south east water

CCG report

Our journey towards a customer-centric business

16 August 2017

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Introduction

The challenge

In April 2017, we were challenged by the Customer Challenge Group to demonstrate and evidence how we have arrived at some of our thinking as we begin preparations for our next five year business plan, for the period 2020-2025. In particular, the CCG is keen to understand:

- the evidence base:
    - what we learnt about our customers' priorities during the last price review process
    - what we are continually learning about our customers' priorities from our day-to-day interactions with them
    - what we are continually learning from our engagement with wider communities and stakeholders about their priorities for water
- how those learnings are:
    - influencing our overall strategy for PR19
    - determining the PR19 customer research programme - including identifying any `engagement gaps' and how we intend to address them
    - shaping our innovative approach to customer segmentation and measuring performance through satisfaction
    - influencing our outcomes, performance commitments and outcome delivery incentives (ODIs)

This document

This document provides the narrative about what we are trying to achieve as a company and the actions we've taken and why.

Crucially it:

- shows what we already know - and do not know - about our customers
- provides an audit trail of how we have arrived at our thinking as we develop our next five-year business plan for 2020 to 2025
- captures the evidence and intelligence gaps we have identified that will give us a more complete view of our customers and their differing needs and expectations

It summarises where we have come from - not just in terms of how our business chose to evolve into a customer-centric model during the last price review (PR14), but the learnings we made, and the actions we took as a result of those learnings, well before then.

It is a journey that continues today as we evolve our thinking around developing a business plan that mimics the attitudes, value and priorities of the different types of customer we have.

The document is set out in four sections:

- Section 1 Our customers: what we know
- Section 2 Our customers: what we are learning
- Section 3 Taking stock: what we know and what we need to find out
- Section 4 How this is informing our approach to PR19
- Section 5 Engagement dashboard

The next steps

We intend to use this document in two ways:

- To explore with the CCG the development of an `engagement dashboard' that captures regular updates across many of the activities outlined in this document; this would provide a continual audit trail of the customer and stakeholder insight that is influencing our 2020-2025 business plan and the strategic direction of our business
- it will form the basis of a PR19 engagement appendix to our 2020 to 2025 business plan

Section One: Our customers: what we know

1.0 Introduction

This section essentially captures our “knowledge baseline” in terms of what we already know about our customers and their priorities, and what other data is telling us about the make-up of our customer base.

1.1 What we know about our customers

From transactions

The knowledge we have about our customers is predominantly based around our historic role as a monopoly utility service which undertakes thousands of transactions around water. These transactions give us the following high-level information:

No. household properties	872,106
No. household properties on a meter	81.67%
No. household properties on a budget plan	445,257
No. household properties paying by Direct Debit	573,749
No. household customers for who we have an email address	289,481
No. household customers for who we have a mobile phone number	496,431
No. customers on social tariff	10,557
No. of customers on WaterSure tariff	3,209
No. of customers on Priority Services Register	16,177
Average daily water use for metered customer	140 litres per day
Average daily water use for unmetered customer	181 litres per day

We intuitively use all of our transactions with customers to help improve our processes, our performance and our people. We cover this in greater detail in Section 2: What we are learning from customers.

From the water resources management plan

In spring 2017, as part of our planning for the 2020 to 2045 water resources management plan, we contacted 20,000 customers by post and 85,000 by email to ask them about water usage and appliance ownership in their home - including personal washing, clothes washing, toilet flushing, kitchen use and outdoor use.

We used demographic data to ensure the sample was representative of our wider customer base and then applied the following segmentation for the survey:

- by our eight water resource zones
- among metered and unmetered customers

We have received over 14,300 responses to date (a 14 per cent response rate) from metered and unmetered customers across our supply area. By analysing the survey responses of appliance ownership and usage we are able to understand how people use water now. We can then use this as a foundation to build a forecast of the amount of water which will be used over the next 25 years by our household customers.

While this data helps us to forecast future water use, it does not provide us with evidence of the different attitudes customers have about water use; or what external influences may change their behaviour – temporarily or permanently.

From our customer metering programme (CMP)

We are installing water meters for the majority of our customers through our customer metering programme.

The CMP is a key commitment made in our 2009 and 2014 water resources management plans to manage customer demand for water and delay the need for developing new water resources.

To date 82 per cent of households are metered. As a result of customers being able to monitor and influence their water use, we have seen an average reduction of up to 15 per cent on individual water use (per capita consumption, or PCC).

While metering is a useful tool to measure, monitor and manage water use, similarly it has limitations in giving us greater detail about water use behaviour and how that is influenced - which is why we have recently carried out a pilot project to improve our understanding as the following case study shows.

Case study: Advizzo behaviour change project

We know that customers want us to help them to save water through advice and education. We also know that understanding behavioural science and data analytics could help us to drive an innovative approach to water efficiency.

We have set up a “My Water Use Report” team to join forces with behavioural science experts Advizzo to develop new innovative approaches that empower customers to better control the water they use and their water bill.

We are taking data from customer meter reads, third-party data, customer metering surveys and micro component analysis to create an individual water report for customers, to help them understand their own water use in comparison to similar homes – giving customers the knowledge and insight needed to become more efficient (and happier) water users.

The initiative went live in November 2016 with an initial group of 2,000 customers who received a water use report and it was later extended to another 20,000 customers from our area. All 22,000 customers currently have the option to access the water use web portal.

Early results show:

- three times more email recipients registered online than paper recipients
- among those registered on the web portal, 63 per cent completed the home survey
- our customer satisfaction score for the water use programme was 84 per cent among surveyed customers

Further results on changes to water use behaviour will be available after further rounds of meter reads.

1.2 What external data can tell us about our customers

The transactions we undertake with customers are important at giving insight into how they want to do business with us, and their expectations of the service we provide - but they do not give us any more personal data about the social and economic `make-up' of our customer base.

We are in discussions with Experian, a leading provider of information, analytical and consumer marketing data to purchase data for our entire supply area (and how that data compares to the rest of the UK).

That has the potential to give us greater insight about our customers. For example, on provision of all the postcodes in our supply area, Experian can tell us for every postcode grouping in our eight resource zones:

- The `mosaic' types of customers that exist – from transient renters to family basics and aspiring homemakers
- the size of the households (occupants) and household type (house, flat, bungalow)
- any dependants, including those with a long term health issue or disability
- their gender, ages, education and occupation type
- their economic activity – student, employed, self-employed, unemployed, retired, long term sick
- whether they own, lease or rent (private and social) the property
- how many vehicles they own
- their living arrangements eg single, married, co-habiting, widowed
- their ethnicity

Here are some examples of the range of Experian data (simply applied across our entire supply region for now) that we can extrapolate and interrogate:

Mosaic make-up of households

Households estimate 2016

Groups	Target	Target %	Base	Base %	Penetration	Index
A City Prosperity (HH)	3,646	0.39	1,222,483	4.39	0.298	9
B Prestige Positions (HH)	148,048	15.87	1,858,933	6.68	7.964	238
C Country Living (HH)	97,603	10.46	1,779,025	6.39	5.486	164
D Rural Reality (HH)	51,426	5.51	1,915,666	6.89	2.685	80
E Senior Security (HH)	97,903	10.49	2,214,578	7.96	4.421	132
F Suburban Stability (HH)	48,207	5.17	1,602,432	5.76	3.008	90
G Domestic Success (HH)	121,713	13.05	2,246,085	8.07	5.419	162
H Aspiring Homemakers (HH)	113,520	12.17	2,562,642	9.21	4.430	132
I Family Basics (HH)	63,169	6.77	2,106,455	7.57	2.999	89
J Transient Renters (HH)	25,399	2.72	1,697,751	6.10	1.496	45
K Municipal Challenge (HH)	8,271	0.89	1,844,351	6.63	0.448	13
L Vintage Value (HH)	46,851	5.02	1,935,941	6.96	2.420	72
M Modest Traditions (HH)	14,212	1.52	1,332,101	4.79	1.067	32
N Urban Cohesion (HH)	14,210	1.52	1,287,174	4.63	1.104	33
O Rental Hubs (HH)	78,696	8.44	2,218,278	7.97	3.548	106
U Unclassified (HH)	0	0.00	0	0.00	N/A	N/A
Households estimate 2016	932,874	100.00	27,823,895	100.00	3.353	100

Tenure – households

Tenure - Households

All households	Target	Target %	Base	Base %	Penetration	Index
Owned: Total - Including shared ownership (HH)	657,029	70.43	17,450,109	62.72	3.765	112
Owned: Total - Excluding shared ownership (HH)	646,797	69.33	17,239,471	61.96	3.752	112
Owned: Owned outright (HH)	319,769	34.28	8,511,734	30.59	3.757	112
Owned: Owned with a mortgage or loan (HH)	327,028	35.06	8,727,737	31.37	3.747	112
Shared ownership (part owned and part rented) (HH)	10,232	1.10	210,638	0.76	4.858	145
Social rented: Total (HH)	117,644	12.61	4,934,105	17.73	2.384	71
Social rented: Rented from council (Local Authority) (HH)	33,002	3.54	2,572,314	9.25	1.283	38
Social rented: Other social rented (HH)	84,642	9.07	2,361,791	8.49	3.584	107
Private rented: Total (HH)	146,633	15.72	5,071,798	18.23	2.891	86
Private rented: Private landlord or letting agency (HH)	131,024	14.05	4,673,755	16.80	2.803	84
Private rented: Employer of a household member (HH)	4,899	0.53	67,024	0.24	7.309	218
Private rented: Relative or friend of household member (HH)	7,455	0.80	260,138	0.93	2.866	85
Private rented: Other (HH)	3,255	0.35	70,881	0.25	4.592	137
Living rent free (HH)	11,568	1.24	367,883	1.32	3.145	94
All households	932,874	100.00	27,823,895	100.00	3.353	100

Tenure – people

Tenure - People

All usual residents in households	Target	Target %	Base	Base %	Penetration	Index
Owned: Total - Including shared ownership (ResHH)	1,585,618	71.27	41,853,123	64.33	3.789	111
Owned: Total - Excluding shared ownership (ResHH)	1,562,625	70.24	41,408,281	63.64	3.774	110
Owned: Owned outright (ResHH)	622,171	27.97	16,759,841	25.76	3.712	109
Owned: Owned with a mortgage or loan (ResHH)	940,454	42.27	24,648,440	37.88	3.816	112
Shared ownership (part owned and part rented) (ResHH)	22,993	1.03	444,842	0.68	5.169	151
Social rented: Total (ResHH)	268,769	12.08	10,644,978	16.36	2.525	74
Social rented: Rented from Local Authority (ResHH)	73,739	3.31	5,610,100	8.62	1.314	38
Social rented: Other social rented (ResHH)	195,030	8.77	5,034,878	7.74	3.874	113
Private rented: Total (ResHH)	347,907	15.64	11,874,204	18.25	2.930	86
Private rented: Private landlord or letting agency (ResHH)	308,235	13.85	10,946,212	16.82	2.816	82
Private rented: Employer of a HH member (ResHH)	13,715	0.62	183,235	0.28	7.485	219
Private rented: Relative or friend of HH member (ResHH)	17,226	0.77	573,971	0.88	3.001	88
Private rented: Other (ResHH)	8,731	0.39	170,786	0.26	5.112	150
Living rent free (ResHH)	22,519	1.01	690,104	1.06	3.263	95
All usual residents in households	2,224,813	100.00	65,062,409	100.00	3.420	100

Economic activity - inactive

Economic activity - Inactive (Detailed categories)

Econ. Inactive: Total (Res1674)	Target	Target %	Base	Base %	Penetration	Index
Econ. Inactive: Retired (Res1674)	236,212	51.49	6,562,012	44.56	3.600	116
Econ. Inactive: Student (including FT students) (Res1674)	73,405	16.00	2,803,778	19.04	2.618	84
Econ. Inactive: Looking after home or family (Res1674)	76,143	16.60	2,125,544	14.43	3.582	115
Econ. Inactive: Long-term sick or disabled (Res1674)	45,923	10.01	2,152,169	14.61	2.134	69
Econ. Inactive: Other (Res1674)	27,065	5.90	1,084,079	7.36	2.497	80
Econ. Inactive: Total (Res1674)	458,748	100.00	14,727,582	100.00	3.115	100

Families with dependants (children)

Families with dependent children	Target	Target %	Base	Base %	Penetration	Index
All families in households						
No dependent children in family	382,370	57.80	10,553,801	56.62	3.623	102
One dependent child in family aged 0 to 4	42,929	6.49	1,384,741	7.43	3.100	87
One dependent child in family aged 5 to 11	26,384	3.99	854,527	4.58	3.088	87
One dependent child in family aged 12 to 18	52,656	7.96	1,593,314	8.55	3.305	93
Two dependent children in family; youngest aged 0 to 4	43,265	6.54	1,202,502	6.45	3.598	101
Two dependent children in family; youngest aged 5 to 11	45,202	6.83	1,129,517	6.06	4.002	113
Two dependent children in family; youngest aged 12 to 18	26,190	3.96	647,501	3.47	4.045	114
3+ dependent children in family; youngest aged 0 to 4	21,708	3.28	700,632	3.76	3.098	87
3+ dependent children in family; youngest aged 5 to 11	17,426	2.63	484,602	2.60	3.596	101
3+ dependent children in family; youngest aged 12 to 18	3,376	0.51	87,031	0.47	3.879	109
All families in households	661,506	100.00	18,638,168	100.00	3.549	100

Long-term health problem or disability

Long-term health problem or disability	Target	Target %	Base	Base %	Penetration	Index
All usual residents						
Day-to-day activities limited a lot	151,041	6.65	5,737,104	8.65	2.633	77
Day-to-day activities limited a little	199,951	8.80	6,248,798	9.42	3.200	93
Day-to-day activities not limited	1,921,282	84.55	54,374,740	81.94	3.533	103
All usual residents	2,272,274	100.00	66,360,642	100.00	3.424	100

Next steps

Going forward, this level of data granularity has the potential to significantly enhance the attitudinal segmentation approach we are planning to take for PR19; and transform our engagement and communications by making them more targeted and relevant.

For example, one way in which we could use the Experian data is to see how its `economic inactive: long term sick or disabled' data for a postcode area compares with our data and knowledge about take-up, for the same postcode area, for the WaterSure or social tariff and/or priority services register.

If there is a data mismatch, we could undertake a targeted campaign, and promotional and partnership activities, to try and improve awareness of the support available. The following case study is an exemplar of how this data can be used to good effect.

Case study: Western Power Distribution - Who's on our Wires Horizon?

Western Power Distribution (WPD) undertook analysis to a) gain a better understanding of the nature, scale and distribution of different types of household vulnerability; and b) to map relevant stakeholder groups in the area supporting customers in vulnerable situations.

The vulnerability mapping included those who may be eligible to be included on the priority service register and those likely to be finding it difficult to secure an affordably warm home.

The analysis enabled WPD to identify 177 existing services and conduct 85 surveys with a range of local authorities, public sector and charity organisations, to:

- Understand their service provision, impact and resourcing
- Identify opportunities for WPD to support these services

WPD could better target and support previously unknown vulnerable households by identifying areas with the highest concentrations of vulnerable customers. Around 27 vulnerability characteristics were used in the mapping exercise – including fuel poverty, energy efficiency, health and disability issues and social isolation.

It also meant WPD could address the most prevalent issues and work with the most appropriate agencies, while significantly increasing (+46 per cent) the number of customers on the priority services register. Similarly it now has 13 fuel poverty schemes targeting areas of high deprivation as indicated by the mapping exercise which has supported over 12,000 customers to save £2.2m on their bills.

1.3 2010 to 2015: Understanding our customers' priorities

Introduction

This section of the report will address the learnings we made during specific **performance** issues and the **PR14 process;** both provided valuable insight into the priorities of our customers and stakeholders when it came to the water supply service they received from us.

We also explore how we used those learnings to develop our customer-centric business further during 2010 to 2015.

2010 to 2015 performance issues

The early years of the 2010 to 2015 period were dominated by two challenging performance issues for our business – the level of customer complaints and the 2011/12 drought and temporary use bans (TUBs).

Customer complaints

What happened?

In 2011-12 we saw written complaints from both business and household customers about our customer service peak at circa 13,000 complaints.

The peak was a consequence of the migration to a single billing system in our customer contact centre. While the migration itself was successful, the productivity of the contact centre agents using the new system was much slower than we'd anticipated when developing our resource plan. As a result, we saw a snowball effect in dealing with customer contacts:

- customers' calls took longer to process - so the backlog of queuing calls increased
- frustrated customers hung up and resorted to emailing us - which increased the backlog for this contact channel
- customers resorted to complaining to us about not having their issue dealt with - and so the backlog of complaints (including repeat and escalated complaints) duly increased.

What did our customers tell us?

There was no single issue that generated the peak in customer complaints, but general themes did emerge as to what was causing the increase:

- Transactional delays - particularly around responding to customer billing queries and applications to have a meter fitted
- Water supply issues - due to a drought and water restrictions (see next section) there was an increase in leak complaints, while higher agricultural demand for water in Kent prompted customers to complain about their water pressure

What did we do?

We carried out a major review to understand what was driving customers to complain about our service in the first place and quickly realised there was no `silver bullet' that would deal with the high level of complaints.

Instead we invested £1 million in improvements to our **people, processes and systems** to make sure we listened, captured and dealt with customers' issues.

Examples included:

- People:
    - encouraging agents to feedback comments/complaints from customers and promote changes at dedicated complaint surgeries and workshops
    - assigning Directors to own and resolve complex customer complaints in four key areas - billing, metering, operations, service - a practice that continues today
    - developing training programmes to up-skill/multi-skill staff to deal with issues across billing and operational calls/complaints
    - training all new customer service staff on the Customer Relationship Management (CRM) system to resolve customer contacts/complaints more quickly and efficiently
    - empowering staff to own customer complaints to their resolution - giving them time and support to do this developing our in-house capabilities and dedicated resources to triage high consumption queries
    - allowing customer service staff to schedule appointments direct (rather than raise a work order for someone else to do so)
    - extending the phone and digital support to customers (and operational field staff) until 10pm

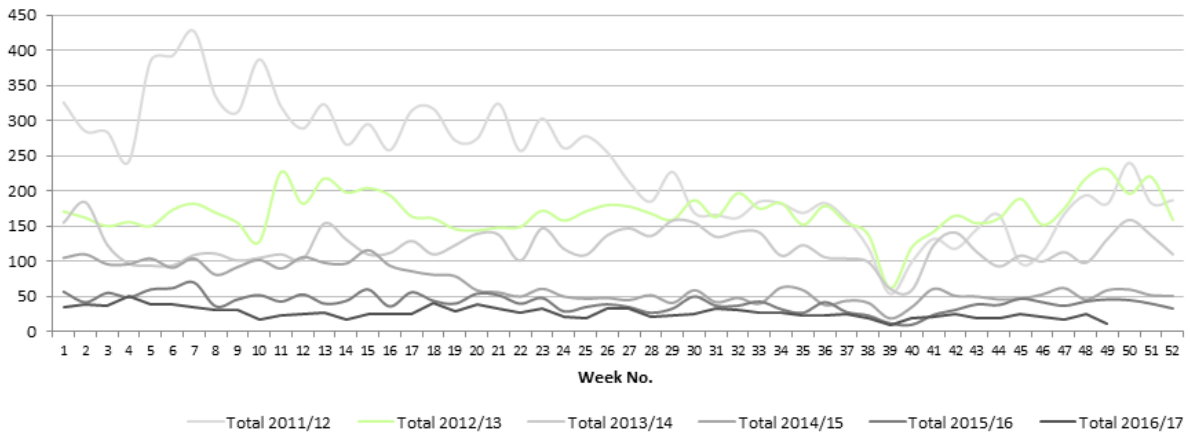
- Processes
    - carrying out root cause analysis of complaints which often meant interrogating the key processes that were driving them (eg moving house, empty properties, single occupancy)
    - identifying where the process was broken or simply made life difficult for the customer by requiring them to produce unnecessary documentation; and then addressing the issue by changing our process or policy
    - applying enhanced business rules to our billing and CRM systems - for example to allow customer services staff to automatically calculate and process leakage allowances so customers can be instantly advised of the outcome on their bill
    - introducing smarter software to allow customer service staff to interrogate a customer's water meter to establish usage patterns and consumption trends before speaking to a customer about high consumption readings
    - introducing five out of five telephone surveys (see section 2.4)

- Performance
    - analysing the 200 responses from each quarterly SIM survey to interrogate the root cause of the customer's issue or complaint
    - changing the `culture of customer contact' to develop a strategy of dealing with customers' issues immediately on the phone - rather than asking them to write in
    - expanding both our customer contact centre opening hours and channels of communication - including live chat, social media and email - and proactively using evening `ring-backs' to maximise first time resolution rates.

What happened next?

That renewed focus and commitment saw our written complaint numbers fall from that peak to 3,474 complaints in 2014/15 – reflecting the improving trend we'd seen over the period (and which continues today) as shown on the following graph:

Written complaints 2011-12 to 2016-17



Nevertheless, while our customer service performance during the 2010 to 2015 period showed good, consistent improvement we always recognised it would take the five-year period in its entirety to recover our performance position and, indeed, our industry and regulatory reputation; and so, while we remained on that journey we would continue to be viewed as a customer service "performance outlier" when compared to the rest of the sector.

What we learnt

The work we have undertaken on complaints has been about fixing and improving what we do so that customers don't have cause to complain about our service in the first place; they want us to deliver a hassle-free service for a product that is always of high quality and reliable.

Our work on complaints became the pre-cursor to our "five out of five" initiative and our innovative move to measuring our performance by customer satisfaction - both of which we cover in more detail in Section 2.

However, while a substantial amount of effort went into fixing our processes, it was the cultural shift we made with our staff - towards a customer-centric way of working and which empowered them to have the skills, expertise and confidence to own and fix customers issues before they became complaints - that we learnt has delivered the most in terms of our performance. We cover this in more detail in section 1.4.

The 2011-12 drought

What happened?

Water supplies across the entire south east region came under intense pressure during 2011-12 when we and other companies experienced a rare type of drought driven by two back-to-back, extremely dry winters.

As a result, our groundwater sources reached historically low levels. To ensure we protected these depleted sources for essential water use, it was necessary in April 2012 to introduce temporary water use restrictions across our entire supply area. We were among seven water companies to impose restrictions.

What did our customers tell us?

Introducing water use restrictions is necessary to conserve supplies but rarely, if ever, popular with customers - but there is some important context of how this is perceived by customers and how they respond in a region already widely recognised as being in serious water stress.

For a start this wasn't the first drought they experienced – warning of drought began in some parts of the company's supply area during an extended dry spell in 2003, and then became more serious in a region-wide drought in 2005-06. The need to manage and conserve supplies in the water-stressed south east also became a key message around the need for our Compulsory Metering Programme, which started in 2011.

As a result, customer communications were proactively managed during the 2011-12 drought, largely through early identification of the need to simplify the temporary use ban restrictions (TUBs), and what activity was initially restricted, and for who.

We also worked extensively with national and regional broadcast media to get across the message to customers and stakeholders about how reliant the region is on groundwater sources for water supplies; this included a very successful media day at Friston borehole ahead of TUBs being introduced which was covered by BBC News, BBC South East Today, ITN News, Sky News and Meridian Television.

What happened next?

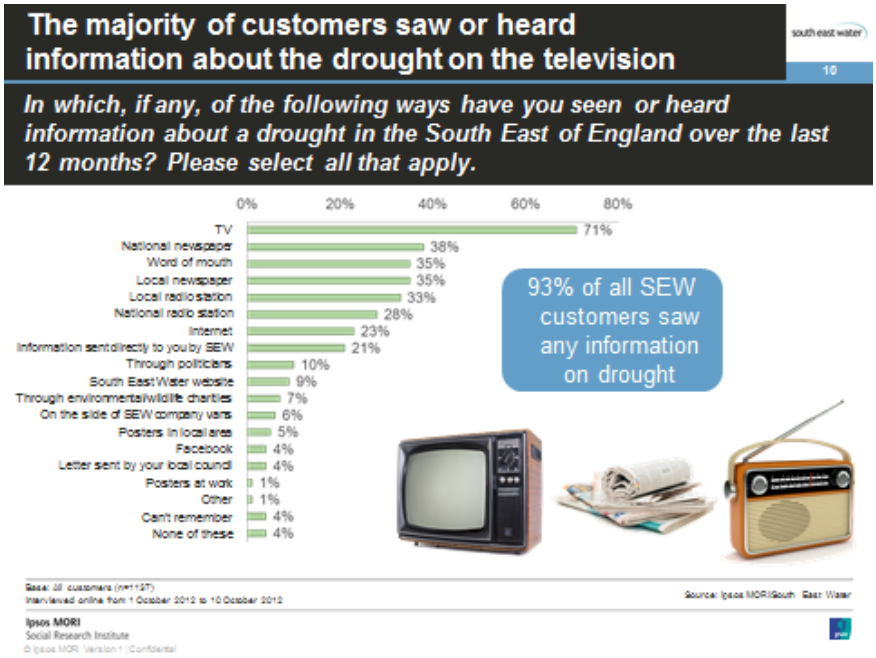
Post the lifting of TUBs, we appointed Ipsos Mori to undertake a customer survey with three main objectives:

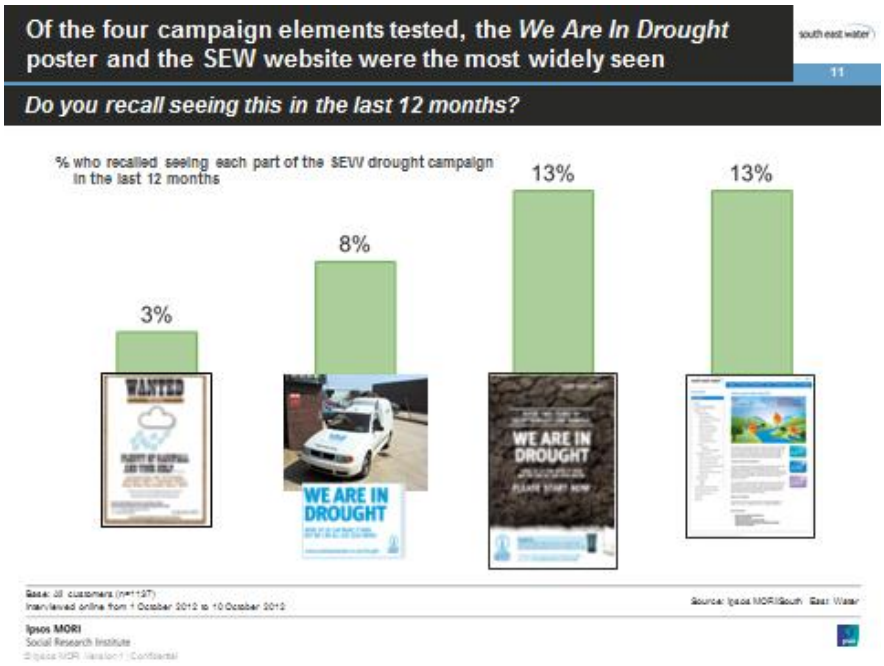
- Measure awareness of our drought campaign across customers; and to find out the most effective channels for communicating about drought

- Measure awareness of, and explore whether customers understood the reasons behind, the ban
- Explore whether the campaign has been effective in instigating a change in attitudes and behaviours towards water use.

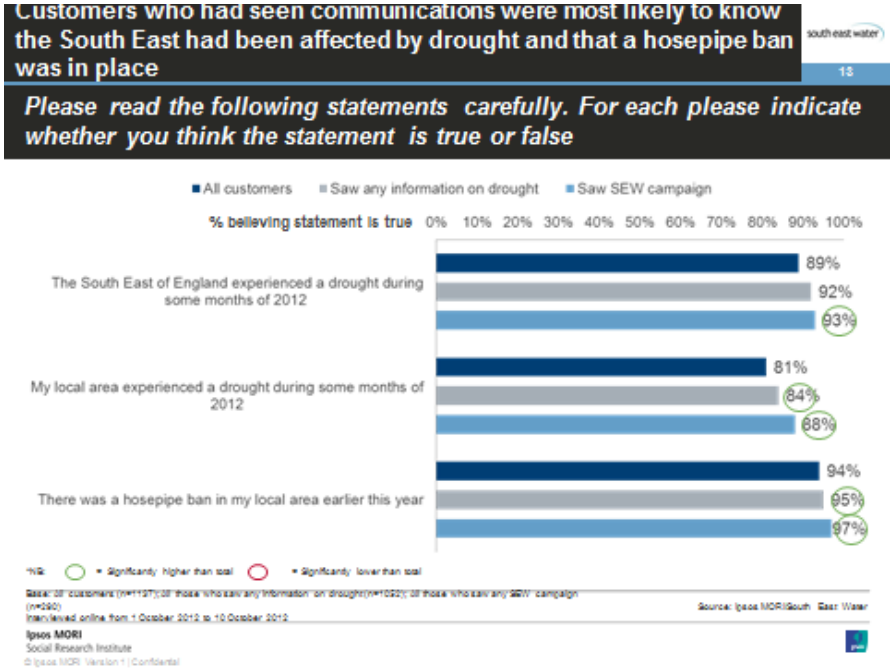
The study was conducted through a 10-minute online survey with 1,137 customers across all counties in our supply area, with the following results:

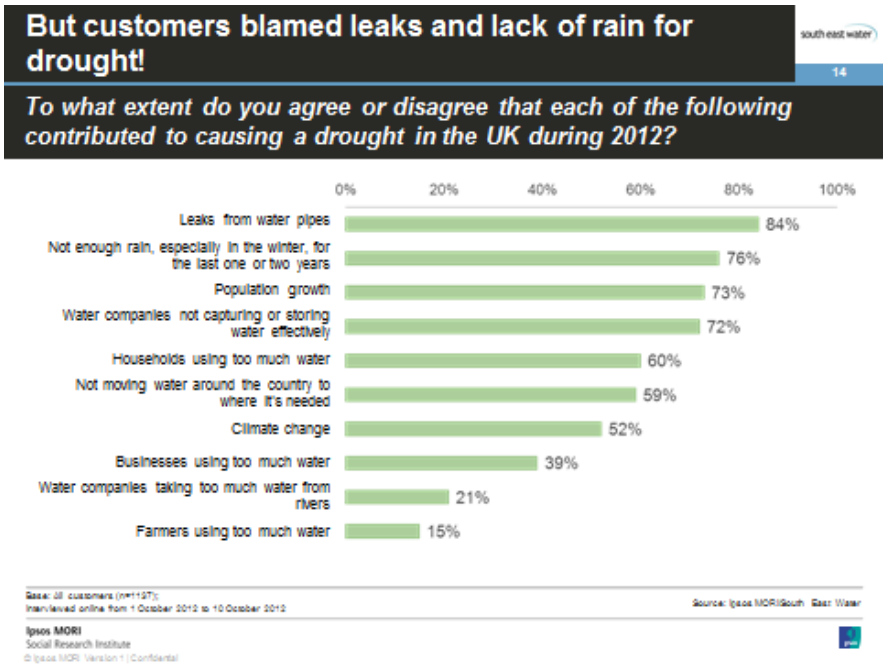
Awareness and information



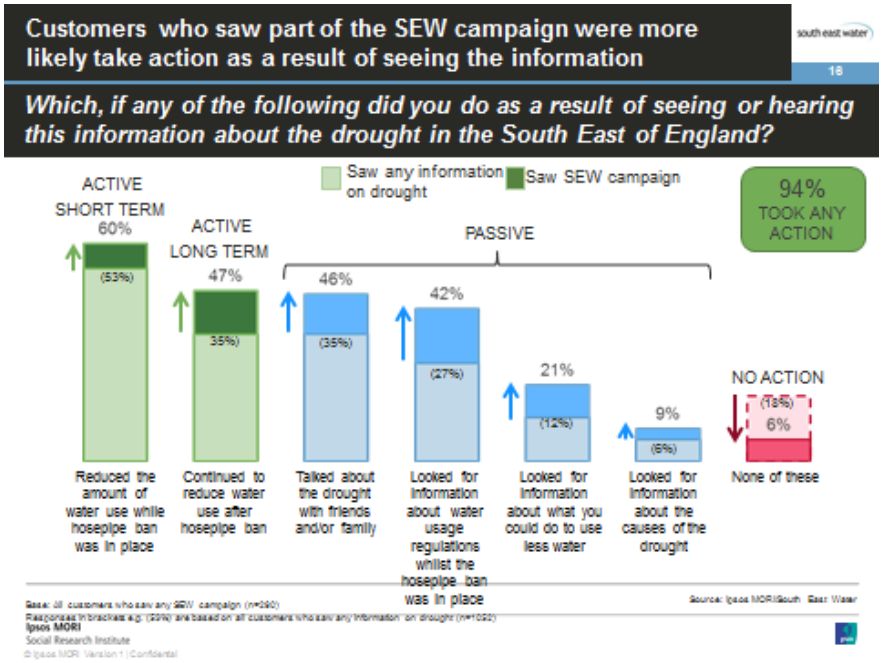


Impact of our communications





Impact on customer attitudes and behaviours



What we learnt

The experience of the 2011-12 drought provided us with greater insight into the power of proactive communications. We learnt:

- there was a clear correlation between improved customer understanding of the seriousness of drought and changing behaviours in the short term, with the issue of proactive South East Water-branded communications
- how customers expected to be communicated with during a drought
- how vital it is that we proactively engage and collaborate with customers, communities, stakeholders and the media about our work to secure and maintain water supplies during “peace time” too.

The benefit of this proactive approach was seen via:

- SIM surveys – we scored an excellent result of 4.47 in the second quarter of Ofwat’s customer satisfaction SIM surveys (undertaken in July 2012 when the TUBs were in force; it meant that the combined score for the second quarter – for both billing and water supply contacts - was above the industry average, and despite the restrictions being in place while other companies removed theirs in June 2012.
- complaints - we received only 350 written complaints relating to drought for the quarter March to July 2012 when restrictions were being mooted and then imposed
- stakeholders - our engagement on drought benefitted from the existing relationships we had already proactively established through other processes and programmes eg WRMP14 and the Environment Focus Group; NEP investigations; our compulsory metering and capital programmes. We received positive feedback from stakeholders about our drought communications.

- website hits - we saw unprecedented peaks in web traffic at key milestones of our drought communications and a correlating drop in telephone contacts; our customers were choosing to visit the website first for drought news as the following data shows:

Critical date	Key milestone	Unique web visits
12 March 2012	TUBs announced to media	7,202
13 March 2012	TUBs mainstream messaging received by customers via media	5,643
5 April 2012	TUBs come into force	19,693
7 June 2012	Thames, Anglian and Southern announce lifting of TUBs	4,752
9 July 2012	Remaining companies (inc SEW) announce lifting of TUBs	9,177

The 2011-12 drought, and the learnings we made, heralded the start of our more proactive communications strategy to engage and inform customers and stakeholders about where their water comes from; the activities we undertake to keep taps flowing; and developed the ways in which we communicate. We expand on this in more detail in Section 2.

1.4 The PR14 process

What happened?

Customer engagement has always been an important element of any business plan process but for PR14 - the process to set prices for 2015 to 2020 - there was renewed focus within South East Water, the industry and regulators on how this should be achieved.

This was driven by our own ambition to become a more customer-centric business - and the change in Ofwat's methodology for PR14 - which saw us develop a business plan that was based around `outcomes'. An outcome sets out, in the broadest sense, what we want to achieve in all areas of our performance as opposed to just meeting a list of key performance measures.

Our customer engagement for PR14 was developed with two distinct journeys in mind - the first journey was the core research which directly shaped what we proposed in our business plan; then there was a second journey of non-core research that provided us valuable context, on a continual basis, around what customers think about water, and levels of service.

The core customer research was used to specifically to:

- understand customers' priorities for their water supply service – including those customers with affordability issues
- test with customers the various trade-offs that can be made around the level of service they receive
- assess their willingness to pay more or less to change that level of service
- shape our performance measures and how we set rewards and penalties for our future performance

Similarly, the non-core customer research helped us define customers' priorities, and then tested in more detail those key areas of service they consider most important.

We used a mix of qualitative and quantitative research methods across multiple channels (eg focus groups, online panels, in-depth interviews, phone interviews) for:

- current household and business customers
- future customers (not yet bill payers)
- metered and unmetered customers
- segmented customer groups based on geographic location, income, age and socio-economic status

For PR14 we also used more innovative research methods. These included:

- menu-driven customer valuation research, similar to the approach used on price comparisons sites, to `sense check' and compare customers' investment priorities to the main willingness to pay research
- outcomes research to establish current levels of customer satisfaction around key service measures, including value for money

What did our customers tell us?

Our research and engagement revealed a set of clear priorities for customers:

- **Clean water** - customers take the quality of their tap water for granted and trust us to supply a water supply that is safe, clean and has an acceptable appearance, taste and smell
- **Low leakage -** customers think leakage levels are too high and waste a valuable resource; it's a problem we need to fix, and certainly before we ask them to conserve water when there are shortages
- **Effective service -** In general, customers are happy with how we operate our business for them, but they expect to be able to choose how and when they do business with us, and want more information around water efficiency advice and water quality
- **Affordable bills -** a priority for the majority of customers is low, affordable bills. In general, they were not willing to pay for any significant improvements in current levels of service
- **Reliable supplies -** customers generally take the reliability of their tap water for granted but saw it as our role to meet their current and future demands for

water – by adopting the twin-track approach of saving water and developing new supplies.

Having established what our household customers' priorities were, we then explored with them their views on both current and future levels of service. Customers were asked to choose their preferred level of service around a package of performance measures, such as water pressure, hosepipe bans or water supply interruptions.

The next exercise was to "monetise" each measure, to maintain, deteriorate or improve levels of service, so customers could understand the financial impact on their water bill. That allowed us to obtain estimates of customers' willingness to pay for improvements, or willingness to accept deterioration in service in return for a reduction in their bill.

Combined, this research gave us, overall, a clear message at PR14 – customers were not willing to pay significantly more to improve the current level of service; and, even when they have expressed a view about supporting bill increases to improve certain areas of their water supply service, those increases would not be sufficient to warrant further investment to change the levels of service.

What happened next?

The approach we took at PR14 reinforced our desire to:

- develop more customer-focused outcomes that moved away from just measuring our own activity
- prioritise the areas we invested in to meet those outcomes, and design and set the performance targets and incentives by which our water supply service and performance would be judged

As a result, our 2015 to 2020 business plan was based on a series of customer outcomes - those directly shaped by what customers have told us is important to them - and a suite of compliance and sustainability outcomes. A further new initiative was to measure delivery of many of those outcomes by using customer satisfaction scores to track our performance.

What we learnt

We believe our engagement for PR14 was innovative and an exemplar of how the industry should benchmark itself for future conversations with customers, as it focused on the customers own view of our service.

It also became the launch pad for many of the initiatives that we capture later in this document as we recognised that to deliver our outcomes (and increase customer satisfaction) we had to take customers beyond their water bill; the only way to do that is by becoming a more visible service that engages, listens and works collaboratively with them and others.

1.5 How those learnings shaped our **company vision and objectives**

At the beginning of 2015 we undertook an extensive piece of work to channel the business' aspirations and enthusiasm - including those of the executive team, board and shareholders - into a new vision and set of objectives.

Common themes emerged - focused improvement, service quality and continued delivery of a reliable and efficient service to customers.

We also considered what success looks like now, what it looks like in the future, and where we aspire to be. This was then translated into a new vision for the business:

`*To be the water company people want to be supplied by and want to work for'*

Core values support our vision and reflect what we are all about - what it's like to work here, what our people stand for and what characterises the way in which we want to deliver our services.

We produced a corporate plan which captures the actions we need to take to achieve our vision and objectives, and deliver the outcomes in our 2015 to 2020 business plan.

What we learnt

Establishing a clear vision and objectives provides us with both internal and external advantages including:

- it helps us to recruit and retain great people - people who care about our customers and each other
- it provides greater clarity and focus to all our decision making
- it highlights what South East Water stands for and makes our identity simple, strong and trusted

We also recognised that achieving our vision and objectives could only happen with the continued commitment and dedication of our people and valued delivery partners. That resulted in a number of initiatives that drove large-scale programmes of work around cultural change and improved customer service performance.

1.6 How those learnings shaped our **cultural change programme**

The development of our innovative approach at PR14 to using customer satisfaction as an outcomes measure resulted in an important `stock take' of our people, processes and performance.

We recognised that to build on the significant improvements we'd made in our customer service performance there needed to be a shift in the way we did things; and not least to drive home the company's strategic vision and objectives.

The idea of a cultural change programme was born and became the catalyst for getting our employees and delivery partners, Jacobs and Clancy Docwra, to recognise that customers' satisfaction with our service is influenced by a myriad of things - whether it's the condition of our treatment works and temporary road hoardings, to our response on the phone or in the street.

The programme was developed and launched across the business in 2016 and addressed:

- our brand - the look and feel of South East Water, from company uniforms and vans to the tone of voice we use in our conversations, to improve awareness and perception of South East Water among customers and stakeholders
- our actions - renewed focus on the impact of our actions on customers' satisfaction with our service
- our recognition - of our people, and how we developed, supported and rewarded them

The programme included behavioural and customer satisfaction training for field staff and delivery partners; behavioural training for managers; customer satisfaction staff roadshows; developing a talent management programme and increased Investors in People (IIP) recognition; and enhanced activities and promotional work at both community and industry level.

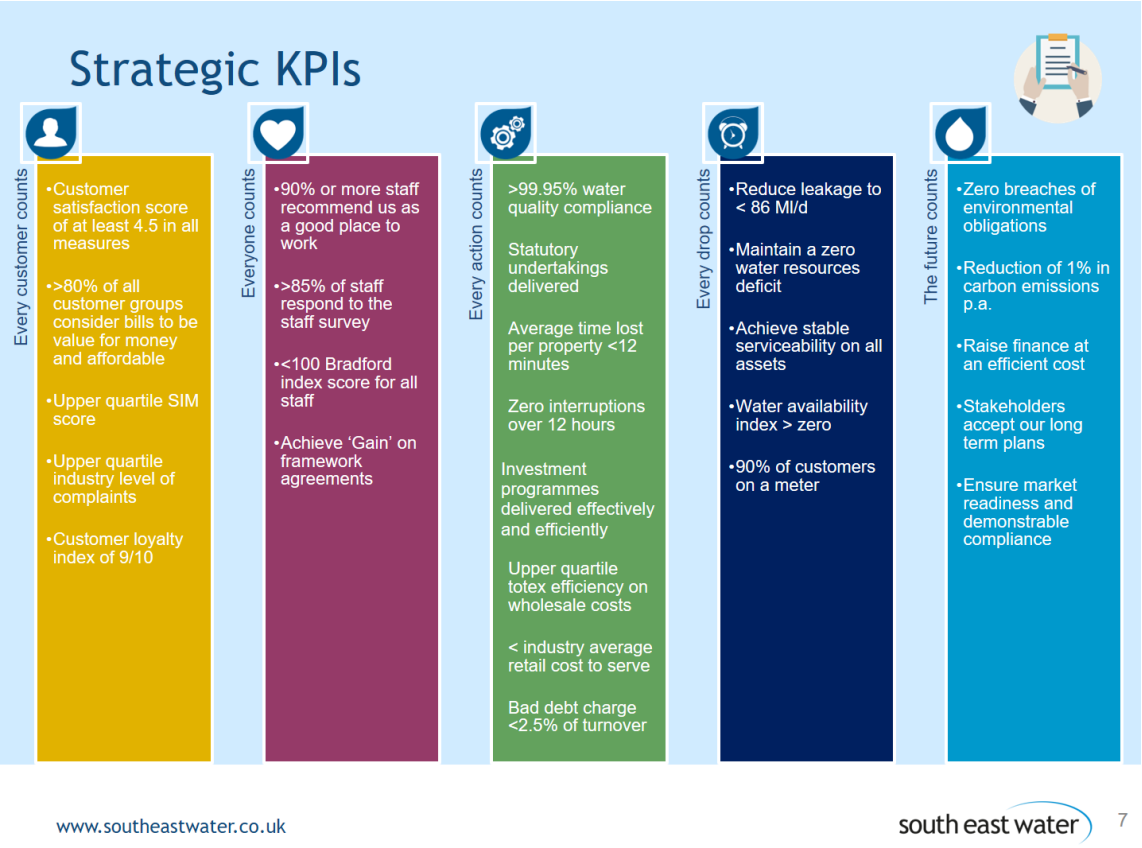
What we learnt

The concept of using customer satisfaction as the measure of our performance is one our employees and delivery partners understand - it's clear, simple and effective at driving cultural and behavioural change.

It also works for whoever the customer is - whether it's those customers in the traditional sense ie those who pay for the services we provide, or the customers we serve internally within our business and industry.

1.7 How those learnings helped the board/executive **set our strategic direction**

The PR14 price setting process was an important step along our board's continuing journey to develop the strategic direction of our business; this was translated into our vision and objectives, the 2015-2020 corporate plan and the annual reporting and governance associated with meeting our strategic objectives (see example board slide below).



What we learnt

The PR14 process produced a regulatory business plan that was well positioned in the industry and had a number of strengths; this included Ofwat's recognition of the board governance and assurance processes that we put in place to demonstrate the collective responsibility of our 2015-2020 business plan.

The learnings from PR14 reinforced the importance of having strong board ownership and governance around the key decisions that need to be made - whether that's developing our thinking during the price review process, or as we transition post the final determination of prices into delivery mode during a five-year period.

Encouragingly, we continue to be recognised for our governance and assurance processes by Ofwat today, with South East Water one of only three companies in the highest `self-assurance' category. This is based on the regulator's annual assessment on the quality of information and assurance we provide customers and stakeholders about our performance.

1.8 How those learnings helped managers **lead our strategic direction**

As with the board, the 2015-2020 period heralded the start of a new way of getting down to business - and key to doing that is our senior management team (SMT).

The corporate plan for 2015-2020 was developed with the input of those responsible for managing `delivery' of our work in all its forms; it was the senior managers who shaped the outputs and their teams' activities to deliver the stretch performance targets that would underpin us being able to meet our outcomes. Together with their teams they developed annual delivery plans with new initiatives and individual and team targets that would drive the company's performance.

Our senior management team also undertook extensive training run by the Institute of Leadership and Management to assist in their transformation from managers into leaders that can think and act strategically. The training included:

- defining high performance and the leader's role in developing the team and individuals to meet their objectives
- how to effectively implement change and motivate staff to meet the company's visions and objectives
- how to develop individuals into strategic leaders

What we learnt

The senior management team is critical to how we perform, act and behave - setting the leaderships examples that we want everyone to aspire to achieving.

The regular meetings we hold with them facilitate two-way engagement and feedback on strategic objectives and tactical issues. We intend to harness that insight for the 2020-2025 business planning process while developing their skills as strategic leaders of our business.

1.9 How those learnings helped employees/partners **deliver our strategic direction**

We recognised that to make our vision and values meaningful, and deliver the objectives of our corporate plan, we needed to evolve our employee engagement to become more motivational and inspiring.

That resulted in the development of an engagement action plan to ensure everyone - direct employees and our delivery partners, Jacobs and Clancy Docwra - share the values and customer-centred ethos that the PR14 process and our 2015-2020 corporate plan created. Among the engagement initiatives launched as part of the engagement action plans were:

- the "every minute and property counts" campaign which encourages colleagues to think about how they can make a difference to reducing interruptions to customers' water supplies
- a dedicated Operations Staff Engagement Group to help drive improved customer satisfaction performance out in the field - through team building exercises, operations surgeries at depots, employee training and apprenticeship development

- training and development of our employees and contractors so they are empowered to engage customers and communities with confidence
- a training programme that enables employees to become Science, Technology, Engineering and Maths (STEM) Ambassadors across the region
- a new, more dynamic intranet (Gurgle) with engaging, personalised content and recognition of individual performance.

What we learnt

It is important our workforce not only understand our vision, but why we want to become a more visible part of the communities we serve - achieving customer satisfaction is not just about what we do, but **how** we do it.

We believe our improved employee engagement is leading to better productivity, efficiency and ultimately customer satisfaction. It also inspires and motivates colleagues through learning and development, with positive employee feedback from our water treatment works open days.

Those findings are underpinned by our most recent employee survey which showed:

- 96% understand the company's vision
- 95% agree we put customers first
- 93% are willing to go the `extra mile'
- 9/10 employees have confidence we will deliver the corporate plan
- 9/10 employees are proud to work for South East Water

Section Two: Our customers: what we are learning

2.0 Introduction

This section of the report essentially captures:

- The context of our learning
- a summary of what we've learnt about what matters most to customers - from our transactions and conversations with them
- what we've learnt from others about our customers' views on water

2.1 The context of our learning

It is important to recognise the change in emphasis that has occurred since 2011-2012 - when our focus was on recovering our performance around the level of customer complaints - to our current focus on listening to customers' feedback on how we perform, and then fixing any issues.

This new focus on feedback means that much of our current learning is achieved by the thousands of transactions we complete with customers and the daily conversations we have with them.

However, `transactional conversations' do not automatically give us a set of `customer priorities' that we explore specifically for business planning purposes; most of the time the customer's priority is to simply do business with us as smoothly and efficiently as possible – but it does give us useful intelligence.

There is also the wider feedback we receive from our communities and stakeholders as a result of our interactions with them on a whole range of issues; and what we've learnt from other agencies and organisations in our dealings with them, and what they say about us.

As a result, the next section of the report is structured around this premise:

- What we've learnt from **our transactions with customers**
- what we've learnt from **our conversations with customers**
- what we've learnt from **our conversations with stakeholders**
- what we've learnt from **others**

2.2 What we've learnt from our **transactions** with customers

Most frequent transactions

We receive circa 2,500 customer interactions a day into our customer contact centre - whether that be by phone, email, post or the web.

Of those daily contacts, we are able to determine the `top transactions' that customers want or need to undertake with us:

1. Change of occupier
2. Make payment
3. Payment plan
4. Bill query
5. Refund
6. Charges/Tariff query
7. Consumption query
8. Leak allowance
9. Deceased
10. Change name/address

This knowledge has allowed us to both focus our efforts and resources on these transactions and processes, thereby reducing complaints and improving customer feedback.

Results to date

The welcome reduction in complaints has already been covered in detail at section 1.3

In addition, however, we have seen encouraging results as a result of our current focus on fixing our processes – based on customer feedback – as the following table shows for the two main processes that generate customer contact:

Process	**5/5 survey score (pre-intervention)**	**What did we do?**	**5/5 survey score (post intervention)**
Change of occupier	4.48	See case study - making moving house a `wow' experience	4.7
Payment plan process	4.45	We have simplified and streamlined our bill and payment plan communications to customers; we also provide refunds in the way the customers want to receive it – rather than insisting the refund happens in the original payment method.	4.65

Case study: Making moving house a `wow' experience

In 2013, we implemented our biggest process change yet to support our change of occupier process to reduce complaints (and improve customer satisfaction in the process).

Through the process review work, we identified areas where we could improve the change of occupier experience for the customer by taking away obstacles that were built predominately to avoid potential debt scenarios. For example, we encouraged metered customers to have their account closed on an estimated reading rather than an actual reading - which reduced the turnaround process of getting a bill out to the customer.

Previously the change of occupier process also involved agents updating a number of manual screens, leading to some errors and inconsistencies in the data being inputted. We automated this part of the process so agents could simply load the information into a data capture screen, then just press a button for all the pages to be updated with the same data. The touch of a button enabled the agent to do more on the call with the customer - for example, discussing any outstanding balance and agreeing payment and next steps.

This immediately helped with first time resolution on change of occupier contacts. Our SIM scores for change of occupier have improved and we continuously see a high score of 5/5 for this process.

More recently, we wanted to give our customer service the wow factor and so we now send out a `welcome to your new home' card for new customers which is personalised with information on who they have spoken to about their move.

What we've learnt

Customers rarely need to do business with us but, when they do, they want it to be easy and simple and convenient for them.

Dealing with customers' issues once and promptly - and making sure that service is personalised to their individual needs - has underpinned much of the `reducing complaints' success story we've seen.

We are not resting on our laurels though; while the level of complaints has reduced by a further 30 per cent to 1,497 in 2016/17, we are now focussing on two areas:

- proactively negating the need for escalated complaints by calling customers to resolve their issue before we write more formally to confirm what has been agreed. The early results are encouraging - in 2016-17 we reduced our escalated complaints by around 60 per cent from the previous year
- understanding why some customers are still not satisfied with our service and giving us low satisfaction scores and/or deem the issue un-resolved, to see what we can do to continue improve our first time resolution rate and make our customer satisfaction scores even higher.

We are also further improving our written communications too to make sure the content is correct and our tone is personable, friendly and helpful.

Dealing with customers issues once and making it easy, simple and convenient has also reinforced our approach to:

- developing customer satisfaction as the best yardstick of our performance; and
- applying customer segmentation to develop customers' priorities during normal service and service recovery

2.3 What we've learnt from our **conversations** with customers

Customer satisfaction surveys

We believe measuring customer satisfaction is the best yardstick for all customer-facing activities, which is why it became the cornerstone of our 2015 to 2020 business plan and how we would measure much of our performance.

Since April 2015 we have undertaken monthly satisfaction surveys with 133 customers by phone to track customer satisfaction with our service.

The customers are randomly selected based on postcodes in our supply area, with segmentation then applied to the data sample (for example, age, gender, socio-economic groups) by the independent research team carrying out the phone surveys.

Customers are asked a series of questions and score South East Water, on a scale of 1 to 5 (1 being 'completely dissatisfied' and 5 being 'completely satisfied) in terms of their satisfaction around the following service areas:

- water quality:
    - taste and odour
    - appearance
- water supply:
    - leakage
    - water pressure
    - interruptions to supply
    - temporary use restrictions
- water service:
    - Direct interaction with us

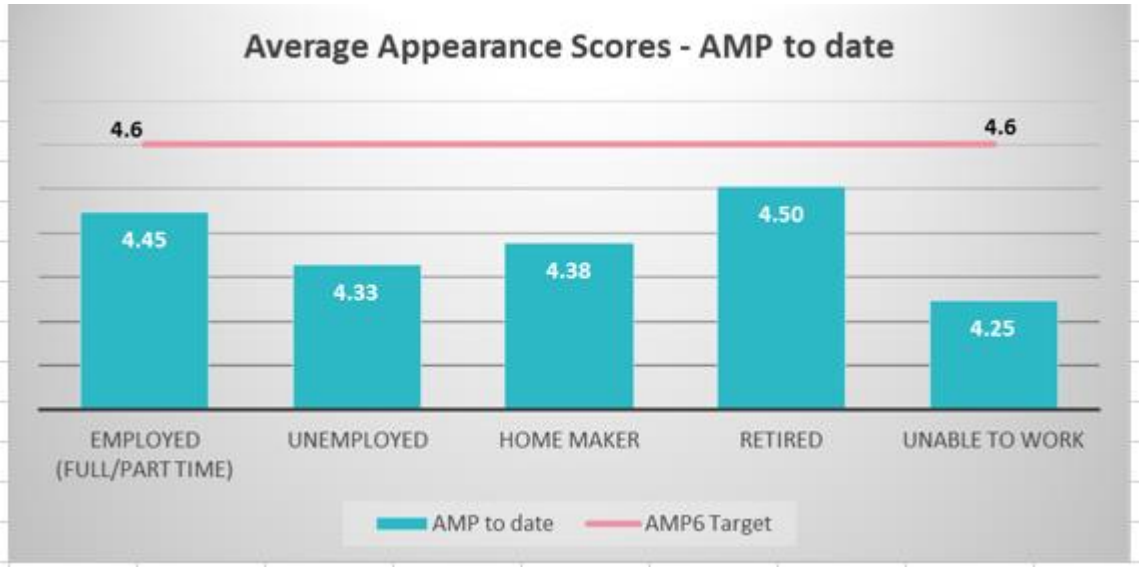
We use the customer satisfaction scores in these service areas to achieve a reward or penalty for our performance, in accordance with the outcome delivery incentives (ODIs) set out in our 2015 to 2020 business plan.

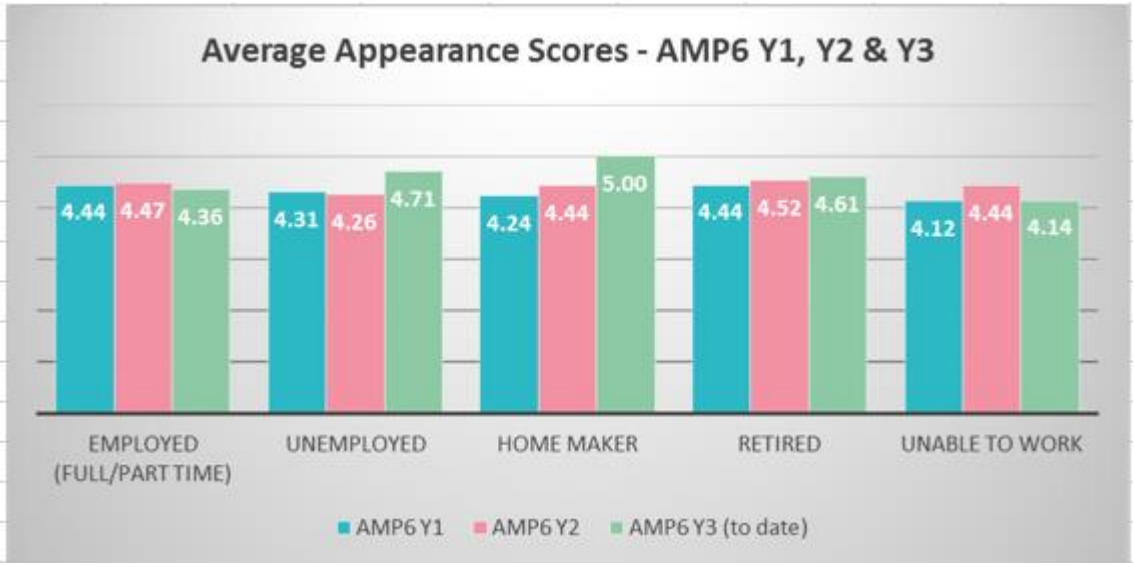
Results to date

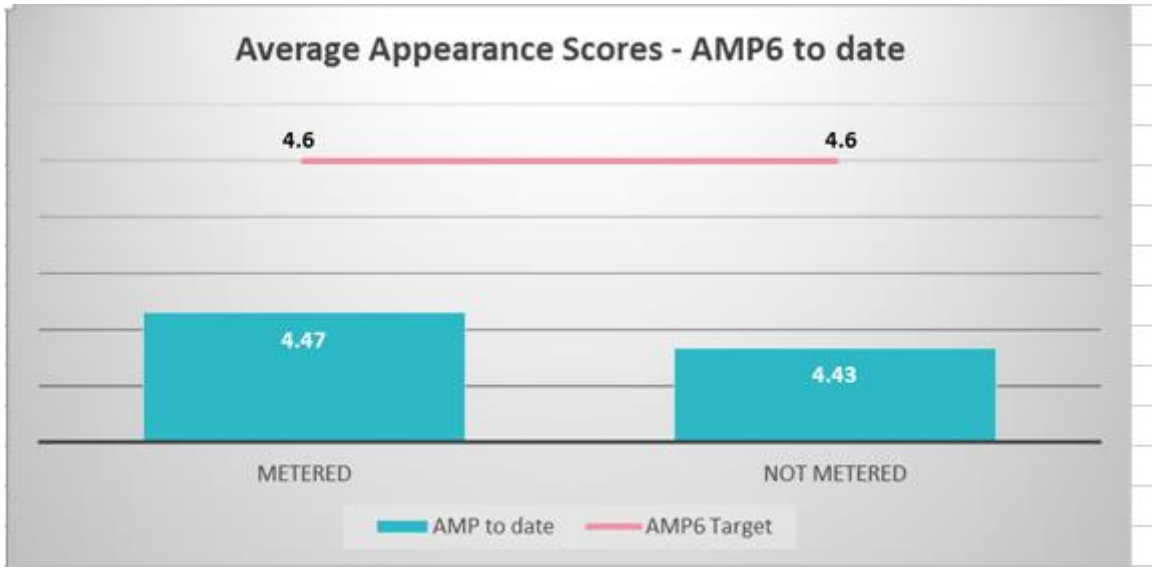
Customer satisfaction surveys

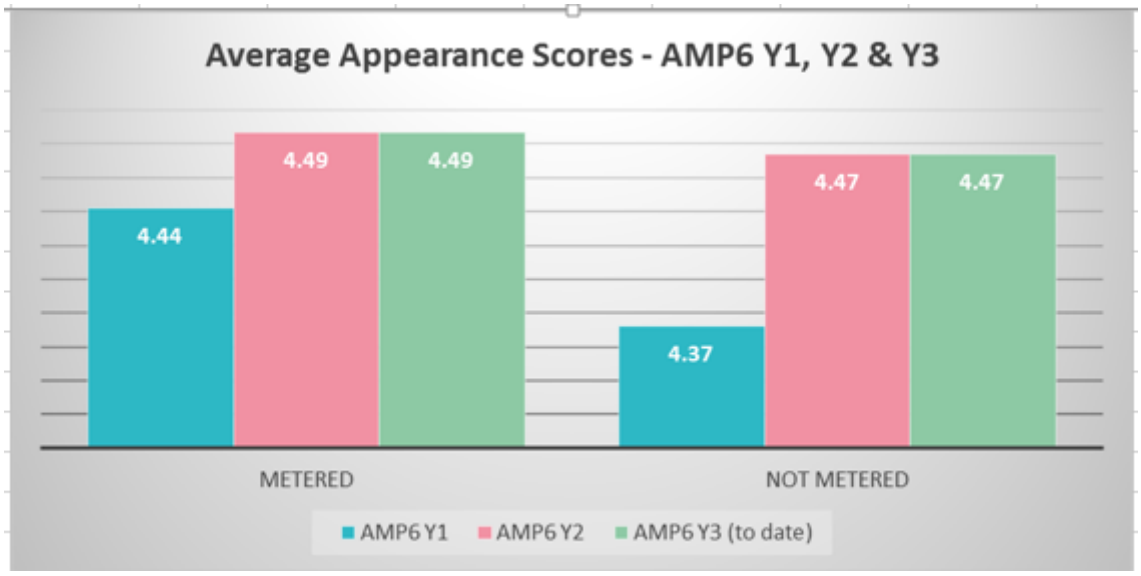
Our customer satisfaction surveys are already giving us greater granularity of data and insight, as the following results show.

For example, we can assess customer satisfaction results with the appearance of water by economic status for the period to date and for successive years; and for the same measure we can compare scores from metered and unmetered customers.

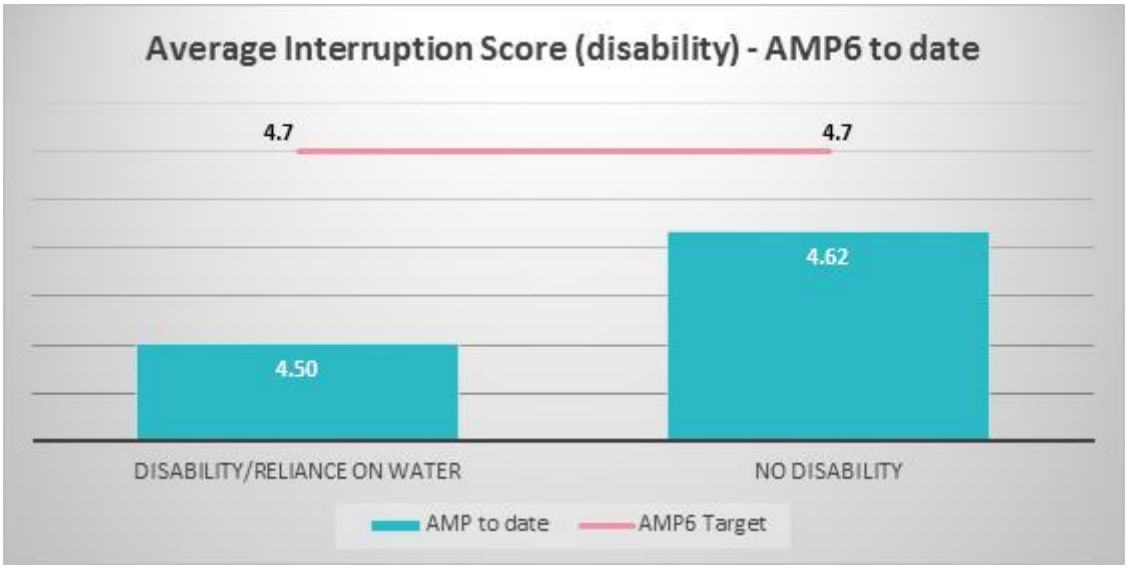


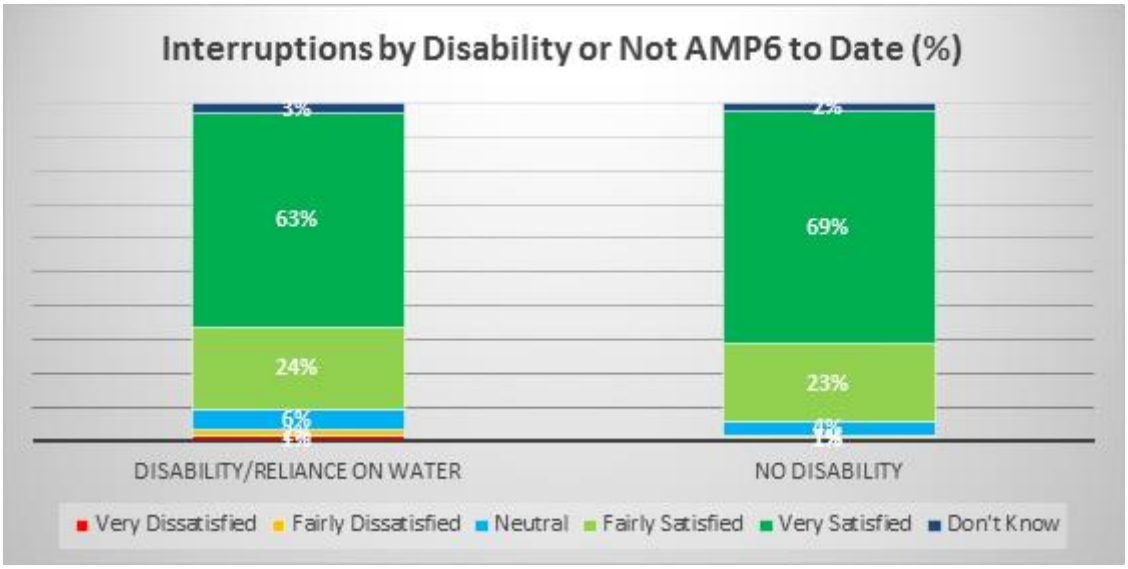



Average Appearance Scores - AMP6 to date
4.6
4.6
4.47
4.43
METERED
NOT METERED
AMP to date
AMP6 Target

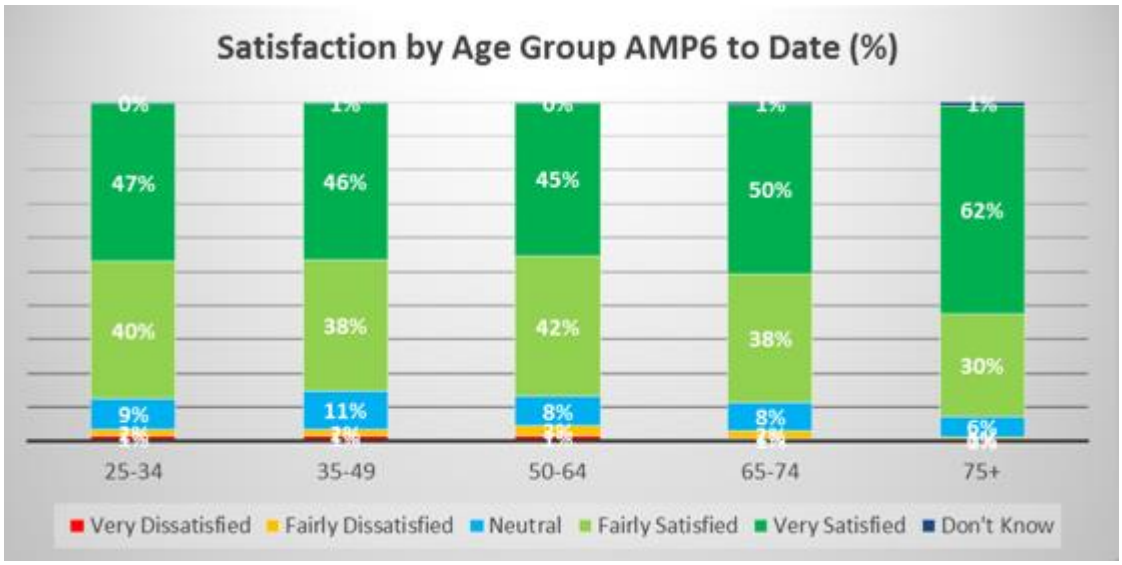

Average Appearance Scores - AMP6 Y1, Y2 & Y3
4.44
4.49
4.49
4.37
4.47
4.47
METERED
NOT METERED
AMP6 Y1
AMP6 Y2
AMP6 Y3 (to date)

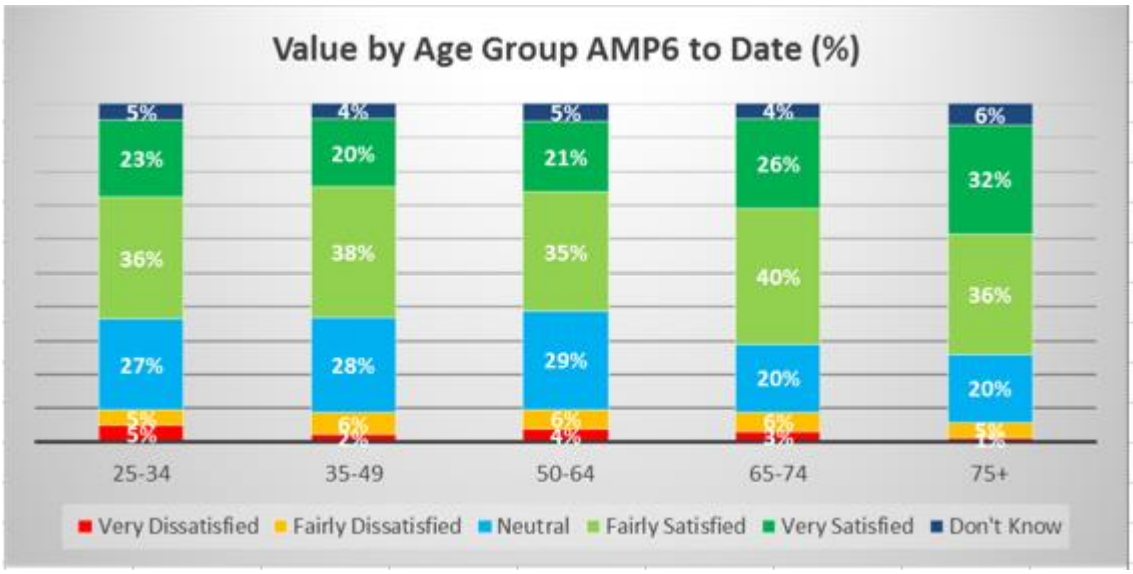
We can also interrogate how satisfaction with some aspects of our service – in this case interruptions – is scored by different customer segments eg those with a disability and those with no disability; and further see the breakdown of the scores per customer segment.



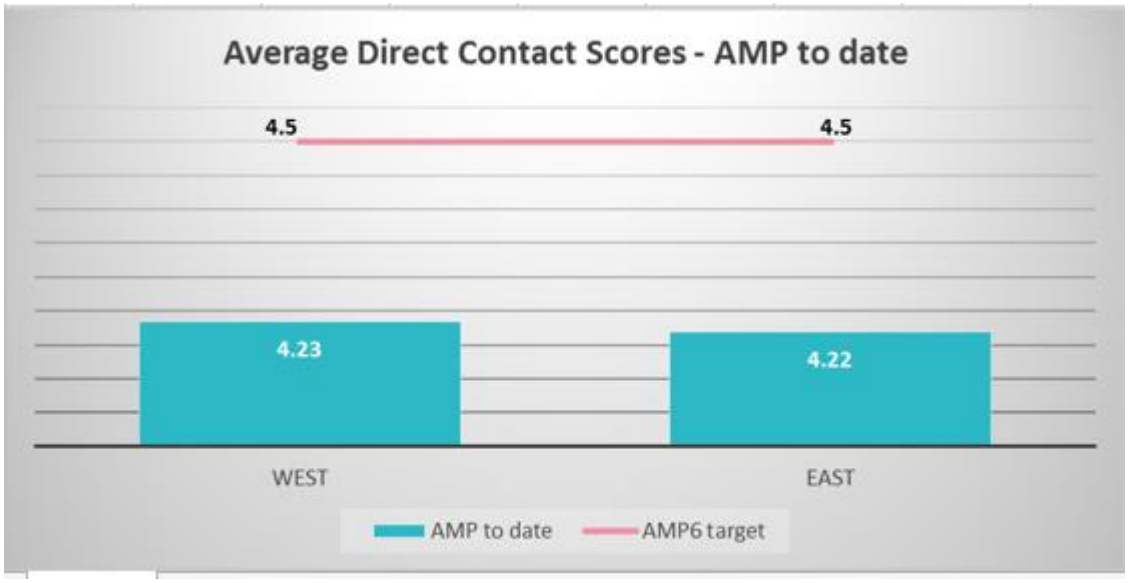


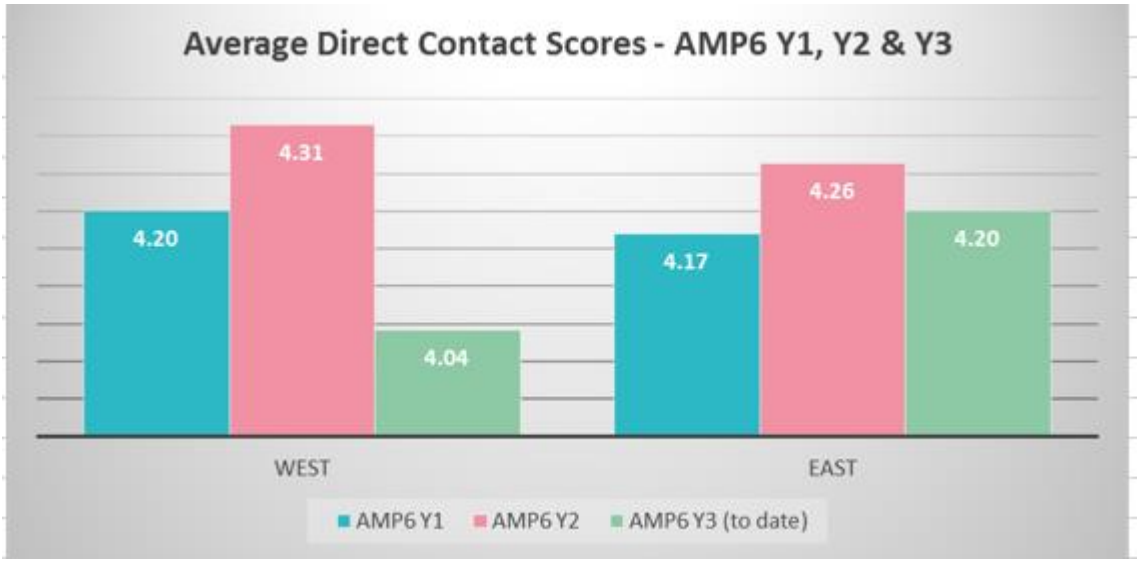
We can also determine how satisfaction and value for money varies across age groups too to see how we many need to tailor our services in the future.





We can also assess any changes in customer satisfaction - in this case around direct interaction with us - across our separate geographical areas.





Annual satisfaction tracker

As well as the monthly surveys, we use the data to track satisfaction annually to examine if there have been any significant changes over time.

Key comparisons were made between results from 2015 and 2016 (data collection is still underway for 2017) which shows the following:

Q15wp. How satisfied are you with the following: The water pressure at your property (by this we mean the rate at which water flows from the taps).

Q15wp.	Year 1	Year 2
Mean	**4.22**	**4.23**
Base	1,594	1,589

Q15in. How satisfied are you with the following: The frequency and duration of interruptions to your water supply.

Q15in.	Year 1	Year 2
Mean	**4.57**	**4.63**
Base	1,548	1,572

Q15app. How satisfied are you with the following: The appearance of the water supplied to you

Q15app.	Year 1	Year 2
Mean	**4.42**	**4.48**
Base	1,594	1,587

Q15taste. How satisfied are you with the following: The taste and smell of the water supplied to you

Q15taste.	Year 1	Year 2
Mean	**4.14**	**4.17**
Base	1,579	1,575

Q15leak. How satisfied are you with the following: The amount of water that leaks from South East Water's pipes across their region

Q15leak.	Year 1	Year 2
Mean	**3.44**	**3.80**
Base	1,018	1,137

Q15hosep. How satisfied are you with the following: The frequency of hosepipe bans in your area

Q15hosep.	Year 1	Year 2
Mean	**4.21**	**4.40**
Base	1,381	1,419

Q15customer. How satisfied are you with the following: South East Water's customer service?

Q15customer.	Year 1	Year 2
Mean	**4.17**	**4.28**
Base	1,109	1,227

Q15anew. How would you rate your water bill in terms of 'Value for Money'? Think in terms of what you pay and the service you receive.

Q15anew.	Year 1	Year 2
Mean	**3.74**	**3.79**
Base	1,527	1,508

Q34y. Overall, how satisfied are you with your water supply service from South East Water?

Q34y.	Year 1	Year 2
Mean	**4.29**	**4.35**
Base	1,595	1,585

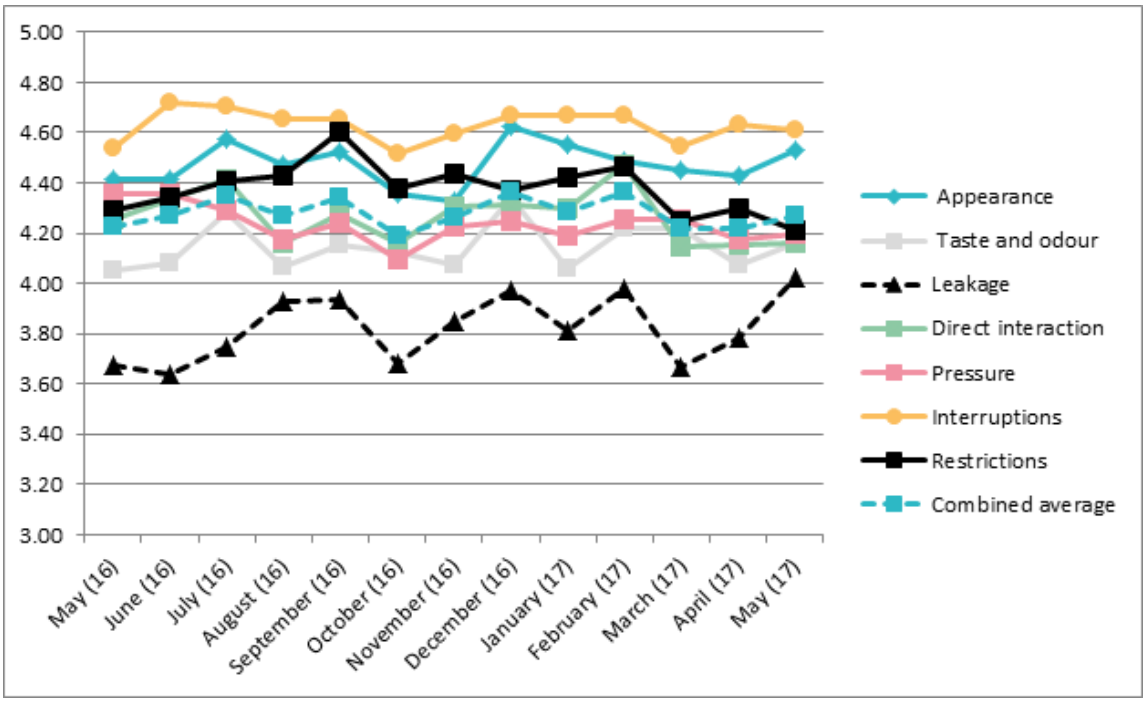
What we've learnt

There is no silver bullet to getting consistently high customer satisfaction scores across different areas of our performance, or indeed across different segments of our customer base.

There remain challenges in using customer satisfaction as a measure of our overall performance - not least as it's not always obvious what the effect our `input' has made on the `output' ie the customers' satisfaction score.

That's why our trials with the customer magazine and the Aldershot leakage campaign - which we talk about next - have been insightful, often demonstrating an incremental effect on customer satisfaction, as the results across a number of key performance measures for 2016/17 show.

More widely however, the use customer satisfaction has led to the cultural change needed in the business with a renewed emphasis of putting customer satisfaction at the centre of how we measure key areas of our service and performance.



Case study 1: Customer Magazine

In July 2016 and January 2017, we trialled two different styles of customer magazines - both in tone, content and design - in separate postcode areas to test their suitability for engaging and informing customers about our “pure knowh$_2$ow” expertise; and ability to improve customer satisfaction with our service.

The magazines were sent to circa 20,000 households; we then surveyed 800 customers to test which magazine they were most receptive to. Magazine readers gave significantly higher satisfaction scores than non-readers for:

- Overall satisfaction
- value for money
- appearance
- leakage
- customer service

Results show:

- Customers rated magazine 2 higher in terms of how informative it was (4.29) compared to magazine 1 (3.76)
- readership levels were higher for magazine 2 (69) compared to magazine 1 (43)
- when comparing the scores of those who have read magazine 1 or 2 there is a bigger difference around issues such as leakage and taste and odour; the additional information given in magazine 2 prompted higher scores around overall satisfaction and value for money.

Case study 2: Aldershot leakage campaign

During early 2017 we undertook a trial campaign in the Aldershot GU11 and GU12 postcode areas to see if we could improve customer satisfaction specifically on leakage.

We undertook pre-campaign research into satisfaction with our services more generally, but also around leakage specifically, in the targeted areas before rolling out and implementing a positive, proactive multi-channel communication campaign. This included:

- Bus stop advertising using cinematic style posters about The Leak Squad
- a six-page pull-out story of the 27/7 work to find and fix leaks; this and a Stop Tap sticker with our Leak Squad number on it was sent direct to 10,000 properties in the target postcodes
- newspaper advertising using `cinematic style' artwork
- dedicated web page to support the campaign www.theleaksquad.co.uk
- social media messaging

We then undertook post-campaign research to see if there had been a shift in customers' views satisfaction around leakage, and more generally.

The initial research results revealed an improvement in customer satisfaction around leakage - from 3.7/5 before the campaign began to 4.04/5 after the campaign had ended from those customers who recalled seeing it. We need to analyse the results further to increase our confidence in attributing the improvement directly to our campaign.

There is though some good evidence to suggest it did raise the profile of South East Water's leakage work, with the direct mail and bus stop advertising appearing to be the most recognisable and recalled form of communication by customers; while we saw encouraging reach numbers via Facebook (21,174) and Twitter (19,986); and the Report a Leak web page getting 4,245 unique views.

“Five out of five” surveys undertaken on contacts received

Our award-winning `five out of five’ initiative was launched in April 2015 and sees us proactively contact customers who, for whatever reason, have contacted us.

We survey these customers (via an automated phone survey) to rate us from one to five on how well we dealt with their issue.

Once the survey is complete a number of things can happen:

- if the customer scores a 1, 2 or 3 - meaning they are dissatisfied - our Customer Resolution Team re-engages with them to understand the customer’s issues; these specialists own the customer’s issue or complaint and make sure it is addressed and resolved to the customer’s satisfaction. We also use the customer’s feedback to continually review any of our processes or performance
- if the customer scores a high mark and we have a mobile number for them, an SMS is sent the following day to thank them for their feedback

Alongside the surveys, we have developed a 5/5 dashboard which tracks our score and determines how well we are doing on all questions; we have two separate dashboards, one for Operations and one for Billing.

The `five out of five’ initiative has been key to improving our SIM results and reducing complaints. As we have already alluded to the focus now is to really understand why some of our customers are still giving us low scores and/or deem the issue un-resolved so see what we can do to continue improve our first-time resolution rate and make our customer satisfaction scores even higher.

Results to date (Q3 2016-17)

Overall Score Month over Month (Q3) - Billing Only

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2017 Score	4.61	4.62	4.57	4.59	4.58							
2016 Score	4.52	4.55	4.51	4.53	4.51	4.53	4.53	4.54	4.55	4.55	4.54	4.59
2015 Score	4.27		4.33	4.35	4.37	4.40	4.44	4.47	4.49	4.50	4.53	4.50
Y-o-Y Variance	**0.09**	**0.07**	**0.06**	**0.06**	**0.08**							

Overall score Month over Month (Q3) – Operations only

	January	February	March	April	May	June	July	August	September	October	November	December
2017 Score	4.26	4.19	4.16	4.24	4.26							
2016 Score	3.98	4.07	4.16	4.11	3.97	4.08	4.16	3.96	3.97	4.03	4.04	3.97
2015 Score	3.93		3.56	3.69	3.58	3.55	3.73	3.88	3.77	3.82	3.95	4.03
Y-o-Y Variance	0.27	0.12	0.00	0.14	0.28							

What we've learnt

The `five out of five' initiative has been key to improving our SIM results, reducing complaints and having a positive impact on our customer satisfaction scores.

The survey results also highlight where we are delivering great service, so we can thank the teams involved and share learning with others; and where things have gone wrong so we can identify what improvements need to be made.

The fixes we've needed to implement to achieve `five out of five' are both complex and simple. For example, we recognised that we needed to upgrade our Customer Relationship Management (CRM) system which essentially is on the front end of our billing system to improve the information our agents have when speaking to customers and give a better customer experience. Our conversations are better informed which ultimately benefits customers.

Additionally, we have introduced thank you cards and emails for customers who report leaks to us, which is being positively received from the feedback we've had to date.

This year we also took a different approach to annual billing for unmeasured customers by running the billing process daily. Early indications show this is giving us more time to with deal with individual customer queries and so `flattened' the peak levels of customer calls and complaints we usually see about unmeasured water bills - as can be seen in the graph on page 11 (see data for week 45 to 50).

Customer care team interactions

In 2015, we formed a dedicated customer care team within our customer services directorate. This was a direct response to two key drivers:

- we identified that support tariffs and services were often undertaken by different teams in the customer services directorate, with no `holistic assessment' of the wider support and help a customer may need
- as a result of our proactive customer communications and engagement work on the customer metering programme, and while developing and implementing our social tariff, we recognised that vulnerability often depends on circumstances - some of which may be long standing, such as disability or poverty, while others may happen overnight or fluctuate, such as bereavement, mental illness or having carer responsibilities

Our customer care team is comprised of 21 employees - 12 of which are based in the field - to find, build trust with, and help those customers who need our support, whatever their issue or challenge.

Customers are referred to the customer care team from other teams in the business, including operations and our contractors who work on the capital programme and customer metering programme. We've undertaken specific training with these teams to ensure they are primed to identify the potential flags that could make a customer vulnerable.

We continue to proactively engage with partner organisations, such as social housing associations, Age Concern and Citizen Advice, but are increasingly attending

community events, meetings and financial inclusion groups - from mother and toddler groups and Slimming World clubs, to support groups for the deaf and partially sighted/blind and dementia sufferers and their carers - to promote the services and help we offer.

Results to date

Numbers of customers	2014-15	2015-16	2016-17	May 2017
WaterSure	1,989	2,510	3,073	3,209
Social Tariff	n/a	4,581	9,868	10,557
Priority Services Register	12,750	13,760	15,468	16,177

Case study: High consumption query to personal support

A high consumption query was identified and letters sent to the customer to highlight this with the commitment that we would like to arrange a technician visit to investigate a possible leak. No contact followed the letter so the issue was passed to the customer care field team to visit.

The field team managed to make contact with a frightened gentleman, Mr M, aged 60+ with no family or visitors who, firstly, did not want help or contact. The field agents used their training, knowledge and `softly-softly' approach to gain Mr M's trust so that he eventually let them in. They were faced with hoarding conditions making access to rooms almost impossible; the team are often faced with these circumstances but know not to be phased, but offer support. Mr M was grateful for this and admitted to having a leak which he was unable to fix. The field team arranged for our technicians to visit, assuring Mr M they would be there at the same time to make sure the any issues were resolved. The field team also gained Mr M's agreement to attend prior to the visit to remove some of the items and debris so access could be gained to the kitchen where the stop cock was situated.

The leak was duly fixed but the field team also gained Mr M's agreement to refer him to his local adult services to continue working with him and to assess his needs to support him further. Mr M has also been added to our priority services register and relevant vulnerable classes have been added to his water account to identify this in future.

What we've learnt

As we have learnt more about our customers' changing needs, we have changed the way we focus on our processes and support. We've recognised that a customer may only be vulnerable for a transitory period; and that being vulnerable is not just about a customers' ability to pay their water bill - they often have complex needs that require more specialist and tailored support.

We've also learnt that even though we have re-designed our water bills to make information easier to find, and undertaking general promotion of the support we offer

- via the website and social media for example - the most effective means of getting the support to those who need it is by word of mouth.

It's our role to start the conversation that spreads this important message. That's why we've seen a marked increase in the number of events and meetings we now attend, with as many as two events having a company presence at weekends.

It's also important to recognise that we are still learning - the more we engage customers in vulnerable circumstances, the more we are learning about how we need to flex and adapt our behaviour too so that we can move customers onto a more positive outcome.

Meeting with other agencies and partners will improve our knowledge of any assistance that is available, across the utility sector as a whole. We will also continue working closely as we have been, with other water companies, on our processes and literature, and incorporate best practice learnings on our customer communications.

Social media engagement

Social media is transforming the customer service experience, bringing new opportunities for communication and engagement with our customers and stakeholders at a time that suits them, and on the device of their choice. It enables direct, instant, real-time communication to happen, which is why social media platforms are playing an increasingly important role in our business.

We launched our Twitter account @sewateruk in 2013 and a company Facebook page in 2014 to engage with customers and stakeholders. Our Twitter account specifically is used for both reactive and proactive communications against the following principles:

- proactive tweets - highlighting company activities that build community-level relationships, promote our brand and maintain our reputation
- reactive tweets - seeking out and responding to customer issues, comments and complaints

Social media also allows us to improve our brand in the process, by showing the human side of our business. We've learnt that we need to be responsive, accessible, personal and friendly and so we have:

- changed the tone of our communications on social media to be viewed as a more approachable and friendly company
- increased the social media resources in our customer contact centre to 10pm weekdays and 1pm at weekends - meeting our customers' expectations on our response to emergency incidents
- been much more proactive in our social media communications; for example, for Valentine's Day we had a *#loveyourtap* campaign which gave customers advice on how to keep their tap clean and protect water quality
- increased the use of social media during events and emergency incidents as it is a quick and effective tool at providing information – see next case study.

Case study: The Hailsham burst – the catalyst for a new approach

At 03:15 on the 10th May 2015 an 18" spun iron pipe burst on the A22 near Hailsham, East Sussex. The incident ran for 45 hours and affected 33,900 properties for varying durations.

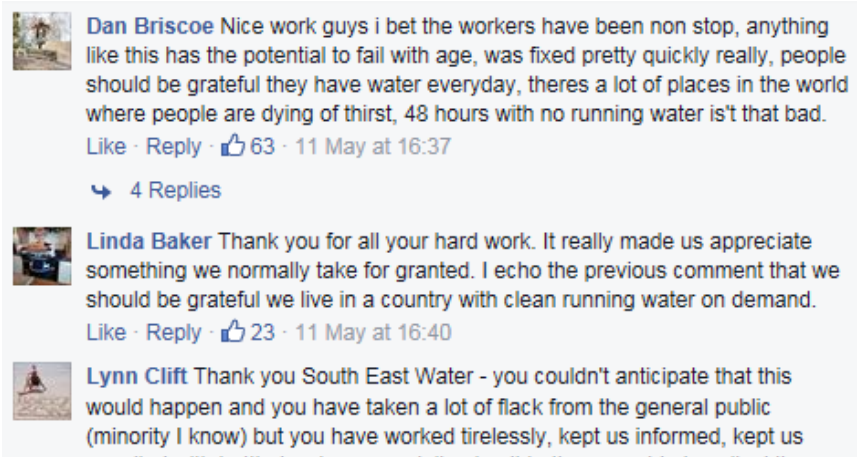
Once the pipe failed it was difficult to control the burst. Water emptied out of Folkington Service Reservoir and around 10,000 properties in Hailsham lost their water supply. Water pressure in neighbouring Eastbourne fell, but customers were continually supplied with water.

Other than the scale and complexity of the problem and the distribution of bottled water, one defining element of this incident was the use of social media and the website by customers and the company to discuss the event.

- During the incident the website had 60,500 hits, compared to a normal daily figure of around 2,000
- The total tweets received over the two days of the incident was 416

Initially, when information was sparse, the twitter comments were negative – mainly around the provision of bottled water and the lack of specific information we were providing about the time the burst would be repaired and water supplies restored. It is estimated that around 20,000 people would have seen the re-tweeted information on Twitter.

Once customers could see the magnitude of the excavation and the complexity of the repair – including the use of photos from the site - the mood being expressed on Twitter and Facebook changed, with an overall positive response some 24 hours later:


Dan Briscoe Nice work guys i bet the workers have been non stop, anything like this has the potential to fail with age, was fixed pretty quickly really, people should be grateful they have water everyday, theres a lot of places in the world where people are dying of thirst, 48 hours with no running water is't that bad.
Like · Reply · 63 · 11 May at 16:37

4 Replies

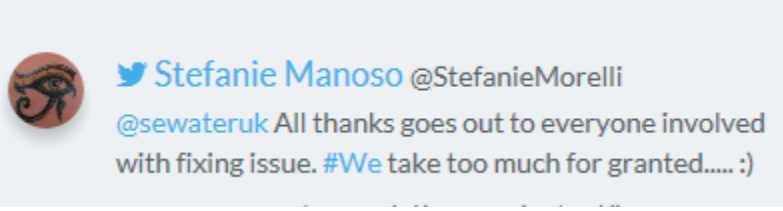
Linda Baker Thank you for all your hard work. It really made us appreciate something we normally take for granted. I echo the previous comment that we should be grateful we live in a country with clean running water on demand.
Like · Reply · 23 · 11 May at 16:40

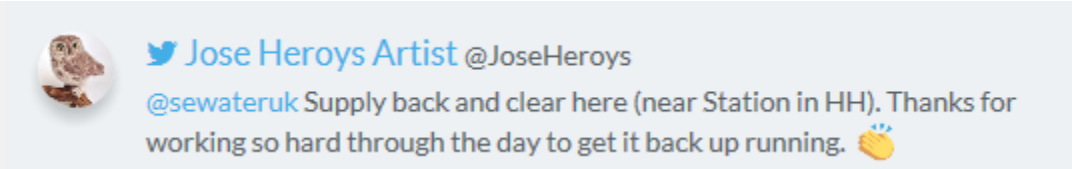
Lynn Clift Thank you South East Water - you couldn't anticipate that this would happen and you have taken a lot of flack from the general public (minority I know) but you have worked tirelessly, kept us informed, kept us

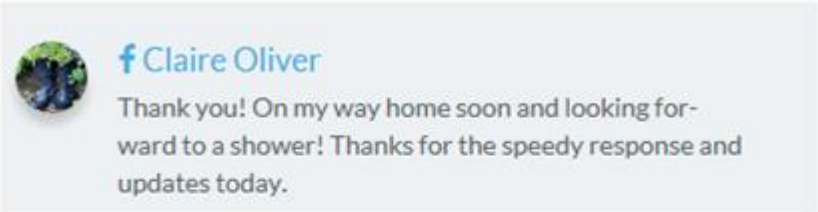
What we've learnt

Social media allows us to be an "active listener" to the conversations our customers are already having about us with others; and means we can also be an "active talker" when it comes to managing our reputation too when we join the conversation.

We have become more proactive in our messaging and use photos and images too so our customers can see the work we are doing on their behalf. Our customers appreciate the approach we are taking, as feedback has shown.







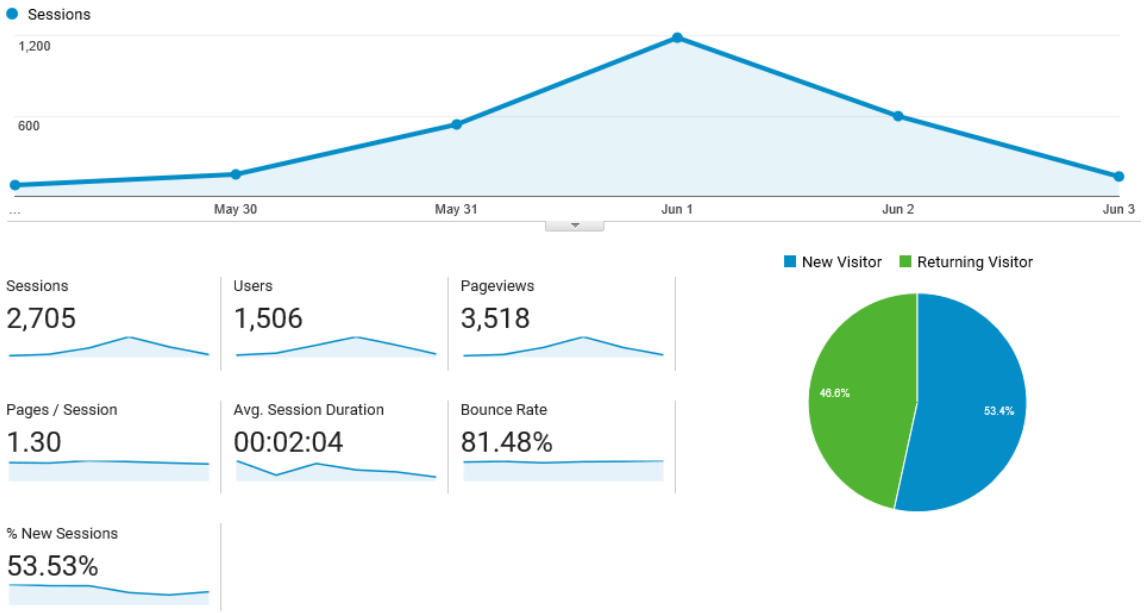
We've also learnt that developing more creative content for online platforms sparks the discussions we want to have with customers and stakeholders about some important issues or processes - such as our Aldershot leakage campaign; while customers tell us they want to see more of the science and technology behind producing tap water and so we've used social media to support the roll out of our `Pure know $h_2$ow' brand.

We recognise that digital platforms will be increasingly used to become the channel of choice during `service recovery' eg emergency incidents as they provide instant, effective and widespread communications.

Case study: Friston incident

Between 31 May and 3 June 2017, when customers in Friston had no water, 1,500 customers logged onto our website's new "In Your Area" map to find out more information on the issue affecting their water supply; 53 per cent of those visitors were new customers, and 46 per cent were returning. Conversely, we only had a total of 28 customer contacts by phone (some repeat) during the same 48-hour incident.

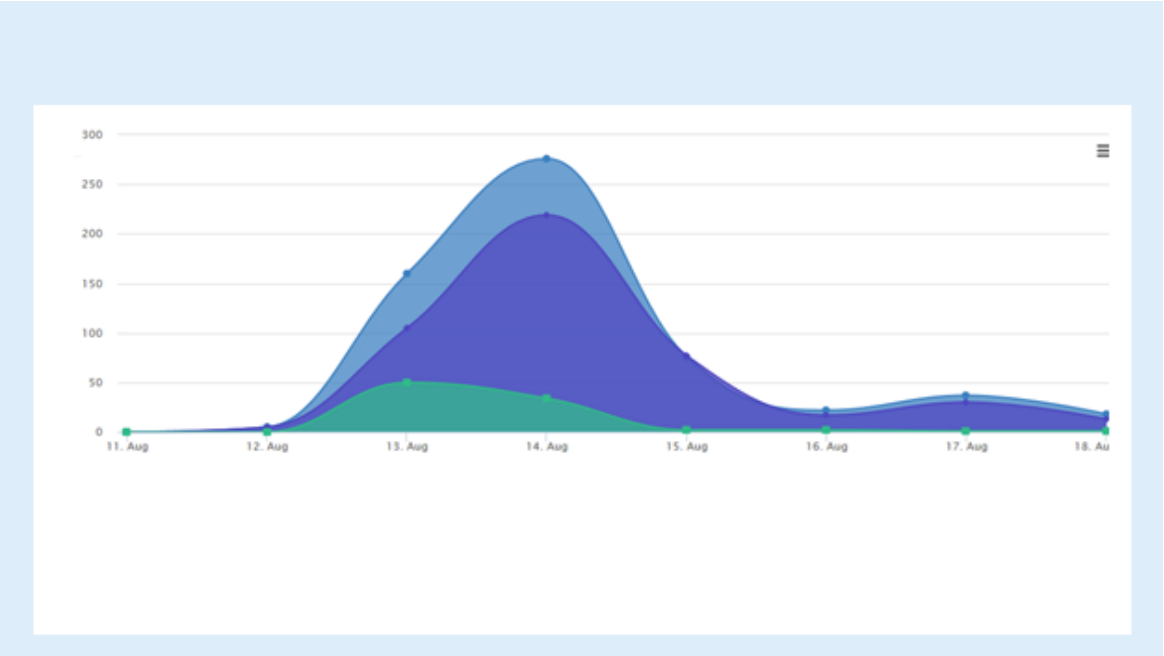
Overview of In Your Area analytics from Friston event



Case study: Hayward's Heath incident

During a burst water main incident in Hayward's Heath on Sunday 14 August 2016 we received 276 `digital interactions' - 225 on Twitter - regarding no water/low pressure:

Social media contacts – Hayward's Heath incident August 2016



Results to date

Our social media following has steadily increased since the Hailsham burst main event:

Activity	2015-16	2016-17
Proactive tweets	705	544
Reactive tweets	2081	4209
Twitter followers	2812	4314
Facebook followers	653	992

During 2017-18 we will be reviewing our social media activities to further develop our digital strategy for PR19, and the metrics we use to monitor, measure and report our activity.

2.4 What we've learnt from our **conversations** with stakeholders

Stakeholder engagement

The last five years has seen us significantly develop our stakeholder communications and engagement, as we recognise the importance of how this activity can help us achieve our vision and objectives and many of our outcomes for 2015-2020.

As well as responding to stakeholder enquiries we also endeavour to deliver proactive, up-front communications and have delivered a number of improvements as follows:

Capital programme communications
Early engagement with stakeholders interested in/impacted by our capital programme of works has helped generate positive feedback about our up-front approach to the planning and delivery of schemes. We use drop-in sessions and visits to stakeholders and businesses, for example, before we begin construction to understand any local issues or concerns so that we can flex and adapt our approach.

Another form of engagement is to write to customers and stakeholders about our capital investment work which has grown substantially over the last few years.

Period	Number of letters issued (approx. total)
2005 – 2010	8,000
2010 – 2015	200,000
April 2015 – March 2017	210,000

Similarly, we use the same proactive approach on our Customer Metering Programme - in the first two years of the current five-year period we have

issued over 113,000 letters to inform customers and stakeholders about our work to install meters.

Open days at water treatment works
Three times a year we invite local stakeholders to special tours of our water treatment works at Arlington, Bewl and Bray to improve their understanding of the skill and investment required to source, treat and supply water.

Specific groups and briefings
We hold specific engagement with stakeholders through bespoke groups looking at particular issues or areas or performance, for example the Environment Focus Group (EFG) - considered a best practice exemplar by regulators for engaging on the water resource management plan - and the Customer Panel. We held four Customer Panel and four EFG meetings in 2016-17, with quarterly meetings with Natural England and monthly meetings with the Environment Agency.

We also hold regular meetings and briefings with MPs, local authorities, developers etc. For example, we welcomed 37 local councillors, stakeholders and VIPs to our Bewl and Arlington Water Treatment Works open days; and met with 60 residents and councillors in Alton to discuss a large mainlaying scheme.

Industry conferences, events and awards
We are actively raising our profile nationally with industry stakeholders by contributing speakers and panel experts at conferences and events, and entering industry awards - in 2016 alone we scooped three top awards for our environmental, customer service and employee initiatives.

Strategic plans - stakeholder workshops
In May 2017 we held three stakeholder workshops covering 72 stakeholders - parish/borough/district/town councils, environmental groups, residents' associations, businesses and developer groups. The aim was to communicate our business plan approach, provide updates on key areas of service and gather feedback on a number of specific topics - including customer priorities, vulnerable customers, meeting the future demand for water, resilience and long-term planning.

What we've learnt

Our proactive stakeholder engagement gives greater visibility of the work we do and builds lasting relationships that don't just improve our corporate reputation, but satisfaction with our services too. For example, our post-open day surveys of stakeholders and customers often reveal an increase in satisfaction scores - around issues such as leakage, value for money and overall satisfaction - once they have a greater understanding of the work we do in their communities.

The recent stakeholder workshops were well received with positive feedback from attendees, but the same feedback was clear on those areas where we need to improve our communication, engagement and services.

Results to date – Water treatment works open days

Open day surveys at Arlington WTW April 2016 – leakage and value for money

LEAKAGE

When considering our commitment to finding and repairing leaks, on a scale of 1 to 5, where 1 = very poor and 5 = excellent, what score would you give us before and after today's event?	All Responses		Stakeholders		Public	
	Before	After	Before	After	Before	After
1 = Very poor	1 1.3%	0 0.0%	0 0.0%	0 0.0%	1 1.8%	0 0.0%
2 = Poor	8 10.4%	0 0.0%	2 9.5%	0 0.0%	6 10.7%	0 0.0%
3 = Average	37 48.1%	0 0.0%	14 66.7%	0 0.0%	23 41.1%	0 0.0%
4 = Good	18 23.4%	34 44.2%	2 9.5%	12 57.1%	16 28.6%	22 39.3%
5 = Excellent	12 15.6%	42 54.5%	3 14.3%	9 42.9%	9 16.1%	33 58.9%
No answer	1 1.3%	1 1.3%	0 0.0%	0 0.0%	1 1.8%	1 1.8%

VALUE FOR MONEY

When considering whether South East Water provides a value for money service, on a scale of 1 to 5, where 1 = very poor and 5 = excellent, what score would you give us before and after today's event?	All Responses		Stakeholders		Public	
	Before	After	Before	After	Before	After
1 = Very poor	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%
2 = Poor	2 2.6%	0 0.0%	0 0.0%	0 0.0%	2 3.6%	0 0.0%
3 = Average	23 29.9%	5 6.5%	8 38.1%	5 23.8%	15 26.8%	0 0.0%
4 = Good	29 37.7%	28 36.4%	6 28.6%	6 28.6%	23 41.1%	22 39.3%
5 = Excellent	20 26.0%	41 53.2%	6 28.6%	9 42.9%	14 25.0%	32 57.1%
No answer	3 3.9%	3 3.9%	1 4.8%	1 4.8%	2 3.6%	2 3.6%

Findings and feedback – customer priorities

- Clear that water quality should remain the company's top priority.
- Dealing with leakage, protecting catchments, mitigating against flooding and maintaining assets were all seen as high priority
- Stakeholders praised the level of stakeholder engagement carried out currently but there was clearly an appetite for more, particularly face-to-face.
- Interesting response when asked about customer priorities – satisfaction scored lower as "if other aspects performing well then customers will be satisfied"
- When discussed with stakeholders then also agree that focusing on satisfaction is a way of driving performance on the 'output based' measures
- Providing extra support to customers and water efficiency are key 'satisfaction' areas

Priority area discussed	Average (mean) prioritisation across all tables	
	Bewl	Farnborough
'Output' based measures/priorities		
Water quality	4.6	4.6
Water pressure	3.8	3.4
Reducing leakage	4.2	4.2
Reducing the number of interruptions	2.8	3.2
Sites at risk of flooding	4.2	4.2
Reducing carbon emissions	3.2	3.8
Maintaining and improving our assets	4	4.2
Environmental and catchment management	4.4	4
'Satisfaction/customer' based measures/priorities		
Improving our customer satisfaction scores	2.2	3
Providing support to customers who need more help	3.8	4
Reducing the number of complaints we receive	2.2	2.2
Engaging more widely with stakeholders	3.2	4
Promoting water efficiency	4.2	3.8

south east water 3 Pure know h,ow

Findings and feedback – vulnerable customers

- Low awareness about the range of schemes we offer vulnerable customers – positive feedback once details explained
- Best way to engage 'hard to reach' customers would be through partnerships and collaboration with other agencies and stakeholders
- Consensus that efforts should focus on sharing data with other utilities and local authorities, and data protection should not be seen as a barrier
- Links with parish councils and community hubs were seen as important links into communities

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Findings and feedback – meeting the future demand for water

- Mixed response to question whether our water efficiency targets are ambitious enough
- Some groups felt that not enough is being done to tackle leakage and the water industry should learn lessons from energy companies who are installing smart meters
- Wide support for technologies that make use of greywater and also smaller scale incentives such as free water butts
- Most groups suggested SEW should play a greater role in encouraging water efficiency in new housing developments by being more involved in local planning decisions and lobbying government to change regulations
- Groups across both workshops agreed that education and engagement with children and young people was important for influencing future generations, and encouraging households to improve efficiency

Findings and feedback – resilience and long term planning

- Stakeholders agreed that resilience is a critical issue and it is vital to safeguard supplies for vulnerable people and key services
- Most groups agreed that to make customers more resilient, they need to be educated and the company should tailor communications messages to different audiences
- Suggestions included learning lessons from the recycling industry, and use of smart technologies to connect communities and enable them to report leaks
- There was strong support for the work already underway to improve catchment management and deal with metaldehyde
- Environmental stakeholders felt South East Water was taking a leading role in this
- Most groups agreed that a partnership approach would be most effective in addressing resilience

Staff `customer touchpoint' workshops

Since February 2017 we have held a series of workshops with customer-facing employees from across the business - including those from the contact centre, field and our contractor delivery partners - to capture all the customer touchpoints that occur through processes or performance issues.

During these workshops we explored verbal, visual and physical interactions, with the purpose being to identify:

- best practice ways employees deal with customers during processes and everyday services
- any knowledge gaps that may exist around processes (particularly hand-offs to other teams/departments) and everyday services
- any inconsistencies around the information being given to customers during processes or everyday services.

What we've learnt

We have identified a total of 213 separate customer touchpoints through our everyday work that could generate customer contact - the vast majority of these being via the phone and face-to-face (59 per cent) but also post (10 per cent) email (9 per cent) and digital channels (11 per cent).

The workshops have also given us invaluable insight from front-line employees and delivery partners with positive engagement from all those involved. They've also allowed us to identify a series of "quick wins" that we can easily fix - for example:

- if there is conflicting information being given to customers by different teams or departments we have centralised and streamlined the information being issued
- our Customer Technical Centre being advised of when pressure management schemes are due to take place before they happen, so they can provide information to customers at the first point of contact - potentially reducing the need for a technician call out

Our brand is all about demonstrating the `pure know $h_2$ow' of our employees and so these workshops are also about supporting the development of our employees as brand ambassadors and highlighting their water expertise.

We are also exploring the following:

- developing the customer-touchpoints learning for all new customer-facing employees as part of their induction process (possibly supported by a training module)
- developing independent customer touchpoint champions so they review any new processes that are developed and mapped out, to assess if the customer touchpoints have been adequately identified and addressed

We believe there is also opportunity to use existing and new channels - particularly digital and online - for some customer interactions so that we provide an easy to use resource that makes life easier for customers, as well as maximising the `brand opportunities' from those interactions.

Results to date

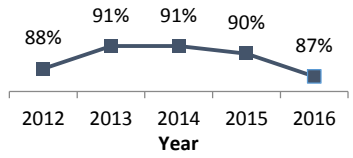
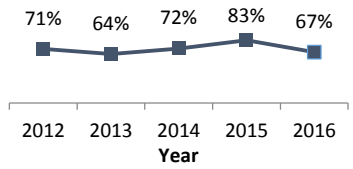
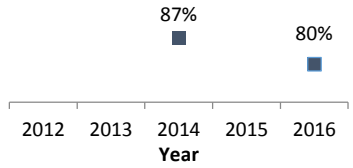
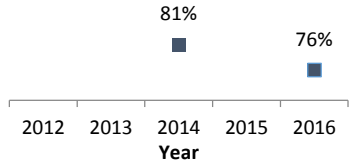
We've identified where there may be specific training needs - for example providing `soft skills' to field employees who feel less confident speaking to customers even in their specialist areas; but also empowering our people to demonstrate their `pure know $h_2$ow' so they can deal with customers' queries and issues beyond their own area of expertise. We are developing simple, easy `go-to' sets of FAQs and material for them to refer to and use in their everyday work.

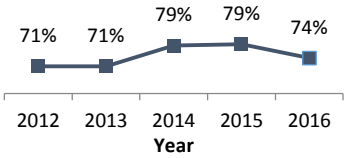
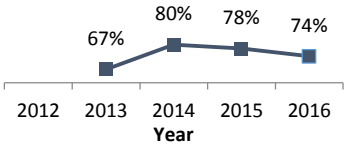
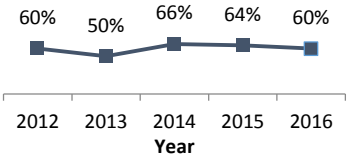
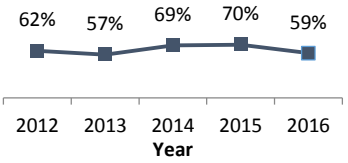
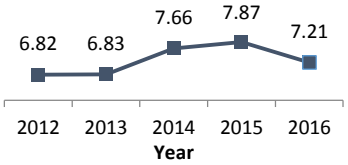
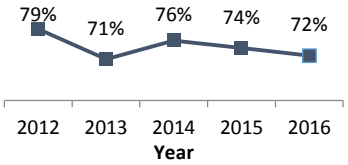
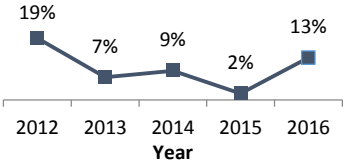
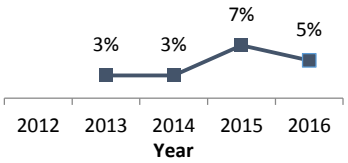
2.5 What we've learnt from **others**

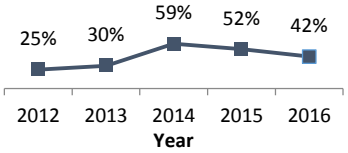
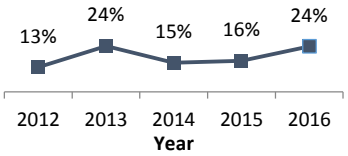
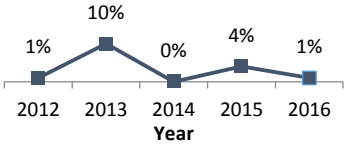
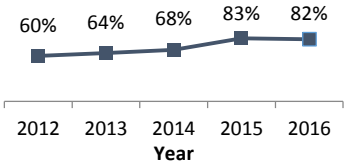
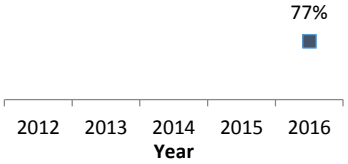
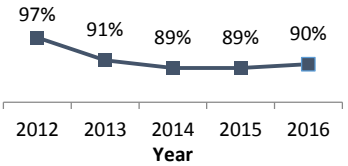
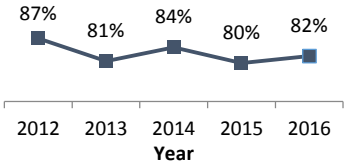
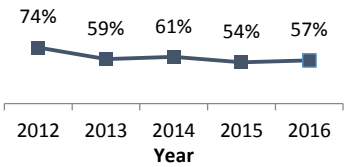
CC Water – Water Matters Report

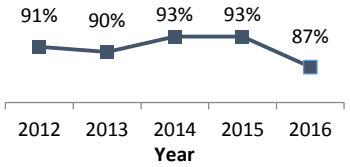
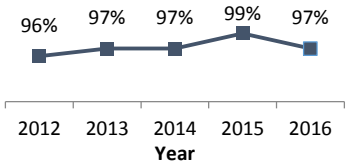
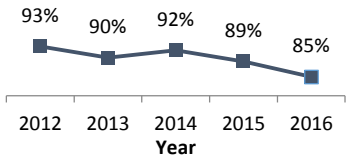
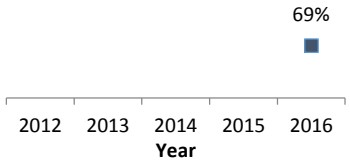
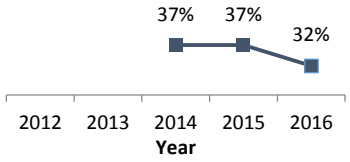
Water Matters is the annual household satisfaction tracking survey commissioned by the Consumer Council for Water. Commissioned first in 2006, Water Matters aims to identify household customers' views of water and sewerage services across England and Wales and monitors changes in these views over time.

The 2016 survey consisted of 5,420 telephone interviews with household water bill payers. A minimum of 200 interviews were carried out with each water and sewerage company (WaSC) and a minimum of 150 with each water-only company (WoC). For a number of years South East Water has elected to double the size of the sample of our customers. Among the survey findings specific to South East Water are:

Results for South East Water	Percentage of household customers	Range and average for all Water only Companies[i]	Comments or points of interest
Satisfaction with water services			
Overall, satisfied with their water supply (Sample size: 304)		87% to 98% Average: 91%	
Satisfaction with value for money			
Satisfied with value for money of water services (Sample size: 299)		62% to 84% Average: 70%	A significant decline since 2015
Views on clarity, fairness and affordability of charges			
Agree water bill is clear (Sample size: 289)		79% to 92% Average: 83%	
Agree it is clear how the final amount is reached (Sample size: 285)		71% to 92% Average: 77%	

Results for South East Water	Percentage of household customers	Range and average for all Water only Companies[i]	Comments or points of interest
Agree their water charges are affordable (Sample size: 301)		65% to 89% Average: 74%	
Agree that total water and sewerage charges are affordable (Sample size: 263)		66% to 89% Average: 74%	
Agree that charges are fair (Sample size: 294)		51% to 81% Average: 61%	
Integrity			
Agree their water company cares about the service they provide to customers (Sample size: 291)		59% to 80% Average: 65%	A significant decline since 2015
Trust their water company (mean score – where 10 is trust completely and 1 is do not trust at all) (Sample size: 301)		7.21 to 8.02 Average: 7.46	A significant decline since 2015
Awareness of consumer rights and responsibilities			
Likely to contact company if worried about paying bill (Sample size: 299)		64% to 77% Average: 72%	
Aware of, or on WaterSure tariff (Sample size: 304)		7% to 19% Average: 13%	A significant increase since 2015
Awareness of other company specific social tariff schemes (Sample size: 304)		1% to 9% Average: 5%	

Results for South East Water	Percentage of household customers	Range and average for all Water only Companies[i]	Comments or points of interest
Aware of additional services (Sample size: 304)		37% to 52% Average: 45%	A significant decline since 2015
Satisfaction with and views on contact experiences			
Contacted water company with a query in last 12 months (Sample size: 300)		15% to 25% Average: 19%	A significant increase since 2015
Reason for contacting water company was to complain (Sample size: 73 who made contact)		0% to 4% Average: 2%	
Overall, satisfied with the way their query was handled (Sample size: 74 who made contact)		75% to 95% Average: 82%	
Overall satisfaction with customer services (Sample size: 286)		72% to 89% Average: 79%	
Water on tap			
Satisfied with colour and appearance of tap water (Sample size: 303)		89% to 97% Average: 93%	A downward trend since 2012
Satisfied with taste and smell (Sample size: 296)		80% to 94% Average: 86%	A downward trend since 2012
Satisfied with hardness/softness (Sample size: 286)		45% to 87% Average: 58%	A downward trend since 2012

Results for South East Water	Percentage of household customers	Range and average for all Water only Companies[i]	Comments or points of interest
Satisfied with safety (Sample size: 291)		86% to 95% Average: 89%	
Satisfied with reliability of supply (Sample size: 302)		94% to 100% Average: 97%	
Satisfied with water pressure (Sample size: 302)		81% to 90% Average: 87%	
Confident of long term water supply will be available without restriction (Sample size: 296)		66% to 89% Average: 73%	
Likelihood to recommend as a provider of water services			
Extremely likely to recommend South East Water to friends and family as a provider (Sample size: 292)		32% to 52% Average: 37%	

The report acknowledges there are some large fluctuations at company level, which it attributes to more respondents stating they are neither satisfied nor dissatisfied - with the inference that customers may have a greater level of engagement with their water services but have not formed enough of an opinion to give an answer either way. On that basis, the results do not automatically suggest that satisfaction levels have declined.

What does this tell us?

The report reinforces our view that using customer satisfaction as a measure of our performance is not without its challenges - it is often difficult to understand what that specific customer has experienced during their interactions with us (or indeed other water companies/utilities) and if/how that has influenced their response.

That lack of detail has driven us to try an approach where we can understand our individual customers' needs and personalise our service - via the segmentation approach we intend to develop at PR19. Operationally, meanwhile, we are continually investing in new water mains, carrying out work to treatment works and increasing our flushing programme to proactively deal with water quality issues.

CC Water - Annual complaints report

CC Water's annual complaint report focuses primarily on written complaints made by household and non-household customers, and includes information about unwanted telephone contacts made by household customers to water companies.

The 2015-2016 report highlights and commends our continued improvement in customer service, with fewer complaints and an improved position in the industry rankings – in fact we had the biggest reduction in complaints with 38.2 per cent fewer than in 2014/15.

The report acknowledges this improvement comes at a time when we are metering all our household customers - a policy which has caused problems for other companies in the region – noting *"The company's success is the result of a mixture of innovation and initiatives that place customer care and satisfaction at the centre of all its activities".*

What does this tell us?

The report reinforces our own findings and experience that our customer service and complaint handling has improved considerably, but that we still have a way to go to be consistently among the top performing companies. Our focus on improving our people, processes and performance continues.

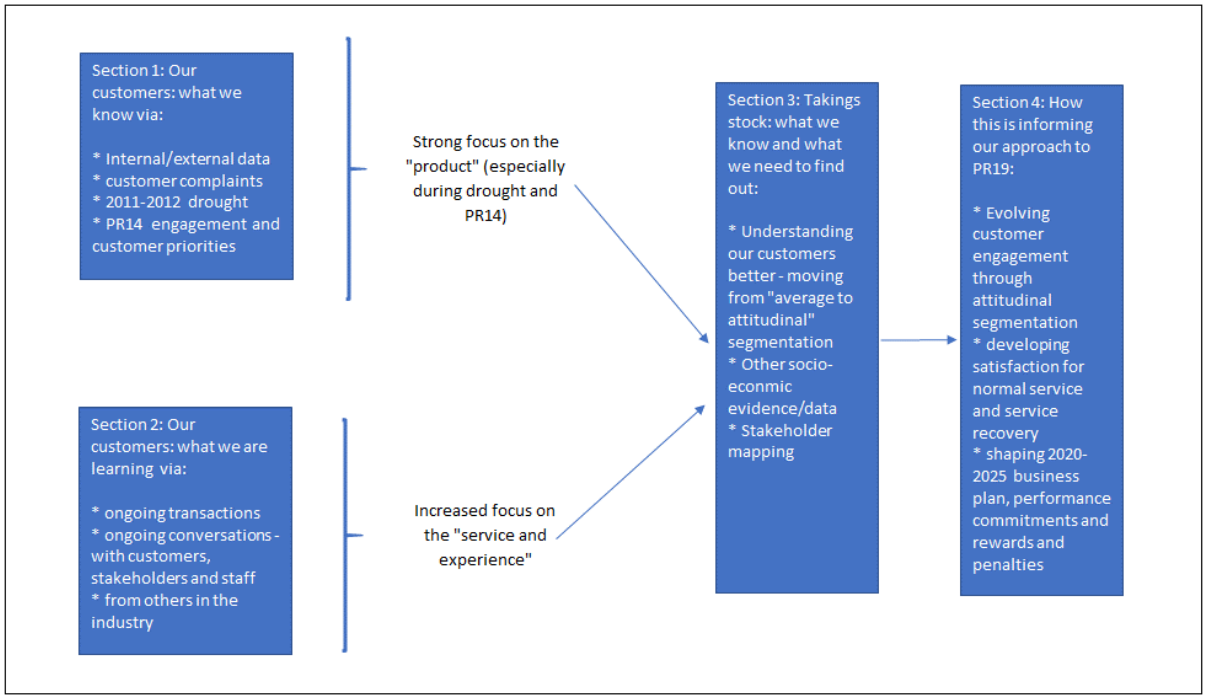
Section Three: Taking stock: what we know and what we need to find out

3.0 Introduction

Sections 1 and 2 of this report have focussed on what we know and what we have learnt from the data, evidence and learning we have gathered - and still are gathering - on our customer-centric journey.

However, we recognise there is still much that we do not know about our customers and communities - understandable perhaps given that our journey and learning continues; and the way in which we engage and gather that data, evidence and learning is evolving all the time.

It is those gaps that a) we need to capture and b) are ultimately influencing our approach for PR19. The stage we find ourselves at as reflected in this report can be summarised by the following graphic:



3.1 Where are we? Customer priorities dashboard

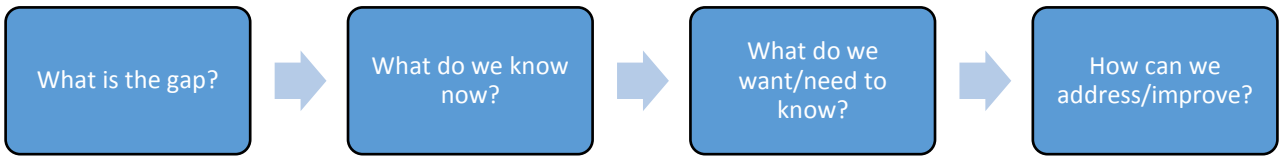
A key part of the `stock take' exercise has been to revisit what our customers told us were their priorities at PR14, and what they have told us since from our many transactions and conversations with them:

Customer priorities	At PR14	Today	Data source
Water quality	Customers take the quality of their tap water for granted and trust us to supply a water supply that is safe, clean and has an acceptable appearance, taste and smell.	Customers continue to place a high priority on the quality of tap water we supply – particularly around taste, smell and appearance which continue to generate a higher number of operational contacts.	Annual tracker survey SIM surveys Customer satisfaction surveys five out of five surveys (operations) Customer complaints/contacts Stakeholder engagement Community talks and events WTW tour – post event feedback Media coverage (including social)
Water supply	Customers generally take the reliability of their tap water for granted but saw it as our role to meet their current and future demands for water – by adopting the twin-track approach of saving water and developing new supplies. Customers think leakage levels are too high and waste a valuable resource; it's a problem we need to fix, and certainly before we ask them to conserve water when there are shortages.	Customers take the reliability of water supplies for granted and expect us to ensure there is enough water for everyone. In general they do accept that occasionally things will go wrong; when they do they expect our service recovery – including our communications as well as our repairs – to be quick and effective. Leakage remains a priority for customers and their satisfaction at our efforts to inform them on how we find and fix leaks is improving – but we still need to do more.	Annual tracker survey SIM surveys Customer satisfaction surveys five out of five surveys (operations) Customer complaints/contacts Interruptions/Incident feedback - including post incident surveys Aldershot leakage campaign Leak repair scheme contacts Stakeholder engagement (EFG) Community talks and events WTW tour – post event feedback Media coverage (including social)
Water service	In general, customers were happy with how we operate our business for them, but they expect to be able to choose how and when they do business	Customers' expectations about the range of contact channels and transaction methods have increased. We've responded with greater	Annual Tracker Survey SIM surveys Customer satisfaction surveys five out of five surveys Customer complaints/contacts Social media data Advizzo pilot

Customer priorities	At PR14	Today	Data source
	with us, and want more information around water efficiency advice and water quality.	use and promotion of online account management, website information, live chat, SMS alerts.	Stakeholder engagement Community talks and events WTW tour Interruptions/incident feedback – including post incident surveys Media coverage
Water bills	A priority for the majority of customers is low, affordable bills. In general, they were not willing to pay for any significant improvements in current levels of service.	Keeping bills low and affordable is important – but so increasingly is customers' perception of whether the bill represents value for money	Annual Tracker Survey SIM surveys Customer satisfaction surveys five out of five surveys (billing) Billing contacts Tariff take-up Stakeholder engagement Community talks and events WTW tour – post event feedback Media coverage (including social)

3.2 Where next? Gap analysis dashboard

In addition to this insight, much of which is summarised in sections one and two, we have then undertaken a 'gap analysis' on the following premise:



This will allow us to focus on those areas of engagement where we need to do more to really understand our customers and their views, as we demonstrate on the next page.

GAP ANALYSIS			
What is the gap?	**What do we know now?**	**What do we want/need to know?**	**How can we address/improve?**
Overview of our customers – who are they, what are their demographic, social and economic circumstances?	Current data is limited to information about the supply point at the customer's property and billing information necessary to manage their account with us	Demographic, social and economic data that we can map onto our customer database to help us understand who are customers really are eg household make-up (people and property type); income and affordability levels; benefits information; customers with different disabilities which may impact the services they need or their ability to engage with us. Understanding this will help us to achieve the strategic goals around customer service, resilience, affordability, and innovation	1. Identifying the range of data and information that is available to purchase (eg Experian) and then overlay it with our own, allowing us to interrogate and target our services and communications 2. Developing the `Insight Hub' concept to give us greater granularity of data about our customers – allowing us to compare internal and external data and overlay insights from our research programme
Detailed knowledge about what makes our customers different/tick eg their attitudes and values beyond the `average customer' and `average bill'	Overall priorities from a broad range of customers, preferred levels of service and willingness to pay for any changes in service (as carried out at PR14)	Per different type of customer: • Their priorities and expectations – now and in the future • How those priorities and expectations change during `normal service' and `service recovery' • What else they would like us to do for them – other services/tariffs? • How much do they want to pay for our product and service?	1. Customer segmentation research 2. Evolving Willingness to Pay, Outcomes and ODI research with segmentation 3. Triangulating our business as usual evidence with PR19 research 4. Developing the `Insight Hub' concept to give us greater granularity of data about our customers
Detailed knowledge of customers' preferences around channels of communication and how they want to do business with us – particularly views on using digital/mobile platforms	Limited data available from annual satisfaction tracker on customers' contact preferences; and % of customer base with access to digital platforms	Customers' preferences on contact channels; data on internet access, smart phone penetration in supply area	1. Use of external data eg Experian 2. Test contact channel preferences via PR19 customer research, annual satisfaction tracker, direct mail communications (with bill for example) 3. Capture more usage data via digital platforms and systems eg website cookies
Mapping of our priority key stakeholders - people or groups - that we need to engage with, why and how	Good engagement with EFG on WRMP More general stakeholder engagement learnings from: • Source Newsletter – % open rate, click rate, unsubscribe data only • Attendance at stakeholder workshops and views expressed • Number of stakeholder communications eg MP letters, capital programme emails/tweets etc	Who they are/represent Main areas of interest Views of South East Water Views about water generally Greater understanding of their short and long-term plans/aspirations and linkages with our plans and processes	1. A stakeholder mapping exercise so we can strategise the way we interact with stakeholders 2. A review and update of our stakeholder database to allow segmentation to occur, to tailor our future stakeholder communications and engagement 3. A perceptions audit among our key stakeholders to identify areas where we need to do less/more engagement and/or activities

Section Four: How this is informing our approach to PR19

4.0 Introduction

Having completed the stock take exercise, it has given us a much clearer picture of the engagement gaps that need filling for PR19 - and the approach that would be required to fill those gaps.

This section of the document now summarises the strategic approach we are taking for PR19 which will:

- address the engagement gaps identified from our “stock take” exercise
- ensure that our 2020 to 2025 business plan is built around all our customers’ priorities, needs and expectations
- integrate with our business as usual engagement and communications
- bring customer and employee voices into the heart of our business decisions in the long term
- give us new insight to help us to focus on how we can achieve our vision

4.1 Evolving our engagement for PR19

Our engagement is evolving from one that historically has been based around transacting with our customers to understanding their attitudes and specific needs, and then matching our services to that.

That is driven by the experience of our daily interactions with customers which shows they have different needs and expectations; there is no such thing as an average customer, as our analysis of customer satisfaction shows (see section 2.3 i.e. higher satisfaction rates for over 75s).

When it comes to water, our learnings from water supply incidents have also shown that customers often make a clear distinction between ‘normal service’ and ‘service recovery’ - and their satisfaction can change depending on which type of service they experience; they behave in different ways and so we need to as well by giving a five out of five service in **all** situations.

Co-creation through segmentation

We are undertaking an innovative approach in preparing our 2020 to 2025 business plan to move away from the notion of a plan for the `average customer’ and evolve an approach that is bespoke and tailored around both `normal service’ and `service recovery’.

We are using segmentation - based on customers’ attitudinal and emotional responses to water - to develop our future thinking around outcomes, performance commitments and outcome delivery incentives.

Segmentation allows us to understand the diverse and changing needs, requirements, priorities and values of our customers, meaning we can:

- tailor our engagement and research to improve its effectiveness
- tailor our services to support all our customers - there being no such thing as an `average' customer
- evolve our outcomes to reflect this approach
- co-create the performance commitments and outcome delivery incentives (ODIs) with customers that reflect their attitudes and needs

Why are we doing it?

The experience we have gained from running satisfaction surveys has shown there are some differences between satisfaction when analysed by more traditional demographics – such as age, gender, socio-economic groups.

This type of `social segmentation' is the approach that has historically occurred at successive price reviews; however, it is a blunt tool when it comes to understanding our customers better – we believe their views about their water service are more influenced by their attitudes and values/beliefs rather than just their age or social status.

That's why we have gone a step further and introduced `attitudinal segmentation' testing to understand if our instincts are right - that there is no such thing as an 'average' customer.

Before we can test whether customers' views on their priorities, service and satisfaction levels are different based on attitudinal segments we first need to define what those segments are - this is the research we have undertaken with Accent and Brand Edge. We are also looking to purchase external demographic data and using this alongside our own internal data and the segmentation research findings, to see if this can help define the customer segments further.

How will we use it?

We see this as being a key distinction at PR19 that will help us ensure our plan reflects the diverse range of different customer views and priorities.

While we will still undertake socio-demographic segmentation and analysis, we will supplement this with our attitudinal segmentation. The key aim of this new attitudinal segmentation is to understand whether the following factors are different for each segment:

- customer priorities of the service they receive now and want to receive in the future
- any new services or financial support mechanisms that are needed
- the level of service and satisfaction that customers want
- their willingness to pay for their water service
- the acceptability of the overall plan for price and service

This will allow us to make sure the services we deliver are what customers want and at a price that is acceptable to them both now and in the future.

How do we aim to use this in the business plan submission?

Essentially we are developing a business plan that works for each `customer persona' and their priorities (and which may include additional summary plans for each customer persona). For each customer persona we can then:

- develop the outcomes, baseline satisfaction scores, performance measures and outcome delivery incentives (ODIs)
- assess the changes that need to occur during `normal service' and `service recovery' so that we tailor our service and communications accordingly
- identify potential new ways to help customers become more resilient and efficient with their water use
- overlay financial and vulnerability issues to our thinking so that we can assess any impact on customers in vulnerable circumstances - and then address whether the way we want to deliver our services works for all the types of customers we have

What is the benefit to customers?

Greater understanding = greater tailoring

Understanding the attitudinal views of our different types of customers will allow us to:

- tailor our communications approach to different segments to improve its effectiveness
- tailor the information we provide to customers in each segment
- tailor the services we offer based on what is important to those customers
- use different customer segments as advocates to help deliver our shared goals (eg water efficiency) which benefits us, customers and communities

Developing customer satisfaction as a measure of performance

Our work on customer satisfaction has:

- reinforced our belief that measuring customer satisfaction is a **robust and positive way to measure how well we are doing**; customer satisfaction goes beyond meeting regulatory targets to reflect how customers feel about South East Water when they interact with us, whether that's visually, verbally or physically

- allowed **greater understanding of the different types of customer we have**, and how their needs and expectations differ - leading us on our journey of wanting to deliver a more customised/tailored service

- **underpinned our vision, objectives and future strategic direction** with direct control of that overseen by the board, which reviews satisfaction results at its meetings. The March 2017 board meeting included a specific update on

our satisfaction strategy to ensure we stay at the frontier of developing outcomes and satisfaction measures for PR19

- **driven a cultural change in our business**, expanding beyond the service incentive mechanism (SIM) process; it embraces how our employees interact with each other (as well as customers) and has shown the role that a strong, positive and proactive brand can play in influencing customers' perceptions of us and the work we do

We are also exploring how we can evolve customer satisfaction measures so that we capture customers' emotional response to the service they receive from us; and developing the capability to map satisfaction scores on our Geographic Information System (GIS) to see if we can determine any satisfaction patterns that occur as a result of water quality or water supply issues happening on the network, and then use that to inform our future activities.

Supporting customers in vulnerable circumstances

Our mantra is to give a "five out of five" service to **all** our customers no matter what their individual needs or circumstances; and in particular, to better understand what a "five out of five" service means for customers experiencing vulnerability.

The Customer Care Team has transformed the way we identify, engage and support customers in vulnerable circumstances; and driven a step-change in both the activities we deliver, the materials we use, and the resources and budget we dedicate to offering a more bespoke, tailored service to those who need our help the most. Since its formation, we have undertaken nearly 44,000 customer visits.

Our approach has also provided the foundation to explore opportunities to work more closely with others - national and community partners and other utilities - to see if we can share customer intelligence that sits within multiple Priority Services Registers.

Defra's most recent Strategic Policy Statement, published in March 2017, challenges the sector with a clear objective to *"improve the availability, quality, promotion and uptake of support to low income and other vulnerable household customers."* We will continue to look at how we can improve our reach to, engagement with, and support of customers in vulnerable circumstances - following best practice examples (e.g. Western Power Distribution case study).

As we develop our business plan for 2020 to 2025 we will overlay financial and vulnerability issues to our segmentation approach so that we can assess any impact of the way we work and deliver our services works for customers in vulnerable circumstances.

4.2 The regulatory framework that **guides** our PR19 engagement

Ofwat's principles of engagement

Ofwat has outlined seven key principles of customer engagement in its policy paper (*Customer engagement policy statement and expectations for PR19, May 2016*) which water companies are expected to follow.

The engagement principles provide a very useful engagement framework to work to, but are also helpful in that they provide clarity on the specific roles and responsibilities that water companies, CCGs and Ofwat each have in the PR19 process. They are:

- Principle 1: Water companies should deliver outcomes that customers and society value at a price they are willing to pay
- Principle 2: Customer engagement is essential to achieve the right outcomes at the right time and at the right price
- Principle 3: Engagement should not simply take place at price reviews. Engagement means understanding what customers want and responding to that in plans and ongoing delivery
- Principle 4: It is the companies' responsibility to engage with customers and to demonstrate that they have done it well
- Principle 5: Customers and their representatives must be able to challenge the companies throughout the process. The engagement process should ensure this challenge happens. If this is not done effectively, Ofwat must be able to challenge on customers' behalf. In doing so, Ofwat will fulfil its duty to protect customers
- Principle 6: Engagement is not a 'one-size-fits-all' process, but should reflect the particular circumstances of each company and its various household and non-household customers
- Principle 7: The final decision on price limits is entrusted to Ofwat. Ofwat will use a risk-based approach to challenge company plans if it is necessary to protect customers' interests

The PR19 methodology

For every price review Ofwat produce the methodology; this is essentially the 'rule book' that governs water companies when preparing their five-year business plans.

To determine the methodology, Ofwat undertake a number of consultations with the sector, other regulators and interested parties prior to producing it. During 2016/17 and to date we have been consulted on a number of issues around customer engagement, resilience, water resources, the outcomes framework and specific areas such as debt and vulnerability. The draft PR19 methodology was published in July 2017 for consultation.

Key themes

- Great customer service - companies are expected to stretch and challenge themselves on service with Ofwat benchmarking them against other sectors
- resilience - financial, corporate and operational resilience. Focus on the long term. Boards need to provide assurance on their plans and services as well as on statutory obligation compliance. Common outcome performance commitments on asset health, resilience and some customer priority outcomes
- affordable bills - affordable for all with better support for vulnerable customers. Push the efficiency frontier to keep bills low. Do more to reduce bad debt
- innovation - payment by results to incentivise innovation. Promote markets through water trading and direct procurement of large projects. Working with customers to co-create and co-deliver. Building on best practice including outside the sector

Customer engagement

- Companies need to understand their customers and deliver the outcomes that matter to them over the long term. This includes all customers, including those in circumstances that make them vulnerable and those that are hard to reach.
- Ofwat expecting a step change in customer engagement at PR19 with companies using a wider range of techniques to address its principles of good customer engagement. This includes customer participation
- customer engagement will be central to its assessment of company business plans at PR19
- CCGs will provide independent challenge to companies and provide independent assurance to Ofwat on:
    - the quality of a company's customer engagement; and
    - the degree to which this is reflected in its business plan
- non-household customers – Ofwat want wholesalers to engage with business end-customers on the wholesale services they provide to them. They do not want wholesalers to lose this link with their end customers. Ofwat consider that wholesalers should engage with business retailers as part of the customer engagement process to learn about their views and the views of their customers

Outcomes

- There is significant scope to make performance commitments more stretching, so that customers benefit from better service
- there is significant scope to build on the ODI framework to incentivise companies to deliver more of what customers want by better aligning the interests of company management and investors with those of customers
- there should be greater incentive for companies to go beyond their service commitments to customers, and larger penalties for those who do not achieve their commitments
- better services can be achieved alongside keeping bills affordable for customers given the scope for efficiency improvements at PR19

Rewards and penalties

- Companies should adopt in-period ODIs as a default for all their ODIs
- end-of-period ODIs, by default, should be linked to revenue unless companies can justify, and provide evidence, why this should not be the case
- the threshold for the enhanced rewards should be set at the performance level of the current leading company, or preferably higher
- companies proposing enhanced rewards and penalties should explain in their business plans how they plan to achieve their service improvements and how they will share any success with the industry during the price review period. Receiving the enhanced reward will depend on whether the company has a credible plan for sharing its approach with the sector

Business plan and assurance

Ofwat expect companies plan to:

- Contain well-written narratives that are both easy to follow and understand and are no more than 300 pages (200 pages for water only companies)
- summarise how companies will deliver its key PR19 themes and the UK and Welsh Government strategic policy statements
- summarise how companies will deliver outcomes that reflect the priorities of the customers and communities they serve
- demonstrate how those outcomes are grounded in high-quality customer engagement
- contain fair proposals to share rewards and penalties with customers
- set out how they meet each of the initial assessment tests and signpost supporting evidence
- contain consistent, accurate and assured information
- provide strong evidence to support companies' proposals
- be owned by the company and its full board and published
- be accompanied by an independent report for Ofwat from their CCGs

Next steps

We are preparing our consultation responses to the draft PR19 methodology but will use the draft document to guide our research and engagement programme as part of our 2020 to 2025 business plan preparations.

Ofwat's views on evolving PR19 research

Willingness to Pay (WTP)

In April 2016 Ofwat produced a paper (*Stated Preference Willingness to Pay - and complementary or alternative approaches for PR19*) which captured its initial thinking on how tried-and-tested research approaches, such as Willingness to Pay (WTP), could be evolved for PR19. The paper reflected similar industry debate around research methods which had already occurred post-PR14, and not least as a result of some challenge by companies' CCGs during PR14 on the effectiveness of WTP as a tool for determining customers' preferences around levels of service and investment decisions.

Ofwat's paper concluded that while there was an over reliance on the use of this approach to determine interventions in levels of service, WTP still has an important role to play at PR19 - but that its application can be improved and built upon. In fact, we had already started to evolve our research techniques at PR14 by using a different methodology, akin to price comparison sites, to sense check and compare customers' investment priorities to the main WTP research findings.

We intend to evolve our research methods further for PR19 to give a richer set of evidence of customers' needs and requirements, but which is still supported by existing methods and our day-to-day interactions with customers so that any differences can be fully understood.

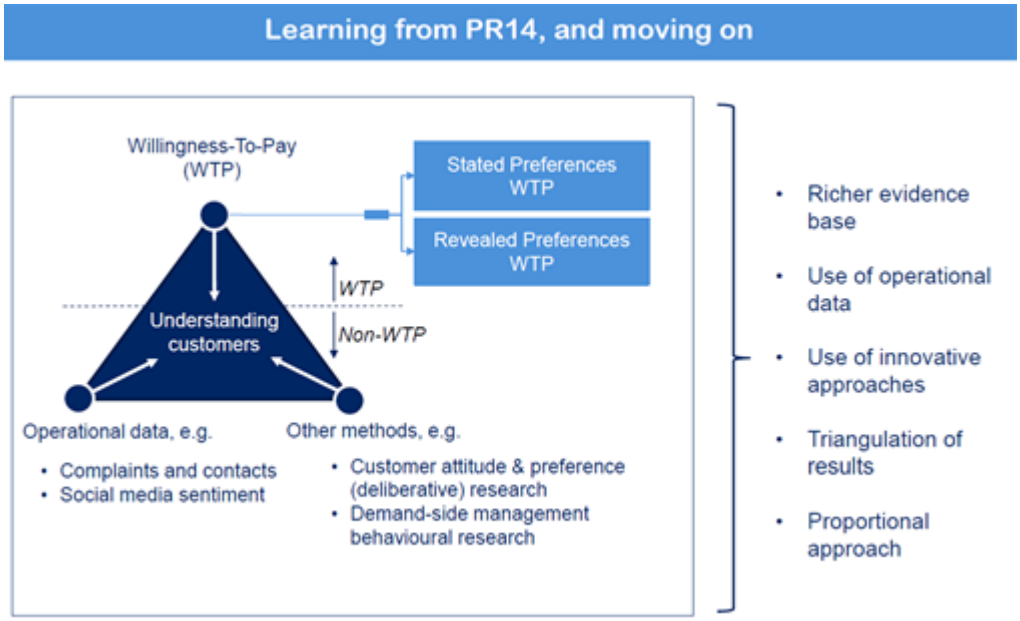
The following table summarises the key challenges and concerns regarding the PR14 approach to WTP, and our proposed method of addressing them for PR19.

Challenge/concern at PR14	How we would address for PR19
PR14 WTP instrument was widely viewed as being too complex/abstract	With our research partner Accent, we are developing a simpler and less abstract research. A key benefit of the new approach is that it avoids the need to present customers with the task of trading off small risk changes against one another (for example a '1 in 10,000 chance of flooding') - the source of much of the difficulty with the PR14 approach.
Unclear how answers feed into business plans/a 'black box'	We will develop and agree a methodology for customer valuation evidence to avoid late challenge to the methodology approach in general, as happened at PR14. The engagement sub-group will play a critical role in scrutinising and challenging the methodology we develop before it is used.
WTP measures don't take account of comparative performance	Ofwat intervened at PR14 to replace certain performance commitments (PCs) and outcome delivery incentives (ODIs) based on a company's WTP evidence, with those based on comparative performance information at an industry level. We intend to use comparative performance information within our research surveys, while Ofwat will specify a range of common PCs for all companies with common ODIs.

Challenge/concern at PR14	How we would address for PR19
WTP numbers are too variable across companies to be valid; customer valuation measures need to be triangulated with/supported by other evidence	Ofwat has cited the variability of WTP numbers for comparable service measures as a reason why companies should not solely rely on WTP evidence at PR19. A twin-track approach will address this issue: • Analyse the variation across companies' PR14 WTP results to be able to explain the variation. The early results from this study show the majority of the variance is explained via observed differences between survey instruments. This should go some way to alleviating concerns around the PR14 WTP research, but also highlights that there remains substantial room for improvement in relation to customer valuation responses • Comparable research is undertaken to test, validate and triangulate with the main stated preference results - as we did at PR14.
Customer valuation measures aren't consistent with how they are applied in ODIs	We need to capture customer valuation estimates that are valid both for setting PCs, and used as the basis for setting our ODIs. This requires close links between research streams that are focussed on outcome definition, measurement, and ODIs and the customer valuation research, which we will explore with our research delivery partners and the engagement sub-group.

Triangulation

Water companies have been encouraged to utilise multiple sources of information as part of their engagement programmes - indeed it is one of Ofwat's engagement principles for PR19 (see Principle 3 in section 4.2); and formed a key element of Ofwat's customer engagement policy statement and expectations for PR19, as the following graphic from that paper shows.



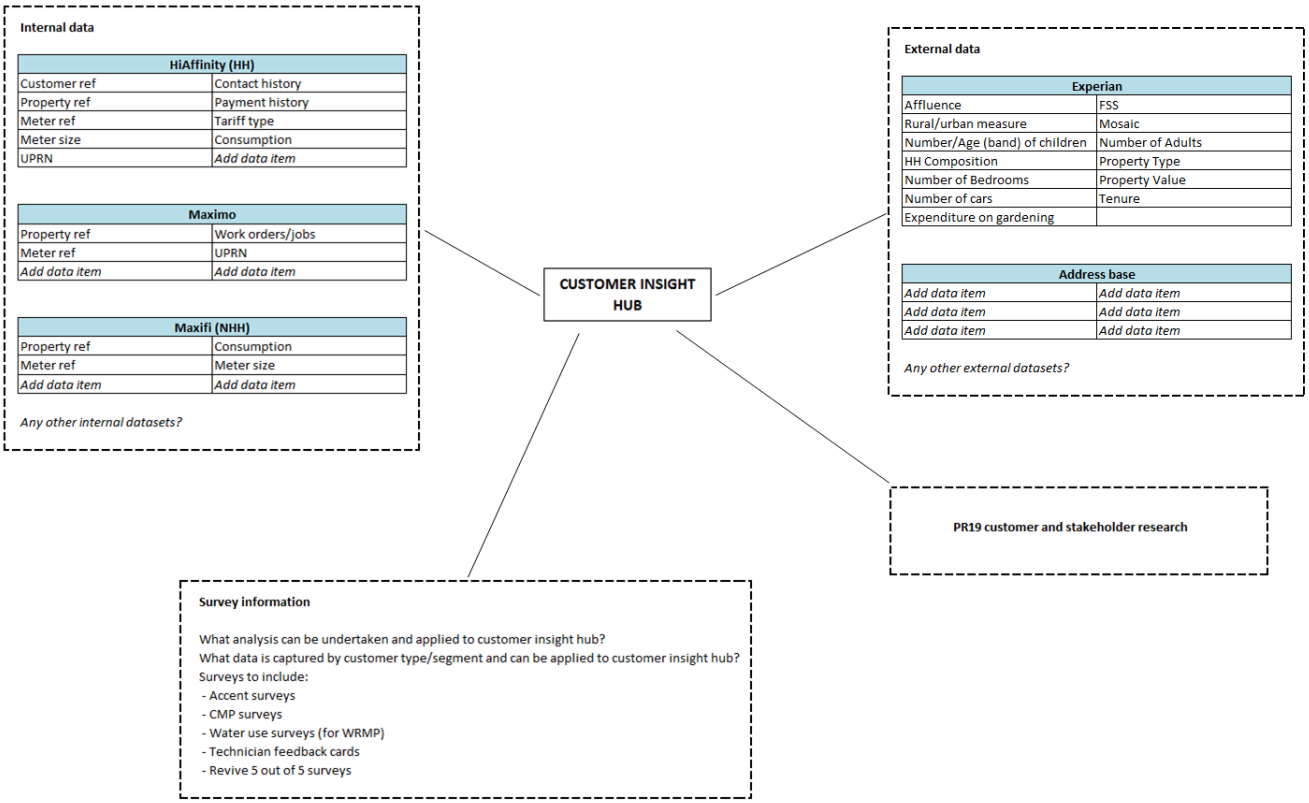
Called triangulation, it involves analysing the information and data we receive from multiple channels of engagement, such as:

- annual tracker surveys
- five out of five surveys
- technician feedback cards
- water use surveys
- customer metering programme surveys
- customer contacts
- press and media, including social media
- stakeholder engagement and contacts - from MPs, councils etc.
- previous customer research
- staff surveys
- community engagement (for example water efficiency trailers or school talks)

In addition, we recognise the value in using other organisations' insights and evidence too via publicly available data - such as that produced by other utilities, CCWater, Which and Experian, for example.

However, for triangulation to work effectively, it also requires a process by which the findings from internal and external engagement and data - and our PR19 customer research - can be brought together so we can identify key themes; and then address them in our day-to-day performance and five-year business plans.

We are exploring the development of an `insight hub' that facilitates the triangulation of all this information and data as shown below:



In tandem with an `insight hub' we will also be developing the triangulation analysis approach with Accent, our research delivery partner, and the engagement sub-group.

Comparative data

Both Ofwat and CCWater have been clear that the use of comparator information, which shows how our performance compares to other water companies, needs to play a definitive role in our PR19 customer engagement and research. The rationale is that *'comparative performance information…..is extremely valuable in providing context and transparency about companies' relative performance across the sector. The additional information provides a tool for customers and CCGs to use to challenge their companies to set truly stretching performance commitments'. (Ofwat: A consultation on the outcomes framework for PR19, November 2016)*

While a lot of information on water sector performance exists in publications by different organisations, it has not been collected together and made easily accessible to customers and CCGs – until now. The newly developed Discover Water website (www.discoverwater.co.uk) now captures the sector's performance at a UK level, but also allows comparisons to be made between water companies.

We welcome the use of comparator information in our customer engagement and research and will be using the Discover Water website and data to start that dialogue. We also intend to test - in our customers' priorities research - how their views may change before and after comparator information is shown.

4.3 External influences that **shape** our PR19 engagement strategy

The Customer Challenge Group

The Customer Challenge Group (CCG) is central to the engagement process acting as an independent challenge to the process itself but also how we translate the findings into our 2020 to 2025 business plan.

The CCG has two distinct primary functions:

1. To perform the customer challenge role on engagement for the next period review of price limits called 'PR19', as set out in Ofwat's May 2016 customer engagement policy statement and related guidance

2. To perform an ongoing assurance role - called the 'customer panel role' - advising and challenging the company on the delivery of our current business plan and day-to-day activities

For PR19 specifically, the CCG will:

- Advise and challenge South East Water as we strive for best practice in consumer engagement and research
- encourage and enable the sharing of innovative practice; this includes opportunities for using new, innovative or sustainable means of delivering the required or desired outcomes
- encourage and provide a forum for external challenge and divergent views on South East Water's approach
- provide a forum for frank and transparent discussion on the challenges of development of the business plan, including trade-offs in decision-making where there are divergent or conflicting customer wants, needs and views

The CCG has set up a dedicated engagement sub-group (ESG) to oversee the engagement approach and activities we carry out during PR19, as it is such a critical element of its own remit and how our business plan is derived. The ESG has three distinct functions:

1. To support the main CCG in its duties in relation to the challenge and assessment of the company's PR19 engagement as set out in Ofwat's May 2016 customer engagement policy statement and related guidance

2. To undertake a more detailed review of the research methods, topic guides and questionnaires that are included within the company's research programme

3. To share knowledge and insight with CCG members and the company on other external research methods and studies that may be relevant to the company's research programme

We believe this approach delivers both `engagement breadth' (at CCG level) and `engagement depth' (at ESG level) as we develop and deliver our PR19 engagement.

The Environment Focus Group

The Environment Focus Group (EFG) was formed in early 2010 to allow a vehicle for delivering improved, timely and transparent communications to customers, key environmental stakeholders and regulators on the development of our water resources management plan (WRMP).

The EFG is comprised of representatives from our regulators (Environment Agency, CCWater, Natural England) as well as local authorities (eg national park, county, borough, and parish) environmental bodies (eg WWF, Blueprint for Water, RSPB) and environmental interest groups (eg CPRE, Salmon & Trout Association, Whitewater Preservation Society).

The EFG works in tandem with the CCG - with some regulators sitting on both groups - as there are strong linkages between the 25-year WRMP and five-year business plan; effectively the business plan is also the `delivery vehicle' for the first five years of activities to maintain water supplies outlined in the 25-year WRMP.

The EFG also inputs into our engagement on the development of the WRMP and the statutory consultation process required for the plan. The EFG does not seek to represent customers but acts as a group of informed stakeholders that are able to comment and direct the WRMP so that it balances the needs of all interested parties, and is evidence based.

The Consumer Council for Water

The Consumer Council for Water (CCWater) is a hands-on regulator in our business - one that scrutinises, advises and challenges us on our current service delivery to ensure we're giving the best possible service to our customers. In particular, it has challenged us around our level of complaints but also encouraged us to do things differently too - a pragmatic and practical approach we have welcomed.

The learnings we've made, and the added value that has been achieved as a result of CCWater's input, continue to guide us on our daily interactions with customers but also as we develop our overarching approach to PR19.

In terms of PR19 itself, CCWater is clear of its main objective (http://bit.ly/2s1RHYe)

"Our main objective for PR19 is to ensure that the final outcomes, both capital investments and levels of service, are valued by customers at a price they find acceptable. We aim to achieve this by discussing the issues that customers have told us are important with water companies, Ofwat and other Government departments, so that we can:

- *help to shape company business plans*
- *help to shape Ofwat and Government decisions*
- *play a leading role in Customer Challenge Groups*
- *influence the development of statutory programmes of investment to tackle issues such as water pollution"*

4.4 Developing our PR19 engagement programme

In developing our customer engagement programme for the PR19 process, we have applied the following principles. Our customer engagement programme needs to be:

- robust
- proportionate
- balanced
- cost effective

Our customer engagement programme also needs to:

- ensure a wide range of customers are engaged and able to provide considered responses to often complex issues
- understands how our customers' priorities and expectations can change during 'normal service' and 'service recovery'
- uses the most appropriate research methods tailored at each stage to maximise insights and outcomes
- takes the engagement process beyond traditional discussion groups and quantitative techniques.

Choosing the right delivery partner

In early 2017, we undertook a competitive tender process to determine the best delivery partner to deliver the customer segmentation research and design our overall research programme.

The result was a unique collaborative venture between two specialist research agencies - Accent and Brand Edge - brokered by us to get best 'within industry' and 'outside of industry' insight.

Collectively and collaboratively, they are helping us design a research programme that brings together traditional research methods with new, innovative approaches to deliver a wide `basket' of approaches - making sure the research is still robust and proportionate, balanced and effective.

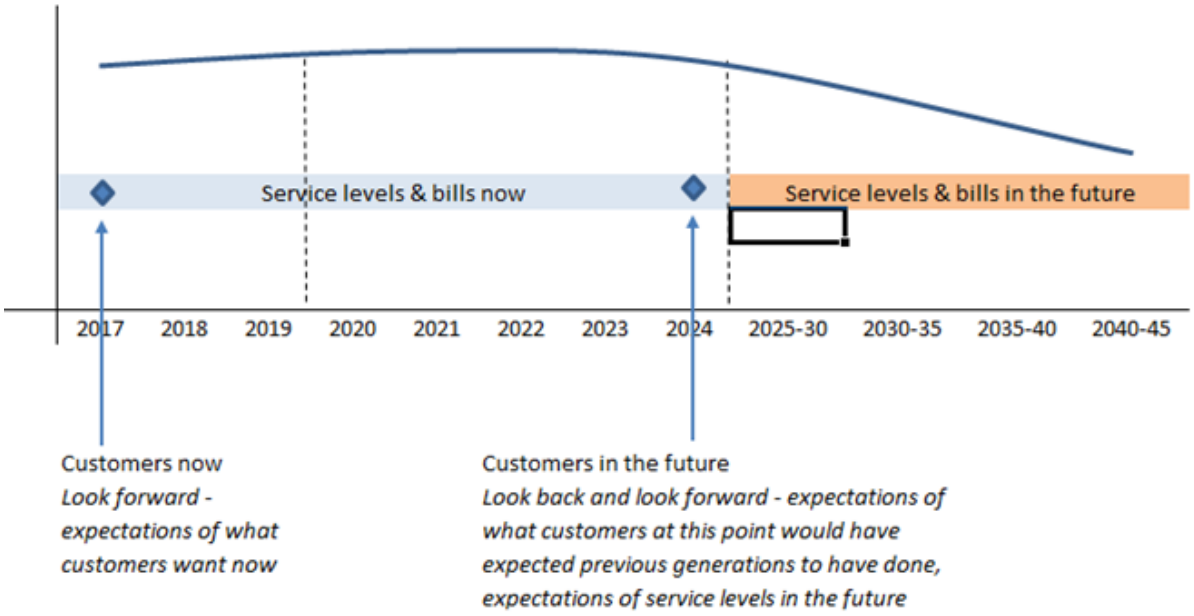
Who are we engaging?

The current premise of our customer engagement for PR19 is based on understanding the needs, expectations and priorities of all our household customers.

Household customers

For household customers, we will carry out research to understand their priorities for the 2020 to 2025 period, but also consider a longer term view too for the 2025 to 2045 period; this includes ensuring our willingness to pay research will cover any bill impacts for both short and long-term timeframes.

We also want to engage our household customers in future scenarios when it comes to water supplies and then see whether their priorities are different. We are using a futurologist to create future world scenarios and then use customer insight to understand how water priorities and service levels may change - as the following graph shows below:



Non-household customers

Ofwat's PR19 methodology has provided some clarity as to its expectations around how water companies will engage with retailers and/or non-household customers, and so we are developing our approach and will discuss this with the CCG.

How are we engaging?

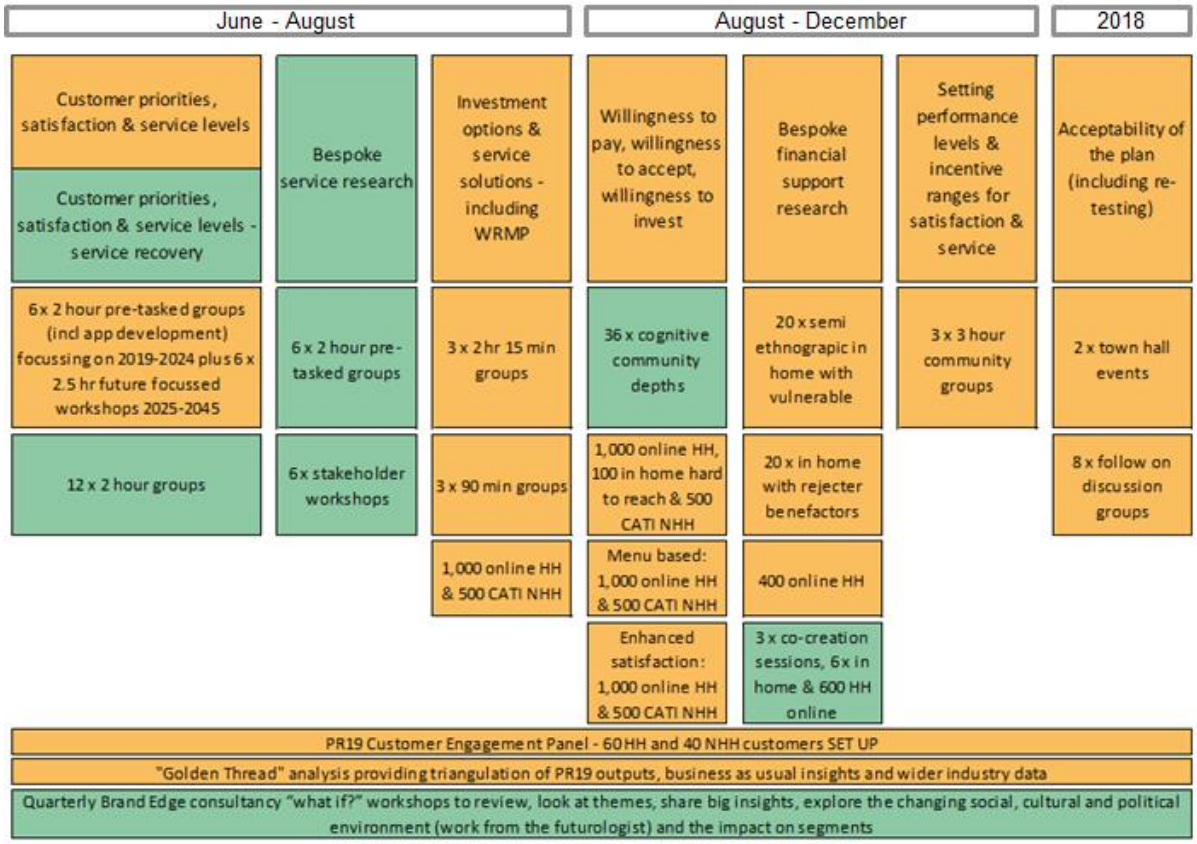
Methods of research

For PR19 our customer engagement will continue to use tried and tested research methods but we are already evolving our approach by:

- segmenting customers by their `attitudes' to water and identifying their specific needs
- assessing how customer satisfaction differs during `normal service' and `service recovery'

Our research delivery partners, Accent and Brand Edge, intend to use a mix of traditional, tailored and innovative research methods to maximise the insight we can gain from customers.

This will take our research beyond traditional discussion groups and quantitative techniques seen at previous price reviews, to app-based pre-tasks, community groups, town hall events and online communities/ panels, as shown below:



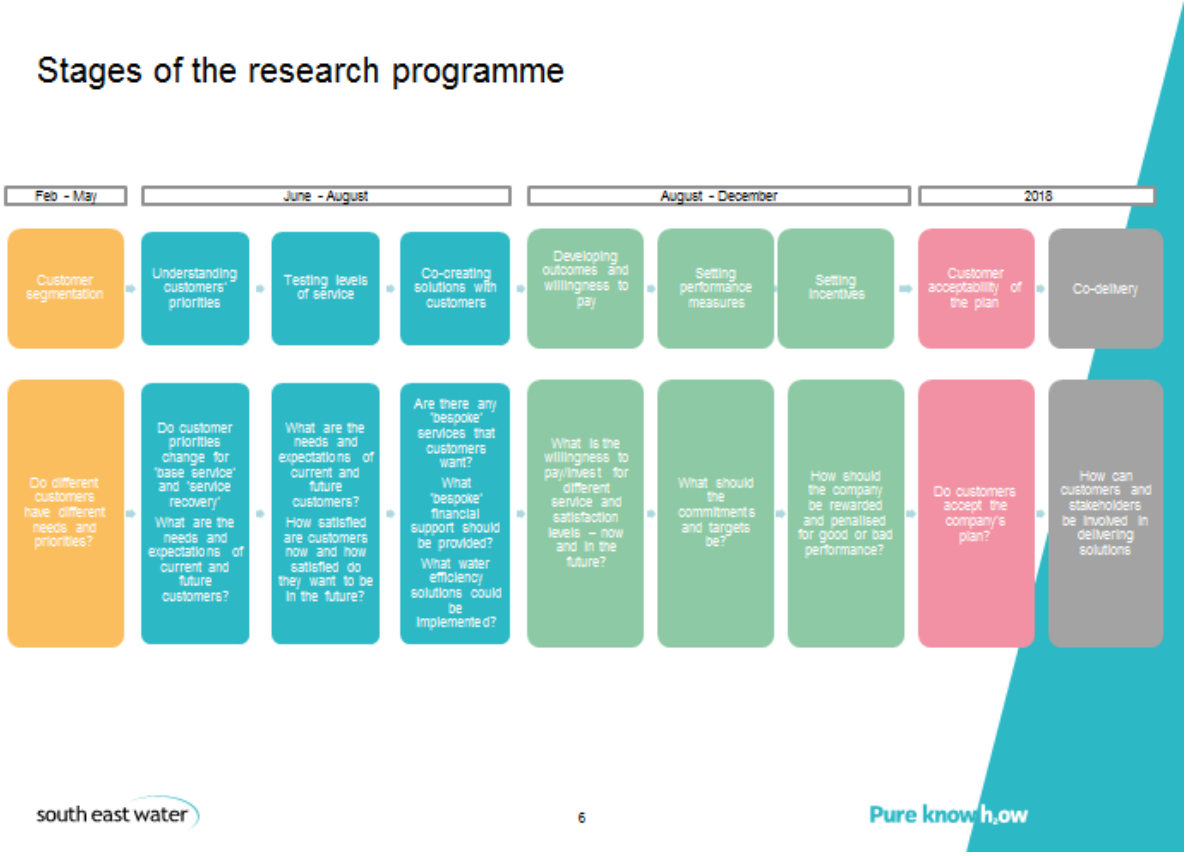
Key:

Additionally, for each piece of research we have tasked them with setting out the range of questions and issues we need answered; and why the method they are recommending is the best approach to getting those answers.

We believe this approach and the resulting insight will encourage and facilitate the co-delivery of solutions with our customers and stakeholders.

When are we engaging?

The high-level research programme overview for PR19 is shown below:



There will be rigorous review at each stage of the programme to ensure it remains cost effective, with the main quantitative elements to be competitvely tendered.

4.5 Evolving our 2020 to 2025 business plan

Introduction

We want to develop a business plan that will improve customer satisfaction and supports our vision to be the "water company people want to be supplied by and want to work for".

In particular, we want to:

- **move beyond the average customer** - our research programme has a strong focus on segmentation so that we move from addressing the needs of the "average" customer to a more segmented and tailored response for customers in our plan. We cover this in more detail in section 3.2.
- **re-test satisfaction as a measure** - this will remain at heart of the PR19 process and our eventual business plan for 2020 to 2025, but we will develop our business as usual (BAU) ongoing satisfaction tracker; explore the option of building a regression analysis model; and evolve how we can use customer satisfaction more innovatively in our outcome delivery incentives (ODIs)
- **use our daily interactions with customers -** ensure we evidence how we use the insight gained every day from our conversations and interactions with our customers and stakeholders
- **use externally available data** - to provide greater intelligence on our customers, and particularly help us to identify and reach those in vulnerable circumstances
- **use new techniques** - such as behavioural science, to increase the ongoing engagement of our diverse customer base and seek their active engagement to improve our services and overall resilience
- **co-create our plan** - via workshops with our customers and stakeholders to develop ODIs based on customer segmentation needs, priorities and values
- **co-deliver our plan** - including solutions that require customer engagement, for example, developing a resilient customer base and reducing per capita consumption (PCC).

Overall objective

For the 2020 to 2025 business plan, we have developed the following overarching objective:

"Our 2020 to 2025 business plan gives all of today's and tomorrow's customers a tailored, top quality, reliable water supply service when they want it, how they want it, and at a price that is affordable and accessible to all."

That objective, and the findings of our customer research, may also see the evolving of our strategies to deliver our vision too. Delivering our vision is critically important and is the starting point for every decision we make, and every action we take for our customers, our employees and our business.

Engagement objectives

For every price review there are core themes we want to explore with customers, and specific questions we need to ask of them. In summary, these core themes are:

- Priorities:
  - what are their priorities when it comes to the water supply services we provide?
- Services
  - what level of service do they want now and in the future?
  - what other bespoke/tailored services do they want us to provide?
  - what support should we give customers in vulnerable circumstances
  - what are their expectations of what we will do during normal service and service recovery?
- Cost:
  - how much are they prepared to pay for their water supply service (specifically exploring customers' appetite for paying more for an improved service, or less for a reduced service)
  - how should we be rewarded or penalised for good or bad performance?
- Overall plan:
  - how acceptable is the overall business plan?
  - how can customers and stakeholder help us co-deliver the plan?

To support the exploration of these core themes we have developed specific objectives around our engagement for the 2020 to 2025 business plan so these frame our engagement activities; and provide a valuable sense-check for each individual piece of research being proposed.

Our engagement objectives are:

- we test and understand all of our customers' views by using research methods and the insight we gain from our daily interactions with customers
- we undertake our research against each customer segment to understand the diversity that exists
- we reflect and balance the diverse wants, needs, priorities and interests of our current and future customers
- we achieve the right outcomes at the right price - and encourage development and delivery of solutions jointly with our customers and stakeholders in the process
- we match our customers' core values and different needs during `normal service' and `service recovery'
- we provide transparency, legitimacy and credibility during our engagement about the services we intend to deliver - particularly when there are divergent or conflicting views and challenges about those services

We believe these engagement objectives will result in a plan that is:

- Based on robust evidence gained from our customer research and engagement
- supported by our customers, the Customer Challenge Group (CCG), stakeholders, employees, regulators and shareholders
- compliant with all statutory and regulatory requirements

Engaging the board

In November 2016 and March 2017 at our board strategy meetings we discussed and agreed to adopt the same strong governance and assurance process for PR19 but with additional enhancements, such as additional committees and non-executive director representation, to allow "deep dives" into specific issues - as shown below.

Group	Attendees	Responsibility
Full board	▪ Full board	▪ Sets strategic direction of PR19's "customer-centric" model ▪ Responsible for overall delivery and submission of each PR19 plan ▪ Full board approval required for each PR19 plan ▪ Key decisions taken by full board
PR19 committee	▪ Emma Gilthorpe (NED) ▪ John Barnes (NED) ▪ Executive directors ▪ Shareholders	▪ Monitor progress of PR19 programme and deliverables ▪ More detailed discussion on key strategic areas – plan formats, customer research, ODIs, differentiators, resilience, licence modifications ▪ Reports progress and updates to the full board

PR19 technical	▪ Executive directors
	▪ Shareholders
		▪ Technical group focused on:
		  ▪ Totex
		  ▪ Financing
		  ▪ ODI rewards and penalties
		▪ Reports progress and updates to the full board

At the board sessions we also discussed:

- Aims and objectives of PR19 so we can:
  - continue to meet our company vision
  - differentiate ourselves by using customer satisfaction and segmentation to meet our customers' needs and expectations during `normal service' and `service recovery'
  - produce a retail plan that tailors our services and communication to meet customers' preferences

    - produce a high-quality wholesale plan that meets retailers' needs, and stretches our performance, while remaining achievable
    - use PR19 as the platform to develop our long-term strategy around issues such as affordability, vulnerability, resilience, customer service and innovation
- Regulatory issues:
    - lessons learnt at PR14 - by South East Water and the industry perspective
    - updates on changes in the regulatory approach since the last business plan
    - ensure all regulatory obligations and milestones are met
    - identify the linkages between the 2020 to 2025 business plan with the 2020 to 2045 water resources management plan
- Engagement:
    - stakeholder engagement, including with the CCG and EFG, so that our PR19 plans are widely supported
    - the customer research that will constantly reveal the priorities of all customers, from current to future, from affluent to vulnerable, using a basket of engagement techniques, both established and new
- Programme:
    - our PR19 programme and milestones to drive key activities

Engaging the senior management team

In March 2017, we brought together the senior management team to engage them on the strategic direction of South East Water for PR19 and beyond.

We asked senior managers to look ahead and think about what they considered we should be aiming for in terms of future outcomes, performance commitments and outcome delivery incentives; and how our performance to date may influence what the future will/should be, taking into consideration what our customers' priorities and expectations are.

We also discussed our thinking on customer segmentation and how this could be applied by evolving customer satisfaction measures to new outcomes for `normal service' and `service recovery'.

This forward-looking assessment from those at the sharp end of leading and managing our business is critical to achieving the eventual strategic direction set by the board.

4.6 Stakeholder engagement strategy

To build on the work we have already captured in section 2.4 (What we've learnt from our conversations with external stakeholders) we are developing a number of bespoke activities to support the PR19 process, and as already outlined in the gap analysis in Section 3.

These include:

- a stakeholder perception audit to identify areas where we need to do less/more engagement and/or activities
- a stakeholder mapping exercise so we can strategise the way we engage, inform and interact during PR19 and our day-to-day activities
- including stakeholders in our bespoke service and financial support research to use their insight and better identify vulnerable customers' needs

We will continue to develop and share our findings and future stakeholder engagement plans with the CCG.

4.7 PR19 communication strategy

We recognise that our PR19 engagement and research needs to happen in tandem with more widespread communication and promotion of the price setting process.

We will be devising a supporting communications strategy so that we can:

- deliver general communication and promotion alongside key milestones of the PR19 engagement and research activities
- support the statutory obligations around consultation that are expected of us - particularly for the water resources management plan
- meet the expectations of our regulators and the CCG on engagement
- develop our PR19 narrative so that it underpins our company vision
- build on our `Pure know $h_2$ow' brand - moving to a world of co-creation with customers so that `together we know $h_2$ow'.

Once developed, we will share our communication and promotion strategy with the CCG.

Section Five: Engagement dashboard

We have given some early thought to the `engagement dashboard' concept that captures regular updates across many of the activities outlined in this document; this would provide a continual audit trail of the customer and stakeholder insight that is influencing our 2020 to 2025 business plan and the strategic direction of our business.

We would welcome further discussion with the CCG on the construct of the engagement dashboard – see initial concept below which is based around the themes of transactions, conversations and sentiment.

Engagement dashboard - Transactions

Page 1 of 1

Method	Data/evidence	Change (+/-) since last survey/quarter	What is it telling us?	What do we need to know?	Timescale
SIM score (billing)	4.65	(+) 0.25	Improved processes and performance are having positive impact on SIM score.	Continue to monitor	Ongoing
SIM score (operations)	0.00	(+) 0.00	Lorem ipsum dolor sit amet,consec tetuer adipis cing elit nullam ornare dictum ligula.	Continue to monitor	Ongoing
Customer complaints	0.00	(+) 0.00	Lorem ipsum dolor sit amet,consec tetuer adipis cing elit nullam ornare dictum ligula.	Continue to monitor	Ongoing
Escalated complaints	0.00	(+) 0.00	Lorem ipsum dolor sit amet,consec tetuer adipis cing elit nullam ornare dictum ligula.	Continue to monitor	Ongoing
My Account sign ups	0.00	(+) 0.00	Lorem ipsum dolor sit amet,consec tetuer adipis cing elit nullam ornare dictum ligula.	Continue to monitor	Ongoing
My Water use sign ups	0.00	(+) 0.00	Lorem ipsum dolor sit amet,consec tetuer adipis cing elit nullam ornare dictum ligula.	Continue to monitor	Ongoing
WaterSure (No.)	0.00	(+) 0.00	Lorem ipsum dolor sit amet,consec tetuer adipis cing elit nullam ornare dictum ligula.	Continue to monitor	Ongoing
Social tariff (No.)	0.00	(+) 0.00	Lorem ipsum dolor sit amet,consec tetuer adipis cing elit nullam ornare dictum ligula.	Continue to monitor	Ongoing
Priority services register (No.)	0.00	(+) 0.00	Lorem ipsum dolor sit amet,consec tetuer adipis cing elit nullam ornare dictum ligula.	Continue to monitor	Ongoing

south east water

Pure know h_2ow

Engagement dashboard - Conversations

Method	Data/evidence	Change (+/-) since last survey/quarter	What is it telling us?	What do we need to know?	Timescale
Customer satisfaction surveys (direct interaction)	0.00	(+) 0.00	Lorem ipsum dolor sit amet, consec tetuer adipis cing elit nullam ornare dictum ligula.	Continue to monitor	Ongoing
Customer satisfaction surveys (appearance)	0.00	(+) 0.00	Lorem ipsum dolor sit amet, consec tetuer adipis cing elit nullam ornare dictum ligula.	Continue to monitor	Ongoing
Customer satisfaction surveys (taste and smell)	0.00	(+) 0.00	Lorem ipsum dolor sit amet, consec tetuer adipis cing elit nullam ornare dictum ligula.	Continue to monitor	Ongoing
Customer satisfaction surveys (water pressure)	0.00	(+) 0.00	Lorem ipsum dolor sit amet, consec tetuer adipis cing elit nullam ornare dictum ligula.	Continue to monitor	Ongoing
Customer satisfaction surveys (leakage)	0.00	(+) 0.00	Lorem ipsum dolor sit amet, consec tetuer adipis cing elit nullam ornare dictum ligula.	Continue to monitor	Ongoing
Customer satisfaction surveys (interuptions)	0.00	(+) 0.00	Lorem ipsum dolor sit amet, consec tetuer adipis cing elit nullam ornare dictum ligula.	Continue to monitor	Ongoing
Customer satisfaction surveys (restrictions)	0.00	(+) 0.00	Lorem ipsum dolor sit amet, consec tetuer adipis cing elit nullam ornare dictum ligula.	Continue to monitor	Ongoing
5 out of 5 surveys (billing)	0.00	(+) 0.00	Lorem ipsum dolor sit amet, consec tetuer adipis cing elit nullam ornare dictum ligula.	Continue to monitor	Ongoing
5 out of 5 surveys (operations)	0.00	(+) 0.00	Lorem ipsum dolor sit amet, consec tetuer adipis cing elit nullam ornare dictum ligula.	Continue to monitor	Ongoing

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Engagement dashboard - Conversations

Method	Data/evidence	Change (+/-) since last survey/quarter	What is it telling us?	What do we need to know?	Timescale
Live web chat	0.00	(+) 0.00	Lorem ipsum dolor sit amet, consec tetuer adipis cing elit nullam ornare dictum ligula.	Continue to monitor	Ongoing
Campaign surveys	0.00	(+) 0.00	Lorem ipsum dolor sit amet, consec tetuer adipis cing elit nullam ornare dictum ligula.	Continue to monitor	Ongoing
Customer research	0.00	(+) 0.00	Lorem ipsum dolor sit amet, consec tetuer adipis cing elit nullam ornare dictum ligula.	Continue to monitor	Ongoing
Stakeholder perceptions audit	0.00	(+) 0.00	Lorem ipsum dolor sit amet, consec tetuer adipis cing elit nullam ornare dictum ligula.	Continue to monitor	Ongoing

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Engagement dashboard - Sentiment

Method	Data/evidence	Change (+/-) since last survey/quarter	What is it telling us?	What do we need to know?	Timescale
Twitter (daily interactions)	0.00	(+) 0.00	Lorem ipsum dolor sit amet, consec tetuer adipis cing elit nullam ornare dictum ligula.	Continue to monitor	Ongoing
Twitter (sentiment expressed)	0.00	(+) 0.00	Lorem ipsum dolor sit amet, consec tetuer adipis cing elit nullam ornare dictum ligula.	Continue to monitor	Ongoing
Facebook (daily interactions)	0.00	(+) 0.00	Lorem ipsum dolor sit amet, consec tetuer adipis cing elit nullam ornare dictum ligula.	Continue to monitor	Ongoing
Facebook (sentiment expressed)	0.00	(+) 0.00	Lorem ipsum dolor sit amet, consec tetuer adipis cing elit nullam ornare dictum ligula.	Continue to monitor	Ongoing
Media coverage (sentiment expressed)	0.00	(+) 0.00	Lorem ipsum dolor sit amet, consec tetuer adipis cing elit nullam ornare dictum ligula.	Continue to monitor	Ongoing

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