

TA 5.3 Future Customer Engagement Strategy

Technical Annex for Future Customer Engagement Strategy

September 2018

Version 1.0



Navigation: TA.5.3 – Customer Engagement Strategy

Purpose:

This technical annex represents the foundational work which agreed our future participation strategy. This is the presentation that went to and was supported by our CCG, challenge panel and board. It provides further clarity than the chapter on the key principles to engagement and worked up examples of what this means in our future way of working. It also demonstrates the commitment to evolving customer segmentation for both households and businesses and provides the examples of how we expect these to develop.

The table below summarises the Ofwat tests that are addressed by the evidence presented in this Annex.

Ref	Ofwat test	Comment
Primary Focus Areas		
Test Area 1 – Engaging Customers	What is the quality of the company’s customer engagement and participation and how well is it incorporated into the business plan and ongoing operations?	<p>High quality plan:</p> <ul style="list-style-type: none"> • The company will demonstrate real leadership on customer engagement and customer participation. • The company will provide strong evidence that it has effectively applied the principles of good customer engagement. • The company will provide strong evidence that it has taken forward customer participation. • The company’s evidence on its approach to customer engagement will be supported by high-quality, independent challenge, and assurance from the CCG <p>This annex provides transparency to our future engagement chapter and much greater depth of information about our forward looking plan for customer participation. This is the strategy that was strongly supported by the CCG.</p> <p>It provides the evidence that we plan to take customer participation forward and the principles of good customer engagement.</p>
Secondary Focus Areas		
1.26	Customer segmentation	
1.8	Demonstrating a clear commitment to responding to different needs / requirements of our customers	

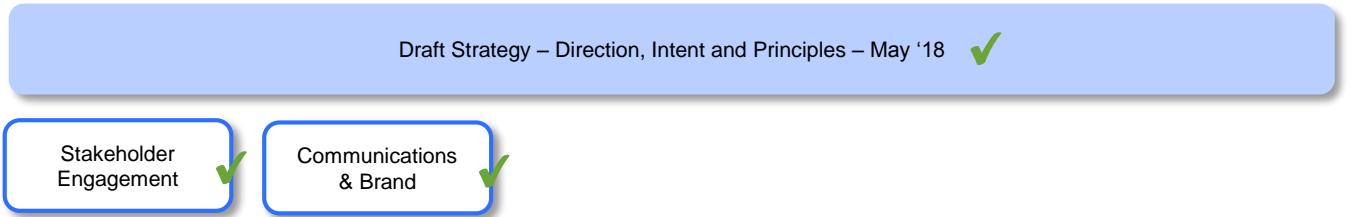
Path to Delivery of the Engagement Strategy

Strategy Development Process

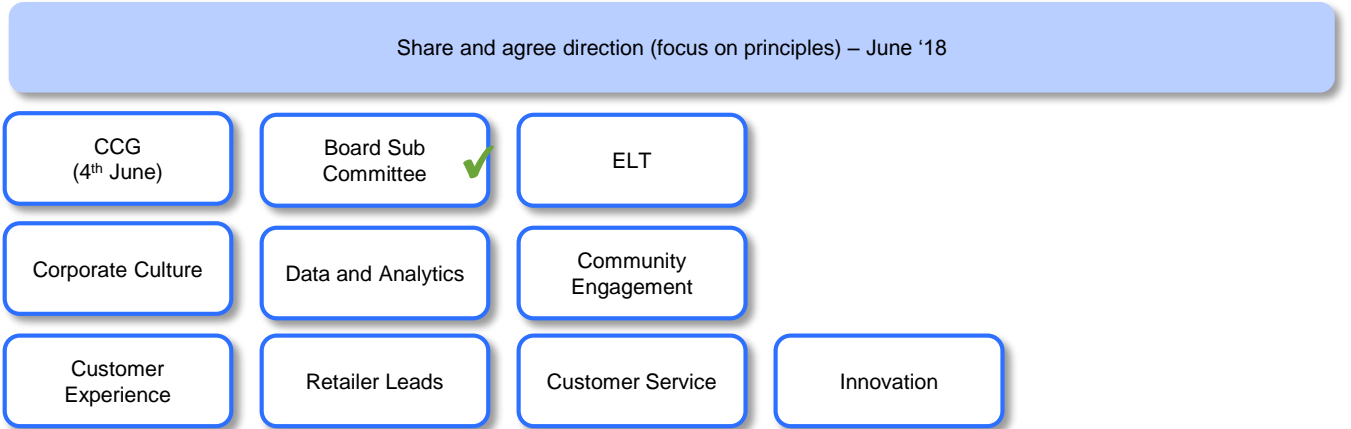
1 Discovery



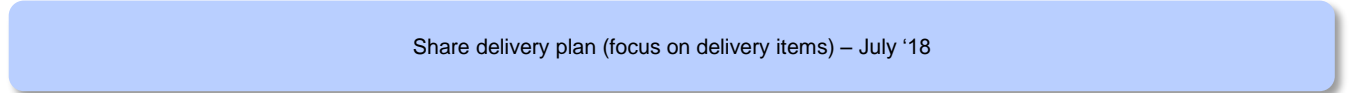
2 Diagnose



3 Design



4 Deliver



5 Evaluate



6 Continuous Improvement

Our Southern Water Strategy – Summary View

Our transformational outcome	A resilient water future for the South East				
	Water supply resilience	Climate change resilience	Local economy resilience	Resilient relationships	Financial resilience
Customer priorities	A continuous supply of quality water	Act to prevent flooding, reduce pollution and improve the environment	Support customers in vulnerable circumstances	Improve customer service/ fix things quickly when things go wrong	Improve affordability
Five Promises “Brilliant at the Basics”	Quality We supply clean, safe and sustainable water	Network The services we provide are effective and fit for the future	Vulnerability We support our customers in vulnerable circumstances	Experience We provide a refreshingly easy customer experience	Affordability We make sure our bills are affordable for all our customers
Five long-term priorities	Resources Recycle every drop of water	Environment Keep rivers, lakes, reservoirs and coasts healthy and clean	Economy Build a resilient economy for the South East	Communities Innovate to create sustainable communities	Value Recognise the value of water in our daily lives

Transformational initiatives



Our Vision from the Engagement Strategy

Our vision is

For our engagement to lead a closer collaboration with customers, stakeholders and communities

Success is that through engagement, we co-imagine and co-create the future with customers & stakeholders demonstrating real successes.

Customer and stakeholder engagement:

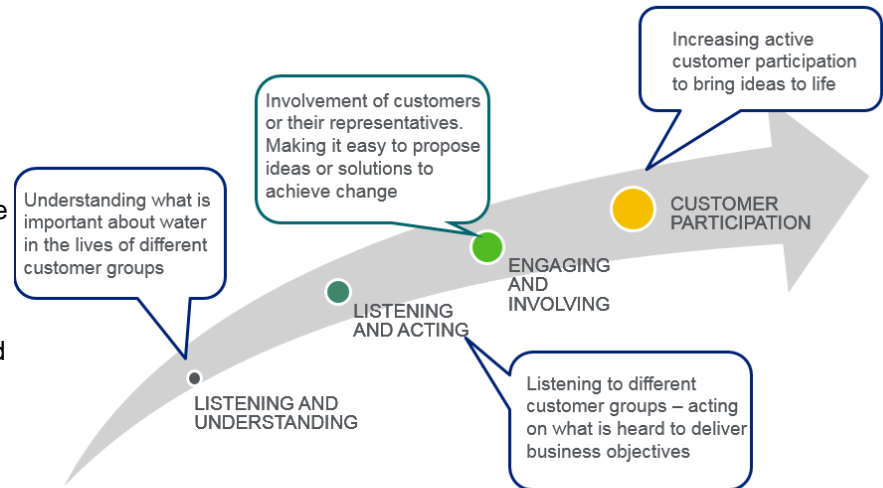
- To understand our customers and stakeholders and their needs and priorities

Customer and stakeholder participation:

- To engage customers and stakeholders on long-term resilience **(Futures)**
- To make it easy for customers to act and help achieve a resilient future for water **(Action)**
- To engage local communities in owning improvements to water resilience where they live **(Community)**
- To give customers more control over water in their homes, at work and over the total customer experience **(Experience)**

Customer culture:

- To ensure customer engagement and participation takes place as business as usual



Moving customers from passive recipients of water company services to active participants in helping to achieve a successful long term future for water

Our Model for Engagement

Futures:
We co-imagine and co-create the future with customers

1

Customer Experience

We engage customers in improving their customer-service experience

2

Listening and Acting

We listen to customers and act on what we hear

3

Community

We engage customers as citizens in improving the future for water where they live

4

Behaviour Change

We make it easy for customers to act to help achieve a resilient future for water

5

Comms

We have a continuous conversation with customers and their representatives

6

Customer Driven Culture

Customers interests are first in all the decisions we make and the actions we take

Insight:
We integrate our insight to provide a holistic view with evidence to inform our plans and actions

Customers and stakeholder activity goes across all the pillars

Across our model of engagement we have a shared vision, set of principles and planning – to ensure we deliver across all the pillars

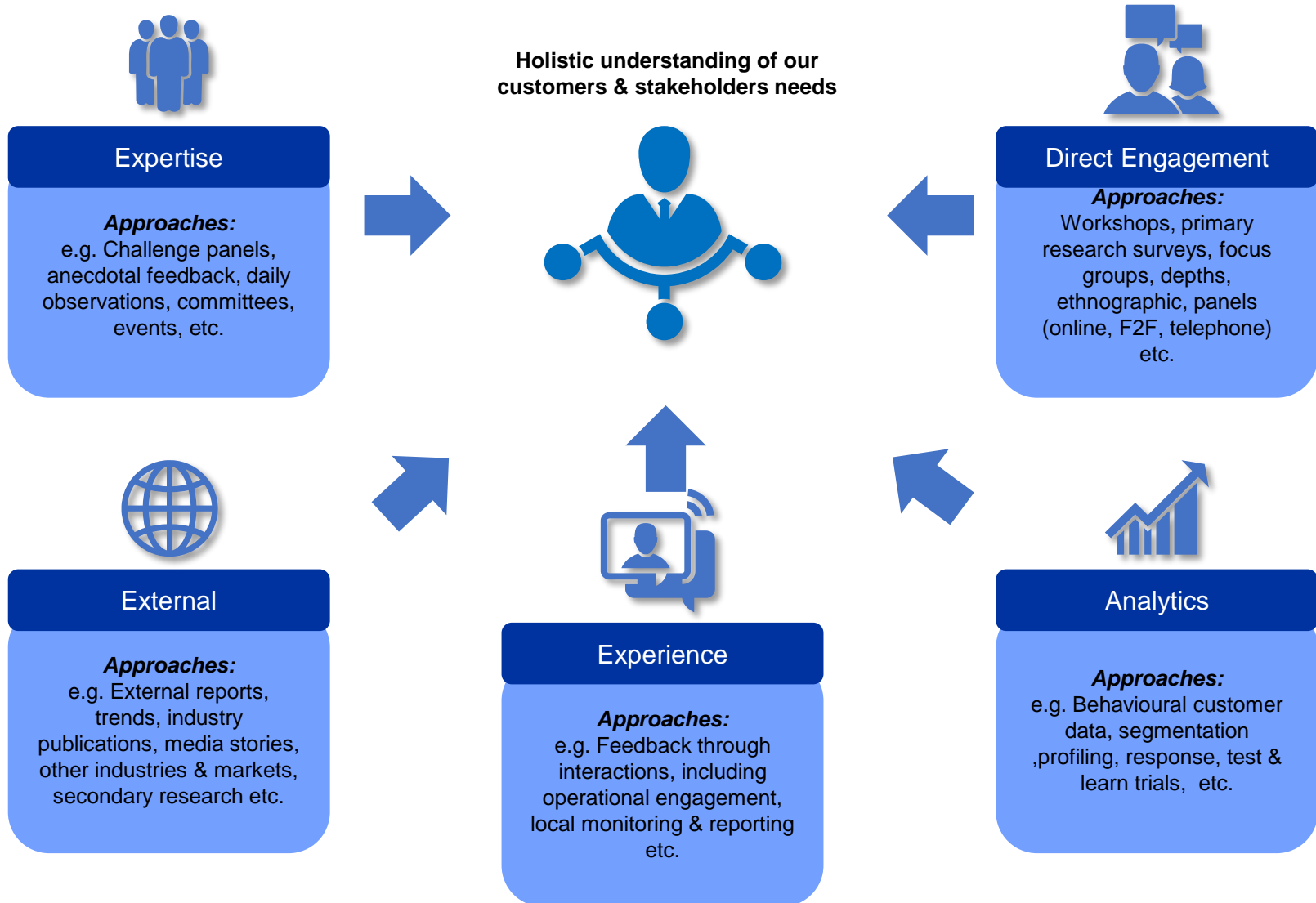
Engagement – *Shared Principles*

1. **Integration** – taking the various learning / insight into a centralised team who lead on the holistic view of our customers and stakeholders
2. **Shared Planning** – forward look at our engagement activity (individual plans, ladder into a wider 6-12 month plan of headline activity)
3. **Innovate our processes / approaches** (to trial new approaches & ideas) – seek to innovate in our own ways of working, new approaches and take some risk to try new things to progress. If we fail, we fail fast and learn from it
4. **Co-creation and co-design** from the onset – whether it be with internal teams, customers, stakeholders, partners etc. (as early as possible for development ideas)
5. **Collaborative** – sessions to bring all together / governance, through cross-functional working across our engagement model (such as leads within each team) of how we work together for a holistic view. (such as wider sharing sessions, planning updates or targeted deep dives)
6. **Segmentation Evolution** – we recognise the different audiences and specialisms they bring, and work across the whole engagement framework to ensure we have dialogue across them and bring those together through our collaborative approach
7. **One Voice** (Triangulation) – we use our model to integrate insight sources together, to present one view, that can be layered down to individual audiences (as relevant) and is accurately weighted
8. **Two way dialogue** – follow up on engagement, tailored to the right level for the activity (for example, it might be a link to find out more about what's happening, a reconvened workshop 6 months later or monthly updates on progress or a simple sum up to manage expectations of what's happening next, reporting back on how what they have said has shaped decisions)
9. **Partnering** - with the right agencies, at the right level (efficient working, bringing in expertise) closer working, longer term and consistent rather than narrowed siloed engagement
10. **Iterative approach** – it's not just about co-delivering, but learning as we go. We adopt a test & learn approach, trials, re-engagement etc.)
11. **External / expert / challenge groups** – shared ownership of how we best work with these partners, to ensure we're providing a holistic view of our activities and capturing feedback that is applied by all
12. **Comparative learning** - External markets / Water companies we look at best in class from other companies and industries and see how we can apply
13. **Shared framework for assessing delivery** – across all our activity, we have a simple framework we can use to ensure our engagement is delivering against these:
 - **Benefit lead** – what is in it for the customer / stakeholder (e.g. money saving, peace of mind, personal interest , delivery of stakeholder objectives, etc.)
 - **Transparent / Honest / Clarity** – engages in a way that is clear and transparent for what is involved, in laypersons terms
 - **Personalised / Tailored** – talks to you as an individual / group
 - **Tangible / Guarantees** – provide tangibility to what's involved, next steps, what's needed etc.
 - **Ease / Proactive** – we do the hard work for them, making it easy to engage
 - **Simplicity** – processes, steps (less is more!)

Principles in Action

Integration - *The Methods of Insight*

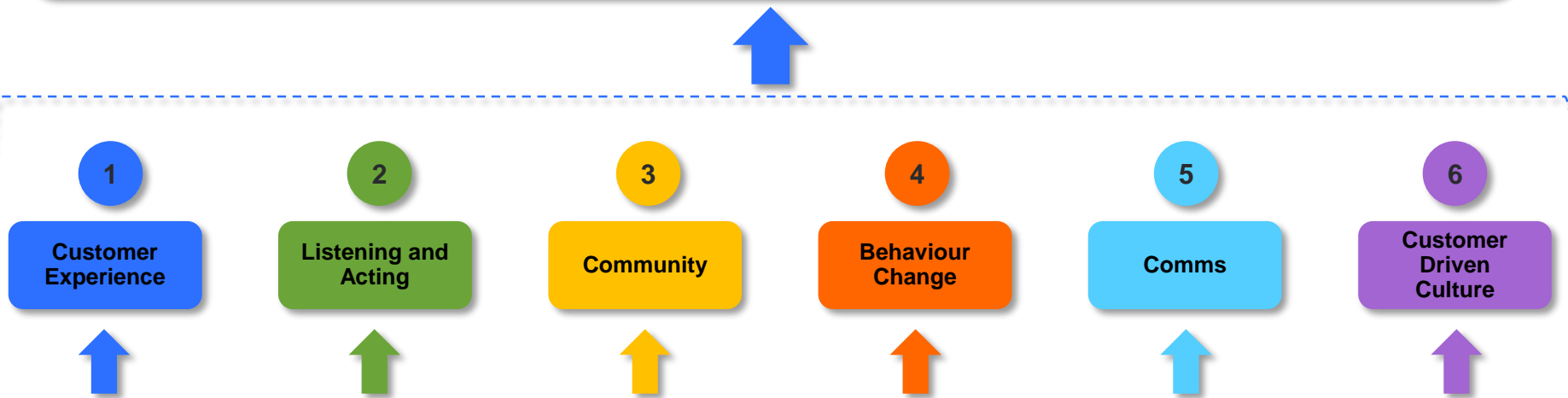
A complete understanding comes from capturing insight from 5 key methods



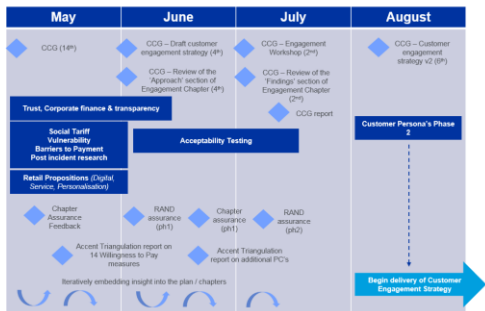
Shared Planning

Shared planning across our Customer Engagement

A shared planning cycle across the engagement model – taking feeds directly from internal sessions to provide a holistic view, focus engagement, increase collaboration, share insight and reduce lead times



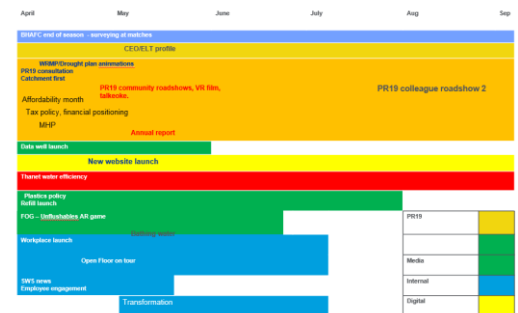
Insight Project Plan – 3 month view



Priority engagement objectives – by stakeholder group

Stakeholder group	Long term water for life	Customer First	Water Capital	Water Quality	Target Net	Working Growth	Skills	Trust and legitimacy	Stakeholder	Affordability	Search and Support
Govt											
Client											
BLIC											
WGL											
WGL											
WGL											
DWP											
Water UK											
EA											
NE											
DAE											
COG/BLIC											
Local authorities											
Business groups											
Local # NGOs											
Planning groups											
Overseas											
Business groups											
MPs											
WGL/BLIC and other stakeholders											

Next 6 months high level



Innovate our Processes and Approaches – Case Study for Retail Propositions

How we would have approached this previously:

Brief – from retail team

Programme of work

Research Activity:

- Spread of 4 x customer focus groups
- Debrief from focus groups with retail team
- Re-draft propositions for quant testing
- Deliver final output – used to shape delivery of customer propositions

Output to brief



Deliver propositions



How we approached this (Apr-May '18):

Brief – from retail team

Engage teams across 3 other key areas:

Brand

Digitalisation

Customer Experience

Programme of work

Research Activity (with a wider team):

- Consumer lab day
 - 12-11am –Final review of content
 - 12pm - Customer Group 1
 - 13:15pm – Refine propositions
 - 15pm - Customer Group 2
 - 16:15pm - Refine propositions
 - 17:45pm - Customer Group 3
- Topline debrief to refine propositions
- Debrief to help across other key programmes
- 2 x groups to ensure we cover across region
- Debrief from focus groups to further refine
- Re-draft propositions for quant testing
- Deliver final output – used to shape delivery of customer propositions & other activity

Output to brief

Contextual learnings

Brand

Digitalisation

Customer Experience

Summary Templates

Insight



Engagement Leads



All outputs and contextual learnings feed all other engagement, not just insight briefs

All outputs feed into:

Retail

Customer Experience

Other business teams

Digitalisation

Brand



Deliver full range of insight across a breadth of activity, through customer participation with a team who have all lived and breathed the customer insight directly and have a collective understanding

Co-creation and Co-design – Example: Customer Action Group

Problem Statement: Large volumes of great insight and we work with CCG to challenge approaches and priorities. Customers are a captive and engaged audience in our research, but in order to deliver some of our key initiatives, we need to engage with customers about subjects that aren't always top of their priority.

To do this, we need to draw out what it means to them as a customer and how they benefit – and customers active participation will drive the success of how we engage.

The idea: Customer Action Group –

*Turns insight into actionable benefits, so we can engage customers – their way.
On their terms, in their language and through their channels about what matters to them.*

(The CCG will continue to challenge on the quality of approach, our priorities, process and content of our engagement)

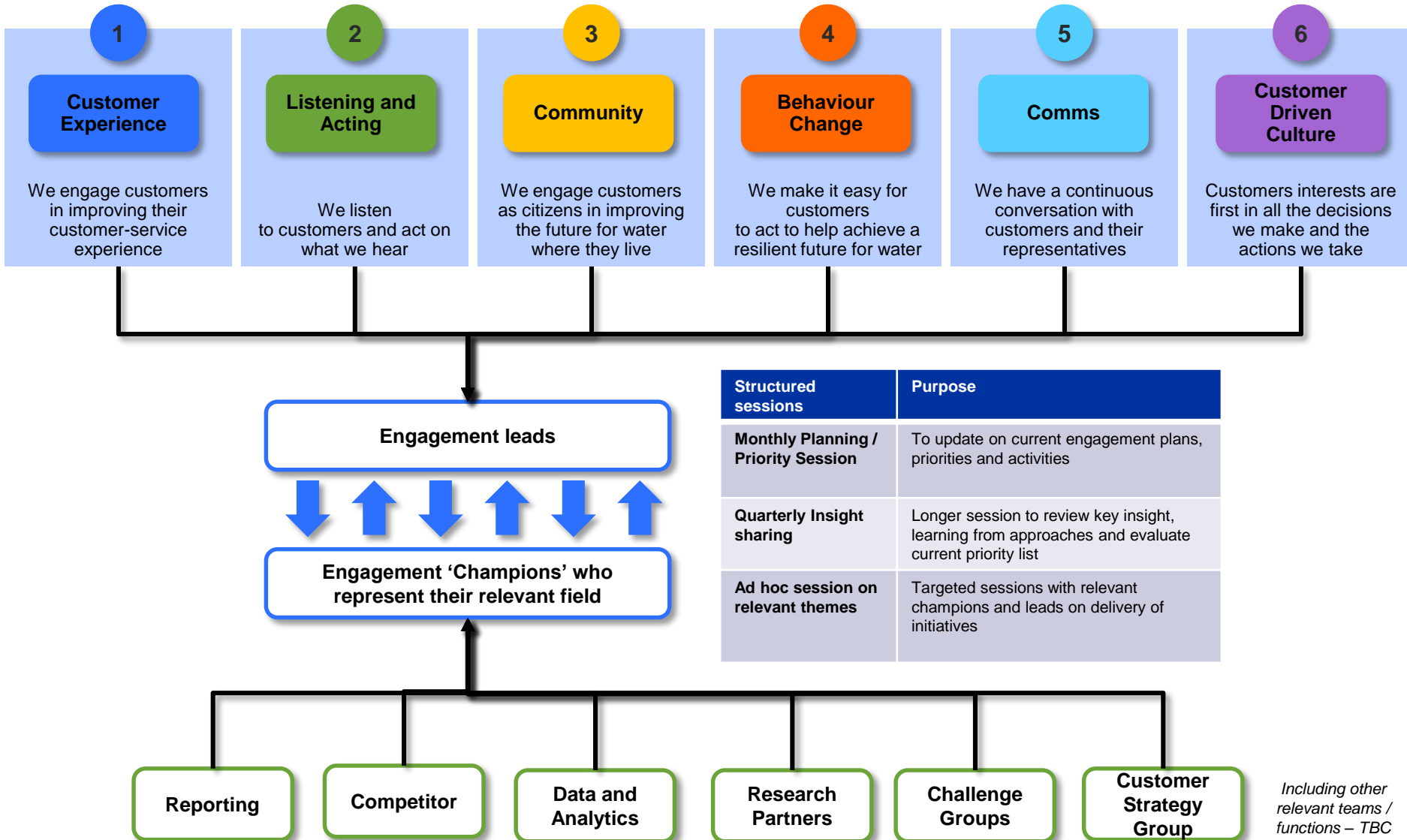
How the Action Group Works:

- The customer action group will be made from a cross section from across the UK, representing the diverse nature of water consumers (there will also be a sub group from across our regions – for targeted issues)
 - The group will operate as a panel in phases when they can actively shape the delivery of our plans (we'll agree with the CCG when these phases will be, as part of our priority work)
- The panel will refresh at each phase (c50-75% refresh depending on the project) to ensure it remains fresh, but also retaining previous members to continue the development and two way dialogue
 - For example you might engage across a 4 week phase (e.g. September) while building the T100 communications plan, then reconvene for a 1 week phase (e.g. December) with 50% fresh and 50% previous members, to review / adapt final content
 - Previous members can lead the communication with new members, so we capture the language, benefits and articulation in real consumer language
- Being from across the UK, members will also review best in class examples of customer initiatives from all water companies and outside of industry
 - To bring external insight into our activities through a more robust approach

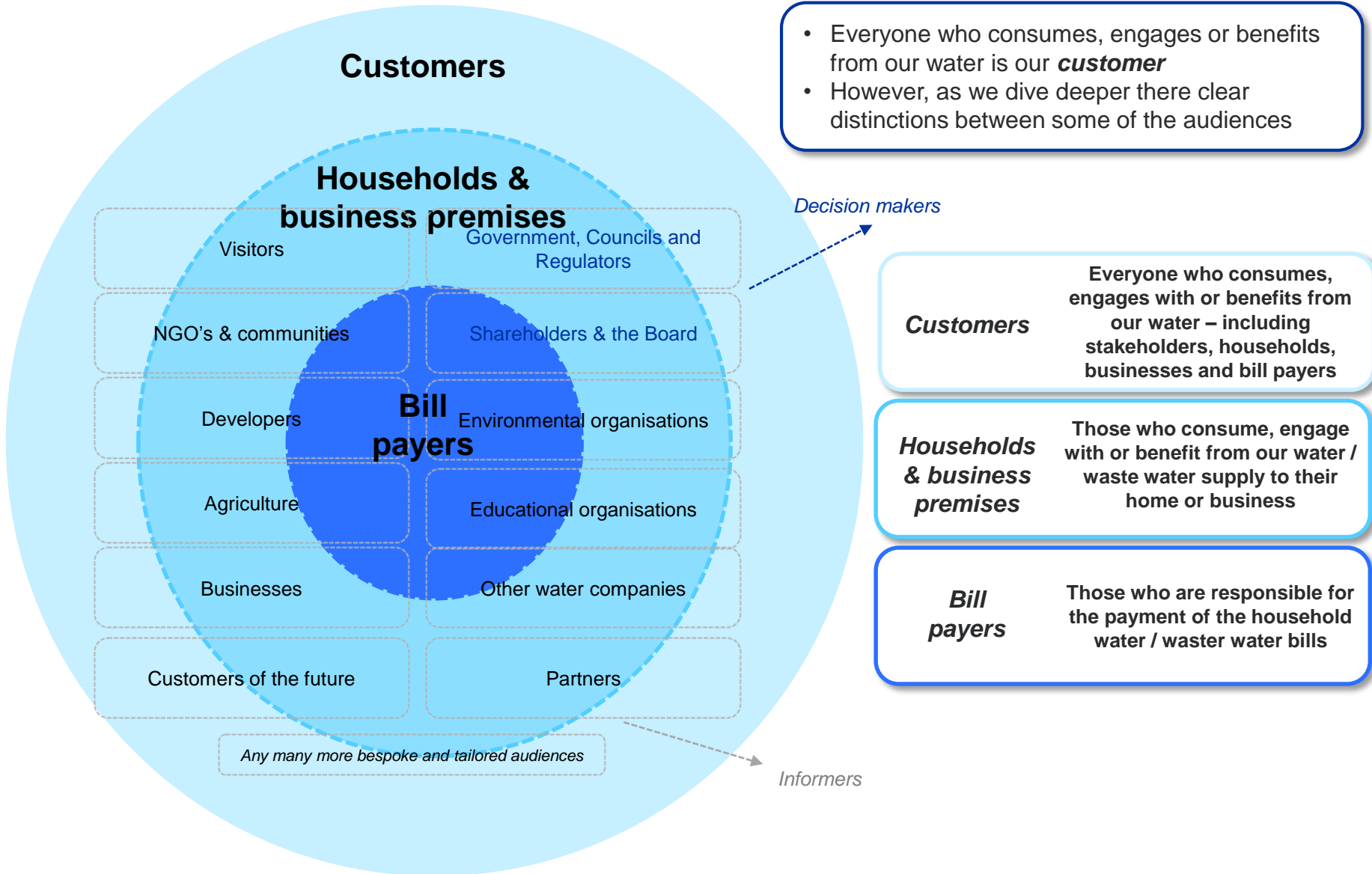


Panel approaches are used across companies, the key is to tailor for our needs and re-evaluate how it can best evolve in the future

Collaborative – Example working across multiple teams



Segmentation Evolution: A Southern Water Customer



Segmentation Evolution – Engagement Lead Approach for Utilities

- At the MRS utilities conference (Sep '17) EDF Energy presented the key note speech in their approach to an effective segmentation for utilities
- The engagement strategy will work on building a tailored solution for Southern Water, to plug a few gaps that are preventing the current segmentation to be as actionable as needed
- 7 flexible models (dimensions) defined 'engagement' from a customer, that influences behaviour
- Whilst the dimensions come together to form the segments, the models can be used in their own right (for example tackling financial vulnerability or driving online engagement)



Key components for an actionable segmentation

Understanding what matters to customers and which measures of engagement influence behaviours

Flexible segmentation that can be tailored to activity and audience

Segments linked to customer data

Deep understanding of segment drivers

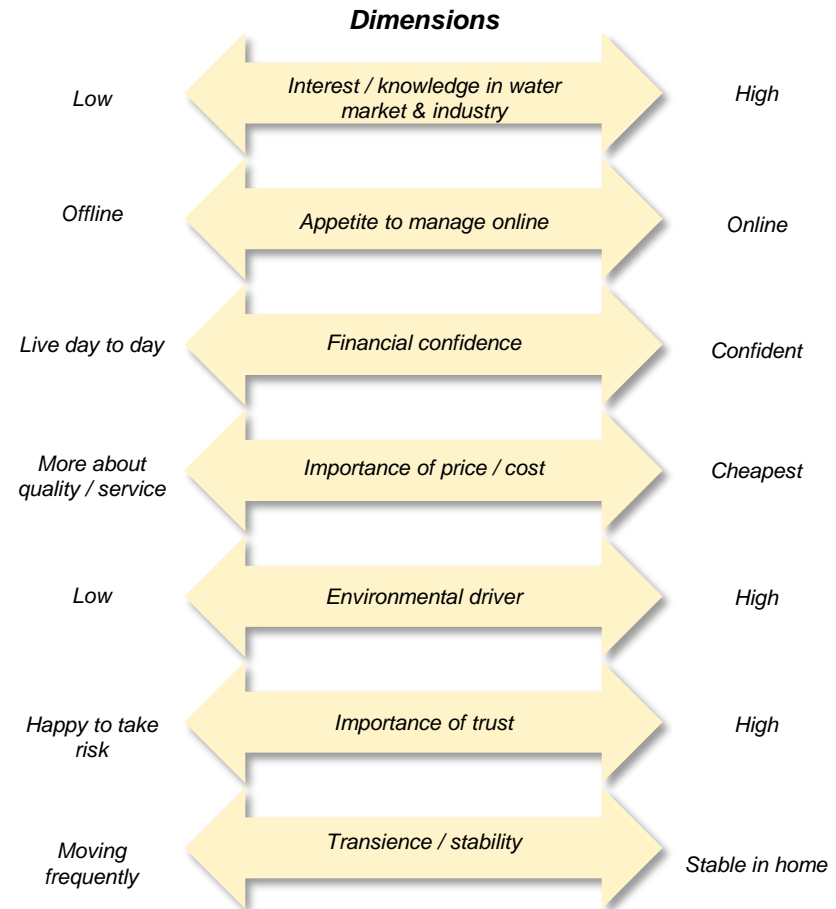
Bringing segments to life through interactive workshops / sessions

Tailored outputs of segment application

Ongoing review and update of segments



The existing personas already provide the drivers, however with flexible models built around the dimensions – we can target, report, engage directly with the segments and build tailored outputs helping us to apply the segments to our different initiatives



Segmentation (Household) – Example for T100 Approach

	Price Engaged	Environmentally Engaged	Loyal Controllers	Spontaneous Spenders	Reassurance seekers	Successful Sleepers	Happily Disengaged
% of Customers	13%	10%	28%	12%	13%	11%	13%
Description	Saving money is a 'game' – and will put in significant effort to win, using any tools available	Engaged to do their bit and support others to show how to better society	Self managed and in control, reading supplier comms, looking for trusted relationships	Engage in new and 'exciting' things, struggling to manage finances	Transient, not fully aware of how to manage household & finances	Time poor, busy working and family life- looking for things to work efficiently	Apathetic, but happily so, prefer to simply 'go with the flow' and focus on other things
Drivers	Price and money saving	Environment and wider issues	Trust, feeling valued	New, tech, home entertainment	Keeping costs down to make ends meet	Ease, competency	Ease
Demographic Differences	Online, tend to be 40yrs+, ABC1C2	Highly engaged in social media, younger	Split between online (c40-75y) and a traditional mind-set (75yrs+)	Younger, online, social housing, PPM Energy	Either younger (e.g. students) or vulnerable, rental properties	Online, affluent home owners, family (c30-50yrs)	No specific differences – full spread across
Appetite for Behaviour change / Added services	High	High	Medium	Medium	Medium	Medium	Low

Example of how an approach may differ for a T100 campaign



Target 100

Show impacts in £'s, and benchmark vs other homes – target through online consumer websites, such as Money Saving Expert / Which



Social channels, encourage a direct relationship to share priorities and good news stories. Demonstrate community role, and recommend a friend schemes.



Engage directly as valued Southern Water customers', use official channels – such as viewing in with arrival of bill or linking through online portal



Headline on new tech to help (such as smart meter app) and link with affordability programme and initiatives. Partner with councils and social housing developers.



Provide much greater and personal support, link directly to vulnerable programmes (Reach & Support) using traditional channels.



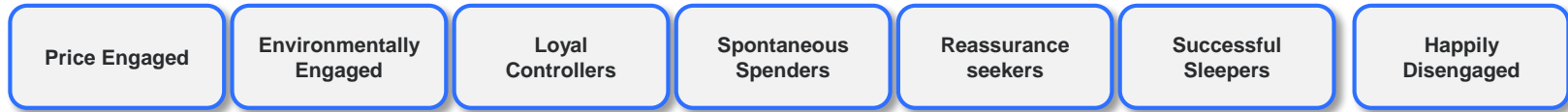
Minimise hassle and disruption doing the hard work for them using online tools. Partner with schools to encourage family participation.



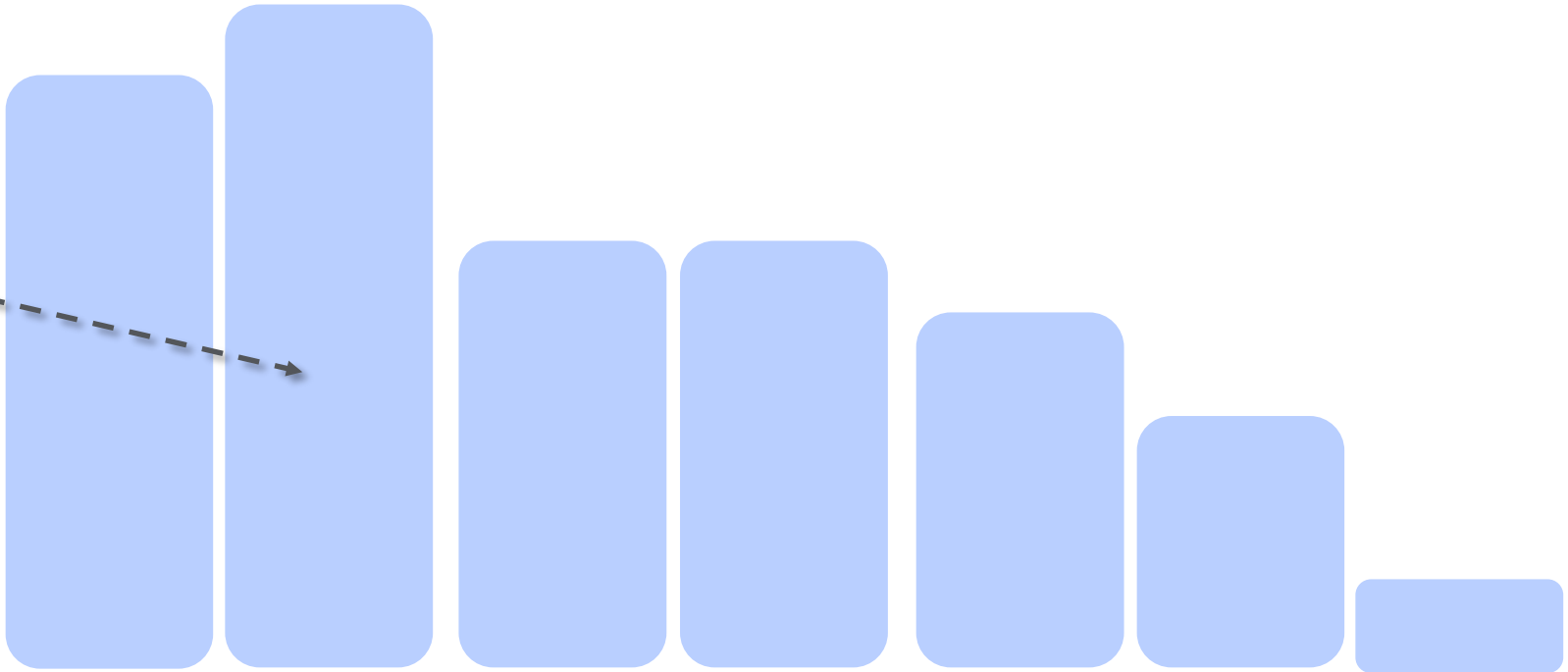
Minimise disruption by encouraging action off the back of other transactions (e.g. billing query)



Segmentation (Household) – Example for T100 Target Customers



Customers across segments that would be most interested in T100



Segmentation (Household) – Example for Vulnerable Customers

Our broad definitions of customers and the various subgroups (e.g. stakeholders, visitors, agriculture, vulnerable customers etc.) will still require us to think across segments

Price Engaged

Environmentally Engaged

Loyal Controllers

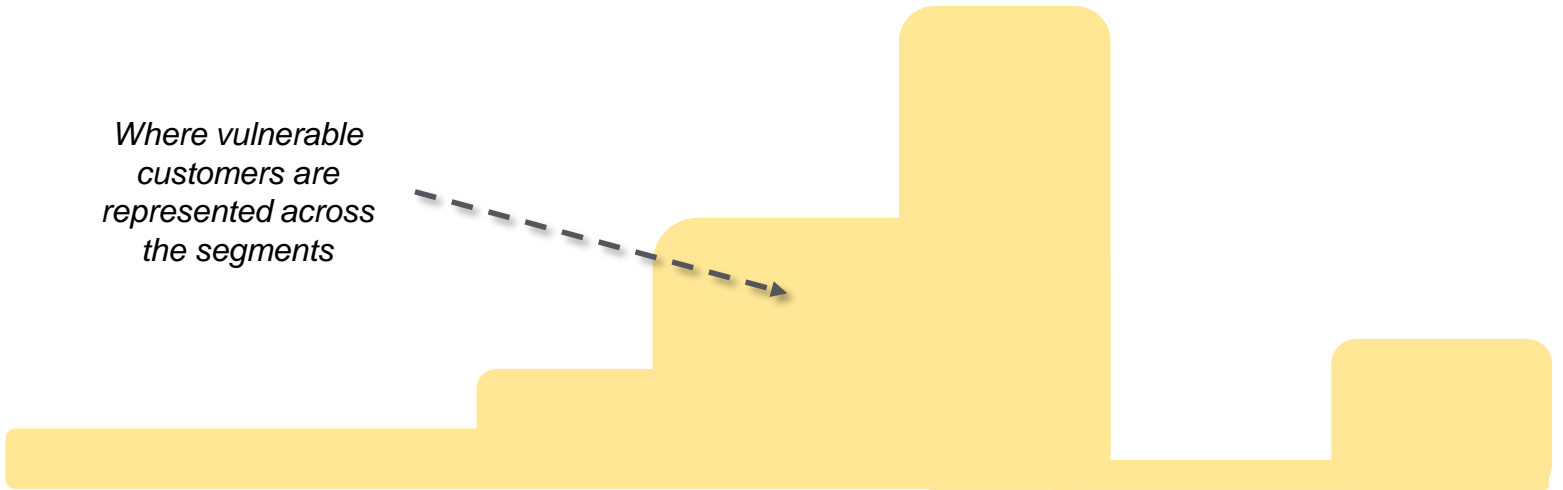
Spontaneous Spenders

Reassurance seekers

Successful Sleepers

Happily Disengaged

Where vulnerable customers are represented across the segments



Segmentation Example - Business

SME Business
(1-249 employees)



Growing segments in water industry

↑	↑	↑	↓	↓	↓
Outsourcers	Active & Direct	Actively Loyal	Passive & Established	Lapsed	Disengaged

Direct Segmentation – through retailer account teams, often 121

% of Customers

15% 12% 12% 12% 16% 33%

c4% of all business 'customers' – but represent significant water use

% of Usage

18% 15% 25% 20% 10% 15%

Description

Price & cost focused, use third parties to manage where possible

Price & cost focused, like to manage direct – as don't trust third parties

Proactive & engage with providers directly looking for service and respect

Reactively engage when in best interest and made easy – looking for competency in service

Have engaged when prompted in the past, but happy to lapse unless significant benefit

Low spend and low interest with a traditional mind-set similar closer to households

- Splits into 3 mind-sets:
1. Highly engaged
 2. Medium engagement, but want to do more
 3. Lower engaged – looking to outsource activity

Drivers

Price & Cost

Price & Cost

Quality Service & Engagement

Ease of Service

Ease of Service & Low Engagement

Low Engagement

Want to engaged with SW as a large local company, as well as supplier

NB: Interest in environmental for business, often down to personal appetite by business owners

Industry differences

Time poor, fast paced industries

Often start up and growing businesses, financial tech and computing

Larger & engaged, early payers

Larger and established, slower to respond / pay

Smaller long term and stable businesses

Small businesses, home office

Identifiable through the relationship of account managers

Appetite for Behaviour change / Added services

High

High

High

Medium

Low

Low

High

Interested in any potential cost reductions

Interested in any potential cost reductions and two way dialogue

Interested in engaging around responsibility and a two way dialogue

Interested if you can do all the hard work on their behalf (e.g. clear simple business case) and minimise disruption

Limited interest, unless it can work with no real disruption to current engagement

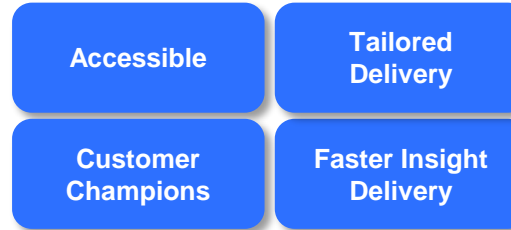
Low interest and perception of low benefit of behaviour change

Generally behaviour change can have a big impact on costs – apart from industries where change will cause significant disruption

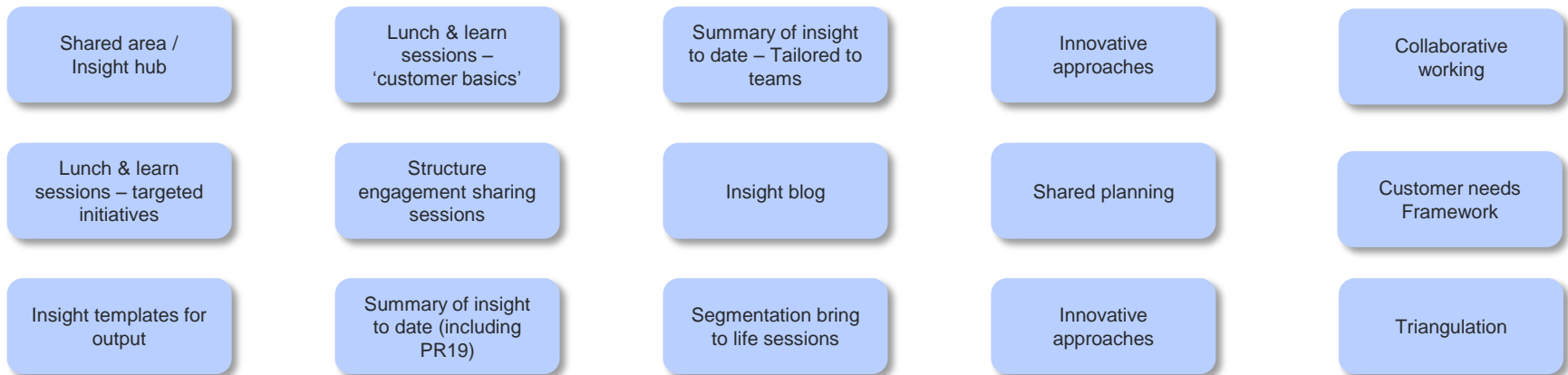
One Voice – Example for *Voice of the Customer Programme*

In order to deliver insight, a programme of work to bring insight into our working for all is needed.

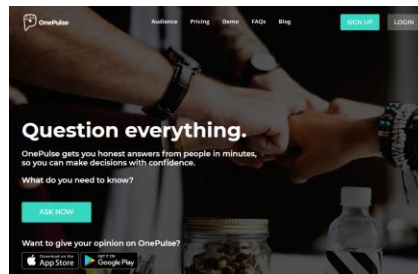
A good voice of the customer programme:



Example Delivery items for a voice of the customer programme:



One voice provides us with a panel that provide responses within minutes, allowing faster insight available in internal working sessions:



“Each Pulse includes up to 3 questions. If you’ve ever completed an online survey, you’ll know that after 5 questions attention can drop off pretty rapidly. The Pulse’s bite-size format that fits neatly into mobile is designed specifically to combat attention fatigue. And if you have more questions to ask, you can send follow up Pulses to the same group of people.”

Two-Way Dialogue

We adopt a 'follow up' first approach to our engagement to apply a two way and open conversation both internally and externally



Internally

Across our engagement model

Examples:

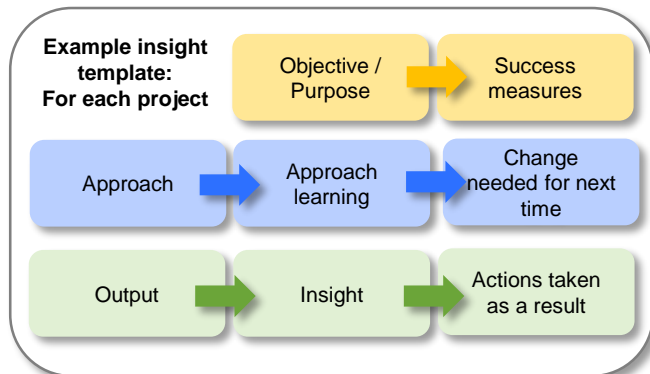
- Quarterly and monthly engagement leads / champion sessions
- Voice of the customer programme
- Insight Templates

Externally

Across our customers and stakeholders

Examples:

- All stakeholder engagement has follow on contact details
- One Pulse / Survey sent to stakeholder's following sessions
- Research (where relevant) has a link to 'find out more'
- Customer Action group reconvenes
- Workstream leads develop a plan to see how best they can directly link up activity between them

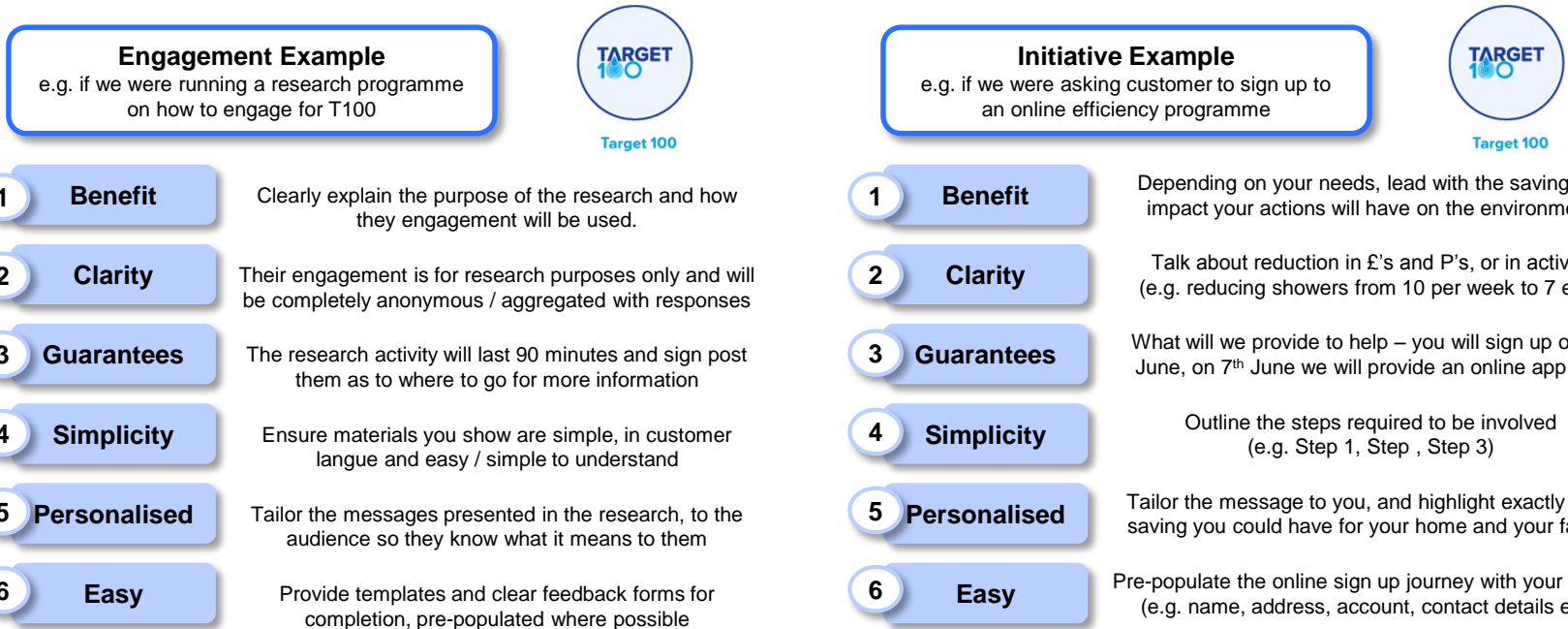
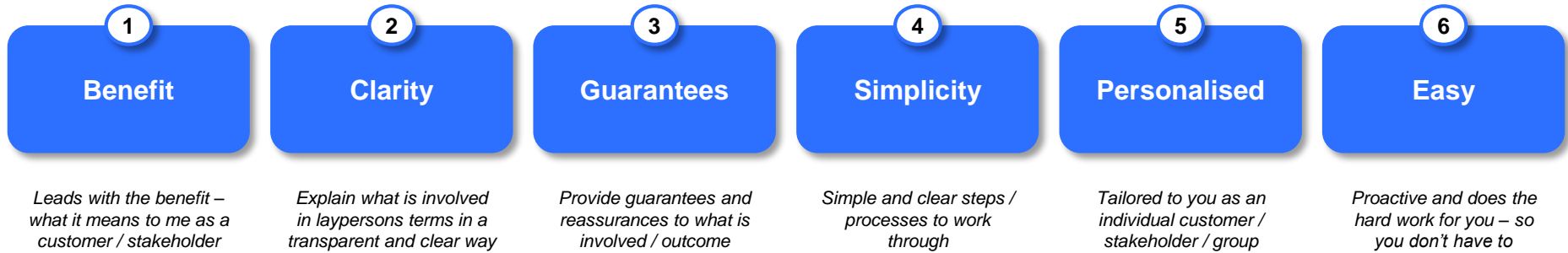


Principles 9, 10, 11 and 12

Situation Today	Delivering the Principles
Partnering	By working more closely with agencies across themes, rather than project by project basis, we bring in a greater level of ownership, expertise and insight
External / expert / challenge groups	Continuing to work with challenge groups – however, by drawing in our shared engagement planning, it will better structure their ability to inform and ultimately shape delivery
Iterative approach	By adopting a test & learn approach to our engagement we will accelerate our continuous improvement
Comparative learning	We need to work outside of the company and sector, and by bringing partners in closer to our initiatives we can bring external knowledge more quickly into our approaches

Shared Framework – Used Across our Engagement Leads

There are 6 key needs that sit across activity, these needs are a framework to ensure we are doing all we can to meet these. We use the framework for all our engagement activity – from campaigns to the running of a stakeholder panel or customer research group.

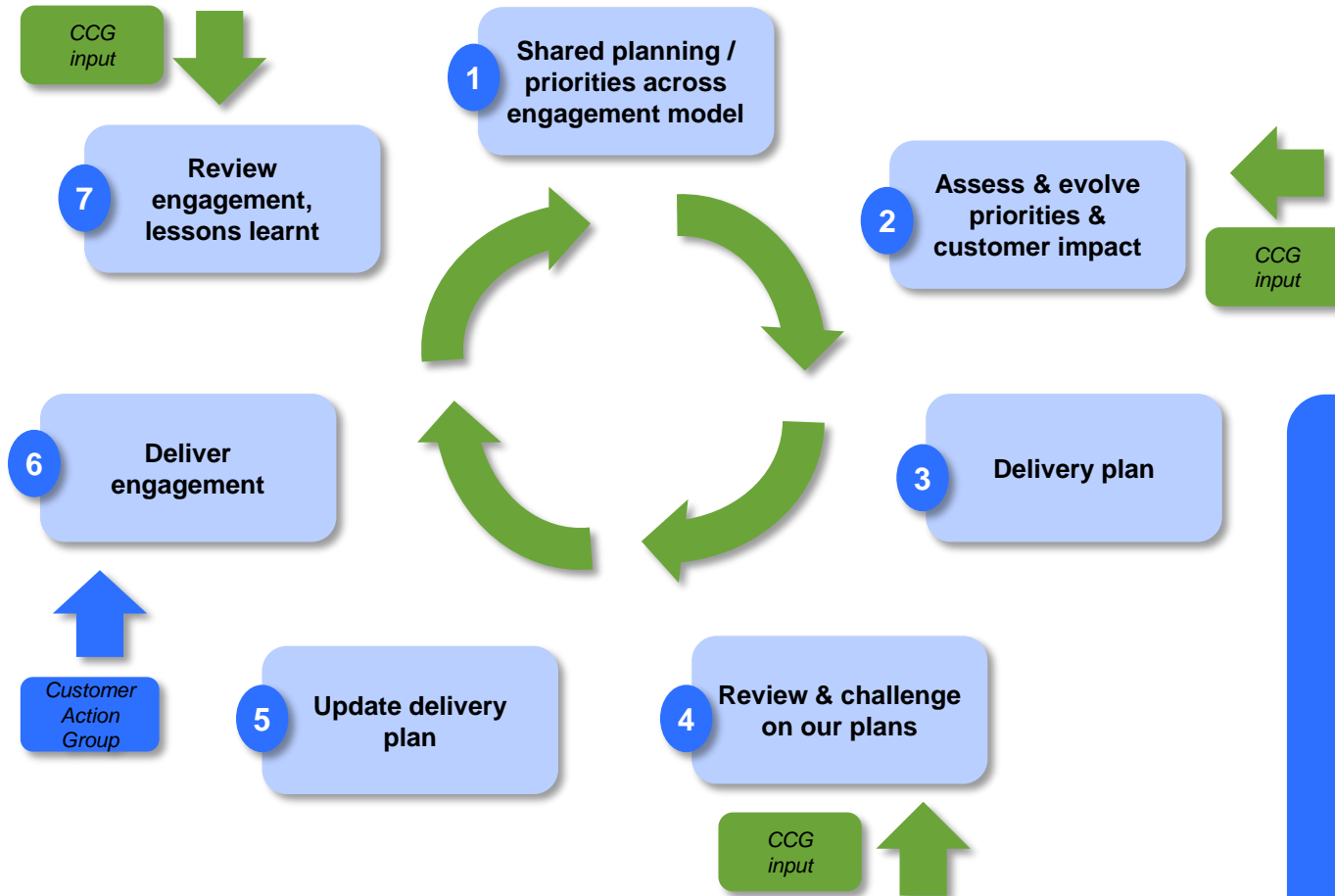


Moving to Delivery

On-going Support to Drive the Strategy - *Primary Groups*

Group	Attendees
Engagement Leads (TBC)	Chair: Nick Eves Engagement Leads: Cory Reynolds, Adam Higgitt, Max Capella, Marek Podsiadly, Ben Earl, Branwen Rhead, Alex Willumsen,
Engagement Champions	Chair: Nick Eves TBC – champions from relevant areas of the business not immediately covered by the leads (e.g. Data & Analytics, Research partners etc.)
Customer Engagement Strategy Group	Chair: Simon Oates Engagement Lead: Nick Eves Craig Lonie, Helen Simonian, Adam Higgitt
Engagement Sub-Committee Board	Chair: Simon Oates Board: Wendy Barnes and Mike Putnam Engagement Lead: Nick Eves Retail: Simon Oates Water: Helen Simonian Waster Water: Simon Parker
Customer Action Group	Varies and refreshes
Customer Challenge Group / Customer Advisory Panel	Chair: Anna Bradley Phil Belden, Ana Christie, Rupert Clubb, Karen Gibbs, Steve Hare, Dan McDonald, Nicci Russell, George Seligman

On-going Support to Drive the Strategy – *Proposed Input points with CCG*



Item No.	Topic	Who	Session length	Agenda timing
01	Private time to review draft Annual Report or other materials	AB/SB	45 mins	10:30
02	Updates	All	45 mins	11:15
03	Review previous engagement, lessons learnt	Nick Eves	30 mins	12:00
04	Update on current 12 month engagement plan	Cory Reynolds	15 mins	12:30
05	Review priorities and customer impact	Nick Eves	30 mins	12:45

Delivery Plan – *Example format & content*

As we move more into delivery of our Customer Engagement strategy the delivery plan will greatly evolve

Project	Date	Internal Resource	Direct Customer Impact	Business impact
Establish engagement leads, champions	July '18	L	L	H
Success of the Engagement Strategy – define measurement	July '18	M	L	H
Sussex Chambers of Commerce Event - Trial	June / July '18	M	H	M
Shared Planning - Engagement leads	Aug '18	M	L	H
Customer Action Group	Aug '18	L	H	H
Residential Segmentation	Sep '18	L	H	H
Business Segmentation	Dec '18	M	M	H
Voice of the Customer – Define key programme	Sep '18	M	L	H
Cross Chambers of Commerce Events	TBC	M	H	H