TA 4.1 – Customer Engagement Methodology and Findings
Technical Annex

September 2018
Version 1.0

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Purpose

This document provides a detailed outline of customer engagement methodology and high-level outline of findings, including our approach to triangulation. This provides more detail than explained in the main business plan Chapter. The purpose of this document is to address Ofwat's expectations regarding the quantity, quality, depth and breadth of customer engagement and demonstrate depth of analysis of all research sources to inform our understanding of customer priorities

The table below summarises the Ofwat tests that are addressed by this Annex. It should be read in conjunction with Chapter 4 – Customer and Stakeholder Engagement.

Table 1: Relevant Ofwat tests

Ref	Ofwat test		Comment
Primary Focus Areas			
EC1	What is the quality of the company's customer engagement and participation and how well is it incorporated into the company's business plan and ongoing business operations?	The purpose of this document is to address Ofwat's expectations regarding the quantity, quality, depth and breadth of customer engagement and demonstrate depth of analysis of all research sources to inform our understanding of customer priorities.	This Annex outlines our detailed approach to undertaking customer engagement, including our qualitative and quantitative methodology and the principles underpinning our approach to triangulation
Secondary Focus Areas			
AV4	Addressing affordability and vulnerability		
OC1	Delivering outcomes for customers		

1. Overview

Customer views are at the heart of our business plan. We've incorporated views through more than 42,000 direct interviews as well as engagement insight from over one million customers.

We have been on a lengthy journey to co-create the business plan. Earlier in the process, we focused on a broad range of topics and potential customer priorities. Through the later stages of our engagement we focused more on refining our understanding of customer priorities and how customers want these to be delivered. We used insight from both direct customer engagement and operational data to enhance our understanding of our customers.

We applied a five-stage approach:

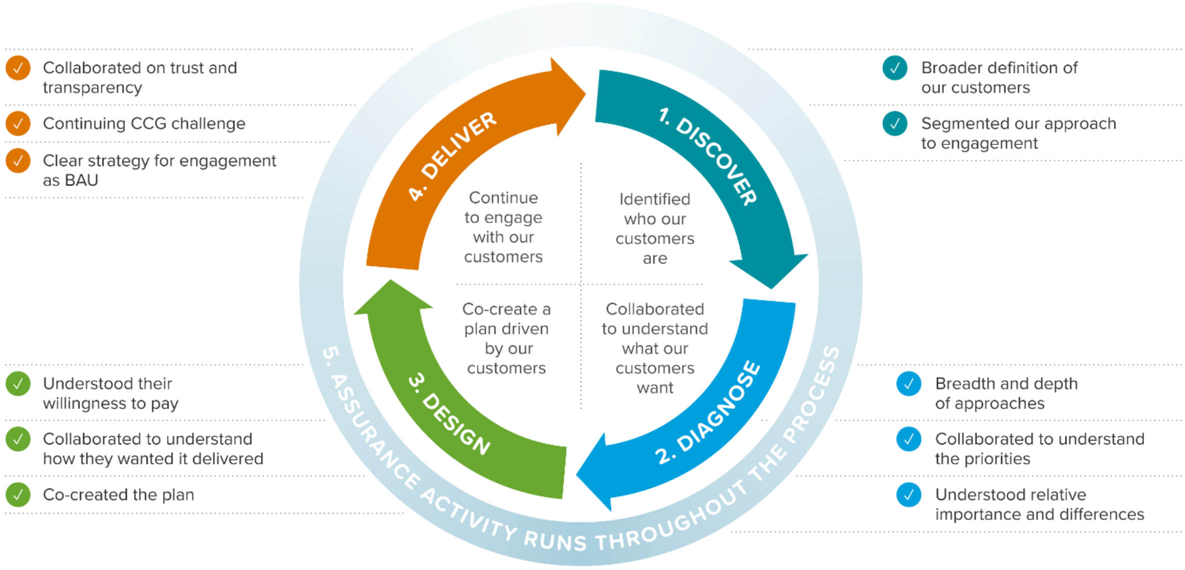

Figure 1: Customer engagement process

(NB: CCG is the Customer challenge group, BAU is business as usual)

These steps are summarised below. The remainder of this Annex explains steps 1-3 below. Stage 4 (Deliver) relates to how we will continue to engage with customers going forward – this is set out separately in our Future Customer Engagement Strategy. Stage 5 is outlined in Chapter 4 – Customer and stakeholder engagement.

Table 2: Objectives and features of our engagement process

Stage	Objective	Key features of our approach
1. Discover	To articulate what we mean by "customers" and to develop a deep understanding of their diverse needs, behaviours and preferences	✓ Broader definition of customer ✓ Household customer segmentation ✓ Cross-cutting, unified engagement team
2. Diagnose	To develop a deep understanding of the priorities of our customers, and of the range of priorities reported by our different customer groups, as well as to develop an understanding of customer views on key topics, e.g. resilience	✓ Breadth and depth of approaches ✓ Collaborated to understand the priorities ✓ Developed deep understanding of relative priority of categories and of differences in priorities between customer groups

3. Design	To co-create our Business Plan with our customers, to understand how customers want us to deliver on their priorities and how much they are willing to pay for service improvements	✓ Understood desire and willingness to pay for service improvements in priority areas ✓ Understand how customers want their services to be delivered and collaborated to co-create initiatives to deliver on their priorities
4. Deliver	To deliver our plan in partnership with our customers, building trust and ensuring transparency through ongoing engagement and collaboration as well as ongoing challenge from our CCG	✓ Continuing to build our insight capability into our BAU operations ✓ Ongoing collaboration on key issues and to deliver our plan ✓ Ongoing challenge from CCG
5. Assurance	To ensure that the programme of engagement, the design and delivery of the plan is effectively governed and is fit for purpose	✓ Accredited research agencies ✓ Independent assurance ✓ Ongoing challenge from CCG

2. Discover – Identifying who our customers are

This section provides further detail on the methodology and findings of our "Discover" phase of customer engagement and participation

Definition of customers

As outlined in Chapter 4, our definition of customers evolved to include household, businesses, vulnerable, future customer, stakeholders. We have gone beyond just bill payers, to include visitors to the region, tourists, various stakeholder groups to collaborate with customers who benefit from the utility of water. By broadening our definition and taking a segmentation approach we've had more personalised and relevant engagement.

Segmenting our household customers

Bill paying customers account for 4.6 million of our customers, each customer with their own set of attitudes and behaviours. To develop initiatives and solutions that address our household customer priorities, we obtained deeper insight into their needs, preferences and behaviours.

We worked with a 3rd party research agency to develop a behavioural customer segmentation and a set of illustrative personas that we could use to bring the views of our customers to life across the business. We identified five distinct groupings of customers based on input in 4 key steps:

1. Qualitative groupings - We used Mosaic data to group our customers based on their attitudes and engagement with Southern Water, against two key scales:
    - Level of engagement with their water company (active versus passive)
    - Motivation for water consumption (financially versus environmentally driven)
2. We validated our qualitative findings with 1:1 interviews, conducting 35 interviews in 3 regions
3. We conducted a quantitative survey of 1,000 customers to validate our findings
4. We developed a set of 5 personas based on our findings to bring the different types of customer needs and preferences to life

Household customer personas

Our segmentation identified 5 distinct groups of customers, and a set of needs and preferences for each group that provided us with some clear opportunities to tailor how we engage with these customers. We developed customer service-led personas to help us tailor propositions to different customer needs.

This segmentation has been used in the design and validation of our retail propositions, as outlined later in this technical annex.

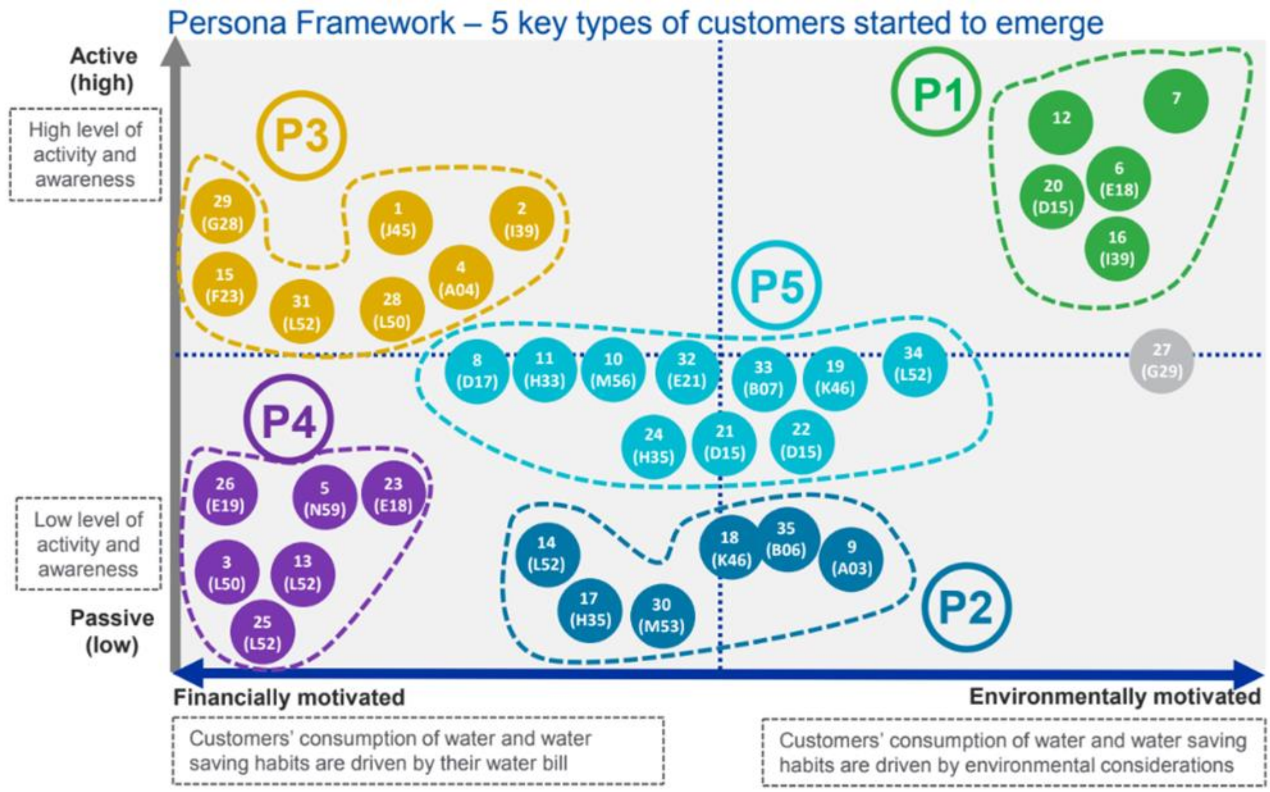

Figure 2: Our persona framework

We will continue to evolve these customer service personas for households and businesses as part of our Future Customer Engagement Strategy. This recognises that we need to continually respond to evolving customer needs. A snapshot of the groups and the opportunities to engage and shape our propositions further are set out below. (NB: The persona names from our output document (49) are still being evolved as part of this ongoing segmentation)

Table 3: Our customer persona descriptions

Customer Persona	Description	Opportunities to engage
P1 – Environmentally Engaged (9%)	A group of customers who are very environmentally active. They do not hesitate to champion and work towards environmentally friendly practices within their communities. They tend to show a willingness to pay more for environmentally friendly products and would make other compromises to help the environment. They have a good level of knowledge of environmental issues and water saving process and would hold Southern Water and other large organisations accountable for the natural environment	To engage this group, Southern Water should empower them to be 'champions' in their respective communities. Southern Water should also involve them in the discussions around planned environmental projects and send them targeted information on large scale initiatives
P2 – Happily Disengaged (14%)	A group of customers who are comfortable paying their bill and are not particularly motivated by environmental factors. They focus more on their personal lives and convenience. They are driven by their personal needs and would only care	To engage this group, Southern Water has to focus on the impact of its activities on customer's personal lives, convenience and needs. Customers would be interested in projects that they could physically see the benefits in or that would make their lives

	about projects that benefit them or their physical surroundings	much easier
P3 – Actively Engaged (23%)	A group of customers who are mainly motivated by financial factors. These customers tend to be actively using water saving products and processes with an eye on financial advantages. They do not necessarily know about what is available and or what Southern Water can offer but would be interested if economically convenient for them. People who do not have water meters would not typically try to save water as it would not affect their bill. But they can still be 'active' if they show signs of constantly trying to reduce their bill by other means	To engage this group, Southern Water should provide targeted information to them on the exact amount of money they would save if they perform a water saving process or purchase a water saving device. Initiatives that would interest them would have to involve clear and significant financial benefits
P4 – Service Seekers (26%)	A group of customers who are comfortable with paying their water bill. Some of them are renting their homes, while others are homeowners. They are financially motivated and try to save money on larger bills like electricity and gas. However, they see no benefit in changing their behaviour to reduce the water bill as it is often low enough. They would only act if it leads to a significant reduction to their water bill. They are not concerned with saving water nor the environment. Their main concern is that water comes out of their tap. They are open to receiving information and supporting projects that would enable them to have a significant financial benefit	To engage these customers, Southern Water should provide them with information on the exact amount of money they could save if they perform a water saving process or use device. Additionally, because of their low activity, Southern Water could also take the initiative to provide them with water saving products and improve communications with them to spur these customers to be more active and participative in potential Southern Water projects
P5 – Reassurance Seekers (17%)	A group of customers (mainly families) who are environmentally and financially inclined, but do not act on their concerns in their daily lives. They may use some water saving products and processes out of habit. They are interested in the future of water provision for their families and would be motivated by projects that benefit their local community .	To engage this group, Southern Water should focus on helping these families safeguard the future of water. This group tends to be family-oriented and are worried about their children's' future resource challenges. As such, they would be interested in receiving information on the future of water and would be willing to take part in projects that safeguard resources for their families and the local community

For a full explanation of our segmentation findings please see TA.4.4 - Engagement deliverables (49)

3. Diagnose – Understanding what our customers want

This section provides further detail on the methodology and findings of our "Diagnose" phase of customer engagement and participation

We drew on a range of sources to understand the priorities of our customers. Our research was based on two overarching research questions:

Table 4: Key questions to understand customer priorities

Research question	Objective
What are our customers' priorities?	Our objective was to understand what matters most to our customers and to develop an overall view of customer priorities that our business can understand and use to inform the business plan. *This helped us to develop a unified understanding of the priorities of customers across our PR19 plan, and to inform our priorities for investment and service improvement*
How do priorities differ by customer group?	Our objective was also to understand how customer priorities differ across our key customer groups, to ensure that our plan meets the needs of our diverse range of customers *This helped us to develop a deeper understanding of the priorities of specific customer groups in order to shape more targeted investment proposals where necessary*

What are customer priorities?

This section provides further detail on the methodology and findings from each of our sources of customer insight

We used four categories of customer insight to understand customer priorities. These four categories were "triangulated" to determine an unbiased view of what is important to our range of different customers. Triangulation was based on a set of rules which allowed us to weigh up and prioritise the most high-quality, valuable sources of customer insight. We applied relative weightings to create a simple overview of what is important to our customers. This research informed our overall priorities for investment and service improvement for our Performance Commitments (PCs).

Table 5: Four primary categories of insight used to understand priorities

	Type of insight	Purpose	Source of insight
1	Consumer attitude and preference research	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	Complaints Contacts

		analysis of customer data	
3	PR14 performance	To understand existing customer priorities and SW performance against these priorities during AMP6	Review of AMP6 performance against out targets
4	Industry research	To understand what broader industry research indicates about customer priorities in the UK	Industry research on key topics

Consumer attitude and preference research

Table 6: Key findings by research projects into priorities

Name	Audience	Method	Key findings
1 Household customers' views on Southern Water's strategic direction*T.A.4.4 (2)*	▪ Domestic customers ▪ Business customers ▪ Customers of the future	1. Current customers provided with a mobile app that allowed them to record thoughts in relation to water via video, text, imagery and sound 2. 20 x 1 hour in-depth home interviews 3. 3. Deliberative workshops outlining key customer findings from phases 1 and 2, and providing comparative data from other water and wastewater companies in the UK and globally (where relevant)	**Domestic** **High priority:** ▪ Water quality ▪ Water usage ▪ Billing and affordability ▪ Assisting vulnerable customers ▪ Pollution **Medium priority:** ▪ Resilience ▪ Internal / external sewer flooding ▪ Supply interruptions ▪ Water pressure ▪ Bathing waters **Low priority:** ▪ River water quality ▪ Leakage
			Business **High priority:** ▪ Water quality ▪ Water usage ▪ Water pressure ▪ Environmental issues ▪ Billing and affordability ▪ Assisting vulnerable customers **Medium priority:** ▪ Resilience ▪ Internal / external sewer flooding

				▪ Supply interruption ▪ Water pressure ▪ Customer service issues **Low priority:** 1. River water quality 2. Leakage
			1. Future customers provided with a mobile app that allowed them to record thoughts in relation to water via video, text, imagery and sound 2. 8 x 90 minute in-depth home discussions	**Customers of the future** **High priority:** ▪ Water quality ▪ Water usage – enable reduced usage through education ▪ Environmental issues ▪ Pollution ▪ Education to reduce network pressures (e.g. blockages, flooding, pollution) **Medium priority:** ▪ Bill affordability ▪ Sewer flooding **Low priority:** ▪ Customer service
2	Southern Water – Service priorities survey (Domestic customers) *T.A.4.4 (7)*	▪ 1368 Southern Water customers ▪ 265 Yorkshire Water customers ▪ 254 South West Water customers	1. Online survey drawing sample from YouGov online research panel. 2. Respondents asked at random based on post code 3. All respondents were solely or jointly responsible for paying the bill	**High priority:** ▪ Water quality ▪ Sewer flooding ▪ Affordable bills ▪ Supply interruption **Medium priority:** ▪ Leakage ▪ Pollution ▪ Resilience ▪ Speed in handling operational issues ▪ Helping vulnerable customers **Low priority:** ▪ Environment ▪ Renewable energy

			▪ Quality of bathing water ▪ Water consumption ▪ Reducing frequency of hose pipe bans
Southern Water – Service priorities survey (Vulnerable customer focus) *T.A.4.4 (7)*	▪ 202 vulnerable Southern Water customers ▪ 50 vulnerable Yorkshire Water customers ▪ 50 vulnerable South West Water customers	Face-to-face interviews Random selection of customers either: 1. From a lower social grade banding 2. Without access to internet/ limited access to internet	**High priority:** ▪ Water quality ▪ Sewer flooding ▪ Affordable bills ▪ Supply interruption **Medium priority:** ▪ Leakage ▪ Pollution ▪ Resilience ▪ Future-proofing of networks ▪ Helping vulnerable customers **Low priority:** ▪ Environment ▪ Renewable energy ▪ Quality of bathing water ▪ Water consumption ▪ Reducing frequency of hose pipe bans
Southern Water – Service priorities survey (Business customer focus) *T.A.4.4 (7)*	▪ 525 business customers	Respondents satisfied the following criteria: 1. Senior roles or direct responsibility for facility management including utility use 2. Businesses located within either Hampshire, Sussex, Kent or Isle of Wight Respondents were interviewed using a self-completion online survey	**High priority:** ▪ Water quality ▪ Supply interruption ▪ Resilience ▪ Pollution ▪ Effectively dealing with problems **Medium priority:** ▪ Maintaining bills at an affordable level ▪ Leakage ▪ Sewer flooding **Low priority:** ▪ Environment ▪ Maintaining beach cleanliness ▪ Reducing carbon footprint

		▪ Quality of bathing water ▪ Water consumption ▪ Reducing frequency of hose pipe bans

For a full explanation of our findings by customer segment please see T.A.4.2 – Summary of supporting insight

For a full explanation of our findings by customer segment please see T.A.4.3 – Triangulation of customer priorities

For a full explanation of our research findings please see T.A.4.4 - Engagement deliverables (index)

Operational data

Customer Engagement is a continuous process drawn together through our Customer Engagement model. Throughout AMP6, we have used operational data to shape, prioritise and deliver our “Customer’s First” programme. Building on this insight, we have used continuous engagement data to determine our initial view of customer priorities.

We drew on a variety of sources of continuous engagement data to identify the key issues and priorities that customers raise on a regular basis.

Table 7: Key findings by operational data into priorities

Type of data	Purpose	Key findings
1 Complaints	▪ To understand issues in which customers are complaining to Southern Water and use volume of issues to determine relative priority	**High volume:** ▪ Blockage/ flooding ▪ Repeat issue ▪ Time taken to resolve ▪ Long-term issues ▪ Odour ▪ Supply interruption **Medium volume:** ▪ Defective/ hazardous equipment ▪ Lack of information/ service ▪ Water quality ▪ Waste ▪ Poor workmanship **Low volume:** ▪ Incorrect service information ▪ Meter complaints ▪ Property damage ▪ Missed appointments ▪ Behaviour of staff
2 Operational Contacts	▪ To understand operational enquiries/ issues that are important to customers and are of sufficient importance to warrant customer contacts	**High volume:** ▪ External sewer blockage ▪ Leakage ▪ High water consumption ▪ Supply interruption **Medium volume:** ▪ Internal sewer blockage ▪ Stopcock queries ▪ Foul contacts (private/ public) ▪ Water colour ▪ Water pressure **Low volume:** ▪ Odour ▪ Manhole cover enquiries

			▪ Pollution ▪ Property flooding ▪ Water hardness ▪ Rodents
3	Billing Contacts	▪ To understand retail enquiries/ issues that are important to customers and are of sufficient importance to warrant customer contacts	**High volume:** ▪ Bill enquiries ▪ Moving process enquiries ▪ Payment scheme enquiries ▪ Payment options ▪ Metering issues ▪ Payment issues ▪ Debt advice **Medium volume:** ▪ Online enquiries ▪ Customer Service issues ▪ Service failure **Low volume:** ▪ Internal flooding ▪ External flooding ▪ Sewage blockage ▪ Joint supply ▪ Quality of water supply

PR14 Performance

At PR14 we undertook a programme of customer engagement to determine the priorities and valuations that shaped our PR14 business plan. Our PR14 commitments are a clear articulation of what our customers wanted us to invest in. As such, we have used information on how we are currently performing against these AMP6 priorities as part of our work to understand what might matter to customers.

For the purpose of our research and triangulation, we defined a set of categories against which we reviewed our customer insight. We reviewed our performance in each category against each PR14 performance commitment. Our findings were as follows:

Table 8: Key findings by PR14 performance into priorities

Category		Priority	Commentary
1	Asset Health: Wastewater	Lower priority	Ahead of AMP6 targets
2	Asset Health: Water	Lower priority	On track to meet target by 2019 but drinking water quality target missed in 2018
3	Vulnerability	Lower priority	Ahead of target - Proxy measure based on “take up of assistance schemes
4	Billing, debt, vfm, affordability	Medium priority	On track to meet targets by 2019 but relevant targets missed in 2018
5	Community	N/A	Currently do not track any “community” performance commitments
6	Customer satisfaction	Higher priority	Behind target for first contact resolution and billing queries

7	Energy/ emissions	Lower priority	Ahead of AMP6 targets
8	Environmental	Medium priority	Currently failing to meet target for "excellent" bathing waters in 2017
9	Leakage	Lower priority	Ahead of AMP6 targets
10	Pollution	Lower priority	Ahead of AMP6 targets
11	Resilience	N/A	N/A
12	Security of supply	Medium priority	On target for "water use restrictions" but behind target on "interruptions to supply"
13	Internal sewer flooding	Lower priority	Ahead of AMP6 targets
	External sewer flooding	Lower priority	Ahead of AMP6 targets
14	Water consumption	Lower priority	Ahead of AMP6 targets
15	Water pressure	Lower priority	Ahead of AMP6 targets
16	Water quality compliance	Medium priority	Ahead of target on majority of measures, and on track to meet target by 2019 but drinking water quality target missed in 2018

Combining research sources – triangulation

For each research source outlined above, we analysed the data and devised a high, medium or low priority rating. This rating was scaled based on the research sources, and each rating was assigned a number of points based on the rating assigned. For each source of insight, we assigned a weighting based on the validity and robustness of the source. In addition, our approach and methodology were independently assured by RAND. The weightings and rationale are outlined below:

Table 9: Weightings applied for triangulation

	Type of insight		Points allocation	Weighting	Rationale
1	Household customers' views on Southern Water's strategic direction T.A.4.4 (2)	10 points – key priority for customer group 5 points – medium priority for customer group 2.5 points – low priority for customer group 0 points – not mentioned by customer group	Domestic	0.5	The breadth and depth of research was substantial. Moreover, as domestic customers account for the majority of customers and the majority of research undertaken, the research was given double weighting of the equivalent business and future customer research. However, the small

					sample size (30 customers) reduce the research weighting overall leading to a **generally low** weighting.
			Business	0.25	The breadth and depth of research insight adds to the weighting of this research. As there are fewer domestic business customers the research was given half weighting of the domestic research. However, the small sample size (12 customers) reduce the research weighting overall leading to a **generally low** weighting.
			Future	0.25	The breadth and depth of research insight have added to the weighting of this research. As domestic future customers do not pay bills today the research was given half weighting of the domestic research edition. However, the small sample size (12 customers) reduce the research weighting overall leading to a **generally low** weighting.
	Southern Water – Service priorities survey T.A.4.4 (7)	10 points – key priority for customer group 5 points – medium priority for customer group 2.5 points – low priority for customer group 0 points – not mentioned by customer group	Household	2	The large sample size (~1000 customers) as well as domestic customers being considered a primary customer type to take into consideration when defining our priorities means this is our **highest weighted** insight source
			Business	0.5	The large sample size (~500 customers) and the fact that there are fewer business customers to take into consideration when defining our priorities means this is a **medium** weighted insight source
			Vulnerable	1.5	The large sample size (~300 customers) and the fact that vulnerable customers

					are being considered a primary customer type to take into consideration when defining our priorities means this is a **medium/high** weighted insight source
			Focus Group – household	0.5	As domestic customers are considered the primary customer type the research was given higher weighting. However, the small sample size reduce the research weighting overall leading to a **generally low** weighting.
2	Operational Data	10 points – high frequency query topic 5 points – medium frequency query topic 2.5 points – low frequency query topic 0 points – No queries about topic	Billing Contacts	1	Billing contacts data gives an idea about what customers generally have contacted us about, from which we can make inferences about what is important to them. The large sample size (9M contacts) increases the weighting of this insight type. However its skewedness towards a type of query (billing) decreases its validity. In summary the insight is given a **medium** weighting
			Operational Contacts	1	Operational contacts data gives an idea about what customers generally contact us about, from which we can infer what is important to them. The large sample size (0.5M contacts) increases the weighting of this insight type. However its skewedness towards a type of queries decreases its validity. In summary the insight is given a **medium** weighting
			Complaints	1	Operational contacts data gives an idea about what customers generally contact us about, from which we can infer what is

					important to them. The large sample size (~5000 contacts) increases the weighting of this insight type. However its skewedness towards a type of queries decreases its validity. Overall, this is given **medium** weighting
3	AMP6 performance	10 points – high negative variance between goal and actual performance 5 points – medium negative variance between goal and actual performance 2.5 points – low negative variance between goal and actual performance 0 points – attained AMP6 goal or PC not a goal during AMP6	N/A	1	Unattained performance commitments during AMP6 are given a higher score as these could be perceived to be of higher importance to achieve in this AMP. Overall this is given **medium** weighting
4	Industry research	10 points – key priority according to industry research 5 points – medium priority according to industry research 2.5 points – low priority according to industry research 0 points – not mentioned in industry research		1	Industry research might attract a higher weighting due to its sample size and high segmentation of customers. However as it is not specifically focused on Southern Water customers, it is given a **medium** weighting overall.

Stakeholder triangulation

For our stakeholder engagement programme, we applied a qualitative ranking of relative importance of categories of commitments and proposed PC's. All insight was rated on a Likert scale of 1 -5 :

- 1 indicated low relative importance
- 5 indicated significant relative importance

These rankings were triangulated across all research sources, allocating equal weight to each source of insight (generally workshop or surveys) to determine an overall set of relative priorities.

For a full explanation of our findings please see TA.4.2 – Summary of supporting customer insight

For a full explanation of our the triangulation of stakeholder insight please see TA.4.3 – Triangulation of customer priorities

For a full explanation of our research findings please see TA.4.4 - Engagement deliverables (index)

Assumptions

We have made a number of assumptions as part of the triangulation. These are summarised below.

Table 10: Assumptions applied for triangulation

Assumption		Description
1	Frequency of PC topic in insight is a measure of importance to customer group	It is assumed that performance commitment topics that do not feature in most of the in-scope insight utilised for the triangulation is less of a priority to customers
2	PCs were connected to customer priorities from insight based on if the outcome of both was the same	Due to the specificity of multiple PCs it is assumed that as long as a mentioned customer priority from the insight has the same outcome as that PC then customers would, if asked, grade the PC as important as the priority.
3	If the relative importance of an customer priority has not been established a general priority has been assumed by providing a High, Medium, Low scoring based on position in the ranking	The assumption was required due to the limited availability of data
4	Where multiple priorities were linked to one PC, the one highest scoring priority would be applied	It was assumed that while a PC can have multiple facets, even if their priority ranking to customers differ the general importance of that PC to customers is as high as the most important facet

For a full explanation of our triangulation approach and findings please see T.A.4.3 – Triangulation of customer priorities

Our findings

This section provides a detailed breakdown of customer and stakeholder priorities and our understanding of how priorities differ by customer segment

Overall customer priorities

To ensure a robust, balanced and proportionate evidence base, we reviewed the depth and breadth of research we had undertaken, 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.

As outlined in the table below, we found that our stakeholders reported a different set of priorities to our customers. Our stakeholders include government and policy makers, the regulator, communities, visitors to the region, local authorities and generally those who benefit from our service. Both groups prioritised internal and external sewer flooding and leakage. In general, stakeholder groups placed more emphasis on securing the networks for the future, while customers prioritised commitments which ensure the delivery of safe, clean drinking water and effective wastewater services today. Stakeholder groups placed much higher emphasis on environmental and resilience commitments, demonstrating a clear focus on securing the future of water. A summary of these (triangulated) priorities is set out below.

Table 11: Summary of overall priorities

	Priority Group		
Category	**Customer**	**Stakeholder**	**Both**
Water quality	Higher	Lower	Higher
Leakage	Higher	Higher	Higher
Supply interruptions	Higher	Medium	Higher

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

Priorities by customer group

We also applied our triangulation model to understand the variation in priorities of each of our customer groups. 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.

Table 12: Summary of overall priorities by types of customer

	Priority Group			
Category	**Household**	**Vulnerable**	**Business**	**Future**
Water quality	Higher	Higher	Higher	Medium
Leakage	Higher	Higher	Higher	Low
Asset Health	Higher	Higher	Higher	Higher
Customer experience	Higher	Higher	Higher	Low
Supply interruptions	Higher	Higher	Higher	Medium
Sewage flooding prevention	Higher	Higher	Medium	Higher
Water consumption	Higher	Lower	Medium	Medium
Pollution	Medium	Medium	Higher	Higher
Supporting the vulnerable	Medium	Higher	Lower	Medium
Water resource abstraction	Lower	Medium	Medium	Higher
High quality bathing and river waters	Lower	Higher	Medium	Medium
Water pressure	Lower	Lower	Lower	Lower
Water resilience	Lower	Higher	Medium	Lower

Growth	Lower	Medium	Medium	Lower
Renewables	Lower	Lower	Medium	Medium
Void properties	Lower	Lower	Lower	Lower
Community engagement	Lower	Medium	Lower	Lower

Relative priority of proposed performance commitments

We applied our triangulation model to understand the relative priority of our proposed performance commitments for our customers and stakeholders.

Table 13: Summary of overall priority of proposed performance commitments

	Total Priority		
PC	**Overall**	**Customer**	**Stakeholder**
Internal sewer flooding	Higher	Higher	Higher
Drinking water appearance	Higher	Higher	Lower
Drinking water taste and odour	Higher	Higher	Lower
C-MeX Measure	Higher	Higher	Lower
Water quality compliance CRI	Higher	Higher	Lower
Leakage	Higher	Higher	Higher
Replace lead customer pipes	Medium	Higher	Lower
Water supply interruptions	Higher	Higher	Medium
Asset Health: Mains bursts	Medium	Medium	Lower
Asset Health: Unplanned outage	Higher	Medium	Higher
External sewer flooding	Medium	Medium	Lower
Risk of severe restrictions in a drought	Higher	Medium	Higher
Pollution incidents (category 1 – 3)	Higher	Medium	Higher
Effectiveness of financial assistance	Medium	Medium	Lower
Asset Health: Sewer collapses	Medium	Medium	Higher
Improve the number of bathing waters to at least good	Lower	Medium	Lower
Asset Health: Treatment works compliance	Medium	Medium	Medium
Target 100	Medium	Medium	Higher
Per capita consumption	Medium	Medium	Higher
Combined Sewer Overflows (CSO) monitoring	Lower	Medium	Lower
Water saved from water efficiency visits	Medium	Medium	Higher
Access to daily water consumption data	Medium	Medium	Higher
Water supply resilience	Medium	Medium	Medium
Effluent reuse	Medium	Medium	Higher
Satisfaction with vulnerability support	Lower	Medium	Lower
Natural Capital	Medium	Medium	Higher
River water quality	Medium	Medium	Higher
Improve the number of bathing waters to least 'excellent' (cost adjustment claim)	Medium	Medium	Higher
Maintain Bathing waters at 'Excellent'	Medium	Medium	Higher
Surface water management	Medium	Medium	Higher
Satisfactory bioresources recycling	Lower	Lower	Lower
Water Pressure	Lower	Lower	Lower
Abstraction Incentive Mechanism	Lower	Lower	Higher
Growth	Lower	Lower	Higher
Risk of sewer flooding in a storm	Lower	Lower	Higher

D-MeX measure	Lower	Lower	Medium
Void properties	Lower	Lower	Lower
Renewable Generation	Lower	Lower	Lower
Schools visited and engagement with kids	Lower	Lower	Medium
Community engagement	Lower	Lower	Higher
Gap sites	Lower	Lower	Higher

Relative priority of proposed performance commitments by customer segment

We applied our triangulation model to understand the relative priority of our proposed performance commitments for each of our customer groups.

Table 14: Summary of overall priority of proposed performance commitments by types of customer

	Total Priority				
PC	Total	Household	Vulnerable	Business	Future
Internal sewer flooding	Higher	Higher	Higher	Medium	Higher
Drinking water appearance	Higher	Higher	Higher	Higher	Medium
Drinking water taste and odour	Higher	Higher	Higher	Higher	Medium
C-MeX Measure	Higher	Higher	Higher	Higher	Lower
Water quality compliance CRI	Higher	Higher	Higher	Higher	Medium
Leakage	Higher	Higher	Higher	Medium	Medium
Replace lead customer pipes	Higher	Higher	Higher	Higher	Medium
Water supply interruptions	Higher	Higher	Higher	Higher	Lower
Asset Health: Mains bursts	Medium	Higher	Higher	Higher	Lower
Asset Health: Unplanned outage	Medium	Medium	Higher	Higher	Lower
External sewer flooding	Medium	Medium	Higher	Medium	Higher
Risk of severe restrictions in a drought	Medium	Medium	Higher	Medium	Medium
Pollution incidents (category 1 – 3)	Medium	Medium	Medium	Medium	Higher
Effectiveness of financial assistance	Medium	Medium	Higher	Lower	Medium
Asset Health: Sewer collapses	Medium	Medium	Medium	Medium	Higher
Improve the number of bathing waters to at least good (cost adjustment claim)	Medium	Lower	Higher	Medium	Medium
Asset Health: Treatment works compliance	Medium	Medium	Medium	Medium	Higher
Target 100	Medium	Medium	Lower	Medium	Medium
Per capita consumption	Medium	Medium	Lower	Medium	Medium
Combined Sewer Overflows (CSO) monitoring	Medium	Medium	Lower	Medium	Higher
Water saved from water efficiency visits	Medium	Medium	Lower	Medium	Higher
Access to daily water consumption data	Medium	Medium	Lower	Medium	Higher
Water supply resilience	Medium	Lower	Higher	Medium	Lower
Effluent reuse	Medium	Medium	Medium	Medium	Higher
Satisfaction with vulnerability support	Medium	Medium	Medium	Lower	Higher
Natural Capital	Medium	Lower	Medium	Medium	Higher
River water quality	Medium	Lower	Medium	Medium	Higher
Improve the number of bathing waters to least ‘excellent’	Medium	Medium	Higher	Medium	Medium
Maintain Bathing waters at ‘Excellent’	Medium	Medium	Higher	Medium	Medium
Surface water management	Medium	Medium	Lower	Lower	Higher
Satisfactory bioresources recycling	Lower	Lower	Medium	Medium	Higher
Water Pressure	Lower	Lower	Lower	Lower	Lower
Abstraction Incentive Mechanism	Lower	Lower	Lower	Lower	Higher
Growth	Lower	Lower	Medium	Medium	Lower

Southern Water

Risk of sewer flooding in a storm	Lower	Lower	Lower	Lower	Higher
D-MeX measure	Lower	Lower	Lower	Lower	Lower
Void properties	Lower	Lower	Lower	Lower	Lower
Renewable Generation	Lower	Lower	Lower	Lower	Medium
Schools visited and engagement with kids	Lower	Lower	Medium	Lower	Lower
Community engagement	Lower	Lower	Lower	Lower	Lower
Gap sites	Lower	Lower	Lower	Lower	Lower

We used customer views as input to selecting our final performance commitments

We applied our triangulation model to understand the relative priority of the performance commitments we chose not to include in our plan for each of our customer segments.

Table 15: Summary of priorities of performance commitments not proposed by types of customer

PC	Total	Household	Vulnerable	Business	Future
% PE compliance	Medium	Medium	Medium	Medium	Higher
Avoiding blocked drains	Lower	Lower	Lower	Lower	Lower
Awareness of water hardness measures	Lower	Lower	Lower	Lower	Medium
Billing queries	Medium	Medium	Higher	Lower	Lower
Carbon performance commitment	Lower	Lower	Lower	Lower	Medium
Catchment management	Medium	Lower	Medium	Medium	Higher
Community education centres built	Lower	Lower	Medium	Lower	Lower
Dealing with customers' individual needs	Medium	Lower	Higher	Lower	Lower
Digital Interactions	Lower	Lower	Lower	Lower	Medium
Discoloration	Higher	Higher	Higher	Higher	Medium
Distribution input	Medium	Lower	Higher	Medium	Lower
Event risk index	Higher	Higher	Higher	Higher	Medium
First contact resolution	Higher	Higher	Higher	Higher	Lower
Fog Audits	Lower	Lower	Lower	Lower	Lower
Lead mains pipe replacement	Higher	Higher	Higher	Higher	Medium
Millbrook sludge	Medium	Lower	Medium	Medium	High
Odour complaints (Portswood and Tonbridge treatment works)	Lower	Lower	Lower	Lower	Lower
Plastic policy	Medium	Medium	Medium	Medium	Higher
Publish our developer services plans	Lower	Lower	Lower	Lower	Lower
Replacing customer supply pipes if a leak is suspected	Higher	Higher	Higher	Medium	Medium
Serious pollution incidents	Medium	Medium	Medium	Medium	Higher
Sewer blockages	Higher	Higher	Higher	Medium	Higher
SIM	Higher	Higher	Higher	Higher	Lower
Sites of special scientific interest	Medium	Lower	Medium	Medium	Higher
South East Economy	Lower	Lower	Lower	Lower	Lower
Take up of assistance schemes	Medium	Medium	Higher	Lower	Medium
Thanet sewers	Medium	Medium	Medium	Medium	Higher
Trust	Lower	Lower	Lower	Lower	Lower
Value-for-money	Medium	Medium	Higher	Medium	Lower
Wastewater asset health (sewer collapses, STW PE compliance, external flooding - other causes)	Higher	Higher	Medium	Medium	Higher
Wastewater treatment works sites made resilient to future extreme rainfall events	Lower	Lower	Lower	Lower	Medium

Water asset health (mains bursts, TIM, WSW & WSR coliform compliance, turbidity compliance)	Higher	Higher	Higher	Higher	Medium
Water trading	Lower	Lower	Lower	Lower	Lower
Water use restrictions	Medium	Lower	Lower	Lower	Medium
Where your money goes	Lower	Lower	Lower	Lower	Lower
Woolston STW	Medium	Medium	Medium	Medium	Higher
Nitrate (Cost adjustment claim)	Higher	Higher	Higher	Higher	Medium

Customer views on longer term issues

This section outlines our understanding on customer views on longer term issues

In addition to developing a deep understanding of current customer priorities, we also sought to understand the views of both current and future customers on longer term issues, including the environment and network resilience.

Customer views on long-term affordability of bills

Affordability of service is of varying focus to our customers. Vulnerable and household customers rank it as one of their key priorities for now and the intermediate future. Customers of the future care very little as they focus on more environmental and sustainability long-term issues. Non-household customers rank it as a medium-high priority. Businesses, while caring about bills being held at acceptable levels see them as relatively cheap compared with other utilities.

Customer views on protecting the environment for the future

Customers expect us to protect and enhance the natural environment. As a result, customers want water and wastewater services to be delivered in an environmentally friendly way now and in the future, including ensuring that there is enough high quality water for the environment. Similarly, customers who benefit from the utility of water expect us to improve how we measure our environmental impact and to reduce our impact on the environment.

Throughout our customer insight, doing no harm to the environment has been outlined as a minimum requirement, whilst protecting and enhancing the natural environment is the level of service that customers expect. Avoiding pollution incidents is a medium priority for customers. They want water and wastewater services to be delivered in an environmentally friendly way now and in the future, including ensuring that there is enough high quality water for the environment. In particular customers asked us to consider the impact of activity on marine wildlife. Customers are supportive of activity that would enhance the environment for nature and wildlife. Customers of the future's primary focus is protecting and enhancing the environment in the short and long term. Therefore, they are generally more focused on environmental issues, such as pollution incidents.

Customer views on network resilience

We found that our household customers expect us to be ensuring that future generations have access to the same level of wastewater and water services as we do today, and are, themselves, willing to invest now to ensure that there is no deterioration in services in the future. Similarly, our customers who benefit from the utility of water expect us to outline strategic Plans for how we are going to deliver water and wastewater services in a resilient and environmentally friendly manner.

Sewer flooding prevention is a customer priority. Customers are concerned that in the future an increase in rainfall, due to climate change, and an increasing population / number of homes will mean the current sewer network will not be able to cope. Customers said that we should prioritise avoiding flooding of key infrastructure in the south east, such as hospitals, railway and electricity plants, and vulnerable customers.

4. Design – Co-creating a customer lead plan

This section provides further detail on the methodology and findings of our "Design" phase of customer engagement and participation. It outlines how we have used our findings to shape and refine our Business Plan

Table 16: Key questions to understand how customers want us to deliver on priorities

Research questions	Objective
How much are customers willing to pay for their priorities?	In this phase we sought to understand where customers saw the most need for improvement and to understand what customers reported being willing to pay for service improvements in areas they reported as high priority. *These findings acted as input to shape our targets and ODIs, a process which will be outlined in Chapter 6.*
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 social tariff provided to customers who are unable to pay their bills. *This is used as input to determine how many customers are supported through social tariff*
How do customers want their priorities to be delivered?	The objective of this research was to determine how customers want the service improvements to be delivered, and to understand customers' appetite for different types of proposed initiatives. *This helped us to shape the initiatives we design to deliver our proposed outcomes.*

How much are customers willing to pay for their priorities?

This section provides further detail on the methodology of our "willingness to pay" research

We have enhanced our approach to valuations for PR19, recognising the importance of drawing on multiple data sources to shape our findings. As a result, we employed a number of different methodologies and triangulated the findings according to our triangulation approach to limit any potential bias.

We undertook 4 pieces of research to arrive at our primary valuation of customer willingness to pay against key service attributes:

Table 17: Summary of our methodology to willingness to pay research

	Research	Purpose	Method
1	"MaxDiff" analysis	To estimate priority scores using econometric modelling of responses to the MaxDiff exercise for 12 performance commitments	Presented respondents with a sequence of choice cards in which they had to choose the service improvement that they would most want to see and which they would least want to see from of a set of four presented to them each time. Information buttons were included which provided more information about each of the service issues.
2	"Package" analysis	To estimate "package values" via econometric modelling of responses to the Package exercise for 12 performance commitments. These	Four different packages of service levels defined and options presented to respondents in a series of four pairwise package comparisons. Information buttons were provided where further information was required.

		represented values for the full range of service change for each package valued: status quo (SQ) to +1, +1 to +2 and the deterioration package SQ to -1.	Individual service improvement value weights were then derived for each package level change (e.g. SQ to +1) by multiplying the priority scores derived in the first stage by the proportion of the 'SQ to +2' package that would be obtained given the package change in question. In most cases, the SQ to +1 improvement was 50% of the SQ to +2 improvement, and so the service improvement value weights for the SQ to +1 and +1 to +2 packages are closely aligned to the MaxDiff priority scores. For renewable energy, however, the SQ to +1 improvement was 67% of the SQ to +2 improvement, and so the service improvement value weight for the SQ to +1 package for this measure is correspondingly higher than would be predicted purely on the basis of the MaxDiff priority scores. Each package value was then divided between each service measure change in proportion to the service measure weights to derive our main WTP estimates for changes in individual service levels. Unit values (£WTP per unit of change, e.g. per avoided supply interruption) were then calculated by dividing service measure values through by the number of units of change each one represented. These values allow for comparisons with PR14 WTP estimates for SW and other companies as the unit of improvement is standardised in this case.
3	"Future benefits" analysis	To understand customers' willingness to pay for investments in service for 12 performance commitments that will only realise direct benefits from 2030 onwards.	The bill impact shown varied across respondents, and was selected at random from the range {2.5%, 5%, 10%}, where these amounts were again converted into monetary amounts for households. This variation allowed the sensitivity to bill changes to be explored, and hence for us to estimate WTP.
4	Outcome delivery incentive research	To understand customers demand for and willingness to pay for a range of service level improvements across proposed commitments	We assessed two dimensions: **1.** A ranking of performance commitments based on customer demand for improved levels of service **2.** A ranking of performance commitments based on customers' willingness to pay for improved levels of service Domestic 1,074 Southern Water household customers were interviewed using self-completion online methodology Business 104 business respondents were interviewed using a self-completion, online methodology Vulnerable 50 interviews were conducted via a face to face method. People interviewed were randomly selected from those who were either in a lower social grade banding, among older people,

those without access to the internet or those with limited access to the internet.

For a full explanation of our Willingness to Pay Research please see T.A.4.4 Engagement deliverables (11)

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

During this phase of research we developed a deeper understanding of how much customers were willing to pay to support those who were unable to afford their bills. Full detail on our methodology and findings can be found in Chapter 8.

How do customers want their priorities to be delivered?

This section outlines our findings on how customers want us to deliver on their priorities and provides examples of how this has been used to shape and refine our Business Plan

During this phase of research we developed a deeper understanding of **how** our customers and stakeholders want service improvements to be delivered and explained the different options available to us. We co-imagined and co-created initiatives with customers and gained their feedback on how we deliver their priorities. This helped us to shape the schemes, programmes and activities that will deliver our outcomes. Customers told us there are 4 broad themes for how they want their priorities delivered:

Table 18: Our key four themes for how customers want their priorities delivered

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

Note: The references in this section denote the specific research from which these conclusions have been drawn. A full list of references can be found in TA 4.4

Customers want to partner (work together) with Southern Water

Customers believe that we should work together to deliver services and resolve challenges. For example, they view saving water as a partnership issue. They expect us to help them – focusing particularly on customers of the future – to use water wisely through information and advice so that they can reduce their per capita consumption, whilst we reduce leakage.

We have used this to shape how we will co-deliver the customer priority of reducing water usage. In the future, we have committed to reducing leakage by 15% by replacing 350 km of mains and implementing modern technology.

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 (5). They are excited by the potential for innovative technologies to make a difference, but also showed concern about the threats from cyber-attacks on critical infrastructure.

We have used this to shape how we will deliver. For example, in the future, to reduce leakage we will use satellite technology and drones to improve the rate at which we find and fix leaks. We will also use technology to provide access to real-time sewer and network data, which will enable us to prevent sewer blockages and collapses more easily. This will reduce sewer flooding and pollution, both of which are key customer priorities.

Customers want us to deliver a personalised service

Customers expect to receive a personalised service that is tailored to their individual needs. For example, customers would like to be able to engage with us using their preferred channel of choice (12). Older customers are more likely to want to use traditional channels, such as post, or being able to speak to someone, whilst customers of the future prefer to interact with us via apps and texts.

Additionally, customers would like to be able to receive personalised tariffs (12). They expect us to proactively suggest the tariffs that are most suited to their daily activities, and which allow them to select how often they receive their bills.

Moreover, specific customer segments expect us to understand their challenges and develop services that suit their needs. For example, financially vulnerable customers would like us to understand the challenges they face when managing their budgets and to offer tailored support and guidance (61, 62).

As a result, in the future we will regularly check in with customers receiving financial and non-financial support, to ensure the support is meeting their financial needs.

Customers believe that education is critical

Customers are supportive of us engaging and educating the community (3, 8, 9, 10). Customers provide a range of suggestions and express a range of preferences for how we engage with them. Some customers report being keen on us working with schools and educating customers of the future on how to use water wisely (22, 39). Other customers are less keen on us conducting home water-efficiency visits, as they believe it isn't the best use of our time and theirs.

We have used this to shape how we engage with communities and encourage local communities to act to secure the future of water. In the future, we will be working with a greater number of schools to increase awareness on the value of water, and to encourage customers of the future to act to secure the future of water.

Customers expect that we demonstrate enhanced pro-activity in how we engage with them when they need it most

Customers expect us to proactively keep them up to date on their personal queries or issues (12). For more serious issues, customers expect us to provide more frequent and detailed updates. For minor issues, customers do not want to be bombarded with updates. Residents also want us to be proactive in advising them on any upcoming work that may disrupt their daily activities. For example, they expect road signs to signal upcoming road works, specifically outlining why the road works are being conducted and when they will be completed.

Vulnerable customers expect us to proactively identify potential financially vulnerable customers, before they enter debt (61, 62). We have used our findings to shape how we will proactively identify and engage with vulnerable customers. In the future, we will improve training for our call centre agents so that they can better spot and act on vulnerability triggers.
Customers want us to deliver 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 (2). Customers expect that unless the issue requires an engineer visit, we should be able to resolve it after one call. During the call, they would like the same person to capture and deal with the query (12). They do not want to have to speak to multiple departments. Customers also expect their point of contact to have good knowledge of their issue and the mitigating resolution.

Customers expect us to invest in initiatives that will protect and enhance the environment

Customers believe that we have a duty to protect and enhance the environment (2,11). They want water and wastewater services to be delivered in an environmentally friendly manner both now and in the future. For example, they expect us to deliver our services using sustainable energy sources (e.g. solar panels) and energy created from our wastewater services (e.g. biogas) (2,5).

We have used this to shape the energy sources that we will use in the future. For example, we will be working with third parties to increase our solar power usage, as well as trialling the use of FOGs in digesters to increase our gas production.

Customers expect us to invest in initiatives that will provide for future generations

Customers believe that we should ensure future generations have access to the same level of water and wastewater services as we do today (11).

For a full overview of all engagement please see T.A.4.4 - Engagement deliverables (Index)
For further detail on how customers want priorities delivered please see T.A.4.3 – Triangulation of customer priorities

How the results of customer engagement and participation influenced the plan

The purpose of this section is to outline how the findings from our programme of customer engagement and participation have influenced key areas of our Business Plan and provide a range of examples of how we have applied our findings

We used insight from our extensive engagement programme to develop a set of 10 outcomes to form the basis of our business plan. Within each outcome are a number of objectives which we will strive to deliver.

Our PCs were derived from our initial view of customer priorities from Phase 1 of our research and validated and refined over the course of our programme of customer engagement. Our success in meeting the outcomes for our customers will be measured by the PCs outlined in chapter 6.

Addressing customer priorities in our Wholesale Water plan

The provision of clean, safe drinking water was reported by all customers as the highest priority – both in ensuring water quality, reducing wastage and minimising supply interruptions

- Customers view providing safe, high-quality water as an absolute basic of any water company in the UK. They see it as the most important part of our job, above all else. Customers demonstrate high willingness to pay to enhance water quality from 0.36 instances of non-ideal taste and odour to 0.32 instances, per 1,000 people
- 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 them and us. They express a strong preference for us to be a leader in reducing leakage and demonstrate a significant increase in willingness to pay for improvements, even when we are best in class. Customers report willingness to pay an additional £3.40 per property per year to reduce leakage from our initial measure of 76 litres per household per day to 68 litres per household per day. Leakage reduction has the highest willingness to pay of any proposed measure
- Preventing interruptions is consistently reported as a high priority by customers. Customers find unexpected interruptions to supply an inconvenience and they highlight the importance of communicating any issues. Customers report willingness to pay £1 extra per property per year to reduce the average minutes lost per year, per home from 12 to 11.

Saving water and ensuring the resilience of water for future generations are reported as medium priorities for customers

- Customers believe saving water is a partnership issue. They expect us to focus on reducing leakage, before starting to help them to use water more wisely by providing information and advice. Customers report willingness to pay an additional 90p per property per year to reduce water consumption from 132 to 122 litres per person per day
- Customers expect us to ensure that future generations have access to the same level of water services as we do today, and are, themselves, willing to invest now to ensure that there is no deterioration in services in the future
- Customers had concerns about the impact on the environment and drinking water quality of locally unsustainable abstraction levels and agricultural runoff.

Based on this insight, we have shaped and refined four programmes to support our water resources ambitions (these initiatives also support our ambitions in other price control areas)

What our customers told us	Our investment proposals
Our customers view water as a precious, natural resource that should be looked after and used wisely. Our customers are concerned about their water supply being at risk due to growing populations, increasing demand and diminishing resources. Our research shows that customers therefore believe a key priority is ensuring that future generations have the same level of access to drinking water as they do now. Customers want to partner with us to deliver, and are willing to do their part to reduce consumption as long as we do our part in reducing leakage. Customers want to be rewarded for good behaviour – this resulted in us offering incentives in terms of community projects for local communities who reduce their usage.	***Target 100*** will cut demand for water by 22 Ml/d which, supported by a 15% leakage reduction, will reduce the need for new water supply solutions
Customers expect us to ensure that future generations have access to the same level of water and wastewater services as we do today and are willing to invest now to ensure that there is no deterioration in services in the future. Customers wish to minimise the environmental impact of delivering future water and wastewater services and have qualitatively reported being willing to pay for more environmentally-friendly delivery options too, rather than expecting Southern Water to choose the cheapest. Our customers and stakeholders have told us that they believe emerging technology will be important in solving the water industry's key issues, including water quality and leakage problems. Our customers are supportive of the use of technology and real-time data to help improve water quality, to reduce leakage and improve the overall quality of the network.	***Network 2030*** will provide a more resilient water supply system and includes proposals to develop a Hampshire water grid enabling the transfer of up to 50 Ml/d.
All our customer groups agreed that water catchment was one of the preferred methods for protecting and enhancing a high-quality water supply for the future in an environmentally-friendly manner. Customers supported the idea of stopping harmful chemicals entering our water sources and agreed that water catchment was one of the preferred methods. Stakeholders support more monitoring to better understand catchment risks and target interventions where they will deliver the most benefit. Stakeholders (DWI, EA and Ofwat) and customers are unanimous in their support for catchment approaches to address water quality risk at source. We have therefore significantly increased the scale of our proposed catchment management solutions, including ensuring that all areas at risk of nitrate quality issues are covered.	***Catchment First*** will improve the drought resilience of the Rivers Test, Arun and Western Rother, and Medway, and carry out 87 investigations to assess the impact on the environment of our abstractions
Customers are supportive of recycling and not being wasteful with water, a precious, natural resource. They also support the	***Resource Hubs*** will enable us to recycle 46 Ml/d of treated water for industry or to support river

recycling of water for irrigating golf courses and agricultural land and indirect water re-use to supply drinking water.	flows via schemes at Sandown, Ford, and Aylesford

Further information on each of these programmes can be found in Chapter 11 – Wholesale Water
Further information on how we used insight to design our programmes can be found in TA 4.2 – Summary of supporting insight

Addressing customer priorities in our Wholesale Wastewater plan

Wastewater priorities

- Sewage flooding prevention is a high priority for customers who empathise with those that have experienced it. Despite us being above the national average in performance for internal flooding prevention, there is a high desire by customers to see the company improve its network to prevent it
- Pollution of rivers and watercourses was found to be an intermediate priority for customers who believe we have a duty to protect and enhance the environment. They want water and wastewater services to be delivered in an environmentally-friendly way, now and in the future, and they want us to ensure our bathing and river water quality is higher than the legal minimum
- While it is not considered as high a priority as the areas outlined above, customers are concerned that a future increase in rainfall due to climate change, an increasing population and more homes in the region will mean the current sewer network will not be able to cope.
- Customers expect us to ensure that future generations have access to the same level of wastewater services as we do today. Our customers' environmental awareness is increasing, and with that there is a growing expectation that we will use our own wastewater services to generate energy (such as the biodigestion of sludge to create biogas), as well as other sustainable energy technology.

While household, vulnerable and business customers generally prioritise categories that affect them daily, such as water quality, leakage and supply interruptions, future customers are more concerned with areas which are likely to affect them in the long term.

In general, customers of the future place higher priority on environmental issues, including pollution and the use of renewable energies.

What our customers told us	Our investment proposals
Customers and stakeholders express strong support for catchment approaches. We found that all customer groups agreed that catchment management was one of the preferred methods for protecting and enhancing river quality in an environmentally-friendly manner, although they recognised an ongoing requirement for more conventional solutions.	***Catchment First*** will improve river water quality through delivery of five phosphorous-reduction schemes as part of WINEP and is fundamental to improving water quality at seven additional bathing waters
Our customers have told us that they want us to deliver innovative, environmentally-friendly and effective drainage systems to support growth and ensure the resilience of our wastewater networks for future generations.	***Sustainable Drainage 2030*** supports the delivery of an efficient growth programme, using more sustainable approaches to reduce flows and make the most of existing sewer capacity. Additionally, pilot projects indicate that this will support our external flooding targets by identifying lower cost, more innovative solutions
Our research found that with increasing environmental awareness amongst our customers there is a growing expectation that we would use our own wastewater	***Resource Hubs*** will enable us to deliver our customers' priority for environmentally-sustainable solutions and will move us towards the long-term ambition of carbon

services to generate energy, such as biodigestion of sludge to create biogas. We found that our treatment works can seem distant from the people they serve, while there is often a shortage of community facilities for our customers to use.

neutrality. We will transform our assets into ***Resource Hubs*** by recycling water, generating renewable energy, supporting community amenities and providing spaces for training. As well as increasing resilience and enhancing the natural, social and economic capital of communities, our ***Resource Hubs*** will still treat wastewater to the highest standard.

Two of our highest customer priorities are the prevention of flooding and pollution. Full detail on our longer-term strategies for both and can be found in Chapter 12.

Further information on each of these programmes can be found in Chapter 12

Further information on how we used insight to design our programmes can be found in TA.4.2 - Summary of supporting insight

Addressing customer priorities in our Retail business

Our customers have made it clear to us that service delivery and resolving their queries efficiently should be one of our highest priorities.

On issues with their water or wastewater services, they want us to:

- *proactively identify issues before they arise and provide a quick response and an efficient solution* – 75% of customers felt that dealing with problems quickly and efficiently was essential for delivering great customer service
- *design interactions that are easy* – 79% and 86% of customers respectively found it easy to resolve their water and wastewater issues
- *provide a single point of contact*, who has good knowledge of their issue and is able to solve it. Customers highlighted this as a priority, as they had found it difficult getting answers from the call centre in the past
- *communicate clearly and proactively about their service* – only 53% of non-contact customers were satisfied with general local service updates. For more serious issues customers expect us to provide more frequent and detailed updates and for minor issues, customers do not want to be bombarded with updates.

Also, when interacting with us for other purposes, customers want:

- *simple-to-understand bills* – 52% believe this is essential for great customer service
- *help to use water wisely to keep costs low and ensure bills are affordable* – only 53% of surveyed customers felt we met their metering expectations. This is important for our Environmentally Engaged customers, who wish to protect the environment
- *tailored/personalised information and service through a channel of their choice* – customers in vulnerable situations would like us to be empathetic about their situation, while eco-passionate customers are keen to receive information on our environmental initiatives
- *speedy resolutions to their queries* – we have failed to meet 25% of our customers' expectations, mainly around the speed with which we resolve queries
- *keeping our promises* – 18% of customers surveyed say we haven't kept promises or done what we said we would.

Through our engagement programme, we jointly imagined and created initiatives with customers, and received their feedback on how we propose to act on their priorities. In addition, we have taken on board our key learnings from the past and from our cross-sector review.

To deliver a refreshingly easy customer experience, we have developed five customer experience propositions that encompass the range of interactions that we have with our customers and communities, both directly and indirectly. These propositions will be used internally and across our supply chain partners to refresh our culture to be more customer-led.

What our customers told us	Our investment proposals
Our customers told us they want us to: ▪ proactively identify their support needs ▪ support customers in vulnerable situations ▪ provide a tailored/personalised service.	**Reach & Support** is our transformational strategy for supporting customers in financial and non-financial situations of vulnerability. Through Reach & Support, customers will receive targeted support, tailored to their requirements.
Our customers told us they want: ▪ speedy resolutions to their queries ▪ clear and proactive communication.	**Make it Count** makes interactions easier, with proactive communications keeping customers informed and up-to-date. Through Make it Count, customers will receive the right experience, first time, every time.
Our customers told us they want us to: ▪ help them use water wisely ▪ proactively identify issues before they arise.	**Spring** gives customers easier access to information, more effective advice and empowers them to take control of their usage. By giving all our customers easier access to their data, Spring will help them to use water more wisely. We will analyse and share the contacts we have with each of our customers, to enable us to more effectively provide the information they seek, in the right way for them.
Our customers told us they want: ▪ to contact us through a channel of their choice ▪ simple-to-understand bills ▪ tailored, personalised information and service.	**Solutions** offers customers a more tailored service, giving them choices about how they interact with us. Customers will receive a personalised service, tailored to individual requirements. We have developed a range of initiatives to provide personalisation throughout the whole customer journey in AMP7, from bill payment to bespoke, proactive care to customers with water quality issues.
Our customers told us they want: ▪ to work in partnership with us to give back to communities ▪ greater community engagement ▪ education on water consumption and how we are protecting the environment.	**Valuing Water** creates a partnership with our customers and gives something back to our local communities.

Further information on each of these programmes can be found in Chapter 8 and Chapter 9
Further information on how we used insight to design our programmes can be found in TA.4.2 – Summary of supporting insight

Acceptability and affordability testing

For full details of research findings please see T.A.4.4 (104 and 105).

We undertook research to validate the proposed plan as a whole and to determine quantitative levels of acceptability. The objective of this phase is 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 to customer bills.

Table 19: Our objective for acceptability and affordability testing

Research question	*Objective*	*Topics*
Do customers accept our proposed plan?	The objective of this phase is to validate our proposed Plan with our customers to ensure customer understanding and satisfaction with our proposed priorities and investments 1. Test acceptability & affordability of the whole plan, and test acceptability of both elements of our plan – "being brilliant at the basics" and our "transformational initiatives" 2. Test bill, RORE acceptability and affordability 3. Provide insight on setting bill levels over the next two AMPs 4. Understand factors driving low acceptability	• Uninformed acceptability & affordability • Challenges • Business Plan promises – including promises related to being "brilliant at the basics" and proposed "transformational initiatives" • Performance commitments – understanding and stretch • Informed acceptability & affordability

Our approach

We undertook both qualitative and quantitative research as outlined below. Across the different types of research, captured representative views across the entire region and with a spread of demographics.

Table 20: Our approach to acceptability and affordability testing

Research method	Objective	Approach
Qualitative (Utility customers)	To qualitatively explore the Business Plan with customers as an early indication of whether the plan was likely to be seen as 'acceptable' when the quantitative test is complete, in case changes to the plan were needed.	8 extended customer focus groups (2hr15 minutes each) across the entire region, ensuring a spread of demographics and locations across our dual, waste and water only customers.
Qualitative (Customers who benefit from the utility of water)	To understand independent views from our diverse range of stakeholders on our proposed plan.	21 telephone depth interviews with a range of stakeholders from across our regions, ensuring a range of stakeholder interests and a range of understanding of Southern Water – to include a mix of stakeholders who have a closer and more distant relationship with us
Quantitative	To provide a robust approach to testing our proposed business plan and understand any recommendations for how we deliver the plan. There is particular focus from Ofwat to understand the root causes for those that find the plan unacceptable.	A robust approach using mixed methodology to cover a full range of customers. This includes 1,200 online interviews, 200 face to face interviews with hard to reach customers and 200 telephone interviews with business customers.

Our findings

Table 21: Key results from acceptability and affordability testing

Those finding the plan acceptable / affordable *(% who say unacceptable / unaffordable)*

	Combined customer view	Household customers	Business customers
Acceptability -uninformed	67% (14%)	64% (15%)	87% (6%)
Acceptability -informed	81% (4%)	80% (5%)	89% (3%)
Affordability -uninformed	49% (26%)	49% (27%)	55% (15%)
Affordability informed	55% (20%)	53% (20%)	71% (10%)
Acceptability of RORE range-uninformed	56% (14%)	54% (15%)	65% (10%)
Acceptability of RORE range informed	66% (11%)	64% (11%)	76% (6%)
Combined bill affordability (South East Water and Portsmouth Water)	42% (28%)	42% (30%)	53% (18%)

Overall plan acceptability

Customers report high levels of acceptability with an informed and combined score of 81%. An additional 13% rated the plan as neither acceptable nor unacceptable. Business customers rated it significantly higher with 89% informed acceptability

The reason for higher acceptability scores is a clarity of focus on longer term measures which communicate stronger ambition. Framing the business plan within the core challenges (population, climate and economy) immediately helped customers to understand our outcomes.
The plan works well against the backdrop of the current consumer context with stable bills and an innovative approach to transformational outcomes.

- Need for Confidence - Customers like stability, change can be unsettling but this is particularly relevant in the current climate (political, Brexit etc.)
- Price Concerns - Expectations are that bills more generally (including water bills) will rise and whilst customers are concerned with wider issues (such as environment) – they get caught up with day to day of managing their household bills
- New Technologies - The use of innovative technology and digital approaches

A lower / flat bill was well received and was surprising and pleasing, as customers were expecting bills to increase. The bill reduction was showing efficiency, where other bills rise – so the stability it offers is welcomed. However, there was some scepticism about whether this was possible, and could potentially store problems for beyond 2025.

Perceptions on value for money are good, with customers finding the bills affordable for an essential service that works and has lower bills than other utilities. The minority of negative perceptions were based around views of water meters increasing individual bills and lack of understanding the complexity around purifying / storing water.

Higher acceptability was driven by a clarity of the plan and customers separating the delivery of brilliant basics and future outcomes.

- Logical and easy to understand – belief Southern Water has collaborated with customers to identify priorities and was responding to these challenges
- Basics – driven by demonstrating we are serious about maintaining high standards
- Transformational – felt to be ambitious and exciting

Some surprising elements drove higher levels of acceptability as perceived to be going above expectations. e.g. taking responsibility for beaches, tourism and local economy

Lower acceptability was mainly driven by general cynicism and areas we are delivering, although do not come across clearly enough within the plan to everyone.

- General cynicism
- Not enough focus on technology / innovation / digitalisation
- Needed more focus on partnership / future collaboration
- Wanting an environmental focus in the basics (needs to be a common thread)

There are some stakeholders who feel that the plan could be more ambitious still. For example in making change happen, addressing leakage, and innovation (e.g. exploring desalination). Whilst these are valid observations, they recognised these must be balanced with the need to deliver a workable plan for the forthcoming 5 year period in a way that does not have widespread financial impact on customers.

The minority (5%) that found the plan unacceptable were due to a greater desire for us to be more proactive and to be doing more. For example, providing greater clarity on what we are doing to address leakage or providing tools to help customers control usage.

- 'Controlling usage' (e.g. T100) – when currently can't quantify usage is unfair
- Understanding of leakage targets – a high priority, and difficult to quantify targets
- Lack of focus on water softeners, and addressing concerns around smell / taste
- Too much focus on brilliant basics – and not enough stretch

The key findings from this align with the views we have heard from our Trust and Transparency project where customers were looking for greater levels of proactive engagement with clear, transparent and tailored communications. [TA 4.4 (107)]

Overall plan affordability

As already mentioned above, customers have told us that they felt bills were broadly affordable. Research we carried out in Jun'18 [TA 4.4 (108)] also showed that 72% of dual customers felt their bills affordable, and the proposed bill profile for our business plan was for a bill reduction and then smooth bills. Stakeholders perceive that the impact of the proposed plan on customer bills will be fairly minimal. They do highlight the importance of Southern Water being transparent about any price changes and clearly explaining.

However, when reviewing the results from our acceptability and affordability testing the CCG asked for our view on why affordability seemed low (53%) affordable and our acceptability was high (81%). We also wanted to understand the 23% neutral who rated the plan as neither affordable nor unaffordable. CC Water advised that our acceptability results seemed higher than other companies and our affordability seemed lower. This is despite our understanding that our bill impacts were lower or in-line with other water companies we were aware of, and we had followed Consumer Council for Water (CC Water) guidance on our testing, to ensure a consistent methodology to affordability testing.

Our qualitative research firmly said that customers found our predicted bills as affordable and our stakeholder insight told us that impacts to bills were minimal. We looked at a question we asked in a corresponding survey in Jun '18, which asked affordability but in a 4 point scale (this didn't offer an option of ‘neither affordable nor unaffordable’). This showed very limited difference with customers who rated the bill as affordable and unaffordable (only 4% difference). We concluded that when pushed, customers rating the bill as ‘neither affordable nor unaffordable’ were inclined to rate the bill as affordable, and therefore it’s justified to say that the overall affordability of the bill is 76% (53% affordable and 23% neutral). Our qualitative research indicates that the reasons for customers in the neutral category is wider uncertainty about the future.

5. Delivering the plan

The research highlights that even for an informed audience there is an importance of both clarity of communication and educating customers, who for the most part will likely have much lower levels of engagement and understanding with water than the informed. Our research also reinforces that customers have welcomed the opportunity to feed into the plan. It is very apparent that many customers are willing and keen to collaborate further with Southern Water in the development and delivery of future planning. Collaboration which is a key principle of our future Engagement and Participation Strategy (chapter 5).