

Response to Ofwat PR19 Methodology Consultation

August 2017

Overview

The Institute of Customer Service welcomes the PR19 methodology's clear emphasis that trust in water is intrinsically linked to delivering customer-focused services.

Great customer service is one of the four key themes of PR19 and explicitly recognises that water customers should receive the same standard of service as they do from other sectors. Ofwat's emphasis on customer engagement, understanding the needs/desires of customers and benchmarking, we believe, will drive higher standards throughout the sector.

Furthermore, the PR19's recognition that these processes must be incentivised through payment-by-results and underpinned by tangible investment in resilience, innovation and technology, we believe, is important to achieving Ofwat's vision for the sector.

The Institute is clear; however, that robust customer service standards and processes already exist and should be built upon rather than duplicated. In particular, we believe that while there is a case for bespoke measuring systems there is no requirement to create new standards, when they are already clearly established by The Institute's ServiceMark.

Customer Measure of Experience (C-MeX)

The Institute recognises that there is a requirement for the SIM replacement to be bespoke for the industry. This would allow Ofwat to maintain control over the C-MeX, specifically design it for the sector, and develop company-specific sample sizes that are too large for the broader UK Customer Satisfaction Index (UKCSI).

However, we believe that whichever C-MeX methodology it is desirable for Ofwat to continue to benchmark the results against both the average score of the top quartile organisations, across all sectors, in the (UKCSI) and the relative performance of water companies and top quartile UKCSI organisations on the range of customer experience metrics in the UKCSI.

The PR19 methodology consultation is clear that water customers at present do not enjoy the same levels of service as they do with other sectors and that the ability to comparatively assess performance and learn from best practice in higher performing sectors and organisations is a key objective.

The UKCSI, now almost a decade old, provides a unique insight into the quality of customer service in the UK as a whole and 13 sectors of the economy. It is based on a six-monthly online survey of consumers which is demographically representative of the UK population. The July 2017 UKCSI results are based on 43,500 survey responses provided by over 10,000 individual customers and offers a robustness and breadth that will provide a genuine benchmark of where this sector stands against others.

The Institute is willing to provide advice and input to Ofwat on the design and structure of its survey but initial comments on the three options are as follows:

- Our preferred model for C-MeX is Option 1 – 50% based on an online customer service satisfaction survey of customers who have contacted their companies and 50% accounted for by a telephone survey of customers who have not contacted their company. This offers the optimum blend of insight reflecting the experiences of customers who have / have not interacted with a water company.
- In order to create a robust and sustainable survey and metrics we believe it is important for Ofwat to clarify what is meant by a customer “contact”. For instance, the UKCSI asks customers to rate an organisation on a recent experience which could include interacting via an organisation’s website; would this be counted by Ofwat as contact?
- It will also be important to clarify what is meant by a complaint. It is possible that customers’ definition of a complaint can differ from the industry’s so it is worth considering ways that the survey is able to record and measure complaints as defined by the customers themselves.
- The Institute does not believe that a Net Promoter Score (NPS) supplied from companies’ own measure should form part of Ofwat’s preferred approach. If an NPS measure is to be used, it would be better to be gathered as part of Ofwat’s survey rather than through data supplied by companies to ensure independence.

External Customer Service Standards

While The Institute recognises the case for bespoke surveys in the sector it does not believe there is a justification for developing any new set of customer service standards. Rather, these national standards already exist – as exhibited in the form of ServiceMark - and the regulator should instead request that all regulated companies commit to obtaining accreditation.

ServiceMark is awarded based on customer satisfaction feedback, assessment of employee engagement with an organisation’s customer service strategy and independent assessment over a number of site visits to verify organisations are meeting required national standards. Undergoing ServiceMark accreditation is an opportunity for organisations to demonstrate how good their customer service really is, identify areas for improvement and develop action plans for service improvement.

The linking of financial incentives to customer service excellence is welcomed, and will provide its own driver to companies renewing their efforts in this area. The methodology consultation references the fact that “few water companies have achieved external standards for customer service” but it is no surprise to The Institute that Anglia Water, Scottish Water and Wessex Water, all of whom have been awarded the ServiceMark, are amongst the highest scoring organisations in the sector.

We believe that a clear signal from the regulator that water companies are expected to make efforts to achieve ServiceMark accreditation will complement the dynamic associated with the methodology’s financial incentives and improve the service that customers receive across the sector.

About The Institute of Customer Service

The Institute of Customer Service is the professional body for customer service delivering tangible benefits to organisations and individuals so that our customers can improve their customers’ experience and their own business performance.

The Institute is an independent not for profit membership body with a community over 500 organisational members, over 17% from the FTSE 350 and over 4,000 individual memberships – from the private, public and third sectors.

The Institute provides members with a range of products and services to help organisations improve their business performance and the experience they give their customers:

- Benchmarking
- Accreditation
- Professional Qualifications
- Research and Insight
- Training
- Networking Events

The Institute holds an Annual Conference and organises the UK Customer Satisfaction Awards. The Institute also acts as secretariat to the All Party Parliamentary Group on Customer Service.

For more information about The Institute of Customer Service go to:

www.instituteofcustomerservice.com

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