The voice for water consumers
Y corff sy'n rhoi llais i ddefnyddwyr dŵr

This report is part of a suite of PR24 reports by CCW.

# **CCW's View on Consumer Engagement at PR19:** What Worked Well and How to Build On This

# Executive Summary

Since the 2014 price review (PR14), there has been a step change in the quantity of company research and engagement with consumers. However, this has not necessarily led to an equal step change in the strength of influence that consumers have had on company business plans, because it is not always clear how engagement has informed business plans.

Here we consider how well the water industry engaged with consumers for the 2019 price review (PR19). In this document, we define engagement as structured and targeted consumer research, and more loosely structured but wider public consultation through digital channels or public events. The focus is mainly on consumer research, looking at innovation, and how engagement can be improved for the next price review (PR24). It is informed by company business plans, examples of good practice identified by our network of Policy Managers, and CCW's research to explore how water companies can improve engagement with consumers[1].

## How Can Engagement for Future Business Plans be Improved?

These three overarching recommendations aim to strengthen the consumer voice within business planning, and within business as usual:

1. **It must be clear how engagement informs the business plan so the extent of consumer influence is transparent.** Companies should set out where and how engagement has shaped their business plans. If it is not possible to act on the outputs – for example if a novel or explorative approach hasn't delivered as envisaged – it should be clear how this has been learnt from and these learnings should be shared across the industry.
2. **More focus on business as usual engagement with business planning less of a trigger, especially for those in vulnerable circumstances.** At PR19, research into performance commitments was sometimes bundled with related service experiences and aspirations. But some things should not wait for a business plan trigger, particularly understanding people in vulnerable circumstances or who may benefit from more inclusive services. We want to see more of this as business as usual, not just around performance commitment monitoring, but as a wider programme of meaningful engagement to improve services and understand needs outside of business planning.
3. **More collaborative research on shared challenges to support innovation, reduce the research gap between smaller and larger companies, and introduce consistency in research outputs to support regulation.** A customer is a customer wherever they are – more collaborative research would help the industry develop a deeper understanding of attitudes, behaviours and the communications that can influence these. If water companies work together on innovation in research and engagement – to share experiences and learning points – it reduces the risk from failure by spreading costs and resources across multiple companies, and enables companies with smaller resource bases to not be left behind – which benefits consumers and supports the advancement of the industry.

To support innovation, **water companies should publish research materials and findings to make them accessible to all,** to help inform the development of research, and demonstrate to customers how seriously they take engagement. A small step by one company can inform another step elsewhere.

[1] Engaging water consumers for better consumer and business outcomes: ccwater.org.uk/research/engaging-water-customers-for-better-consumer-and-business-outcomes/

## PR19 Good Practice Approaches and Recommendations for Improvement

### Good examples of research approaches used at PR19, which we would like to see used more widely include:

- Reducing non-response bias, with more consideration of how to involve seldom-heard customers who require more flexibility of approach to engage.
- Reducing recall bias, through more use of observational research to understand how people and households actually use water, their disposal behaviours and how they engage with the water environment. Link these factors to customers' perceptions, experiences and expectations for services and use this to inform and target company communications.
- Helping to close the gap between the views of highly informed consumers and assure that the average bill-payer supports the direction of travel, with more sense checking of the development of business plans with consumers not previously involved.
- Creating highly engaged research participants, with more use of immersive exercises to get people as close to service situations as possible. This might be via scenario role-play, simply asking people not to use water for a morning, or via site visits – no doubt creative water companies and research agencies can develop even better approaches than these for PR24.
- Co-creation used more creatively to get customers to think outside the box where there is flexibility to evolve services to better reflect what people want, and to find out how customers would 'solve' some of the current and ongoing challenges that the industry faces such as affordability and resilience.

### Innovation should find ways to:

- Create a more informed customer base with a better understanding of the value of water services in their lives.
- Reduce research complexity to get meaningful views which can be acted on with confidence and used to inform price decisions. This means exploring where simplicity enhances the validity of research findings because customers have more fully understood and been engaged in the subject matter.

# CCW's View on Consumer Engagement at PR19: What Worked Well and How to Build On This

Given that households in England and in Wales have no choice about who provides their water and sewerage services, it is essential that consumers have their say on how their water company delivers and invests in services, and understand how this affects the bills they pay.

Water companies develop their business plans for investment in services over a five-year cycle, with prices and service levels last being set by Ofwat in December 2019 for services and bills from 2020 to 2025. To support their business plans, water companies must involve their customers in their decision making process, and show how consumer opinion has shaped their plans.

CCW expects water companies to put consumers at the heart of business plans by asking them which services they prioritise for investment, and what is an acceptable bill for this. Companies must involve all elements of society in this consultation process, especially people who may struggle to afford water bills, or who have particular service requirements. They should also ensure they understand the needs of future customers to inform forward planning.

We have conducted an overarching review of how well PR19 delivered for consumers, which will be published in Autumn 2020. This assessment of how well the industry engaged with consumers has fed into our overarching review. The Appendix explains more about the approach taken to review engagement.

# Insights and Discussion

## 1. More research and engagement than ever before – but is it fully reflected?

While research quality is ultimately more important than quantity, it is still notable that PR19 has shown a step change in the amount of water company engagement with consumers, with many more research pieces commissioned and consumers consulted through digital channels as well as a wide range of public facing activities. Some larger water companies have consulted hundreds of thousands of people, with the largest consulting over a million, and with as many as 90[2] different research and consultation activities over the five years leading up to the production of a final business plan.

It is less clear that there has been an equal step change in the influence that consumers have had on company business plans. This is because it is not always clear from business plans how engagement and research findings have been used to inform the plans. While research may be referenced, it may not fully explain how it was used, or if superseded by other evidence in the process of triangulation. Sometimes a comprehensive research project seems to inform a very small subset of the outputs referenced in business plans. A lack of clarity about how some research outputs were acted on means it is hard to say if consumer influence is as impactful as it should be.

While large scale engagement is to be applauded, it incurs costs paid for from customer bills; we want every single piece of research and consultation to be used for maximum effect, not only for business

[2] https://www.unitedutilities.com/globalassets/z_corporate-site/pr19/uuw102_chapter_2.pdf

planning, but to inform business as usual improvements to services and customer communications. This means it must be clear what each piece is informing, or what has been learnt if it has not been possible to act on the findings.

## 2. More ongoing engagement – but business plans are still the trigger for much research.

The industry recognises that engagement with customers should be ongoing and not just for business planning purposes. All companies undertake ongoing engagement of some kind, typically defined by companies as analysing customer contacts, complaints, service satisfaction feedback and by using social media listening. This is supplemented by, and triangulated with satisfaction tracking surveys and for some water companies, views from online research communities.

However, much engagement is triggered by, and peaks with business planning, as companies are understanding the experiences and expectations of customers at the same time as developing performance commitments. It raises the question of how well some issues and groups of customers would be understood without business planning to trigger specific engagement.

Some issues, and customers, should not wait until business planning to be understood, such as customers in vulnerable circumstances who are particularly sensitive to services and bills. This is one area that companies should look to build more into business as usual – not just around performance monitoring, but for meaningful ongoing engagement to understand how people in vulnerable circumstances are experiencing services and what should be done to improve this. Companies should also consider which other groups of customers would benefit from a better ongoing understanding rather than waiting until business planning.

## 3. Some water companies have done much more engagement than others.

While quality of research is more important than quantity, water company business plans show that some companies have done much more engagement than others. Generally, it seems that companies with larger customer bases and more resources engage more than smaller companies do[3]. Assuming these exercises are of similarly high quality, we wonder what implications this may have for consumers if some companies have a much richer understanding of the attitudes and behaviours of their customers.

We believe there is a strong case for more collaborative research between companies on shared challenges, particularly around the understanding of attitudes, behaviours and the communications that influence these. This would help to offset customers of smaller companies suffering any detriment where resource constraints make it harder to make the case for engagement that is not essential for business plans. It would also help share the costs of research where differences between water companies' customers are likely to be limited – for example vulnerable customers. And to support regulation, it would mean that some research outputs could be consistent across companies, depending on the scale of collaboration.

[3] United Utilities note 90 different pieces of research over the five years to this business plan, whereas Portsmouth Water note 19 Page 22 https://www.portsmouthwater.co.uk/wp-content/uploads/2018/09/PORTSMOUTH-WATER-PR19-BUSINESS-PLAN-FINAL.pdf

## 4. Water companies are using a wider range of research and engagement approaches but it's not always clear that co-creation, really is co-creation.

The water industry is well versed in using surveys, and qualitative approaches such as depth interviews and focus groups to understand what their customers think. At PR19, they have used a wider range of approaches to enhance their understanding of customers than before.

Several companies established online consumer research communities to help keep in touch with consumer sentiment across a whole range of business as usual and business planning decisions, although it's not clear that all companies have kept these going, now that the business planning phase is over. A community enables companies to explore views on a wide range of service issues and communications flexibly and at relatively low cost, with the caveat that views are unlikely to be representative and will be qualitative in nature.

Digital channels are now widely used to enhance understanding of consumer views. This includes sentiment analysis of social media data, while at least three companies used Facebook 'chatbots'[4] (South West Water for their #getintowater campaign, Dŵr Cymru's bi-lingual Welsh-English chatbot supported their 'Have your say 2017' campaign, and Wessex Water's chatbot presented their acceptability research survey).

These are positive steps that show water companies are engaging through more channels than before, increasing their reach and being more inclusive which will in turn improve the validation of business plans and business as usual activities.

Co-creation is a recurring a theme in company business plans, from discrete tasks such as designing bills, through to co-creation of the actual business plan itself. It is not clear there is a consistent interpretation of co-creation across companies. In our view, co-creation is not about making choices from a largely pre-defined set of options. It is a creative process, where consumers and companies work together to tackle problems and enhance services where there is real scope to do so. Co-creation is a valuable approach to use, and we would like to see it used to get customers to think outside the box where there is flexibility for services to evolve to reflect what they want, and to find out how customers would 'solve' some of the current and ongoing challenges that the industry faces such as affordability and resilience. Exercises where customers have a largely pre-defined set of service choices to explore and prioritise are not co-creation in the sense we would like to see it.

[4] A computer program which simulates conversation with human users, especially over the Internet

## 5. Better research design is making research outputs more reliable – but there is room for improvement.

The industry should produce high quality research outputs that truly reflect what customers want.

At PR19, research has evolved to strengthen the outputs of engagement, but there is still more to do. There have been incremental changes to help ensure that research findings better reflect what customers want by validating, sense checking and making it easier for consumers to engage with the research process itself. Examples of this are:

- **Multi-stage valuation research to refine and validate findings.** At PR14, most water companies focused on one or two stated preference[5] surveys to find out how much their customers were 'willing to pay' for different aspects of service in the future. At PR19, most companies have used a broader range of valuation techniques sometimes over several survey stages, to find out how customers value their services. This allows companies to triangulate[6] values across different research pieces to smooth for any outlying values. Typically, valuation approaches now include revealed preference[7] as well as stated preference. Other approaches, less well used, include subjective well-being which Anglian Water[8] showcase in their business plan, while Yorkshire Water[9] found a way of combining revealed and stated preference findings together.
- **Better sense checking of business plans.** Some companies recognise that the complexity of business plan development means they need to sense-check the direction of travel to avoid outcomes that customers would not initially have envisaged nor supported. Bristol Water[10] and South Staffs re-tested aspects of their business plan as it developed with the same consumers as a 'sense-check' throughout and Northumbrian Water tested business plan acceptability with people engaged at an earlier stage in the business planning process too. South West Water[11] used 'playback sessions' - taking the findings and results from one or more studies of customer views and playing these back to new groups of customers as a way of challenging the findings.

  We'd like to see more companies demonstrating how they have sense checked their business plans with customers involved at earlier stages, as well as customers who were not. This could test the direction of travel, and how companies can best communicate their plan to customers who may not have seen the detail behind its development. The aim would be to find out how to close any gap in acceptability between the views of the often highly informed consumers involved in research, and the average bill-payer who is important to bring on board to achieve high levels of acceptability of business plans.
- **More creative, immersive exercises to increase customer engagement.** We know that most

[5] These surveys ask customers what, in theory, they would be willing to pay for future service levels

[6] https://www.ccwater.org.uk/wp-content/uploads/2017/07/Defining-and-applying-triangulation-in-the-water-sector.pdf

[7] This approach models a behaviour that involves a financial cost related to water/sewerage services as a proxy for what customers are willing to pay. For example, this could look at the cost of aversive behaviours due to water supply interruptions. Several water companies have used this approach.

[8] For example, merging water/flooding incident data with the Annual Population Survey which contains a measure of well-being and using statistical analysis to estimate the impact of disruption and what people within an area of disruption would pay to avoid it. Case study page 149 of Anglian Water's business plan: https://www.anglianwater.co.uk/siteassets/household/pr19/01-pr19-our-plan-2020-2025.pdf

[9] https://www.yorkshirewater.com/media/1335/appendix-5a-customer-and-stakeholder-engagement.pdf

[10] https://www.bristolwater.co.uk/wp-content/uploads/2018/09/Section-C1-Engagement-Communication-and-Research-1.pdf

[11] https://www.southwestwater.co.uk/siteassets/document-repository/business-plan-2020-2025/engaging-customers.pdf

consumers do not often think about water and sewerage services because they have never had a problem with them. This presents an engagement challenge for the water industry. While 'no problem' with business as usual is a good thing, it can make it harder for people to understand the potential impact which service failure would have on them, and from there to assess how they 'value' a service, or how future proof they want it to be in the longer term.

Immersive research helps to bring service impacts to life by using exercises that trigger different ways of thinking about services; this is a step on from simply informing people about services. It can be particularly useful to start a meaningful dialogue with groups of consumers who may have had even less reason than most to consider water services or the companies which provide them, such as future bill payers or people who use services but pay for them in their rent. Examples include:

- Thames Water's resilience research set a pre-task, which asked people to try not use water for (just) three hours. SES Water's priorities research used a similar approach.
- United Utilities commissioned research into long-term water supply interruptions which used role-play to engage people, complete with mock-media articles, supermarket stocks and water rationing activity, through to compensation.
- Wessex Water and South Staffs used immersive events for future bill payers (16-18 year olds/college age). They had tours of the company to help learn more about them, before presenting ideas to a panel of senior management.

These are all positive steps, and we would like to see more widespread use of these approaches.

As of summer 2020, face to face research is off the agenda because of requirements for social distancing. For now, water companies will have to commission online qualitative discussions instead of face to face focus groups and deliberative workshops, which may present some challenges as it makes immersive role play/in room energy harder to achieve. Water companies should look to research agencies to find ways of compensating for this in their research designs.

Overall, there is a mixed picture on the progress made towards making engagement more engaging. Presentation of some research materials since PR14 has improved with more imagery and graphics, more care to simplify wording and the use of cognitively lighter approaches to willingness to pay[12]. But complexity remains for research around service targets and delivery incentives, with references to 'stretching targets' and 'rewards' and 'penalties', to the point where we question how meaningful the outputs of these research pieces are. Although these terms are explained in the research, it would be simpler to either put things in a way that does not need an additional explanation so that people only need to think about the questions, not the terminology, or to find a way of researching that does not need such complexity at all.

[12] Such as the use of MaxDiff to help simplify the choices that people are asked to make.

## 6. Research is better tailored to make it accessible to some groups of consumers more than others - there is more to do to understand seldom–heard customers.

We are pleased to see that companies have routinely included 'future customers' in their engagement programmes i.e. people typically in younger age groups who have yet to become responsible for a water bill. These consumers will be the most affected by the long-term decisions being made now.

Water companies have recognised that different engagement approaches are required for future customers and current bill-payers. This includes Youth Boards, immersive exercises where they can put questions about the business to senior management and a focus on future challenges or developing information aimed at helping young people with the life experience challenges they themselves face as they transition into bill payers.

For **consumers in vulnerable circumstances,** companies have extended their definitions of vulnerability from low income and physical health conditions to include mental health issues and multiple indicators of vulnerability. The format for engaging consumers in vulnerable circumstances seems little changed from PR14 – usually depth interviews on a one to one basis, or with carers, taking place at home or in another accessible place. There are some suggestions that these interviews are becoming ethnographic to give a better understanding of the needs of those in vulnerable circumstances. However, it is generally clearer how this research is informing performance commitments, than it is business as usual.

To reduce non-response bias[13], companies should consider **seldom-heard consumers** who may require more flexibility of approach to engage. For example, where language or cultural differences may affect whether someone takes part in water company engagement.

Dŵr Cymru Welsh Water and Hafren Dyfrdwy offer Welsh language engagement, but there is scope across the industry to offer alternative languages more widely. For example, Severn Trent Water translated willingness to pay and acceptability surveys for face-to-face research in areas where the census showed higher proportions of people not speaking English to a high level. There do not seem to be many other examples of translating research. The cultural aspects of water and sewerage service expectations are also valuable. When researching the experiences and needs of people in vulnerable circumstances, Yorkshire Water included minority ethnic groups to better understand how religious and cultural needs interplay with water use. Having this depth of understanding means that companies can understand how water use varies at certain times of day within communities, and where expectations around service delivery may vary.

There is more work to be done by the industry to understand it's customer base through a wider look at the types of customers who are less inclined to give their views and the implications of this for understanding what customers value and want for their services. This may be an area suitable for collaboration, to ensure that people in vulnerable circumstances and the seldom heard are better understood, regardless of which water company provides their services.

## 7. Research designs are evolving to get closer to peoples' lived experiences and make research easier to engage with.

Across the industry, there is much claimed innovation in business plan engagement. Generally, this is an evolution of a research methodology used at previous price reviews, or is established in other sectors,

[13] Non-response bias happens when respondents differ from non-respondents who may choose not to engage for a variety of reasons

although new to the water industry. We welcome the evolution of research design to better understand how people experience their services, how they use water in their daily routines, and what it means to them. Examples of methodologies drawn from other sectors are:

- **Observation/ethnography to ground water services in consumers' lives.** Water and sewerage services are embedded in our lives, but surprisingly little is known about how people experience and feel about these services in the moment. Business plan research largely relies on recall and perceived experiences rather than observing how people actually use and experience services. Relying on recall introduces bias into perceptions and opinions as detail can be forgotten in habitual behaviours, and people often have low engagement with their services.

  One way to reduce recall bias is to observe people in their routines – something which is more often done in product development in other sectors. There are positive signs that this is starting to happen with water, but we think it can evolve further[14] [15] [16].

  The following are examples of observation research used by water companies:

  Southern Water[17] and SES Water[18] captured priorities for services – more usually understood via a qualitative discussion – via an app, which people used to capture their experiences around services over a number of days – good, bad and indifferent - using words, pictures and film. This was followed up with focus groups/workshops and depth interviews.

  - Affinity Water used in-home ethnographic research to get a better insight into customers' worlds, by a mix of questioning and observation. This sought to find out how customers understand water, and they were filmed using water. The process of being filmed prompted a deliberation around water which increased engagement, which would not have happened without being required to act.

  - United Utilities spent half a day with people (usually in their home) to see what made people 'tick' around different themes, such as technology, and how these related to water and sewerage services. This was approached in a conversational way based on a loose discussion guide, and people were able to show, rather than recall, how they used technology.

  - Yorkshire Water's[19] lifestyles research used ethnographic depths comprising behavioural and video diaries to explore the role water plays in the lives of households.

  Asking people to take videos of what they do is a step towards seeing what people do – but while taking a video people are engaged and can still adapt or interpret what they do in particular way. In other sectors, fixed, motion triggered cameras have been used to observe behaviour and household routines to collect relevant moments, with follow up analysis and interview. Another challenge of capturing real world experiences is that it can give a lot of unstructured output, which needs skilled and transparent interpretation. However, it moves the starting point for understanding service priorities, or how people use water, onto actual behaviour rather than recall.

- **Gamification: online slider tools, animations to present service choices, top trump card selections, interactive video.** Several companies, developed online tools to simplify approaches to service preferences. This draws on gamification[20], and aims to make service choices easier

[14] https://rd.springer.com/article/10.1007/s11269-012-9976-5

[15] https://www.food.gov.uk/sites/default/files/media/document/818-1-1496_KITCHEN_LIFE_FINAL_REPORT_10-07-13.pdf

[16] https://www.revealingreality.co.uk/work/recycling-in-reality/

[17] https://www.southernwater.co.uk/media/1874/04-customer-stakeholder-engagement.pdf

[18] https://seswater.co.uk/-/media/files/seswater/about-us/our-business-plan-for-2020-to-2025.pdf

[19] https://www.yorkshirewater.com/media/1335/appendix-5a-customer-and-stakeholder-engagement.pdf

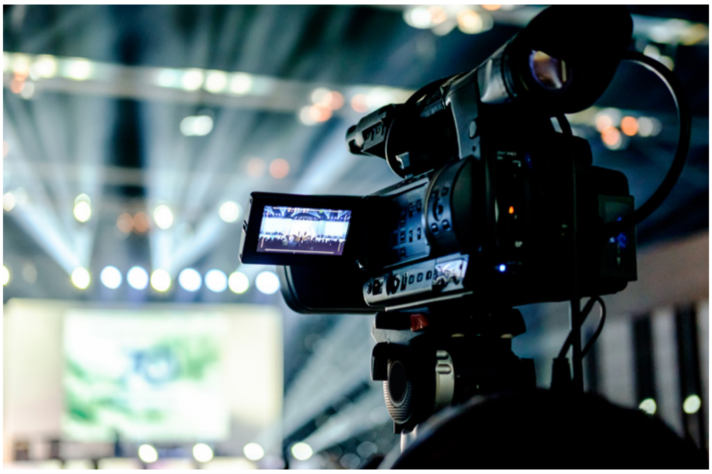
[20] Gamification: The use of game design in surveys, aimed at making them easier to engage with – e.g. using online graphical interfaces with 'sliders' to see how bills and service levels change

to engage with by presenting them through an interactive graphical interface. There has been mixed success in terms of practical application of the outputs of these into business plans. To date, no water company has successfully incorporated the underlying statistical/economic modelling that would enable an online tool to replace conventional stated preference 'willingness to pay' surveys with a more engaging online format and less abstract approach. There is also a potential downside to consider if the game-like approach distracts people from the very real implications of what they are doing.

South Staffs used a 'top trumps' card format to help people engage with investment choices during a deliberative research workshop. They gave customers a number of ways in which they could manage water supplies and demand for water, including cost scenarios and volume of water saved, and then asked people to develop a plan based on their preferred solutions. This was followed by an online survey to identify support for different options.

South West Water developed an interactive video, based on customer location, to inform and find out views on water resources, supply demand balance and the pace of change. This was emailed to 6,577 households. People were able to interact with the content, seeing what they wanted and when, and feedback when they wanted. This kind of flexibility allows people to navigate their way through a complex topic, choosing the level of detail relevant to them to inform their views. As people do not see the same information as they make their decisions, this should be considered in the analysis and interpretation of findings. Keeping things relevant will be a better experience for each respondent and will make their input more meaningful on a personal level.

The use of online interactive graphics is an area ripe for collaboration for the next price review in order to share costs and develop the best format possible.



## 8. Innovation: fresh thinking needed to make water matter more to people and reduce research complexity.

True innovation has the potential to transform engagement. It also carries a risk of failure if it does not deliver, or produces research outputs that are not usable in the way intended by the water company. As customers pay for research and engagement, the risk associated with innovation needs careful consideration. We recognise these risks, but encourage water companies to apply fresh thinking to the challenges of engaging their customers and consumers. If water companies work together on innovation in research and engagement – to share experiences and learning points – it reduces the risk of failure. A small step by one company can inform another step elsewhere.

It would help if water companies published the original research materials and related research reports in full on their websites. Currently, many companies publish their own summary of research findings but this does not include the materials, and as summaries, it is possible that findings of interest in the bigger picture may be lost from the wider intelligence base. Making these accessible to all should help to inform the development of industry research, and would demonstrate to customers how seriously their water company takes engagement. There is only one water company we are aware of that currently publishes all their research materials on their website, which is Wessex Water.

Innovation can help people recognise the value of water and sewerage services and their link to the environment so that companies are engaging with people who have a better understanding of the big picture. That means raising awareness of the bigger picture across the consumer base, which will help support the research process for business plans. We believe that people do care about water – it's clear from the images that people post on social media of the good times they have, how important the water environment often is in these e.g. seaside holidays, fishing trips, moments of peace by water, enjoying a refreshing drink of tap water on a hot day or after physical activity. But the water and sewerage services that people receive, and the bills they pay, are often disconnected from the wider quality of life they support. Innovative engagement is needed to start to take people on that journey – a huge challenge – but one that would reward the industry on many levels.

We commissioned qualitative research to find out what customers want their companies to ask them about[21]. This found that only a few people felt competent to answer complex surveys with lots of service aspects and service levels. When people worked through example surveys, many felt unsure or gave ad hoc responses based on cost rather than thinking about trade-offs in services as intended. Our research found that most people would prefer experts to consider these things on their behalf, or to cover these things in discussions where customers can be informed to understand them. This raises a question about the validity of survey outputs that tackle complex and technical issues. The challenge to water companies and market research agencies is to find ways of making these surveys relatable to the average customer so they can engage at a meaningful level. Innovation should find ways of reducing complexity to ensure that people are able to give valid input, and still produce findings that meet the needs of the industry.

Northumbrian Water took a step to simplify their approach to understanding customer service priorities by asking about these in the context of the current bill that people received. This meant they did not have to ask about willingness to pay for different services. They also adapted this to find out which services people thought should have rewards attached to them for best in class service. This approach reduced the cognitive load on people taking part to make it easier to engage and in doing so increase the validity of the outputs. This approach, while not perfect, seems closer to what the customers who took part in our research would be more comfortable with.

[21] https://www.ccwater.org.uk/research/engaging-water-customers-for-better-consumer-and-business-outcomes/.

We welcome this development although there is more thinking and testing to do, for example, to see if it would work for a bill increase or decrease scenario. We look forward to seeing how the industry responds to the ongoing challenges of creating a more aware customer base, and reducing complexity.

In summary, innovation should:

- Create a better awareness of the wider role of water and sewerage services in peoples' lives.
- In doing so, help close the gap between the views of the average bill-payer – who may react differently to proposed bill changes and services to the kind of informed bill-payer who would take part in a discussion; and,
- Reduce complexity while providing views that are meaningful and can be acted on with confidence.

## 9. More exploration of how experiences, attitudes and communications influence behaviours.

The water industry relies on consumers behaving responsibly in terms of personal water use, disposal of things into the sewage system and, more generally, to pay bills reliably and promptly as disconnection of households for non-payment is not allowed.

While the focus of much engagement is to evidence business plans, some companies are looking more closely at how experiences and communications affect attitudes and behaviours. This helps to improve communications to bring about positive behaviour change, as consumer behaviour affects services and investment through demand for water and use of sewers and drains for disposal.

We welcome this, and would like to see more. This is another area with potential for collaboration, both in terms of understanding what is driving consumer behaviours, and how to raise awareness and campaign for positive engagement. Working together, the industry could engage more effectively and operate national campaigns; smaller companies that may have priorities closer to business planning and ongoing engagement could be part of large-scale collaborative programmes which benefit the industry, and consumers, as a whole.

Here are two good examples of where companies have researched the links between experiences, attitudes, communications and behaviours:

- **Linking service experience to attitudes, and attitudes to behaviours.** Yorkshire Water set out to value 'trust' by looking at how experiences of service failure affects trust and how this links to bill-payer behaviour. Although this produced some mixed results, this is a good first step to see how experiences leads to attitudes that affect one of the behaviours that matters most to companies.
- **Linking messages and communications to behaviours.** United Utilities measured how wet wipe disposal responded to different messages. Messages were placed in toilet cubicles in a shopping centre during December 2017 and the number of wipes dispensed and binned was measured for each message. Although water companies frequently message to inform and influence customer behaviours in terms of water use and responsible use of sewers, there seem to be few robust measurements of how people actually respond over a sustained period of time to different messages. This is a good example of thinking around how behaviours can actually be measured, in order to understand how to run the most effective communications campaign.

# **Conclusions:** The Changes That Would Make a Positive Difference for Future Engagement

While recognising that quality is more important than quantity, there has been a notable step change in the quantity and nature of engagement carried out by water companies to evidence their PR19 business plans.

**Based on our assessment, the following changes will improve consumer engagement in the future:**

- Make it clearer in business plans how each research piece referenced has been used – not just to inform business planning but to enhance business as usual to give customers a better experience. Or, if it has been a learning piece which makes it hard to apply the findings, why this is and what was learnt.
- We want to see water companies publishing the original research materials and accompanying research reports including the research materials, methodologies and a consideration of learning points, rather than their own summaries of research.
- Companies should do more to draw on ideas in other sectors that transfer to water effectively to strengthen customer engagement in the water sector.
- Although we are not placing boundaries on innovation, we would like to see innovation helping to create a better awareness of the value of services amongst the customer base, and to simplify engagement on complex and sometimes abstract services, and the interaction of this with performance and bills.
- Share innovation risk through collaboration and helping "level up" the quality of insight between small and large companies.
- Get the level of detail in research materials right: do more to understand how customers engage with research materials and enable them to reference what is important to them to inform their decisions. Detail of importance to the regulator and companies may make little difference to consumers, or take cognitive load beyond a point where the research is meaningful.
- Make research and engagement more accessible to seldom-heard groups, and consider the implications where there is low representation of these.
- Make business planning less of a trigger for engagement; some things should not wait for business plans for a comprehensive research piece, especially understanding of consumers in vulnerable circumstances or those who need accessible services.
- Ask consumers about the things which are most important to them – and ask them in the right way, either by using qualitative approaches which inform people to come to a meaningful view, or by adapting surveys to be the right level of detail for the average consumer to give a meaningful response.
- Finally, to be fully effective, engagement for business planning and business as usual should sit within a wider strategic framework. We will say more on what we think would make a good framework for engagement later in the year.

# **Appendix:** Approach to identifying good practice

For the purposes of this report, we define engagement as structured and targeted consumer research, and more loosely structured but wider public consultation through digital channels or public events. Within this we focus mainly on consumer research, identify innovation, where engagement has improved since the previous round of price setting (PR14), and how it can be improved for the next round (PR24). It is informed by company business plans, examples of good practice received from our network of Policy Managers, and CCW's research to explore how water companies can improve engagement with consumers[24].

## Water company business plans were reviewed to identify:

- Which research approaches were adding value to research outputs beyond what most water companies were doing.
- Where different methodologies were being adopted from other sectors.
- Where the greatest innovation in thought was occurring.

This was supplemented by input from CCW policy managers to identity other potential examples which met best practice.

Where several water companies have adopted a best practice approach, or it is widespread, the theme is noted but the companies not named. Where the practice seems to be less widely adopted, examples of water companies that used this approach are noted.

The review does not consider research topics, e.g. resilience, social tariffs etc. in terms of best practice, in order to avoid creating a list of everything which a water company may seek to cover – these are things for water companies to prioritise depending on their context.

[22] Engaging water customers for better consumer and business outcomes:
https://www.ccwater.org.uk/research/engaging-water-customers-for-better-consumer-and-business-outcomes/

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