers about just how competitive they really are, for example, by reducing the size/quantity, by having confusing tariffs, by the use of 'small print'

"I think shops do that, you get Wagon Wheels. They used to be in a big bag. They got smaller and they say value for money…

…Or the packaging gets bigger and you get the...

…Yes, the new Walker ones, crinkle ones, they've got a bigger packet and less crisps in it…

…It's the spread cheese that get me, when you get the dome in the bottom nearly comes to the lid in the middle, there's only a bit of cheese. But it looks a nice pot." (Not satisfied; domestic; Eye)

“That goes across the board though doesn’t it, because in my industry, engineering, a lot of people compare us, I’m with Sky, to Virgin, and there’s so many hidden costs in both of our contracts. And on the advert it says, ‘£20 a month’ and you’re thinking that’s basic competition between this and that but it’s not, there’s so many underlying things and that works for so many things like energy prices and fuel prices.” (Very satisfied; domestic; Eye)

Competition may result in lower prices but if this means the quality and/or delivery has also reduced, it is not delivering VfM.

“It could be a bad thing because they’re fighting that much that they’re lowering the quality of the goods more and more. In the end you’re just going to be buying a load of rubbish.” (Not satisfied; domestic; potentially vulnerable; Newcastle)

“There was a thing a couple of years ago about petrol supplies. A lot of the supermarkets, the suppliers they were getting the petrol from, in order to get their petrol cheap to sell it to the public, they were leaving out various additives, putting in more of this, taking a bit of that out. [ ] And a lot of people had problems with their car.” (Not satisfied; domestic; Hastings)

The outsourcing of call centres overseas was seen as a clear example of this. Respondents had noticed that some organisations had brought their call centres back to the UK and assumed this was largely as a result of customer demand.

“People were offering cheaper this, cheaper that because they could outsource everything but at the expense of the quality and it’s now being proved that people don’t want that and part of the big advertising of a lot of companies now is that we have got UK call centres and such like. So I think that totally sums it up.” (Very satisfied/not satisfied; domestic; London)

3.8 Do Perceptions of what Constitutes Value for Money vary by Audience?

There was nothing to suggest that the dimensions underpinning perceptions of VfM or Satisfaction with Service differed across the different research audiences. Likewise, the same ‘model of VfM’ seemed to apply.

This was true for ‘mainstream’ and ‘potentially vulnerable’ respondents although there was a difference in the **weight** given to some of the dimensions. For example, when looking at the number of times respondents mentioned the different dimensions, ‘potentially vulnerable’ respondents, who were more likely to be on lower incomes, gave more weight to **Cost** over **Quality** compared to ‘mainstream’ respondents. This reflected the fact they needed to make the little they had go as far as possible.

A key consideration was whether those respondents who were ‘very satisfied’ with the VfM provided by their water company were basing their assessment on a different model of VfM compared to those customers who were ‘not satisfied’ with the VfM. In a similar vein, one reason for the differences in the ‘VfM gap’ between one water company and the next, could conceivably be because their customers were applying a different definition of VfM. There was nothing to suggest that this was the case – the same five dimensions, and the relationship between them, were found among both sets of respondents and across customers of different water companies.

4 Value for Money in the Utility Sector

4.1 Introduction

Respondents were asked to rank order four different sets of suppliers – council services, energy, telecoms, and water and sewerage - from the supplier(s) that offered them the greatest VfM to the one they felt represented the poorest VfM. Telecoms covered both landlines and mobile phones as well as internet services. The reasons behind these rankings were explored. Water and sewerage and energy were then explored in greater detail (see Section 5).

The key findings and conclusions are summarised below in Table 9.

Table 9: Summary of main findings and conclusions relating to VfM in the Utility sector

1. Telecoms providers were perceived to offer the greatest VfM. This sector was perceived to offer customers considerable choice with products and tariffs that can be tailored to the customers' needs, and suppliers are felt to be open to negotiation. Services are bundled together in such a way that suggests the customer is getting 'free' extras. As a result, customers feel empowered and in control.
2. In contrast, council services were consistently seen as offering the least VfM. Despite a government freeze, the perception was that the cost is both high and increasing while, at the same time, services are being axed. Customer service was sometimes felt to be very poor, some council tax/business rates payers resented paying for services they do not use/benefit from while others were unclear what services they were paying for. Business respondents sometimes resented the fact that business rates were higher than domestic council taxes and that they were effectively 'paying twice' for the same services. The situation was made worse because residents and businesses have no choice over who supplies these services, they therefore lack any control and do not feel empowered.
3. Energy and water and sewerage were ranked somewhere between telecoms and council services. Those respondents who were 'very satisfied' with the VfM of their water and sewerage services, tended to rank their water company as offering better VfM than their energy supplier and closer to telecoms. In contrast, respondents who were 'not satisfied' with the VfM of their water and sewerage services, tended to rank it below their energy supplier and closer to council services.

4.2 Which Sector Offers the Greatest Value for Money?

During the workshops, respondents were asked to think about the VfM they got from their local council in relation to council services, their telecoms providers (including landline, mobile and broadband services), their energy providers and their water and sewerage companies. They were asked to rank the four types of service providers from 'best' to 'worst' in terms of VfM.

Across the total sample, telecoms came out as offering the best VfM, local councils were perceived to offer the worst VfM while energy and water and sewerage companies came in between. Respondents who were ‘very satisfied’ with the VfM of their water and sewerage services, tended to rank their water company above their energy company and closer to their telecoms provider. Conversely, respondents who were ‘not satisfied’ with their water and sewerage services, tended to rank their water company below their energy company and closer to their local council. This pattern was the same among both domestic and business customers and is illustrated in Table 10.

Table 10: Average rank order positions from ‘best’ to ‘worst’ VfM

Numbers in the table are average rank positions where 1 = greatest VfM and 4 = least VfM.

Total sample (n=165)		Those ‘very satisfied’ with VfM of water (n=83)		Those ‘not satisfied’ with VfM of water (n=82)	
	1.9		2.0		1.7
	2.5		2.1		2.3
	2.5		2.7		2.8
	3.1		3.1		3.1

4.3 The ‘Best’ Supplier: Telecoms

The majority of respondents ranked their telecoms provider in first or second position in terms of VfM. The discussions around why this was the case revealed that there were a number of reasons for this.

The sector has grown and evolved over the last 20 years or so in a way that was perceived to benefit the customer. Costs have fallen while the ‘product spec’ has improved.

> *“I think over the years, [ ] what you can do on your phone, the services available, the expansive services available on your iPhone and all the rest of it, and on these smart*

phones, and also the price is coming down. With the introduction of 4G now, it's getting better and better." (Not satisfied; business; Solihull)

"My perception is that the price is constantly coming down for that. I'm paying less now than I was 10 years ago." (Very satisfied; business; Solihull)

It was not just a question of better handsets but also:

- there is lots of **choice** in terms of both suppliers and the options they offer customers

There's a huge amount of choice. There's not just two or three providers, there's lots of choice and they all have different services and different packages which you can choose the one you want." (Very satisfied; domestic; Eye)

"Telecoms, there is a lot of competition there so you are more inclined to get a better deal and that's value for money with that because you can shop around , so people are probably more likely to be satisfied." (Not satisfied; domestic; potentially vulnerable; Manchester)

- different tariffs which can be **tailored/personalised** to the individual and are easier to understand compared to the energy sector

"With your landline, whatever you want on it, you only pay for what you want. If you want to have a basic, just your landline or if you want, I don't know, friends and family, you pay what you want…

…[ ] Usually they'll tailor the tariff to your own needs so they don't pump up your bill." (Very satisfied; domestic; Eye)

"Competition, they are all offering you good deals…

…I mean I had a phone call from T-Mobile today offering me things that I didn't actually want, but they were offering them. It was out of the blue they phoned me up…

…I think it's a choice, I think there's different bands, for example on my mobile bill if that is not working for me then they can put me on a different tariff. With regards to obviously my internet and stuff, you know if I'm not using unlimited perhaps they can bring it down a bit, that is going to suit me better…

…It's tailor made for you, isn't it?...

…It's customised." (Very satisfied; domestic; London)

- services are bundled together in a way that suggests the customer is getting **'free' extras**

"With my telephone I get free internet. I know you're probably paying for it in the long run but it feels as if you're getting something free, and it's unlimited usage." (Not satisfied; domestic; potentially vulnerable; Newcastle)

- customers often feel that suppliers are open to **negotiation** and will take steps to keep their business

"Well as far as telecoms, whenever I've got onto them with a quote when the contract expires, they've always matched it." (Very satisfied; domestic; Eye)

"And there's competition. For me, that's why they're number one, because I can talk to them, and I can reason with them, and then I can go and look for what I want. For the council and the sewerage, they tell me and I have to do it." (Not satisfied; business; Solihull)

For many respondents, mobile telephony and access to the internet were an integral part of their **lifestyle** – the services have a physicality/visibility that the other utilities lack and it is something they are constantly using.

"Because you're thinking about it constantly, because you're using it constantly. When you go to the tap you don't think, 'I know what's gone into making this water come out of this tap, do you?' But you're constantly on the phone, aren't you? You're constantly on the internet. So I think it's because you're thinking about it all the time…

…Yes, you can't do that without communication, I think that's probably what we're really talking about here is communication. I mean I am inclined to agree with L about BT that when it comes to back-up and so forth, they've been second to none as far as I'm concerned." (Not satisfied; domestic; Eye)

As a result, customers feel empowered and in control.

4.4 The 'Worst' Supplier: Council Services

In contrast, the majority of respondents ranked their council services in 3rd or 4th position. Not only is it expensive, despite the recent Government freeze on council tax, the perception is that the cost of providing council services is constantly going up while at the same time, services are being axed. Moreover, some services, such as rubbish collection, may now be charged as an additional item.

"In Bungay, we have the lights off at midnight now and it is horrendous. It's scary. All cut backs, aren't they?" (Very satisfied; domestic; Eye)

"Because they're forever cutting them, aren't they? They're forever cutting down on rubbish collections, they're forever cutting down on maintenance on the houses." (Not satisfied; domestic; Eye)

"The council, we are now starting to pay for individual services like individual bin collections and so you're not getting as good a service as what you used to for the price that you used to pay. Prices have gone up but the service has gone down." (Not satisfied; domestic; potentially vulnerable; Newcastle)

A range of opinions were expressed about council services including:

- the feeling that customer service is often very poor

"And every single council person you ring up at customer services speaks to you like a piece of crap and then they tell you to ring this other number and it doesn't even exist or

they'll tell you to get on the internet." (Very satisfied; domestic; potentially vulnerable; Newcastle)

"The many times I've had to go down there, call there, etc., and time consuming, frustrating, sometimes a waste of time, yeah." (Very satisfied/not satisfied; domestic; London)

- a resentment on the part of some respondents in having to pay for services they don't use/benefit from

"There's a huge range of services and for some people it's just rubbish collection and road sweeping and for other people it's home helps and meals on wheels, for other people it's access to the library and the arts. If all you want is your rubbish collected because everything else you can sort out for yourself, you will find it poor value for money, no doubt about it. But if you're using a whole range of services, then it's not" (Not satisfied; domestic; London)

- a lack of clarity or understanding on the part of some respondents in terms of what they are paying for

"Well I've just put them at the bottom because I don't know what they use the money for, I just know that that's a horrendous amount of money for me to find a month when all I'm concerned about is how much money I've got left at the end of the month and this is just ridiculous. I don't know what they give to us apart from what P says, the lights and things like that, and the roads. But I don't know what the services are, I just know I pay a ridiculous amount of money." (Very satisfied; domestic; Eye)

- a perception that councils may be over-staffed and inefficiently run

"They're over-staffed with people on far too good incomes and far too good pensions and effectively we, as business owners, are paying a lot of that money through business rates…

…Well, we've got clients for local authorities and you go in pitching for business and you just see a sea of faces. Whereas we, in private business, you're lean and keen and hungry and you watch every penny, but there's no profit motivation there." (Very satisfied; business; Solihull)

- a resentment on the part of some respondents if they feel they are paying for high salaries/comfortable pensions

"The thing that really annoys me is the level of remuneration of the people at the top compared to captains of industry. And let's face it, any fool can take a load of tax payers' money and spend it, the clever bit is spending it wisely. And unfortunately I don't think they give us good value for money." (Very satisfied; domestic; Eye)

"Because more than half of what you pay goes into the gold-plated pension pots that council employees have got." (Not satisfied; business; Solihull)

Although respondents were aware that council taxes and business rates vary from one council to another, many of them had no direct point of comparison unless they had lived in different locations. This can make it difficult to assess VfM.

> *"I don't think you are really going to have a strong idea on whether your council services are value for money unless you've got experience of more than one council and unless you've got the comparison, you don't know how well your council are compared to others." (Not satisfied; domestic; potentially vulnerable; Manchester)*

Some business respondents resented the fact that business rates are typically higher than the domestic council tax. They often felt that they were not getting any added value, and if anything, benefited less. Some also resented 'paying twice' through their council tax and their business rates.

> *"I put the council as the worst because for me, I pay a lot of business rates and to be honest, all I get from them is they come and take a bag of hair every week. And I pay £128 a month for them to take a bag of hair. I can take that home and put it in my own bin." (Very satisfied; business; Chippenham)*

On top of all this, council taxes and business rates are compulsory. Residents and businesses have no choice over who provides the service, what the service consists of, how it is delivered or how much it costs. As a result, they lack any control and do not feel empowered.

> *"Well they've got the monopoly on it and you have to pay it." (Very satisfied; domestic; Eye)*

> *"You can't choose your local authority so people resent naturally because you have to pay them, you've got no choice. You have to pay them, so that's human nature. I don't want to pay it because you're telling me I have to." (Very satisfied; domestic; Hastings)*

> *"There's very little we can do in terms of the business rates we pay and if we don't pay them we're in deep trouble. We have to pay them! But things which are variable like landline, mobile, internet and energy you can switch very quickly. We come from one city council, we can't switch to Rugby council." (Very satisfied; business; Solihull)*

5 Water and Energy: a Closer Look

5.1 Introduction

In both the workshops and the depth interviews, respondents compared and contrasted Water and Energy in relation to:

Cost of the service	Quality of product	Service delivery
Relationships	Self promotion	Media representation
Competition		

And in relationship to just water, they considered the impact of Reputation, Community involvement and, where it was raised spontaneously by respondents, Profits, ownership and corporate structure.

The key findings and conclusions are summarised below in Table 11.

Table 11: Summary of main findings and conclusions relating to VfM in the water and sewerage and energy sectors

COST

1. For many customers, their water and sewerage bill is lower than their energy bill. Moreover, water bills were felt to increase less steeply and less frequently. Some respondents had switched to a meter and had seen reductions in their bill while those without a meter can use as much water as they like without this impacting on their bill. In contrast, not only were energy bills seen to be very high and constantly increasing, and energy companies to be making excessive profits, but a lack of transparency also means it can be very difficult to work out which supplier represents the best VfM.
2. Nevertheless, some respondents still considered that their energy bill represented better VfM than water. One of the main drivers of this was the fact that when it came to their water and sewerage services, respondents had no choice and they lacked any point of comparison so it was difficult to know if their bill represented VfM. In addition, some respondents felt that water was a ‘free’ resource and, while energy may be more expensive, they got better use out of it. Some customers, mainly those without water meters, felt the method of charging was unfair as they felt that friends and neighbours in similar circumstances sometimes had much lower bills.
3. Many respondents were unaware that bills vary by region. Where a water company’s average bill was lower than the average across England and Wales, this could suggest to respondents that their bill did represent VfM. However, where a respondent’s individual bill was higher than the average bill for their water company, this could suggest to them that **their** bill did not represent VfM.
4. Reactions to Yorkshire Water’s *Ow much?* campaign were largely negative. Respondents tended to focus on why the company felt the need to ‘waste money’ on an advert when they were a monopoly supplier, as opposed to the message that the cost of the service works out at less than £1 a day. In contrast, reactions to a statement that the average person uses around 150 litres per day at a cost of less than 35p were much more positive. It caused some respondents to reassess their feelings about the VfM of

their water and sewerage services.

Quality

5. The majority of respondents rated their drinking water as 'high quality' although they tended to overlook the waste water element of the service. However, they also acknowledged that the quality of their drinking water was something they tended to take for granted.
6. In contrast, respondents felt it was impossible to judge the quality of their energy and, for this reason, most described it as 'acceptable'; it does what it is supposed to, no more and no less.

Delivery

7. The way service issues and complaints had been handled was often a major discriminator in determining feelings of VfM. Many respondents in both sectors had experienced very few problems and had limited experience of customer service. This meant it often did not appear on their radar and was taken for granted unless they had reason to question it.
8. However, this meant that a single incident could have a profound impact on perceptions of VfM. There were a number of examples where respondents' feelings about the VfM of their water and sewerage services could be attributed to a single incident – sometimes going back 2-3 years or more. Some of these were positive – these were almost exclusively found among the 'very satisfied with VfM' customers. Some were negative – these were mainly found among the 'not satisfied with VfM' customers.
9. Although there was recognition that the water companies are having to upgrade an out of date network, concerns about water companies wasting water by not doing enough or responding quickly enough to repair leaks was raised in all workshops. In this context, messages about the importance of saving water – especially earlier in the year in response to the drought – were seen by some as 'hypocritical'.
10. Respondents often struggled to describe in any detail what is involved in delivering energy and water to their homes/businesses. They also had no clear idea whether it cost more to be supplied with energy compared to water. Nevertheless, a number of opinions were expressed about water that implies it should be relatively cheap to deliver:
    a. that it is a largely free, natural resource
    b. water = simple/tangible; energy = complex/intangible
    c. we are surrounded by water and we have plenty of rainfall
    d. that water 'flows' through the pipes (i.e. no appreciation of the need to pump it)
    e. the need to take away and process waste water was often overlooked.
11. Despite this lack of understanding, there was a mixed response to information about the water industry. It was difficult for respondents to appreciate just what the huge sums of money being invested represent. While it can suggest the customer is getting a good deal for their money, it also raised lots of questions/doubts
    a. what percentage of water companies' turnover does this represent? what level of profits are they making?
    b. are they spending more than they need to?
    c. why do some things need money being spent on them e.g. improving drinking water or improving service levels?
12. There was a disconnect between some of the information and respondents' own perceptions. For example, if so much is being spent on upgrading the infrastructure, why

do we still have so many leaks and problems with flooding?

Relationships

13. Most respondents felt that they either had 'no relationship' or a 'distant relationship' with both their energy and their water companies. Although customers may be happy with an arm's length relationship, the research has also shown that a good relationship is a sign that the customer is getting added value and this is likely to impact on perceptions of VfM (see Section 3.6).
14. There were often more 'points of contact' between customers and their energy company so more potential opportunities for developing a relationship.
15. On the few occasions where respondents thought they had a closer/more positive relationship, this was often because of a positive service delivery experience.

Self promotion

16. There was limited awareness of marketing/promotional materials from both energy and water companies. Low interest and a lack of willingness to engage meant that important messages may not get across.
17. Levels of awareness tended to be higher for messages from energy companies. These mainly reinforced respondents' negative impressions (e.g. price increases/'bigging up') but occasionally more positive messages were recalled (e.g. renewables/energy efficiency). A lot of energy company marketing was felt to relate to encouraging people to switch. It was often felt to be 'in your face' and 'aggressive' with all suppliers 'claiming to be the cheapest'. There was some recall of energy company TV adverts and sponsorship (e.g. Olympics, FA Cup) and this was resented by some respondents, especially potentially vulnerable customers, at a time when bills are so high. This more frequent marketing by energy companies suggested to some respondents that they represent poorer VfM.
18. There was some (limited) awareness of water company bill inserts and leaflets about what they are doing/how they are spending customers' money. The main messages respondents recalled were in relation to droughts and hosepipe bans. Some respondents felt their water companies were usually pretty good at alerting them to planned disruptions.

Media representation

19. Respondents tended to hear/see/read more in relation to energy than water although, in both cases, coverage tended to focus on negative stories.
20. In relation to energy, the focus was felt to be prices going up, profits, price fixing, cold calling, customers being switched without their agreement.
21. In relation to water, the focus was said to be water leaks, drought, floods, and Victorian infrastructure.

Competition

22. Competition was generally considered to be a good thing and, in many cases, the lack of competition was a driver of perceptions of lower VfM in the water industry even though bills are often much lower. Competition was felt to be failing in the energy sector (prices forever increasing, tariff complexity means it can be impossible to decide who offers the best deal) and there was a concern that, if competition was to be introduced into the water industry, the outcome would not be any different. This was true for both domestic and business respondents.
23. Only one business customer in the sample had any awareness that businesses may be able to switch water supplier; none of those already using >5000 cubic meters were

aware they could already switch.

24. Reactions to the information on switching were mixed
    a. in principle, it was considered to be a good thing especially if it results in lower prices
    b. it provides the option of switching if the customer is unhappy with their existing supplier
    c. companies might work harder to try and retain a company's business

But

    d. some respondents felt prices might drop at first but would soon go in the same direction as energy – upwards
    e. some felt service standards may be reduced in order to achieve lower prices and this was not deemed acceptable by many
    f. having to deal with two suppliers (one for water and one for sewerage) was seen as potentially a hassle
    g. there were widespread concerns over who would accept responsibility if there were problems such as leaks, blocked sewers, etc.
    h. there was an expectation of an increase in cold calling.

25. Anticipated take-up would depend on the savings to be achieved and some respondents assumed these would not be very large. While not ruling it out, a majority of the businesses in the sample felt they probably would not switch; some might adopt a 'wait and see' attitude.
26. Those businesses already eligible to switch expressed the same range of opinions. They felt they would need to be getting a saving of at least 5-10% before they would consider switching. Other than looking on the internet, none of them knew where they could go to find out more information.

Reputation

27. Respondents sometimes found it difficult to differentiate between their own personal opinions of their water company and its reputation in the wider community. In many cases, they were unable to comment simply because they had no idea what sort of reputation their water company had. There were a few exceptions to this although the findings need treating with caution as they are based on the comments of just a handful of respondents.
28. Where water companies were felt to have a more positive reputation, this often seemed to be linked to regional and local connections. For example, in the North East, Yorkshire and Wales there was a sense of regional and/or national identity and pride which the water company name played into. There was also a strong local connection in Birmingham with Severn Trent despite the fact that respondents often knew the water came from a different country (Wales) and the company was not named after the local city or the wider region of the West Midlands.

Community Involvement

29. Awareness of specific initiatives was usually very low and respondents often assumed that any large corporation gets involved with the community (i.e. it was a hygiene factor, organisations do not gain very much from doing it but could lose out if they are seen not to do it). There were mixed views on whether it impacts on perceptions of VfM – but a number of respondents in most workshops felt it did make them re-evaluate their views on VfM in a positive way.

30. Again, there was some suggestion that localism is important – where respondents could identify with a particular initiative in their local area it generated a positive response.

Profits, ownership and corporate structure

31. Some respondents, and in particular, some business customers, felt that it was not unreasonable for a company to make a profit although high/excessive profits, salaries or bonuses do not signal VfM. However, most respondents did not know what profit their water company was making – but sometimes assumed it was high/excessive, and some still resented the idea that water is no longer in public ownership.
32. It proved difficult to get respondents to engage with information about profits, partly because it is complex but also because they often had strongly held preconceived ideas. Some business respondents commented that water company profits were not as excessive as energy company profits and where a substantial proportion had been reinvested, this was welcomed.
33. Nevertheless, the issue of water company profits was potentially a can of worms – it elicited strong views and it was difficult to get respondents to consider it in a non-judgemental way. It was not identified by respondents as a factor underpinning perceptions of VfM. Supermarkets were often associated with VfM despite making large profits - so it may not impact directly on the perception of VfM unless it is brought to people's attention.
34. It was often assumed by respondents that their water company is French owned – customers of Anglian Water, Severn Trent, and Yorkshire Water all suggested this might be the case. Other suggestions included Thames Water being owned by Germans, Northumbrian Water by the Chinese and Wessex Water by Malaysians. These suggestions were made by just a handful of respondents (and only the last two are correct), most respondents had no idea who owned their water company. There was a preference for UK ownership with some low level concerns about overseas owners (are they less interested in what happens? do they divert resources/profits elsewhere?).
35. The corporate structure adopted by their water company was largely an unknown and not a high priority for respondents. There was some awareness that Dŵr Cymru is a not-for-profit organisation. This was welcomed on the grounds that any profits are reinvested in the business rather than being paid out to shareholders/investors.
36. Questions of ownership and structure were not top of mind and were not felt to impact on perceptions of VfM.

5.2 Cost

For the majority of domestic and business respondents, their energy bills were considerably higher than their water bills. Despite this, some of them ranked their energy bill either on a par with or above their water bill in terms of perceived VfM. A number of factors were behind these perceptions.

5.2.1 The cost of energy

In the case of their **energy bill**, some of the things that were taken into consideration included:

- ✓ **Choice of supplier**: customers always have the option of **switching** and even if they do not exercise this option, they have a **point of comparison**

  "I would have to say the energy suppliers because I have some freedom of choice, whereas with my water supply I have absolutely no freedom of choice in who supplies my water." (Very satisfied; business; >5000 cubic metres; Hastings)

- ✓ **Use**: there was often a feeling that customers get good use out of their energy – it is used for lots of different things and many of these things are in constant use

  "If you pay more for it why do you think you're getting better value for money?...

  …In warmth. Cooking with electric and gas. You get a lot more than just a bath and shower…

  …So you feel that you can use energy in lots more ways than you can use water." (Not satisfied; domestic; potentially vulnerable; Newcastle)

  "I've got the PCs running all the time, the lights are on all the time, and the tap goes on and off just for teas and coffee and the toilet gets flushed every so often and that's it." (Very satisfied; business; Solihull)

- ✓ **Indispensible:** some business respondents felt they could get by without water (at least in the short term) but not without energy

  "Energy touches every aspect of the business, doesn't it? You know heating, lighting, running your copiers, running your computers, all those sorts of things whereas, what is water? When you have a pee or a pooh, or you make a cup of tea or coffee or do a bit of washing up, that's it isn't it? And hand washing…

  …[ ] I just think I'm getting something from the electricity rather than the water. I'm getting more out the electric in my own mind than what I do with the water and the sewerage…

  … Yeah, if I had to turn off one because I couldn't afford it say, then the water would go straightaway, as a business I would turn off the water, would be the first thing. Now on the other hand if I was at home, I would more likely turn the energy off and keep the water going, because you can have candles, you know, but that's the reason why." (Not satisfied; business; Chippenham)

  "Can't operate without lights on in the shop because it's health and safety. We've had the entire town centre power cut before and all the shops had to shut till it came back on because you're not covered by your insurance. So it's things like that that do make a difference…

  …[ ] When I used the lights and the electric all day every day, I've got to have the lights on, I've got to have the till on, I've got to have a laptop going so I can communicate with people, so I pay for what I use and I feel that's value." (Very satisfied; business; Chippenham)

- × **Cost:** the major reason for not rating energy bills as representing VfM was because the cost is not only very high but also continually rising – for some domestic customers, it was considered no longer affordable

"I think in terms of energy you see the prices going up a lot and you see on the news the wholesale price coming down but the energy companies don't reflect that or they do it very slowly. You know there should be more immediacy about things like that." (Not satisfied; domestic; London)

"Yes I mean I remember reading that the wholesale gas prices had gone down, I think it was last winter and yet our prices went up…

…I saw a Newsnight story on it and it said, somebody from one of the energy companies said it's too complicated for us to put our price down, the whole thing is just too complicated, we can't do it, the system is too complicated." (Very satisfied/not satisfied; domestic; London)

- **lack of transparency with bills/tariffs**: coupled with the high cost, a lack of transparency meant it was very difficult to work out who offers the best deal; this meant that respondents often found it difficult to exercise any choice

"I found it really difficult to work out what I'm paying, what I'm getting, how much I'm being charged in the morning, late evening, when the rates change over. Do you know what I mean? The printing of the bills I think are designed to confuse you and even ringing them to get this information as well I've found like their customer service isn't very helpful, either they tend to just repeat things to you, rather than explaining. Well, that's been my experience." (Very satisfied/not satisfied; domestic; London)

"It's difficult to compare whether it is a good price or a bad price because they're all roughly the same, so you can't say, 'that's what I'm paying, I'm paying too much because that guy over there's only paying a £1 and I'm paying £2'. We're all paying roughly the same." (Very satisfied; domestic; Hastings)

"Their bills are not easy to understand in terms of the tariff so I couldn't tell you if I was getting value for money or not really…

…[ ] I just accept that I'm going to be completely baffled by my energy bills. I just think that's the way it is, deal with it." (Very satisfied; business; Solihull)

- lack of transparency also related to things such as standing charges, 'hidden' charges, automatic contract rollovers, all of which led to resentment

"I resent having the fact of paying a standing charge for a meter which it's only function is to enable them to charge me. We shouldn't have to pay for that and also their communication is pretty piss poor quite frankly." (Very satisfied; domestic; London)

"Well energy, for instance if you find that your prices are too high they'll always have a little bit in your terms and conditions 'to leave us you need to pay £20', 'you need to pay £30', but they always have their hidden charges." (Very satisfied; domestic; potentially vulnerable; Newcastle)

"But I think that their attitude towards customers at British Gas is that if you're on a two year contract that unless you take it up with them at the end of two years to renegotiate the contract, the cost will automatically go up, and if you miss the date, you're stuck for two years at a greatly inflated price. And I think that's a bit underhand for me." (Very satisfied; business; Solihull)

- × **'excessive' profits**: energy companies were perceived to be making excess profits at the expense of their customers which, in the face of high and increasing bills, generated resentment.

  "I feel always that I'm paying too much for electricity and gas and I think it should be lower. I see the energy companies making a lot more money and it's not really justified in terms of what they are actually charging the customers." (Very satisfied/not satisfied; domestic; London)

  "I understand that prices need to go up as gas gets scarcer, that's fine, but whilst the companies are still creaming off huge profits that's not, and the profits are increasing as well." (Very satisfied; domestic; Leeds)

5.2.2 The cost of water

A similar range of factors were felt to apply to **water bills** including:

- ✓ **Lower prices:** not only were water bills often lower, the industry was often associated with smaller year-on-year increases, and greater stability – customers did not experience a number of price increases over a period of a few months, for example

  "Well it's cheaper than all of the other ones, basically by quite a bit." (Very satisfied; domestic; potentially vulnerable; Newcastle)

  "I don't think they've actually increased their rates either in quite a long time…

  …They have…

  …Well that's not been noticed, it's not affecting my bill, but with EDF I just feel like it's an on-going nightmare with them, constantly." (Very satisfied/not satisfied; domestic; London)

  "I think the price of water tends not to fluctuate, we've just come through a summer and we're coming into autumn where there's lots of rain so you'd expect over supply of water but the cost doesn't come down. Equally, if you've had a drought summer, the price doesn't go up so they tend to cope with it and absorb it, don't they?" (Very satisfied; business; Solihull)

- ✓ **Reductions in bills:** some respondents had **switched to a meter** and seen sharp falls in their bills as a result

  "I am more satisfied with water because I asked to be put on a meter and I think Martin Lewis had recommended if you have got so many bedrooms and people in the house and my water, I pay £25.00 a month, which is quite ridiculous, lovely…

  …[ ] Can I just ask you said you went on to a water meter, so what difference did that make in terms of your bill?...

  …Well I think it reduced it by at least half, if not more." (Very satisfied; domestic; London)

"We have, we've had a meter installed because we were running on just an estimation of what we're using, but we've now had a meter installed and god blimey, my bills have gone right down. I couldn't get my breath. In fact I think they owe me money." (Very satisfied; business; Solihull)

- ✓ **Unrestricted use:** in contrast, those without meters could use as much water as they liked without it affecting their bills

"I have got three children, 14, 10 and 5 so for me, I know this sounds crazy, I pay a set amount of water and I don't have to worry. If they want to run a big bath, you know I'm really sorry world, we should be trying to save water, but they can do that, whereas I'm on at them, 'turn off the light, if you are not in the room, why is the light on?' and things like that. So with the water I don't necessarily think about it, do you know what I mean, whereas I do about the energy." (Very satisfied; domestic; London)

- ✓ **Out of sight, out of mind:** water and sewerage services can be relatively invisible; they are perceived to be fairly low cost and if nothing goes wrong, there is no reason to think about them

"It also means I question the water less…

…You probably don't question it because it seems insignificant compared to the energy…

…It's a relatively small sum…

…But do you feel you're getting better value for money for your water?...

…Yes in a way. I don't think about water." (Very satisfied; business; Solihull)

- × **No choice/point of comparison**: for this reason, even where their water bill is lower than their energy bill, many respondents questioned whether it represented VfM; they often felt it was difficult to decide

"It would be nicer to have a comparison, like to sort of see what are people being charged elsewhere in the country. How do we know what's value for an essential service that's provided by one player in our area? How do we know what's value for money? What are other people paying and how is that cost translated to what we pay? And we don't really seem to have any awareness of that really." (Not satisfied; domestic; Leeds)

"They've got monopolies on the service. You can't balance out and decide whether they're giving value because there is no baseline to work it against so you've got nothing to compare it against unless you do the work to actually do it. Who is going to spend an awful lot of time figuring out how the water industry works and compare that to other industries? You can't really do it." (Very satisfied; business; Peterborough)

"It's that question of I don't know whether it is good value until there's someone else to compare it to." (Very satisfied; business; Chippenham)

- × **A 'free' resource:** some respondents described water as a 'free' resource and resented having to pay for it

"Yeah, we shouldn't have to pay for the natural resources. We don't pay for air." (Very satisfied; domestic; Hastings)

"I would personally say the price for water is, although it's cheap compared to a lot of other things, it's still high considering they don't actually pay for the water, they take it out the ground or out their reservoirs. They don't buy it like gas or electricity." (Not satisfied; domestic; Eye)

"When I see it coming out the sky or down the road or rivers bursting, I'm thinking to myself, 'they're not paying for that water, where is it coming from? Yet they're charging me the earth for it'. But I can't see energy. I can't see it being wasted. But when I see water falling from the sky I think, 'right the big man upstairs is supplying that. It's going in somewhere, it's eventually coming through my tap and I pay for it but it's falling free from just there'…

… They don't own it, do they? They're not producing it." (Very satisfied; business; Chippenham)

- **Unfair method of charging:** many of those not on a meter questioned whether the method of charging was fair especially when they found out that other customers may be paying considerably less; in a few instances, respondents were metered when they did not want to be

"In terms of water and sewage, Thames Water, I'm not very happy with them at all, it's cost me a lot of water, I'm getting to the point now where it's becoming a health threat. When I moved into my flat there's a water meter already there and they refused to put me on water rates which is what I was used to. So it's something I'm having to cut back on." (Very satisfied; domestic; London)

"I wouldn't have complained about my bill if I hadn't have found out what I'm paying in comparison to next door. So I think that's what's affected my views on the price. I live in a block of flats and I'm on the 12th floor and I pay £430.00 and people on the sixth floor, first to the sixth, pay £230.00 simply because they've got a meter and I'm not allowed a meter above the sixth floor, which is so unfair, it's crazy." (Not satisfied; domestic; potentially vulnerable; Manchester)

"How come you're paying £14 and I'm on my own and I'm paying £28?" (Not satisfied; domestic; Leeds)

"You know what you pay domestically in your house for water and you know what you're paying commercially and it's the same water." (Very satisfied; business; Peterborough)

- Some felt they were paying more than customers in other parts of the country and felt this was also unfair

"But also Wessex are one of the most expensive in the country as well, aren't they?" (Not satisfied; business; Chippenham)

- **Billing complaints:** some respondents had complaints relating to billing

"What's this surface water charge?...

…Rain, it's rain. You know, the thing they need to have the company to actually exist. It's rain…

…And then there's standing charges as well, you know, if a property is empty and it's not using any water there's still a water rate to pay. How does that work?" (Not satisfied; business; Solihull)

- **Privatisation:** some respondents, especially some of the older ones, spoke with a degree of nostalgia about the water industry before privatisation

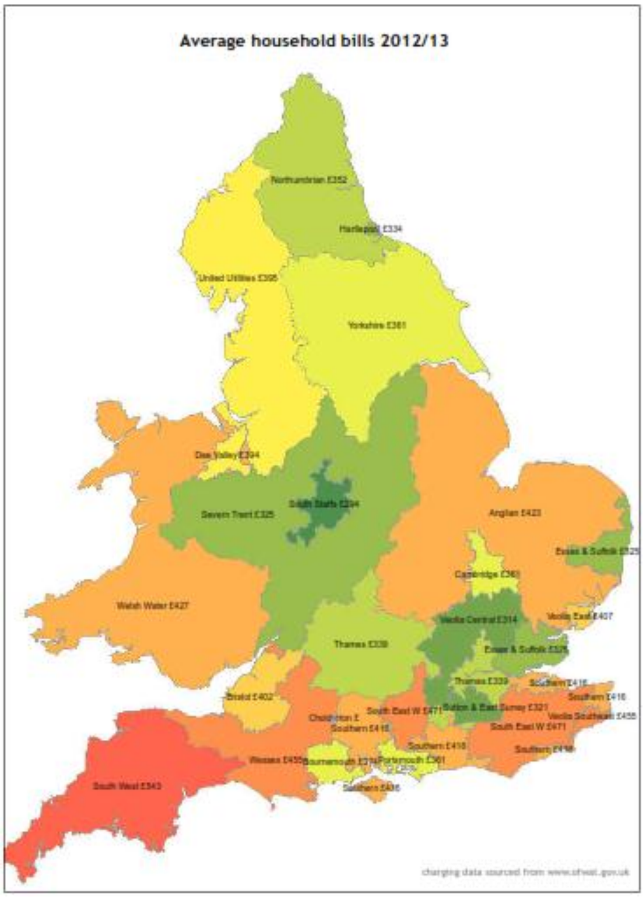
"I think it might be a generational thing because I remember the times that we spent 3p a year on water rates…

…That was to the council…

…Yeah exactly but we never paid, well for me £400, I'm a pensioner and that is quite a lot of money for me." (Very satisfied/not satisfied; domestic; London)

5.2.3 Influencing perceptions of VfM: Average household bills

In the workshops involving domestic customers, respondents were shown a map depicting the average household bills for each water company.



Many respondents were unaware that bills vary by water company region and some had not even appreciated that there was more than one water company.

"I've got to be honest, I assumed water was the same cost wherever you were, I didn't realise there was such a regional variation." (Not satisfied; domestic; Eye)

"I thought it was just United Utilities doing the whole country…

…[ ] I'm the same. I didn't realise there was this many. I knew there was a number of areas but I thought it was more of a larger scale, not when you get down South it's broke up in so many little different regions." (Not satisfied; domestic; potentially vulnerable; Manchester)

The information raised lots of questions about why there is so much variation – respondents' focus of attention was more on this than on how their average bill compares with elsewhere.

"Is this anything to do with the smaller population?" (Not satisfied; domestic; Eye)

"So having this information isn't the full story because it's how water is captured and whatever. We've got some nice hills around here and reservoirs and whatever, it's different further down South where it's flat." (Very satisfied; domestic; Leeds)

"I think it also comes down to some degree to affluence and the people who live in the South do tend to be in the main a little bit more wealthy than people who live in the North. It's not always the case, but in the vast majority of cases, there's more wealth in the South than there is in the North. So it's a question of, 'well we'll have a bit more of that'." (Not satisfied; domestic; potentially vulnerable; Manchester)

"My reaction is, why does water cost more in one place, is it because there is more water or less water? My immediate thing is, why should it be more expensive in Surrey than it is in the Thames area, why does it cost more to get that water in, the same water to get into your home?" (Very satisfied; domestic; London)

When prompted to focus on their regional average, in some cases it did impact positively on perceptions of VfM.

"If that's the average for Essex and Suffolk I'm quite happy with what I'm paying. Mine is well below the average." (Not satisfied; domestic; Eye)

"And you work it down monthly, then you work it down weekly, it's, I don't smoke, but it's a packet of cigarettes, you know what I mean? When you think about that. Like I say, mine's £33 a month, £16.50, £8.25. Near enough a packet of cigarettes for your water." (Very satisfied; domestic; potentially vulnerable; Manchester)

"Comparatively it looks very good value for money, yes…

…You wouldn't know that unless you knew how much other people are paying and the chances are you wouldn't know how much they were paying unless you've got a relative who lived …

…I mean as most things tend to be dearer in London and Greater London than anywhere else you'd have thought it would probably have been one of the dearest." (Very satisfied; domestic; London)

However, where a respondent's bill was a lot higher than the average for their region, this information was more likely to raise concerns and may lead people to conclude **their** bill is not VfM.

"You can look at a chart and it tells you you're getting good value for money but if you're paying more than that individually, you're not getting good value for money." (Very satisfied; domestic; Eye)

"I just want to be average. Can I just be average please? Then I'll be okay." (Not satisfied; domestic; Eye)

"I think looking at that, when you see an average of all of the North West and like, when I mentioned before when you look outside and you look left and right to your street, in your town, if that can be an average, for me that should b. They should work off an average and everyone pays the same for that region than like you say, where one is paying one bill or one house is paying six times the same as next door." (Not satisfied; domestic; potentially vulnerable; Manchester)

5.2.4 Influencing perceptions of VfM: Cost per day

Domestic customers in the workshops were played a short advert developed by Yorkshire Water, *'Ow much?*, featuring two Yorkshire characters, Mary and Edna[20]. The advert informs the viewer that Mary uses 399 litres of water a day at a cost of less than £1 a day. Respondents were also shown other information about their water supply which suggested that the average person uses around 150 litres a day at a cost of under 35p.

Although it raised a laugh, most misunderstood the point of *'Ow much?*, assuming it was aimed at generating new business which, as a monopoly, Yorkshire Water does not need to do.

> *"Why do you need to advertise it, everybody's got it?...*
>
> *…And as we've said right from the start, you don't have a choice, wherever you live in the country you are supplied to that property by the company. We have Essex and Suffolk and Anglia, in Diss you have Anglia. No matter how much advertising, it's not going to change that…*
>
> ***…Bearing in mind that Yorkshire Water know that they're not in competition, so they're not doing that to try to win new business, so why do you think they are doing that?...***
>
> *…To inform you what they're spending your money on which is all you need to know. And you would, an advert like that, you would actually go and look on that website wouldn't you?" (Not satisfied; domestic; Eye)*
>
> *"I think it's a waste of advertising, because we all know the water's going to be there, it's off Northumbrian Water, it's not going to be Durham Water…*
>
> *…Why advertise? What is your choice in the matter, it's coming from Northumbrian Water?" (Not satisfied; domestic; potentially vulnerable; Newcastle)*

A few respondents immediately understood the purpose – and others did after prompting. However, even fewer commented positively on the 'less than £1 a day' message – they were distracted by what they felt was an inappropriate use of money.

> *"It just seems an expensive thing to advertise on the telly when really, no one's got any competition anyway so we can't change. The information's probably much cheaper to put in a paper or on a radio than put on telly." (Very satisfied; domestic; potentially vulnerable; Newcastle)*
>
> *"It's to raise awareness isn't it of what you get for your money? They have obviously concluded that you don't know what you get for your money so we'll tell people…*

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[20] http://www.yorkshirewater.com/edna-and-mary/ow-much.aspx

…It's wasting money on advertising." (Not satisfied; domestic; Hastings)

When told the advert was paid by 'efficiency savings' so it did not add to customers' bills, this was seen as a 'red herring' as it was still perceived to ultimately come out of what customers had paid.

> *"**Yorkshire Water actually claim, if you go on their website, that it's not funded out of customer bills, it's funded out of efficiency savings…***
>
> *…Well where does that come from?...*
>
> *…Efficiency savings? Sorry, I think you mean customers' money…*
>
> *…I think that's twisting words." (Very satisfied; domestic; Eye)*

Some of the potentially vulnerable customers, in particular, said they would be extremely angry if their water company spent money on advertising like this.

> *"Why don't they give them efficiency savings to reduce your bill?...*
>
> *…Yeah where does the money come from to produce the efficiency savings to do the advert? It comes from the bills, so it comes from customers, what a lie! How much transparency out the window…*
>
> *…I would find that offensive if I read that. I would find that deeply, deeply offensive and manipulative." (Not satisfied; domestic; potentially vulnerable; Manchester)*

Most Yorkshire Water customers in the two workshops held in Leeds had not seen the advert and, while they quite liked the use of Yorkshire accents, they also questioned the value of the exercise.

> *"I think I was a bit taken aback because I thought I've never seen Yorkshire Water advertise before and I thought, they've got somebody with a broad Yorkshire accent! A typical couple of people sitting there, little old, well they weren't old dears but one of them was trying to get one up, saying, 'I know more that you do'...*
>
> *…That was all there was but I just took it at the entertainment value, I didn't register that it was a pound a day. I suppose maybe at the time it did but in some respects I know I have to have it, so I pay it. But it would be nice to know what I have to pay for. But it was funny." (Not satisfied; domestic; Leeds)*

In contrast, this statement[21] was often a real eye-opener. It provided a powerful point of comparison as respondents likened it to other

Did you know?

A litre of tap water, supplied and taken away, costs just 0.23 pence.

The average person uses around 150 litres of water a day – all this for less than 35p

[21] Information provided by CCWater.

goods such as a bar of chocolate, bottled water, a pint of beer, and petrol.

"That is good value, isn't it?...

…Take it down to Tesco's and show them…

…Well it obviously must be good value because people go and buy bottled water out the supermarket, pay more money than what a blooming well pint of beer is or whatever." (Not satisfied; domestic; Eye)

"35p a day, that's nothing, is it?...

…[ ] You can't get a bar of chocolate for that." (Very satisfied; domestic; potentially vulnerable; Manchester)

"Because when you think 150 litres of water a day is costing me 35 pence. I've never ever thought of it as broken down to that minority, I've always just thought you pay a set amount of bill and that's it, they never break it down further…

…[ ] I'm just thinking about what P said, if you think how much one litre of water would cost you to go and purchase in the shop if you had to do it if anything happened, it would work out an awful lot more cost to us. I'm really surprised at it actually." (Not satisfied; domestic; potentially vulnerable; Newcastle)

"The price is incredible. Less than 35p is just amazing…

…[ ] Yeah 35p a day, I mean you are getting treated water, although we might have the water somewhere, it's got to be got from A to B and your house being B, so you've got to pay to get it from A and you can use, well I'm talking as somebody who doesn't have a water meter, I can use as much water as I like. Yeah we can have the dishwasher and the washing machine going at the same time and run a bath and god knows how much water that uses and for 35p a day, I think that is damn good value for money…

…[ ] I think it's very good value for money. I don't know when I think about my monthly bill I'm really happy with it, but it's interesting to get it broken down and see the 35p a day is what I'm pretty much paying…

…You can't even buy a bar of chocolate for 35p anymore." (Very satisfied; domestic; London)

5.3 Quality

When it came to assessing the quality of the goods and/or service being provided, respondents felt it was not possible to judge the quality of their energy and assumed there was no difference irrespective of the supplier. For this reason, most of them would describe the quality of their energy as 'acceptable'; it does what it is supposed to do, no more and no less.

"I'd say acceptable quality because there is no way you can measure it, I can't measure what my electrical, the quality of my electrical surge is…

…[ ] I wouldn't go for any of them because you can't feel or touch it, you can't. What I'm saying is that you can't say well EDF is better than British Gas electric because it all comes from the same source…

…And it isn't more powerful, one or the other, it's just ...

…Yeah you are not using up less units by using the British Gas version of it, it's the same thing." (Very satisfied; domestic; London)

"No company can offer you anything different, you turn a switch and the light comes on, it doesn't come any brighter." (Not satisfied; domestic; potentially vulnerable; Manchester)

"Yeah electric's electric, isn't it? It's all the same product just by different suppliers…

…You don't physically see it either, do you? You don't see electric do you, to be fair? At least you can see water when you turn the tap on…

…There's not like a high grade of electricity and a low grade, it all does the same job." (Not satisfied; business; Chippenham)

This was in marked contrast to the way they spoke about their water. Their reference point was the quality of the drinking water that came out of their taps which was perceived to be high quality.

"How many people are getting water poisoned, you know? The stuff that they have to do, the stuff that they put the water through to filter it and make sure the water is clean to serve so many people within the different boroughs, that is value for money, that alone." (Very satisfied; domestic; London)

"You can tell the quality is there because you can drink water through the tap and it's as good as a bottle of water. And the sewage system, I've never had problems with my sewage system and it's always been very efficient. So in that respect I think I'm getting very good ..." (Very satisfied/not satisfied; domestic; London)

"I know the quality of the water, I feel that's good because I've travelled quite a lot around the country and where there's hard water here, there's not there, there's dental problems here, so Severn Trent have got quite a good reputation for the quality of their water." (Not satisfied; business; >5000 cubic metres; Birmingham)

There were a few concerns raised about levels of hardness or a taste of chlorine.

"For water it's high quality, although it's higher up North, I do prefer the taste of their water up North." (Very satisfied/not satisfied; domestic; London)

"I think there's a lot of chlorine in the water, it's quite strong sometimes. You turn a tap on and you get that whiff, you flush a toilet and you can smell it." (Not satisfied; domestic; potentially vulnerable; Newcastle)

The quality of the waste water service was almost completely overlooked in this discussion. There was also a feeling that the quality of drinking water is largely taken for granted. A number of comparisons were made with the perceived quality of drinking water overseas and some older respondents living in a rural area of Suffolk could still recall having no mains water or having an earth closet.

"I'd say reliable, isn't it? You know, there are some countries they have it on a Monday and then don't have it on a Friday." (Very satisfied; domestic; potentially vulnerable; Manchester)

"You feel safe. I mean you couldn't go to France without drinking out of the bottle instead of the tap." (Very satisfied; domestic; Eye)

"It's all very well hating how much water costs, but I think if you come from India you just value how good and clean the water is here. It's only when you travel, and I've travelled a lot, China, India and all the rest of it, you think, God, you know." (Not satisfied; business; Solihull)

"When you consider that before the Second World War you were very lucky in a village if you had more than a central service. In the village I grew up in, beyond the farm that I actually grew up on, nobody had anything better than a tap at the roadside for every two houses…

…There were still instances and they actually stood there, there were still instances of people who only back in the Thirties had been getting their tea drinking water out of what they described as the tea pond." (Not satisfied; domestic; Eye)

5.4 Delivery

5.4.1 Customer experiences

Many of the customers taking part in the research had experienced very few problems with either their energy or their water and sewerage services and, for this reason, had limited experience of customer service. It often did not appear on their radar and was taken for granted unless they had a reason to question it.

"My experience is, I've never had to do anything with it so it's just there…

…[ ] I mean it's one of those things you can't see, you know, it's not existent. I don't know, what do they do? I have no idea whatsoever." (Not satisfied; domestic; London)

"I think sometimes it's to do with how much contact you have with them. So Thames Water, I don't really have much contact with, so it's difficult to say what I was dissatisfied about, all that was based on was the price, whereas the council I've had quite a lot of dealings with and not been satisfied, so they are further down the list." (Very satisfied/not satisfied; domestic; London)

"You turn the tap on and the water comes. And it always has for the last 20 years in that house. I've never spoken to anybody about anything." (Very satisfied; domestic; Eye)

However, this means that a single incident can have a profound impact on perceptions of VfM. There were a number of examples where respondents' feelings about the VfM of their water service could be attributed to a single incident – sometimes going back 2-3 years or more. Some of these were positive – these were almost exclusively found among the 'very satisfied with VfM' customers. Others were negative – these were mainly found among the 'not satisfied with VfM' customers. In other words, customers' experiences of service issues and the way these were handled was a major discriminator in driving feelings of VfM.

A range of examples of both positive and negative experiences/perceptions relating to the delivery of service by water companies are summarised in Table 12 and Table 13.

Table 12: Examples of positive service delivery experiences

• prompt action
"Just on past experiences, if there's been problems like out in the street and whoever you've rang, or my personal experience, I think the water board's probably the first ones that were there, never mind the council for street lights, stuff like that." (Very satisfied; domestic; potentially vulnerable; Newcastle) *"When we've had problems at the farm – we've got 2,000 pigs – we need to have mains water all the time. They've always sorted out the problem immediately." (Very satisfied; domestic; Eye)*
• efficient communication by email
"We always do it via email with the water board, just purely because they get back in touch and it saves us having to do all the press one, press two, etc… ***…Okay and do they respond within that time?...*** *…Yes, it's really fast." (Very satisfied; domestic; potentially vulnerable; Newcastle)*
• proactively checking to see if a customer was using too much water
"The water board actually wrote to me. I'm on the meter and they said that I was using far too much water [ ] for just me and my husband in the house. They said, 'do this test', and they told us step by step what they do with the test. Now, I've never had the electric or the gas company ever ring us and I'm with British Gas for both. They've never said, 'oh for you just being a couple in the house, we don't think…' They've never done that, so I thought that was really good service that they'd come and said." (Very satisfied; domestic; potentially vulnerable; Newcastle) *"We had a similar type of thing where they said we were using too much and they threw a lot of people at it to go through the meter reader and the whole mistake and said that it can't be just one building that's using this much. They have been pretty good with the service. Had a lot of staff there sorting it out. They've been brilliant." (Very satisfied; business; Solihull)*
• waiving a bill following the death of a customer's mother
"My mother died and I didn't have a clue what you are supposed to do and I had to go through everything so when I eventually got to the water, the water people didn't even charge me for when that house was empty, but the gas did, the council did. Every single company charged me when that house stood empty for nine months, bar the water." (Very satisfied; domestic; potentially vulnerable; Newcastle)
• advance warning of disruption to supply
"I mean when we do get interruptions to the water service when there's work going on but we always get notified of it beforehand and they usually try and do it outside of business hours to make it more convenient for us. And if they can't, then we are notified about it so we know." (Very satisfied; business; Chippenham)
• customer telephone service
"I recently called the water company and the phone rang about four times and then a person answered and I was done within about two minutes and it was brilliant. So I'm satisfied because of that because it was, I didn't have to be on hold for 10 minutes so it's not just, yeah so that was the service I'm satisfied with rather than water coming out of the tap because obviously I'm satisfied with that." (Very satisfied; domestic; Leeds) *"To be honest, the experience that I've had with water and energy is if there's been a problem with water supply, or there's been a leak in the road you do get to speak to a human being. Whereas if there's a power outage the chances are it's a computerised message. You may or may not get a human being but I'd say you're more likely to get a human being with the water companies." (Very satisfied; domestic; Eye)*
• rarely experience supply disruptions
"Water's better supplied. For the farm we get cut off from energy far more often than we do from water. So the continuity of the supply for water is a lot better than energy. We get cut off from energy and we have to have our own generator for energy on occasions." (Very satisfied; domestic; Eye)

Table 13: Examples of negative service deliver experiences

• amount of money being spent on repairing leaks
"All I remember is in the area where I lived, last winter and sort of really continuing up until May, there were some quite serious water leaks and this was at a time when we were all, there was a hosepipe ban and there was an emergency. This is Thames Water. I looked on their site to try and write some sort of comment, which wasn't easy, but anyway I found this. Then I thought, 'well I better find out a bit more about how this organisation works', so I looked at the Chairman's report and I discovered that, because they give the figures of how much expenditure on I don't know, renovating pipes and repairs, how much is spent on shareholders and I found that it was, they gave shareholders over 1.5 times as much money as was spent on repairing our pipes and you know seeing to for example these leaks. I was hopping mad. So my satisfaction is zero." (Very satisfied/not satisfied;

	domestic; London)
•	meter not being read
	"They read the electricity and the gas meter but the water meter never seems to be read and I can't check it myself because when you take it up, it's like full of water, you can't read it." (Very satisfied/not satisfied; domestic; London)
•	flooding
	"I think the water service is getting worse and the prices are going up, and I don't think it's regulated enough, you're stuck with one and that's it… ***…When you say the service is getting worse, tell me what you mean by that?...*** *…There's more floods. You never see anybody clean the drains. When we had that big thunderstorm, leaves were flying up in the air, got blocked. There's places getting flooded now that have never got flooded and it's all because of the drains." (Not satisfied; domestic; potentially vulnerable; Newcastle)*
•	leaks
	"Where I live they've dug the road up about seven times in the same bloody place and there's still a leak, and they've had the water off so many times." (Not satisfied; domestic; potentially vulnerable; Newcastle)
•	incorrect information
	"The only time I've had it is when they've cut water off for 10 minutes if there's a burst main or something's happened, and when you've phoned them they've just told bloody lies all the time 'It's going to be ready by four', and then you phone somebody else, 'it's right by six', 'seven'. Instead of just saying it'll be ready when it's ready, do you understand what I mean? It means you phone up four or five times. Where I think the energy company is truthful. They tell you the price is going up, they send you a letter that it's going up and they tell you why, and you can change if you want to." (Not satisfied; domestic; potentially vulnerable; Newcastle)
•	being over-charged
	"I have to pay a set amount each month and then they said to me, 'oh you have to pay £40 a month', and then I called up for something and somebody said, 'oh do you realise you've been paying £40 a month and your average use is only £14 so we'll credit your account' and so like, I've been paying all that money for about a year or so and no one had picked up on it." (Not satisfied; domestic; Leeds)
•	unhelpful staff
	"I can only speak from personal experience but I put water at the bottom because they're just not very helpful. I had problems with my own water and problems with my dad's water and you're given a leaflet and told to sort it out yourself and then go back to them with the complicated test that you had to do, whereas when I've had a problem with my gas someone's come out. I suppose it's a little bit different, isn't it? More dangerous, but someone's been out within half an hour and sorted it out." (Not satisfied; domestic; Eye)
•	billing problems
	"There was a problem and I hadn't realised what was happening but what I didn't understand, it had obviously been building up over time and the woman I spoke to on the phone said, 'but you've used more than a whole big family of children, it's building up and building up'. And I said, 'well, why haven't you told me to put up my monthly amount, I would have then perhaps looked at it?' I accept that a lot of it was my fault but at the time I was not well and hadn't realised, hadn't looked at the bills." (Not satisfied; domestic; Eye)
•	regular problems with low pressure
	"It's our water pressure, sometimes it's turned off, there's been building works going on somewhere and they've turned it off but they haven't informed the local residents… ***…So you haven't had water at all or it's just been ...?*** *…It suddenly goes, I mean it trickles. It goes to the ground floor, but it can't go up to the first or second because they've reduced the pressure of the water, that is the problem we have.* *…[ ] If we ring up and say we've got a problem and the people on the other end of the phone go, 'no one else, we haven't had no problems there's no one working there'. So they basically dismiss it and we're going, 'well, there is a problem, we are telling you now there is a problem'. Sometimes it takes two or three phone calls and then finally they go, 'okay, we'll send someone out within 24 hours', so you are still stuck with the problem for 24 hours." (Not satisfied; business; >5000 cubic metres; London)*
•	problems with meter
	"Well we had a water meter which was faulty. We didn't realise it was faulty. It was after almost forensic examination they found that it was faulty and that it was overcharging and this went on for probably three years. It was working but it was faulty in some respect. So they changed and upgraded the meter because it was an old one and for even one year after that, that meter didn't register anything. I had got this finance manager who just didn't realise we weren't getting a water bill because most of them are obviously direct debits you know. So it was during that year that we had some auditors, 'well, where's your water bills?' And then we looked, 'oh my goodness we hadn't had one'. So we had quite a discussion with them about being overcharged and they gave us a refund which we didn't think was fair, it was only a few hundred and we had worked it out that it should have been really closer to £2,500 and then there wasn't a lot we could do with it. We thought about going to the ombudsman and complaints system, but because we had the free year, we thought right we'll do a deal, call it quits. But of course no, so I mean they insisted, it was too impersonal, we couldn't really speak to anybody in a position to make a decision. I think you know they have got the hold on us, we can't go anywhere else, or can we, I haven't researched it. But that's still ongoing…

*…**So was that meter eventually replaced with one that…***
…Yes, yes. It was turned off actually, it was as simple as that. It was upgraded but the engineer forgot to turn it on…
*…**But they didn't accept responsibility so they…***
…No, no, they thought well, they suggested we turned it off, you know." (Not satisfied; business; >5000 cubic metres; Birmingham)

"We're on a new business park, and our water was constant, and then it started going up, and we're on a meter, so they monitored it and we were paying next door's water bill. They'd hooked up the wrong meter to our business. So trying to get them to come out, we were in the wrong until we proved to them that ...
*…**So you had to prove to them?...***
…Oh, almost, yeah. We had to contact them. They said it's impossible. 'Come and check It'. 'No, no, the meter doesn't lie, it doesn't lie', until we kind of turned off outside taps, turned off everything, and yet our usage was still going up…
*…**So how did that get resolved in the end?...***
…Well, again, we proved it. We monitored, they got a monitor on the actual meter at the ...
*…**So did you get a refund?...***
…Oh, yeah, we got it back but, again, that was hassle. That was a problem." (Not satisfied; business; Solihull)

5.4.2 Understanding what is involved

Respondents often struggled to describe in any detail what is involved in delivering energy and water to their homes and businesses. They also had no clear idea whether it cost more to be supplied with energy compared to water. When asked which sector incurred the highest delivery costs, energy or water and sewerage, respondents were often divided in their views, which were mainly based on guesswork.

However, during the course of this discussion, a number of opinions were expressed about water that implied that some respondents at least, felt it should be relatively cheap to deliver:

- it is a largely free, natural resource

  "Water falls from the sky. It doesn't cost as much probably as it does to make electricity." (Not satisfied; business; Peterborough)

- water is simple/tangible while energy is complex/intangible

  "I mean it's easy. It rains, it falls down, they clean it up and that's simple." (Not satisfied; domestic; London)

  "It feels to me as if it's not as complicated a process as providing the gas." (Not satisfied; domestic; Hastings)

  "Somehow water just feels as if it just happens, it comes out of the sky and comes out of the tap, whereas electricity seems a bit more perhaps convoluted and complicated." (Very satisfied; domestic; potentially vulnerable; Manchester)

- we are surrounded by water and we have plenty of rainfall

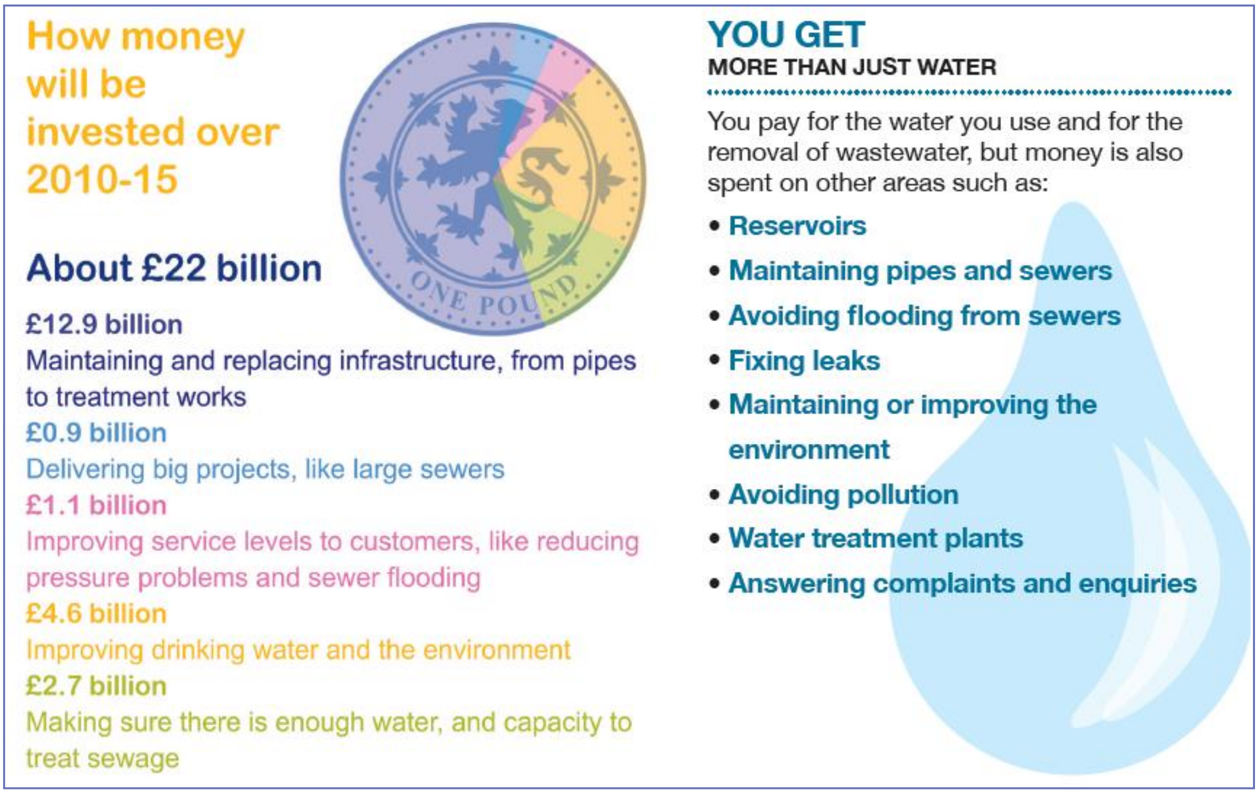
  "But we're running out of energy in many ways. We're looking for alternatives. I don't think we'll ever run out of water!" (Very satisfied; business; Solihull)

- that water ‘flows’ through the pipes (i.e. no appreciation of the need to pump it).

Once again, the need to take away and process waste water was often overlooked.

Respondents were shown some information about the water and sewerage industry which summarised how much money was being invested between 2010 and 2015 and reminded respondents what they get for their money over and above the water they use (see Figure 4).

Figure 4: Information about the cost of delivering water services[22]



Reactions to this information were mixed. For some, it was difficult to appreciate what the huge sums being invested represented.

> *“What would be quite interesting for me is if you said the average customer pays £361 and then go down and say how many of those pounds is spent on each of these so it’s personalising it…*
>
> *…Yes that would be useful…*
>
> *…So I would know how much of my money is going on each of those projects. That would be far more meaningful. £22 billion has no meaning to me whatsoever…*

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[22] Information supplied by CCWater.

…It's just a big number." (Very satisfied; domestic; Leeds)

"These figures are mind boggling, they are meaningless and I don't know what 22 billion pounds looks like, it sounds like an awful lot of money." (Very satisfied; business; >5000 cubic metres; London)

Some respondents also commented that it would be more useful/meaningful to have the information based on just their water company as opposed to the national picture, or to have comparative data.

"I think if they sort of drilled down from that showing, you know where within your region this is actually happening, so you can be more familiar and recognise the locations that are being shown, that might help raise awareness…

…Yes I agree, it would have to be more localised so that these things are happening around you rather than the whole country…

…But if it was Thames Water saying, 'this is what we are doing?'...

…Yeah definitely." (Not satisfied; domestic; London)

"I don't see how this is helping me know more about what Yorkshire Water do. This is what everybody does overall so I don't think this is a fair…" (Not satisfied; domestic; Leeds)

"It would be interesting to make a comparison between Severn Trent and the national average. Or any future water company you would consider…

…Ah that's a good point if you got these headings as to how your water provider - you know, they spent more on maintenance and infrastructure and less on this. If there's a benchmark then that's the national average, we're better at this, this and this but not so good at that and the other." (Very satisfied; business; Solihull)

In some cases, the information did suggest the customer is getting a good deal for their money.

"I think when it's put £22bn between 2010 to 15, that's a vast amount of money and just the breakdown of what we are getting for our money. It means value for money to me." (Very satisfied; domestic; potentially vulnerable; Newcastle)

"Well it actually jumped out to me that I am getting very good value for money. That's why I said, 'are our bills going to go up?' because there's a lot going on here really that we don't know about. All of this." (Very satisfied; domestic; Eye)

"I think this is what I expect, because of the quality of the product. We moan about leaks and burst water mains and all those sort of things, and I think that gets a little bit pushed aside and shouldn't, but, at the end of the day, you get a quality product that, 99 per cent of the time, we turn the tap on and it's there and we take for granted, so, you know...

…So is it useful to be reminded of ...

…I think so, yeah…

…I think it is, definitely." (Not satisfied; business; Solihull)

However, it also raised lots of questions and doubts in respondents' minds, including:

- what percentage of their turnover does this represent? What level of profits are they making? Without this information, it was difficult to judge whether it represented VfM

“I was surprised at £22bn though. Put a couple of women in there to reorganise the budget…

…Well, what’s the income? What I’d like to know is, what’s coming in?...

…Yeah, what percentage of turnover does that £22bn represent?...

…Yeah but if they’re willing to put a figure of £22bn across all the water companies, then they could give us a turnover.” (Very satisfied; domestic; Hastings)

“If it says, ‘you pay us £55 billion and we spend £22 billion’, that would have a different slant on it, wouldn’t it?” (Very satisfied; domestic; Leeds)

- are they spending more than they need to?

“I’m not getting very good value for money because they’re trying to push £22 billion of what down my throat?” (Very satisfied; business; Peterborough)

- why do some things need money being spent on them e.g. improving drinking water (assumed to be of very high quality already) or improving service levels?

“The thing that tickles me is ‘improving drinking water’. It wasn’t a problem when I was a baby and I was born. It tastes no different now my kids are here. I don’t understand, it’s costing 4.6 billion.” (Not satisfied; domestic; potentially vulnerable; Manchester)

“That’s an awful lot of money on a water standard which I believe is acceptable at the moment.” (Very satisfied; business; Peterborough)

- does this mean bills are going to have to go up?

“I just never, ever thought there was that amount of money spent on water. It’s just unbelievable. And it makes my small bill go into insignificance…

…Does it make you feel well, I must be getting value for money?...

…Yes, yes…

…It sounds to me like our bills are going to go flying up?” (Very satisfied; business; Solihull)

There was sometimes a disconnect between the information and their own perceptions. In particular, if so much is being spent on upgrading the infrastructure, why do they still come across so many leaks and problems with flooding?

“I think that one, it’s quite funny about delivering big projects like large sewers. It wasn’t that long ago that they put in those storm drains in Hastings town centre didn’t they, and they failed. Apparently you could drive a bus through it and yet it still flooded all the shops down there.” (Not satisfied; domestic; Hastings)

"Avoiding the flooding…

…I know, it makes you laugh, doesn't it?   …

…You say that presumably because of recent events?...

…Recurring recent events." (Very satisfied; domestic; potentially vulnerable; Newcastle)

"They're spending an awful lot on maintaining and replacing and yet you're still getting the complaints about leaking pipes here, leaking pipes there. Underground leaks which they can't find, is that pushing the cost up?" (Not satisfied; domestic; Eye)

Although there was considerable recognition that the companies are having to upgrade an out of date network, concerns about water companies wasting water by not doing enough/responding quickly to repair leaks was raised in all workshops.

"Because is it true, 85% of the water gets lost? It's only 15% that actually comes out...

…Something like that, yeah." (Not satisfied; business; Chippenham)

In this context, water company messages about the importance of saving water – especially earlier in the year in response to the drought – could be seen as 'hypocritical'.

"They have hosepipe bans and you see water coming out the bloody drain holes and they'll leave it for three or four days, sometimes even more. If you try and get hold of them, you might as well talk to the bloody moon, it's ridiculous." (Not satisfied; domestic; Hastings)

5.5 Relationships

Most respondents felt that they either had 'no relationship' or a 'distant relationship' with both their energy and their water companies.

"I haven't got a relationship with Thames Water because I've never had to complain about anything…

…[ ] I must admit I've not really had that much of a relationship with Thames Water." (Very satisfied/not satisfied; domestic; London)

"You get a letter, you pay it, that's your service paid for. No-one comes out and shakes your hand and says, 'are you happy with your water, are you happy with your electric?' It's just someone on the end of a phone or a computer." (Not satisfied; domestic; potentially vulnerable; Newcastle)

"I have no relationship with my water supplier at all, zero relationship…

…No, nor me…

…The only relationship I have is the direct debit going out of my bank account and the statement they send to me…

…Yeah, they have a relationship with my money, that's all." (Not satisfied; business; Chippenham)

There were often more ‘points of contact’ between customers and their energy company so more potential opportunities for developing a relationship.

> *“With EDF, both with the electricity and the gas, I’ve had a relationship and that’s basically sorting out bills, queries and that type of thing, things I didn’t understand and there was someone there to help me with that. The relationship I’ve had with the energy one has been a lot more sufficient, I must admit.” (Very satisfied/not satisfied; domestic; London)*
>
> *“I’ve got a relationship with the electric company, ringing them up, trying to find tariffs, searching the web and that type of distance relationship, not with an individual but with the public face of it, although without success, I must admit…*
>
> *…[ ] You don’t have a relationship with water, do you? You just give them money, a bit like blackmail.” (Very satisfied; business; Peterborough)*

On the few occasions where respondents thought they had a relationship, this was often because of a positive service delivery experience.

> *“Good relationship…*
>
> ***…Good, okay tell me why?...***
>
> *…Okay because I asked to have a water meter installed and the guy who came round to fit it was really lovely, very friendly and he, the company promised because they couldn’t fit it, somehow they adjusted our price down to what they estimated for the number of occupants. So it ended up actually being, well, we ended up saving money as a result of it and it was all very easy…*
>
> ***…Were they able to fit a meter?...***
>
> *…No they couldn’t but they still reduced our bill…*
>
> ***…Okay. P which would you go for, this is Thames Water?...***
>
> *…I suppose it’s a good relationship, I’m happy with it, if I have a relationship at all…*
>
> ***…Okay so why would you consider it possibly a good relationship?...***
>
> *…Purely because they advise me, once I contacted them about having a water meter, they discussed it and told me I could have a certain time when they would take it back.” (Very satisfied; domestic; London)*
>
> *“Yeah, I got a relationship with the water and not the energy. Because again, when we’ve had problems they’ve been very quick to come out and we pretty much know who the local water guy is. And he’s very helpful.” (Very satisfied; domestic; Eye)*

Most respondents were happy with this situation – they assumed the only reason why they would have greater contact with their water company was if they experienced problems. Although customers may be happy with an arm’s length relationship, the earlier discussions with respondents revealed that a good relationship is a sign that the customer is getting added value and that this is likely to impact positively on perceptions of VfM (see section 3.6).

5.6 Self-promotion

There was limited awareness of marketing/promotional materials across both the energy and water and sewerage industries although levels of awareness appeared to be higher for energy. A combination of low interest and willingness to engage means important messages may not get across.

> *"I think it's more of an empty void. I don't think I've heard of anything." (Not satisfied; business; Solihull)*

5.6.1 Energy companies

Much of what was recalled mainly reinforced negative impressions of their suppliers (price increases, companies trying to present themselves in a favourable light) although there were occasionally more positive messages recalled (for example, in relation to renewable energy and energy efficiency).

> *"That they're really good to us...*
>
> *…How they look after the environment...*
>
> *...How they keep the country running and you'll always be able to make your cup of tea…*
>
> *…Yes, 'you should be grateful to us'." (Not satisfied; domestic; Eye)*
>
> *"I see a lot of energy companies advertising, NPower, Eon…*
>
> ***…What sorts of things are they saying?...***
>
> *…Well, they're trying to put themselves out there saying, oh, they're go-getters, they're at the cutting edge of technology and infrastructures and things like that." (Not satisfied; business; Solihull)*
>
> *"They advertise a lot of insulation to save your bills. That's what I get…*
>
> ***…Is that a positive thing?...***
>
> *…That's a positive thing, yeah, you can get your walls insulated, your roof insulated." (Very satisfied; domestic; potentially vulnerable; Newcastle)*

The perception was that a lot of energy company marketing is related to encouraging people to switch. This was often felt to be 'in your face' and 'aggressive' with every company claiming to offer the cheapest tariffs.

> *"Whereas the energy companies I'm always getting stuff, prices going up usually or change in terms and conditions…*
>
> *…I get quite a lot of, I remember when I was changing from one supplier to another and there was quite an aggressive tactic, they were saying, 'oh, our rates are going to stay this way for the next how many months', and 'how you'd be better off', and 'you can always communicate with us, this way, that way', and constantly that was." (Very satisfied/not satisfied; domestic; London)*

"They've got another agenda, making money out of you. The guy meets you in the supermarket, 'hello there, sir', chews your arm off, 'how much are you paying? £67 a month? Cor, we can do a lot better than that'. And then you get home and then six months later all of a sudden, whack back up again." (Very satisfied; domestic; Eye)

"Whenever I get a phone call from them it's always about prices…

…Always…

…'How much do you pay now? We'll beat that, we'll do this, we'll do that'." (Very satisfied; business; Chippenham)

There was some recall of energy company TV adverts and sponsorship (such as the Olympics and the FA Cup) although this was resented by some respondents, especially potentially vulnerable customers, on the grounds that spending money on advertising and sponsorship was 'unjustifiable' when bills are so high.

"There was some communication, I think. Didn't British Gas do something around the Olympics, you know supporting, going swimming or something like that?" (Not satisfied; domestic; Hastings)

"It's your money that they are spending on advertising, I always think that's coming out of well, back into my bill." (Not satisfied; domestic; potentially vulnerable; Manchester)

"Because there is so much competition, the amount of money that each of the companies are spending on the market in TV advertising, telephone sales, we're having to foot that cost, aren't we? So I think if the water companies starting doing anything like that, I'd be very unhappy." (Very satisfied; business; Peterborough)

In this context, the higher level and more frequent marketing by energy companies can suggest they represent poorer VfM.

"How much harassing can you do before people get the feeling that the value for money of the service you're providing is going to go down?" (Very satisfied; business; Peterborough)

5.6.2 Water companies

There was some (limited) awareness of water company bill inserts and leaflets about what they are doing/how they are spending the money or ways to save water.

"I think the water company, about once a year I get their annual report or something which is pretty boring stuff…

…[ ] I think there is a little pamphlet every six months or a year saying, 'what we're up to' and they're doing the big London main at the moment and they're this far into it and that kind of stuff…

…Talking about the Victorian plumbing and all that lot you know, that's about it." (Very satisfied/not satisfied; domestic; London)

"But they do market other things related to water like saving water and stuff like that but it's not their service it's just, I guess they feel they have to talk about something." (Very satisfied; domestic; Leeds)

"I think I have had something annually which says where your money goes, which I had a cursory glance at the last time I had a...

…Oh you get a leaflet don't you, which I put in the bin…

…I did read the last one…

…Yeah you do get a leaflet when you get your bill, don't you? With your first bill I think you get a couple of leaflets thrown in with it don't you, with pie graphs and all that kind of thing." (Not satisfied; business; Chippenham)

More typically, given recent events, there was greater recall of messages about droughts and hosepipe bans.

"Just they are saying, 'don't waste water', that's something that comes through in summer you get the thing about the hosepipe bans and they are almost trying to say that you've got a social obligation, responsibility. I used to see them for some reason on the bus stops." (Very satisfied; domestic; London)

"Take the drought in the summer and the hosepipe bans, well a lot of people don't know that in the last 25 years they have closed three reservoirs out in the Peak District, which feed Manchester. They have now got housing estates on where they were, three reservoirs and that means there is no water coming in, or less water coming in and as soon as we don't get water, rain for a few weeks, a hosepipe ban. But we're still paying the same bill." (Not satisfied; domestic; potentially vulnerable; Manchester)

A number of respondents felt that their water company was usually pretty good at alerting them to planned disruptions.

"They always pre-warn you if they're going to be sort of descaling the pipes or the mains, should I say, or changing the mains and warn you not to use your washing machine." (Very satisfied; domestic; potentially vulnerable; Newcastle)

5.7 Media Representation

Once again, respondents felt they tended to hear/see/read more in relation to energy than water, although in both cases the coverage that was recalled tended to focus on negative stories.

"I think you see more publicity about gas and electricity because of prices and such like, that seems to have a higher profile because of the cost." (Not satisfied; domestic; London)

In the case of energy companies, the coverage tended to be about prices going up, profits, price fixing, cold calling, and customers being switched without their agreement.

"I see lots of stories about people being charged for gas and they are not even on, you know, they don't have a gas pipe in their house." (Very satisfied; domestic; London)

"Cold calling. Forcing people. Blatantly changing contracts with people when they haven't agreed to it…

…[ ] Just when the price goes up…

…Bills…

…You don't hear the good things" (Not satisfied; domestic; potentially vulnerable; Newcastle)

"Their profits…

…It's basically bad press almost consistently…

…Price increase, constant price increase. That's all you're bombarded with, particular as winter comes in…

…And how much profit per head…

…The bonus they all get…

…But bad news is good news, isn't it?" (Very satisfied; domestic; Eye)

In the case of water companies, the media was felt to focus on water leaks, drought, floods, and the problems associated with a Victorian infrastructure.

"You quite often hear on the radio, burst water mains and they are out trying to repair it and all the rest of it, but they don't tell you about all the other ones that are seeping and leaking all over the place…

…And hosepipe bans that's always…

… It's not acceptable at all because okay, the excuse is rainfall and stuff like that. The fact is that the population say of London has quadrupled over x period of time and their argument was there isn't enough water. But it's about water management, it's all about water management and again it goes back to this whole thing about wasting, leaking water and with Thames Water it always seems to be someone else's fault and I don't buy that…

…It's usually Queen Victoria's fault!" (Very satisfied; domestic; London)

"You don't hear anything good. You really just hear all the bad stuff…

…Yeah, you'd hear about things getting flooded or the drains are blocked or something but you probably don't hear about the good things that they do as well." (Very satisfied; domestic; Hastings)

"Everyone's anti-water because of the floods. All the drains were made years and years ago…

…I go out cleaning them….

…It's not a matter of cleaning them, they need to be made wider. They were made years and years ago and they're not coping with the water…

…The thing is we live on an island. Something should be done, we live on an island and water should run off." (Not satisfied; domestic; potentially vulnerable; Newcastle)

There was some suggestion that respondents found it difficult to identify whether a national news story related to themselves and their water company. For example, in Suffolk at least one respondent had assumed there had been a hosepipe ban when, in fact, there had not been one. Similarly, in Solihull a respondent was unsure if there had been a hosepipe ban.

"I'm just a bit confused because if we're getting our water from Essex and Suffolk, how come Anglian gave us a hosepipe ban?...

…Maybe you didn't have a hosepipe ban, you just thought you did? Because a lot of people in the Suffolk area thought they had a hosepipe ban and they didn't." (Very satisfied; domestic; Eye)

"A hosepipe ban. They let us know about that. I don't know if Severn Trent did. Did they declare one?" (Not satisfied; business; Solihull)

While there was some recognition among respondents that the media was only interested in 'bad news', nevertheless the things that customers recalled could only serve to raise doubts in their minds about VfM.

5.8 Competition

Competition was generally considered a good thing and, in many cases, the lack of it was said to be a driver of perceptions of lower VfM in the water industry even though bills are often much lower compared to the energy sector.

"I feel like I don't have the option to go and find a cheaper one, I feel like I'm stuck paying what I am a month." (Not satisfied; domestic; London)

"Because they give us the ability to obviously, by going with EDF we've still got the option of going to three or four different suppliers, whereas Thames Water, there is only one person in London that does it and that is Thames Water, who services that area." (Not satisfied; business; >5000 cubic metres; London)

"If you've got a competitive market then you can pick and choose and it creates competitive rates, it creates value for money, service you know about and beyond service because people are fighting for their client base. Because if you're just the only provider, you've got the monopoly, people have got to live with it." (Not satisfied; business; Peterborough)

"I think that the water actually, I have to be honest, is better value but I didn't put it as high as the energy because I've got no choice about it. I can't shop around for it." (Not satisfied; business; Chippenham)

However, there was a fairly widespread view that competition was failing in the energy sector. Prices were seen as forever increasing while tariff complexity meant it could be impossible to decide who offers the best deal.

"You have to change all the time if you look into it. I don't bother in the end because I think one minute they're saying they're cheaper, then the next minute they are going up and then they do. So you keep swapping but you can't keep swapping back and forward every few months. I don't think it does us any favours." (Very satisfied; domestic; potentially vulnerable; Manchester)

"Well I prefer to not have yet another thing where I have to compare offers that are so dissimilar and make notes. You can't actually make any comparisons anyway so in the end it's guesswork which ones are best to go with…

…Anyone else want to comment on whether competition is a good thing or a bad thing when you think about energy and water?...

…It doesn't seem to me a good thing because they just follow each other…

…They just fix the prices…

…One goes up and they all follow, it's pointless." (Very satisfied; domestic; Leeds)

"Because it's so difficult to be able to compare them I suspect that probably no, we're not getting the best deal at the end of the day. But then, who's got the time to spend trying to plough through 9 million different tariffs?" (Very satisfied; business; >5000 cubic metres; London)

Given the importance respondents attached to competition and choice, one might have expected them to be strongly in favour of introducing competition in the water industry. However, when this idea was aired, there was a concern that the water industry would not be any different to the energy sector. There was a high degree of consensus about this across both domestic and business customers.

5.8.1 Allowing businesses to switch

Only one business customer in the research sample had any awareness that businesses may be able to switch water supplier; none of those already using >5000 cubic meters were aware they could already switch.

"But isn't the principle that you still get Severn Trent water but you're paying your bills through perhaps Scottish Water? Isn't the principle that they're still giving you that water but they're selling it to Scottish Water who, because they've made so many different areas and different savings and got more customers, they're then selling it on to you?…

…So can I deal with Scottish Water?…

…And still get your water from Severn Trent, yes. They're not going to come in and lay new pipes." (Not satisfied; business; Solihull)

Business respondents were shown some information about competition in the water industry and how this affects business customers (see Figure 5). Reactions to this were mixed.

Figure 5: Information about competition in the water industry and how it affects business customers[23]

- Up until December 2011, business customers using over 50,000 cubic metres of water per year **at a single site** could switch supplier
- Since December 2011, business customers **in England** using over 5,000 cubic metres of water per year at a single site **may** be able to switch supplier
- Businesses can choose from associate companies of existing water companies and new companies that have been licensed
- Competition is currently confined to water but may be extended to sewerage in the future
- The Government in England has recently said it will change the law in the future so that all business customers served by water companies based in England can choose their water (and sewerage) supplier if their premises meet certain criteria

In principle, the introduction of competition was felt to be a good thing especially if it results in lower prices.

> *"I think competition generally is a good thing, so it should technically make it better value for money. Whether it will actually, in reality, is to be seen, but I think it's interesting." (Not satisfied; business; Solihull)*
>
> *"I'm sure if there was competition they might start then reducing their charges. It would be more competitive, they will watch their rivals, reduce the cost to the consumer of what they are buying." (Very satisfied; business; >5000 cubic metres; Hastings)*
>
> *"I think that if somebody came to me, rather than me going to them and said, 'look I can offer you cheaper sewerage or water or whatever', then I'd be obliged to look at it. If they came up with a nice and simple tariff that could compare with what Thames Water were currently charging, then I would give it a serious look." (Very satisfied; business; >5000 cubic metres; London)*
>
> *"Possibly better prices. Maybe better service because you don't know, if you've got a different company they could give you a better service than what you're getting and offer you more for your money." (Very satisfied; business; Peterborough)*

It provides the option of switching if businesses are unhappy with their existing supplier and it might mean that companies might work harder to try and retain the business.

> *"Absolutely, you know it has to because you do get a better service, it is important to them. They can't have that, you know, this monopoly rule of, 'this is what I say so this is what goes', you know, without any form of explanation or clarification." (Not satisfied; business; >5000 cubic metres; Hastings)*
>
> *"I think you should be cared for more…*
>
> *…Yeah because they've got competitors…*

[23] Information supplied by CCWater.

…Otherwise they're going to lose you." (Very satisfied; business; Chippenham)

However, respondents had a number of concerns and expectations about the impact of competition in the water industry, including:

- some felt prices might drop at first but it would result in higher prices in the longer term

"That's brilliant, because, they're going in the same market place as our energy…

…But are they going to put the tariff up, pence per unit that we pay, are they going to put that up?...

…Well, it's a market, then, isn't it? It's a competitiveness thing, to kind of judge where they're going…

…But then if Severn Trent are supplying South-West Water customers at a lower price...

…The truth is, you're going to pay more." (Not satisfied; business; Solihull)

"I think it would probably push them up…

…Yeah I think it would initially." (Very satisfied; business; Carmarthen)

"I think initially you will get better value for money because the prices will be lower but whereas money is invested into from Severn Trent for the future for every development. I feel that, you know, with alternative suppliers that won't be the case. So I think long term it won't be a benefit. That's how I see it." (Very satisfied; business; >5000 cubic metres; Birmingham)

- some felt service standards may be reduced in order to achieve lower prices and this was not deemed acceptable by many

"You could get a poor service. As companies are trying to compete and costs go down and they have to allow for that somewhere else. The call centre fiasco – it went overseas for a while but they brought it back because it didn't work." (Very satisfied; business; Solihull)

- having to deal with two suppliers (one for water and one for sewerage) was seen as potentially a hassle

- who would accept responsibility if there were problems such as leaks, blocked sewers, etc?

"Something that springs to mind for me as well, say you've been using Severn Trent for argument's sake, and you swap to South Staffs Water and there's a leak in the pipes, Severn Trent's pipes, do they have to maintain that pipe? Water's coming through somebody's pipe, somebody owns it but it's not their water. I see a bit of a dilemma there." (Very satisfied; business; Solihull)

"Let's say it's called Northern Water, who do you phone when there's burst water main? You won't have a clue and why would Welsh Water consider you a priority if you're

supplied by Northern Water over maybe ten customers who have got leaks? They would go to them first." (Not satisfied; business; Carmarthen)

- the expectation of an increase in cold calling

"Probably have more junk mail through the door." (Very satisfied; business; Carmarthen)

"And are you going to get more sales phone calls from different suppliers trying to sell you stuff?...

…Because that does your head in as well…

…And also, is it going to be like the other utilities, where you're going to get one, 'oh we don't charge as much as them, you come over to us'. You switch over and then you know sort of 12 months down the line it's all other way round, you know?" (Not satisfied; business; Chippenham)

"I'd get another ten phone calls every week saying, 'do you want to change?'" (Very satisfied; business; Chippenham)

- the need to switch to a meter (for those not currently on one).

The anticipated take-up would depend on the savings to be achieved and some assumed these would not be very large.

"And I think because the amount we spend is quite low, even if they were to reduce the cost by 20% the saving would be insignificant and probably not worth the hassle of changing." (Very satisfied; business; Solihull)

It would also depend on what the complete package looked like.

"It depends on the package, price is important, I wouldn't lie, it does push things along quite considerably. But at the same time I would want to look at some of the small print with regards to how quickly they could react, what the alternatives are, what incentives are there for e-billing or things like that. Where can we work together to save money, and also, because we are who we are, we would look at it, to a certain extent, from an environmental point of view. How would us changing have impact, would there be no impact, would there be an impact on the environment? Because you do things cheaper, what corners are you cutting? So we would have to give it some consideration." (Very satisfied; business; >5000 cubic metres; London)

While not ruling it out, a majority of the business respondents felt they probably would not switch; some might adopt a 'wait and see' attitude.

"Well, I would compare. I mean I'm not saying I'm going to switch, I wouldn't necessarily switch immediately but I would compare and with the comparison, I would review all the things that we've already discussed. Whether it's from more of a choice in billing, better service or some form of service and obviously price comparison whether it's water, whether it's sewerage." (Not satisfied; business; >5000 cubic metres; Hastings)

Those businesses already eligible to switch felt they would need to be achieving a saving of at least 5-10% before they would consider switching (some suggested even larger savings).

> *"I think Southern Water have looked after us well for so many years, I would be reluctant to leave them because you have a built-in loyalty to them. Is it worth leaving them, is it worth all the hassle of paperwork, all that time spent, just for a few pounds? No. But if there is a big difference, then they might well lose the business." (Very satisfied; business; >5000 cubic metres; Hastings)*
>
> *"A 10% difference would make on our bill would be hundreds. Is it worth changing for a few hundred or a thousand pounds? It would be less than a thousand pounds, is it worth all the hassle going through all of that, I don't know?" (Very satisfied; business; >5000 cubic metres; London)*
>
> *"To be honest, if I had that come through I would look, I think you've got to, you know. If they're half the amount then you've got to switch. If they were, instead of £1,000, if they were £950 a month - I mean, you think about that, it's £600 a year. Even just on that amount, would you switch? It would be possibly yes, even at that, to be honest. If it was £10 a month, I wouldn't switch." (Very satisfied; business; >5000 cubic metres; Birmingham)*

Moreover, even if they wanted to explore the option further, other than looking on the internet, none of them knew where they could go to find out more information.

> *"I would probably start Googling various areas like water competition or comparethemarket.com with water. Yeah I'd probably Google a few water companies and see what they come up with." (Very satisfied; business; >5000 cubic metres; London)*
>
> *"I'd Google it straightaway, on the internet and see what comes up." (Not satisfied; business; >5000 cubic metres; London)*

5.9 Water Company Reputation

Respondents were asked what they thought the reputation of their water company was amongst the public at large. They sometimes found it difficult to differentiate between their own personal opinions of their water company and its reputation in the wider community. In many cases, they were unable to comment simply because they had no idea what sort of reputation their water company had.

> *"I've never spoken to anyone about Thames Water apart from now…*
>
> *…It's not an exactly an ice breaker at a party, is it!" (Very satisfied; domestic; London)*
>
> *"It's like an invisible service, isn't it?" (Not satisfied; domestic; Hastings)*

There were a few exceptions to this although what follows needs treating with caution as it is often based on the comments of just a handful of respondents.

In the Leeds and Newcastle workshops, there was a degree of regional identity and pride and, in both cases, the water company name plays into this.

"So you started to obviously think, oh, that's my water because it's Northumbrian Water, do you know what I mean? It's like this is where my water comes from…

…[ ] We're North East people and we're all proud of where we come from and we're proud of what we've got." (Very satisfied; domestic; potentially vulnerable; Newcastle)

"But our water is our water, it doesn't come from anywhere else, it is Yorkshire Water." (Not satisfied; domestic; Leeds)

"I think there must be something subtle about being Yorkshire Water, it makes it feel local and it's a sort of cosy name, isn't it? It's like saying Scottish Power or something…

…I think maybe we think the same, we're proud Yorkshire men you know, it does mean something. It means a lot more it being Yorkshire Water than if it was to change its name to something else so I think it's got a very strong…

…I was just going to say, my wife being Yorkshire born and bred, is very proud of anything that's got an association with Yorkshire. I think it does definitely make a difference about that." (Very satisfied; domestic; Leeds)

As noted earlier, the use of Yorkshire accents in the *'Ow much?* advert evoked a positive response. In Newcastle, Kielder reservoir was a particular touchstone and source of local pride. It was seen as a major tourism and leisure attraction and as an indication of 'sound management' on the part of Northumbrian Water which meant that people living in the North East were unlikely to experience water shortages. They may even benefit from selling their water to people 'down South'. Yorkshire was also perceived to be a region that was 'reservoir rich'.

"It's also got the reputation of the biggest manmade reservoir as well…

… You think of Kielder and you think, 'oh it's lovely and clean and you know, out there in the forest'…

…[ ] It seems well managed and they've planned ahead…

…What gives you the impression that it's well managed?...

…Well because it never has water shortages, never has hosepipe bans…

…[ ] I think it came from the foresight years ago to build Kielder Reservoir and publicly announce what they're doing and make sure a hoo-hah at the time." (Very satisfied; domestic; potentially vulnerable; Newcastle)

Respondents in Carmarthen also expressed a degree of pride in having a Welsh company and its 'not for profit' status could act as a counterpoint to the lack of competition.

"No shareholders, no dividend taking shareholders." (Very satisfied; business; Carmarthen)

Severn Trent was described by a number of respondents as having a reputation as a 'good employer' and as being 'well run'.

"I know someone who worked for Severn Trent on their reservoirs, and he's really well looked after, and I think he was really happy. He's retired now, but he was really happy working for them, I think, most of his life…

…I think there's a lot of people that worked for Severn Trent in Birmingham for a long, long time, for years and years and years because they were a good employer." (Not satisfied; business; Solihull)

"They had a little bit of a reputation years ago of being useless and the service coming out and they're hopeless, they are not able to fix that and they took four days to come out to the street or whatever. Now they seem to be, they look more professional and you can see them on the roadside. [ ] The vehicles, the staff, the workmen, the engineers, they are all dressed properly and look professional rather than a van with no signage on them and a little light at the top as it used to be." (Not satisfied; business; >5000 cubic metres; Birmingham)

Although the company's name lacks a direct link with the region, nevertheless there was a sense of local identity and it was seen by those living in Birmingham as 'their water company'.

"Do you think people from this part of the world actually identify with Severn Trent as their water company?...

…Definitely…

…Yes, it's their water." (Not satisfied; business; Solihull)

For example, respondents spoke about the presence of local offices and that tele-operators spoke with a Birmingham/Midlands accent[24].

"If I need to speak to Severn Trent, which I don't have to that often, but I know they're on the Coventry Road, that's where they are, which is only down the road from me. They speak to me with a Birmingham accent, as I do…

…So you feel there's a sort of local…

…Absolutely…

…That's really important." (Very satisfied; business; Solihull)

It is possible that it also benefits from the widely held view that Severn Trent's water comes from Wales and is deemed to be 'better quality' compared to the local water

[24] Until recently, Severn Trent's headquarters was based in Birmingham on the Coventry Road; it was then relocated to Coventry. Respondents may not have been aware of this move.

provided by the neighbouring South Staffs Water. For example, some respondents whose business was served by Severn Trent lived in the South Staffs region and commented on the noticeable difference in taste.[25]

Anglian Water was described by one or two respondents as having a good local knowledge. These workshops were held in Peterborough and there was some reference to the need for specialist knowledge in relation to managing the Fens. The fact that reference was also made to Anglian Water's role in managing sea defences may suggest respondents were unclear where the company's responsibilities lie.

> *"In general, I think they've got quite a good image. It's not just providing us with water, it's all the surface water, the rivers, the sea defences and things like that…*
>
> ***…Where has that reputation come from?...***
>
> *…When I spoke to them on the phone they've answered the telephone, they've got local knowledge, it's great." (Very satisfied; business; Peterborough)*

A common theme running through all of the above comments is that there is a connection with the local area.

Other companies were largely felt to have either a neutral reputation or, in respondents' eyes, no reputation. Respondents felt the companies were largely invisible.

> *"We don't know anything about them…*
>
> *…They could be part of British Gas for all we know…*
>
> *…Don't even know where their head office is." (Not satisfied; domestic; Hastings)*

> *"Completely neutral, I don't know one way or the other…*
>
> *…I have never heard anything bad about them…*
>
> *…I have never heard of anything positive either." (Very satisfied; domestic; potentially vulnerable; Manchester)*

---

[25] This is something we have also found in other research projects in the Birmingham area.

5.10 Water Company Community Involvement

Respondents in the workshops were shown a few examples of how their water company was involved in the local community. In each case, the examples were broken down into four areas: community, leisure, education and environment. Two examples are shown in Figure 6.

Awareness of specific initiatives was usually very low and many respondents assumed these are the types of things any large corporation does. In other words, they were seen as a 'hygiene factor' – a company will not earn 'brownie points' from doing these types of things but could lose out if they are seen not to do them.

> *"It's quite interesting what they're doing…*
>
> *…And they are giving something back, I think that the main thing is, they've got a social conscience of some kind…*
>
> *…I think many businesses are doing that anyway, banks are doing it, obviously they are building houses for the community and why not Thames Water but they just haven't publicised it as much."* (Very satisfied; domestic; London)
>
> *"From my view point, they're a large company and I know a lot of large companies that have involvement in lots of these aspects anyway because that's how they should give it back really."* (Very satisfied; business; Chippenham)

There were mixed views on whether community involvement had an impact on perceptions of VfM. Some respondents, while welcoming the fact that their water company did these types of things, felt it had no bearing when it came to the individual customer's views on VfM. However, a number in most workshops felt it did make them re-evaluate their views on VfM in a positive way.

> *"If they are doing all of this, what they're saying they are doing, they are saying we are still only paying 35p a day, to me it's good value for money. If they can do all that and still supply us with water for 35p a day, good luck to them."* (Very satisfied; domestic; London)

Some, including some of the potentially vulnerable respondents, were more critical, feeling that the money spent on leisure activities should be diverted to helping people like themselves or sorting out leaks.

> *"I don't think I want a private company that are paying money for water, paying for leisure facilities, it just looks like a cynical ploy to me that, I'd rather they fixed the leaks and get water to the taps and take the sewage away."* (Not satisfied; domestic; potentially vulnerable; Manchester)

Figure 6: Examples of water company community involvement

Community

Support for the charity WaterAid to help provide water and sanitation to those in poorer countries
Employee involvement in PAWS – Partners for Water and Sanitation Campaign

Leisure

Many reservoirs, lakes and nature reserves offer a range of activities including fishing, sailing, windsurfing, water skiing, bird watching, walking, opportunities for visiting special wildlife habitats and for viewing historic features
Clubs for fishing, canoeing, sailing & fishing lodges at our four principal reservoirs
Nature trails & picnic areas and bird watching

Wessex Water

Education

Resources for teachers & students (packs, DVDs, leaflets)
School visits by education advisers or trips to education centres or other sites
Two museums devoted to water treatment

Environment

Six dedicated full-time rangers with a range of responsibilities at reservoirs including fishery and habitat management
Funding for expert conservation organisations to carry out biodiversity work
Provide grants to groups, schools, councils etc. to fund environmental projects
'Wild Watch' newsletter to inform everyone about environmental activities

Community

Major sponsor of South and South East in Bloom competition and Blooming Schools programme
Fund-raising by staff for a wide range of chosen charities incl. Sussex and Surrey Air Ambulance, NSPCC and WaterAid

Leisure at Testwood Lakes and the Centre there – wildlife, bird watching, walking, fishing

Tours of Brighton sewers and visits to water works
Open days at Brede Water Supply Works to see giant steam engines

Southern Water

Environment

Working in partnership with conservation charities to build artificial holts for otters and nest boxes for birds of prey, cleaning up ponds for great crested newts

Partnership with Hampshire and Isle of Wight Wildlife Trust to manage Testwood Lakes

Education

Learn to Swim programme through swimming clubs and leisure centres
Resources for schools and groups
Competition for schools to encourage water efficiency
Exhibition on water, wildlife and conservation for schools and community groups at Testwood Lakes Centre

Some respondents also assumed that leisure activities would be sources of revenue for the water company as opposed to things they were ‘giving back’ to the local community.

> *“They do that in places like the birds of prey centre and the fishing on the Kielder, you’ve still got to pay to get into them anyway.” (Not satisfied; domestic; potentially vulnerable; Newcastle)*
>
> *“If you want to go water skiing or anything like that you, you pay for it. You pay to put your boat on the water, you pay to go skiing so.” (Not satisfied; domestic; potentially vulnerable; Manchester)*

Once again, there was some suggestion that **localism** is important – where respondents could identify with a particular initiative in their local area (i.e. more locally than the water company region), it generated a positive response.

> *“I think they have to blend it into this and localise it as well because that way you’re hitting people and getting more familiar with the local community.” (Not satisfied; domestic; London)*
>
> *“Particularly as I live near to Waltham Forest [stimulus referred to an example in Waltham Forest] I’m quite interested to see what they are doing, because I know where the reservoirs are. It’s quite interesting what they are doing actually, I find that very interesting.” (Very satisfied; domestic; London)*

5.11 Water Company Profits, Ownership and Corporate Structure

In most workshops, these issues were only explored if they were raised by respondents. While it was considered by many, and in particular, business customers, as not unreasonable for a company to make a profit, perceived high/excessive profits, salaries and bonuses do not signal VfM.

This was an issue for many respondents in relation to energy companies. The subject did not come up very much in relation to water companies but when it did, it was because some respondents assumed this was also true of their water company. In most situations, they were unable to say what the level of profits were; their views seemed to be shaped by an overall impression about the level of profits and some respondents still resented the idea that water is no longer in public ownership.

In some groups, respondents were shown information setting out why water companies need to make a profit, the level of their profits and the proportion that was being distributed in the form of dividends, and the amount that was re-invested. Some business respondents commented that the profits were not as excessive as energy company profits and, where a substantial proportion had been reinvested, this was welcomed.

> *"Well, looking at and comparing the profits between gas and electric, and energy and water you would think you were getting much better value for money for the water. Because the profit is ten times really…*
>
> *..[ ] "At the end of the day they're a business. They've got to make money for themselves…*
>
> *…I think they're retaining half their profit to put back in." (Very satisfied; business; Solihull)*

However, in most cases, it proved difficult to get respondents to engage with this information partly because it is complex but also because they often had strongly held preconceived ideas.

It is worth noting, that the profit a company makes was never identified by respondents as a factor underpinning perceptions of VfM. Moreover, some of the organisations often associated with VfM, such as supermarkets, typically declare large profits. In addition, although the discussions sometimes became quite heated, some respondents did admit when asked, that it probably did not impact on their perceptions of the VfM provided by their water company.

> *"I look at this and at the end of the day I still have to pay my bill whether they've made £250 million or £460 million and how much they've paid in dividends etc, they're just figures. I'm not particularly interested in that aspect. I'm more interested to know where my money goes in terms of, you know maintenance etc…*
>
> ***…Would you all agree with that?...***
>
> *…I think showing this probably does the reverse. We've seen an advert that says and we've read, potentially read, the information that says, for a £1 a day, we've done all that and having done all that including the repair for all the sewerage and pipes, putting in new pipes, paying the water, paying all the shareholders, we've still managed £216 million. So the general public sits and thinks, 'well after you've done all that with my £1 today you've still made a huge profit'." (Not satisfied; domestic; London)*

When it came to ownership, it was sometimes assumed by respondents that their water company was French owned; some customers of Anglian Water, Severn Trent and Yorkshire Water all suggested this may be the case. Other suggestions included Thames Water being owned by the Germans, Northumbrian Water/Essex and Suffolk Water by the Chinese and Wessex Water by Malaysians.

These suggestions were made by just a handful of respondents (and only the last two are correct), most respondents had no idea who owned their water company. There was a preference for UK ownership due to some low level concerns about overseas owners (are they less interested in what happens in the UK? do they divert resources/profits elsewhere) but overall, this was not at all top of mind and was not felt to impact on perceptions of VfM.

> ***"Does it [ownership] have any bearing in terms of whether you think they offer you value for money?...***
>
> *…Probably not. I mean value for money is value for money irrespective of where it comes from…*
>
> *…Well I suppose if it's a foreign company I would start to think their primary concern is not the British consumer. I just have that gut feeling and if it was owned by a British company, I would think they're consumers of this water the same as I am." (Not satisfied; domestic; London)*
>
> *"As long as you get a good service, it doesn't matter who owns it." (Not satisfied; domestic; potentially vulnerable; Newcastle)*

In a similar way, most respondents had no idea of the corporate structure of their water company. The only exception was that there was awareness among some respondents in Carmarthen that Dŵr Cymru is a not-for-profit organisation. This was welcomed on the grounds that any profits are reinvested in the business rather than being paid out to shareholders/investors.

> *"But again with the water, at least you know that you are not really getting ripped off with it being a non-profit organisation." (Not satisfied; business; Carmarthen)*

6 The Value for Money Gap

6.1 Introduction

Respondents taking part in the workshops were shown information relating to the VfM gap – the difference between the proportion of customers who are satisfied with the service and the proportion that feel it represents VfM. They were invited to suggest why there was such a gap and, in particular, why it is as large as it is for the water sector. This was followed by an exercise in which respondents put forward suggestions for how their water company could attempt to reduce the gap.

The key findings and conclusions are summarised below in Table 14.

Table 14: Summary of main findings and conclusions relating to the VfM gap and ways of reducing it

1. Data collected as part of the recruitment process suggests that customers who are 'not satisfied' with the VfM of their water and sewerage services were also more likely to feel they did not get VfM from their energy and telecoms providers and their local council. This suggests that different people have different thresholds for deciding what represents VfM. This goes some way to explaining why there is a gap within all four sectors considered in this research (water, energy, telecoms and council services) although it does not explain why the gap for the water industry is larger than the other three sectors.
2. In discussing why there is such a large gap for the water sector, it became clear that the gap does not so much represent a perception that water and sewerage services represent poor VfM but that respondents found it difficult to decide whether they were VfM. There were several reasons why there was doubt in respondents' minds:
    a. much of the service is taken for granted, especially the waste water element
    b. the lack of any choice in relation to supplier meant that respondents felt they had no control and they did not feel empowered
    c. the lack of a benchmark or point of comparison
    d. some felt that they got 'less use' out of water compared to energy while others felt water is a largely 'free' resource
    e. for unmetered customers, there was no correlation between how much they used and what they paid; in contrast, metered customers might find it difficult to manage how much they use
    f. some business customers resented the fact that their business was charged more for water and sewerage compared to domestic customers
    g. there was a lack of knowledge and understanding about what is involved in providing the service.
3. A few respondents were willing to consider a reduced level of customer service, largely on the grounds they have little or no experience of this in the first place, however, no one was prepared to accept a lower quality product in exchange for a lower bill and the majority would also not want lower standards of delivery either.

Respondents put forward a wide range of suggestions for how their water company might try to reduce the VfM gap:

4. Respondents felt there was a need for water companies to become **more visible** and to provide their customers with **more informatio**n about the services they provide. Communications that informed customers about local activities were felt to have a better chance of engaging the customer's attention and interest
5. They also felt their water company could do a great deal more in **explaining the cost of the service**, in particular, providing:
    a. a breakdown of how the money raised from customer bills is used
    b. price comparisons and communicating the cost of the service
    c. information and advice on how to use less water/lower their bill
6. In terms of the **delivery of the service** there were calls for water companies to
    a. reduce wastage and leaks
    b. proactively promote water meters where this is in the customer's interest
    c. be more transparent in relation to bills and meter readings
    d. do more to tackle flooding
    e. keep customers informed of disruptions to the service
    f. take steps to ensure continuity of supply
    g. demonstrate that they are efficient and well managed
7. In relation to the **quality of the service**, suggestions included
    a. communicating the quality of drinking water, promoting the benefits of good quality water and encouraging customers to value their services instead of taking them for granted
    b. explaining what their company has to do in order to deliver safe drinking water and remove and treat waste water
8. A number of ideas were put forward in relation to **community involvement** including greater involvement in schools and local communities, communicating details of schemes and projects being supported and encouraging customers to get more involved (for example, by offering discounts on the use of leisure facilities, running competitions).

6.2 Why is there a Value for Money Gap?

6.2.1 Different people have different thresholds

One possible explanation of the VfM gap is that some individuals set the threshold for what constitutes VfM higher than others. If this was the case, one would expect these individuals to consider a range of suppliers to offer less VfM. There was some evidence to support this. As part of the recruitment process, respondents were asked to rate how satisfied they were with the VfM provided by their local council, their energy and telecoms suppliers in addition to their water and sewerage company. Although the numbers are low, analysis of their answers does suggest that respondents who were ‘very satisfied’ with the VfM provided by their water company were also more likely to feel they got VfM from their other service providers. Conversely, respondents who were recruited because they were ‘not satisfied’ with the VfM provided by their water company also tended to be less satisfied with the VfM from other service providers. The findings are summarised in Table 15. This reveals that those customers who were ‘very satisfied’ with the VfM from their water companies were around twice as likely to also feel they got VfM from their council, energy and telecom providers compared with those customers who were ‘not satisfied’ with the VfM from their water companies.

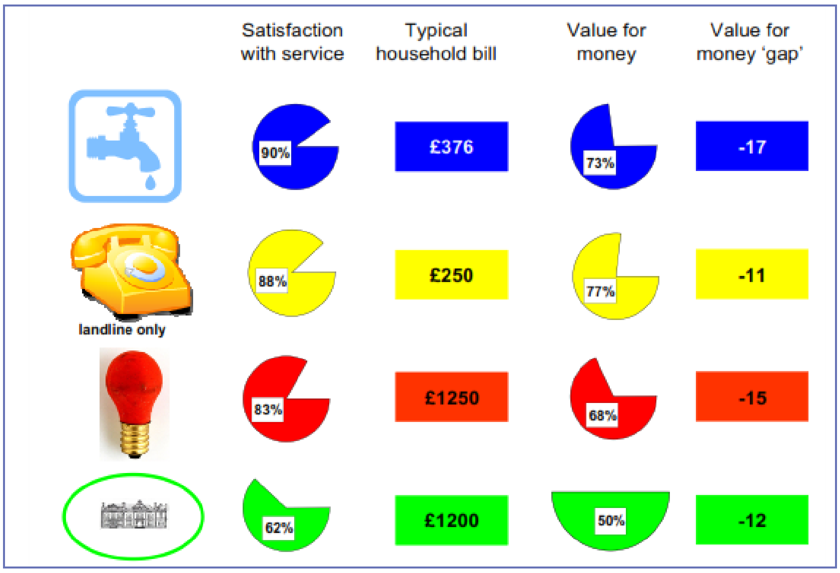
Table 15: Proportion of respondents that were satisfied with the VfM provided by their local council, and energy and telecoms suppliers

		n	Council services	Energy	Telecoms
Domestic Customers	‘Very satisfied’ with VfM of water	54	57%	59%	76%
	‘Not satisfied’ with VfM of water	54	30%	30%	44%
Business customers	‘Very satisfied’ with VfM of water	32	75%	69%	88%
	‘Not satisfied’ with VfM of water	35	29%	37%	37%

6.2.2 Respondents’ interpretation of the VfM gap

Respondents were shown further information about the VfM gap[26]. For domestic customers, this covered water and sewerage, energy, landline telephony and council services (see Figure 7) and included:

Figure 7: The VfM gap (domestic customers)

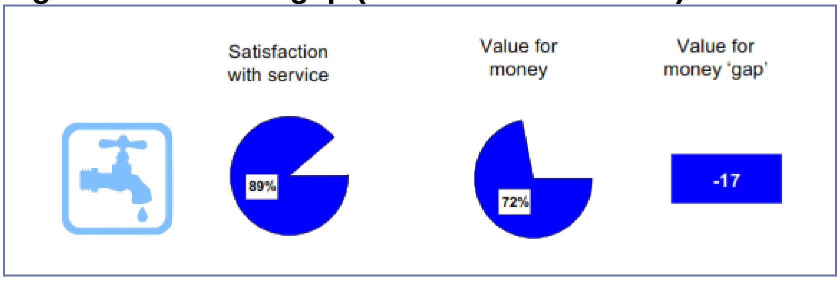


[26] Details relating to the source of the information in Figures 7 and 8 are provided in the appendices; see 8.4, p59

- the proportion of customers who were satisfied with the service
- the typical annual household bill
- the proportion of customers who felt they got VfM for the service
- the VfM gap – the difference between the proportion of customers who were satisfied with the service and those who felt they got VfM.

Business customers were shown information for water and sewerage only (see Figure 8) without any reference to the typical bill (the different charging methods employed in the business sector means it is not possible to arrive at a meaningful figure).

Figure 8: The VfM gap (business customers)



Respondents found it difficult to account for the VfM gap. A number of possible explanations were advanced.

Some respondents felt that VfM ratings will always be lower no matter what the sector is as the perception is 'there is always some room for improvement'. The fact that there was a gap across all four domestic sectors goes some way to support this contention.

> *"I think that's human nature, everybody is looking for something better than they've already got…*
>
> *…Everybody wants more." (Very satisfied; domestic; London)*
>
> *"Your value for money could always be cheaper…*
>
> *…But could it be cheaper? Could it be cheaper?...*
>
> *…Yes that's probably what people are thinking about." (Not satisfied; business; Chippenham)*

Some of the 'not satisfied' customers expressed surprise at the high satisfaction ratings achieved by water companies. In contrast, a few others wondered why water companies would be unhappy with VfM ratings in excess of 70% as they felt this represented a positive outcome.

"And I also don't believe that because every water company as far as I'm aware in the UK are the same as Southern Water, you do not have a choice of going to another supplier, you know your bills are dictated to so how can you say it's 90% satisfaction? I think that is total rubbish." (Not satisfied; domestic; Hastings)

"I think well, what is [the water industry] really worried about? They've got the best typical household bill, they've got the best value for money, they've got the best service so you know, the value for money per ratio isn't so good, but they are still going to get their money. We still ain't, you know, campaigning against water, you know, it ain't constantly on the news with negative press, I mean it's still going to happen, we are still going to be turning on the taps and paying them their money anyway. What are they trying to improve on, what is their game?" (Very satisfied; domestic; London)

"I would think, is it 72% value for money? I would think that's still quite a reasonably high score." (Very satisfied; business; Solihull)

In relation to the way data are collected as part of the CCWater tracking research, some respondents felt that they would answer the two questions in a different way:

- when asked about satisfaction with service, because they have no or limited experience of the service and have not experienced any problems, their default response would be that 'everything is fine'. They would have no need to think about it and would say they are either 'very' or 'fairly' satisfied
- however, when asked about their satisfaction with VfM, there is no default position and it raises the question in their mind – is it VfM? This element of uncertainty might result in lower ratings.

"Because the clarity of the prices and not having any control over it and for the water, yes, very pleased with the service but is it value for money? I don't feel I'm in a position to answer that question because I don't really have an understanding of what I'm paying for and why, so for me, I think that would be a large factor in why there's a disparity in their value for money gap." (Not satisfied; domestic; Leeds)

"People are satisfied because you've got water when you turn the tap on but you don't in the back of your mind know if you're getting value for money because again, you don't know how much it's worth." (Not satisfied; business; Peterborough)

Some of the difficulties in deciding whether or not it does represent VfM included:

- so much of the service (both in relation to quality and delivery) is **taken for granted**

"I've just always accepted it's there. And it's not till I sit here and talk about it that I think, 'gosh'." (Very satisfied; domestic; Eye)

"Could be because a lot of people don't think a lot about water. It's just there, taken for granted…

…[ ] Because they just take it for granted, don't they, that it comes. We are soaked and saturated. If we lived in Spain [ ] then they would have a different opinion." (Very satisfied; domestic; potentially vulnerable; Newcastle)

"I think it's one of those services that get – it's utilities, it gets taken for granted. You expect to have those basic things that people become accustomed to. So - yeah. Lights work, water works, that's great." (Very satisfied; business; Chippenham)

- in particular, people tend to overlook the waste water element of the service

"I think perhaps because of the costs that are hidden, like with the sewerage, treatment and things, you don't realise that goes into the main kind of thing. So it's like you're paying all that for this." (Very satisfied; business; Chippenham)

- the **lack of choice** so that customers cannot do anything about it even if they are dissatisfied. This lack of control/empowerment was enough for some respondents to feel that what they pay does not represent VfM even if they had no intention of exercising a choice if it was offered

"I would say that you can shop around for the two in the middle and be still dissatisfied with the service." (Not satisfied; domestic; Hastings)

"I'm saying that because they feel they've moved from Atlantic to EDF or whoever it is, that, therefore, there is competition, therefore we're getting better value for money, and because the water is just provided by a monopoly, then they feel they're getting ripped off or something. That's all I can think of, they've got no choice." (Very satisfied; domestic; potentially vulnerable; Manchester)

- the **lack of a benchmark** so even if their bill is low, it is difficult for customers to judge if it represents VfM

"The trouble is, you don't know. Is it value?   What you need, what I'd like to see, is the prices what all the other water companies are charging, you'd at least have a comparison and say some water is charging 50p a litre and this company is charging 60p a litre." (Not satisfied; domestic; Hastings)

"Well we already said that, it's because you can't compare it…

…And also, just because you're happy with the service doesn't mean you can afford it…

…Just because you're satisfied it doesn't necessarily mean, like we said, that you get value for money. If you're happy with it but you've got nothing to compare it to, you're satisfied but you don't necessarily - you might not know if you were getting good value for money." (Very satisfied; business; Chippenham)

- some feel they get **'less use'** out of water compared to energy

"Our lifestyles are very energy based though, aren't they?...

…Of course they are…

…That's maybe why we're prepared to pay an awful lot more for our energy because your Play Station 2, we like energy we like using it." (Very satisfied; domestic; Leeds)

"I think people can see how much energy they use so they think they are getting more value because when you think of all the energy you use in a day, well I don't know about anyone else, but I use less water than I do energy. So you seem to be getting more value, because you seem to be getting more of it." (Not satisfied; domestic; potentially vulnerable; Manchester)

- for some – water is a **'free' resource** which they resent paying for

"But all the other services have to be driven. You have to either burn coal or nuclear energy to produce electricity. The council has to be run by staff, premises and everything. What was the other one? Phones, have to provide technical equipment. You are working on a little freebie, rainfall. All you've got to do is store it…

…I think that's fair. Anyone who does gardening, you know, you just know that you get a water butt and you can water the garden for nothing…

…It's free. You feel that you're buying a freebie. It falls out the sky." (Very satisfied; domestic; Hastings)

"I think people think that because water comes out of a tap that they should get it for nothing. And I don't know why that should be…

…Because it's a natural resource I think. Yes, it's not made, is it?" (Not satisfied; business; Carmarthen)

- for unmetered customers, there is **no correlation between what they use and how much they pay**

"I'm wondering how many people actually have metered water bills as well, that might make a difference. I mean that may have something to do with the gap, if you are just presented with a bill every year or whatever it is and you don't know what you're - do you know what I mean when you can't gauge it…

…[ ] I can only imagine it is how you present it to your public, the fact that water is not presented in quite as good a way as electricity. I mean, I spent a pound on a small glass of water today, a small bottle of water in a shop, I spent a pound Also for a pound today I've spent to Thames Water, I've got a bath out of it, probably ten flushes of the toilet, 2 gallons of water for drinking and all the rest of it, for the same amount of money, but you don't consider that." (Very satisfied/not satisfied; domestic; London)

- in contrast, for some of those who were metered, there was a perception that it is **very difficult to manage how much they use** and therefore what they pay

"No because with energy you can turn the light off, you have some control over it, you have no control over the water other than turning the tap on or off. That is the only control you've got over it." (Very satisfied; domestic; London)

- some respondents resented that **business customers were charged more for their water and sewerage services** compared to domestic customers; they did not feel, as a business, they were getting any added value to offset these higher charges

"You know what you pay domestically in your house for water and you know what you're paying commercially and it's the same water." (Very satisfied; business; Peterborough)

- a **lack of knowledge and/or understanding of what is involved** in providing the service

"I think sometimes you don't realise what has to go into making water because it's just water and you sort of forget about all the extra bits and how it actually needs to be cleaned, I'm not just going to go out and drink rain. So I think that's why it's just forgetting because it's so essential and it's sort of in the back of my mind that I don't really think about it so it's just a bill for something…

… That you take for granted." (Very satisfied; domestic; Leeds)

This last point is consistent with the LGA analysis of satisfaction with council services and whether this represents VfM which concluded that the strongest driver of both VfM and satisfaction with service was *'effective information about council services'* (see footnote 9).

No one was prepared to accept a reduction in the quality of the service in exchange for lower costs.

"I don't think that they should reduce the quality of their service if they're reducing their price. I don't see that the two go hand in hand." (Not satisfied; domestic; London)

"Well how do you define quality of service? What part of the service would you do away with?" (Very satisfied; domestic; Hastings)

"I would hate to think that I was turning on my taps and it wasn't as clean as what everybody has been used to." (Very satisfied; domestic; potentially vulnerable; Newcastle)

Some, mainly those who feel they have little need of it, might be willing to accept a reduction in the way the service is delivered if this resulted in lower bills.

"It depends on what quality reduction was…

…Was that quality of water?...

…Yeah quality of water or quality of customer service if I had a problem because I don't have a problem every day…

…Yeah you could probably put up with the odd long phone call if it meant it was…

…If it meant it was only once every couple of years or so, yeah…

…But if it meant for example that the quality of water that came through to my business premises meant I could only use it for cleaning and I couldn't use it as drinking water, then I'd have an issue." (Very satisfied; business; Chippenham)

However, most respondents took the view that reducing quality or delivery of service in exchange for lower bills was not something they were willing to accept.

"If Severn Trent are trying to come about improving their kind of status and their level, the worst way to come about is by saying, 'we can reduce your costs, but we're going to reduce your service'. What they need to do is say, 'listen, we aim to improve our infrastructure'. They've got massive problems with leakages, they always have had, but it hasn't been of fundamental importance for them to go and repair them, because they're doing okay as they are…

…If they went round and saved all the water that is being lost and wasted, they could, over 10, 15, 20 years, get that money back easily, and that would be a selling point to say, 'listen, we've invested in this infrastructure. It's going to improve the costs over time. Your prices might go up a little bit, or keep them the same, but, in time, it will allow us to bring them down'." (Not satisfied; business; Solihull)

Indeed, while most respondents had limited experience of problems in relation to quality and delivery, as discussed earlier, their views could be swayed by a single incident. There was an example of this with the recent flooding in the North East.

"Probably we thought these floods and everything as well, they're probably thinking, 'what the hell are the water companies doing with these drains?'" (Very satisfied; domestic; potentially vulnerable; Newcastle)

"For the water board I would say it's the publicity, lately it's all been bad publicity with the floods etc, so that could be why the water companies are getting such a low value for money kind of thing." (Not satisfied; domestic; potentially vulnerable; Newcastle)

6.3 Reducing the Value for Money Gap

Towards the end of the workshops and depth interviews, respondents were invited to suggest various ways in which their water company could try to reduce its VfM gap. The only restriction imposed on them was that they could not suggest a reduction in their bill as their water companies needed the money to meet all its various commitments.

6.3.1 Communications

Respondents felt that one of the most important things their water company could do was to become more visible and to provide their customers with more information about the services they provide.

"Basically I've said, 'raise the company profile'. You need more pictures of what's going on and how the company works from start to finish." (Very satisfied; domestic; Hastings)

"Very similar to J; advertise what's happening behind the scenes because we don't know any of that. Make themselves known to us and just educate us really." (Very satisfied; domestic; Eye)

"I think that I'd be quite interested to see them take a higher profile and tell us about the good that they are doing. I'd hold my hands up to say I've probably taken them for granted over the years because I don't pay that much attention to it. And maybe a higher profile that becomes part of my awareness, the good that they are doing and contributing to our society would be a real favour to themselves…

…[ ] I think that we need more information and awareness really and if they are the best, let's know that." (Very satisfied; business; Solihull)

"Well, just if we kind of heard from them more, we never hear from them. We get a phone call, 'hi, we're Wessex Water, can we come along and can we see how you can save money or make it more efficient what you're using?'" (Not satisfied; business; Chippenham)

This included better use of advertising (e.g. via TV, radio, local press) and the provision of information in various forms (e.g. posters, leaflets, on bills, bill inserts, via email, on their website, newsletters, social media).

"Yeah, because a lot of people Twitter and a lot of young people Facebook. I don't personally but apparently it's good, it carries a lot of weight." (Very satisfied; domestic; Hastings)

"More publicity, advertising for example…

…Yeah and in particular what sorts of things should they be saying to you?...

…Publicising this sort of thing so that people are aware of all of this…

…So what they need to invest in…

…And that everyone understands exactly what they are doing…

… I've got exactly the same thing. What I suggested was like radio and TV information about Thames Water, you know, basically highlighting the same things…

…I've got more communication so that you know what you're paying for really, where your money is going…

…I think all mine are all publicity related." (Very satisfied/not satisfied; domestic; London)

Respondents also recognised that there was a need for balance with their water companies taking care not to be seen to be spending money on unnecessary or expensive forms of communication. This seemed to be the reason why many respondents were critical of the *Ow much?* advert.

Once again, the importance of working at a more local level was often mentioned, for example, by including information about local developments with their bills, providing information on hoardings where work is being carried out, and explaining how any work will benefit the local community.

"I've got, 'providing more localised information on what's going on in your area'. Show how the work affects and benefits the local community." (Not satisfied; domestic; London)

"Putting hoardings or advertisements where the work is being done, making people aware of the benefits." (Very satisfied/not satisfied; domestic; London)

There were also suggestions for improving water company visibility including having a local presence or information point or holding events and open days that are hosted by staff in uniform.

> *"You can ring them up and speak to somebody but maybe if they had even something at the shopping centres, not a permanent place for people to go but just an events place, some kind of a contact centre." (Very satisfied; domestic; potentially vulnerable; Newcastle)*
>
> *"Put up signs to advertise what they're doing. And wear uniforms when they're at events or competitions so you know who they are…*
>
> *…That's free advertising for them." (Very satisfied; domestic; Eye)*
>
> *"Using open events, I know when we had a sewage and water plant in our village they did open it when they first done the plant. They opened it so that people could go and visit it and have a look to see what the process was." (Not satisfied; domestic; Eye)*
>
> *"Perhaps have somebody in the libraries or somewhere, somebody that has working information, knowledge of what's happening and you can go and say, 'what about this area, that area', whatever they're doing. Rather than a faceless thing because we don't know who they are." (Not satisfied; domestic; Leeds)*

6.3.2 The cost of the service

Respondents felt that their water company could be doing a great deal more in terms of explaining the cost of the service. This included the provision of:

- a breakdown explaining what they do with the money raised from customers' bills

> *"If say for instance, on the front of your bill, this is where your breakdown is going and on the reverse it said how much you've got to pay on a weekly basis that's already on the bill. Something that, it's always there in front of you." (Not satisfied; domestic; potentially vulnerable; Manchester)*
>
> *"Then maybe it'd not hit your pocket that hard if it just gives you a gentle reminder of it's not just a matter of turning a tap on…*
>
> *…[ ] The breakdown of the cost that they deliver and recycle…*
>
> *…[ ] I've got keeping the customer up to date with information, meaning as in costs, that's what I was meaning." (Very satisfied; domestic; potentially vulnerable; Newcastle)*
>
> *"Just being clear and transparent about where the money's going and when and where the money has been spent." (Very satisfied; domestic; Hastings)*
>
> *"I've put more updates on where the profits are spent, so you sort of know where our money's going…*
>
> *…This is more or less the same, transparency of the breakdown of costs." (Not satisfied; business; Chippenham)*

- price comparisons and communicating the relative cost of the service

> *"I said they should do more to promote the notion of 35p a day." (Very satisfied; domestic; London)*

"Show cost of the water in other regions would be quite positive…

…[ ] I put down to show what they actually do with the money from the bill and the cost of supplying each litre of water and compare to the cost you're paying for it. Then to compare the cost with other utilities whether that be other water companies or the gas and electric." (Not satisfied; domestic; London)

"Tell your customers what the other areas are paying; they all seem to be paying more so you might as well let them know." (Very satisfied; domestic; Eye)

"Telling people that they're one of the cheapest places in the country." (Not satisfied; domestic; Eye)

"Show me in terms of bills how they score versus other water authorities' bills. So a comparison to say an average bill in Wessex is X for a business using X, Anglian is three times that amount. So a comparison table if you like, to make me feel that I'm getting value for money." (Not satisfied; business; Chippenham)

"If they want to offer me value for money, the only way I think they could do that is if they had another company to compare it to. I know that's not necessary a solution but I don't see how they can offer me value for money if I've got nothing to compare it to. So if there were other companies about then I would have something to compare it to." (Very satisfied; business; Chippenham)

- help and advice in relation to how to use less water and/or lower their bill, for example, encouraging more organisations to collect and use rainwater

"Yeah, I'd like to know a little bit more about basically saving water, you know. I mean there was a bit about it like, shower rather than use a bath, you save a bit here and there and that. But I would like it basically to be put about a bit more really…

…And are you metered?...

…I am metered yes. I think the thing is outside actually I've never checked it also. But I know that you can get devices that you can put into the toilet that helps save water as well." (Very satisfied/not satisfied; domestic; London)

"I suppose some sort of advice to small businesses would be useful. You know, 'can we come round and have a quick look, it will only take half an hour an hour of your time and maybe we could save you more than the 10% you saved when you changed to -'. I don't know, something along that." (Very satisfied; business; >5000 cubic metres; London)

"The best one I found was Stagecoach buses. They opened a new depot in Charlesden. They have their own water supply with rainwater to wash the buses with and use for the toilets. All the water runs straight to a tank and they use it for the toilets and washing the buses. That's the way they save money." (Very satisfied; domestic; potentially vulnerable; Manchester)

"I mean even with his hotel, with all his toilets...

…With all the roof's I've got there, the amount of water that comes off there when we have rain...

…All your toilets could run off that." (Not satisfied; business; Chippenham)

Other suggestions relating to the cost of the service included:

- offering alternative methods of charging, such as a range of different tariffs, replacing the method of charging based on rateable value, charging all unmetered customers the same

"Not just one service as in - I know they do water meters, excluding that, but if it's just the water and you don't get the water meter there's just one flat rate service. There should be something, maybe a tariff thing that might suit someone better…

…So a bit like energy companies might give you an online tariff or ...

…Yeah. Someone with a house full of three kids." (Not satisfied; domestic; potentially vulnerable; Newcastle)

"For me it would be reassessing and re-evaluating all the properties." (Not satisfied; domestic; potentially vulnerable; Manchester)

"You see on that plan it says £395, but in actual fact this year an A band which is me and yourself, is £430.00. Now everybody doesn't like paying bills. Having said that, if everybody including his mum, including Lorna was paying £430.00 I think it would be reasonable." (Not satisfied; domestic; potentially vulnerable; Manchester)

- keeping bills as low as possible

"Well I put maintain bills at a competitive level, hopefully they won't go up too much." (Very satisfied; domestic; potentially vulnerable; Newcastle)

- offering a range of discounts not only on their bill but also free or discounted access to leisure facilities

"Also tips on how to save water and maybe have a money back offer or a discount for the rest of the year if you manage to save water." (Not satisfied; domestic; London)

"Get in touch with the customer more with more offers…

…Give customers more incentives like money off the bird of prey centre or whatever…

…[ ] Discounts for recycling. You recycle a lot of things, why can't you recycle water?" (Not satisfied; domestic; potentially vulnerable; Newcastle)

"Give us free stuff, the community projects they are involved in, if it was something to do with Southern Water, free parking or stuff like that, free admission to places." (Not satisfied; domestic; Hastings)

"Yeah you receive vouchers for things in your area…

…People might think that's good, there's nothing for them to do and they can do that for free. Some people are on a budget and they can't afford to take up sailing but if it's free they will do it." (Very satisfied; business; Chippenham)

6.3.3 Delivery

The main suggestions relating to the delivery of the service were:

- to reduce wastage and repair leaks; this was raised in just about every workshop and depth

"I just put keep on top of leaks and burst pipes to avoid water waste." (Very satisfied; domestic; potentially vulnerable; Manchester)

"There is a tremendous waste of water through leakages. I don't know the proportion, I have read it at some point, so I think the one thing that I would appreciate is first of all for them to really, I think they were criticised actually by OFWAT for not doing it adequately, but to really make headway with the repairing." (Very satisfied/not satisfied; domestic; London)

"A leaks league table, where, how long they take to fix, estimated time of, or estimate of how much water they've lost." (Not satisfied; domestic; Eye)

"Just telling us 'we've improved our fixing leaks ratio by 15% over last year, and we've worked very hard on this and that's kept our bills down'…

…If they could guarantee a commitment to response time in terms of when a leak's been reported rather than leave it for four weeks. Basically guarantee we'd be there within 7 days." (Very satisfied; business; Solihull)

- proactively promote water meters where this is in the customer's interest

"Give interested parties estimates of water bills on a meter changeover, if they were interested in it, how much it's going to cost before they actually go and do it." (Not satisfied; domestic; Hastings)

"So maybe they could send somebody round who will come round and say well like to you or to me, 'well actually we think you'll be better on a meter and this is what you need to do and this is what you can save'." (Not satisfied; business; Chippenham)

"Providing information on how to save on water bills. So if you're on a water meter or not, they can do an assessment of your bills on the meter and say, 'actually you'd be better off the other way'. They're a large enough company that if they get people on the right meters they're going to be more satisfied and they're more likely to stay if the competition goes because you feel they're paying more attention to you as a customer." (Very satisfied; business; Chippenham)

- improved transparency, for example, in relation to billing and meter reading; provide a paperless billing system

"Just on a basic level what I'm paying for, what usage I'm paying for over what period of time and as I said as well before, the sewerage aspect of that bill, I don't understand it. Okay I have to pay but what is it, I don't understand." (Very satisfied/not satisfied; domestic; London)

"Maybe on bills just to express prices in everyday units like how many glasses, how many showers, just so people can get a feel for actually, I think that would improve the value for money rating." (Very satisfied; domestic; London)

"Explain the other charges on the bills, like the other, like, the other bits and pieces…

… More clarity on what we're paying for." (Not satisfied; business; Solihull)

"I've got a money saving idea, to stop producing all the paper bills and the information that we were on about earlier on, and send them on an email, and it won't be just like junk mail. I tend to think that if it comes up with Wessex Water, it'll be something that we read on there. Also what I put is you could enter your meter readings online...

…Can't you do that at present?...

…I don't think so, you can do it with some different bits and pieces like electricity and gas, but I don't believe you can do it with this." (Not satisfied; business; Chippenham)

- ensuring that all issues and complaints are dealt with to the customer's satisfaction

"I've just put to resolve customers' issues." (Not satisfied; domestic; potentially vulnerable; Manchester)

- do more to tackle problems such as flooding

"Concentrate on the flood areas…

…But concentrate on what?...

…Where they know there's going to be floods and it's not a shock to them, they know it's going to happen." (Not satisfied; domestic; potentially vulnerable; Newcastle)

"I think better drainage. Where I live if we have like a shower, the whole road is flooded." (Not satisfied; domestic; Hastings)

"Improving communication of flooding is one of the areas that do concern us. Ours is at fairly high risk of flooding." (Very satisfied; business; Chippenham)

- keep customers informed of possible disruptions to supply and minimise the impact of any work; this was a particular issue for some business customers

"Obviously, apart from obviously the email notification or regular contact, even if it's regular contact, a telephone call or email, that would be more, it would suffice." (Not satisfied; business; >5000 cubic metres; London)

"They've done a lot of digging up of the roads and it affects the traffic through our town and it also affects the customer sales. And we just get a generic letter through saying 'essential work is going on'. I mean I know it's essential but why can't it be done overnight, why can't it be done on a Sunday, why can't it be done at a time that doesn't affect business? What is it that makes it so essential? It's all well and good knowing it's essential but we can't just take it at face value, sometimes we need to know more because our customers ask what's going on and we can't give an answer…

…So it's almost like there's no recognition that this is having an impact…

…Absolutely. And it's a significant impact as well, it's not like we'd lose sales equivalent of a day's worth of water, we could lose three months' worth of water bills in the space of a couple of days because of the impact that it has." (Very satisfied; business; Chippenham)

- taking steps to ensure continuity of supply

"Bring back in use in Hastings, two reservoirs that have not been used to store water since the 1960's." (Not satisfied; domestic; Hastings)

"How they actively protect the supply and the sewage works of the business against interruption, so what back-up procedures have they got in place, which will give me some confidence." (Not satisfied; business; Solihull)

"And more on a bigger scale, reliability of management. We're always told it's flooding in the winter, why can't they collect the rain and put it into the reservoirs when we're falling short in the summer? There doesn't seem to be any long term plan. Big scale stuff really." (Very satisfied; business; Chippenham)

- demonstrating they are an efficient and well managed business and that they are a major employer in the area

"'We're really efficient and we manage our water supplies very well so you know we're very unlikely to have hosepipe bans in the area. Because we're much more efficient in the way we collect water and retain it'." (Very satisfied; business; Solihull)

"Employment. When they're doing all these maintenance projects they must be hiring in contractors to do it, so information in terms of the processes that they go through and so on. I'd be interested in that…

…So how much employment they create?...

…Yeah, and I think the fact that they employ local people to deal with local queries, we haven't got overseas call centres, that's important to a lot of people." (Very satisfied; business; Solihull)

6.3.4 Quality

Suggestions put forward relating to the quality of the goods and services included:

- communicating the quality of drinking water, for example, by publishing a water quality league table

"Provide a water quality comparison from other companies, and rank who delivers the best quality." (Not satisfied; business; Solihull)

- promoting the benefits of good quality drinking water

"Promote the value of having drinkable tap water. I would promote the sort of natural beauty of reservoirs and places that you could visit which they maintain. I'd explain the whole history of clean water combating disease in this country and also abroad." (Not satisfied; domestic; London)

"Put the quality in an international context, to actually say what's involved in what they have to do, and say actually our water is quite good quality." (Very satisfied; domestic; London)

"One little thing would be to do with the quality of the drinking water. Now I think it's good and local dentists tell me that it's good and I would sort of, if I was trying to improve their business and give them more sales, well sell their water. Instead of having Evian and all this, show them the difference. 'This is the quality of this, it's far better than that. Look what you are paying for that amount of water, we can sell you that for a fifth of the price' or something. You know, promote that really." (Not satisfied; business; >5000 cubic metres; Birmingham)

"One that I thought was, I guess a little bit more of a unique one, that was quite specific to, I guess, the business that I'm in and certainly some others, is benefits of water specifically to the business. So, for example, there might be a large fitness centre that

has a nursery. So, okay, you can talk about the benefits of water for health and wellbeing and some advice on that, of how it can work with your business could be quite useful, and that might be quite a niche way of explaining. A bit like what B was saying about how beneficial water is, what it can do, that could be really relevant, not necessarily to every business, but certainly it's relevant to mine." (Not satisfied; business; Solihull)

- encouraging people to value their services instead of taking it for granted

"Try to get people to value water, realise how much they use because I'm sure not many people down South were expecting a water ban in May or June, and promote environmental issues, as in no fish in rivers and such things." (Very satisfied; domestic; potentially vulnerable; Newcastle)

"I think we have to open the general members of the public's eyes to what they've taken for granted all these years and what's behind it." (Very satisfied; business; >5000 cubic metres; Hastings)

- explaining what their water company has to do in order to deliver safe drinking water as well as the removal and treatment of waste water

"What happens to the waste water…

…And how much they go through to clean it, how much is involved?" (Very satisfied; domestic; Hastings)

"Well just more communication really…

…Specifically about?...

…There's a lot we don't know about water, how we get the water. They need to tell us and say, 'okay, do you know this is the process we have to go through to get you this water', then we'll appreciate it even more." (Very satisfied/not satisfied; domestic; London)

"No I think they are aware of the fresh water coming out of their tap, they are not so concerned and not so interested and not so aware of the whole problems of the grey water and the waste water from factories and sewage and so forth and the cost of refining that. I don't think they are at all aware of the relationship between the water companies, the environmental agency, coastal sea defences – no, I don't think so." (Very satisfied; business; >5000 cubic metres; Hastings)

6.3.5 Community involvement

A number of ideas were put forward in relation to community involvement:

- the most frequently mentioned suggestion was for their water company to be more involved in schools

"The primary schools, resources for schools. Primary school water projects." (Very satisfied; domestic; potentially vulnerable; Manchester)

"I've got 'educate in schools' because there's nothing better than a smart arsed child coming home and telling me…

…That's what I've got as well, school talks." (Very satisfied; domestic; potentially vulnerable; Newcastle)

"Well basically because I work in education, I think there should be more information about it, I had no idea that they did that because we are an eco-school and a water only school as well so …

…When you say water only school what do you mean?...

…Well we don't allow children to bring in drinks, juice anything. It's just water only with their packed lunches and we offer water obviously during the day. I work in early years and we have like fountains and stuff, so we discourage …

…So you were completely unaware that they did things…

…Yes I was because I would be interested in that." (Very satisfied; domestic; London)

- getting more involved in the customer's **local** community

"For instance, using a bit of their extra cash and you say that they come up with billions and billions, using the cash to, say, plant a tree. I mean they do it anyway but they do it on a regional scale. They need to do it on a local community scale." (Very satisfied; domestic; potentially vulnerable; Newcastle)

"Get more involved locally and sponsor things like sports events and anything that is health orientated. And trumpet their developments like this little thing on top of the meter that sends a wireless message to the outside." (Not satisfied; domestic; Leeds)

- providing customers with details of the various schemes and projects their water company is supporting

"Let them explain to their customers what they put back in the community…

… I've got 'sponsor something worthwhile', as in putting something back into the community." (Not satisfied; domestic; potentially vulnerable; Newcastle)

"This is in relation to that information you put up there about the various schemes and projects that they get involved in. I think I would find that useful information actually because it's not just about them supplying water, they do everything. So I would think outside of that as well." (Very satisfied/not satisfied; domestic; London)

"And maybe all their leisure facilities maybe they can say, 'your money goes towards that for children to go and use for their school summer holidays'." (Very satisfied; business; Chippenham)

- encouraging customers to take advantage of their facilities for leisure purposes

"Reservoirs - if they open it up to the general public because it makes them transparent and just continue to make them transparent. For example they have got one in Epsom which is all locked up from everything, so open it up so we'd know what's really happening." (Very satisfied; domestic; London)

- involving customers more, for example, by running competitions

"Do competitions on how to improve the environment and wildlife." (Very satisfied; domestic; Eye)

6.3.6 Profits and corporate structure

A handful of business respondents included suggestions relating to water company profits. In both the Carmarthen groups, respondents felt that Dŵr Cymru should communicate more widely its not-for-profit status and the benefits of this.

> *"Are they sure that all their customers realise that they are non-profit making? If all their customers knew that, that might make a difference." (Very satisfied; business; Carmarthen)*
>
> *"Dŵr Cymru is a not-for-profit organisation because most people wouldn't know that and it is a realisation when you do know that, so if you can get that message across. I think I'd put it on the bill, wouldn't you?...*
>
> *…I think the most important thing of all is to get across to people that you don't have shareholders to pay. And then you come across as a more ethical company like the Coop Bank, you know, you would trust." (Not satisfied; business; Carmarthen)*

A domestic customer of a different water company, suggested that their company should consider something similar.

> *"Convert to a different ownership model maybe, a co-op or whatever, but I don't know how that - like nationalisation or something but I don't know how that would work." (Not satisfied; domestic; potentially vulnerable; Manchester)*

Other suggestions included publicising the fact that a significant proportion of profits are being reinvested in the business.

> *"The amount that we retain to reinvest back into the infrastructure, I think it's a major point to get across. Out of all of these, Northumbrian and Welsh are still in public ownership, is that correct?...*
>
> *…No, Welsh Water is not-for-profit…*
>
> *…So if you exclude those, I'd say Severn Trent is doing pretty well in the pecking order. Yorkshire is slightly ahead but we plough more of our profits back into the infrastructure which will keep the bills down." (Very satisfied; business; Solihull)*
>
> *"First of all, percentage of turnover invested in the infrastructure, to prove how much of their turnover they are using to ...*
>
> *…[ ] Profits to be transparent, because I don't think you hear about the profits they make and, obviously, what is going back in." (Not satisfied; business; Solihull)*

7 Conclusions and Recommendations

7.1 Introduction

The conclusions and recommendations arising from this research are set out below. While there was a very consistent pattern in the findings across the different audiences, given the qualitative nature of the research, these are best treated as hypotheses for further research and validation.

7.2 A Model of Value for Money

The research has identified a model of VfM which demonstrates the relationship between the three key dimensions that underpin perceptions of VfM, namely:

QUALITY OF THE GOODS/SERVICES

+

QUALITY OF SERVICE DELIVERY

+

COST

Any combination of these three dimensions gives rise to certain **EXPECTATIONS** and, where these expectations are met, customers will feel they have got **VfM**. Where these expectations are surpassed, customers will feel they have got **exceptional VfM.**

The model explains why achieving lower costs by reducing the quality of the goods and services or the way they are delivered is unlikely to result in improvements in VfM and this has obvious implications for the water and sewerage sector.

The model of VfM seems to hold for both domestic (mainstream and vulnerable) and business customers.

The research has also shown that VfM is a **dynamic construct** - it is influenced by lots of other factors which makes it difficult to know for any given customer, in any given situation, whether a given permutation of the above will be perceived as representing VfM.

There is also some evidence (albeit based on small samples), that different people may have different thresholds for assessing when something is considered to be VfM. Thus, customers with a lower threshold are more likely to rate a range of suppliers as offering VfM compared with those customers with a higher threshold. The relative proportion of these types in the population might be part of the explanation of why there is a VfM gap across different sectors. By itself, however, it does not account for why the water industry appears to have such a wide gap.

The research has also explored how perceptions of VfM may be related to a number of variables with respect to how suppliers are perceived. In particular, it has explored the impact of the following variables on perceptions of VfM:

Relationships	Self promotion	Media representation
Competition	Reputation	Community involvement
Profits, ownership & corporate structure.		

7.3 The Value for Money Gap in relation to the Value for Money Model

The findings of the research suggest that in relation to all three elements of the VfM model – **quality** of the goods and services, **delivery** of the goods and services, and the **cost** of the goods and services – there is a lack of information and/or understanding which may contribute to the VfM gap. In addition, much of what water companies provide their customers with is taken for granted and therefore not brought to mind when water customers are asked to evaluate the VfM of the service. This state of affairs is summarised in Figure 9.

The findings also suggest that many of the other variables that might influence perceptions of VfM (see Figure 10) are either not being fully exploited or currently serve to lower perceptions of VfM.

Figure 9: The VfM gap in relation to the three elements of the VfM model

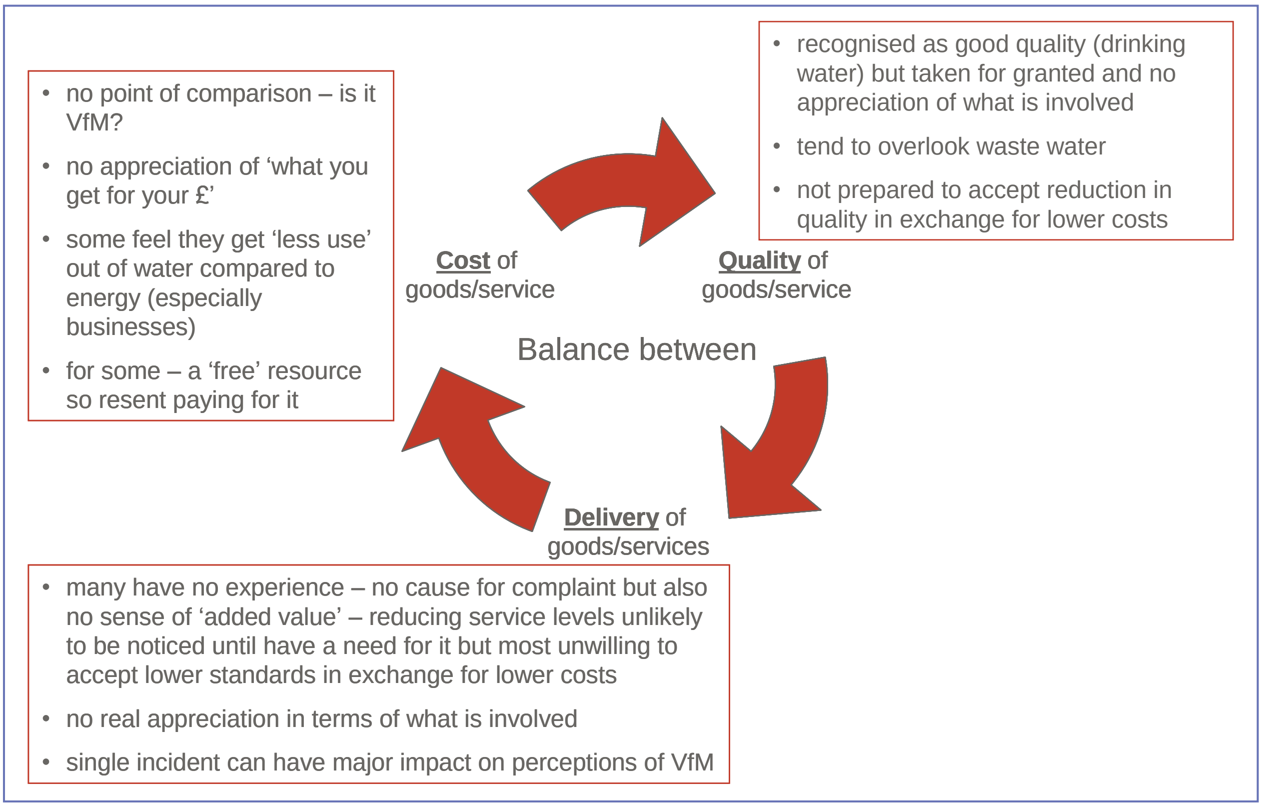
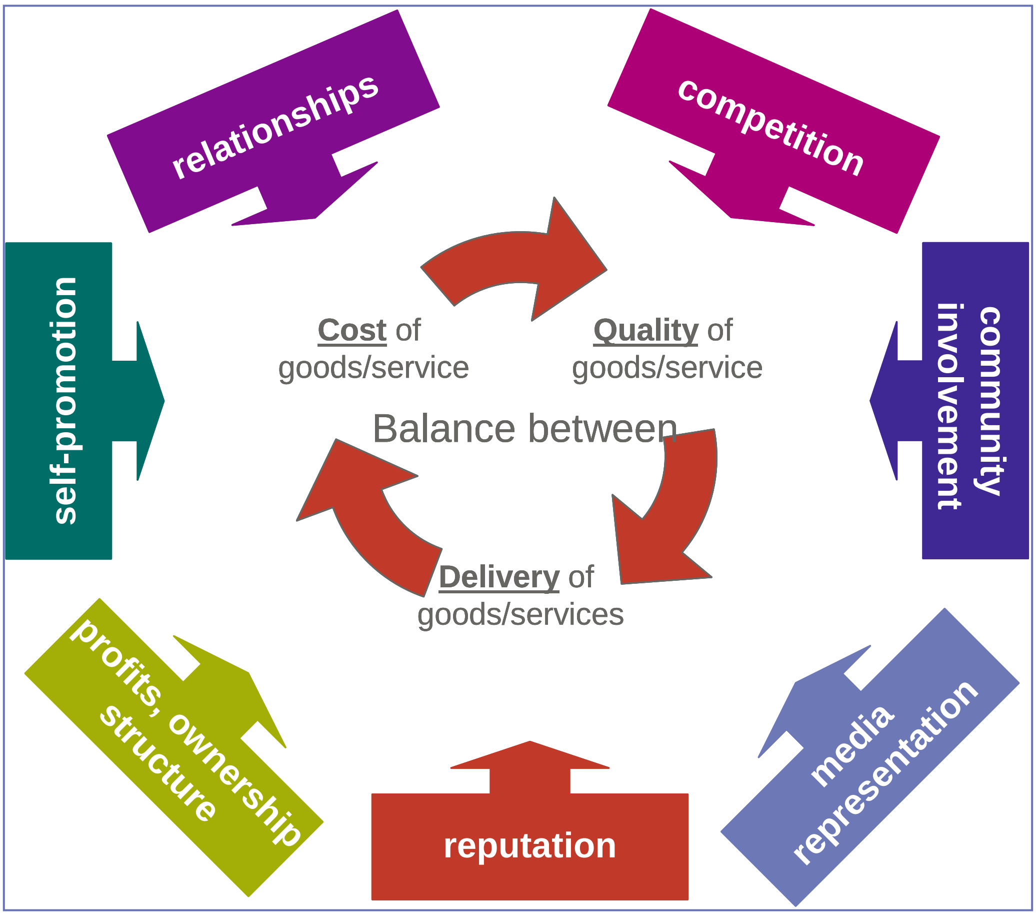


Figure 10: Variables that may influence perceptions of VfM



7.4 Reducing the Value for Money Gap

The research has identified a number of ways in which water companies could seek to improve their customers' perceptions of the VfM of the goods and services being provided. These are summarised below.

7.4.1 Quality of the goods and services

Water companies could take steps to promote the value of the high quality drinking water they supply together with an explanation of what goes on behind the scenes to provide it. They could also remind customers of the importance of waste water services. Currently, most customers tend to completely overlook this and yet it represents a substantial component of the service.

It is also important for water companies to counter the notion that water is a 'free' resource. They could also provide reassurances about security of water supplies, such as informing customers about investments in additional reservoirs. However, this needs treating with care. If customers experience further hosepipe bans and restrictions on use, this is likely to counteract any water company messages about efficient management of resources.

7.4.2 Delivery of goods and services

A key priority here should be to be seen to be taking all necessary steps to reduce wastage and repair leaks. Albeit qualitative in nature, the research would suggest this is still a major concern among customers and one that strongly signals to them that water (and therefore money) is being wasted.

Another issue is the importance of transparency when it comes to bills. Some customers still find it difficult to understand their bills. Some metered customers felt that their water company did not take regular readings but, instead, based their bills on estimates.

One of the key discriminators between those customers who were 'very satisfied' with the VfM of their water company and customers who were 'not satisfied' was in relation to customer service. Most customers have relatively few occasions when they experienced problems but when this did happen, the way their water company responded had a significant and, in some cases, long term impact on perceptions of

VfM. Clearly, it is in the water company's best interest to ensure that all issues are dealt with to the customer's satisfaction. In this respect, ensuring their customers can speak directly to someone on the telephone, and who is based in the UK, would be high on many customers' list of priorities.

7.4.3 Cost of the goods and services

A clear lesson from this research is that if the only way in which prices can be reduced is through a reduction in either the quality or the delivery of the goods and services, this is unlikely to be perceived by customers as representing VfM. The three key things that water companies could aim to do are:

- provide a concise explanation of how the money raised from customer bills is used (but see below Section 7.4.4)
- provide price comparisons which help customers evaluate whether their bill represents VfM. This could be in relation to the typical cost per person per day, or in comparison with other goods and services, such as a chocolate bar or bottled water, or in relation to other utilities. Comparisons could also be made with other water companies although this needs handling with care. It would only benefit those companies whose average bill is lower than the national average. Moreover, customers whose bills are larger than their water company average are likely to feel that **<u>their</u>** bill does not represent VfM
- provide proactive information and advice to help metered customers use less water and thereby reduce their bill and encourage non-metered customers to switch to a meter where this is in the customer's interest.

7.4.4 Self promotion

Water companies could more actively communicate to their customers the idea that water represents VfM although it will be important to avoid being seen to waste money in doing so. This information may already be available, for example, on water company websites and it may already be shared with customers (a few mentioned seeing something included with their bill, for example). Research carried out by Creative Research earlier in 2012 (see footnote 10) revealed that despite the fact that water companies provide information in a variety of guises, most customers were either unaware that it was available or found it was conveyed in an uninteresting way. This implies that water companies need to consider **how** they provide this information such that it is engaging and achieves cut-through.

Companies should also consider other ways of achieving greater visibility such as a presence at events, a stall in shopping malls, open days, hoardings and local leaflet drops explaining on-going work. A theme that emerges from this research that cuts across a number of areas is for water companies to make connections at the **local** level. Although some of the water only companies cover relatively small geographical areas, the water and sewerage companies are responsible for large regions. The research suggests that they could be doing more to make connections at a more local community level.

7.4.5 Media representation

It was widely assumed by respondents that the only stories the media are interested in are ‘bad news’ stories. Moreover, it can be difficult for customers to differentiate between ‘national’ and regional coverage. For example, some respondents believed that they had a hosepipe ban earlier this year when, in fact, they did not.

While it may be difficult for water companies to have much impact on national news coverage, this may be an area where they could attempt to exploit media representation at a more local level and this would also enable them to target their communications more locally.

7.4.6 Customer relationships

Currently, most customers would say they do not have a relationship with their water company or, at best, they enjoy a distant relationship. Moreover, many of these customers would say they are happy with this state of affairs. Nevertheless, this does represent an opportunity for water companies, especially in the longer term when competition is introduced, because a good customer relationship can act as a buffer in terms of the company putting up its prices or a competitor aiming to undercut its prices.

This is not an easy, short term fix as it takes time to develop good relationships with customers and it requires an approach that puts emphasis on customer service with more frequent and proactive contact. However, those companies that make the investment are likely to find that, as and when competition is introduced, they are in a better place to retain existing customers and gain new ones on the strength of personal recommendation. Focusing communications at a more local level may also help water companies to develop closer customer relationships.

7.4.7 Competition

The lack of choice was seen by many respondents to be one reason why they do not consider they get VfM from their water company. There was almost no awareness that some businesses can switch already and considerable inertia when they find out that they can. It was also clear that they had no idea how to go about finding out more about switching.

Although competition was considered a good thing in principle, if the market is opened up to more competition, the impact this has on perceptions of VfM will depend on what happens in practice.

The research suggests that a 'low cost/low service' model is unlikely to result in a smaller VfM gap.

7.4.8 Community involvement

Many customers were interested in knowing more about what their water company is doing in terms of community involvement and this has the potential to tick a range of boxes – charitable giving, environmental responsibility, education, leisure. Water companies could be doing more to communicate the extent to which they are involved with the community and once again, making connections at a local community level would be more effective than promoting what they do regionally.

7.4.9 Company reputation

Most, if not all, water companies had failed to register on their customers' radars, at least as far as the respondents taking part in this research were concerned. This lack of knowledge means they are vulnerable to unfavourable media reporting and to any isolated experiences (positive or negative) that customers can recall.

The sample sizes were small, nevertheless, there was some suggestion that where there is a clear link between a water company (for example, through its name, where it is known to employ local people – as reflected in regional accents) and its customers, this can work in its favour – yet another indication that 'local' is a strength.

As with building relationships, there is no quick or easy fix when it comes to building a positive company reputation, nevertheless by making improvements in other areas, this should have a knock-on effect. Examples include proactively helping customers save water and lower their bills, getting involved at the local community level, tackling leaks more vigorously, and so on.

7.4.10 Profits, ownership and structure

Dŵr Cymru has a distinct advantage with its not-for-profit structure although it is questionable whether it is making enough of this. In this and other research projects, the distinctive structure and the benefits this might offer its customers were not widely known.

Raising the issue of profits, ownership and corporate structure for other water companies is likely to be counter-productive since it proved difficult to get respondents to engage constructively with the topic. They often held strong views on the question of water company profits based on the assumed level of profits being made (respondents rarely, if ever, knew what level of profit was actually being declared). Moreover, they find it difficult to appreciate why companies need to make profits or what happens to them.

Unless and until it is raised as an issue, it does not appear to influence people's views on VfM, as shown by the fact that supermarkets (which typically declare high profits) were invariably seen as organisations that consistently offer their customers VfM.

7.5 The Value for Money Gap: Differences between Water Companies

The size of the gap varies between water companies and this begs the question, is this because some companies are felt to be doing things differently?

The research sample was structured in such a way that if there were obvious differences from one water company to the next, these should have been identified. For example, some of the workshops were among customers of water companies with the smallest VfM gaps, such as Northumbrian Water, Yorkshire Water (domestic customers) and Anglian Water (business customers) while others were among customers of companies with larger VfM gaps, such as Southern Water, United Utilities (domestic customers), Severn Trent and Wessex Water (business customers).

Although there were some suggestions as to the reason for this for certain water companies (e.g. customers possibly feel stronger connections with the regional/national identities of Northumbrian and Yorkshire Water and Dŵr Cymru), there was no clear evidence to suggest companies were seen as doing particular things that result in bigger or small gaps. One of the reasons behind this was that most customers had very limited knowledge of their water company and what it is or is not doing.

It has been suggested that one of the reasons Yorkshire Water enjoys a relatively small VfM gap is because of the impact of its Mary and Edna campaign yet in the two Yorkshire Water workshops, most respondents had not come across this campaign. Across the sample, reactions to the *Ow Much?* advert were largely negative. Respondents focused mainly on why a water company might feel the need to advertise and the cost of producing such as advert, as opposed to the key message - '*all this for less than £1 a day'*. However, considerable care should be concluding that this means that advertising of this type has no positive impact. Respondents in the workshops were offering a rationale, left brain response to what they saw whereas, in reality, advertising is designed to evoke an emotional, right brain response.

Likewise, the fact that the research did not identify any differences between different water companies should not be taken as evidence that no such differences exist. The research sample was structured so that, for each water company, an equal number of 'very satisfied with VfM' and 'not satisfied with VfM' customers was sampled. The research has shown that a key driver of perception of VfM is customer experiences of either good or poor customer service. This suggests that companies that enjoy a small VfM gap, especially those who receive the highest overall satisfaction ratings, are likely to have a larger number of customers who have had good customer service experiences. Conversely, those companies that have the largest VfM gaps, especially those that also receive lower overall satisfaction ratings, are likely to have a higher proportion of their customer base that have had negative customer service experiences. This is something that should be explored further (see Section 7.6).

7.6 Next Steps

CCWater has been tracking domestic customers' satisfaction with VfM since 2006. It has also more recently started tracking business customers' satisfaction. This data could be re-analysed along similar lines to that used by the LGA (see footnote 9) and the hypotheses that the current research has given rise to could be tested quantitatively. If necessary, future waves of the tracking research could be adapted to capture additional information in order that the model of VfM proposed here can be validated.

The tracking data could be subjected to regression analysis to identify:

- which variables are driving perceptions of VfM
- whether there are differences between different 'types' of customer
- the extent to which the drivers or the strength of the drivers vary from one water company to the next.

For example, on the basis of the current research, one might expect that customers' experience of customer service will be a key driver of perceptions of VfM and that those companies that are seen to offer the most effective customer service, will have lower VfM gaps.

The results of such an analysis should also confirm which approaches to reducing the VfM gap are likely to be most productive as it will reveal the relative 'weight' of the different drivers.

8 Appendices

8.1 Recruitment Questionnaires

8.1.1 Domestic customers (workshops)

Hello, my name is…………………..I am working on behalf of Creative Research and Acumen. I wonder if you would be interested in taking part in some market research we are conducting on what value for money means to people and how organisations can offer you better value for money. It involves taking part in a discussion with other people like yourself, to share views and ideas. This would last for 2 ½ hours. In return for your time, I can offer you £50 as a contribution towards your expenses.

Recruiter: please fill in the following details

RESPONDENT DETAILS

Explain that you need to record the respondent's contact details so that they can be contacted in the event of a change of plans (e.g. the moderator is ill) and also for quality control procedures. Reassure respondents that no personal details or responses will be passed on to anyone not directly concerned with the research without their express permission.

Name:	
Address:	
Postcode:	
Telephone:	
Email address:	

Give Respondent DATA PROTECTION card and read out

"The group discussion or interview you take part in will be [read out as appropriate]

audio recorded and a transcription will be produced

video recorded and observed by people from another room/location either by means of a one-way mirror or a video link.

This card describes how the information you provide will be used and the steps that will be taken to protect your confidentiality. Please sign below to indicate your agreement with this procedure.

Respondent signature:

METHOD OF RECRUITMENT

FROM RECRUITER'S DATABASE		FREE FOUND (In Street/House to house etc)	
OTHER (PLEASE WRITE IN):			

RECRUITER DECLARATION

I DECLARE THAT THIS IS A TRUE RECORD OF AN INTERVIEW WITH THE NAMED RESPONDENT WHICH WAS CONDUCTED IN ACCORDANCE WITH THE INSTRUCTIONS AND THE MRS CODE OF CONDUCT. I AGREE TO BE BOUND BY THE DATA PROTECTION ACT 1998.

SIGNATURE:____

PRINT NAME:____ DATE:___________________________

For Creative Research use only Respondent ID	

Once this questionnaire has been completed, it constitutes sensitive personal data – please see notes at the end regarding how it should be treated

KEY DEMOGRAPHICS

D1 SOCIAL GRADE OCCUPATION OF HEAD OF HOUSEHOLD:

ASK THE FOLLOWING FIVE QUESTIONS TO CLARIFY HEAD OF HOUSEHOLD INFORMATION:

IF RETIRED, ASK FOR PREVIOUS OCCUPATION, IF PRIVATE PENSION RECEIVED

IF SELF-EMPLOYED OR MANAGERIAL, ASK FOR NO. OF EMPLOYEES RESPONSIBLE FOR

IF LOCAL AUTHORITY OR CIVIL SERVICE OR ARMED FORCES, ASK GRADE/RANK

ASK FOR DETAILS OF TRAINING/QUALIFICATIONS

INDUSTRY (WRITE IN)

NOW CODE SOCIAL CLASS

AB	1	**WS1-8:** at least 4, no more than 5.	**WS9-12:** CLOSE
C1C2	2	**WS1-8:** at least 4, no more than 5.	**WS9-12:** CLOSE
DE	3	**WS1-8:** CLOSE. CONTINUE	**WS9-12:**

D2 Gender

male	1	at least 4, no more than 5 of each
female	2	

D3 Age. Write in here and code below		________ **years**
20-34	1	recruit a spread
35-44	2	
45-54	3	
55-64	4	
65+	5	

D4 Marital status

single/separated/divorced/ widowed	1	
married/living together	2	

D5 Family circumstances

Write in the no. of children under the age of 12 in the family	
Write in the no. of children aged between 12 and 16	

D6 Lifestage (code respondent's lifestage – refer to Recruiter Guidelines)

Pre-family: aged under 35, no children	1	**no more than 1 aged 30-34**
Family: aged 20-54, at least 1 child aged under 17 living in respondent's home	2	**no more than 1 aged 40-54**
Post-family: aged 45 -59 (f)/64 (m), no children under 17	3	**must not have taken early retirement**
Retired: aged 60 (f) / 65 (m) and above or aged 55+, no children under 17, taken early retirement	4	**max of 1 early retired**

Recruit at least 2 and no more than 3 from each lifestage

Note which WS this screener refers to

WS1	1	**WS5**	5	**WS9**	9
WS2	2	**WS6**	6	**WS10**	10
WS3	3	**WS7**	7	**WS11**	11
WS4	4	**WS8**	8	**WS12**	12

SCREENING

S1. **SHOW CARD A** Can I just check, do you or any of your immediate family work in any of the following professions or occupations?

Market Research or Marketing	1	**CLOSE**	Any company providing water and/or sewerage and/or energy services and/or telecoms	4	**CLOSE**
Public Relations or Journalism	2		Any organisation or company involved in some other way with the water/energy/telecoms industry including Ofwat/Ofgem/ Ofcom/DEFRA/ DECC/ Environment Agency	5	
Advertising	3		Any organisation representing consumers e.g. CAB, Consumer Focus	6	
			None of these	7	**CONTINUE**

S2a. Have you ever attended a GROUP DISCUSSION or IN-DEPTH INTERVIEW before?

No	1	**GO TO Q1**
Yes	2	**GO TO S2b**

S2b. What was the subject under discussion?

IF PREVIOUS SUBJECT RELATED TO THIS PROJECT, THANK & CLOSE. OTHERWISE ASK Q2c

S2c. How long ago was that?

Less than 6 months	1	**THANK & CLOSE**
More than 6 months ago	2	**GO TO S2d**

S2d How many group discussions & depth interviews have you attended in the last 3 years?

1-6	1	**GO TO Q1**
7 or more	2	**THANK & CLOSE**

IF RECRUITING WS1-8: skip to Q2 **IF RECRUITING WS9-12: ask Q1a to Q1c**					
Q1a Do you or your partner have any physical or mental impairment or an illness or condition that has a substantial and long-term adverse effect on your ability to carry out normal day-to-day activities? Long-term means that the effect of the impairment has lasted or is likely to last for at least 12 months. Normal day-to-day activities include everyday things like eating, washing, walking and going shopping.					
Yes	1	**at least 4 to answer yes**	No	2	
Write in name/description of respondent's/partner's impairment, illness or condition					
NB: please check that respondent's condition will allow them to take part in an interview. If they require any special aids (e.g. wheelchair access) you must check with the office before confirming recruitment.					

Q1b **SHOW CARD B** Are you in receipt of any of the following benefits? **Tick all that apply**		
Attendance Allowance	1	**At least 4 respondents to be in receipt of 1 or more benefits**
Carer's Allowance	2	
Child Tax Credit	3	
Council Tax Benefit	4	
Disability Living Allowance	5	
Housing Benefit	6	
Income Support	7	
Jobseeker's Allowance	8	
Working tax credit	9	
None of these	10	

Q1c **SHOW CARD C** Which **ONE** of the following statements comes closest to describing your own situation?		
I never struggle to pay my household bills	1	**No more than 2 to select this answer**
I sometimes struggle to pay my household bills but I usually manage to keep on top of it	2	**Continue**
I struggle to pay my household bills and I am often behind in my payments	3	
I always struggle to pay my household bills and I am nearly always behind in my payments	4	

To be eligible for WS9-12 all respondents must meet one or more of the following	
have, or have a partner who has a long term impairment/illness	**code 1 @ Q1a**
be in receipt of one or more benefits	**codes 1-9 @ Q1b**
struggle to pay their household bills at least some of the time	**codes 2-4 @ Q1c**

Q2 Are you responsible – either by yourself or with your spouse/partner – for paying the following bills? **NB** If respondent is living in a shared household, s/he must be the person who deals with the bill and sorts out any queries – if not, you must not record them as the bill payer.		
Council tax	1	**Respondent must be responsible for paying at least two of these**
Energy (electricity/gas/oil etc)	2	
Telecoms (landline/mobile)	3	
Water and sewerage	4	**Respondent must be responsible for paying this; if not CLOSE**
None of these	5	**CLOSE**

For each bill respondent pays ask:
Q3a **Council Tax:** What is the name of your local council to whom you pay your council tax?

Write in:

Q3b **Gas/Electricity/oil etc:** What is the name of the energy company/ies to whom you pay your gas/electricity/ energy bills?

	Gas	Elec	Other	
No gas/other	0		0	
British Gas, Nwy Prydain, Scottish Gas	1	1	1	
EDF Energy (EDF Energy were previously London Energy, Seeboard Energy and SWEB)	2	2	2	
npower	3	3	3	
E-ON (previously Powergen)	4	4	4	
Scottish Power, Scottish Power Manweb	5	5	5	
Scottish and Southern Energy (SSE), Scottish Hydro Electric, Southern Electric, Swalec, Atlantic Electric and Gas	6	6	6	
Other WRITE IN:	7	7	7	
Don't know	8	8	8	**No more than 2 per workshop**

Q3c **Telecoms:** What is the name of the telecom company/ies to whom you pay your telephone bills? Prompt for both landline and mobile.

3	1	Sky	6	Vodaphone	11
O2	2	Talktalk/Carphone Warehouse	7	Other: write in	12
BT	3	Tiscali	8		
Cable and Wireless	4	T-Mobile	9	Don't know	13
Orange	5	Virgin Media	10	**No more than 2 Don't Knows per workshop**	

Q3d **Water and Sewerage**: What is the name of the company/ies to whom you pay your water and sewerage bills?

WS1-2: Yorkshire Water	1	Must be customers of Yorkshire Water; no more than 2 DK per workshop.	If any other company mentioned: **CLOSE**
WS3-4: Essex and Suffolk***	2	Must be customers of Essex and Suffolk Water; no more than 2 DK per workshop.	May also mention **Anglian Water*** ** but if any other company mentioned: **CLOSE**
WS5-6: Thames Water	3	Must be customers of Thames Water; no more than 2 DK per workshop.	If any other company mentioned: **CLOSE**
WS7-8: Southern Water	4	Must be customers of Southern Water; no more than 2 DK per workshop.	If any other company mentioned: **CLOSE**
WS9-10: Northumbrian Water	5	Must be customers of Northumbrian Water; no more than 2 DK per workshop.	If any other company mentioned: **CLOSE**
WS11-12: United Utilities	6	Must be customers of United Utilities; no more than 2 DK per workshop.	If any other company mentioned: **CLOSE**

Respondents in Workshops 3 and 4 will get their water supplied by Essex and Suffolk Water and their sewerage services from Anglian Water. They get two separate bills, one from each company.

Q4 How satisfied are you with the **value for money** you feel you get from each of these service providers? Please choose your answer from this card – **SHOW CARD D**

	Very satisfied	Fairly satisfied	Neither	Fairly Dissatisfied	Very Dissatisfied	Don't know
a) Council Tax	1	2	3	4	5	6
b) Energy (gas/elec/oil etc)	1	2	3	4	5	6
c) Telecoms (landline/ mobile)	1	2	3	4	5	6
d) Water and sewerage	1	2	3	4	5	6
WS1/3/5/7/9/11	all respondents **must have code 1** for water and sewerage					
WS2/4/6/8/10/12	all respondents **must have codes 3-6** for water and sewerage					

For each bill respondent pays ask:

If unsure ask for an estimate. If respondent only knows how much s/he pays each month/quarter etc write this in and indicate the time period e.g. £95 per month. Write in DK if respondent unable to answer.

Q5a How much do you pay each year or each month for your **council tax bill?**	£_________ per ____
Q5b How much do you pay each year or each month for your **energy bill** (where respondent has both gas and electric, oil and electric etc record the combined amount)	£_________ per ____
Q5c How much do you pay each year or each month for your **telecoms bill** (where respondent has both landline and mobile record the combined amount)	£_________ per ____
Q5d How much do you pay each year or each month for your **water and sewerage bill** (where respondent has separate bills for water and sewerage, record the combined amount)	£_________ per ____

Q6 Do you have a water meter? If Yes – did you ask to have the meter fitted?

Have a meter but did not request it	1	**At least 3 and no more than 6 in each workshop to be metered**
Have a meter that respondent request	2	
No	3	
Don't know	4	

SHOW CARD A

Market Research or Marketing

Public Relations

Journalism

Advertising

Any organisation or company providing water and/or sewerage and/or energy services and/or telecoms

Any company involved in some other way with the water/energy industry including Ofwat/Ofgem/Ofcom/ DEFRA/ DECC/Environment Agency

Any organisation representing consumers e.g. CAB, Consumer Focus

None of these

SHOW CARD B

Attendance Allowance

Carer's Allowance

Child Tax Credit

Council Tax Benefit

Disability Living Allowance

Housing Benefit

Income Support

Jobseeker's Allowance

Working tax credit

None of these

SHOW CARD C

I never struggle to pay my household bills

I sometimes struggle to pay my household bills but I usually manage to keep on top of it

I struggle to pay my household bills and I am often behind in my payments

I always struggle to pay my household bills and I am nearly always behind in my payments

SHOW CARD D

How satisfied are you with the **value for money** you feel you get from each of these service providers?

Council Tax

Energy (gas/elec)

Telecoms (landline/ mobile)

Water and sewerage

Please choose your answer from below

Very satisfied

Fairly satisfied

Neither satisfied nor dissatisfied

Fairly dissatisfied

Very dissatisfied

Don’t know

DATA PROTECTION

The Data Protection Act requires that we collect and use the information you provide to us in a manner that respects and protects your confidentiality.

Your personal details (such as name, address, phone number) will not be disclosed to anyone else without your permission other than Creative Research, the company carrying out the research.

The recordings/transcripts will only be listened to/watched/read for research purposes. Excerpts from the recordings/transcripts may be used to illustrate the research findings. This will always be done in a way to protect your identity (e.g. comments will not be attributed).

In exceptional cases the recordings/transcripts will be listened to/watched/read by people from the client organisation working on this project. In these circumstances, where possible we will go through the material first to delete any references to people's names or anything else that could identify them.

Anyone from the client organisation who listens to/watches/reads the recordings/transcripts will sign an undertaking that they will respect the anonymity of those taking part.

Any other material or information generated by you, such as ideas written down on paper, will be subject to the same strict controls.

You have the right to **withdraw your consent** at any point in the interview/discussion. You may also withdraw from the interview/ discussion at any point. Please sign to indicate your agreement with this procedure.

Recruiter Guidelines

Purpose

The aim of this research is to explore what **value for money** means to people especially when it comes to services such as council tax, energy, telecoms and water and sewerage services. The findings will be used to find ways in which organisations can try and provide better value for money. The research involves people taking part in a workshop that will last 2 ½ hours. An incentive of £50 is available. Light refreshments will also be provided.

Although we are particularly interested in respondents' views about their water and sewerage services, it is very important you do not alert them to this.

Your task

Your task is to recruit two workshops with 9 attendees at each. In one workshop, **everyone must be 'very satisfied' with the value for money of their water and sewerage services (code 1 @ Q4d).** In the other workshop, **everyone must have codes 3-6 @ Q4d**. This means that anyone who is 'fairly satisfied' with the value for money of their water and sewerage services is ineligible and must not be recruited but anyone else can be recruited to one of the two workshops provided they meet the other recruitment criteria.

Eligibility and Quotas

Please exclude anyone who works or has immediate family working in any of the professions/ occupations listed at S1 and on Showcard A.

The usual restrictions apply concerning previous participation in research (see S2a-d).

All respondents must be responsible (either solely or jointly) for paying their water and sewerage bill and at least 2 out of their council tax, energy (gas, electricity, oil etc) and telecoms (landline/mobile) bills. NB If the respondent is living in a shared household, s/he must be the person who deals with the bill and sorts out any queries – if not, you must not record them as the bill payer.

If you are recruiting **WS9 & 10** or **WS11 & 12**, all respondents must also meet **<u>at least one</u>** of the requirements at Q1a-c:

- have, or have a partner who has a long term impairment/illness (code 1 @ Q1a)
- and/or be in receipt of one or more benefits (codes 1-9 @ Q1b)
- and/or struggle to pay their household bills at least some of the time (codes 2-4 @ Q1c)

In terms of demographics:

- **SEG (D1):**
    - WS1-8: at least 4 and no more than 5 AB and at least 4 and no more than 5 C1C2
    - WS9-12: all to be DE
- **Gender (D2):** at least 4 and no more than 5 male/female
- **Age (D3)**: recruit a good spread

- **Marital status (D4)** and **Family circumstances (D5):** no quotas but record information
- **Lifestage (D6):** in each workshop, at least 2 and no more than 3 from each of the following
    - pre-family: aged 20-34, single/married/in permanent relationship but must not have any children; **no more than 1 of these to be aged 30-34; all can be under 30**
    - family: aged 20-54, single/married/in permanent relationship but must have at least 1 child aged 16 and under living in the family home; please aim for half to have at least 1 child aged under 12; **no more than 1 of these to be aged 40-54**
    - post-family: aged 45 – 59 (female) / 64 (male), single/married/in permanent relationship; either never had children or all children aged 17+; **must not have taken early retirement unless recruiting WS9-12**
    - retired: aged 60+ (f) / 65+ (m), single/married/in permanent relationship; either never had children or all children aged 17+; **can include 1 person aged 50+ who has taken early retirement in WS1-8**
- **Water meter:** at least 3 and no more than 6 in each workshop should have a water meter (code 1-2 @ Q6)

Other details

While there are no quotas, you must record the following information (you can recruit up to 2 respondents who answer DK to these questions but no more):

- the names of the following suppliers
    - the local council to whom they pay their council tax (Q3a)
    - gas/electricity/other energy suppliers (Q3b)
    - telecom companies (Q3c)
    - water and sewerage companies (Q3d)

NB With the exception of respondents in WS3-4, all respondents must be customers of the water and sewerage company listed at Q3d – these companies provide both water and sewerage services and customers will receive a single bill. Respondents in WS3-4 must get their water from Essex and Suffolk Water; their sewerage services should be supplied by Anglian Water and because they get two bills they should know this. **If respondents name any other water company, you must not recruit them.**

- satisfaction with the value for money of the service being provided (Q4a-c): it is very important you record this for council tax, energy and telecoms bills – there are no quotas but we need this information. In the case of water and sewerage (Q4d), there are quotas
    - **WS1/3/5/7/9/11**: all respondents **must** have code 1 for water and sewerage
    - **WS2/4/6/8/10/12**: all respondents **must** have codes 3-6 for water and sewerage

- size of bill (Q5a-d): we appreciate that respondents may not be able to answer all of these but where possible ask them for an estimate; in some cases, for example, if they pay by monthly direct debit, they may only know the monthly amount so please be sure to write this in

Data Protection and Confidentiality

Please make sure every respondent has read the information about data protection and given their signed consent. Where recruiting into a viewing studio, make sure respondents are aware of this in advance of the workshop.

Front Page

Please complete the details on the front page:

the respondent contact details

respondent's signature indicating agreement with how the information they provide will be used

the method you have used to find people – if you are using your own database please remember the restrictions on previous attendance

the recruiter declaration.

Data Security

Once a questionnaire has been completed, it will contain information that is classed as 'personal sensitive data' – this is because it includes information that can be used to identify the respondent along with their answers to a number of different questions. This means it needs to be kept securely. You should keep it with you at all times when you are out in the field and make sure the information is not on view to someone else. For example, keep it in an envelope and/or keep it in a briefcase. When you are at home, it should be kept in a secure location, such as a locked drawer or cupboard and not somewhere where a visitor to your home can see it.

If you are asked to do so, on the day of the interview/group, you should take all the questionnaires to the venue in an envelope and hand them over to the moderator in person. If someone else is hosting the interview/group on your behalf, you should ensure they comply with these instructions. If for any reason this is not possible, you should send the completed questionnaires to our offices at the address at the bottom of the page using **Special Delivery** - you must not use the ordinary post.

Good luck!

8.1.2 Business customers (workshops and depths)

Hello, my name is…………………..I am working on behalf of Creative Research and Acumen. I wonder if you would be interested in taking part in some market research we are conducting on what value for money means to businesses and how organisations can offer your business better value for money. It involves [as appropriate]

taking part in a discussion with other people like yourself, to share views and ideas. This would last for 2 ½ hours. In return for your time, I can offer you £75 [small businesses] / £100 [medium sized businesses] as a thank you and a contribution towards your expenses.

taking part in an interview that would last for 1 ½ hours. In return for your time, I can offer you £50 as a thank you.

Recruiter: please fill in the following details

RESPONDENT DETAILS

Explain that you need to record the respondent's contact details so that they can be contacted in the event of a change of plans (e.g. the moderator is ill) and also for quality control procedures. Reassure respondents that no personal details or responses will be passed on to anyone not directly concerned with the research without their express permission.

Name:	
Position:	
Company:	
Address:	
Postcode:	
Telephone:	
Email address:	

Give Respondent DATA PROTECTION card and read out

"The group discussion or interview you take part in will be [read out as appropriate]

- audio recorded and a transcription will be produced
- video recorded and observed by people from another room/location either by means of a one-way mirror or a video link.

This card describes how the information you provide will be used and the steps that will be taken to protect your confidentiality. Please sign below to indicate your agreement with this procedure.

Respondent signature:

METHOD OF RECRUITMENT

FROM RECRUITER'S DATABASE		FREE FOUND (In Street/House to house etc)	
OTHER (PLEASE WRITE IN):			

RECRUITER DECLARATION

I DECLARE THAT THIS IS A TRUE RECORD OF AN INTERVIEW WITH THE NAMED RESPONDENT WHICH WAS CONDUCTED IN ACCORDANCE WITH THE INSTRUCTIONS AND THE MRS CODE OF CONDUCT. I AGREE TO BE BOUND BY THE DATA PROTECTION ACT 1998.

SIGNATURE:____

PRINT NAME:__________________________________ DATE:_______________________________

For Creative Research use only Respondent ID	

Once this questionnaire has been completed, it constitutes sensitive personal data – please see notes at the end regarding how it should be treated

Code Workshop/Depth Number			
WS13: customers of **Dwr Cymru**, using water for **domestic purposes**, **very satisfied** with vfm	1	**D1:** customers of **Anglian Water**, using >5,000 cubic meters of water for domestic and business purposes, **very satisfied** with vfm	9
WS14: customers of **Dwr Cymru**, using water for **domestic purposes**, **not satisfied** with vfm	2	**D2:** customers of **Anglian Water,** using >5,000 cubic meters of water for domestic and business purposes, **not satisfied** with vfm	10
WS15: customers of **Wessex Water**, using water for **domestic and business purposes**, **very satisfied** with vfm	3	**D3:** customers of **Wessex Water**, using >5,000 cubic meters of water for domestic and business purposes, **very satisfied** with vfm	11
WS16: customers of **Wessex Water**, using water for **domestic and business purposes**, **not satisfied** with vfm	4	**D4:** customers of **Wessex Water**, using >5,000 cubic meters of water for domestic and business purposes, **not satisfied** with vfm	12
WS17: customers of **Anglian Water**, using water for **domestic purposes**, **very satisfied** with vfm	5	**D5:** customers of **Severn Trent**, using >5,000 cubic meters of water for domestic and business purposes, **very satisfied** with vfm	13
WS18: customers of **Anglian Water**, using water for **domestic purposes, not satisfied** with vfm	6	**D6:** customers of **Severn Trent**, using >5,000 cubic meters of water for domestic and business purposes, **not satisfied** with vfm	14
WS19: customers of **Severn Trent**, using water for **domestic and business purposes**, **very satisfied** with vfm	7		
WS20: customers of **Severn Trent**, using water for **domestic and business purposes**, **not satisfied** with vfm	8		

Q1 Are you the person within your organisation that is responsible for paying the following bills and dealing with any queries and complaints, including changing suppliers where this is possible?		
Business rates	1	**Respondent must be responsible for at least two of these**
Energy (electricity/gas/oil etc)	2	
Telecoms (landline/mobile)	3	
Water and sewerage	4	**Respondent must be responsible for this; if not CLOSE**
None of these	5	**CLOSE**

Q2a Organisational structure		
Independent business based at a single site	1	**CONTINUE**
Chain based at 2+ sites	2	**ASK Q2b**
Q2b Who takes decisions about bills/suppliers etc		
at the local level	1	**CONTINUE**
at head office level	2	↓

Q3 Number of employees (in the case of a chain, this is the total number of employees across all sites)		
1 to 9	1	**WS13-16/D1-6: Continue WS17-20: Close**
10 to 49	2	
50 to 99	3	**WS13-16: Close WS17-20/D1-6: Continue**
100 to 250	4	
over 250	5	**CLOSE**

When recruiting Workshops: If the head office is nearby, you can try to recruit the person who is responsible for decisions about bills/suppliers provided they meet the remaining criteria; otherwise you should close.

When recruiting Depths: the goal here is to find sites that are using over 5000 cubic meters of water a year. If decisions are taken at the local level, you can recruit the respondent. If decisions are taken at head office level, and the head office is nearby, you can recruit the person responsible for decisions about bills/suppliers provided they meet the remaining criteria. If the head office is not close by, get the name and contact details of the responsible person and contact the office for further instructions.

Q4 Nature of business: write in here (e.g. hotel, estate agent) and code below:

Agriculture, forestry and fishing	1		Information and communication	10	
Mining and quarrying	2		Financial and insurance activities	11	
Manufacturing (food and drinks products)	3		Real estate activities	12	
Manufacturing (others including chemicals and textiles)	4		Arts, entertainment and recreation	13	
Electricity, gas, steam and air conditioning	5		Professional, scientific and technical activities	14	
Construction	6		Education	15	
Wholesale and retail trade; repair of motor vehicles/ motorcycles	7		Human health and social work activities	16	
Transportation and storage	8		Other (tick here and record below)	17	
Accommodation and food service activities	9				
Recruit a spread of business types			Water supply, sewerage, waste management and remediation activities	18	**CLOSE**

Q5a **SHOWCARD A** Which of the descriptions shown here best describes how your business uses water:		
Domestic purposes: e.g. for drinking, washing hands, flushing toilets, cleaning etc for staff and customers	1	**CONTINUE**
Business purposes: e.g. for hygiene/cleaning (e.g. food processing/dentist/restaurant), for business processes (e.g. as part of the manufacturing process, food processing, laundrette, car wash, agriculture, etc)	2	**WS13/14/17/18: CLOSE** **WS15/16/19/20 and Depths 1-6: CONTINUE**

Ask independent businesses (1 site) Q5b; ask chains (2+ sites) Q5c

Q5b Does your business use more or less than 5,000 cubic metres of water in a year/2,500 cubic metres every 6 months/1,250 cubic metres every quarter? (This information should be shown on their water bill).

Q5c Does your particular site use more or less than 5,000 cubic metres of water in a year/2,500 cubic metres every 6 months/1,250 cubic metres every quarter? (This information should be shown on their water bill).

If NO: check to see if any other sites meet this criterion. If they do, you could try recruiting someone from another site provided they meet the other criteria.

Please note: for organisations with more than one site, we are not interested in the total amount of water being used across all sites but whether one or more individual sites uses more than 5,000 cubic metres of water each year.

Yes	1	**Recruit as a depth; do not recruit to a workshop**
No	2	**Continue**
Don't know	3	

For each bill that the respondent pays, ask:

Q6a **Business Rates:** What is the name of your local council to whom you pay your business rates?

Write in:

Q6b **Gas/Electricity/oil etc:** What is the name of the energy company/ies to whom you pay your gas/electricity/ energy bills?

	Gas	**Elec**	**Other**	
No gas/other	0		0	
British Gas, Nwy Prydain, Scottish Gas	1	1	1	
EDF Energy (EDF Energy were previously London Energy, Seeboard Energy and SWEB)	2	2	2	
npower	3	3	3	
E-ON (previously Powergen)	4	4	4	
Scottish Power, Scottish Power Manweb	5	5	5	
Scottish and Southern Energy (SSE), Scottish Hydro Electric, Southern Electric, Swalec, Atlantic Electric and Gas	6	6	6	
Other WRITE IN:	7	7	7	
Don't know	8	8	8	**No more than 2 per workshop**

Q6c **Telecoms:** What is the name of the telecom company/ies to whom you pay your telephone bills? Prompt for both landline and mobile.

3	1	Sky	6	Vodaphone	11
O2	2	Talktalk/Carphone Warehouse	7	Other: write in	12
BT	3	Tiscali	8		
Cable and Wireless	4	T-Mobile	9	Don't know	13
Orange	5	Virgin Media	10	**No more than 2 Don't Knows per workshop**	

Q6d **Water and Sewerage**: What is the name of the company/ies to whom you pay your water and sewerage bills?

WS13-14: Dwr Cymru	1	Must be customers of water company shown; no more than 2 DK per workshop. If any other company mentioned: **CLOSE**	**D1-2: Anglian Water**	5	Must be customers of water company shown; no more than 2 DK per workshop. If any other company mentioned: **CLOSE**
WS15-16: Wessex Water	2		**D3-4: Wessex Water**	6	
WS17-18: Anglian Water	3		**D5-6: Severn Trent**	7	
WS19-20: Severn Trent	4				

Q7 How satisfied are you with the **value for money** you feel you get from each of these service providers? Please choose your answer from this card – **SHOW CARD B**

	Very satisfied	Fairly satisfied	Neither	Fairly Dissatisfied	Very Dissatisfied	Don't know
a) Business rates	1	2	3	4	5	6
b) Energy (gas/elec/oil etc)	1	2	3	4	5	6
c) Telecoms (landline/ mobile)	1	2	3	4	5	6
d) Water and sewerage	1	2	3	4	5	6
WS13/15/17/19 and D1/3/5	all respondents **must have code 1** for water and sewerage					
WS14/16/18/20 and D2/4/6	all respondents **must have codes 3-6** for water and sewerage					

For each bill that the respondent is responsible for, ask:
If unsure ask for an estimate. If respondent only knows how much s/he pays each month/quarter etc write this in and indicate the time period e.g. £95 per month. Write in DK if respondent unable to answer.

Q8a	How much do you pay for **business rates** each year or each month?	£_________ per ____
Q8b	How much do you pay for your **energy bill** each year or each month (where organisation has both gas and electric, oil and electric etc record the combined amount)	£_________ per ____
Q8c	How much do you pay for your **telecoms bill** each year or each month (where organisation has both landline and mobile record the combined amount)	£_________ per ____
Q8d	How much do you pay for your **water and sewerage bill** each year or each month (if organisation has separate bills for water and sewerage, record the combined amount)	£_________ per ____

Q9 Is your water supply metered? If YES – did you ask to have the meter fitted?		
Supply is metered but was not requested	1	
Supply is metered but this was not requested	2	
No – not metered	3	
Don't know	4	

SHOW CARD A

Domestic purposes: e.g. for drinking, washing hands, flushing toilets, cleaning etc for staff and customers

Business purposes: e.g. for hygiene/cleaning (e.g. food processing/dentist/restaurant), for business processes (e.g. as part of the manufacturing process, laundrette, car wash, agriculture, etc)

SHOW CARD B

How satisfied are you with the **value for money** you feel you get from each of these service providers?

Council Services (Business rates)

Energy (gas/elec/oil etc)

Telecoms (landline/ mobile)

Water and sewerage

Please choose your answer from below

Very satisfied

Fairly satisfied

Neither satisfied nor dissatisfied

Fairly dissatisfied

Very dissatisfied

Don't know

DATA PROTECTION

The Data Protection Act requires that we collect and use the information you provide to us in a manner that respects and protects your confidentiality.

Your personal details (such as name, address, phone number) will not be disclosed to anyone else without your permission other than Creative Research, the company carrying out the research.

The recordings/transcripts will only be listened to/watched/read for research purposes. Excerpts from the recordings/transcripts may be used to illustrate the research findings. This will always be done in a way to protect your identity (e.g. comments will not be attributed).

In exceptional cases the recordings/transcripts will be listened to/watched/read by people from the client organisation working on this project. In these circumstances, where possible we will go through the material first to delete any references to people's names or anything else that could identify them.

Anyone from the client organisation who listens to/watches/reads the recordings/transcripts will sign an undertaking that they will respect the anonymity of those taking part.

Any other material or information generated by you, such as ideas written down on paper, will be subject to the same strict controls.

You have the right to **withdraw your consent** at any point in the interview/discussion. You may also withdraw from the interview/ discussion at any point. Please sign to indicate your agreement with this procedure.

Recruiter Guidelines

Purpose

The aim of this research is to explore what **value for money** means to businesses/organisations especially when it comes to services such as business rates, energy, telecoms and water and sewerage services. The findings will be used to find ways in which suppliers can try and provide better value for money. The research involves people taking part in a workshop that will last 2 ½ hours, or a depth interview lasting 1 ½ hours. An incentive of £75 is available for small businesses and £100 for medium sized businesses taking part in the workshop. Light refreshments will also be provided. The depths will be conducted at the respondent's place of work and an incentive of £50 is available.

Although we are particularly interested in respondents' views about their water and sewerage services, it is very important you do not alert them to this.

Your task

Your task is to recruit two workshops with 9 attendees at each. In one workshop, **everyone must be 'very satisfied' with the value for money of their water and sewerage services (code 1 @ Q7d).** In the other workshop, **everyone must have codes 3-6 @ Q7d**. This means that anyone who is 'fairly satisfied' with the value for money of their water and sewerage services is ineligible and must not be recruited but anyone else can be recruited to one of the two workshops provided they meet the other recruitment criteria.

You may also be asked to recruit two depth interviews. These will be with businesses that use over 5,000 cubic metres of water per year at one or more of their sites. These are going to be businesses that use very large volumes of water and have large water bills. Possibilities include leisure centres with swimming pools, manufacturers, breweries, hotels, laundries etc. This information should be available on the organisation's water bill. As with the workshops, one of the depths should be with a respondent who is '**very satisfied'** with the value for money of their water and sewerage services (code 1 @ Q7d)**.** The other depth should be with a respondent who is **'not satisfied'**, (codes 3-6 @ Q7d.)

Eligibility and Quotas

We only want to talk to small and medium sized businesses i.e. no more than 250 employees in total.

Respondents should be the individual who is responsible for deciding which suppliers their business uses (where there is a choice), paying bills, and dealing with queries and complaints. In most small businesses, this will be the owner/director although in some medium sized businesses, it might be an employee in a managerial role. All respondents must be responsible for dealing with the company's water and sewerage supplier (code 4 @ Q1) and at least 2 out of business rates, energy and telecoms (codes 1-3 @ Q1).

You should also record:

- if the business operates from a single site (independent) or is located at two or more sites (chain) (Q2) – **see guidance notes when recruiting chains (over page)**
- and the nature of the business – write in a description and code using the standard industry classification (see Q4); there are no quotas but recruit a spread. **You must not recruit anyone working for a business/ organisation that is involved in water supply or sewerage waste management** (code 18 @ Q4)

Guidance notes when recruiting chains

You need to establish at what level decisions are taken about bills and suppliers. If the manager of the site in question (e.g. a local shop that is part of a chain) is the decision maker, you can recruit him/her to take part in the workshop/depth.

If the decision is taken at head office level, it will depend on where the head office is. If the head office is nearby, you can try to recruit the person responsible for bills and suppliers but if it is too far away for them to travel to the workshop, you will have to close.

In the case of Depths, if the head office is not close by it may be possible to set up an interview - get the name and contact details of the head office person who is responsible and contact the office for further instructions.

The main quotas relate to:

- **number of employees**: in the case of a chain, this refers to the total number of employees across all sites
    - **WS13-16:** please recruit small businesses with 1-49 employees (codes 1-2 @ Q3)
    - **WS17-20:** please recruit medium sized businesses with 50-250 employees (codes 3-4 @ Q3)
    - **D1-6:** as found
- **how the business uses water:** some businesses will only use water for the same sorts of things as domestic customers – drinking, washing hands etc while others will also use water in order to carry out their business
    - **WS13/14/17/18:** these businesses should only use water for domestic purposes; for example, most offices, shops other than those serving food and drink, and so on (code 1 @ Q5a)
    - **WS15/16/19/20:** these businesses should also use water in order to carry out their business; for example, food processors, restaurants/cafes, many manufacturers, brewers (probably will have code 1 @ Q5a but must also have code 2)
    - **D1-6:** they must also have code 2 @ Q5a
- **satisfaction with the value for money** of the water and sewerage service (Q7d):
    - **WS13/15/17/19 and D1/3/5**: all respondents **must** have code 1 for water and sewerage
    - **WS14/16/18/20 and D2/4/6** all respondents **must** have codes 3-6 for water and sewerage
- **volume of water:** there is an additional quota for the Depths as these should all be with businesses that use over 5,000 cubic meters of water a year (code 1 @ Q5c). Please note that when recruiting a chain (i.e. a business located at more than 1 site), they must use over 5,000 cubic meters of water at one or more individual sites (it is not the combined volume across several sites that matters)

Other details

While there are no quotas, you must record the following information:

- the names of the following suppliers
    - the local council to whom they pay their business rates (Q6a)

- gas/electricity/other energy suppliers (Q6b)
- telecom companies (Q6c)
- water and sewerage companies (Q6d)

NB All businesses must be customers of the water and sewerage company listed at Q6d. This should fall out naturally as the locations for the research have been chosen on the basis of the water companies that operate there. **If respondents name any other water company, you must not recruit them (it is possible, but unlikely, that when recruiting the Depths, a company may be supplied by a different water company – if you come across this, please contact the Office for further instructions before recruiting/excluding the organisation)**

- satisfaction with the value for money of the service being provided (Q7a-c): it is very important you record this for council tax, energy and telecoms bills – there are no quotas but we need this information. In the case of water and sewerage (Q7d), there are quotas (see above)
- size of bill (Q8a-d): we appreciate that respondents may not be able to answer all of these but where possible ask them for an estimate; in some cases, for example if they pay by monthly direct debit, they may only know the monthly amount so please be sure to write this in
- metered/unmetered water supply (Q9).

Data Protection and Confidentiality

Please make sure every respondent has read the information about data protection and given their signed consent. Where recruiting into a viewing studio, make sure respondents are aware of this in advance of the workshop.

Front Page

Please complete the details on the front page:

- the respondent contact details
- respondent's signature indicating agreement with how the information they provide will be used
- the method you have used to find people – if you are using your own database please remember the restrictions on previous attendance
- the recruiter declaration.

Data Security

Once a questionnaire has been completed, it will contain information that is classed as 'personal sensitive data' – this is because it includes information that can be used to identify the respondent along with their answers to a number of different questions. This means it needs to be kept securely. You should keep it with you at all times when you are out in the field and make sure the information is not on view to someone else. For example, keep it in an envelope and/or keep it in a briefcase. When you are at home, it should be kept in a secure location, such as a locked drawer or cupboard and not somewhere where a visitor to your home can see it.

If you are asked to do so, on the day of the interview/group, you should take all the questionnaires to the venue in an envelope and hand them over to the moderator in person. If someone else is hosting the interview/group on your behalf, you should ensure they comply with these instructions. If for any reason this is not possible, you should send the completed questionnaires to our offices at the address at the bottom of the page using **Special Delivery** - you must not use the ordinary post.

Good luck!

8.2 Discussion Guides

8.2.1 Domestic customers

Stimulus boards labelled S1, S2 etc. Handouts labelled HO1, HO2, etc.

Introductions

To the moderator; identity of client not revealed at this stage but will be at the end

To the topic to be discussed – what value for money means to us as customers and consumers; and how organisations can improve the value for money of their goods and services

To the research format; recording, anonymity, no right or wrong answers, cutting them off if necessary because so much to cover etc.

Moderator explains the ground rules

To each other – first names, family circumstances, what they do for a living

1. Defining Value for Money (60 mins)

Throughout discussion, moderators will ask for <u>actual examples</u> to support respondents' views on what constitutes vfm and the factors underpinning it.

S1

- A board is displayed with the words 'value for money' on it; respondents are asked to:
  - give the names of particular organisations or products or services that they feel consistently offer them vfm
  - suggest any occasions when they feel they have experienced exceptional vfm – something that exceeded their expectations
- **Building a 'graffiti wall':** participants are given post-it notes
  - what do we mean when we talk about vfm? Please write your ideas on different post-it notes – one per post-it note – and stick these onto the board
  - moderator explores the different factors that are felt to underpin value for money, acting where necessary as devil's advocate to challenge respondents

S2

- **Satisfaction with the way an organisation delivers its products/service:** participants build a second graffiti wall
  - what makes us feel we are satisfied with the service an organisation provides us with? Conversely, what makes us feel dissatisfied? Please write down your ideas Please write your ideas on different post-it notes – one per post-it note – and stick these onto the board
  - moderator briefly explores the different factors that are felt to underpin satisfaction with service
- Satisfaction with service and vfm
  - how do you think satisfaction with service and vfm relate to each other? Are they the same thing? If not, what is the difference between them?

- if you are satisfied with the service being provided, does this mean you will also feel you get good value for money? And if you are dissatisfied with service?
- do you think someone could feel that they get good service but not get great vfm? Why? Any examples? Indulgences/treats?
- could someone feel they get poor service but it is vfm? Any examples? Easyjet/Ryan Air?

The moderator introduces a number of factors that may or may not affect an organisation's reputation for providing vfm

- **the price of the goods/services**:
  - what is the relationship between price and vfm?
  - S3 which of the words or phrases shown here would you use to describe something that offers you value for money? Can you suggest other ways of summing up the relationship between vfm and the price of the goods/services?
  - if an organisation/business lowers its prices, does this mean it will offer better vfm? Is there a point at which a lower price makes no difference to vfm? Or a lower price could suggest it was poorer vfm? Examples?
  - if an organisation offers lots of deals and special promotions, does this mean it is offering better vfm? can you think of examples where this is not the case? [e.g. energy companies that offer you a 'good deal', only to put their prices up]
- **the quality of the goods/services**
  - what is the relationship between the quality of the goods/services and vfm?
  - S4 which of the words or phrases shown here would you use to describe something that offers you value for money? Can you suggest other ways of summing up the relationship between vfm and the price of the goods/services?
  - if faced with a choice, would you opt for somewhat lower quality goods/service in order to get a lower price vs. better quality goods/service for a higher price? Why is this? Does it vary? When/which types of goods/services would you opt for a lower quality at a lower price? And when/which types of goods/service would you opt for a higher quality at a higher price?
- **the relationship you have with an organisation**
  - think about organisations with whom you feel you have a good relationship? Can you name one?
  - what are the things that help make it a good relationship?
  - what role, if any, does vfm play in this? Is it possible to feel you have a good relationship with an organisation that does not offer particularly good vfm? Why?
- **the role of competition**:
  - when it comes to vfm, do you think competition is generally a good thing or a bad thing, or that it probably makes no difference? Why?
  - are there cases where competition might drive prices down but at the cost of vfm? While you end up with lower prices, you don't get vfm? Examples?

- how does being able to compare prices of goods and services affect your views on vfm? What if you weren't able to compare?
- thinking about examples where there is no competition: local council services, NHS – would you say you get vfm in these areas even though there is no competition?

the way an organisation and/or its products and services are marketed

- how, if at all, does the way an organisation markets itself and its products/services affect your views on vfm? This includes various forms of advertising and communication that you come across. What sorts of things are more likely to make you feel an organisation offers vfm?

the way an organisation and/or its products and services are represented in the media

- how, if at all, does the way an organisation and/or its products and services is represented in the media affect your views on vfm? What sorts of things/stories are more likely to make you feel an organisation offers vfm?
- which sources of information are you most likely to be influenced by?

Note to moderator: if respondents spontaneously mention any of the following in relation to vfm, explore them to see what the relationship is between them and vfm

- how well informed we are about what is involved in providing the goods/services including the costs
- the extent to which the organisation has a reputation for getting involved with/supporting the local community
- the level of profits the organisation makes
- ownership (e.g. UK vs overseas) and/or corporate structure (e.g. privately owned, listed company, not for profit)

2. VFM in the utility and other sectors (60 mins)

Having looked at the issues in the round, the discussion would now focus on energy, telecoms (landline, mobile, internet providers), water and sewerage and council services (this introduces another monopoly service into the mix).

S5

HO1

- Moderator displays a board and distributes a handout with the different sectors displayed. On their handouts, respondents write in the name(s) of the organisations that provide them with each service and ranks the 4 sectors in terms of vfm – where 1 = greatest vfm and 4 = least vfm. Moderator writes rankings on board and discusses outcomes
  - is it easier or harder to decide about vfm for services like these compared to those we were discussing earlier? Why is that?
  - are some sectors more closely associated with vfm than others or are they all seen as much the same? Why is this?

Some of these services (energy and water) are things we have to have to run any business; in the case of council services, we have no choice but to pay for them.

- does this have any bearing on how you feel about the vfm of these services? Why is this?

S6

- Moderator displays board summarising the various factors discussed earlier. Taking each sector in turn[27], the moderator explores the extent to which these factors underpin perceptions of vfm and whether the same or different factors are at work in each sector.
- Satisfaction with the way an organisation delivers its products/services
    - overall, how satisfied are respondents with the service? Why is this?
- The price of the goods/services
    - overall, how do they feel about the cost of the service? Why is this?
    - S3 display S3 – which of these terms, if any, would they use? Any others?
- The quality of the goods/services
    - how do they feel about the quality of the goods/services? Why is this?
    - S4 display S4 - which of these terms, if any, would they use? Any others?
- The relationship we have with the organisation
    - how would they describe the relationship they have with the organisation?
    - S7 display S7 - which of these terms, if any, would they use? Any others?
- Competition
    - would you say there is competition as far as energy/water/telecoms/council services is concerned?
    - does this work to your advanatge/disadvantage? Why is this?
- The way an organisation and/or its products and services are marketed
    - are you aware of any communications from your energy/water/telecoms companies/local council? Examples?
    - how would you sum up the way energy/water/telecoms companies/your local council markets or presents itself to you? What sort of messages is it trying to get across?
    - how credible is this?
- The way an organisation is represented in the media
    - are you aware of any news stories about your energy/water/telecoms companies/local council? Examples?
    - how would you sum up the way energy/water/telecoms companies/your local council markets is represented in the media?
    - how does this make you feel?

Note to moderator: if respondents spontaneously mention any of the following in relation to vfm, explore them to see what the relationship is between them and vfm
- the extent to which the organisation has a reputation for getting involved with/supporting the local community
- the level of profits the organisation makes
- ownership (e.g. UK vs overseas) and/or corporate structure (e.g. privately owned, listed company, not for profit)

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[27] Note to moderator: always cover energy and water (vary order); if time, also cover telecoms and/or council services

S8

- Exploring the vfm gap: the moderator outlines what the chart shows (**nb** chart relates to landline telephone service only)
    - customer surveys show that overall levels of satisfaction with the service varies from 90% in the case of water and sewerage services to 45% for council services
    - while there appears to be some relationship between overall satisfaction and the cost of the service, this cannot explain everything – the cheapest (landline t/p) and most expensive (energy) services are not the ones with the highest/lowest satisfaction levels
    - there is a 'value for money gap' – that is, ratings of vfm are always less than ratings of overall satisfaction
        - what's your reaction to what you see here?
        - how far do you agree or disagree that, no matter how satisfied you are with the service you receive, it could always be provided at a lower cost?
        - if the only way to reduce costs is to reduce the quality of service, would you find this acceptable? Why is this?
        - could this become counter-productive i.e. lower costs results in poorer quality of the service which in turn means you feel you are getting less vfm?
- Moderator focuses attention on water and energy:
    - average energy bills are nearly 4 times higher than average water bills but this does not mean that water companies are seen as providing better vfm - the size of the vfm gap is larger for water compared to energy companies - why might this be?
- VfM and the cost of providing the service to the customer: moderator explores perceptions of what is involved in providing energy and water services and what this costs
    - what are the costs for the energy company in ensuring that when a customer turns on a switch their lights come on? Can you describe what is involved [in any detail]?
    - what are the costs for the water company in ensuring that when a customer turns on a tap, water comes out? Can you describe what is involved [in any detail]?
    - do you feel that you have a better understanding of what is involved in providing electricity than water and sewerage services?
    - do you think that the cost of providing energy is much higher compared than the cost of providing water and sewerage services?

3. How water companies can try to improve their vfm ratings (30 mins)

The focus at this point of the workshop is now on the water and sewerage sector and how it could improve its reputation for providing vfm. Moderator begins by exploring respondents views about their water company

- What sort of reputation does [name of water company] have? Good? Bad? Indifferent? If someone moved into the area from another part of the country who knew nothing about [water company] and they asked you what they were like, what would you say?

- moderator to explore what is informing this reputation/image – direct contact with the water company, stories in the local media (about what – do they present a positive or a negative picture)?

Moderator explains s/he is going to share some information about the water industry and their water company. We are interested to find out how, if at all, any of this information **affects your views on the vfm** provided by your water and sewerage company

HO2

- The **cost of the service**: moderator hands out map depicting the average cost of water and sewerage bills
  - are you aware that different companies charge, on average, different amounts? why might this be?
  - how do you feel about the average cost from your water and sewerage company? does it represent vfm? why is this? if it is not seen as vfm, is this simply because it is higher than the average of some other water companies?

HO3

- **What do you get for your money**?: moderator explores respondents' awareness of what their water bill covers. A board summarising key facts is displayed and discussed.
  - is this new information?
  - what things in particular grab your attention?
  - how does it make you feel about the vfm of water and sewerage services?
- Moderator plays edna and mary ad (http://www.yorkshirewater.com/edna-and-mary/ow-much.aspx).
  - what impact, if any, does this have on your perceptions of vfm?
  - how do you feel about water companies spending money on advertising like this?
  - on their website, Yorkshire Water claim the campaign is not funded from customer bills but from efficiency savings. How do you feel about this?

S11 to S21

- **Community involvement**: a board displaying different examples of their water company's involvement in their local community is shown and discussed –
  - are you aware that your water company does these sorts of things? How, if at all, does it impact on your perceptions of vfm?

Note to moderator: if respondents spontaneously mention any of the following in relation to vfm, explore them to see what the relationship is between them and vfm – otherwise skip

- the level of profits the organisation makes
- ownership (e.g. UK vs overseas) and/or corporate structure (e.g. privately owned, listed company, not for profit)

HO5-7

Company profits: moderator hands out information on profits and talks respondents through these (nb Essex and Suffolk figures are included under Northumbrian Water)

- views on why water companies need to make profits
- refer back to HO3 which shows that some £22 billion needs* to be invested over a 5 year period – how does this affect how you feel about (a) the importance of making a profit, (b) the level of profits being made?
- how do water company profits compare with those of energy companies?

***Note to moderator: if respondents question whether water companies need to invest as much as £22b, point out that the 5 year business plan is scrutinised and agreed by the regulator, Ofwat. It is not up to the companies to decide what they want to do or how much to invest – they have to build a business case and Ofwat has to accept it first.**

S23 to S32

Ownership and corporate structure: a board displaying details of the ownership and structure of their water company is displayed and discussed –

- are you aware of this? How does it impact on your perceptions of vfm?
- in the case of Essex and Suffolk customers, are they aware that their water company is owned by Northumbrian Water? What impact, if any, does this have on perceptions of vfm?

- Summing up: respondents are asked to imagine they work for their local water company and they have been put in charge of improving the company's vfm ratings. They cannot reduce water bills as the company needs the money to meet all its various commitments. What steps/actions would they recommend the company should take and why?

S22

- Graffiti wall: respondents build another graffiti wall this time by writing on post-it notes suggestions for things that water companies could do that would improve their vfm ratings; what lessons could be learned from other sectors? Respondents' suggestions explored including reasons behind suggestions.

Moderator explains that the research is being conducted on behalf of the Consumer Council for Water which represents water and sewerage consumers in England and Wales. One of its aims is to ensure customers get good value for money and this research will help them in this goal.

8.2.2 Business customers (workshops)

Stimulus boards labelled S1, S2 etc. Handouts labelled HO1, HO2, etc.

Introductions

To the moderator; identity of client not revealed at this stage but will be at the end

To the topic to be discussed – what value for money means to us as business customers; and how organisations can improve the value for money of their goods and services

To the research format; recording, anonymity, no right or wrong answers, cutting them off if necessary because so much to cover etc.

Moderator explains the ground rules

To each other – first names, nature of business, number of employees

1. Defining Value for Money (60 mins)

Throughout discussion, moderators will ask for actual examples to support respondents' views on what constitutes vfm and the factors underpinning it. NB With SMEs we are mainly interested in talking to them as customers of other organisations however, when discussing vfm, respondents may draw on their experiences of supplying goods/service to their customers if this is appropriate.

S1

- A board is displayed with the words 'value for money' on it; respondents are asked to:
  - give the names of particular organisations or products or services that they feel consistently offer them vfm
  - suggest any occasions when they feel they have experienced exceptional vfm – something that exceeded their expectations
- Building a 'graffiti wall':; participants are given post-it notes
  - what do we mean when we talk about vfm? Please write your ideas on different post-it notes – one per post-it note – and stick these onto the board
  - moderator explores the different factors that are felt to underpin value for money, acting where necessary as devil's advocate to challenge respondents

S2

- Satisfaction with the way an organisation delivers its service: participants build a second graffiti wall
  - what makes us feel we are satisfied with the service an organisation provides us with? Conversely, what makes us feel dissatisfied? Please write down your ideas Please write your ideas on different post-it notes – one per post-it note – and stick these onto the board
  - moderator briefly explores the different factors that are felt to underpin satisfaction with service
- Satisfaction with service and vfm
  - how do you think service and vfm relate to each other? Are they the same thing? If not, what is the difference between them?

- if you are satisfied with the service being provided, does this mean you will also feel you get good value for money? And if you are dissatisfied with service?
- do you think someone could feel that they get good service but not get great vfm? Why? Any examples? Indulgences/treats?
- could someone feel they get poor service but it is vfm? Any examples? Easyjet/Ryan Air?

The moderator introduces a number of factors that may or may not affect an organisation's reputation for providing vfm

- **the price of the goods/services**:

S3

  - what is the relationship between price and vfm?
  - which of the words or phrases shown here would you use to describe something that offers you value for money? Can you suggest other ways of summing up the relationship between vfm and the price of the goods/services?
  - if an organisation/business lowers its prices, does this mean it will offer better vfm? Is there a point at which a lower price makes no difference to vfm? Or a lower price could suggest it was poorer vfm? Examples?
  - if an organisation offers lots of deals and special promotions, does this mean it is offering better vfm? can you think of examples where this is not the case? [e.g. energy companies that offer you a 'good deal', only to put their prices up]
- **the quality of the goods/services**
  - what is the relationship between the quality of the goods/services and vfm?

S4

  - which of the words or phrases shown here would you use to describe something that offers you value for money? Can you suggest other ways of summing up the relationship between vfm and the price of the goods/services?
  - if faced with a choice, would you opt for somewhat lower quality goods/service in order to get a lower price vs. better quality goods/service for a higher price? Why is this? Does it vary? When/which types of goods/services would you opt for a lower quality at a lower price? And when/which types of goods/service would you opt for a higher quality at a higher price?
- **the relationship you have with an organisation**
  - think about organisations with whom you feel you have a good relationship? Can you name one?
  - what are the things that help make it a good relationship?
  - what role, if any, does vfm play in this? Is it possible to feel you have a good relationship with an organisation that does not offer particularly good vfm? Why?
- **the role of competition:**
  - when it comes to vfm, do you think competition is generally a good thing or a bad thing, or that it probably makes no difference? Why?
  - are there cases where competition might drive prices down but at the cost of vfm? While you end up with lower prices, you don't get vfm? Examples?
  - how does being able to compare prices of goods and services affect your views on vfm? What if you weren't able to compare?

- thinking about examples where there is no competition: local council services, NHS – would you say you get vfm in these areas even though there is no competition?

- **the way an organisation and/or its products and services are marketed**
  - how, if at all, does the way an organisation markets itself and its products/services affect your views on vfm? This includes various forms of advertising and communication that you come across. What sorts of things are more likely to make you feel an organisation offers vfm?
- **the way an organisation and/or its products and services are represented in the media**
  - how, if at all, does the way an organisation and/or its products and services is represented in the media affect your views on vfm? What sorts of things/stories are more likely to make you feel an organisation offers vfm?
  - which sources of information are you most likely to be influenced by?

Note to moderator: if respondents spontaneously mention any of the following in relation to vfm, explore them to see what the relationship is between them and vfm

how well informed we are about what is involved in providing the goods/services including the costs

the extent to which the organisation has a reputation for getting involved with/supporting the local community

the level of profits the organisation makes

ownership (e.g. UK vs overseas) and/or corporate structure (e.g. privately owned, listed company, not for profit)

2. VFM in the utility and other sectors (60 mins)

Having looked at the issues in the round, the discussion now focuses on energy, telecoms (landline, mobile, internet providers), water and sewerage and council services (this introduces another monopoly service into the mix).

S5

HO1

- Moderator displays a board and distributes a handout with the different sectors displayed. On their handouts, respondents write in the name(s) of the organisations that provide them with each service and ranks the 4 sectors in terms of vfm – where 1 = greatest vfm and 4 = least vfm. Moderator writes rankings on board and discusses outcomes
  - is it easier or harder to decide about vfm for services like these compared to those we were discussing earlier? Why is that?
  - are some sectors more closely associated with vfm than others or are they all seen as much the same? Why is this?
- Some of these services (energy and water) are things we have to have to run any business; in the case of business rates, we have no choice but to pay them. Does this have any bearing on how you feel about the vfm of these services? Why is this?

S6

Moderator displays board summarising the various factors discussed earlier. Taking each sector in turn[28], the moderator explores the extent to which these factors underpin perceptions of vfm and whether the same or different factors are at work in each sector.

- Satisfaction with the way an organisation delivers its products/services
  - overall, how satisfied are respondents with the service? Why is this?
- The price of the goods/services
  - overall, how do they feel about the cost of the service? Why is this?
  - S3 display S3 – which of these terms, if any, would they use? Any others?
- The quality of the goods/services
  - how do they feel about the quality of the goods/services? Why is this?
  - S4 display S4 - which of these terms, if any, would they use? Any others?
- The relationship we have with the organisation
  - how would they describe the relationship they have with the organisation?
  - S7 display S7 - which of these terms, if any, would they use? Any others?
- Competition
  - would you say there is competition as far as energy/water/telecoms/council services is concerned?
  - does this work to your advanatge/disadvantage? Why is this?
- The way an organisation and/or its products and services are marketed
  - are you aware of any communications from your energy/water/telecoms companies/local council? Examples?
  - how would you sum up the way energy/water/telecoms companies/your local council markets or presents itself to you? What sort of messages is it trying to get across?
  - how credible is this?
- The way an organisation is represented in the media
  - are you aware of any news stories about your energy/water/telecoms companies/local council? Examples?
  - how would you sum up the way energy/water/telecoms companies/your local council markets is represented in the media?
  - how does this make you feel?

Note to moderator: if respondents spontaneously mention any of the following in relation to vfm, explore them to see what the relationship is between them and vfm
the extent to which the organisation has a reputation for getting involved with/supporting the local community
the level of profits the organisation makes
ownership (e.g. UK vs overseas) and/or corporate structure (e.g. privately owned, listed company, not for profit)

[28] Note to moderator: always cover energy and water (vary order); if time, also cover telecoms and/or council services

- Refer to ranking exercise) If respondents feel that their organisation gets better vfm from their energy supplier compared to their water and sewerage company or if they felt there was no difference between the two or that water and sewerage is only somewhat more vfm ask:
  - moderator explores which of their organisation's bills – energy or water – is the highest and by how much?
  - when it comes to vfm, you rated energy services as representing best vfm/that there was no difference between energy and water/ that water companies offer your organisation somewhat better vfm. Given that energy bills are much higher than water bills, why don't you feel that the service you get from your water and sewerage company represents <u>much greater vfm</u> compared to your energy company?
- VfM and the cost to the supplier of providing the service to the customer: moderator explores perceptions relating to the provision of energy and water services and what this involves/costs
  - what are the costs for the energy company in ensuring that when a customer turns on a switch their lights come on? Can you describe what is involved – [in any detail]?
  - what are the costs for the water company in ensuring that when a customer turns on a tap, water comes out? Can you describe what is involved – [in any detail]?
  - do you feel that you have a better understanding of what is involved in providing electricity compared to water and sewerage services?
  - do you think that the cost of providing energy is much higher than the cost of providing water and sewerage services?

S9

- Exploring the vfm gap: the moderator explains that in a recent survey of businesses about their water and sewerage service, 89% were satisfied with the service they recived but only 72% felt it represented vfm. In other words there was a 'vfm gap' of 17%. A very similar finding has been found among domestic customers
  - why do you think there is a 'value for money gap' – that is, ratings of vfm is less than ratings of overall satisfaction
  - how far do you agree or disagree that, no matter how satisfied you are with the service you receive, it could always be provided at a lower cost?
  - If the only way to reduce costs was to reduce the quality of service, would you find this acceptable? Why is this?
  - could this be counter-productive i.e. lower costs results in poorer quality of the service which in turn means you feel you are getting less vfm?
- As far as you are aware, are there any circumstances under which a business can choose which water company to buy its water from? Explore views/understanding

S10

- Moderator displays information about switching:
  - what are your thoughts on what you see here?
  - what would you consider the positives of allowing businesses to switch their water company?
  - what do you think might be some of the negatives?
  - what impact, if any do you think this could have on

- prices?
- the way you are treated as a customer?
- the vfm of the service?

- how likely would your business be to switch supplier once the new rules are in place? why is that?

Note to moderator:
The threshold for Wales remains at 50,000 cubic metres
The business would have to meet other eligibility criteria, not just water consumption
Where a business uses this quantity of water over more than one site, it would not qualify – it must be at each location
Businesses which are most likely to be eligible are those in manufacturing and food processing
If a business is able to switch suppliers and does so, the water in the pipes does not come from a different supplier – it is purely competition in the retail market (as with energy).

3. How water companies can try to improve their vfm ratings (30 mins)

The focus at this point of the workshop is now on the water and sewerage sector and how it could improve its reputation for providing vfm. Moderator begins by exploring respondents views about their water company

- What sort of reputation does [name of water company] have? Good? Bad? Indifferent? If someone moved into the area from another part of the country who knew nothing about [water company] and they asked you what they were like, what would you say?
  - moderator to explore what is informing this reputation/image – direct contact with the water company, stories in the local media (about what – do they present a positive or a negative picture)?

Moderator explains s/he is going to share some information about the water industry and their water company. We are interested to find out how, if at all, any of this information **affects your views on the vfm** provided by your water and sewerage company

HO4

- What do you get for your money?: moderator explores respondents' awareness of what their water bill covers. A board summarising key facts is displayed and discussed.
  - is this new information?
  - what things in particular grab your attention?
  - how does it make you feel about the vfm of water and sewerage services?

S11 to S21

- **Community involvement**: a board displaying different examples of their water company's involvement in their local community is shown and discussed – are respondents aware that their water company does these sorts of things? How does it impact on perceptions of vfm?

Note to moderator: if respondents spontaneously mention any of the following in relation to vfm, explore them to see what the relationship is between them and vfm – otherwise skip

the level of profits the organisation makes

ownership (e.g. UK vs overseas) and/or corporate structure (e.g. privately owned, listed company, not for profit)

HO5-7

- **Company profits**: moderator hands out information on profits and talks respondents through these
  - views on why water companies need to make profits
  - refer back to HO3 which shows that some £22 billion needs* to be invested over a 5 year period – how does this affect how you feel about (a) the importance of making a profit, (b) the level of profits being made
  - how do water company profits compare with those of energy companies?

*Note to moderator: if respondents question whether water companies need to invest as much as £22b, point out that the 5 year business plan is scrutinised and agreed by the regulator, Ofwat. It is not up to the companies to decide what they want to do or how much to invest – they have to build a business case and Ofwat has to accept it first.

S23 to S32

- **Ownership and corporate structure:** a board displaying details of the ownership and structure of their water company is displayed and discussed –
  - are you aware of this? How does it impact on your perceptions of vfm?
  - in the case of Essex and Suffolk customers, are they aware that their water company is owned by Northumbrian Water? What impact, if any, does this have on perceptions of vfm?
- Summing up: respondents are asked to imagine they work for their local water company and they have been put in charge of improving the company's vfm ratings. They cannot reduce water bills as the company needs the money to meet all its various commitments. What steps/actions would they recommend the company should take and why?

S22

  - Graffiti wall: respondents build another graffiti wall this time by writing on post-it notes suggestions for things that water companies could do that would improve their vfm ratings; what lessons could be learned from other sectors? Respondents' suggestions explored including reasons behind suggestions.

Moderator explains that the research is being conducted on behalf of the Consumer Council for Water which represents water and sewerage consumers in England and Wales. One of its aims is to ensure customers get good value for money and this research will help them in this goal.

8.2.3 Business customers (depths)

Stimulus boards labelled S1, S2 etc. Handouts labelled HO1, HO2, etc.

Introductions

To the moderator; identity of client not revealed at this stage but will be at the end

To the topic to be discussed – what value for money means to us as business customers; and how organisations can improve the value for money of their goods and services

To the research format; recording, anonymity, no right or wrong answers, etc.

1. Defining Value for Money (40 mins)

Throughout discussion, moderators will ask for actual examples to support respondents' views on what constitutes vfm and the factors underpinning it. NB With SMEs we are mainly interested in talking to them as customers of other organisations however, when discussing vfm, respondents may draw on their experiences of supplying goods/service to their customers if this is appropriate.

- Thinking about VFM - respondent asked to:
    - give the names of particular organisations or products or services that they feel consistently offer their business vfm
    - suggest any occasions when they feel they have experienced exceptional vfm – something that exceeded their expectations
- Defining VFM: what do we mean when we talk about vfm? Prompt for as many ideas as possible and explore each suggestion
- Satisfaction with the way an organisation delivers its service:
    - what makes us feel we are satisfied with the service an organisation provides us with? Conversely, what makes us feel dissatisfied? Prompt for as many ideas as possible
- Service and vfm:
    - how do you think good service and vfm relate to each other? Are they the same thing? If not, what is the difference between them?
    - if you are satisfied with the service being provided, does this mean you will also feel you get good value for money? And if you are dissatisfied with service?
    - do you think someone could feel that they get good service but not get great vfm? Why? Any examples? Indulgences/treats?
    - could someone feel they get poor service but it is vfm? Any examples? Easyjet/Ryan Air?

The moderator introduces a number of factors that may or may not affect an organisation's reputation for providing vfm

- **the price of the goods/services**:
    - what is the relationship between price and vfm?

S3

- which of the words or phrases shown here would you use to describe something that offers you value for money? Can you suggest other ways of summing up the relationship between vfm and the price of the goods/services?
- if an organisation/business lowers its prices, does this mean it will offer better vfm? Is there a point at which a lower price makes no difference to vfm? Or a lower price could suggest it was poorer vfm? Examples?
- if an organisation offers lots of deals and special promotions, does this mean it is offering better vfm? can you think of examples where this is not the case? [e.g. energy companies that offer you a 'good deal', only to put their prices up]

- **the quality of the goods/services**
  - what is the relationship between the quality of the goods/services and vfm?
  - which of the words or phrases shown here would you use to describe something that offers you value for money? Can you suggest other ways of summing up the relationship between vfm and the price of the goods/services?
  - if faced with a choice, would you opt for somewhat lower quality goods/service in order to get a lower price vs. better quality goods/service for a higher price? Why is this? Does it vary? When/which types of goods/services would you opt for a lower quality at a lower price? And when/which types of goods/service would you opt for a higher quality at a higher price?

S4

- **the relationship you have with an organisation**
  - think about organisations with whom you/your business feel you have a good relationship? Can you name one?
  - what are the things that help make it a good relationship?
  - what role, if any, does vfm play in this? Is it possible to feel you have a good relationship with an organisation that does not offer particularly good vfm? Why?
- **the role of competition:**
  - when it comes to vfm, do you think competition is generally a good thing or a bad thing, or that it probably makes no difference? Why?
  - are there cases where competition might drive prices down but at the cost of vfm? While you end up with lower prices, you don't get vfm? Examples?
  - how does being able to compare prices of goods and services affect your views on vfm? What if you weren't able to compare?
  - thinking about examples where there is no competition: local council services, NHS – would you say you get vfm in these areas even though there is no competition?

2. VFM in the utility and other sectors (40 mins)

Having looked at the issues in the round, the discussion now focuses on two suppliers - energy and water and sewerage.

- Which would you say offers you the best vfm? Why is this?
- These are both services we have to have to run any business. Does this have any bearing on how you feel about the vfm of these services? Why is this?

S33

Moderator displays board summarising the various factors discussed earlier. Taking each factor in turn, the moderator explores the extent to which it underpins perceptions of vfm.

- Satisfaction with the way an organisation delivers its products/services
  - overall, how satisfied are respondents with the service? Why is this?
  - which supplier are they most satisfied with? Why is this?
- The price of the goods/services
  - overall, how do they feel about the cost of the service? Why is this?
  - if respondent has rated energy as offering better vfm explore size of the two bills and (assuming energy bill is much higher) why this is the case
  - S3 display S3 – which of these terms, if any, would they use to describe the cost of their energy/water? Any others? Why is this
- The quality of the goods/services
  - how do they feel about the quality of the goods/services? Why is this?
  - S4 display S4 - which of these terms, if any, would they use to describe the quality of their energy/water services? Any others?
- The relationship we have with the organisation
  - how would they describe the relationship they have with each organisation?
  - S7 display S7 - which of these terms, if any, would they use to describe the relationship they have with their energy/water company? Any others?
- Competition
  - would you say there is competition as far as energy/water services is concerned?
  - does this work to your advantage/disadvantage? Why is this?
- As far as you are aware, are there any circumstances under which a business can choose which water company to buy its water from? Explore views/understanding
- If respondent aware that they can switch:
  - explore whether they know under what circumstances they can switch/what the criteria are
  - have they considered switching? If so, what was the outcome? – switched/not switched
  - if they have switched, did they end up paying less – what was the order of savings? Does this mean they feel the get better vfm from their new water company?
  - if they have not switched, why is this? In particular, why has D2/D4/D7 (not satisfied with vfm) not switched?
- S10 Moderator displays information about switching:
  - what are your thoughts on what you see here? is this information familiar to you?
  - D3/D4: how do you feel about the fact the threshold has been lowered in England but not in Wales?
  - what would you consider the positives of allowing businesses to switch their water company?
  - what do you think might be some of the negatives?
  - what impact, if any do you think this could have on

        - prices?
        - the way you are treated as a customer?
        - the vfm of the service?
    - how likely would your business be to switch supplier in the future? why is that?

Note to moderator:

The threshold for Wales remains at 50,000 cubic metres

The business would have to meet other eligibility criteria, not just water consumption

Where a business uses this quantity of water over more than one site, it would not qualify – it must be at each location

Businesses which are most likely to be eligible are those in manufacturing and food processing

If a business is able to switch suppliers and does so, the water in the pipes does not come from a different supplier – it is purely competition in the retail market (as with energy).

3. How water companies can try to improve their vfm ratings (10 mins)

The focus at this point of the workshop is now on the water and sewerage sector and how it could improve its reputation for providing vfm. Moderator begins by exploring respondents views about their water company

- What sort of reputation does [name of water company] have? Good? Bad? Indifferent? If someone moved into the area from another part of the country who knew nothing about [water company] and they asked you what they were like, what would you say?
    - moderator to explore what is informing this reputation/image – direct contact with the water company, stories in the local media (about what – do they present a positive or a negative picture)?

Moderator explains s/he is going to share some information about the water industry and their water company. We are interested to find out how, if at all, any of this information **affects your views on the vfm** provided by your water and sewerage company

HO4

- What do you get for your money?: moderator explores respondent's awareness of what their water bill covers. A board summarising key facts is displayed and discussed.
    - is this new information?
    - what things in particular grab your attention?
    - how does it make you feel about the vfm of water and sewerage services?
- Summing up: respondent asked to imagine they work for their local water company and they have been put in charge of improving the company's vfm ratings. They cannot reduce water bills as the company needs the money to meet all its various commitments. What steps/actions would they recommend the company should take and why?
    - encourage respondent to put forward as many suggestions as they can think of

Moderator explains that the research is being conducted on behalf of the Consumer Council for Water which represents water and sewerage consumers in England and Wales. One of its aims is to ensure customers get good value for money and this research will help them in this goal.

8.3 Stimulus and Handouts

8.3.1 Stimulus

Value for Money

S1

JN616 V6

Satisfaction with service

S2

JN616 V6

Low prices
High prices
Affordable prices
Competitive prices
Fair prices
Money well spent
A price worth paying

S3

JN616 V6

High quality
Low quality
Acceptable quality
A quality that is higher than you would expect for the price

S4

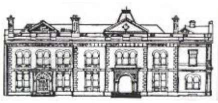
JN616 V6

(energy)

1st	
2nd	
3rd	
4th	

(landline, mobile, internet)

1st	
2nd	
3rd	
4th	



(council services)

1st	
2nd	
3rd	
4th	

(water and sewerage)

1st	
2nd	
3rd	
4th	

JN616 V6

S5

- Satisfaction with the way an organisation delivers its products/services
- The price of the goods/services
- The quality of the goods/services
- The relationship we have with the organisation
- Competition
- The way an organisation and/or its products and services are marketed
- The way an organisation is represented in the media

JN616 V6

S6

A good relationship

A poor relationship

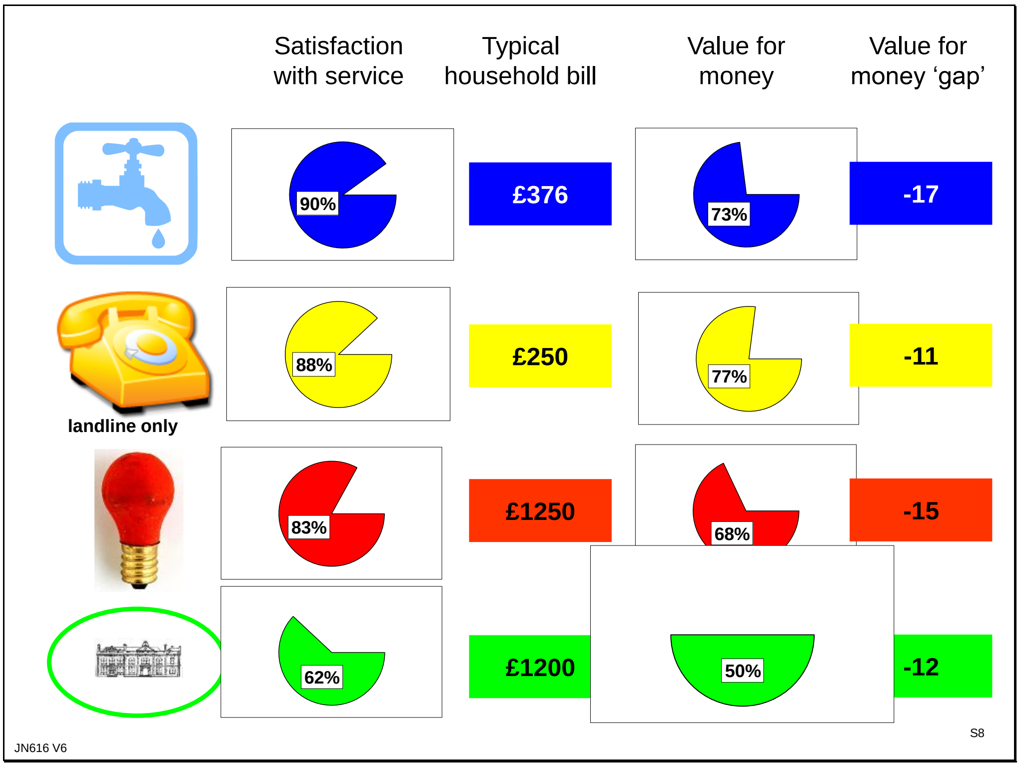
A close relationship

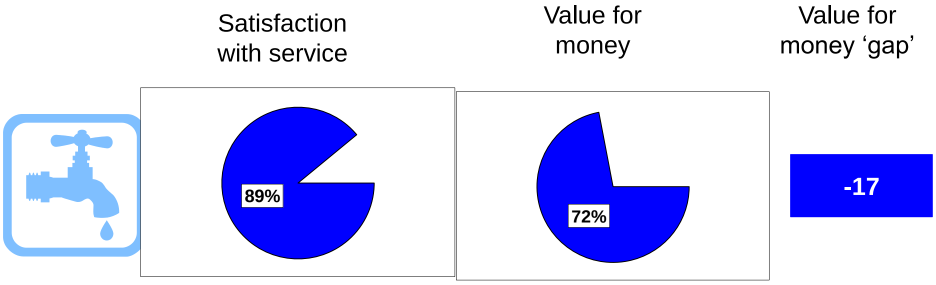
A distant relationship

No relationship

JN616 V6

S7





JN616 V6 S9

Competition in the water industry and how it affects business customers

- Up until December 2011, business customers using over 50,000 cubic metres of water per year **at a single site** could switch supplier
- Since December 2011, business customers **in England** using over 5,000 cubic metres of water per year at a single site **may** be able to switch supplier
- Businesses can choose from associate companies of existing water companies and new companies that have been licensed
- Competition is currently confined to water but may be extended to sewerage in the future
- The Government in England has recently said it will change the law in the future so that all business customers served by water companies based in England can choose their water (and sewerage) supplier if their premises meet certain criteria

JN616 V6 S10

Leisure at reservoirs and sites

Activities include birdwatching, fishing, sailing, walking, nature reserves, access to industrial heritage

Education

Teaching resources
Visits/talks by Thames Water staff
Plans for education centres for school visits
The Network Challenge - students design, build and commission a water distribution network
The Great Debate – to help students understand, explore and debate water conservation issues

Environment

Working with Waltham Forest Council to transform the reservoirs at Walthamstow into a nature reserve and wetland centre
Supports the Big Pond Dip to give a snapshot of the state of the nation's ponds

Community

Support for local charities and for charities overseas including WaterAid, to help provide water and sanitation to those in poorer countries
Employee fundraising & volunteering
Community speakers

JN616 V6

S11

Community

Cash donations and 'in kind' support
Employee volunteering
Supporting healthy communities e.g. water coolers in schools
Supporting WaterAid to help provide water and sanitation to those in poorer countries

Leisure

Short breaks at Kielder Water & Forest Park
Walks and wildlife
Fishing
Bird of prey centre

Education

Resources for teachers and students
Tours of water and sewerage treatment plants
School awards programme
Research/student query service

Environment

Wildlife surveys
Grassland and woodland management programmes
Working with partners to reconnect habitats
Maintaining/enhancing biodiversity by working with local groups to achieve our biodiversity action plan targets

JN616 V6

S12

Community

Cash donations and 'in kind' support
Employee volunteering
Employee fund raising for charities
Supporting healthy communities e.g. education on the health effects of drinking tap water, water coolers in schools
Supporting WaterAid to help provide water and sanitation to those in poorer countries

Leisure at Hanningfield Reservoir, Lounds Lake, Trinity Broads etc.

Walks, wildlife and birdwatching
Fishing incl. lessons, boat hire, tackle shop

ESSEX & SUFFOLK WATER

Education

Resources for teachers and students

Environment

Educating our communities about the environment through partnerships with organisations such as Essex Wildlife Trust

JN616 V6

S13

Community

Employee volunteering, including in Support of WaterAid to help provide water and sanitation to those in poorer countries
Recycling equipment and materials to community projects

Leisure

Fishing, bird watching, walking, cycling, sailing, wind surfing - in water parks such as Rutland Water, Grafham Water, Alton Water and Pitsford Water
Fishing lessons, water sports tuition
Hosting of the Rutland Day at Rutland Water and other family and sporting events

anglianwater

Education

Education programme at dedicated centres
Open days and community presentations

Environment

Support for RiverCare charity through employee involvement and support for community groups (tackling litter, carrying out species surveys and habitat improvements)

JN616 V6

S14

Community

Employee volunteering and fund raising for community projects
Partnership with Ground Works to help regenerate neighbourhoods following mains and sewer improvement works
Other partnerships such as Young Enterprise
Supporting WaterAid to help provide water and sanitation to those in poorer countries

Leisure at Thirlmere Reservoir, Haweswater Estate and other reservoirs

Walks, wildlife and birdwatching, hang-gliding, model aircraft flying, mountain biking, horse riding, orienteering, llama treking
Clubs for sailing, wind surfing, canoeing, water skiing and fishing

United Utilities

Education

Tours of water and sewerage treatment plants
Resources for teachers and students

Environment

Partnership with RSPB to conserve the land and the wildlife that inhabit it
Partnerships with other environmental charities such as Cumbria Woodlands

JN616 V6

S15

Community

Support WaterAid to help provide water and sanitation to those in poorer countries
Employee involvement in fund raising

Leisure

Access to many of Dwr Cymru's 81 reservoirs; some with visitor centres, picnic areas, hides and nature trails
Activities may include bird watching, fishing, sailing, canoeing, windsurfing and diving
National and international fishing competitions, fly-fishing courses, charity 'bikeathons' and boat trips

Dŵr Cymru
Welsh Water

Education

Programme of activities for children including those delivered at four education centres across Wales

Environment

On-site rangers at some reservoirs look after wildlife areas and host activities such as guided nature walks and wildlife tracking

JN616 V6

S16

Community

Over 750 employees help primary schools create healthy and sustainable gardens
Involvement in community projects
Support for the charity WaterAid to help provide water and sanitation to those in poorer countries
Speakers for community events

Leisure

Activities available at many reservoirs include walking, horse riding, cycling, sailing, rowing, canoeing, fishing
Nature reserve at Tophill Low with hides for birdwatching
Activity sheets for children

YorkshireWater

Education

Resources for teachers, pupils, parents in local schools and in poorer countries
Visits to education centres at water treatment works

Environment

Tophill Low is recognised as a Site of Specific Scientific Interest (SSSI) and has a warden and volunteers who man the visitor centre

JN616 V6 S17

Community

Support for the charity WaterAid to help provide water and sanitation to those in poorer countries
Work with the Skill Force Partnership to provide young people with useful skills for future employment and with Envision, the education charity, to support young people in designing projects to promote the wise use of water

Leisure

Activities and events at reservoirs; walking, cycling, bird watching, visiting industrial heritage, water sports, fishing
Some have visitor centres, rangers, restaurants and adventure playgrounds

SEVERN TRENT WATER

Education

Conservation and education programmes
Outreach visits to community events and schools
Visits to education centres in Cheltenham and Derby
Resources for teachers, pupils & parents
Interactive exhibitions at Thornton Reservoir and Carsington Water

Environment

Charnwood Reservoirs Catchment Project is a partnership between Severn Trent Water, the Environment Agency, Natural England, the Farming & Wildlife Advisory Group, DEFRA and Leicestershire & Rutland Wildlife Trust aimed at , encouraging landowners to take up Environmental Stewardship to help to reverse the declining condition of the three SSSI's in the area

JN616 V6 S18

Community

Major sponsor of South and South East in Bloom competition and Blooming Schools programme
Fund-raising by staff for a wide range of chosen charities incl. Sussex and Surrey Air Ambulance, NSPCC and WaterAid

Leisure at Testwood Lakes and the Centre there – wildlife, bird watching, walking, fishing
Tours of Brighton sewers and visits to water works
Open days at Brede Water Supply Works to see giant steam engines

Education

Learn to Swim programme through swimming clubs and leisure centres
Resources for schools and groups
Competition for schools to encourage water efficiency
Exhibition on water, wildlife and conservation for schools and community groups at Testwood Lakes Centre

Environment

Working in partnership with conservation charities to build artificial holts for otters and nest boxes for birds of prey, cleaning up ponds for great crested newts

Partnership with Hampshire and Isle of Wight Wildlife Trust to manage Testwood Lakes

JN616 V6 S19

Community

Support for the charity WaterAid to help provide water and sanitation to those in poorer countries
Employee involvement in PAWS – Partners for Water and Sanitation Campaign

Leisure

Many reservoirs, lakes and nature reserves offer a range of activities including fishing, sailing, windsurfing, water skiing, bird watching, walking, opportunities for visiting special wildlife habitats and for viewing historic features
Clubs for fishing, canoeing, sailing & fishing lodges at our four principal reservoirs
Nature trails & picnic areas and bird watching

Education

Resources for teachers & students (packs, DVDs, leaflets)
School visits by education advisers or trips to education centres or other sites
Two museums devoted to water treatment

Environment

Six dedicated full-time rangers with a range of responsibilities at reservoirs including fishery and habitat management
Funding for expert conservation organisations to carry out biodiversity work
Provide grants to groups, schools, councils etc. to fund environmental projects
'Wild Watch' newsletter to inform everyone about environmental activities

JN616 V6 S20

Community

Support for the charity WaterAid to help provide water and sanitation to those in poorer countries
Sponsorship for local organisations such as Devon Wildlife Trust, Cornwall Wildlife Trust
Sponsored waterskiing for local people with special needs
Speakers for community events

Leisure

South West Lakes Trust is a charity set up to run leisure and recreation activities on the reservoirs
Offers camping, walks, fishing and watersports; clubs include fishing and model yachting
Hosts events such as county fairs, gala evenings, fund raising events, sporting competitions and activities for groups

SOUTH WEST WATER

Education

Resources for schools and families
Visits from Education Team

Environment

South West Lakes Trust looks after the biodiversity of the reservoirs, monitoring species (eg. dormice and managing the environment to benefit them
Involves schools/ education groups and volunteers

S21

JN616 V6

Things my water and sewerage company could do to improve their value for money rating

S22

JN616 V6

Ownership and corporate structure

Thames Water Utilities Ltd

Parent company: Thames Water Plc
Type of company: Private Limited, unlisted on the stock exchange

Parent company HQ: UK

Owned by Kemble Water Holdings Ltd. Main investor is Macquarie Group Ltd based in Australia

JN616 V6

S23

Ownership and corporate structure

Part of Northumbrian Water Ltd

Parent company: Northumbrian Water Group Ltd
Type of company: Public Limited Company (Plc) ie. listed on the stock exchange

Parent company HQ: UK

Owned by Plc shareholders

JN616 V6

S24

Ownership and corporate structure

Part of Northumbrian Water Ltd

ESSEX & SUFFOLK WATER

Parent company: Northumbrian Water Group Ltd
Type of company: Public Limited Company (Plc) ie. listed on the stock exchange

Parent company HQ: UK

Owned by Plc shareholders

JN616 V6 S25

Ownership and corporate structure

Anglian Water Services Ltd

anglianwater

Parent company: Anglian Water Group Ltd (Jersey)
Type of company: Private Limited, unlisted on the stock exchange

Parent company HQ: UK

Owned by Osprey Acquisitions Ltd. Major investors include Australian, Canadian and UK pension and private equity funds

JN616 V6 S26

Ownership and corporate structure

United Utilities Water Plc

Parent company: United Utilities Group Plc
Type of company: Public Limited Company ie. listed on the stock exchange

Parent company HQ: UK

Owned by Plc shareholders

S27

JN616 V6

Ownership and corporate structure

Dwr Cymru Cyfyngedig / Welsh Water

Parent company: Glas Cymru Cyfyngedig
Type of company: Company limited by guarantee / trust ie. not for profit
Not listed on the stock exchange

Parent company HQ: UK

Owned by its members (customers) represented by a Trust Board

S28

JN616 V6

Ownership and corporate structure

Yorkshire Water Services Ltd

YorkshireWater

Parent company: Kelda Eurobond Company Ltd
Type of company: Private Limited, unlisted on the stock exchange

Parent company HQ: UK

Owned by Kelda Holdings Ltd. Major investors include infrastructure funds based in the UK and Singapore

JN616 V6

S29

Ownership and corporate structure

Severn Trent Water Ltd

SEVERN TRENT WATER

Parent company: Severn Trent Plc
Type of company: Public Limited Company ie. listed on the stock exchange

Parent company HQ: UK

Owned by Plc shareholders

JN616 V6

S30

Ownership and corporate structure

Southern Water Services Ltd

Southern Water

Parent company: Southern Water Capital Ltd
Type of company: Private Limited, unlisted on the stock exchange

Parent company HQ: UK

Owned by Greensands Holding Company Ltd
Major investors include US and Australian pension and infrastructure funds

JN616 V6 S31

Ownership and corporate structure

South West Water Services Ltd

SOUTH WEST WATER

Parent company: Pennon Group Plc
Type of company: Public Limited Company ie. listed on the stock exchange
Parent company HQ: UK

Large shareholders include UK, US and French investment funds and a Swiss bank

JN616 V6 S32

Ownership and corporate structure

Wessex Water Services Ltd

Parent company: YTL Utilities Ltd
Type of company: Private Limited Company, not listed on the stock exchange

Parent company HQ: UK

YTL Utilities owned by YTL Power International based in Malaysia

JN616 V6

S33

- Satisfaction with the way an organisation delivers its products/services
- The price of the goods/services
- The quality of the goods/services
- The relationship we have with the organisation
- Competition

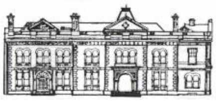
JN616 V6

S34

8.3.2 Handouts

(energy)

(landline, mobile, internet)

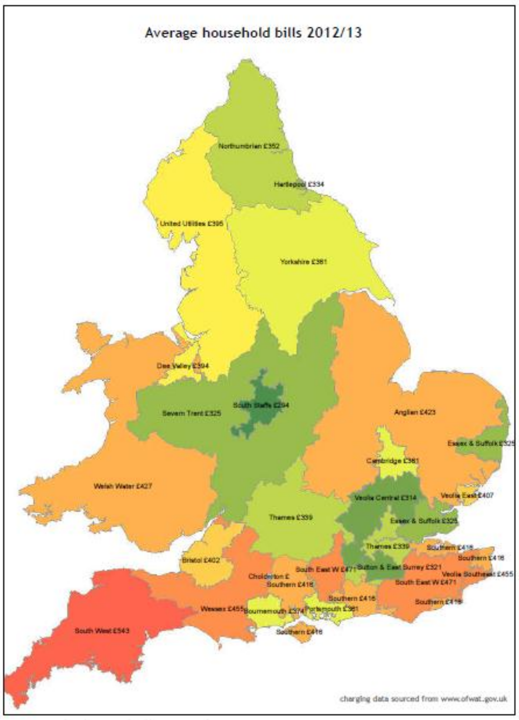


(council services)

(water and sewerage)

JN616 V3

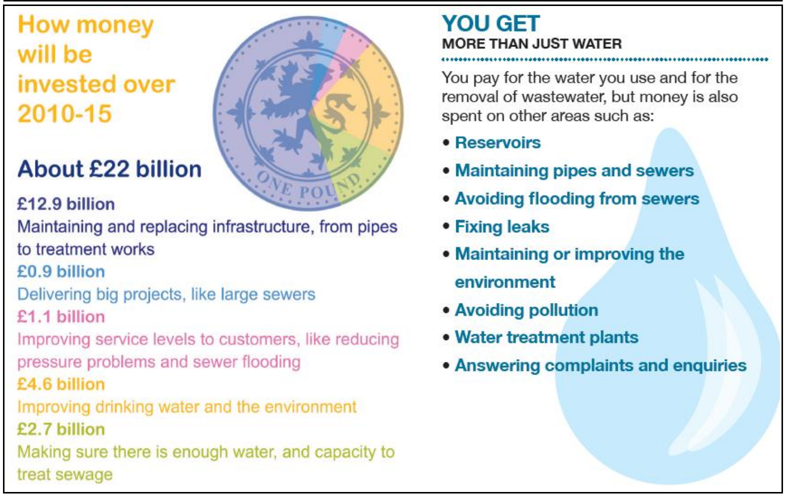
HO1

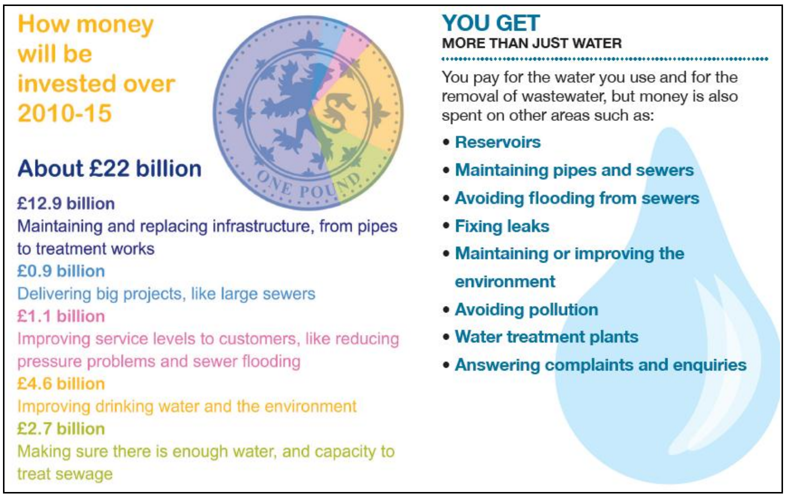


JN616 V3

HO2

Did you know?
A litre of tap water, supplied and taken away, costs just 0.23 pence.
The average person uses around 150 litres of water a day – all this for less than 35p





Why do water and sewerage companies need to make profits?

- To invest in their assets (replacing old sewers, building reservoirs, etc)
- And to meet legal obligations on drinking water safety and the water environment
- Money from bills does not cover the full cost of all the work
- To make up the shortfall, companies borrow money (debt) or raise equity (via shareholders)
- Companies pay interest on monies they borrow – repayment and interest costs make up just under one third of the average water and sewerage bill
- Equity doesn't cost the companies or affect customers' bills – but companies can only attract shareholders by offering good returns (dividends)
- So a proportion of the profits are paid as dividends to shareholders.
- What remains is re-invested in the company
- Profits vary each year as the costs of finance change, bill levels change or where the company is particularly efficient

JN616 V3 HO5

Water and sewerage company profits (after tax)

	Profit (after tax)	Dividends	Retained
United Utilities	£406m	56%	44%
Severn Trent	£294m	51%	49%
Anglian	£261m	170%	-70%
Thames	£216m	121%	-21%
Northumbrian	£137m	0%	100%
Yorkshire	£117m	40%	60%
Wessex	£113m	67%	33%
South West	£106m	51%	49%
Dwr Cymru	£87m	0%	100%
Southern	£29m	253%	-153%

Data for 2010/11 except United Utilities which is for 2009/10

JN616 V3 HO6

Energy company profits (pre-tax)

	Profit (pre-tax)
Centrica	£2,103m
EDF	£1,659m
SSE	£1,336m
Scottish Power	£1,002m
npower	£526m
E.ON	£454m

Data for 2010/11

JN616 V3 HO7

8.4 The VfM Gap

Much of the information displayed in Figure 7: The VfM gap (domestic customers), (p106), and Figure 8: The VfM gap (business customers), (p107), was supplied by CCWater based on their customer tracking surveys. This was supplemented with additional details as follows

- council services: satisfaction with service and perceptions of VfM were derived from an LGA report (see footnote 8; p13)
  - satisfaction with service was based on the average of the figures in column 3 of Figure 1 in the report; this will not be an entirely accurate score as the number of councils making up each individual figure varies however, given the spread of scores is narrow, the result (62%) is not going to be far out
  - unfortunately, the LGA do not report on the actual percentage of people rating the services as representing VfM. Figure 2 of the report was used to arrive at an approximation. A vertical line was drawn from the horizontal

axis at 62% and at the point this crosses the regression line, a horizontally line was drawn to get a VfM score - this comes to about 50%

  - the value of the typical household bill was taken from government data (http://www.communities.gov.uk/publications/corporate/statistics/counciltax201213) but it only applies to England

- Typical household bills:

  - typical landline bill data was taken from the HomePhoneChoices website (http://www.homephonechoices.co.uk/news/home-phone-bills-set-to-rocket-16-percent-150411.html)

  - typical energy bill data was taken from The Telegraph (http://www.telegraph.co.uk/finance/personalfinance/consumertips/household-bills/9273867/The-cost-of-energy-bills-soar-by-140pc-in-eight-years.html)