

April 2022

Research on customer preferences

A joint report by CCW and Ofwat

Ofwat

CCW

The voice for water consumers
Llais defnyddwyr dŵr

Foreword

This joint research by CCW and Ofwat into people's preferences is the starting point for our collaborative research with the industry ahead of the 2024 price review (PR24).

As we begin the journey to build on the research undertaken at the last price review, we wanted to understand what matters most to customers and why, and look at how well this is reflected in the common performance commitments being considered for PR24. We also wanted to explore people's responses to company performance measurements and how to engage people with these.

The research has shown that people agree that the common performance commitments being considered for PR24 reflect what is important to them. However, people also cited other areas of importance such as affordability, resilience and fairness. While these may not be reflected in full through the common performance commitments, all are being considered by both CCW and Ofwat in the broader sense of the price review and in our wider work.

The research was conducted across England and Wales and views were consistent across both nations. However, there is still the expectation from CCW and Ofwat that companies will engage with their customers at a regional level to understand any local priorities that may drive bespoke outcome delivery incentives.

The research has also given us some valuable insight into how to communicate with people about service levels and we have drawn on this to inform the research materials that will be used for research into outcome delivery incentive rates.

We are looking forward to our future collaborative work with the water industry ahead of PR24 to ensure that research is meaningful to people and is used to build business plans that fully reflect people's views and preferences.



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Director of Wales and PR24
Customer Engagement, Ofwat



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Introduction

This report provides an overview of the findings of research to understand the preferences of water consumers in England and Wales. This research will inform the development of common performance commitments for Ofwat's next price review (PR24). The research was conducted by the research agency Yonder Consulting.

The research forms part of a joint programme of customer research for PR24. More information about this, and descriptions for some of the terms used in this report, can be found in the [appendix](#).

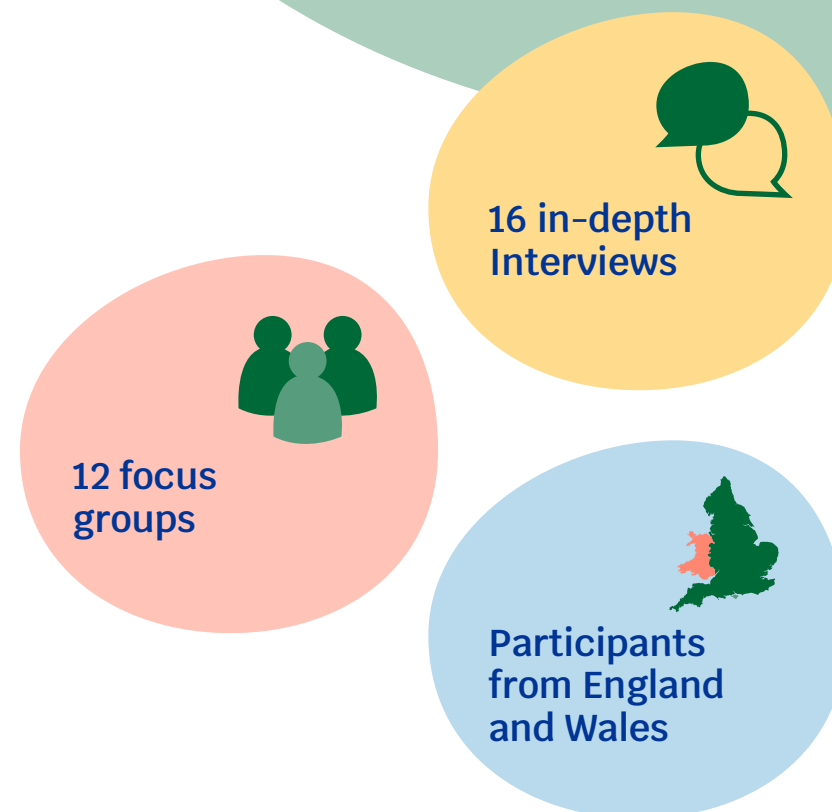
The aims of the research were to:

- understand consumer preferences in relation to water and sewerage services;
- review activities in draft performance commitments and identify any other issues of importance;
- test descriptions and measurements of performance commitments with water consumers, and identify any improvements to make them more meaningful for use in future research; and
- understand any differences in views between groups of consumers.

The qualitative research included:

- 12 focus groups with household customers.
- 16 in-depth interviews with business customers and specific household customers (people aged 75+, future bill payers, people with English as a second language).

In total, 86 participants took part in this research. Participants were based in locations across England and Wales.



What we looked at

The research included 24 different water company activities. A small number of these activities were introduced into the research after being spontaneously mentioned by participants (affordability, resilience and fairness). Each focus group looked at a maximum of 15 activities. Set out below are a few examples of the types of information provided to participants.

Water supply interruption



Your tap water supply stops without warning for 3 - 6 hours.

For example, for one water company, 1.5% properties are affected per year – or 9,000 properties out of the 590,000.

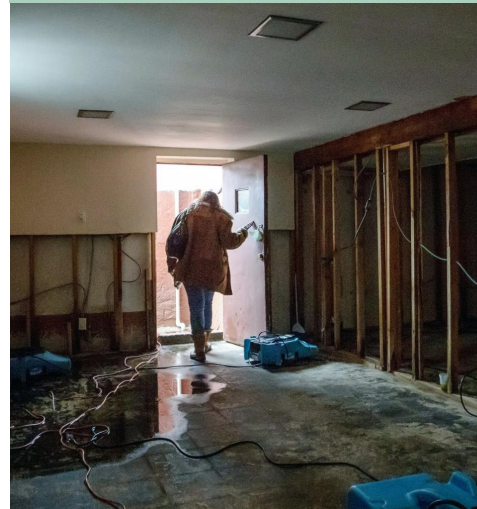
The appearance, taste and smell of tap water



Your tap water is discoloured, or smells or tastes less than ideal for a day. It is safe to drink, but you may not choose to do so.

By way of example, a water company receives 10,700 complaints from customers about water discolouration each year. This is less than 1 in 300 households.

Sewer flooding inside your property



Water companies have to manage water from sewers flooding into properties, when waste water pipes block or overflow.

There are 1,900 incidents of flooding in properties per year.

For one water provider, 180 properties out of 1,200,000 were affected. That is 0.02% or 1 in every 5,000.

River water quality




In order to maintain 'good' river water quality, the Environment Agency monitors discharge of industrial farming and treated sewage into the waterways.

500 miles of river are less than 'good' quality, out of the total of 3,000 miles.


Key findings: preferences

The research found a range of factors influence how people rate the importance of service measures.


These are:

Type of inconvenience 


How much it affects people's day to day; whether they have water; whether their home environment, or what they do outside of the home, is affected.

Duration and recurrence 


How long they will be inconvenienced for; whether a workaround is possible; how likely it is to happen again.

Health consequences 


The possibility of illness.

Likelihood 

Whether it seems like it might or definitely could happen to an individual vs. not happen. This is often based on experience and what people have heard about a service aspect.

Visibility to consumer 

Whether the service aspect is something people see or are aware of or whether it's something which happens within the network or underground.

Water company agency 

Whether the service response or action is perceived as being within the water company mandate to tackle.

Timescales involved 

Whether the activity was seen as an immediate or long-term one (that might fall within wider government measures to tackle).

The water company activities were rated for importance and impact. Participants viewed all activities as important, but those that might affect individuals personally tended to be seen as the most important activities. This includes the availability and quality of drinking water, as well as the risk of sewage inside or outside the home.

The table to the right sets out the rating for all activities. Those activities rated in the table as '1' were the activities seen to be the most important/ have the most impact. Those rated 3 were seen as the activities to have lower importance and impact.

← Increasing importance

1	2	3
Water interruption Taste, smell, appearance Do not drink notice Internal sewer flooding External sewer flooding	Boil water notice Leaks River water Pollution Affordability and fairness Lead Biodiversity Resilience	Hose pipe ban Severe drought Bathing water Storm overflows Water pressure Carbon Using less water Customer satisfaction Non-essential use ban for business

Key findings: descriptions and measurements

The research found participants relate more to activities and descriptions that focus on customer impact, rather than water company processes or infrastructure.

Overall, there is low understanding of water and sewerage services, with most people only engaging when there is an issue. Participants did not know (and did not want to know) how the system works. Instead, they wanted to know the impact of services

on day to day life. They wanted to understand how the service aspect may affect them directly.

Services which do or might impact people directly are seen as most important. Similarly, service aspects with immediate impact or consequences are a higher priority than those with consequences in a more distant future. For example, the appearance and taste of water is seen to be more important than biodiversity.

Participants were able to relate to some types of metrics more than others. Simple ratios (for example, 1 in x number of households) tended to be the most effective metric from a research perspective. Large numbers gain people's attention, but can suggest to people an incidence is more prevalent than it is. Conversely, people do not tend to engage with small percentages because the risk appears low and insignificant.

External sewer flooding



There are 7,600 incidents a year among the 3.6 million households served by a water company.

For one water provider, there are 2,186 incidents in any year out of 1,200,000 properties, which is 0.2% or one in every 500 properties.

Reducing leaks



Current leakage amounts to 434 million litres every day, or around 120l per household per day within one water company area.

As an example, about 15% of treated water is lost in the network.

Hosepipe ban



In the event of a drought, water companies may impose a hosepipe ban lasting up to five months to make sure there is enough water for everyone.

There is a 1 in 100 year chance of a five month hosepipe ban happening in any year

Severe drought measures



In the event of a severe drought, water companies may restrict household water use for up to two months, for up to five hours a day. You may be provided with a standpipe in the street.

There is a 1 in 200 year chance of a severe drought happening in any year.

Next steps

The findings of the Yonder report will be used to inform the development of performance commitments and wider aspects of the next price review and to shape the design of research to inform outcome delivery incentive rates.

The following will inform the development of future regulation:

- Priorities that people spontaneously mentioned within the research – affordability, resilience and fairness – are important. Some aspects will be included within the performance commitments, especially those where resilience is required to provide good service. CCW and Ofwat will consider affordability and fairness both within the price review development, and through wider areas of our work.
- People report being more tolerant of service interruptions where warning is given. People want to know how they will be affected, how long for, and the water company response time. Strong communication and advance warning help mitigate service interruptions. In particular, it seems people may tolerate planned interruptions of longer than three hours if communicated well. This may open up the possibility of companies using more low carbon solutions to reduce leakage, that may require longer interruption times.
- Participants considered a number of activities relating to the environment. This in part reflects the wider policy context. The research found people were more interested in, and found it easier to relate to, the specific impact of company activity and how this is measured rather than wider measures such as biodiversity or carbon.

The performance commitments for PR24 will be a package of measure that regulate for in-home and out of home activities. They will be complemented by other forms of regulation. Ofwat will be consulting on the introduction of a customer focused licence condition for water and wastewater companies. This licence condition will also take into account the findings on customer preferences.

The following will inform future research, including research to inform outcome delivery incentive rates:

- Customers want to understand the impact on them and others when considering the importance of water company activities. Some performance commitments and their measures are technical in nature in order for companies to use them, but the research shows that these need to be explained in a customer friendly narrative. Future research should include descriptions that focus on customer impact rather than on process and infrastructure.
- Future research that considers the frequency or scale of incidents should consider using ratios as metrics as they can be relatable and more easily understood than other metrics.

The joint research by CCW and Ofwat, together with water companies, to inform outcome delivery incentive rates has been designed to focus on customer impacts.

Appendix

Key terms

Performance commitments represent the level of service that companies commit to deliver.

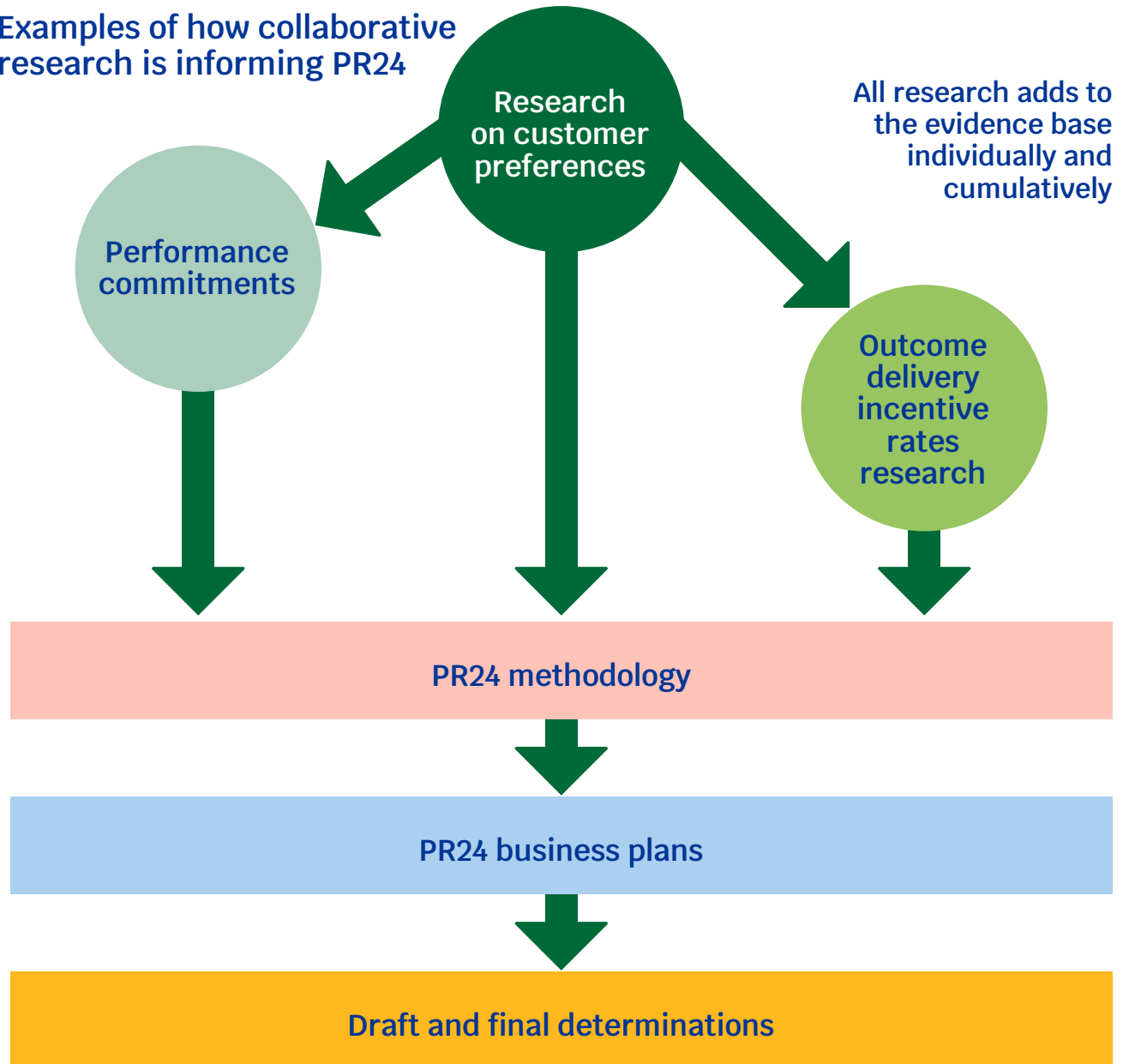
Outcome delivery incentives are the financial or reputational consequences for companies of outperformance or underperformance against each performance commitment.

Service measures are measures that are used to judge the service that a water company delivers to its customers.

Storm overflows - During heavy rain, the system can overflow and release sewage into our rivers and coastal waters. The storm overflows act as a safety valve to stop sewage backing up into streets, homes and businesses in times of heavy rain. They release extra rainwater and wastewater into rivers and seas.

More information about this can be found [on Ofwat's website](#).

Examples of how collaborative research is informing PR24



CCW is the independent voice for water consumers in England and Wales. We help thousands of people resolve complaints against their water company, while providing free advice and support.

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Ofwat (The Water Services Regulation Authority) is a non-ministerial government department. We regulate the water sector in England and Wales.

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