

#TimeToChange

***Improving consumers' perceptions
of value for money and fairness of
water bills***



CONSUMER COUNCIL FOR



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Each year, the Consumer Council for Water's annual Water Matters tracker research asks customers about their satisfaction with various aspects of their water and wastewater services. In 2018, our results highlighted room for improvement in consumers' perceptions of fairness and value for money, and we set out our expectations that companies must focus their efforts to improve customer satisfaction in these key areas.

Customer views on fairness and value for money have plateaued at disappointing levels for several years (63% and 72% respectively), suggesting that water companies could do more to improve customers' experiences and perceptions. We think these levels could – and should – be improved, with lower satisfaction levels helping to fuel increasing media and political interest in the way the sector is run and how customers view their company. Without positive action, this could, over time, further erode customers' perceptions of their water company and the industry as a whole.

Satisfaction with value for money is driven by service performance, customer contact and how well the company communicates. The key areas that make customers think that their bills are unfair surround water company profits, the cost of their water and wastewater services and the level of the service that they receive.

From our research and what we have learnt from our local and national contact with water companies, we have been able to develop a number of top tips that companies can take to improve customer satisfaction of value for money and fairness of bills in the sector – these can be split into three main areas of focus:

Finances of the company;
Service; and
Work in the local community

Although none of these tips are “silver bullets” that address all the challenges facing the water industry, we think that if applied correctly they will help move the industry forward.



Top tip #1: Avoid sudden bill rises or nasty surprises. If increases do happen, tell your customers why.

Unexpected and unexplained price rises are often unwelcome to customers and can be damaging to their perceptions of their water company. In fact, most of the complaints that companies receive from customers relate to billing issues and unexpectedly high bills. Companies should be doing more to explain the help that is available to customers, if they are struggling to pay their bill.

Companies' business plans for 2020-25 propose a reduction in bills before inflation is added, known as a real terms reduction. However, customers receive a bill that includes inflation, so if agreed by Ofwat the plans would see most customers' bills increase in absolute terms. Many customers will not appreciate that the bill reductions do not include inflation, some may not fully understand the impact of inflation and so they will expect to see their annual bill decrease. Where customers do not understand why there has been changes to their bills, especially when they have been told that bills are decreasing, there could be a perception that bills are neither fair or provide good value for money.

Additionally, where companies outperform their targets for service delivery they will be eligible to increase customer bills further. The industry will need to think carefully about managing any such changes to bills and explaining why this has happened and what benefits customers can expect as a result. Again, these unexpected bill hikes will not be welcomed by customers, if customers do not understand and support the reasons why there has been an increase in their bills.

Finally, implementing compulsory metering programmes can lead to sudden changes to bills. Customers may perceive increases in bills due to compulsory metering programmes as unfair unless transitional billing arrangements are put in place to help them budget and the benefits of metering are transparent.

Top tip #2: Be open about your finances, and tell customers how they benefit.

Much of the media attention in the water industry over the past year has focussed on how companies are structured, their tax arrangements and the profits they are making. Teamed with bad news stories about company performance, this paints a poor picture for customers.

To address this, companies need to make it clear to customers why they operate as they do. There must be transparency about companies' financial arrangements, and how these benefit customers. Companies should also consider sharing any outperformance profits with customers. Customers' perceptions of their water company may improve if companies are seen to share the benefit with customers as well as shareholders.

Our 2013 Water Matters survey¹ asked household customers what their preference would be if companies outperform and make excess profits. Half of customers wanted companies to spend more on improving services that customers thought were important, on top of spending already planned. Companies should know which services customers value, through their engagement at PR19. Around two fifths wanted companies to provide more financial help to customers on low incomes who genuinely struggle to pay bills. Around a third wanted companies to provide a one-off bill reduction for all customers.

Through our work with companies we regularly see positive initiatives to help customers, particularly those that are vulnerable or struggling to pay their bills. For example, a small number of companies use profits to contribute to the funding of their social tariffs or other financial assistance schemes. However, in many cases, customers are not aware that any additional help that is available from their company.

1 <https://www.ccwater.org.uk/wp-content/uploads/2014/05/Water-Matters-household-customers-views-on-their-water-and-sewerage-services-20131.pdf>

Top tip #3: Make every contact with customers count positively.

Our research shows that service failures or poor customer service can affect perceptions of value for money and fairness – companies need to provide a good service and put things right quickly and effectively when they do go wrong. After a failure, companies are no longer regarded as the silent provider of services. These customers will now base their views on their experiences with the company, subsequent contact and/or big picture media stories. Companies should be finding ways to deliver excellent customer service which means finding out what connects with consumers.

In 2020, a new customer experience measure will be introduced to incentivise companies to deliver leading customer service. This could drive positive improvements for customers, including those that contact their company and those that don't. There should be a strong enough incentive to drive companies to focus on customers as much as they would in a competitive environment.

Companies should also recognise that every contact is an opportunity not just to address the issue at hand, but to inform consumers about other initiatives². Once the issue is resolved, the contact can be used as a springboard to introduce things into the conversation which may help that customer. This 'make every contact count' approach has already been utilised effectively by the health sector. For example, contacts about billing could be an opportunity to inform customers about the additional help provided through priority services.

Top tip #4: If things go wrong, communicate with customers in a way that works for them.

When essential services fail, customers can be left confused and not knowing what to do. In these circumstances, it is critical that essential information is passed to customers in the most effective way. A failure to do so can damage customers' perceptions.

In March 2018, extreme cold weather, followed by a rapid thaw meant that pipes burst and many customers were left without water for days. Whilst some companies managed this freeze/thaw well, others failed their customers who were left with no water, no alternative supplies and little or no information.

Our research³ identified that companies could have done more to keep in touch with the whole of their customer base, providing clear, timely and up to date messages. Additionally, all communication channels should be utilised in an emergency – customers told us that they really valued face to face communication and seeing street representatives that were dealing with the problems and offering one-to-one advice. Other customers found messages from local community groups and social media about the situation helpful.

This has highlighted the need for companies to look further at how they communicate with their customers. They need to be as innovative as possible, making the most of new technology, but it is also important that they understand their customer base and how their communication needs may differ.

² <https://www.ccwater.org.uk/wp-content/uploads/2015/10/CCWater-Information-on-Stream-FINAL.pdf>

³ <https://www.ccwater.org.uk/wp-content/uploads/2018/06/Customers-experiences-of-the-freeze-thaw-events-of-March-2018.pdf>

Top tip #5: Look after all your customers, especially when they need extra help.

All customers could face temporary vulnerability from time to time, due to circumstances beyond their control, and may require extra help from their water company. This may go beyond the customers that are already included on companies' Priority Services Registers, which allow customers to sign up for additional help in accessing services.

During the freeze/thaw some customers who did not consider themselves as vulnerable had problems accessing alternative water supplies, and were not aware that extra help was available to them. These customers were people who can usually get around, but found mobility difficult in the snow; those bottle-feeding newborn babies; and those with medical conditions that are usually well managed with sufficient water available, but became problematic without water.

During the incident, Priority Services Registers proved to be out of date or not sufficiently dynamic to adapt to the situation companies faced. Customers who identified themselves as vulnerable said they didn't get the help they needed to access water and many were left to rely on neighbours for help.

To avoid these issues in the future, companies need to ensure that they are increasing awareness of the additional services they offer, should customers be in a position that they need it. They also need to ensure that customers can easily contact them if they find that they need extra help.



Top tip #6: Show customers how you are using their money to improve services down their street.

For many years, some water companies have viewed themselves as the ‘silent service’ – if the service is working well and customers do not have to complain, then surely the sector is doing a good job? But recent media and political pressures have raised the profile of water companies and so now it’s even more important for them to let their customers know about the service that is being provided.

Companies can also help by ensuring that bills are clear and it is easy to understand what they are paying for. Additionally, some customers may want to know how companies are investing in improving services in their areas so that they can understand how companies’ plans are relevant and advantageous to them. Companies need to ensure that these messages are communicated in the right way for different customer groups.

For example, some sustainable drainage schemes can help to reduce surface water flooding and provide wider amenity benefits. There is a real opportunity for companies to raise their profile as they work in the community to implement these schemes.

Without being informed about what they are receiving for their money, it is difficult for customers to form a view on whether their bills provide value for money⁴.

Top tip #7 Build a positive community image.

Anecdotal evidence suggests that customers engage more easily with smaller companies or those that have a strong community focus. In part, this may be due to communications that have a regional feel. Smaller companies may also find it easier to make links with local community groups which can help with cascading messages to customers. Increased engagement with the company helps to cement many of the points that we have already made in this document. We also acknowledge that larger companies may have to work harder to build a local or community identity if their names are not linked to the geographic area that they cover.

During the freeze/thaw, companies with local, on-the-ground presence led to customers being slightly more understanding when things did go wrong – they could see that the company was working hard to fix the problem.

Building a local identity can make messages more relevant to customers; knowing what investment companies are making in the local area, seeing staff on the ground, and showing that the company understands its customer base can all lead to better engagement, meaning that communications are better received and a relationship can be built with customers.

Some companies implement catchment-based measures which, depending on the scheme, can improve the landscape and increase biodiversity. In some cases, companies have teamed up with wildlife charities and community groups to deliver local improvements. These types of projects can be particularly beneficial where there is a local amenity value from the company taking action. All of which are positive things for companies to showcase and to use as a basis for engagement with customers.

⁴ <https://www.ccwater.org.uk/wp-content/uploads/2013/12/Value-for-money-A-report-on-Drivers-of-Satisfaction-in-the-Water-and-Sewerage-Industry.pdf>

Based on our research and local work with companies, we have highlighted a number of actions that companies can take to help improve customers' perceptions of value for money and fairness. This list is by no means exhaustive and companies should continuously be looking for more ways that they can build on the relationships that they have with their customers.

Many companies are already doing the things that we have recommended in this document but we think there is scope for companies to do more and to share best practice to drive customer satisfaction in the industry up.

It is essential that companies demonstrate to their customers that they are not exploiting their privileged position as a monopoly provider, and that they are truly customer orientated. This could have a big impact on perceptions of fairness in the water industry.

We will continue to monitor how the industry responds to the issues around value for money and fairness of bills in the sector through our annual customer research. We expect companies to rise to the challenge of improving in both of these areas.



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