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## Cathryn Ross: Unlocking the value in customer data - customer data report launch

20 June 2017

### Introduction

Thank you John. Good morning everyone.

In just a moment I will introduce the key themes of our report, but before that I'd to start by imagining the average day of a customer and consider the different ways data impacts on their daily routine.

Our customer listens to **Spotify on their Smartphone on their way to work**, which has curated a playlist especially for them based on previous listens. To get to their first meeting they use the **Citymapper app to check transport options**, schedules and disruptions.

Stuck in traffic they take 5 minutes to check their bank balance and **do some banking on the go**. On the way back to the office they **pre-order a coffee using their Starbucks mobile order and pay app**, which stores the details of their daily brew, so they can pick up the coffee to save waiting in a queue.

Through the day they **check their steps on a FitBit**. This feeds back into research into the health of British Citizens - it updates their social media feed, which feeds out to thousands of analysts who use it hundreds of thousands of insights.

On their way home from work, the customer uses the **Hive app on their phone to turn the heating on for when they get in**. As they put some washing on they realise they're almost out of washing powder and use their **Amazon Dash button to order more**. Within 24 hours, a package will arrive at the front door.

Watching **Netflix on their Smart TV** later in the evening they **hear a song on a programme and Shazam it** to find out what it is... so they can **listen to it on Spotify** the next morning during their run.

All of these **services are underpinned by customer data**. That data is enabling new products and services that are transforming our lives. Making customers' lives

that bit easier. But also enabling companies to gather valuable intelligence that can be used not only to develop new products and services to meet customers' needs into the future, but also to manage their networks and resources more efficiently to keep costs down and improve resilience. use customer data in order to make the lives of customers easier.

The internet, smart phones and other smart technologies, apps, artificial intelligence, robotics... **we are living in a digital world**. Digitisation has already transformed our economy and society. And I suspect we haven't seen the half of it yet...

There are clearly massive opportunities here for the water sector.

### **Unlocking the value in customer data: our report**

This brings me to our report; *Unlocking the value in customer data*.

First of all, we did not produce this in a vacuum. This report has been produced following a lot of engagement with the sector and I want to **thank everyone who has worked with us on this**.

This report is intended to encourage companies to **push the boundaries in what they can achieve for customers using customer data**. This is why we have called the report Unlocking the Value in Customer Data.

The report also sets out our **expectations for the sector on good data management**.

And it highlights in particular the scope to make **better use of customer data to provide support to customers in vulnerable circumstances**. Some of you will know, we have been banging the drum about this issue for a while now. Last year when we published our **Vulnerability Focus Report**, we said we wanted companies to make better use of data when developing their approach to customer vulnerability and we are returning to that theme here.

And in our Customer Data report also **links into the work we have been doing on Water2020**. You may remember that in our recent Water 2020 **Customer Engagement policy statement**, we highlighted a range of customer data sources available to companies. And we are explicitly encouraging companies when they develop their outcomes for the next control period to **use all of those rich sources of information to harness insight about customer priorities** and build that into their plans. And we are also expecting companies to use the insights they get to **enable efficiencies and improvements in resilience**. Perhaps through influencing

customer behaviour. Perhaps by just having a better understanding of the pressures on their networks and resources.

And when I said earlier on that the opportunities here for the water sector are massive, I meant it. The water sector is sitting on an almost universal property data set because it supplies services into almost every household and business property in the country, services that are used by literally every person in the country and go to the heart of how people live. The potential in that data to improve lives, to drive innovation, enable efficiencies and improve resilience, is huge.

Of course, that potential comes with great responsibility. The data we are talking about is customers data. They have a right to expect it to be used with care. And we know that companies are mindful of the obligations on them for example under Data Protection regulations, and it is important they are. But those regulations - the need to use customers' data wisely - are not a blocker. To quote Liz Denham, the UK Information Commissioner, this is not a matter of "privacy or innovation, its privacy *and* innovation."

And in fact I think that using customers data to provide innovative services that will really help make their lives easier is essential. Because if customers are going to share this data with companies, if they are going to be happy for companies to use it, they are going to want to see the benefit.

I just want to highlight just two of the key areas of benefit we see for customers in unlocking the potential in their data.

## Innovation

First, innovation.

The examples I gave at the start of my speech show how other sectors are obtaining and using insight and intelligence from customer data. Just look at the differences data is making in customers' lives in other sectors.

It is fair to say that the water sector is not at the cutting edge in the use of digital technology and customer data. But on the upside, there are huge opportunities for the sector to not only catch up, but to use the extent of that amazing data set that is potentially available to it to go further and show real leadership. Stepping away from seeing customer data purely as a billing tool and really using it to provide innovative products and services. And to innovate too in the use of networks and resources - I know some companies are doing just that.

Beyond this, there is a future where cutting edge ideas like blockchain, edge analytics or machine learning could be implemented in a water sector.

The opportunities are big and inspirational here. Let's think how could big data and data analytics be used to give customers tips on how to save water based on their actual usage. We'll be hearing from our speakers on these issues later.

And of course innovation doesn't just have to be technology. We see scope for companies to use data to improve customer service. Currently there are only three water companies offering a smartphone app for customers to manage their account. We hope to see that change.

We also feel that companies could do more to harness social media to improve the customer experience. In January, the Institute of Customer Service published its yearly UK Customer Satisfaction Index - companies social media presence is a really important part of this. The top three companies in terms of customer satisfaction this year are Amazon, ASOS and John Lewis. There were no water companies in the top 50.

And part of that innovation may be in terms of ways of working too. The expertise you need to make generate value from customer data may well not lie within water companies themselves. At least not as they exist today. I have spoken before about the huge potential in open data, and I know some companies are already embracing big data and indeed the hackathon! And I'm quite sure that as you think about the opportunities here you will be developing new forms of partnership with new partners, bringing complementary skills and experience.

We know some companies are already working with credit reference agencies and organisations like Citizens Advice of example to use data to better tailor support for customers in vulnerable circumstances.

And Later this morning we'll be hearing from Patrice, from Advizzo who have developed software for water customers which takes data from multiple sources -like meters, smart technology and social media - and analyses it, layered it with customer data. And brings in data and best practice from other sectors too.

## **Customer empowerment**

Second, customer empowerment.

We know that the water sector is in a unique position in the sense that customers sit in the centre of the value chain. Not only do they drive the demand for water, they are an integral part of what goes *into* waste water systems too.

We recently published a report that we commissioned from Corporate Culture called Tapped In, which called for the power of customers in the water sector to be better harnessed. And in particular for customers to stop being seen as passive recipients of services but active participants in the value chain.

Customer data can really help to achieve this. It can help identify those customers who are more likely to want to become active participants - after all, it isn't for everyone. And it can help companies tailor their engagement with those customers. And deliver some benefits back to them for their input. The most obvious potential here is in water efficiency. But there are other areas ripe for this thinking too - like leak detection, and catchment management.

## Good data management

That brings me to my last point which is about the importance of good data management and what this means in practice.

For all I want to focus on the upside and the opportunity in customer data, getting the basics right in terms of looking after customers data and using it wisely is a necessary condition for any of this upside to be achieved.

We've identified four issues which will enable companies to make the most of their data. And to be clear these are the minimum we expect well-performing companies to put in place.

1. First of all, to be smarter in the way they use data companies will need to understand and have **knowledge** of the data they hold.
2. Accuracy and **high quality data** is essential. In April when we opened the Business Retail Market, allowing business customers to choose their water provider, companies had to do a lot of work to get their data sets up to a certain quality. More work than we expected. This was very concerning to us and a sign that companies may have neglected their data sets for too long.

Next year, new General Data Protection Regulations will be implemented in the UK and there are huge implications for water companies. Not only will they give customers more control over their data, they will raise the bar on things like consent as well as allowing us as regulator to penalise those companies who are not in compliance.

3. We only need to look at the recent worldwide cyberattack to understand the importance of **good data security**. More than ever customers are willing

allow their data to be used and shared, but they remain cautious about **security**.

We see that these steps towards better data management is a journey for water companies. Good quality, well understood and secure data builds a strong foundation from which to build a data strategy.

4. And finally, **data strategy**. We were concerned that, during our engagement for this report, not many water companies were considering a **data strategy**. Companies need to put these fundamental steps in place. We want them to be ambitious in the way they use data to benefit customers and ensure that their vision is embedded throughout their organisations.

## Conclusion

I have probably said enough for now. I hope I have left you with a real sense of the opportunities we see to unlock value from customer data. The immense potential there in terms of better service, more resilience, innovation and efficiency.

There is a reason the Economist said recently that the world's most valuable resource was no longer oil, but data.

I would love to see the water sector leap from its position as - frankly a bit of a laggard here- to a real leader on this. I realise it is early days, but the potential really is there to do that. Taking advantage not only of the incredible data that companies could have, but also that public service ethos that runs through the sector and the sector's ambition to make the world a better place.