Engaging with Customers

Customer Service Priorities and Willingness to Pay

Report for South Staffs Water

November 2012



mvaconsultancy

Document Control

Project Title:	Customer Service Priorities and Willingness to Pay
MVA Project Number:	101760
Document Type:	Final Report
Directory & File Name:	J:\Contract\C101760.Plm South Staffs PR14\Report\Final Report\Final Report - SSW Satisfaction And Wtp_V2 Final Draft.Doc

Document Approval

Primary Author:	Paul Le Masurier
Other Author(s):	Helen Jones
Reviewer(s):	Fiona Shore, Liam Kirkwood
Formatted by:	Sally Watts

Distribution

Issue	Date	Distribution	Comments
1	19/11/2012	Fiona Shore	Internal draft

This report, and information or advice which it contains, is provided by MVA Consultancy Ltd solely for internal use and reliance by its Client in performance of MVA Consultancy Ltd's duties and liabilities under its contract with the Client. Any advice, opinions, or recommendations within this report should be read and relied upon only in the context of the report as a whole. The advice and opinions in this report are based upon the information made available to MVA Consultancy Ltd at the date of this report and on current UK standards, codes, technology and construction practices as at the date of this report.
Following final delivery of this report to the Client, MVA Consultancy Ltd will have no further obligations or duty to advise the Client on any matters, including development affecting the information or advice provided in this report. This report has been prepared by MVA Consultancy Ltd in their professional capacity as Consultants. The contents of the report do not, in any way, purport to include any manner of legal advice or opinion. This report is prepared in accordance with the terms and conditions of MVA Consultancy Ltd's contract with the Client. Regard should be had to those terms and conditions when considering and/or placing any reliance on this report. Should the Client wish to release this report to a Third Party for that party's reliance, MVA Consultancy Ltd may, at its discretion, agree to such release provided that:
(a) MVA Consultancy Ltd's written agreement is obtained prior to such release, and
(b) by release of the report to the Third Party, that Third Party does not acquire any rights, contractual or otherwise, whatsoever against MVA Consultancy Ltd and MVA Consultancy Ltd, accordingly, assume no duties, liabilities or obligations to that Third Party, and
(c) MVA Consultancy Ltd accepts no responsibility for any loss or damage incurred by the Client or for any conflict of MVA Consultancy Ltd's interests arising out of the Client's release of this report to the Third Party.

Contents

1 Introduction 1.1
1.1 Research Context 1.1
1.2 Research Objectives 1.2

2 Methodology 2.1
2.1 Overview 2.1
2.2 Survey Administration 2.1
2.3 Survey Design 2.1
2.4 Piloting and Main Fieldwork 2.5
2.5 Sample Size and Confidence Intervals 2.6
2.6 Data Weighting 2.6

3 Results – Uninformed Customer Views 3.1
3.1 Satisfaction with Current Service Levels - Uninformed 3.1
3.2 Preferred Service Improvements - Uninformed 3.4
3.3 Contacting South Staffs Water 3.4
3.4 Qualitative Insights from Business Customers on Current Perceptions 3.5

4 Results – Informed Customer Views 4.1
4.1 Satisfaction with Current Service Levels - Informed 4.1
4.2 Customer Priorities for Service Improvements and Accepted Quality Reductions - Informed 4.3
4.3 Customer Pointers to WtP/WtA 4.5
4.4 Qualitative Insights on Service Priorities Amongst Informed Business Customers 4.8

5 Customer Steer on Preferred Way Forward 5.1
5.1 Bill Profile and Timing of Improvements 5.1
5.2 Balancing Demand & Supply 5.2
5.3 Balancing Pressures on Bills and the Environment 5.3
5.4 Investment in Technology 5.4
5.5 Balancing Supply and Demand 5.4
5.6 Qualitative Insights from Business Customers on Longer-Term Strategy 5.5

6 Conclusions 6.1
6.1 Customer Attitudes to Existing Service Provision 6.1
6.2 Customer Willingness to Pay for Service Improvements 6.1
6.3 Customer Preferences for the Longer Term 6.2

Tables

Table 3.1 Customer Experience Contacting South Staffs Water in Past 12 Months 3.5
Table 4.1 Domestic Customers' Top 5 Improvements (From a List) 4.3

mvaconsultancy

Table 4.2 Domestic Customers' Top 5 Most Accepted Quality Reductions 4.3
Table 4.3 Business Customers' Top 5 Improvements (From a List) 4.4
Table 4.4 Business Customers' Top 5 Most Accepted Quality Reductions 4.5
Table 4.5 Domestic Customers WtP 4.5
Table 4.6 Domestic Customers WtA 4.6
Table 4.7 Business Customers WtP 4.6
Table 4.8 Business Customers WtA 4.7
Table 4.9 Tailored Services for Business Customers (from a List) 4.7

Appendices

A Results by Question

B Sample Profile

1 Introduction

1.1 Research Context

South Staffs Water (SSW) wished to conduct a survey of customer satisfaction, last undertaken in 2008. Traditionally, the survey had obtained the views of domestic and business customers regarding existing service provision in the form of satisfaction and importance ratings. In 2008, the survey was conducted over the telephone and took around 5-10 minutes.

SSW also wished to take the opportunity to engage with its customers in a more forward-looking way to gain insights into aspects of service where customers may want to see changes and/or improvements. Such information would provide timely and useful customer insight to help inform SSW as they consider revisions and updates to their Strategic Direction Statement (SDS) that provides an overview of the company's long-term business strategy (i.e. over the next 25-years).

Such exploration of customer priorities for service improvements and tentative exploration in to what customers might, in principle, be willing to pay for service enhancements would also help steer subsequent quantitative research to derive customer benefit values, in monetary terms, of improvements in different aspects of service delivery. This subsequent quantitative research is expected to be undertaken next year.

To ensure effective customer engagement at key stages of the development of short and longer-term business planning, SSW has set-up a Customer Challenge Group (CCG). The CCG acts as a 'critical friend' by providing constructive feedback to the company regarding its investment planning, and will report independently to Ofwat as part of the 2014 Periodic Review (PR14) process. An important aspect of this research was to keep the CCG informed of all aspects of SSW's customer engagement process to reassure the group, and ultimately Ofwat, that the consultation with customers is open, transparent, effective and two-way. This sentiment is evident in Ofwat's guidance document on customer engagement during the PR14 process[1] which emphasises that:

> *"water customers are at the heart of the price-setting process"*, that there should be *"greater customer focus"* than during PR09 *"through direct engagement … on issues including local services and tariffs"* and *"the way the company meets their legal obligations (for example, on drinking water quality and the environment)"*

This research report presents SSW's initial engagement with customers to understand their satisfaction levels with current services; and identify service aspects (including environmental consequences of service delivery) where domestic customers want to see an improvement; and likewise understand the needs and aspirations of business customers. The research also tentatively, and innovatively, explored customers' willingness to pay for service improvements and/or willingness to accept service quality reductions in return for bill savings.

[1] "Involving Customers in Price Setting", Ofwat's Customer Engagement Policy Statement (2011)

1.2 Research Objectives

In line with this overall aim, the research objectives were to:

- provide domestic and business customers' views on their water company, and their levels of satisfaction, or dissatisfaction, with existing service provision;
- identify those aspects of service that are most important to domestic and business customers, and where improvements would be most valued;
- explore customers' expectations and aspirations regarding future service delivery; and
- (tentatively) identify customers' willingness to pay for defined service improvements and/or willingness to accept quality reductions in other service aspects.

To best meet these objectives, a quantitative survey of customers was deployed. The research obtained the views of domestic and business customers, both unprompted by information about SSW services (to represent the views of customers currently) and prompted, so that SSW can understand customers' fully-informed choices and preferences. A series of qualitative interviews were also undertaken with business customers to supplement the quantitative findings with deeper insight into the underlying reasons for the viewpoints expressed by the business community. Focus groups and/or other qualitative research with domestic customers is planned for early in 2013.

The remainder of this report provides the main findings of the qualitative and quantitative research carried out with business and domestic customers.

2 Methodology

2.1 Overview

An overview of the approach adopted is provided in Figure 2.1. Working with the CCG, a quantitative questionnaire was developed for each of the domestic customer survey and the business customer survey. The designs and planned survey logistics were tested in two separate pilot studies and, following slight revisions, main survey instruments were agreed, and main fieldwork was undertaken throughout September 2012. The target of 600 domestic customer interviews and 100 business customer interviews was slightly exceeded.

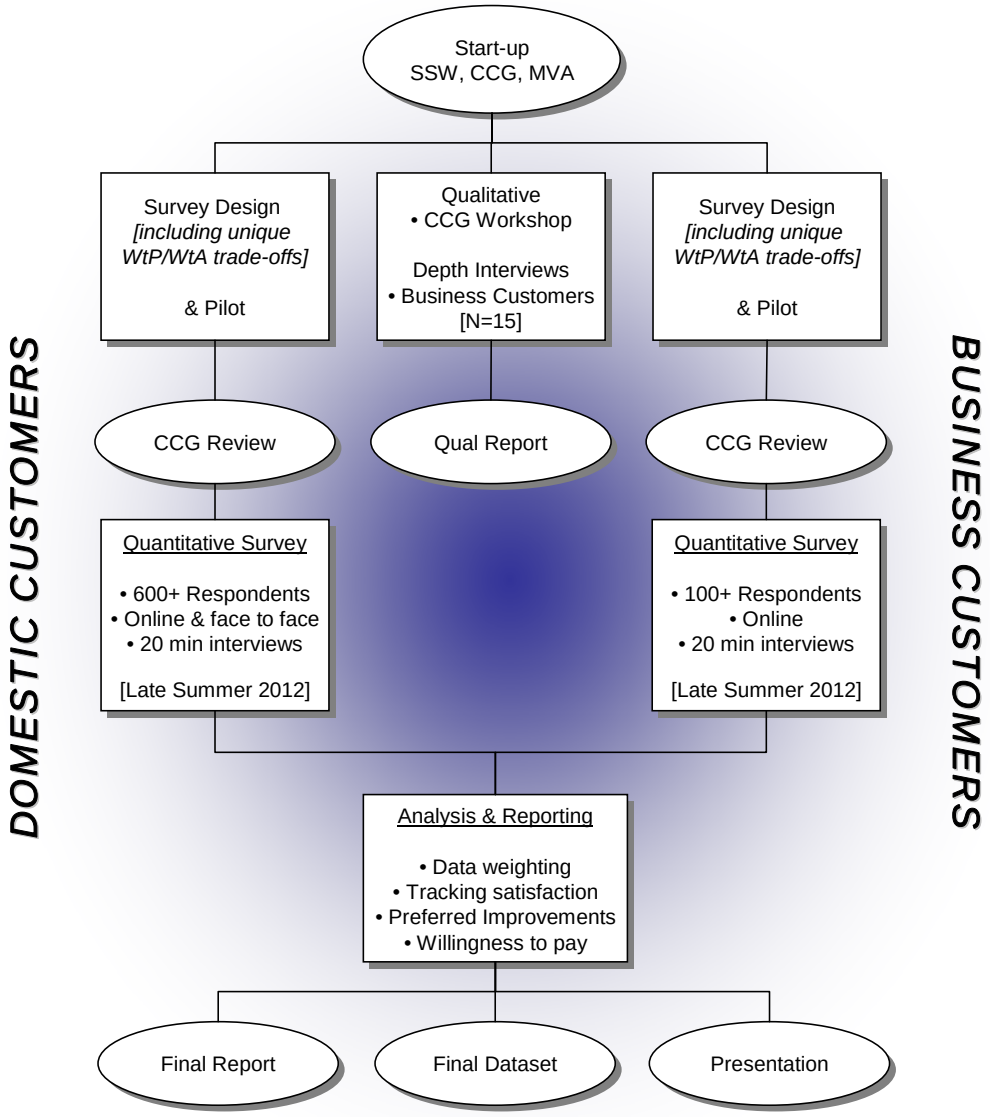


Figure 2.1 Overview of Approach

Details of each key aspect of our methodology are described in the remainder of this chapter.

2.2 Survey Administration

The quantitative survey was conducted via online and face-to-face methods, as follows:

Domestic Customer Survey

- 461 interviews with domestic customers via a web-based survey, where a random sample of SSW domestic customers who had provided the company with their email address, were emailed with a link to a web-based questionnaire; and
- 150 face-to-face personal interviews with domestic customers who do not have access to the internet via a stratified random probability sampling approach of sample point, and free-find techniques to quota within each sample point.

Business Customer Survey

- 108 interviews with business customers conducted via a web-based survey (with a telephone booster), where a sample of businesses in the SSW area were emailed with a link to a web-based questionnaire; of which
- 15 were extended, qualitative interviews with business customers with perceptions and preferences discussed in depth.

The online method was generally preferred as it is a fast, efficient and cost-effective means of obtaining views from customers; allows easy sight of information materials for respondents; and a convenient means for respondents to complete interviews at a time that is suitable for them. However, such an approach was boosted by face-to-face interviews with a target sample of domestic customers who are excluded from online surveys – i.e. those with no access to the internet. The booster sample of domestic customers with no access to the internet was broadly in proportion with estimates of the public without access to the internet (c. 20% of the population).

A business customer telephone survey was needed to boost the low number of responses obtained from the large-scale email survey of businesses in the SSW area. Some non-responding businesses were called and invited to give their views over the phone; and this approach was adopted until we had exceeded our target number of business interviews.

2.3 Survey Design

The quantitative survey for domestic and business customers took the following structure:

- satisfaction with the existing service provision overall, and for a series of individual aspects of service [unprompted (spontaneous) view];
- overall value for money, and importance ratings (or rankings) of different service aspects [unprompted view];
- desired service improvements [unprompted view];
- Show Material explaining existing service provision, and bill level [informed view];
- a 'Value for Money' trade-off exercise [informed view];

- any other service improvements that has customer support [informed]; and
- profile details.

Unprompted View

Obtaining customers' uninformed view (initially) was very important as it provided valuable insight into the views of most customers currently. In principle though, previous market research indicates that – for many customers – there is little appreciation of the complexities of supply, nor the wider consequences on the environment of South Staffs Water's activities. For example, some customers are 'perfectly satisfied' since water is always there when they turn the tap on. Customers' ability to provide steer on future services, therefore, is reliant upon the provision of fuller (and objective) information.

Informed View

In order for the customer to provide an informed view, customers were presented with information on their existing service provision. This took the following form (see Figure 2.2) with each row depicting a different aspect, or consequence, of SSW's service, and the right-hand column describing the current level of service in as quantifiable a way as possible.

Showcard A

Aspects of Service	Current Quality Level
Short Interruptions in supply (caused by un-expected pipe-burst or planned maintenance)	Typically a supply interruption (when there is no Mains water) is for 3-6 hours; and occurs for fewer than 5% of customers. Your household will be affected once every 20 years
Long Interruptions in supply (i.e no Mains water for 1-2 days)	Occasionally a supply interruption is for 24-48 hours; and occurs for 2-3% of customers. Your household will be affected once every 40 years
Large-scale interruption to water supply (caused by an extreme event, such as severe weather)	large-scale disruption to a few villages or parish supply once every 20 years
Customer Enquiries	99.8% of billing enquiries answered within 5 days; and 99.8% of written complaints answered within 10 days. Contact methods are: letter, telephone and (limited) email but NOT text
Environmental pollution	1 in 20 years risk of a significant incident where chemicals harmful to the environment are accidentally discharged into local waterways killing 100 or more fish and affecting biodiversity
Risk of a hose-pipe ban	1 in 40 years risk of a hose-pipe ban to conserve water supplies
Water-efficiency measures amongst customers	Provision of water efficiency information to customers on how they can save water and where/how they can get some free water-saving devices
Leakage	120 litres per day per household is lost through leaks. This is 30 Olympic-sized swimming pools a day for the South Staffordshire Water region. One-third of the leaks are in customer pipes
Amount of water taken from rivers	Fish and wildlife at 3 sites suffer from (or are at significant risk of) low water levels caused by abstraction of water
Energy usage	The energy used to supply water to each home in a year could boil enough water to make 12,000 mugs of tea. This is 35 cups a day per household, and 17 million cups a day for all customers
Shared supply pipes	Two in five homes share their supply pipe that runs from the Mains to their homes and is the joint responsibility of the home-owners. Shared pipes can lead to reduced water pressure and complications between home-owners if they need repair
Discounts for those who have diffculty affording the water they use	A subsidy is available to help those customers who have difficulty paying their water bill. Curently 450 customers (<1%) are helped
Aesthetic Quality (ie appearance, taste, smell)	Approximately 3,000 customer complaints are received about the appearance, taste and smell of their tap water each year. The tap water is safe to drink
Hardness of tap water	In some areas, some customers need to use softeners to reduce the build up of lime-scale on their kettles and dish-washers
Water quality issues in customers' homes	Some of the quality failures in drinking water are due to the wrong types of pipe material (eg lead) in customers' homes. Currently there is no awareness campaign to inform customers to check
Disruptions to roads	Approximately 350 roads are disrupted due to water pipe maintenance being carried out during normal office hours
Average Bill level	£140 a year
Number of customers	530,000

Figure 2.2 Information Material – Current Service Levels

Through such show material, respondents were made aware of all the different aspects of service that relate to the supply of tap water; and the wider environmental and social issues that could be considered, when considering future service levels.

Preferred Service Improvements

Respondents were informed of a defined level of improvement for each service aspect, via another show card (see Figure 2.3). By so doing, we ensure that the improvements considered by customers are feasible and consistent; and quantifiable so that, ultimately, SSW, can consider the supply implications and costs for delivering to this specified level.

Showcard B

		Quality Levels	
Aspects of Service		Current	Improvements
	Short Interruptions in supply	Your household will be affected once every 20 years	once every 40 years
	Long Interruptions in supply	Your household will be affected once every 40 years	once every 60 years
	Large-scale interruption to water supply	Large-scale disruption once every 20 years	large-scale disruption once every 40 years
	Customer Enquiries	Contact methods are: letter, telephone and (limited) email but NOT text	customer contacts feasible by email and text as well as telephone (24-hour)
	Environmental pollution	1 in 20 years risk of a significant incident	1 in 40 years risk of a significant incident
	Risk of a summer hose-pipe ban	1 in 40 years risk of a hose-pipe ban	1 in 60 years risk of a hose-pipe ban
	Water-efficiency measures amongst customers	Provision of water efficiency information and how they can get free water-saving devices	Proactive info to all customers & provision of water efficient items
	Leakage	120 litres per day per household is lost through leaks.	100 litres per day lost through leaks
	Amount of water taken from rivers	Fish and wildlife at 3 sites suffer from low water levels	Fish and wildlife at 1 site suffer
	Energy usage	equivalent to boiling water for 12,000 mugs of tea	equivalent to boiling water for 10,000 mugs of tea
	Shared supply pipes	Two in five homes share their supply pipe	One in every five homes share their supply pipe
	Discounts for those who have diffculty affording the water they use	A subsidy is available to help 450 customers who have difficulty paying their water bill.	A subsidy is available to help 5,000 customers
	Aesthetic Quality (appearance, taste, smell)	Approximately 3,000 customer complaints are received	2,000 customer complaints a year
	Hardness of tap water	In some areas, some customers need to use softeners	In fewer areas, fewer customers need to use softeners
	Water quality issues in customers' homes	Currently there is no awareness campaign to inform customers to check	Provide information to all customers
	Disruptions to roads	Approximately 350 roads are disrupted	300 roads disrupted

Figure 2.3 Information Material – Improved Service Levels

At this point in the interview, customers are given free reign to stipulate their preferred top three improvement(s) from the list of 16 services, or suggest alternatives.

Respondents were then presented with a defined reduction in service quality for each of the 16 service aspects, and asked whether they would be willing to accept a reduction in quality for any service aspect in order to receive their most preferred service improvement – for example, if a customer most wanted an improvement in leakage level, would they accept the defined quality reduction in any of the other 15 aspects in order to secure it.

In this innovative way, we get direct insight into customers' preferred combination of service levels and whether, in principle, they would prefer resources to be invested differently and, hence, get better value for money. Note, such trade-offs imply that a reduction or improvement in one service level is equivalent, in resource terms, to a reduction or

improvement in another. Though this is not the case in reality, any insights on priorities (excluding cost) was deemed useful, and to ask customers to undertake a full cost-benefit analysis would clearly be too ambitious for our survey.

Tentative Willingness to Pay Exercise

The final research exercise was for each respondent to consider the possibility of trading-off the quality of different service aspects, as before, but also consider bill impacts too. Respondents were shown the defined reduction in quality and improvement in quality of each service aspect on the same showcard (see Figure 2.4). Note that each change in service level also has a bill impact.

Showcard D

	Quality Levels					
		Reductions		Current		Improvements
Aspects of Service	Short Interruptions in supply	once every 10 years	-£2	As Now	0	once every 40 years +£2
	Long Interruptions in supply	once every 20 years	-£1	As Now	0	once every 60 years +£1
	Large-scale interruption to water supply	once every 10 years	-£1	As Now	0	large-scale disruption once every 40 years +£1
	Customer Enquiries	customer contact by letter and telephone (office hours) only	-£1	As Now	0	customer contacts feasible by email and text as well as telephone (24-hour) +£1
	Environmental pollution	1 in 10 years risk of a significant incident	-£1	As Now	0	1 in 40 years risk of a significant incident +£1
	Risk of a summer hose-pipe ban	1 in 20 years risk of a hose-pipe ban	-£3	As Now	0	1 in 60 years risk of a hose-pipe ban +£3
	Water-efficiency measures amongst customers	Provision of water efficiency information but withdraw offer of free items	-£1	As Now	0	Proactive info to all customers & provision of water efficient items +£1
	Leakage	A reduction is infeasible	X	As Now	0	100 litres per day lost through leaks +£5
	Amount of water taken from rivers	Fish and wildlife at 5 sites suffer low water levels	-£1	As Now	0	Fish and wildlife at 1 site suffer +£1
	Energy usage	equivalent to boiling water for 25,000 mugs of tea per year	-£1	As Now	0	equivalent to boiling water for 10,000 mugs of tea +£1
	Shared supply pipes	A reduction is infeasible	X	As Now	0	One in every five homes share their supply pipe +£1
	Discounts for those who have diffculty affording the water they use	A reduction is infeasible	X	As Now	0	A subsidy is available to help 5,000 customers +£1
	Aesthetic Quality (appearance, taste, smell)	4,000 customer complaints a year	-£1	As Now	0	2,000 customer complaints a year +£1
	Hardness of tap water	In more areas, more customers need to use softeners	-£1	As Now	0	In fewer areas, fewer customers need to use softeners +£1
	Water quality issues in customers' homes	A reduction is infeasible	X	As Now	0	Provide information to all customers +£1
	Disruptions to roads	400 roads disrupted	-£1	As Now	0	300 roads disrupted +£1

Figure 2.4 Information Material – Bill Impacts of A change in Service Quality

Respondents were told that:

> *"in return for a reduction in quality in a given service aspect, you would get a reduction in your annual water bill, by the amount shown on the showcard. Similarly, if you wanted an improvement in quality in a given service aspect, you would have to pay the additional sum stated on the showcard on your annual water bill."*

For example:

- a respondent who wanted less water taken from local waterways, and was willing to pay for it, would indicate that they would be willing to pay +£1 on customers' annual bill;
- in contrast, if a respondent felt the best value for money offering for them was to have a reduced service at a lower cost, they could select which attribute(s) they were willing to accept an inferior service and reduce their annual bill accordingly; whilst
- a respondent could choose to have improvements in (risk of) environmental pollution and water efficiency, and accept a deterioration in handling of customer enquiries then there would be a bill impact of +£1 (+ £1 for improved environmental pollution + £1 for improved water efficiency - £1 for reduced customer enquiries).

Note that the costs of some service quality changes are greater than quality changes for other service aspects, and intended to reflect better actual resource implications.

At this early stage in the PR14 process, this gives an indication of whether there is an appetite to accept bill increases for quality improvements, and some initial indications of which improvements customers appear to be most willing to fund.

Members of the project team have experience in developing this kind of 'value for money' trade-off exercise in the rail and utilities sectors, and we have found that customers respond very positively to this type of layout, and transparent opportunity to show their preferred combination of service levels.

The survey culminated in a series of related considerations to help inform longer-term decision-making, to identify customers' preferences regarding:

- the profile of bill impacts and timing of service improvements;
- how best to balance pressures on supply and meeting customer demand;
- the trade-off between keeping bills down and minimising the environmental consequences of SSW activities;
- the possible benefits of investing in improved technology and the uncertain impacts on bills in the short and medium term; and
- repairing leaks beyond the 'tipping point' at which it starts to cost more to repair leaks to stop waste, than it does to treat and put more water into the pipes.

The business customer questionnaire included an additional section, exploring whether a more business customer-oriented services would be valued. Such services might include consolidated accounts; dedicated point of SSW contact or account manager; regular meetings; water efficiency audits; and/or on-site leakage detection; and whether they would be willing to pay more for this more tailored service.

2.4 Piloting and Main Fieldwork

A piloting exercise was undertaken in August 2012. A total of 20 domestic customer interviews were obtained (10 face-to-face and 10 online) and 5 business customer

interviews. The pilot survey confirmed that the basic design and planned logistics were fit for purpose, and indicated which of the different trialled cover emails worked best.

The main fieldwork started in mid September and ended in early October 2012. A total of 461 online domestic interviews were obtained, from a starting sample of 9,000 domestic customer email addresses provided by SSW (randomly chosen from a database of around 70,000 domestic customer email addresses). There was a bounce-back rate of around 30% (i.e. just under one-third failed to be received and presumed out-of-date). A cash-prize draw was provided as an incentive for domestic customers to participate.

Our starting sample of business customers was a commercially available database of 5,000 businesses within the SSW area. The database contained contact details and email addresses of senior staff and positions within each organisation, so enabling a reasonable degree of targeting. Nevertheless, after making allowance for a similar bounce rate as for domestic customers, the response rate was just 2.5%. A £2 charity donation to WaterAid was offered for every completed business customer response.

2.5 Sample Size and Confidence Intervals

The sample sizes obtained for the quantitative data analysis were:

- 611 domestic customer interviews; and
- 108 business customer interviews.

This provides a sufficient level of statistical rigour (95% confidence intervals are circa ±4% and ±6% for domestic and business customers respectively) for this initial investigation into customer preferences.

2.6 Data Weighting

The survey was designed to be representative of all SSW customers. Checks against Census population information showed this to be the case in all demographics, except that a higher proportion of men completed the survey than women; as did a disproportionately high number of metered customers. We, therefore, post-weighted the domestic customer sample data by these two stratifications to precisely reflect the demographics of SSW customers.

The business data was weighted by volume of water used to ensure that the data collected was representative of the customer base.

With both domestic and business data sets, only very small changes were apparent once the weighting factors had been applied.

All results presented in the main body of this report are based on the weighted data and are representative. The data has been analysed using descriptive procedures, allowing the researchers to understand results first at an overall SSW level (i.e. overall) and then at a segmented level, comparing views and behaviours of different types of customer. Though we have tested for differences in response to all the main questions, we only report statistically significant differences (at the 95% level) in the following chapter.

3 Results – Uninformed Customer Views

3.1 Satisfaction with Current Service Levels - Uninformed

When unprompted by any information provided by the researchers, just over half (51%) of domestic and one-quarter (25%) of business customers stated that they were 'very satisfied' with the current service level. The majority of domestic and business customers were either 'very' or 'fairly' satisfied; 84% and 72% for domestic and business customers respectively.

Only a small minority of domestic (4%) and business (7%) customers were 'fairly' or 'very' dissatisfied with the current service they receive.

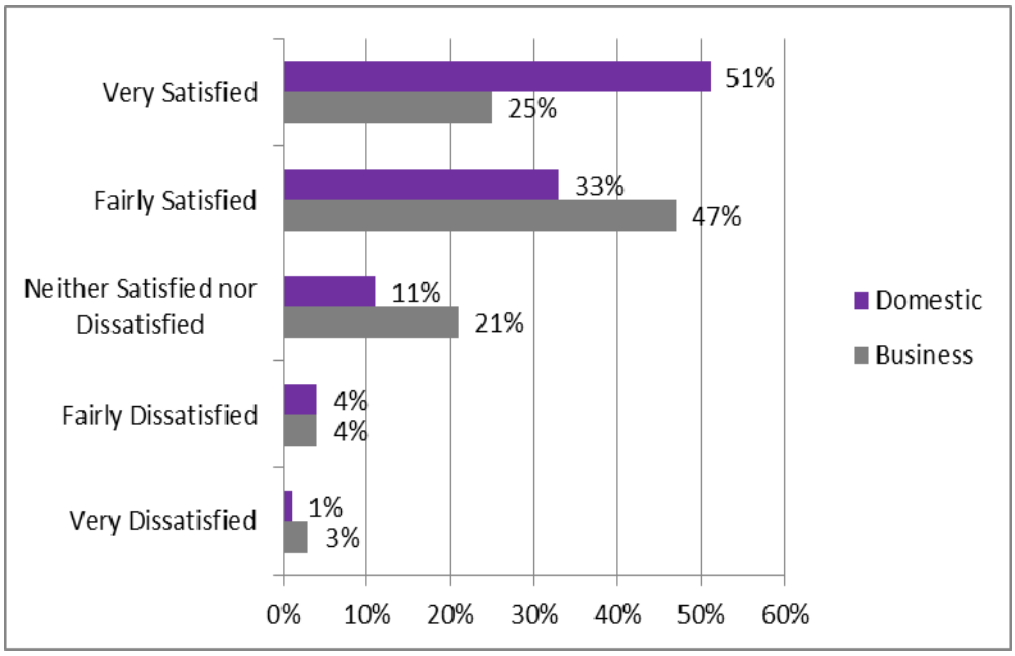


Figure 3.1 [Uninformed] Domestic and Business Customers' Satisfaction Level

Further investigation revealed that those domestic customers who were particularly happy with the existing service were:

- those with no access to the internet;
- those aged 65 years or more;
- tenants; and
- women.

There is, of course, overlap in some of these categories. Those with medical reliance on water were least satisfied with the existing service (though the majority were, nevertheless, fairly or very satisfied)[2].

Amongst business customers, high water users were more satisfied.

[2] based on the relatively small sub-sample size of 41.

The percentage of domestic customers 'very' or 'fairly' satisfied, by customer segment, is presented in Figure 3.2. The horizontal blue line identifies the percentage of all domestic customers who were very' or 'fairly' satisfied (83%).

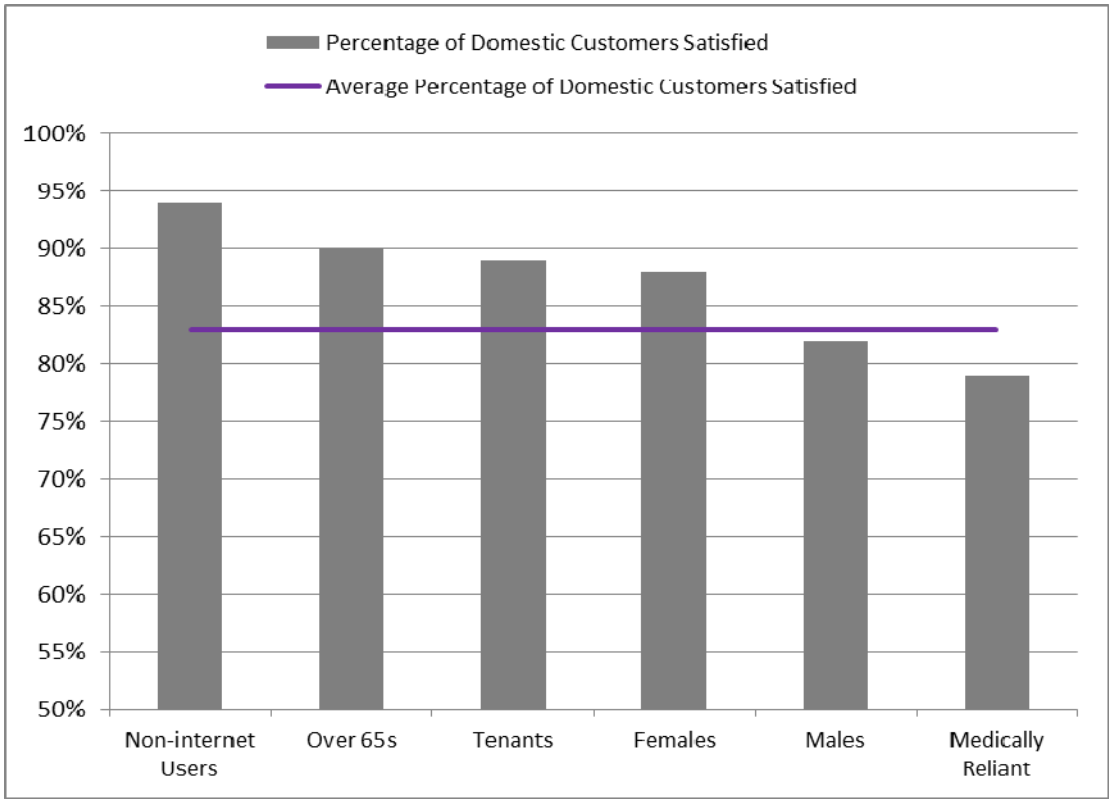


Figure 3.2 [Uninformed] Satisfaction Level Amongst Domestic Customers

Nine in every ten high volume business users (90%) were very' or 'fairly' satisfied[3] compared with just 64% of low volume business users.

Customers' satisfaction levels with prompted individual aspects of service (prior to being presented with factual information) varied considerably. Those service aspects where there was greatest satisfaction amongst domestic customers were:

- taste, appearance and smell of tap water (80% 'very' or 'fairly' satisfied);
- account management (79%); and
- water pressure (77%).

Overall, business customers were less satisfied with the individual service aspects. There was greatest satisfaction amongst business customers in:

- taste, appearance and smell of tap water (73%);
- how quickly leaks are identified and repaired (61%); and
- account management (54%).

[3] based on the relatively small sub-sample size of 20 business customers using 1+ Ml p.a.

Greatest dissatisfaction, when relatively, uninformed, was with hardness of the water (23% of domestic customers and 15% of business customers).

Satisfaction levels by service aspect, prior to detailed, factual information, is provided in Figures 3.3 and 3.4 for domestic and business customers respectively.

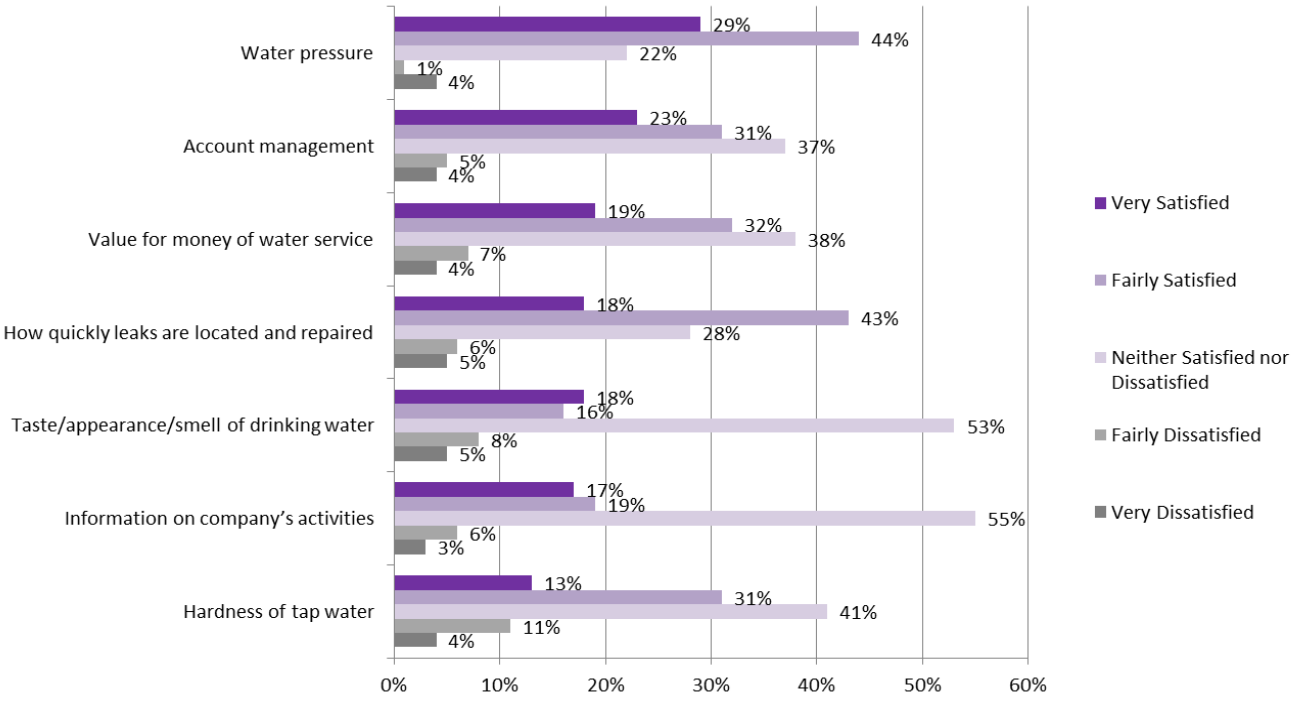


Figure 3.3 [Uninformed] Satisfaction by Service Aspect [Domestic Customers]

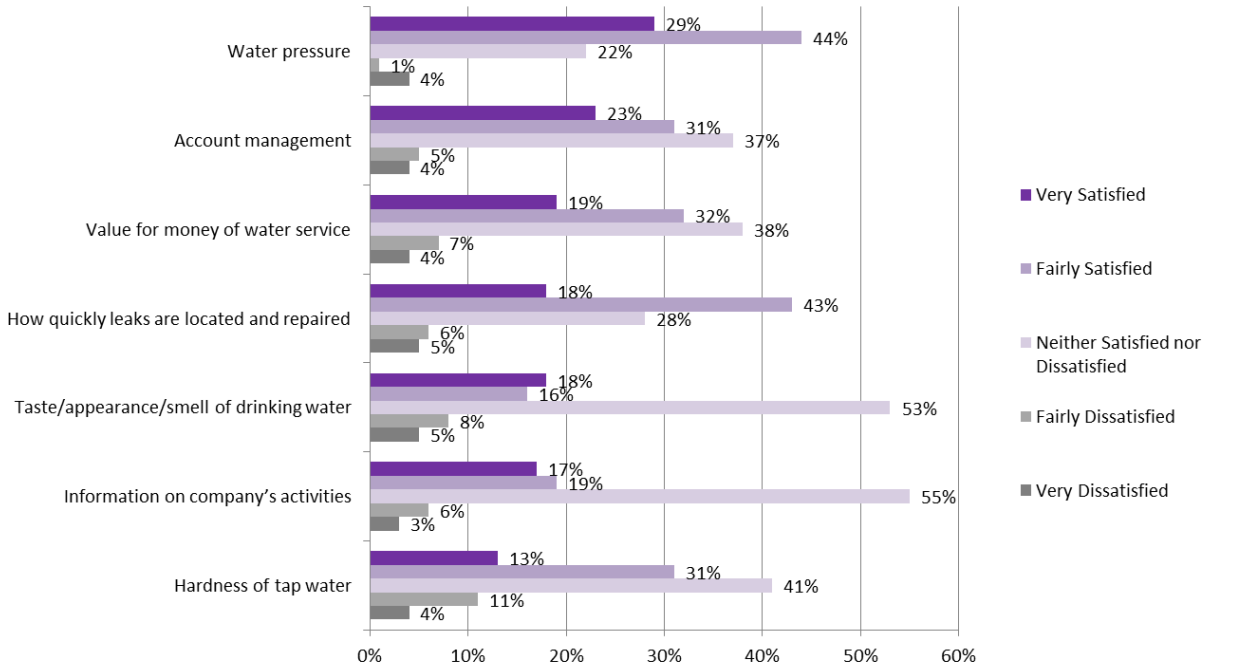


Figure 3.4 [Uninformed] Satisfaction by Service Aspect [Business Customers]

3.2 Preferred Service Improvements - Uninformed

Customers were asked to consider (undefined) improvements in eight service areas: bills, pressure; appearance; answering the phone; taste; digging up roads; hardness; and leakage[4]. Domestic and business customers were asked to identify which action(s) would improve the service for them – potentially all could be ticked. The results are reported in Figure 3.5 for domestic (purple) and business customers (grey).

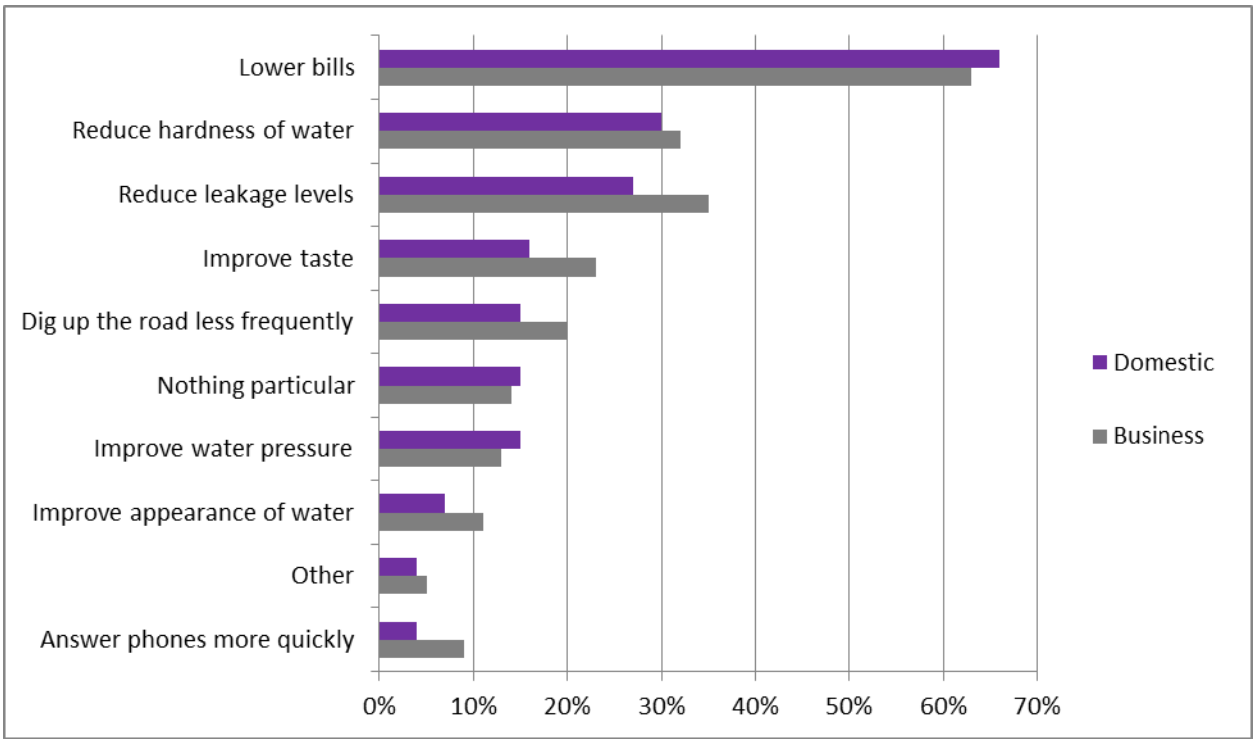


Figure 3.5 [Uninformed] Preferred Service Improvements

Lower bill levels, water hardness and leakage levels were the three areas where domestic and business customers would most like to see improvements (when relatively uninformed).

Domestic customers in larger households (74%) and un-metered customers (70%) were more inclined to want lower bills.

A minority of customers - 15% of domestic and 14% of business - stated that there were 'nothing in particular' that would improve the service.

3.3 Contacting South Staffs Water

Around one in every four domestic customers (27%) and one in three businesses (32%) have contacted SSW in the past 12 months. Amongst those domestic customers who had made a contact, the main reasons were to:

- set up a payment arrangement (21%);
- enquire about the payment of a bill (17%);

[4] In line with previous SSW tracking surveys

- report that there was 'no water' or a pipe-burst (15%); or
- advise of a change in contact details (15%).

The vast majority (85%) of domestic customers contacting SSW was satisfied with the handling of their enquiry; and 15% were dissatisfied.

The main reasons for business customers to have made contact were to:

- dispute a bill or meter reading (31%); or
- report that there was 'no water' or a pipe-burst (15%).

The majority of business customers (63%) who had made contact with SSW in the past 12 months were satisfied with the way they enquiry was dealt with; but more than one in three (37%) expressed dissatisfaction.

The contact history of all domestic and business customers is reported in Table 3.1.

Table 3.1 Customer Experience Contacting South Staffs Water in Past 12 Months

	Domestic	Business
Contacted and satisfied	23%	20%
Contacted and dissatisfied	4%	12%
Not contacted	73%	68%

Awareness of Bill Level

Fewer than two in every three domestic customers (62%) thought they had some idea of their annual bill level. The mean annual bill level that these 'more knowledgeable' respondents reported was £300 – more than double the actual average bill level, suggesting that some customers either overestimate the cost of their water, or fail to successfully differentiate between their water bill and their sewerage bill (for Severn Trent services).

The proportion of business customers who were confident of their annual water bill was higher – three in every four (75%). The mean reported annualised bill for these respondents was £8,500.

3.4 Qualitative Insights from Business Customers on Current Perceptions

More detailed discussions with business customers revealed that almost all businesses consider themselves to be 'reliant' on water, and would need to stop operations if there was a significant supply interruption.

> *"Well we're a manufacturing site, so if we don't have water for drinking purposes and welfare facilities then, after the short term, we would have to bring in what we do in our business continuity plan; bring in alternative water supplies which are tankard. But if we can't get those in a short period of time then we face the possible disruption of shutting the facility" [Norgren]*

"We have a duty of care to ensure staff and students have access to drinking water" [College]

Business customers' satisfaction with existing services was mainly as a consequence of historic reliability of supply and, in some cases, positive comparisons with neighbouring water companies.

"We've not had any problems… we turn on the tap and the water comes out… we've not had any disruptions or anything like that. Value for money- there's always room for improvement" [Hotel]

"I have to say you're a dammed sight better than Severn Trent" [Fire Station]

Business customers' satisfaction levels were dictated mostly by past experience – in particular, whether there had been any problems with interruptions, loss of pressure or burst pipes; and the loss of service that would ensue. In the absence of any of these problems, business customers typically then indicated satisfaction with SSW.

4 Results – Informed Customer Views

4.1 Satisfaction with Current Service Levels - Informed

On receipt of information outlining the service provided by South Staffs Water (see Chapter Two for details), respondents were again asked to indicate whether, or not, they considered the existing service to be satisfactory. In fact, a considerable proportion changed their view (almost half of domestic customers and one-third of business customers).

The overall impact on satisfaction levels was that the provision of full information about all current service aspects and consequences led to a slight fall in overall customer satisfaction. Just over three-quarters (77%) of domestic customers were 'very' or 'fairly' satisfied with existing services, once informed compared with 83% when uniformed, as reported in the last chapter. Information led to dissatisfaction levels with the existing service increasing from 5% to 7% amongst domestic customers.

Once fully informed of existing service levels, almost two in every three business customers (64%) were 'very' or 'fairly' satisfied compared with 72% when uniformed. Dissatisfaction levels amongst business customers remained constant at 7%.

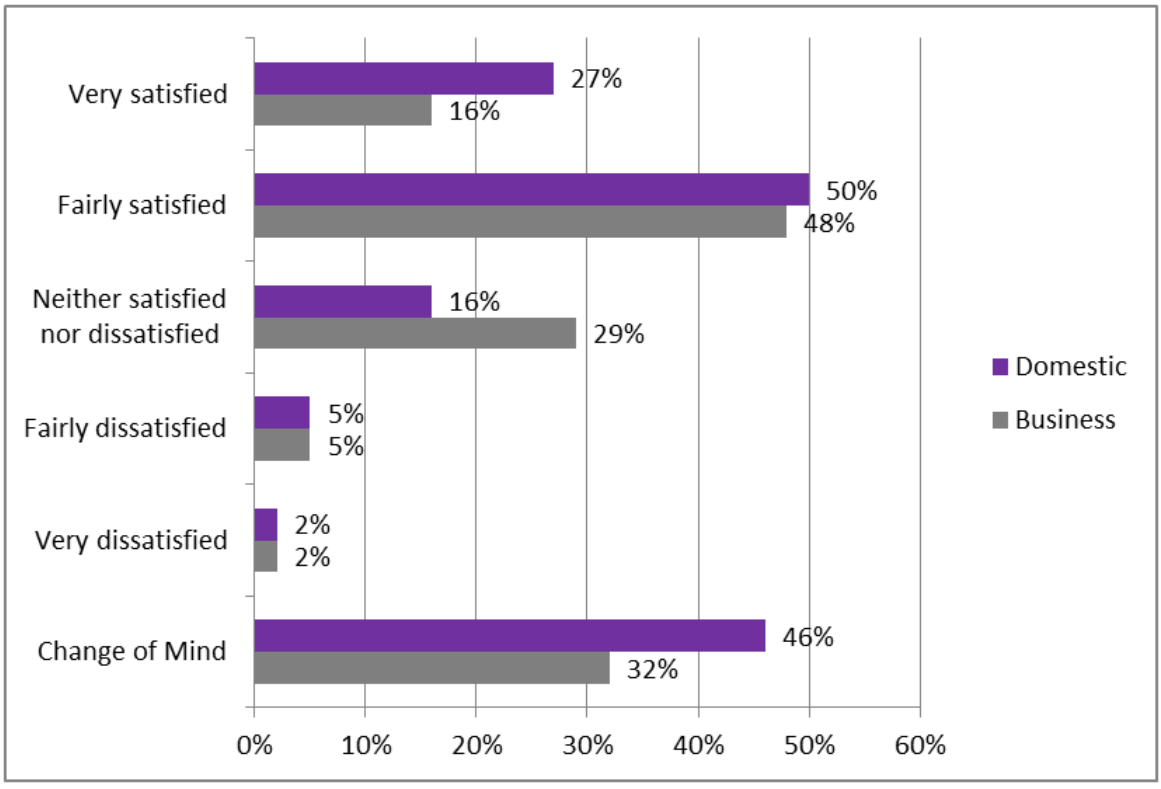


Figure 4.1 [Informed] Domestic and Business Customers' Satisfaction Level

Amongst domestic customers, there was greatest satisfaction reported amongst the elderly, those with no access to the internet and women; and lowest levels of satisfaction reported amongst those with access to the internet, men and those who proactively use softeners and/or drink bottled water.

The percentage of domestic customers 'very' or 'fairly' satisfied, by customer segment, is presented in Figure 4.2. The horizontal blue line identifies the percentage of all domestic customers who were very' or 'fairly' satisfied (77%).

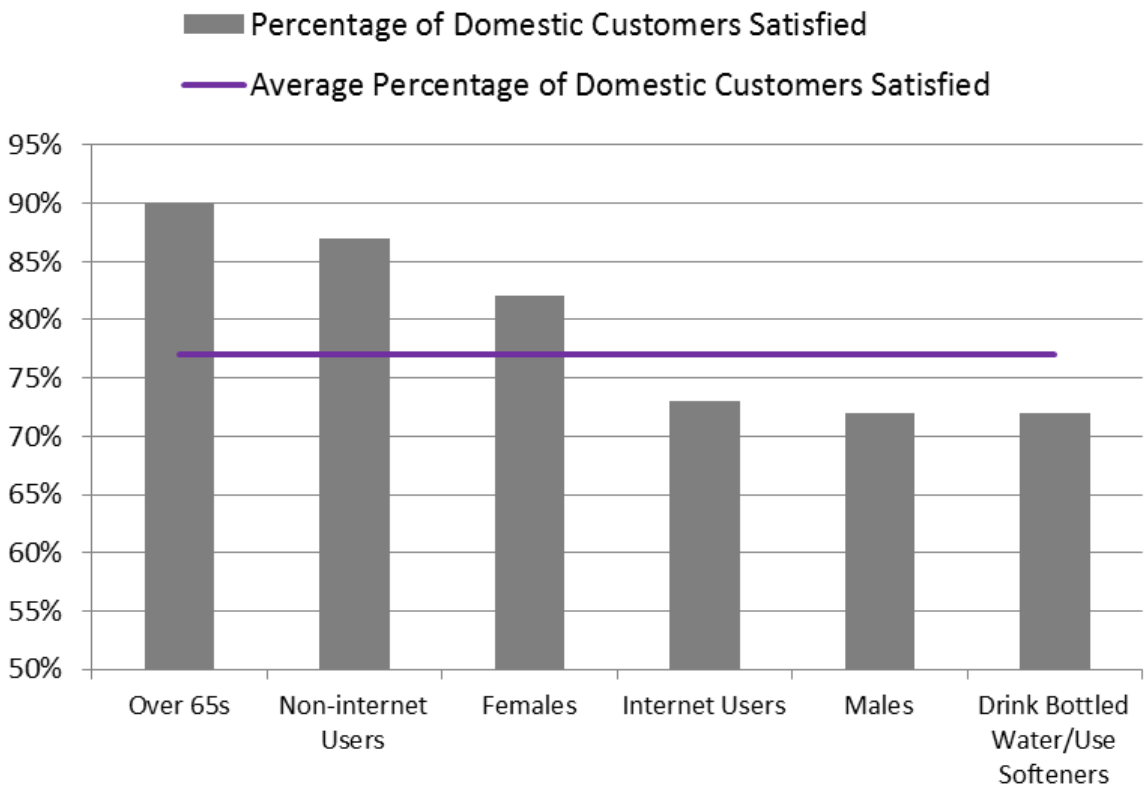


Figure 4.2 [Informed] Satisfaction Level Amongst Domestic Customers

High volume business customers were much more likely to report being satisfied (77%) than low volume business customers (55%), as was the case when uninformed.

No more than 3% of all customers were dissatisfied with any individual aspect of service, when informed. Areas of greatest dissatisfaction for a minority of domestic customers were:

- appearance, taste and smell of tap water;
- bill level; and
- water hardness.

Amongst informed business customers, the areas of greatest dissatisfaction were:

- appearance, taste and smell of tap water;
- leakage level;
- water efficiency level;
- quality failures and supply pipe ownership; and
- risk of long interruption.

4.2 Customer Priorities for Service Improvements and Accepted Quality Reductions - Informed

Domestic Customers

When there are no resource or financial constraints, the top five improvements that domestic customers most prefer (from a defined list of 16) is reported in Table 4.1.

Table 4.1 Domestic Customers' Top 5 Improvements (From a List)

Improvement	Domestic
Leakage - 100 litres per day lost through leaks (20 litres less than now)	38%
Hardness of tap water - Fewer customers need to use softeners	32%
Disruptions to roads – 300 roads disrupted (50 fewer than now)	26%
Discounts – a subsidy to help 5,000 customers (4,550 more than now)	18%
Risk of environmental pollution – 1 in 40 year risk (1 in 20 now)	17%

Those domestic customers who feel most strongly about each service improvement are highlighted below.

- improved leakage: wanted by almost half of domestic customers who have access to the internet (49%), of those who drink bottled water and/or use softeners (49%); those who are metered (48%); males (45%); and those who own their home (45%).
- improved hardness: wanted by those who drink bottled water and/or use softeners (44%); those who do NOT have access to the internet (38%); and females (37%).
- improved social discounts: wanted by tenants (25%); and those who do NOT have access to the internet (25%).

The majority of domestic customers (71%) would NOT be willing to accept a deterioration in service quality in return for their preferred service improvement. More than one in every four domestic customers (29%) would be willing to see resources re-invested, however. The service aspects for which domestic customers would accept a reduction in quality (as a percentage of all domestic customers) is reported in Table 4.2.

Table 4.2 Domestic Customers' Top 5 Most Accepted Quality Reductions

Reduction	Domestic
Risk of a hose-pipe ban – 1 in 20 year risk (1 in 40 now)	16%
Short interruptions in supply – 1 in 10 year risk (1 in 20 now)	8%
Water efficiency measures – withdraw offer of free items to customers	8%
Disruptions to roads – 400 roads disrupted (50 more than now)	6%
Customer handling – contact by letter or telephone only	3%

In principle, therefore, a minority of domestic customers would be willing to accept a higher risk of a hose-pipe ban in exchange for a reduction in leakage levels. However, the majority of domestic customers prefer the status quo.

It should be noted that the two service aspects with more social implications (disruptions to roads and discounts for those with difficulties paying their bill) attracted polarised views. Around one in six domestic customers (17-18%) want to see improvements in these areas, whereas one in 17 domestic customers (6%) want to see reductions in these areas (if improvements could be had elsewhere).

Business Customers

The top five improvements preferred by business customers are reported in Table 4.3.

Table 4.3 Business Customers' Top 5 Improvements (From a List)

Improvement	Business
Leakage - 100 litres per day lost through leaks (20 litres less than now)	44%
Disruptions to roads – 300 roads disrupted (50 fewer than now)	31%
Water efficiency measures – proactive with info/items to customers	27%
Short interruptions in supply – 1 in 40 year risk (1 in 20 now)	22%
Risk of environmental pollution – 1 in 40 year risk (1 in 20 now)	20%

As for domestic customers, leakage and disruption to roads were two key areas for business customers where a significant minority would like to see improvements. Furthermore, more than one in four businesses want to see more water efficiency measures introduced; and one in five want to see reductions in risk in short interruptions in supply and environmental pollution.

Improving leakage was especially important amongst low volume business users with more than half (57%) wanting to see a reduction in leakage level. Whilst amongst high volume business users, water efficiency measures were especially important – compared with low volume users – with 40% wanting greater pro-action from SSW.

The majority of business customers (71%) would NOT be willing to accept reductions in service quality in return for their preferred service improvement; whilst more than one in every four business customers (29%) would be willing to see resources re-invested. These are the same proportions as for domestic customers.

The service aspects for which business customers would accept a reduction in quality (as a percentage of all business customers) is reported in Table 4.4.

Table 4.4 Business Customers' Top 5 Most Accepted Quality Reductions

Reduction	Business
Short interruptions in supply – 1 in 10 year risk (1 in 20 now)	11%
Risk of a hose-pipe ban – 1 in 20 year risk (1 in 40 now)	9%
Energy usage – a doubling	7%
Disruptions to roads – 400 roads disrupted (50 more than now)	7%
Customer handling – contact by letter or telephone only	7%

Interestingly, the top two areas where business customers would be most willing to accept a reduction in quality are the same as those most accepted by domestic customers – presumably as they are considered to be the least impactful to them.

Overall, and as for domestic customers, the majority of business customers are content with the status quo.

4.3 Customer Pointers to WtP / WtA

Domestic Customers

Two in every three (66%) domestic customers were content with existing quality and billing levels. The service improvements that domestic customers were most willing to pay for are reported in Table 4.5.

Table 4.5 Domestic Customers WtP

Service Aspect	Top Improvements	% of All Customers Willing to Pay
Hardness of tap water	Fewer customers need to use softeners to reduce the build-up of lime-scale [+£1 p.a.]	9%
Leakage	100 litres per day lost through leaks (20 litres less than now) [+£5 p.a.]	8%
River abstraction	Fish and wildlife at 1 site suffer (compared with 3 as now) [+£1 p.a.]	6%
Environmental pollution	1 in 40 years risk of a significant incident (1 in 20 years now) [+£1 p.a.]	6%

The service reductions that domestic customers were willing to accept are reported in Table 4.6.

Table 4.6 Domestic Customers WtA

Service Aspect	Top Reductions	% of All Customers Willing to Accept
Risk of a hose-pipe ban	1 in 20 years risk of a hose-pipe ban (1 in 40 now) [-£3 p.a.]	15%
Water-efficiency measures	Information to encourage water efficiency but withdraw free items [-£1 p.a.]	11%
Short interruptions in supply	1 in 10 years (1 in 20 now) [-£2 p.a.]	6%
Customer enquiries	By letter and telephone (office hours) only [-£1 p.a.]	5%

Though there is a minority of domestic customers who would like to see some changes in service quality, most prefer the existing service quality and bill levels.

Business Customers

Three in every five (61%) business customers were content with existing quality and billing levels. This is a slightly lower majority than for domestic customers.

The service improvements that business customers were most willing to pay for are reported in Table 4.7.

Table 4.7 Business Customers WtP

Service Aspect	Top Improvements	% of All Customers Willing to Pay
Leakage	100 litres per day lost through leaks (20 litres less than now) [+£5 p.a.]	11%
Hardness of tap water	Fewer customers need to use softeners to reduce build-up of lime-scale [+£1 p.a.]	8%
Long interruptions in supply	1 in 60 years (1 in 40 now) [+£1 p.a.]	7%
Environmental pollution	1 in 40 years risk of a significant incident (1 in 20 now) [+£1 p.a.]	6%
Short interruptions in supply	1 in 40 years (1 in 20 now) [+£1 p.a.]	6%
Water-efficiency measures	Information to encourage water efficiency and free items [+£1 p.a.]	6%

The service reductions that business customers were willing to accept are reported in Table 4.8.

Table 4.8 Business Customers WtA

Service Aspect	Top Reductions	% of All Customers Willing to Accept
Disruptions to roads	Disruptions to roads – 400 roads disrupted (50 more than now) [-£1 p.a.]	7%
Risk of a summer hose-pipe ban	1 in 20 years risk of a hose-pipe ban (1 in 40 now) [-£3 p.a.]	7%
Hardness of tap water	More customers need to use softeners to reduce build-up of lime-scale [-£1 p.a.]	6%
Water-efficiency measures	Information to encourage water efficiency but withdraw offer of free items [-£1 p.a.]	5%

There is therefore a small appetite for change amongst some business customers.

Overall though, and as for domestic customers, only a minority of business customers would like to see changes in service quality, and most prefer the existing service quality and bill levels.

There are some additional services that would be valued by many business customers (when prompted with a list). In particular, around two in every five business customers would like to have: a dedicated point of contact at South Staffs Water, water efficiency audits and on-site leakage detection.

Table 4.9 Tailored Services for Business Customers (from a List)

	Business
Dedicated point of contact	41%
Water efficiency audits	41%
Leakage detection on site (e.g. continuous data logging)	37%
Billing/consolidated accounts	18%
Account manager	16%
None of the above	14%
Regular meetings	6%
Other	3%

However, only one in six business customers (17%) were ‘quite willing’ to pay for a more tailored service.

4.4 Qualitative Insights on Service Priorities Amongst Informed Business Customers

With information came surprise for some business customers. Many became concerned over the level of risk of a supply interruption, they had presumed the risk was much lower (typically negligible).

"Just one interruption to our services would be quite catastrophic" [NHS]

"It [my satisfaction level] has gone down. If we were to have a 48 hour supply interruption, that could cause significant problems. That's a concern - I'd presumed it was better than that. And a large scale disruption would be disastrous to us" [Firs Nursery]

"I'm not satisfied with the hardness of the water… we have to treat our water with salt to soften it" [Hotel]

For other business customers, there was surprise at some of the perceived levels of wastage and environmental consequences of water supply.

"I would expect not so many water leaks. I came to work this morning and saw three water leaks and they have been there for a couple of days. We are saying we have no water yet we can see it running down the road" [Museum]

"That's an extraordinary amount of energy… that's a fact I didn't know… I didn't have any concept of understanding that at all so that's very poorly advertised" [Food]

"I would expect not so many water leaks. I came to work this morning and saw three water leaks and they have been there for a couple of days. We are saying we have no water yet we can see it running down the road" [Museum]

"I think the key one for water is… let's try and reduce the leakage in the overall system, and they [SSW] play their part in that. Because that has a knock on effect to everyone" [School]

Some business customers indicated a willingness to switch water supplier **if** the alternative service was significantly better. Cost was a key influencing factor, but there is confidence amongst many business customers that competition drives improved quality of service as well as a competitive price.

"that freedom of choice [that comes with an open market] … initially improves prices, but it's not always going to be this way, so it's a difficult one to answer. … Probably yes is the answer… open market commerce seems to work better so it would be better if we could have a choice" [Nursery]

"Not at the moment, no [would not switch]… I suppose it's always down to finances" [Care House]

"It would purely be for money reasons" [College]

Attitudes to improving services varied considerably, with some wanting to reduce standards to reduce cost, and others wanting significant improvements in risk of interruptions, leakage levels,

There was a general consensus that a more tailored service would be beneficial. A number of areas for improvement were evident but it's not a one size fits all.

"Well overall, satisfied, as we've never run dry. However, I will confess that we have been looking at borehole applications to reduce the cost" [Firs Nursery]

"Trying to get bills is a problem… it's a problem internally… if we had an online billing system that would be much easier. We're on the meter… why is that meter not available?" [Norgren]

"Usually it's because a bill has overlapped. What happens is… they will estimate a bill, send it through and then the meter will be read shortly afterwards so they re-issue the bill which means that we have part paid that bill. But I have phoned so many times about this that they are starting to correct this automatically" [Fire Station]

"There was an automated message on their telephone. And that directed us to a website where there was an updated statement on where things were with the repair… We were bounced to a website, quite unhelpfully" [Food]

"You could look at the contact method - they don't do texting. I know Banks do it and also the NHS do… it's the most convenient way" [Hospital]

"The main reason was that our consumption was going up and I wanted them to check our water meter… for calibration, if there was anything wrong with it or if there were any leaks" [Hotel]

"Burst water main… ground water contaminated the main supply. We spotted it and rang them. What was disappointing, as a food manufacturer, was that we weren't given a heads up or didn't appear to be on any database for early warning. We could have adversely affected a number of consumers at a severe cost to our business. We weren't phone called… We rang them" [Food]

"Reduce leakage levels would be helpful as that may reduce costs for the consumer" [Fire Station]

"I would prefer to have the reductions if you can get the bills down… if you can only contact you via telephone during office hours then so be it. And if disruptions to the supply are only every 10 years, then it may be worth saving money" [Nursery]

"I would certainly look at that [improving hardness of water] commercially. We have to buy a vast amount of salt to soften the water… it would be economically beneficial" [Hotel]

"Like any organisation, we look at South Staffs as a big monster with regards to all the people there… to be able to actually build a relationship would be good" [Hospital]

5 Customer Steer on Preferred Way Forward

5.1 Bill Profile and Timing of Improvements

The majority of customers; domestic (72%) and business (84%) would like any improvements and associated bill increases to be introduced gradually, for example, over a 5 year time period. This is particularly true for businesses, with only 16% keen for impacts to take place with immediate effect.

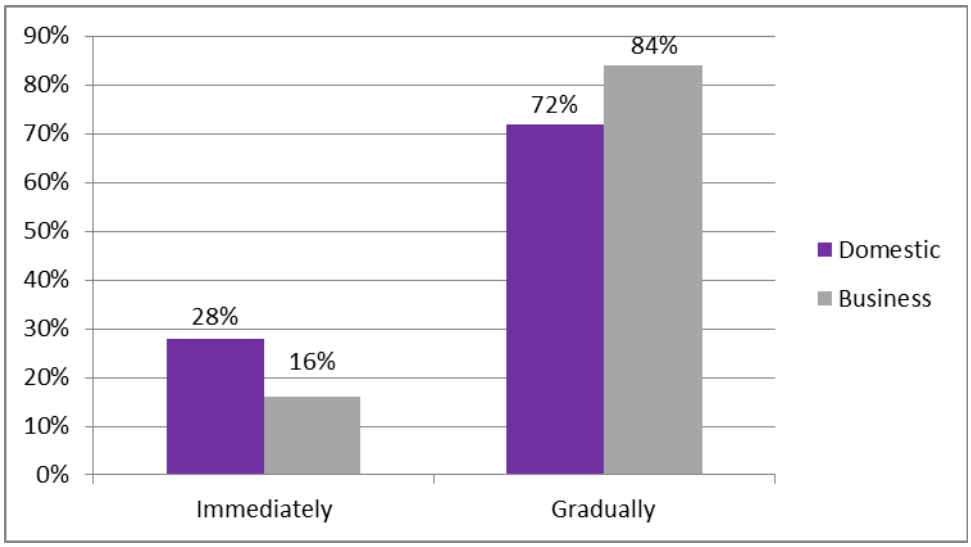


Figure 5.1 The Preferred Time-scale for Improvements to be Implemented

5.2 Balancing Demand & Supply

There are mixed customer views regarding whether SSW should take a proactive approach in reducing demand. Half of business customers, and around two in every five domestic customers, are supportive of SSW reducing leakage, increasing the speed of customer metering and encouraging more efficient water use. However, more domestic customers preferred SSW to take a different approach – either focus simply on providing a reliable service at least cost (35%) or accept a reduced service, moving forward – e.g. an increased frequency of a hosepipe ban (26%).

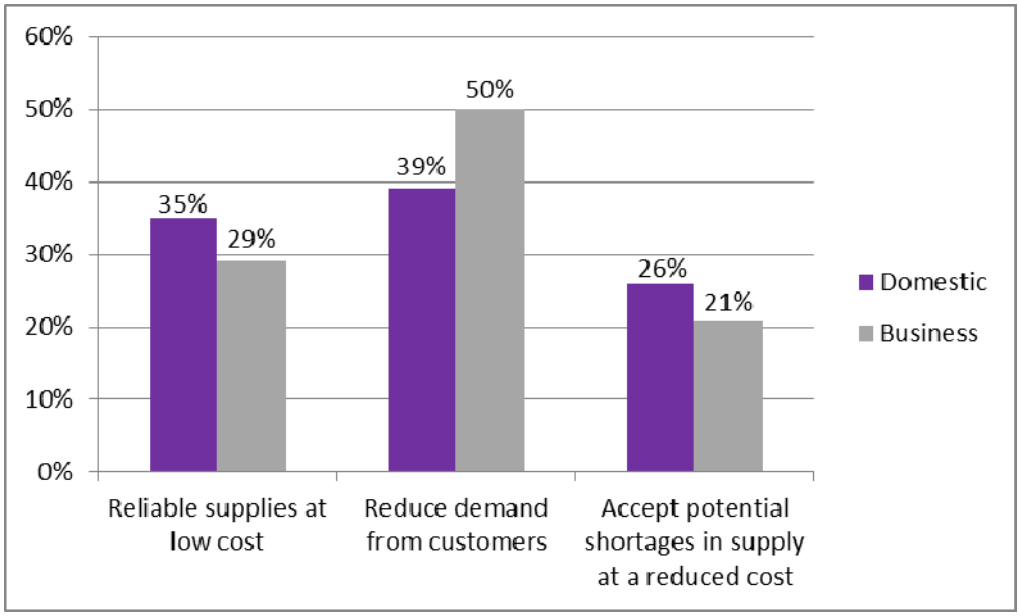


Figure 5.2 Customer Preference on the Balance between Environmental Considerations and Bill Price

5.3 Balancing Pressures on Bills and the Environment

Preferences are split over finding the right balance between keeping customer bills down and minimising the consequences on the environment. Amongst domestic customers, there are equal levels of support and opposition to the idea of water-trading, where water is sold to other regions that have greater difficulty sourcing sufficient water to meet demand. A small majority of business customers (59%) would prefer river abstraction and bill levels to be maintained.

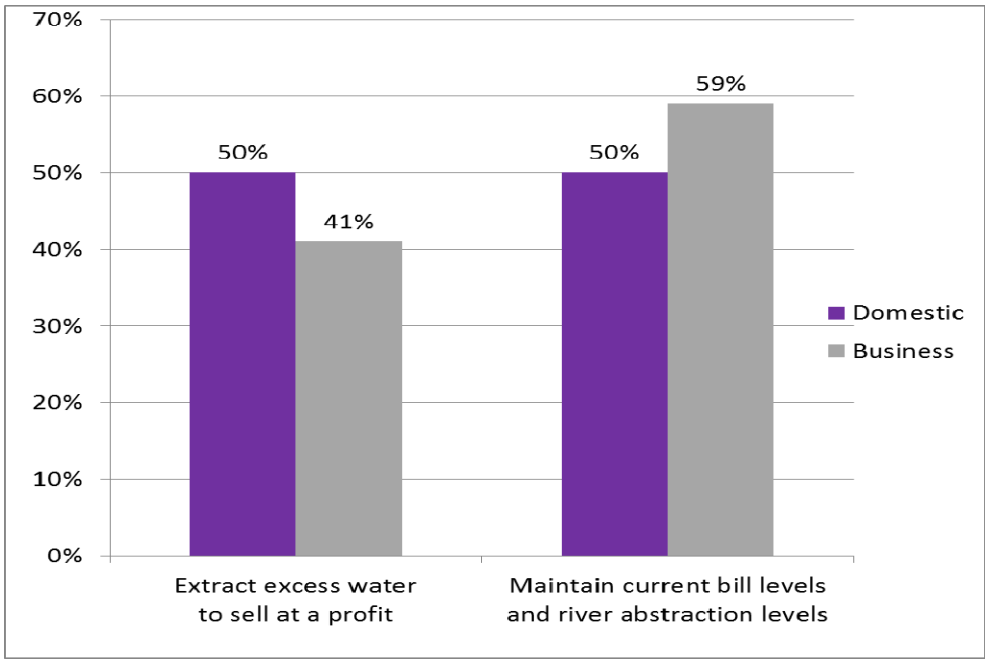


Figure 5.3 Customer Preference on Water Abstraction and Bill Levels

5.4 Investment in Technology

Three in every five business customers (60%) want SSW to invest in technology on the assumption that it will lead to efficiencies in the long run. Conversely, almost the same proportion of domestic customers would prefer the current service level and price.

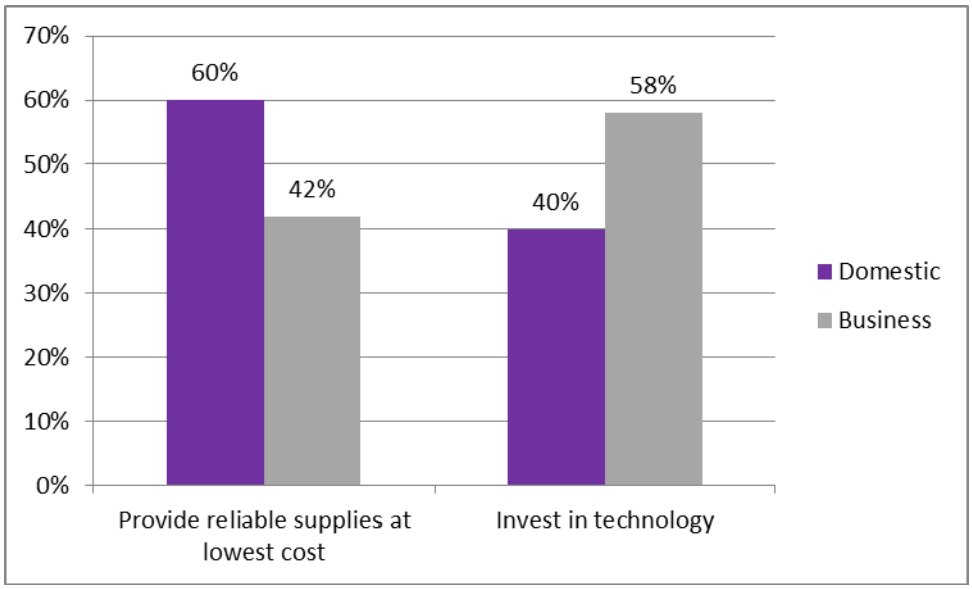


Figure 5.4 Customer Preference on Investment in Technology

5.5 Balancing Supply and Demand

Currently, detected leaks are repaired up to a 'tipping point' at which it starts to cost more to repair leaks to stop waste, than it does to treat and put more water into the pipes. Around one in four customers (domestic and business) support a policy of going beyond this economic tipping point.

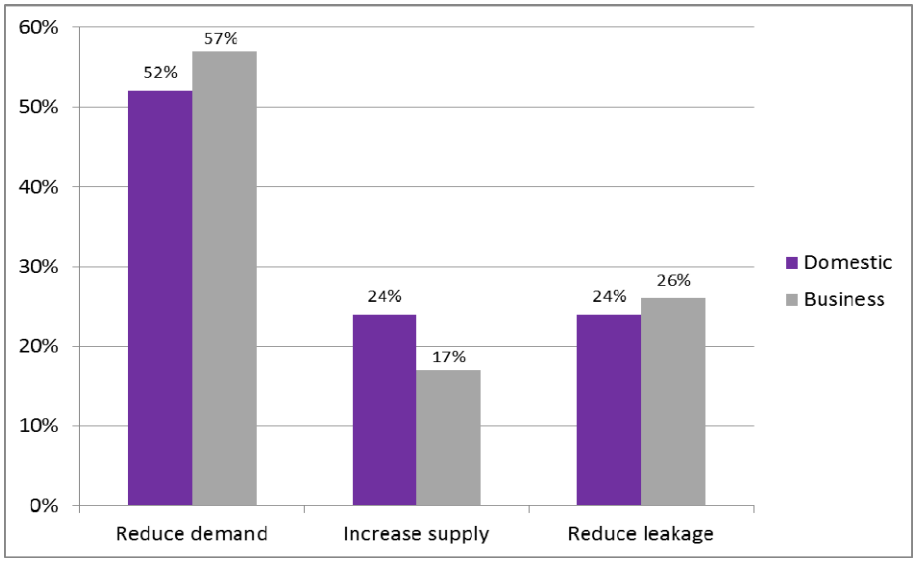


Figure 5.5 Customer Preference on Balancing Supply and Demand

A small majority of customers (53% of domestic customers and 57% of business customers) would prefer to see a policy of increased metering over a 10-year period as a means of reducing demand in the longer-term. However, around one in four domestic customers (24%) and one in six business customers (17%) would prefer SSW to abstract more water from local water sources.

5.6 Qualitative Insights from Business Customers on Longer-Term Strategy

Insights into the different perspectives of business customers when considering long-term priorities are given below.

"Always [increase bills] slowly. Because I must admit that one of the problems we do have with water… when it goes up annually, we don't necessarily see that until after the event and it's very difficult to budget so it would help if it was introduced in a more structured way"[NHS]

"I think they need to plan their budgets in the way that schools plan their budgets. We have limited resources, we work within them and prioritise accordingly and they need to do the same. So I wouldn't expect technical things necessarily to affect my bills, I would expect them to cut their cloth accordingly" [School]

"It's always important to invest in technology…as long as it is the right technology" [Hotel]

"*moving water around the country is something I think we need to look at anyway…" [School]*

6 Conclusions

6.1 Customer Attitudes to Existing Service Provision

Evidence suggests that customers are not knowledgeable about the different facets of water supply, and many are either unaware of, or over-estimate, their annual water bill level. Without further information on services, customers' perceptions are based primarily on whether there is water when they turn on the tap. Despite, or perhaps because of, this relative ignorance, the majority of customers (domestic and business) are content with SSW's current service provision, with three in every four being fairly or very satisfied.

When more fully informed of the different aspects of service and wider environmental consequences, almost half of domestic customers, and around one-third of business customers, changed their mind regarding their level of satisfaction with services. Overall, the provision of factual information about existing services led to a small drop in satisfaction levels, which nevertheless remained high - with three-quarters of domestic customers, and two-thirds of business customers being fairly or very satisfied. Only one in fourteen customers are dissatisfied with the existing service provision and price.

6.2 Customer Willingness to Pay for Service Improvements

When uninformed, customers appear content with existing service quality and over-estimate their current bill level. At a superficial level, therefore, there is little appetite for bill increases and service improvements.

When fully informed, very few customers identified unsatisfactory aspects of service; and the majority of domestic and business customers were content with existing services, preferring the status quo over paying more for service improvements or accepting bill savings and quality reductions.

The service areas where there was most support for an improvement (and bill increase) amongst domestic customers were: softening the water; reducing leakage; abstracting less from rivers; and reducing the risk of environmental pollution. However, fewer than one in ten support such improvements, if they have to be paid for by customers, or incur quality reductions in other service areas. There was some willingness amongst domestic customers to accept a reduced level of service regarding consumption levels. Around one in six customers were willing to endure more frequent hose-pipe bans in order to secure an improvement elsewhere and one in ten would tolerate less emphasis on water efficiency measures amongst customers.

Similarly, most business customers also preferred the current offering rather than one or more improvements (at a cost), or one or more deteriorations of quality (at a saving). Improvements in leakage and water hardness were the main priorities amongst a minority of business customers, as was the case amongst a minority of domestic customers. Other improvements preferred by a minority of business customers were reducing the risk of long and short interruptions in supply. The business community is most supportive, however, of a more tailored service – with two in every five business customers wanting a more dedicated service with a single point-of-contact (or account manager), consolidated accounting, water efficiency audits and on-site leakage detection. Many are willing to pay for such services.

If there were to be some service improvements, and associated bill increases, the majority of customers would prefer to have them introduced gradually rather than from immediate effect. Gradual bill increases are easier for budgeting purposes, and are particularly favoured by businesses.

6.3 Customer Preferences for the Longer Term

Overall, customer views are mixed when it comes to providing more strategic steer, such as whether SSW should focus efforts on reducing consumption (e.g. reduce leakage, increase metering and/or water efficiency measures), keeping bills down at every opportunity or accepting reduced service levels (e.g. accepting an increased risk/frequency of a hosepipe ban).

Similarly, there were fairly equal levels of support, and opposition, for water-trading, greater emphasis on technology, and increased metering; and more limited support for tackling leakage beyond the sustainable economic level (S_{ELL}).

Appendix A – Results by Question

Results by Question

1.1 Unprompted Views

Overall, how satisfied or dissatisfied are you with the water service provided by South Staffordshire Water?

	Domestic	Business
Very satisfied	51%	25%
Fairly satisfied	33%	47%
Neither satisfied nor dissatisfied	11%	21%
Fairly dissatisfied	4%	4%
Very dissatisfied	1%	3%

Have you any idea how much your bill is?

	Domestic	Business
Yes	62%	75%
No	38%	25%

How satisfied or dissatisfied are you with each of the following aspects of water service? [Domestic]

	Very satisfied	Fairly satisfied	Neither satisfied nor dissatisfied	Fairly dissatisfied	Very dissatisfied
Appearance of drinking water	48%	33%	11%	5%	3%
Smell of drinking water	42%	39%	13%	4%	2%
Taste of drinking water	36%	42%	10%	8%	4%
Water pressure	34%	43%	13%	8%	2%
Account management	31%	48%	17%	3%	1%
Value for money of water service	22%	46%	21%	8%	3%
Hardness of tap water	18%	38%	21%	15%	8%
Information on company's activities	17%	36%	39%	6%	2%
How quickly leaks are located and repaired	17%	30%	43%	5%	5%

How satisfied or dissatisfied are you with each of the following aspects of water service? [Business]

	Very satisfied	Fairly satisfied	Neither satisfied nor dissatisfied	Fairly dissatisfied	Very dissatisfied
Water pressure	29%	44%	22%	1%	4%
Account management	23%	31%	37%	5%	4%
Value for money of water service	19%	32%	38%	7%	4%
How quickly leaks are located and repaired	18%	43%	28%	6%	5%
Taste/appearance/smell of drinking water	18%	16%	53%	8%	5%
Information on company's activities	17%	19%	55%	6%	3%
Hardness of tap water	13%	31%	41%	11%	4%

Is there anything South Staffordshire Water could do to improve their service to you?

	Domestic	Business
Lower bills	66%	63%
Reduce hardness of water	30%	32%
Reduce leakage levels	27%	35%
Improve taste	16%	23%
Dig up the road less frequently	15%	20%
Nothing particular	15%	14%
Improve water pressure	15%	13%
Improve appearance of water	7%	11%
Other	4%	5%
Answer phones more quickly	4%	9%

Have you contacted South Staffordshire Water over the past 12 months?

	Domestic	Business
Yes	27%	31%
No	73%	69%

What was the main reason for your contact?

	Domestic	Business
Setting up a payment arrangement	21%	9%
Payment of the bill	17%	9%
Report 'no water'/leak/burst pipe	15%	15%
Change of address/name/details	15%	3%
Other	12%	9%
Disputing/querying bill or meter reading	6%	31%
Advise meter reading	5%	9%
Low pressure/high pressure	2%	6%
Stop Tap	2%	6%
Complaint regarding water quality	1%	3%
Cover on meter broken/open	1%	0%
Discolouration	1%	0%
High meter consumption	1%	0%
Noise in pipes	1%	0%

Were you satisfied, or dissatisfied, with the handling of your contact?

	Domestic	Business
Contacted and satisfied	23%	20%
Contacted but dissatisfied	4%	12%
No Contact	73%	68%

1.2 Prompted Views

Now that you know more about the current service level provided by South Staffordshire Water, how satisfied or dissatisfied are you with the service?

	Domestic	Business
Very satisfied	27%	16%
Fairly satisfied	50%	48%
Neither satisfied nor dissatisfied	16%	29%
Fairly dissatisfied	5%	5%
Very dissatisfied	2%	2%
Change of Mind	**46%**	**32%**

Which particular aspects of service do you consider to be unsatisfactory?

	Domestic	Business
Current level of appearance, taste and/or smell of tap water	3%	3%
Current level of average annual bill	3%	2%
Current level of hardness of tap water	3%	1%
Current level of leakage	2%	3%
Current level of water efficiency measures	1%	3%
Current level of customer awareness relating to quality failures (such as lead pipes)	1%	3%
Current level of long interruptions in supply (lasting 1-2 days)	1%	3%
Current level of shared supply pipes	1%	3%
Current level of disruptions to roads	1%	2%
Current level of short interruptions in supply (caused by unexpected pipe-bursts, etc.)	1%	2%
Current level of discounts for those with difficulty paying their bill	1%	1%
Current level of energy usage	1%	1%
Current level of handling of customer enquiries	1%	1%
Current level of risk of a hose-pipe ban	1%	1%
Current level of risk of environmental pollution	1%	1%
Current level of water taken from rivers	1%	1%
Current level of large-scale interruption to water supply with homes being flooded	1%	0%

Please select up to three IMPROVEMENTS that you would most like to see introduced

	Domestic	Business
Improved level of leakage	39%	40%
Improved level of hardness of tap water	32%	17%
Improved level of disruptions to roads	26%	28%
Improved level of discounts for those with difficulty paying their bill	18%	6%
Improved level of risk of environmental pollution	17%	18%
Improved level of water efficiency measures	16%	24%
Improved level of appearance, taste and/or smell of tap water	16%	17%
Improved level of energy usage	15%	11%
Improved level of risk of a hose-pipe ban	10%	16%
Improved level of water taken from rivers	10%	14%
Improved level of short interruptions in supply (caused by unexpected pipe-bursts, etc.)	9%	19%
Improved level of long interruptions in supply (lasting 1-2 days)	8%	15%
Improved level of handling of customer enquiries	8%	12%
Improved level of customer awareness relating to quality failures (such as lead pipes)	8%	5%
Improved level of shared supply pipes	5%	3%
Improved level of large-scale interruption to water supply with homes being flooded	4%	7%

Are there any reductions in quality that you would be willing to accept in order to secure your preferred improvements?

	Domestic	Business
Yes	29%	29%
No	71%	71%

Please select up to three REDUCTIONS in quality that you would be willing to accept in order to secure your preferred improvements [%age of the 29% who said 'Yes']

	Domestic	Business
Reduced level of risk of a hose-pipe ban	16%	9%
Reduced level of short interruptions in supply (caused by unexpected pipe-bursts, etc.)	8%	11%
Reduced level of water efficiency measures	8%	3%
Reduced level of disruptions to roads	7%	7%
Reduced level of handling of customer enquiries	3%	7%
Reduced level of hardness of tap water	3%	5%
Reduced level of energy usage	2%	7%
Reduced level of risk of environmental pollution	2%	2%
Reduced level of water taken from rivers	1%	5%
Reduced level of appearance, taste and/or smell of tap water	1%	3%
Reduced level of long interruptions in supply (lasting 1-2 days)	1%	3%
Reduced level of large-scale interruption to water supply with homes being flooded	1%	0%
Reduced level of leakage	N/A	N/A
Reduced level of discounts for those with difficulty paying their bill	N/A	N/A
Reduced level of customer awareness relating to quality failures (such as lead pipes)	N/A	N/A
Reduced level of shared supply pipes	N/A	N/A

1.3 Willingness to Pay

Overall, do you think you prefer the current service offering, or prefer to have one or more improvements (at a cost) or one or more deteriorations of quality (at a saving)?

	Domestic	Business
Maintain current service	66%	61%
I would like to see improvements (at a cost) or deteriorations of quality (at a saving)	34%	39%

What is your most preferred combination of service? (Domestic)

Service Aspect	Reduction	Amount off Water Bill	Willing to Accept Reduction and Reduced Bill	Current Level	Prefer Current Level with no Bill Change	Improvement	Increase in Water Bill	Willing to Pay for Improvement
Hardness of tap water	More customers need to use softeners to reduce the build-up of lime-scale	-£1	2%	As Now	89%	Fewer customers need to use softeners to reduce the build-up of lime-scale	+£1	9%
Leakage				As Now	92%	100 litres per day lost through leaks (20 litres less than now)	+£5	8%
Amount of water taken from rivers	Fish and wildlife at 5 sites suffer	-£1	1%	As Now	93%	Fish and wildlife at 1 site suffer	+£1	6%
Environmental pollution	1 in 10 years risk of a significant incident	-£1	1%	As Now	93%	1 in 40 years risk of a significant incident	+£1	6%
Aesthetic quality (i.e. appearance, taste, smell)	4,000 customer complaints a year	-£1	2%	As Now	93%	2,000 customer complaints a year	+£1	5%
Disruptions to roads	400 roads disrupted	-£1	3%	As Now	92%	300 roads disrupted	+£1	5%
Customer enquiries	By letter and telephone (office hours) only	-£1	5%	As Now	91%	By email and text as well as telephone (24-hour)	+£1	4%
Energy usage	Equivalent to boiling water for 25,000 mugs of tea	-£1	3%	As Now	93%	Equivalent to boiling water for 10,000 mugs of tea	+£1	4%
Long interruptions in supply	1 in 20 years	-£1	4%	As now	92%	1 in every 60 years	+£1	4%
Water-efficiency measures amongst customers	Information to encourage water efficiency but withdraw offer of free items	-£1	11%	As Now	86%	Information to encourage water efficiency and free items	+£1	4%
Discounts for those who have difficulty affording the water they use				As Now	97%	A subsidy to help 5,000 customers	+£1	3%
Short interruptions in	1 in 10 years	-£2	6%	As Now	91%	1 in 40 years	+£2	3%

Service Aspect	Reduction	Amount off Water Bill	Willing to Accept Reduction and Reduced Bill	Current Level	Prefer Current Level with no Bill Change	Improvement	Increase in Water Bill	Willing to Pay for Improvement
supply								
Water quality issues in customers' homes				As now	97%	Provide information to install correct fittings/pipework and removal of Mains deposits	+£1	3%
Large-scale interruption to water supply	1 in 10 years	-£1	2%	As now	96%	1 in 40 years	+£1	2%
Risk of a summer hose-pipe ban	1 in 20 years risk of a hose-pipe ban	-£3	15%	As now	83%	1 in 60 years risk of a hose-pipe ban	+£3	2%
Shared supply pipes				As now	98%	1 in 5 homes share their supply pipe	+£1	2%

What is your most preferred combination of service? [Business]

Service Aspect	Reduction	Amount off Water Bill	Willing to Accept Reduction and Reduced Bill	Current Level	Prefer Current Level with no Bill Change	Improvement	Increase in Water Bill	Willing to Pay for Improvement
Leakage				As Now	89%	100 litres per day lost through leaks (20 litres less than now)	**+£5**	11%
Hardness of tap water	More customers need to use softeners to reduce the build-up of lime-scale	**-£1**	6%	As now	86%	Fewer customers need to use softeners to reduce the build-up of lime-scale	**+£1**	8%
Long interruptions in supply	1 in 20 years	**-£1**	4%	As Now	89%	1 in 60 years	**+£1**	7%
Environmental pollution	1 in 10 years risk of a significant incident	**-£1**	2%	As Now	92%	1 in 40 years risk of a significant incident	**+£1**	6%
Short interruptions in supply	1 in 10 years	**-£2**	4%	As Now	90%	1 in 40 years	**+£2**	6%
Water-efficiency measures amongst customers	Information to encourage water efficiency but withdraw offer of free items	**-£1**	5%	As Now	89%	Information to encourage water efficiency and free items	**+£1**	6%
Amount of water taken from rivers	Fish and wildlife at 5 sites suffer	**-£1**	2%	As Now	93%	Fish and wildlife at 1 site suffer	**+£1**	5%
Disruptions to roads	400 roads disrupted	**-£1**	7%	As now	88%	300 roads disrupted	**+£1**	5%
Aesthetic quality (i.e. appearance, taste, smell)	4,000 customer complaints a year	**-£1**	3%	As now	93%	2,000 customer complaints a year	**+£1**	4%
Shared supply pipes				As Now	97%	1 in 5 homes share their supply pipe	**+£1**	3%
Energy usage	Equivalent to boiling water for 25,000 mugs of tea	**-£1**	3%	As Now	94%	Equivalent to boiling water for 1,000 mugs of tea	**+£1**	3%
Water quality issues in customers' properties				As now	98%	Provide information to install correct	**+£1**	2%

Service Aspect	Reduction	Amount off Water Bill	Willing to Accept Reduction and Reduced Bill	Current Level	Prefer Current Level with no Bill Change	Improvement	Increase in Water Bill	Willing to Pay for Improvement
						fittings/pipework & removal of Mains deposits		
Discounts for those who have difficulty affording the water they use			1%	As now	97%	A subsidy to help 5,000 hard-up customers	**+£1**	2%
Large-scale interruption to water supply	1 in 10 years	**-£1**	2%	As Now	96%	1 in 40 years	**+£1**	2%
Customer enquiries	By letter and telephone (office hours) only	**-£1**	4%	As Now	94%	By email and text as well as telephone (24-hour)	**+£1**	2%
Risk of a summer hose-pipe ban	1 in 20 years risk of a hose-pipe ban	**-£3**	7%	As Now	92%	1 in 60 years risk of a hose-pipe ban	**+£3**	1%

[Business Customer Survey only] Out of the following potential improvements not mentioned in the Showcard, please tick the ones that you would like South Staffordshire Water to introduce?

	Business
Dedicated point of contact	41%
Water efficiency audits	41%
Leakage detection on site (e.g. continuous data logging)	37%
Billing/consolidated accounts	18%
Account manager	16%
None of the above	14%
Regular meetings	6%
Other	3%

Imagine South Staffordshire Water was to introduce a number of improvements (which could include your top three preferences). In principle, when would you like the improvements and any bill subsequent increases to be introduced?

		Domestic	Business
OPTION 1	The improvements and full bill increase to happen straight away	28%	16%
OPTION 2	The improvements to happen in 5 years' time, with gradual bill increases in each of the 5 years - to pay a bit less by delaying the improvements and avoid a large increase in any year	72%	84%

South Staffordshire Water wants to find the right balance between ensuring there is enough water to go around for all their customers and minimising the consequences of taking water from the environment. Which of the three approaches do you think South Staffordshire Water should pursue?

		Domestic	Business
OPTION 1	Choose options which provide reliable supplies at lowest cost to customers	35%	29%
OPTION 2	Prioritise options which reduce demand for water from customers– with less demand for water, a reduction in the amount of water taken from the environment exists. Demand can be reduced by fitting more water meters, for example whenever properties change hands, reducing leakage, and increasing water efficiency	39%	50%
OPTION 3	Change the service offered to customers by, for example, accepting that hosepipe bans may happen more often but with the benefit of lower bills	26%	21%

South Staffordshire Water also wants to find the right balance between keeping customer bills down and minimising the consequences on the environment. Which of the two options do you think South Staffordshire Water should pursue?

		Domestic	Business
OPTION 1	Take more water from local waterways than is needed to supply South Staffordshire Water customers (within Environment Agency accepted limits), and sell it to other areas of the country where shortages exist. As customers in other areas would be paying money to South Staffordshire Water, your bill would be reduced.	50%	41%
OPTION 2	Maintain current bill levels and river abstraction levels	50%	59%

In the medium term, South Staffordshire Water could invest in improved technology to enable better monitoring of the network (including leakage detection and targeting of mains repair) which would reduce the risk of a large-scale interruption in supply; and enable them to respond sooner to customer enquiries, as they would have simple information about the network.

However, investment in technology has a cost and, typically, improvements last only 7-10 years before upgrades are required. Which of the two options do you think South Staffordshire Water should pursue?

		Domestic	Business
OPTION 1	Choose options which provide reliable supplies at lowest cost to customers	60%	42%
OPTION 2	Invest in technology to improve management and monitoring of water resources. This will increase the cost of bills to customers in the short-term but is expected to keep costs down (through earlier detection of otherwise significant problems) in the longer term	40%	58%

Currently, detected leaks are repaired up to a 'tipping point' at which it starts to cost more to repair leaks to stop waste, than it does to treat and put more water into the pipes. In the longer term, climate change is expected to intensify the challenge of supplying water to customers. In order to meet this challenge, which option would you prefer to see South Staffordshire Water adopt in the long term?

		Domestic	Business
OPTION 1	Increase metering over a 10-year period so that more water bills reflect the amount used (as well as being billed for what a household uses, water consumption is understood to drop by 10%)	52%	57%
OPTION 2	Take more water from local waterways each year (to the limit of what the environment agency will consider acceptable)	24%	17%
OPTION 3	Tackle leakage beyond the 'tipping point' at which it currently costs more to repair leaks to stop waste, than it does to treat and put more water into the pipes, so that less water is lost through waste but bills as a consequence will increase significantly	24%	26%

Appendix B – Sample Profile

Sample Profile

1.1 Unweighted Business Respondents

In what capacity are you completing this questionnaire?

Option	Business %
Company representative primarily involved in operational activities	37%
Company representative primarily involved in company finance	33%
Managing agent	8%
Other	22%

How would you classify the nature of its business?

Option	Business %
Other	42%
Health and social work	12%
Wholesale and retail trade	11%
Manufacturing (others including chemicals and textiles)	9%
Education	7%
Construction	6%
Transport, storage and communications	4%
Manufacturing (food and drink products)	4%
Agriculture, hunting and forestry	2%
Hotels and restaurants	2%
Mining and quarrying	1%

Approximately, what percentage does your water bill make up of your total operating costs?

Option	Business %
Less than 1%	41%
1-2%	19%
3-5%	13%
5+%	2%
Don't know	25%

1.2 Unweighted Domestic Respondents

Do any of these activities apply to your household?

	Domestic %
Undertake water-efficient activities (e.g. turn tap on & off when cleaning teeth; use water from washing-up bowl or water-butt on the garden)	67%
Have any water-efficient appliances (e.g. dual flush; spray/push taps; brick in cistern; water butt)	39%
Drink bottled water in or around the home instead of tap water	27%
Use a filter	20%
Have a water softener installed	3%

Does anyone in your household have a medical condition which means they need to use extra water?

Yes	7%	No	93%

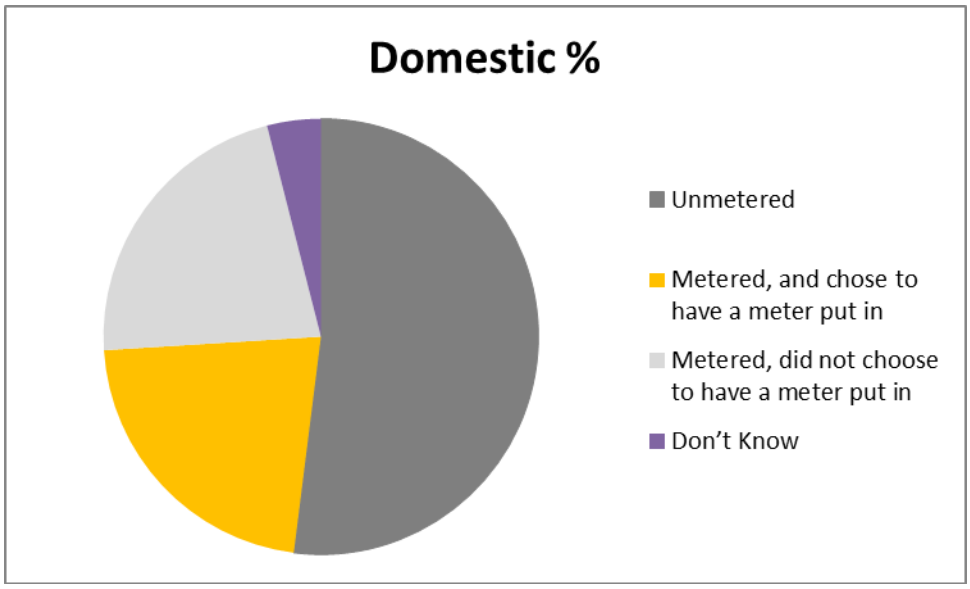
Which of these best describes the type of property you live in?

Detached house	28%	Terraced house	18%
Semi-detached house	37%	Flat	17%

When was it built?

Built before 1937	20%	Built after 1937	80%

Is the water supply to your home metered or unmetered?



	Domestic %
Unmetered	52%
Metered, and chose to have a meter put in	22%
Metered, did not choose to have a meter put in	22%
Don't Know	4%

Is your home owned or rented?

	Domestic %
Owned / buying on a mortgage	73%
Rented from the Local Authority or a Housing Association	17%
Rented from a private landlord	10%

Do you think your property shares a part of its supply pipe (that runs from the Mains to your home) with a neighbour's supply pipe?

	Domestic %
Yes	32%
No	33%
Don't know	35%

Which age group are you in...?

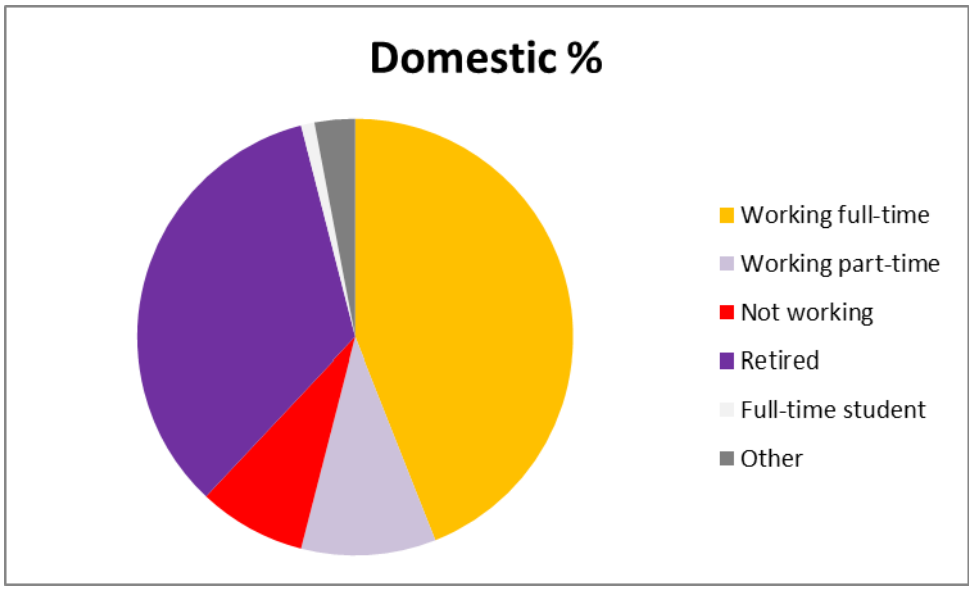
	Domestic %
16 – 34	19%
35 – 44	17%
45 – 54	18%
55 – 64	17%
65+	29%

Interviewer: Please Code Gender

	Domestic %
Male	57%
Female	43%

Are you...?

	Domestic %
Working full-time	44%
Working part-time	10%
Not working	8%
Retired	34%
Full-time student	1%
Other	3%



Which of these best describes the occupation of the Chief Wage Earner in your household (or ex-occupation, if retired)?

Professional/Senior Managerial	30%	Unskilled Manual (no qualifications/not served an apprenticeship)	9%
Middle Managerial	16%	Full-time student	1%
Junior Managerial/Clerical/Supervisory	13%	Unemployed/between jobs	5%
Skilled Manual (with professional qualifications/ served an apprenticeship)	21%	Housewife/Househusband	5%

To which of these ethnic groups do you consider you belong?

White – British	89%	Asian/Asian British – Bangladeshi	0%
White – Irish	1%	Asian/Asian British – Pakistani	1%
White – Other	4%	Asian/Asian British – Other	0%
Mixed – White & Black Caribbean	1%	Black/Black British – Caribbean	1%
Mixed – White & Black African	0%	Black/Black British – African	0%
Mixed – White & Asian	0%	Black/Black British – Other	0%
Mixed – Other	1%	Chinese	0%
Asian/Asian British - Indian	3%	Other	1%

MVA Consultancy provides advice on transport, to central, regional and local government, agencies, developers, operators and financiers.
A diverse group of results-oriented people, we are part of a strong team of professionals worldwide. Through client business planning, customer research and strategy development we create solutions that work for real people in the real world.

For more information visit www.mvaconsultancy.com

Abu Dhabi
AS Business Centre, Suite 201, Al Ain Road, Umm al Nar, P.O. Box 129865, Abu Dhabi, UAE
T: +971 2 510 2402 F: +971 2 510 2403

Birmingham
Second Floor, 37a Waterloo Street
Birmingham B2 5TJ United Kingdom
T: +44 (0)121 233 7680 F: +44 (0)121 233 7681

Dublin
First Floor, 12/13 Exchange Place
Custom House Docks, IFSC, Dublin 1, Ireland
T: +353 (0)1 542 6000 F: +353 (0)1 542 6001

Edinburgh
Second Floor, Prospect House, 5 Thistle Street,
Edinburgh EH2 1DF United Kingdom
T: +44 (0)131 220 6966 F: +44 (0)131 220 6087

Glasgow
Seventh Floor, 78 St Vincent Street
Glasgow G2 5UB United Kingdom
T: +44 (0)141 225 4400 F: +44 (0)141 225 4401

London
Seventh Floor, 15 Old Bailey
London EC4M 7EF United Kingdom
T: +44 (0)20 529 6500 F: +44 (0)20 7529 6556

Lyon
11, rue de la République, 69001 Lyon, France
T: +33 (0)4 72 10 29 29 F: +33 (0)4 72 10 29 28

Manchester
25th Floor, City Tower, Piccadilly Plaza
Manchester M1 4BT United Kingdom
T: +44 (0)161 236 0282 F: +44 (0)161 236 0095

Marseille
76, rue de la République, 13002 Marseille, France
T: +33 (0)4 91 37 35 15 F: +33 (0)4 91 91 90 14

Paris
12-14, rue Jules César, 75012 Paris, France
T: +33 (0)1 53 17 36 00 F: +33 (0)1 53 17 36 01

Woking
Dukes Court, Duke Street, Woking
Surrey GU21 5BH United Kingdom
T: +44 (0)1483 728051 F: +44 (0)1483 755207

Email: info@mvaconsultancy.com

Offices also in
Bangkok, Beijing, Hong Kong, Shenzhen and Singapore

mvaconsultancy