Chapter 4

Customer and Stakeholder Engagement and Participation

Summary

Customer views are at the heart of our business plan. We conducted an innovative, robust and rigorous programme of engagement. As a result, our commitments, and how we will achieve them, are grounded in the preferences and expectations of those who use our services.

Central to our approach is the fact that different types of customers have different levels of engagement with water, different expectations, and different needs to access our services. We have tailored our approach to take account of the differences between customers to ensure that we capture and address a more complete range of views. Our approach is already achieving a step-change in customer and stakeholder participation and engagement.

This chapter describes how we engaged customers, the techniques we used and the views we heard.

Chapter headlines at a glance

- **We have broadened our definition of customers**

Consistent with our broadened definition of our customers, we have engaged with households, businesses, vulnerable people, future customers and other stakeholders. We've incorporated views through more than 42,000 direct interviews, as well as engagement insight from over one million customers.

- **We have enhanced the depth, breadth and rigour of our engagement**

Mobile ethnography apps, multi-stage willingness-to-pay research, and iterative proposition development are just some of the tools we have used for the first time in the preparation of this plan. We have drawn on a wider range of sources than ever before and applied a rigorous triangulation framework to determine a set of customer priorities that have been used to drive our business plan.

- **We have developed a deep understanding of our customers and what they want from us**

Our customers expect us to provide safe, clean water. We found that our customers place the highest priority on reducing leakage and the provision of safe, clean water. Our customers view water as a precious natural resource that should be looked after, and as such, view leakage as a moral issue, so expect us to set ambitious targets for reducing leakage consistent with Ofwat's 15% leakage reduction target. Sewer flooding is our customers' greatest concern in our wastewater operations, so we are challenging ourselves to further reduce these distressing and disruptive events. To achieve these we'll use what we've learnt to help influence behaviours by collaborating with customers on the impact of disposing of fats, oils and grease. We will also use innovative technology to monitor our sewer network and increase our understanding of the location and root causes of sewer floods. For our customer service we have developed and applied demographic and behavioural segmentation, using iterative research techniques to enhance service quality.

- **We have substantially strengthened our understanding of how customers want to experience our service**

Our customers want to collaborate with us to create a resilient water future. They see disruption-free, high-quality services as integral to that aim, along with clear, honest and efficient communication. They know we must plan for the long-term and they expect us to protect water supplies for future generations, innovating and employing appropriate technology.

- **We are building on strong foundations from this AMP and making insight-driven decisions**

We have made big strides in customer engagement during AMP6, but we are much more ambitious for the future. We have a dedicated and expert insight team drawing on experience from other businesses and sectors. We want to keep our customers in the driving seat, constantly drawing on insight to set our goals and shape our decisions.

81% of customers found our business plan proposals acceptable in informed customer research approved by the Customer Challenge Group (CCG) and following Consumer Council for Water (CC Water) guidance in acceptability testing. Only 4% rated the plan as unacceptable.

4.1 Overview of our approach to engagement

Five-step process for customer engagement

Our approach to customer engagement involves five steps:

1. **Discover:** identifying who our customers are
2. **Diagnose:** understanding what our customers want
3. **Design:** co-creating a plan driven by our customers
4. **Deliver:** continuing to engage with our customers in delivery
5. **Assurance activity:** running through the above process.

This is illustrated in the diagram below, and described in detail in the sections that follow.

Figure 1: Customer engagement process

We have put customer engagement at the heart of our business

Over the course of AMP6, we have carried out a programme to significantly improve how we engage with our customers and stakeholders, and used the insight to put them at the heart of our business. In practice this means building on how we use customer insight to drive decision making across Southern Water, from establishing an insight function, to using customer data to drive continuous improvement initiatives in our operational teams.

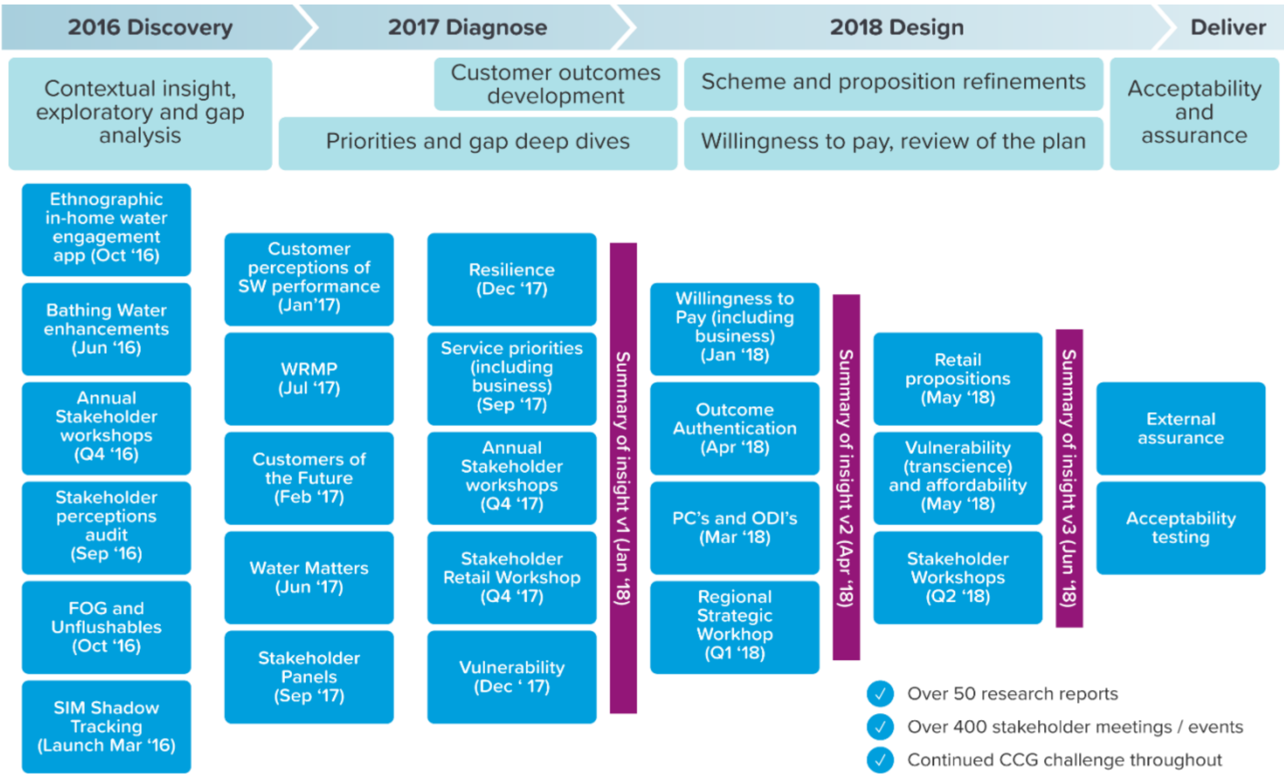
For AMP7 we will go much further. We will move beyond listening to active customer participation in the development and delivery of our services. We have already carried out over 42,000 direct interviews with customers and other stakeholders and engaged with over one million people to develop our PR19 plan. (Our strategy for the future of customer engagement and participation is set out in Chapter 5).

We've worked closely together with our customers to co-imagine and co-create our business plan

We focused on a broad range of issues to understand the different needs of different customers. This included ethnographic research in October 2016. We refined our understanding of important issues which were then replayed to customers and refined further. Through later stages of our engagement we focused more on building an understanding of how customers wanted their priorities delivered including, for example, our retail propositions research in May 2018.

The graphic below provides a high-level view of the journey, with some key engagement examples highlighted.

Figure 2: High-level timeline of the customer engagement process



Methodologies: we varied the approach to engagement to match each stage of the process

As examples, we used the following types of approach at each stage:

Discover: exploratory and longitudinal research, such as the use of ethnography (2), our stakeholder audits (44) and the WRMP engagement programme (1, 6, 9, 10, 21)
Diagnose: gaps and deep-dive research, such as customers of the future (52), our vulnerability research (61, 62) or resilience deep dive (5)
Design: development and willingness to pay research, such as our retail proposition development (12) and our willingness to pay projects (11, 24)
Deliver: review and refinement, such as our acceptability testing (104, 105) or our cost adjustment claims (67).

(The numbers in parentheses above, and in the table below, refer to final research reports, as set out in TA 4.4.)

A selection of the approaches we used are shown in the table below.

Table 1: Example programmes of engagement

Project reference	Objective	Method	Reason for chosen method	Customer numbers
Views on Southern Water's strategic direction (2)	Deep understanding of customers relationship with water.	Multi-staged, including ethnographic in-home research with an app diary tool capturing views in the moment.	Innovative to drive real time, longitudinal and in-situ insight.	252 household, business, future and vulnerable customers
Household willingness to pay (WTP) (11)	Understand customer WTP across a range of service and improvement areas.	Three-staged approach including a discreet choice exercise and shopping basket approach.	Innovative to bring three WTP exercises into one triangulated view to minimise research bias.	3,900 household, business and vulnerable customers.
WRMP bespoke research programmes (1, 6, 9, 10, 21)	To co-create and develop a customer-led WRMP	Followed a similar process to this Business Plan by a multi-phased longitudinal programme of engagement. Deep dives on co-creating the solutions and then reviewing proposed options.	To collaborate in the creation of the WRMP by engaging with a breadth of different types of customer.	4,700+ household, business, vulnerable customers and stakeholders.
Resilience: The future of delivering water and wastewater services (5)	To jointly create a view of the future of water and wastewater, by combining Southern Water and customer views.	Customer workshop with WhatsApp and word pre-task to capture the future water views followed by quantitative validation of outputs.	Engaging pre-tasks to capture individual and future views captured from within the home.	116 household, vulnerable customers and stakeholders.
Retail propositions (12)	To develop and refine customer-facing service propositions.	Three staged approach including consumer lab days using iterative techniques with groups of customers throughout the day and monadic quantitative testing.	Highly-iterative leading to extra stages of participation and driving insight direct to the internal teams.	830 household customers.
Vulnerability (61 & 62)	Understanding needs across a range of vulnerable circumstances and developing support measures.	A range of in-home and telephone qualitative and quantitative techniques, including expert depth interviews with vulnerable stakeholder groups.	Real breadth and depth of insight to draw on the individual circumstances.	397 vulnerable customers across a range of vulnerabilities and stakeholder vulnerability groups.

Stakeholder Panels (e.g. 90)	Range of objectives to aid development of wider and regional issues towards our business planning.	Longitudinal panel with regional stakeholders spread across a range of interest groups – bringing challenge and conflicting priorities into one collective forum.	Drives up engagement because it ensures topics are relevant and of interest.	c.90 members across four county panels (Hampshire, Isle of Wight, Sussex, Kent) one environmental and one Customer Inclusion Panel.
Stakeholder audit (44)	To capture independent views from our stakeholders on our performance, priorities and development areas.	Tracking of perceptions since 2016, with consistent quantitative measuring and qualitative in-depth views.	Longitudinal tracking to measure tangible changes in performance.	97 (per wave) stakeholder customers (2017 included 97 interviews, 68 in 2016).

Our Customer Advisory Panel continues to represent our wide definition of customers

At the end of PR14, we retained our Customer Challenge Group (CCG), re-establishing it as the Customer Advisory Panel (CAP). The CAP recruited new members with customer segment-specific expertise, such as environmental and vulnerability champions. We asked the CAP to scrutinise our customer engagement and also how effectively it informed our decision making. The CAP reverted to CCG status as we prepared this plan, possessing a more comprehensive knowledge of our strengths and weaknesses than a newly-constituted body.

We have used insight from ongoing engagement to improve our customer experience in AMP6

PR14 demonstrated the need for in-house insight capability. Early in AMP6 our Customer First programme began to transform our retail business into a customer-centric organisation providing an improved customer experience. We moved beyond reactive customer experience measures, such as the Service Incentive Mechanism (SIM), to constant data-driven analysis of customer contacts and complaints. This helped us prioritise our continuous improvement investment, pushing us to our first score over 4 in SIM in 2016/17 and out of the “significantly below industry average” category in 2017/18.

We work across the business in our approach to customer engagement

We drew together the parts of the business that engage with our customers. This drives consistency, responsiveness and improved use of insight. Together we adapted the key principles from Ofwat’s “Tapped In[1]” report and evolved them for use within Southern Water. This led to a clear and simple approach that brings together customer touchpoints and forms the foundation of our future customer engagement and participation strategy, described in Chapter 5.

Figure 3: Our customer engagement and participation model

This approach to customer engagement is already driving behaviour change in AMP6

The insight gathered from these business-as-usual activities already shapes a number of projects where effective communication is crucial to deliver measurable behavioural change.

These include:

Water efficiency: we delivered 6-10% metered water savings on average following 13,809 visits during AMP6
Avoiding blocked drains: we have visited 62,497 customers in their homes, presented to 362 different customer groups and visited 2,276 food businesses to deliver a decrease in blockage run rates faster in all targeted areas
Payment behaviour: we provided support to customers in genuine hardship by offering advice and tariffs, with a customer take-up number of 229,843
Digital service take up: we applied behavioural economics principles across email campaigns to drive online sign-up in behaviour change initiatives. Over 30% of transactions are now online.

4.2 Discover – identifying who our customers are

We have broadened our definition of customers and segmented our approach

We have a broad definition of who we consider as our customers. **Water utility customers** pay bills for our services. **Utility of water customers** benefit from the value of water but often do not pay directly, and include visitors to the region, tourists and various stakeholder groups.

By broadening our definition and taking a segmented approach we've had more personalised and relevant engagement. Consistent with this broad definition, we have engaged with:

- household customers
- business customers
- vulnerable customers
- future customers
- other stakeholders.

Segmenting our household customers

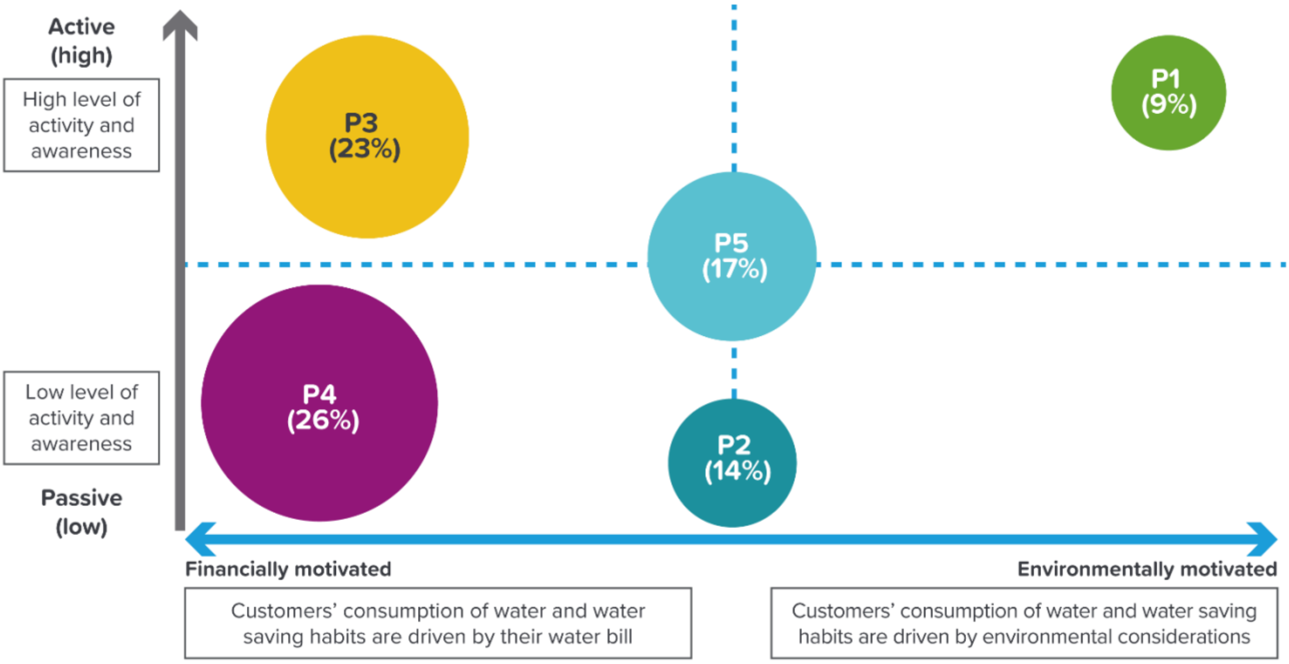
Splitting our household customers into segments with similar characteristics helps us to tailor propositions to different customer needs. We developed customer service-led personas to assist with our retail service delivery, and we are using these personas to evolve our segmentation for the rest of our services. This is a key principle within our Future Customer Engagement and Participation Strategy. (The persona names from our output document TA 4.4 (49) are still being evolved as part of this ongoing segmentation.)

The personas and their characteristics are explained in the diagrams below.

Figure 4: Household customer personas (NB where we were able to map to a clear segment)

P1 – Environmentally Engaged (9%)	P2 – Happily Disengaged (14%)	P3 – Actively Engaged (23%)	P4 – Service Seekers (26%)	P5 – Reassurance Seekers (17%)
Engaged and passionate to do their bit and support and work with others to help show how to enhhance the environment and better society more widely.	Lower levels of engagement, although happily so. Prefer to simply 'go with the flow' and focus on other priorities to their daily lives	Motivated by being in control and saving money. They engage and put in effort by using the relevant tools to make sure they manage their usage and account	Appear passive and generally looking for ease of service. Time poor with a limited relationship with their supplier, but can be motivated by clear monetary benefits	Self managed and in control, reading supplier comms, looking for trusted relationships and added support to help them

Figure 5: Household customer personas framework



Segmenting and engaging our stakeholders

In order to better understand and serve our stakeholders, we segment them to include regulators and central government bodies, environmental groups, vulnerability groups, local authorities, business groups, charities, community organisations and housing providers.

To engage our broader stakeholders, we:

- have created a dedicated team to use best practice from within and outside the water industry
- have appointed county stakeholder managers to deliver more tailored and relevant engagement
- have established regular, ongoing dialogue through four county panels (Isle of Wight, Hampshire, Sussex and Kent) and two strategic panels (Environment and Customer Inclusion)
- collaborate with these partners to advance project and activity proposals
- track, test and validate our findings through our annual perception audits, accessibility testing and regional panels.

(See TA 4.4 Stakeholder engagement tab for further details.)

4.3 Diagnose – Understanding what our customers want

Sources of insight and techniques used

We drew from a range of sources and used several techniques to understand customer priorities.

The sources we used are set out in the table below:

Table 2: Sources of insight and their purposes

	Type of insight	Purpose	Source of insight
1	**Consumer attitudes and preferences**	To understand customer expectations, preferences, needs, wants and behaviours.	Carried out to inform our AMP7 business plan and future delivery.
2	**Operational data**	To understand how customer priorities are revealed through our continuous analysis of customer data.	Complaints. Contacts.

3	**PR14 performance**	To understand existing customer priorities and Southern Water performance against these priorities during AMP6.	Review of PR14 priorities. Review of AMP6 performance.
4	**Industry research**	To understand what broader industry research indicates about customer priorities in the UK.	Consumer Council for Water research.

Our techniques for engagement were designed with each type of customer at the centre. This was highlighted as a strength from the CCG. We used a full spread of regional qualitative and quantitative techniques. Several examples are below.

Table 3: Examples of different techniques used for engagement

Household	Business	Vulnerable	Future	Stakeholder
Spread of demographics, attitudes and service preferences, often using online methods to capture robust views to represent the variety of customers.	Variety of business sizes, industries and types of organisations, often using telephone interviews to engage on a one-to-one basis and capture tailored views.	Full breadth of demographics, longer-term and transient vulnerability circumstances, including in-home one-to-one depths to understand the wider issues and context for our insight.	Spread of demographics and using in-home focus groups to allow for more open dialogue with younger customer groups.	Range of stakeholders with a mix of individual, panel and group workshops to partner and collaborate to provide solutions.

Our customers have identified their priorities

Broad themes – Customers told us there are four broad themes they want us to focus on:

Table 4: Broad themes of priorities identified by customers

To be brilliant at delivering the basics	To be ready for the future	To take care of water	To look after our environment
Our customers use water every day, and the service to deliver water and wastewater services can sometimes be taken for granted. When informed, customers recognise the value it brings to our daily lives in everything we do.	Customers recognise the challenges we face. They expect us to ensure that future generations have access to the same level of water services as we do today. Bills are broadly felt to be affordable today, and customers are willing to play their part in investing to ensure that there is no deterioration in services in the future.	Water is a precious resource that needs to be looked after so we must conserve our supply and be responsible in how we use it. We all play a role but will need your help.	They recognise that we all contribute to the state of the environment and we all have a role to play. Customers want to see us protect and enhance the environment, and doing no harm is the absolute minimum they expect.

Customers' priorities under each theme – Our customer engagement process identified a clear set of customer priorities under each theme.

Table 5: Customer priorities by broad theme

Be brilliant at delivering the basics
Water quality: 93% say it's essential to always provide safe drinking water (7). Customers view providing safe, high-quality water as an absolute basic of any water company and the most important service that we provide. Their preference is for water to be as natural as possible. (2, 8, 96).
Supply interruption: 82% want us to deal with problems quickly and efficiently (e.g. interruptions) (7). Customers want their water service to be reliable, so unexpected interruptions can cause significant inconvenience or distress, especially when it occurs at critical times to customers' circumstances. Any interruptions require clear communication to provide an explanation, advice and a summary of next steps (14, 15, 16).

Customer experience: 81% want to see us improve our customer service performance (7).

Customers expect a good level of customer service and rely on that service to help resolve their problems. They believe that a key focus of delivering good customer service is minimising the impact of issues and disruptions to a customer's daily life. When customers are shown comparative information, they expect us to do better (2, 7).

Sewer flooding prevention: 88% say it's essential the network stops homes being flooded with sewage (7).

Customers empathise with those that have experienced flooding and believe that it is a very distressing event. There is strong support to ensure we continue to improve sewer flooding prevention (2, 7).

Supporting the vulnerable: 60% of customers find the concept of the social tariff acceptable.

Customers want us to protect the most vulnerable in society and find it acceptable paying a little extra on their bill for those in genuine need, however, they expect us to take the lead. They want us to partner and provide support by understanding and acting on the individual customer circumstances (2, 8, 24, 62, 104).

Water pressure: Customers expect water pressure is part of the basic service, so when proposed to remove it as a performance commitment (PC), customers felt it was important to continue measuring to ensure we maintain levels of pressure (8).

Be ready for the future

Asset health: 74% say it's essential to be investing in sewer networks, pipes and drains for water and wastewater services (7). Customers want us to lead on reducing leakage and interruptions to supply, and thus expect us to maintain our assets efficiently. They want us to upgrade using innovative and sustainable solutions (1, 2, 8, 9, 11).

Water resilience: 69% want to ensure future generations have the same quality and reliability of services (7).

Customers expect us to provide future generations with the same level of water services as we do today and are, themselves, willing to invest now to ensure that there is no deterioration to services in the future (11).

Growth: 69% of businesses think it's important to work with councils and developers on infrastructure (7).

Customers recognise the challenge of new homes drawing on the sewer network and expect us to ensure the network is fit for the future by working collaboratively with developers and planning authorities (5, 11, 67, 104).

Community engagement: 76% of customers favoured a proposition that focuses on our role in the community (12).

Customers want us to have a community presence by collaborating with local groups on important issues. They support community outreach programmes and feel educating through schools is an important channel (3, 8, 9, 14).

Take care of water

Leakage: 79% say it's essential to reduce the amount of water lost through leaks from Southern Water's network (7).

Customers consistently highlight reducing leakage as a high priority They view leakage as a moral issue, as they believe water is a precious, natural resource that should be looked after and used wisely by both us and them (1,2,3,8). They express a strong preference for us to be a leader in reducing leakage and demonstrate a high increase in willingness to pay for improvements, even when we are best in class. (1, 2, 3, 8).

Water consumption: 71% of customers found appeal in a proposition to help customers understand their own usage (12).

Customers believe saving water is a partnership issue. They are willing to do their bit to use water more wisely but only if we are taking action to reduce leaks. They are looking for us to help them but there is a wide variation in the type of help they want (8, 9, 11).

Look after our environment

Pollution: 78% want us to treat and dispose of wastewater in a way that does no harm to the environment (7).

Customers believe we have a duty to protect and enhance the environment, although ensuring we do no harm through pollution is the minimum they expect (2, 21).

High quality bathing and river waters: 75% want to see us do more to deliver excellent bathing water quality (7). Customers believe we have a role in enhancing the environment. As part of this role, they want us to ensure our bathing and river water quality is of high quality, and recognise the importance of this to tourism (2, 19, 67).

Water resource abstraction: Customers want us to use a range of sources to provide reliable services for the future. They want any water resource abstraction to be done in an environmentally-friendly way (6).

Renewables: 35% say we should be increasing the amount of energy used from renewable sources (7). Customers want us to use resources efficiently where we can. There is a growing expectation that we will use our own wastewater services to generate energy as well as increasing our use of renewable energy resources (5,8).

(NB: Numbers in () refer to the relevant project. A full list of references can be found in TA.4.4.)

We applied a triangulation process to develop a consolidated overview of customer priorities

To ensure a robust, balanced and proportionate evidence base, we reviewed the depth and breadth of research we had undertake and triangulated our findings to determine an unbiased view of what is important to our range of different customers. We developed this triangulation approach and created a set of rules to allow us to weigh up and prioritise the most high-quality, valuable sources of customer insight. We reviewed our range of sources of insight and different customer groups and applied relative weightings to create a simple overview of what is important to our customers. A summary of these (triangulated) priorities is set out below.
(Our detailed findings and triangulation methodology can be found in TA.4.3.)

Table 6: Customer priorities ranked following triangulation

Higher ranking	Medium ranking	Lower ranking
Water quality	Water consumption	
Leakage	Pollution	Water pressure
Supply interruptions	Water resilience	Renewables
Asset health	High quality bathing and river waters	Growth
Sewage flooding prevention		Community engagement
Customer experience	Water resource abstraction	Void properties
Supporting the vulnerable		

We understand why we see variances in the relative ranking, although priorities are consistent

We engaged with our CCG to help us better understand the differences between customers. Overall, we see that customers place importance on a consistent set of priorities. However, we do see a difference between customers in the order these priorities should be delivered. This depends on the type of customer, their circumstances, their levels of understanding and interest, and our engagement approach.

Within their priorities, household, vulnerable and business customers give categories that affect them on a day-to-day basis (such as water quality, leakage, asset health and supply interruptions) a higher ranking. In comparison, future customers placed more emphasis on areas which are likely to affect them in the long term, including pollution and water resource abstraction.

Business customers place greatest emphasis on categories which may affect their ability to operate (such as supply interruptions and customer experience), which generally refers to the ability of Southern Water to resolve their issues when they occur. Business customers also emphasised longer-term issues, including resilience, renewable energy and growth, more than household customers.

Households who are informed and stakeholders often placed greater emphasis on longer-term issues and considerations, ranking the environment and resilience as much higher than uninformed household customers.

Our deep understanding of priorities helped us create customer-centric performance measures

The primary output from our triangulation is to provide the foundation for our performance commitments, enabling us to put the customer first in the design of our business plan measures.
(This approach is discussed in more detail in Chapter 6.)

4.4 Design – Co-creating a customer-led plan

In order to formulate our plan, we have identified customers' willingness to pay (WTP) for the priorities identified above and considered how customers want their priorities to be delivered.

Customers have told us how much they are willing to pay for their priorities

As part of our engagement programme, we also undertook quantitative research to inform the level of investment that we will make in key areas of our plan. This was used to inform the setting of our targets and controls, which are outlined in their relevant chapters.

Three specific areas of research were covered in this area, as set out in the table below:

Table 7: Key stages of willingness to pay research

Research question	Objective
How much are customers willing to pay for their higher priorities?	The objective of this phase is to determine a set of customer valuations for 10 primary measures that were found to be of high priority to our customers. This was used as input to our service and investment proposals across the business plan.
How much are customers willing to pay to support customers who cannot afford to pay their bills?	The objective of this phase is to understand what customers were willing to pay to support a social tariff provided to customers who are unable to pay their bills. This will be used as input to determine how many customers are supported through a social tariff.
In what areas are our customers willing to pay for performance improvements?	The objective of this phase is to determine where customers demanded improvements in service levels and to what extent customers requested and were willing to pay for enhancements to existing service levels. This helped us to shape the initiatives we design to deliver our proposed outcomes.

How much are customers willing to pay for their higher priorities?

Customers reported willingness to pay for service improvements to high priority commitments. We used our research to determine a set of customer valuations for 10 primary measures that were found to be of high priority to our customers. These valuations outline what customers reported they were willing to pay for service improvements.

Overall, customers demonstrated the highest willingness to pay for improvements to bathing water at beaches or lakes to good or better, to enhance the use of renewable energy, to reduce pollution incidents, to improve bathing water at beaches or lakes to excellent and to reduce leakage.

Willingness to pay values for water services – all customers

The table below outlines what our customers reported being willing to pay per year, above what they already pay for services for each reduction of one unit in the number of instances of the water measures outlined below: (See TA 4.1.) (For a full explanation of our WTP research, see TA 4.4 (11).)

Table 8: Key findings from willingness to pay for water services

Service attribute	Unit	WTP [£/Unit/Year]		
		Central	**Low**	**High**
Non-ideal taste and smell of tap water for a few days	Number of cases per property	£48,929	£37,588	£60,270
Unexpected interruptions to supply	Number of three hour interruptions per property	£177	£136	£219
Temporary use ban put in place for five months from May to September	Number of cases per property	£30	£24	£37

Water supply restricted to three hours per day for two months during a dry summer	Number of cases per property	£945	£723	£1,166
Water use per person per day	Litres per person per day	£94,196	£73,899	£114,493
Leakage	Litres per property per day	£450,305	£346,952	£553,658
Non-essential use ban	Number of cases per property	£19	£14	£24

We have used the 'central' value outlined in the table to inform the performance commitments (PCs) underpinning our plan.

Willingness to pay values for wastewater services – all customers

The table below outlines what our customers reported being willing to pay per year above what they already pay for services for each reduction of one unit in the number of instances of the wastewater measures outlined below:

Table 9: Key findings from willingness to pay for waste water services

Service attribute	Unit	WTP [£/Unit/Year]		
		Central	**Low**	**High**
Sewer flooding inside customers' properties	Number of cases per property	£100,207	£75,641	£124,773
Sewer flooding outside customers' properties	Number of cases per property	£6,899	£5,237	£8,562
Pollution incidents	Number of pollution incidents	£708,481	£539,656	£877,305
Bathing water at beaches or lakes improved to excellent	Number of bathing water sites	£939,704	£723,129	£1,156,278
Bathing water at beaches or lakes improved to good or better	Number of bathing water sites	£3,549,387	£2,729,575	£4,369,197
River water quality in the Southern Water region	Kilometres of river addressed	£91,273	£69,913	£112,634
Use of renewable energy by Southern Water	% energy generated	£2,794,802	£2,134,698	£3,454,904

We have used the 'central' value outlined in the table to inform the PCs underpinning our plan.
(For further information see Chapter 6.)

How much are customers willing to pay to support customers who cannot afford to pay their bills?

In addition to our research on our PCs, we undertook analysis to understand what customers were willing to pay to support social tariffs provided to customers who are unable to pay their bills.
(The results of this analysis are set out in Chapter 8.)

In what areas are our customers willing to pay for performance improvements?

Customer insight was used to inform which PCs are subject to an Outcome Delivery Incentive (ODI). We put a process in place to determine the appropriate level of target, and whether and how to financially incentivise delivery. This process started with an understanding of customer priorities based on the research outlined in this chapter. It was also supported by research to understand where customers demanded improvements in service level and to what extent customers requested and were willing to pay for enhancements to existing service levels.

We analysed the findings to understand highest demand for increased service levels, and willingness to pay for improvement in service levels to alleviate two research biases

1. Customers generally indicated a desired increase in service levels for commitments which required low investment. This may not be a robust indication of a desired increase in service level.
2. Customers often demonstrated a higher willingness to pay for service improvements that delivered a small return on investment. This does not necessarily indicate that they only want a small increase in service level but may simply have not been willing to pay above a certain threshold.

Customers have defined how they want their priorities to be delivered

During this phase of research we developed a deep understanding of how our customers and stakeholders want service improvements to be delivered and explained the different options available. We co-created programmes with customers and gained their feedback on how we deliver their priorities. This helped us to shape the activities that will deliver our outcomes.

Customers told us there are four broad themes for how they want their priorities delivered:

Table 10: Broad themes of how customers want their priorities delivered

Deliver great services	Work together	Use technology better	Communicate clearly
Where customers need to contact us, they expect an efficient, tailored and personalised service.	Customers want to actively participate with us in building a resilient water future.	Customers expect innovation and technology to improve water and wastewater services now and for the future.	Customers expect us to be open, honest, clear and transparent about our decisions and any impact on their daily lives.

Table 11: How customers want their priorities delivered

Deliver great services
Customers want us to deliver a personalised service that meets their individual needs Customers want to be treated as an individual and receive personalised services tailored to them. They expect to be able to engage using their preferred channel (12, 14, 61, 62).
Customers prefer a joined-up customer experience and to achieve first contact resolution Our customers expect us to provide good customer service and resolve issues when they occur to minimise the impact on their daily lives and prefer a single point of contact whenever possible (2, 12).
Work together
Customers expect us to jointly deliver on our priorities Customers recognise that we all have a role in the challenges we face and believe that we need to work together to deliver our services, and expect us to take the lead in creating effective partnerships and communities (8, 9, 11, 104).
Customers want collaboration in delivering support for customers in genuine need Customers hope for us to provide effective support to customers in vulnerable circumstances by working with those that have the expertise and existing relationships, such as charitable organisations and carers (61, 62, 104, 105).
Use technology better
Customers expect us to use technology to develop more innovative solutions Customers believe that emerging technology will be key in solving the water and wastewater industries' key issues but also showed concern about the threats from cyber-attacks on critical infrastructure (5).
Customers think we should use innovative solutions to enhance the environment Customers want our services to be delivered in an environmentally-friendly way and expect us to deliver our services using innovative and efficient sources, such as solar panels and energy created from our wastewater services (2, 5, 11, 104, 105).

Communicate clearly
Customers expect us to engage clearly and proactively when they need it most Customers want to be proactively engaged so we keep them up to date on their queries or issues, with clarity around next steps. For more serious issues, customers expect us to provide more frequent and detailed updates (12, 14, 61, 62).
Customers believe that education is an important tool in the delivery of their priorities Customers want us to educate communities through a range of activities, and they spontaneously highlight that they are keen on educating children through schools' programmes (3, 8, 9, 10, 22, 39, 104, 105).

(NB: Numbers in () refer to the relevant project. A full list of references can be found in TA.4.4.)

Our plan delivers on our customers' priorities

Our plan focuses on areas of importance to our customers, not only in the priorities we deliver but in the way we do it. The relevant chapters of our plan discuss the detailed elements. The table below provides three examples for each of the broad themes, to help demonstrate how key parts of the plan are driven by our customer priorities.

Table 12: Examples of how customer's views influenced our plan

Theme	Customers told us…	So we are…
Customers want us to deliver the basics	Customers want us to provide reliable, clean safe drinking water and remove wastewater efficiently at an affordable price. They expect us to maintain that delivery without interruptions to supply.	Continuing to operate, maintain and refurbish our existing treatment works and network. We're using innovative technology, such as real-time monitoring of water quality in the network and predictive analysis to identify blockages.
	Our customers' key priority is for their water to be safe and as natural as possible.	Changing our approach from dosing to lead pipe replacement of our own pipes and a customer incentivised pilot to replace customer pipes in Deal.
	When issues occur customers expect to be able to engage through a channel that works for them. When they complain about a service failure, they expect us to react and fix the issue quickly with a single point of contact.	Launching customer service proposition Make it Count which provides greater accessibility of information, data, services and support through the channels of your choice, such as website functionality and an optimised, online payment mechanism. We're also improving complaint handling, which includes root cause analysis and a complaint handling group.
Theme	**Customers told us…**	**So we are…**
Customers expect us to be ready for the future	Customers agree that catchment management was one of the preferred methods for guaranteeing a high-quality water supply for the future in a way that protects the environment.	Reducing nitrates through a mix of infrastructure investment and catchment-based activity by collaborating with farmers and land owners.
	Customers recognise the impact growth has on our region and want to ensure we protect services for the future, and that collaboration with developers and councils is needed. Developers want us to be more transparent with our capacity information to help them make informed decisions on site choice, pace and phasing.	Improving long-term planning and collaboration with local authorities, developers and the EA. We're making greater use of sustainable drainage approaches, water re-use and natural flood management, and offering incentives to developers to fit water-efficient devices and appliances in new builds. We're also introducing clearer charging schemes for developers, assigning account managers and holding regular developer engagement days.
	Customers expect us to be ensuring that future generations have access to the same level of water and wastewater services as we do today, and are,	Jointly developing a new reservoir with Portsmouth Water, water trading schemes to enable areas of the Water Resources in the South East group in surplus to support those in deficit, a regional grid in

	themselves, willing to invest now to ensure that there is no deterioration in services in the future.	Hampshire to improve ability to move water to where it is needed and investing in desalination schemes.
Theme	**Customers told us…**	**So we are…**
Customers want us to look after our environment	Catchment management was one of the preferred methods for guaranteeing a high quality water supply for the future in a way that protected the environment.	Making greater use of river catchment sampling and analysis to understand emerging risks (such as chemicals and metals) and potential environmental impact.
	Customers want us to ensure our bathing and river water quality is higher than the minimum, to not only protect but enhance the environment.	Introducing one of our largest-ever environmental programmes is improving 537 km of river quality, maintaining our bathing waters – increasing five to good and two to excellent status.
	Customers prefer environmentally-sustainable solutions with a preference for a mixture of methods both conventional and sustainable.	Removing surface water from the sewer network to increase capacity by promoting SuDS, soakaways and water butts.
Theme	**Customers told us…**	**So we are…**
Customers expect us to take care of water	Customers expect us to do our bit to take care of water by reducing leakage. They want us to ensure we are proactively updating customers on any works that may temporarily impact their day-to-day activities.	Carrying out 330 km of mains replacement including communication and supply pipes while working with our partners to proactively engage customers throughout.
	Customers are not too aware of the amount of water that they are using and are keen to use it more wisely where they can, but they need help to understand how their actions impact their usage.	Ensuring better visibility and monitoring of consumption data – smart metering – and carrying out 100,000 home water efficiency visits.
	Customers want us to use water efficiently and ensure we're not wasteful such as by recycling water for the benefit of golf courses and agricultural land. They also support water re-use when re-abstracted to supply drinking water.	Promoting water re-use schemes to recycle treated wastewater for either industrial use or upstream for abstraction from the river for drinking water.

We have used our engagement process to drive the plan, the programmes within it, our outcomes, PCs, the stretch of our targets and associated ODIs – and to consider candidates for cost adjustment claims (CACs), as set out in the table below.

Table 13: Example of key elements of the plan (more detail in chapter 6)

Element of the plan	How customers have influenced this element of the plan
Outcomes	Insight from our customer and stakeholder engagement programme was used to develop a set of 10 outcomes for our business plan. These were iteratively developed through multiple phases of research, challenge and refinement. They were also validated with the CCG and evidenced using the Outcome Authentication Framework (TA 4.4 (109)).
Performance commitments	For each outcome we have customer-driven objectives which highlight our aim to customers. Our PCs were derived from our initial view of customer priorities and validated and refined over the course of our programme of engagement.
Targets and ODIs	We have set targets for each PC and made the decision as to whether we attach an ODI, which will result in a financial penalty if we do not meet our target and a financial reward if we exceed it. Customer insight was used to inform which PCs are subject to an ODI. A process was put in place to determine the appropriate level of target, and whether and how to financially-incentivise delivery. This process started with an understanding of customer priorities based on the research outlined in this chapter, which was used to develop an initial PC target.
Cost adjustment claims (CACs)	In finalising our business plan, we carried out research to understand customers' views on CACs, as well as on four areas for potential claims. Removal of nitrates from the water supply, improving bathing water, growth in the area, and Thanet groundwater scheme were

	discussed. These are all of medium to higher importance in our priority ranking for customers. Our research revealed support for all four proposed claims and that customers are likely to accept a small increase to their bills, both because they support the programmes and because they feel the cost adjustment is unlikely to have a significant effect on their bill. (See TA 4.4 (67))

A significant majority of our customers accept our proposed plan

The objective of this phase was to validate our proposed plan with our customers to ensure customer understanding and satisfaction with our proposed priorities and investments. Our testing used a robust and consistent approach for the industry which used Consumer Council for Water guidance and was supported by the CCG. To arrive at informed acceptability, customers were taken on a journey to understand the challenges of the region and Southern Water's current performance. Respondents were then shown our strategy, our targets, key elements of the plan we're committing to deliver and the impact on customer bills. A summary of our results is included below.

Overall, customers report high levels of formed acceptability – 81% for a combined customer view:

An additional 13% rated the plan as neither acceptable nor unacceptable
Business customers rated it significantly higher with 89% informed acceptability.

Acceptability is driven by a focus on the basics as well as thinking beyond delivery:

Brilliant at the basics shows that Southern Water is serious about maintaining standards
Long term outcomes feel exciting and ambitious, giving customers confidence we are thinking beyond the delivery of water and wastewater services.

Only 4% find the plan unacceptable, driven by a desire for Southern Water to be more proactive by:

doing more to help customers understand their usage, providing greater clarity on leakage from our network and setting more stretching targets for the plan.

Customers also find bills for the business plan affordable – 76% affordable:

53% very affordable or affordable and 23% neither affordable nor unaffordable.

Wider economic hardship is the reason some customers find the bills unaffordable (20% – for an informed and combined household customer view):

However, this does increase to 27% for an uninformed household customer
Many customers are experiencing household bills rising above their disposable income
Lower income households (under £15,000) are significantly more likely to find future bills unaffordable.

Stakeholders feel the difference to bills is minimal for the business plan:

However, they highlight that partnership with other companies and clear communication around bill changes is needed.
61% found the RORE range acceptable (only 15% considered it unacceptable).
(A full summary is included in TA 04.1 and the report can be found in TA 04.4 (106 and 107.)

4.5 Deliver – Continuing to engage with our customers

The Deliver stage of our process involves continued engagement with our customers, both in formulating our business plan, and throughout the rest of AMP6 and AMP7.

We are collaborating with customers on the key issue of trust and transparency

Developing a deep understanding of the needs and priorities of our customers has been at the heart of the development of our plan. It will be critical in achieving the trust and confidence of our customers for us to deliver the outcomes that will benefit them today and in the future. We undertook a research programme, developed and designed with the CCG, focusing on trust. It will play a key role in our future engagement and customer sentiment tracking. This research with customers has only just been completed and represents the foundation of further engagement and activity over the coming months.

When initially asked about Southern Water, many views were neutral and muted. When prompted, views were mixed and were framed on previous levels of service. The monopolistic nature of the water sector and scepticism over the incorporation of customer insights and feedback in decision making were highlighted as key factors that negatively impacted customers' perceptions of trust.

The key drivers of trust focus on putting customers first (such as fairness and providing effective customer care) and communication (doing what you say you'll do and communicating effectively). A key discussion point, prompted within the research, was the financial structure of Southern Water.

The following were identified as key ways in which we could improve trust and transparency and we are addressing these.

1. **Clarity of communication:** customers wanted information to be provided in a clear, accessible and understandable format (i.e. in customers' language)
2. **Personalised information:** customers wanted information in relation to water provision and infrastructure in customers' local area tailored to them
3. **Transparency:**
   a.) **Environmental impact:** customers wanted further information about Southern Water's environmental impact to boost perceptions of trust
   b.) **Financial and organisational information:** customers felt financial and organisational information about salaries and workforce diversity would help drive trust.
4. **Comparative performance:** customers considered that the provision of comparative information with other water companies would be useful to provide context and improve understanding.

We continue to work with the CCG

Over the course of our programme of customer engagement, our CCG has provided continual challenge on our approach and our findings. We have embraced this and it has enhanced the quality of our engagement and the depth of insight we have been able to gain. The CCG have said with confidence that our customer engagement has been of high quality and our business plan is built upon what customers want. This collaborative working with the CCG will continue to be business as usual.

Table 14: Examples of key CCG challenges

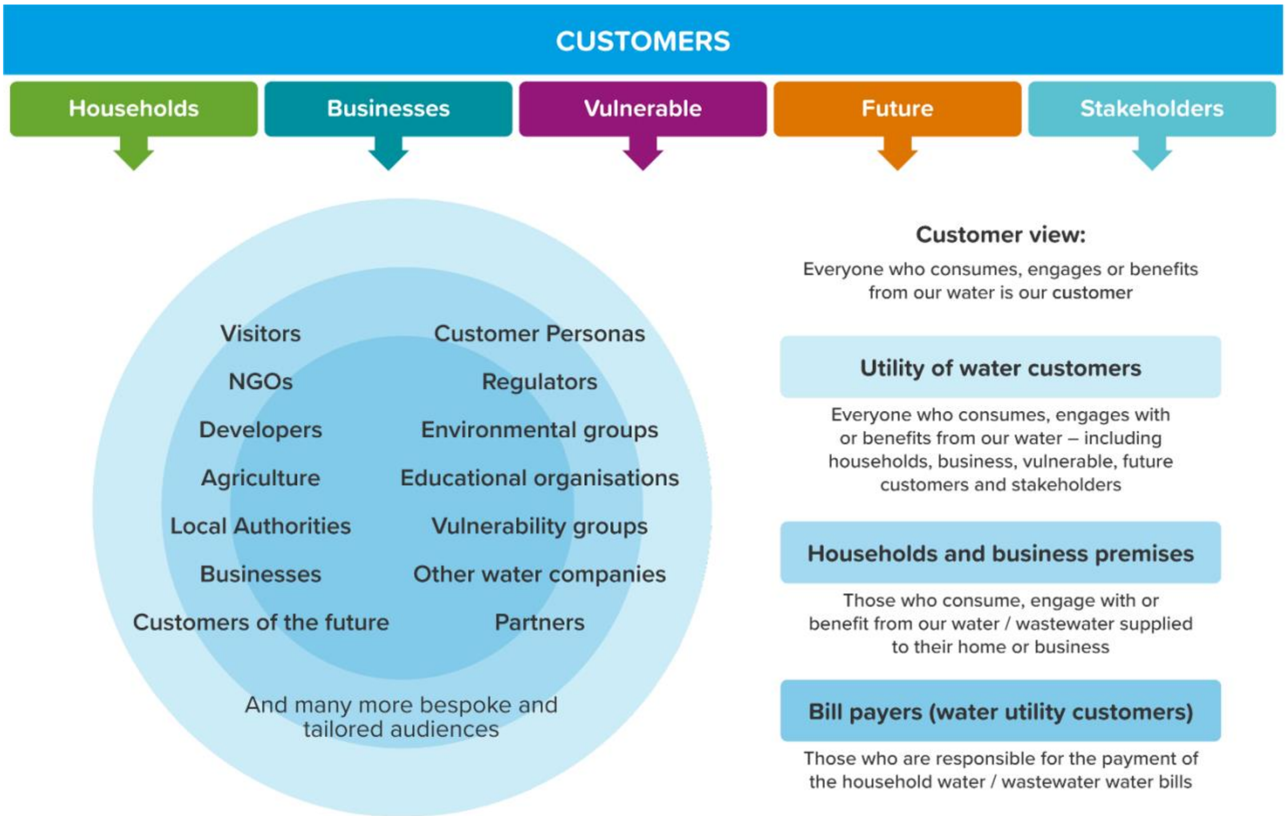
CCG challenge	Our response
CCG challenged us to draw on best practice from water and other industries to shape our approach to customer engagement	The CCG asked us to compare and contrast our engagement programme with other companies and sectors with good customer engagement. Prior to commencing our programme for PR19 we reviewed best practice of other water companies from PR14. We carried out a benchmarking exercise across sectors and a best-in-class benchmarking review for stakeholder engagement activity. We also reviewed the quality of customer engagement using EY Seren. This was quality assured by RAND.
CCG challenged us to ensure that we achieve depth as well as breadth in our programme of engagement	For PR19 we set the ambition of achieving the participation of one million customers in our customer engagement programme. Our CCG challenged whether this is the right motivational objective. As such, we placed increasing focus on the depth as well as breadth of our engagement and ensured that we were engaging in a meaningful way with a diverse range of customer groups, as well as with 'non-contact' customers, with whom we traditionally would not interact.
CCG challenged us to engage with a broad range of customers including household, non-household and a variety of vulnerable customer types	The CCG has continually provided challenge to our approach to engagement. As a result, we reached out across a much broader definition of customers with bespoke deep dives into vulnerability. The CCG also challenged on the content of our engagement, to ensure views and insight was accurate. For example, on our acceptability testing, because of CCG challenge we focused on updating language and comparative data for the presentation of PCs.
CCG challenged us to put in place a rigorous approach to triangulation of customer priorities	Our CCG correctly pointed out that to ensure we effectively capture and act on customer needs, whilst also getting the balance right across different groups of customers and stakeholders, it will be critical to carry out a robust triangulation that clearly distinguishes between the needs of customers and stakeholders. We developed a detailed triangulation approach and commissioned outcome authentication and assurance to ensure the robustness of our approach. (Our approach and findings are highlighted in this chapter and in TA 4.3.)
CCG challenged us to simplify our content to enable better customer participation	The CCG challenged that the quality of the output from the deliberative workshops may be compromised, as the information provided was technical and potentially confusing. It was concerned that participants and facilitators could lose sight of what was to be achieved in the workshops. The sharing of comparative information had also proved difficult for customers to respond to, particularly when it was not clear what 'good' looked like. In response, we evolved our approach to focus groups and re-tested the environment and flooding topics where our approach had been challenged – this was subsequently approved by the CCG.
CCG challenged us to broaden the range of stakeholders we engage with	The CCG challenged us to engage with a wider segment of business sectors, and as a result we broadened our approach to include academic establishments (from schools to colleges and universities) as the 'employer of choice' for future careers. We also involved the agricultural sector (vineyards, breweries and farmers) as partners in innovations and greywater recycling, as well as manufacturing, construction, business parks, railways, tourism, hospitality, retailers and food. Our Future Engagement and Participation Strategy focuses on broadening this range as business as usual.

(Please see TA 4.5 for further detail on CCG challenge and how we have responded to feedback.)

We will continue to collaborate with our customers as part of business as usual

For PR19 we have built on solid foundations, broadened our definition of customers and enhanced our engagement approach, leading to a much deeper understanding of our customers and driving better informed decision making. Our vision is to move from strong foundations to continuous active customer participation. As we move into AMP7 the evolution of our customer segmentation, combined with a clear forward-facing strategy will help continue to co-create a resilient future for the South East. (Customer segmentation described in Chapter 5)

Figure 6: Segmenting our approach with a broader definition of customers



4.6 Assure – Our engagement programme has been extensively assured

We used a range of collaborative assurance activities to drive continuous improvement

We have researched and applied best customer engagement practice throughout our programme. This section covers how we have conducted our research and how we have interpreted our research to ensure the robustness and reliability of our findings and reduce bias.

We focused on four key areas to ensure accurate and high-quality insight

Table 15: Summary of our assurance activity

Assurance	Approach and quality How we conducted our engagement	Interpretation and accuracy How we interpreted our findings
Expert challenge	**We used the CCG forum to provide challenge to our plans and findings** Building on our PR14 programme and our programme of continuous engagement, we have put a rigorous process of business, customer and stakeholder challenge in place to advise and challenge our business on how we engage with our customers and other stakeholders, and then incorporate their views in decision-making across the business.	
Independence	**We used accredited research agencies affiliated with the Market Research Society** We ran a comprehensive procurement and pitch process to identify and engage with market-leading agencies affiliated with the Market Research Society, and as such, apply their principles and guidance on best practice to all research activity.	**We carried out external authentication of our outcomes** Corporate Culture Group carried out an independent review of our outcomes and developed the Outcome Authentication Framework, providing evidence for the outcomes that we defined.

Range of engagement	**We reduced bias by researching different types of customers** To derive our priorities, we researched a range of customer types (as outlined in the previous section), and took into consideration the views of domestic, business and future customers. **We reduced contextual bias by applying a range of contexts to our research** We researched important topic areas in a range of contexts to get a more robust view of customer priorities. For example, asking that customers consider priorities in the short term and long term. **We used comparative information (where relevant) to ensure customers were well informed** We consistently used comparative information across our primary research to provide customers with the necessary reference points to provide informed opinions. An example of this is in our initial research on customer priorities, where we provided reference points on Southern Water's performance relative to other water companies in areas such as leakage. We found that providing this information altered customers' views of the priority of a number of issues.	**We applied a robust triangulation framework** We designed and applied a robust triangulation framework that weighed input from a diverse range of sources to derive our priorities. We used an external provider (Accent) to design and execute our triangulation of willingness to pay data.
Formal verification	**We sought independent assurance continually throughout our engagement process** In addition to our engagement with customers and stakeholders, we have sought assurance at each stage of our engagement process to ensure the accuracy of our plan. For "What are our customers' priorities?" we worked with RAND to ensure the robustness of our approach as well as our interpretation of the findings For "How much are customers willing to pay?" RAND completed a detailed assurance of our triangulation process and results.	

Technical Annexes:

TA.4.1	Customer Engagement Method and Findings	Provides greater detail of our research methods and findings
TA 4.2	Summary of Supporting Customer Insight	A detailed summary of our customer insight across our outcomes and PC's
TA 4.3	Triangulation of Customer Priorities	Our detailed approach and finding to our triangulation process
TA 4.4	Customer and Stakeholder Engagement Deliverables (Index)	An index to our third party and formal stakeholder reports – which are included in a sub folder. This annex also includes an index for our stakeholder endorsement letters and an overview to all our stakeholder activity.
TA 4.5	CCG Challenge Log	Provides a detailed summary of the challenges from the CCG and our responses

[1] Tapped In from passive customer to active participant report commissioned by Ofwat; available on the Ofwat website