

Response to Ofwat’s consultation on ‘Putting water customers first – a consultation on introducing a customer-focused condition into the licenses of all water companies in England and Wales’

July 2023

The Institute of Customer Service welcomes the opportunity to respond to Ofwat’s consultation on ‘Putting water customers first’.

The ongoing energy and cost of living crises make the work of utilities regulators, including Ofwat, all the more important. Ensuring the UK retains a resilient supply of gas, electricity, and particularly water, is vital to the ongoing operation and wellbeing of the UK. Water is essential for peoples’ daily lives and livelihoods, at a time when costs are rising and discussion has centred on the UK’s utilities, given the geopolitical events which have pushed up gas prices, the responsiveness, understanding and effectiveness of a utility company’s customer service team has never been more critical. Ensuring water companies understand their customers, are responsive to customers’ needs, depending on the need of the customer each time, and maintain appropriate dialogues using the right channels with their customers is of paramount importance.

Trust is also a key element between organisations and their customers. Data from the most recent UK Customer Satisfaction Index (UKCSI), published twice a year by the Institute, shows that a third of customers continue to say they would be willing to pay more to guarantee excellent service. But even customers most affected by price rises want the best product their finances will allow from an organisation they trust. Despite customers not being able to move water suppliers, a focus on building trust in these uncertain economic times must still remain front and centre of water company’s business plans.

For consumers to trust businesses and be satisfied with the services or products being offered, those businesses must ensure they are focusing on the way in which they serve those consumers and on customer experience with a ‘right first time’ approach - and the water sector is no different. To fully understand what positive customer experience and satisfaction is, which in turn builds customer trust, businesses and organisations must measure and benchmark, invest in training and development and continually professionalise their customer service staff. Crucially this needs to be accompanied by an organisational culture – driven from the top - that enables, supports and encourages high levels of customer service standards and service excellence.

1) Do you have any comments on the outcomes or examples?

The Institute agrees that water companies should keep customers well informed on both planned and unplanned events, accurate billing and communications, customer queries and when their company is out and about in the community. Proactive communication from a company to its customers about the items which the company knows their customers will want to know is of particular importance. However, what is also important is the manner, tone and channel choice for these communications. Companies should understand that some customers will want to receive these communications in different formats based on their preferences – water companies should ensure they can accommodate these different needs and preferences.

Things can go wrong and it is important that customers trust their company will put things right. However, a ‘right first time’ attitude, overall customer experience and long-term thinking to prevent or mitigate potential disruption to service and issues should also accompany the reactive position detailed as well. The Institute is clear that a focus on long term objectives is key to ensuring water companies are consistently delivering the best service to customers.

The focus on service at an organisation must be consistently reflected not only by front-line customer service staff, but by all employees, particularly senior managers and leaders. However, such cultural changes and an enhanced understanding of customer service can be difficult to manage, track and continually improve on. The Institute's ServiceMark accreditation provides a framework to develop organisational culture and behaviours that enable and support high levels of customer service standards.

ServiceMark accreditation is based on a combination of customer feedback, employee feedback and an independent assessment. ServiceMark gives evidence of an organisation's commitment to and achievement in customer service. As such, we would strongly encourage that ServiceMark accreditation be undertaken by water companies. Not only does this demonstrate commitment to high levels of customer service and a culture that supports that to customers, but also provides the practical advice need to improve customer service standards and track progress whilst doing so.

On identifying and understanding the full diversity of customer needs and ensuring services are accessible to customers that is of course important. However, there is also a need to ensure that water companies are also taking account of how their customers contact them, about what, and most importantly, through what channels. Our research in the utilities sectors shows that customers use a range of channels to interact with organisations including in through company's websites, over the phone and via email.

Our UKCSI utilities sector report data notes the main channels for interacting with organisations are website (31.7% of recorded customer experiences), phone (25.8%) and email (18.7%). Average satisfaction for experiences conducted on an organisation's website, over the phone or via email has dropped year on year (July 23 vs July 22).

Additionally, 23% of customers experienced a problem with an organisation in the utilities sectors, 6.6 percentage points more than the UK all-sector average.

The number of customer experiences that were rated as right first time dropped by 1.5 percentage points to 72.5% and is 7.2 percentage points below the UK all-sector average.

Satisfaction with Water companies has fallen by 3.5 points in July 2023, compared to July 2022, to 72.6. This is 4 points below the all sector average, but 4.7 points higher than the energy sector. Average satisfaction of water companies' customers with price/cost fell by 0.3 points to 6.9 (out of 10).

The range of channels used by customers means that organisations need to understand and take account of customers' channel preferences for different types of contact and ensure there is a consistent quality of customer experience across channels. Customers should not receive lower quality customer service standards should they choose one channel of contact over another. Organisations should also give customers clear information about how to make contact through different channels.

2) Do you have any suggested changes to the proposed wording of the principles to meet our specified outcomes for households?

The Institute position on the move from more prescriptive and detailed principles to guidance is that a focus on a culture that promotes service excellent will be key. As detailed above, a focus on a culture – properly measured and evaluated - that delivers excellent service to customers regardless of their background, age, vulnerabilities or gender requires a focus on long term objectives, consistently reflected right through the business, particularly senior managers and leaders.

This culture should be tracked, managed and continually improved on where possible as well. The Institute's ServiceMark accreditation is designed to do exactly that, and provides a framework to develop organisational culture and behaviours that enable and support high levels of customer service standards. The Institute would

urge water companies to undertake ServiceMark accreditation to not only demonstrate commitment to high levels of customer service and a culture that supports and encourages high levels of customer service standards, but also to allow some organisations to improve their customer service standards to the point where they remove the criticisms from customers as far as possible, which, in turn, will build trust.

As such, the Institute would suggest that a principle is included that focusses on building trust with customers. Our recent research [‘Building the Service Nation: Changing Perceptions about the Profession of Customer Service’](#) notes that,

“Customer service is a business asset. An organisation’s customer service is a source of value that can help retain purpose and focus in an extraordinarily challenging environment. Where organisations consistently earn higher levels of customer satisfaction than peers in their sector, they achieve better financial results, improve productivity by reducing costs associated with problems, complaints and rework and earn higher levels of trust and reputation – key sources of long-term value.”

Further, our [January 2023 UKCSI report](#) notes that “80% of customers who asked a company for help to manage the cost of living said that, as a result of their contact, their trust in that company had increased... Similarly, 75% of people who have been contacted by a company offering help or advice affirmed that their level of trust in that organisation has risen.”

Given the backdrop of ongoing energy and cost of living crises, the trust between customers and their water company, from which they cannot move away, is of paramount importance given the essential nature of water to daily life. As such, the Institute would urge a principle is added that encourages water companies to build trust with their customers and which puts in place the ability of Ofwat to monitor the trust levels of customers for their water companies, simultaneously benchmarking this against other utility and regulated sectors. The Institute would be happy to discuss how Ofwat could utilise the UKCSI and other Institute measurements and research in order for water companies to fulfil this new principle.

3) Do you agree with our proposed approach to exclude non-households from the condition relating to customers struggling to pay or in debt, consistent with corresponding non-households served by a retailer?

This is not our area of expertise.

4) Do you agree with our proposed approach that the remainder of the licence condition apply to non-household customers without a retailer?

This is not our area of expertise.

5) Should any areas of customer service be prioritised in our development of the guidance? If so, which areas?

The overall customer experience, a focus on a ‘right first time’ approach over a reactive complaints-based approach and ensuring all water companies foster, maintain and strive for a culture of providing service excellence that permeates the entire company, from the board room to the front line, should be prioritised in the development of future guidance. This will, in turn, allow companies to build up all-important trust with customers and will ensure that outcomes and principles Ofwat wishes to focus on are able to be achieved.

Our UK Customer Satisfaction Index – which already forms part of Ofwat’s measurement, and for which water company sample sizes are about to be increased – provides a breakdown of 26 different service experiences factors split out across our Five Dimensions of Customer Satisfaction:

- Experience – the quality of customers’ experiences with organisations.
- Complaint handling – how organisations respond and deal with problems and complaints.
- Customer ethos – the extent to which customers perceive that organisations genuinely care about customers and build the experience around their customers’ needs.

- Emotional connection – the extent to which the organisation engenders feelings of trust and reassurance.
- Ethics – reputation, openness and transparency and the extent to which an organisation is deemed to “do the right thing”.

We believe that it will become increasingly important to get insight and measure customers’ expectations about the broader business practice of water companies, not just transactional customer experiences. This will also act as an important indicator of organisational culture.

6) Which matters / company activities will benefit from having more detailed guidance, and which less?

The Institute agrees with Table 4 in the consultation document, ‘What customers told us through our research – preference areas for detailed guidance’. Ensuring there is detailed guidance for water companies across the communications channels water companies should be using with customers, learning lessons from past experiences and demonstrating improvements in customer service and dealing sensitively with vulnerable customers is of paramount importance.

However, on communication channels and the use of appropriate channels for appropriate customers, it should be strongly noted that not all customers will want just one form of communication channel used by their water company to contact them.

The Institute has conducted breakthrough research on technology and customer service. Entitled [‘A Connected World? Ensuring the right blend of people and technology for customer service’](#), our research notes the following key takeaways:

- 73% of customers see themselves as confident users of technology. But 15% lack confidence.
- 41% of customers have used at least 6 different apps in past 6 months to buy something or access services. 65% of respondents feel that banking apps offer the best level of customer support.
- There is a wide diversity in customers’ preferred channels for contacting organisations, depending on the situation or type of contact.
- The main reasons for contacting an organisation by phone are the need for reassurance, and for certainty about an issue that could not be resolved online or via an app.
- Artificial intelligence-enabled chatbots are more likely than experiences in other channels to cause annoyance.
- Customers welcome practical applications of technology to improve service but views are polarised about use of artificial intelligence and data in the context of highly personal or sensitive experiences.
- When organisations launch new technologies, the most important factors they should consider from a customer service context are the option to speak to a person, the availability of customer support and the needs of vulnerable customers.

As such, water companies should ensure that they are mapping customer preferences for each type of situation rather than a ‘one channel fits all’ approach per customer. Further, such an approach will clearly bring forward the need to staff several customer service channels. Water companies should build into their recruitment and business plans the need to ensure that adequate staffing levels for each channels during their opening hours are provided to ensure the best customer service possible. As our breakthrough research notes, “Managing customer contacts through digital and voice channels is fundamental to organisations’ deployment of technology because it has a direct impact on customer satisfaction and the expansion of inbound contact channels requires organisations to decide how they resource and prioritise different channels.”

On dealing with vulnerable customers and those in vulnerable circumstances, the Institute would urge Ofwat to consider all types of vulnerability of customer, not just prescribing certain types of vulnerabilities or

situations. Digital exclusion should be considered when considering customer vulnerabilities. On vulnerable customers, our breakthrough research also notes:

- Four main factors contribute to the risk of digital exclusion: a physical or mental disability that makes it difficult to contact organisations through digital channels; lack of skills or confidence in using technology; lack of financial resources; and a relatively small number of customers live in areas with gaps in mobile or broadband coverage.
- Our research suggests that people who are unemployed or who do not use a computer or smartphone at work are more likely than average to be at risk of digital exclusion.
- At least 23% of us help others to use digital technologies in dealing with organisations and 32% have done so in the past. The main reasons why some customers need help to deal with organisations online is because they don't understand the process/interaction or are unable to use digital technology.
- Customers believe that the most important ways organisations can reduce the risk of digital exclusion is by enabling people to speak to an employee when it is needed, and by sharing best practice.

This exemplifies the need for water companies business plans to include a wide range of channels for customer contact into the future, not just a reliance on those that are most efficient or innovative for the organisation – a focus on vulnerable customers who could be excluded, particularly in an uncertain and worrying economic climate for many, is of paramount importance.

7) Do you agree with our proposal to include reference to CCW as a consultee within guidance?

Yes, the Institute would agree with this.

8) How can we gather further insight on company performance in this area?

As the creator of the UK Customer Satisfaction Index (UKCSI), the Institute encourages Ofwat and water companies to make effective use of the UKCSI to ensure consistent and independent monitoring of customer service performance across a range of relevant measures.

We are set to increase the sample size of water company customers surveyed as part of the UKCSI, as part of a wider expansion of the UKCSI sample size. The UKCSI enables a benchmark of water company's customer service and satisfaction levels with other utilities companies and regulated sector companies without the need for Ofwat, or water companies to draw together or compile their own reports and surveys on customer service and satisfaction from customers' standpoints.

Ofwat should set a minimum level of customer satisfaction across a range of consistent KPIs for water companies that all should be aspiring to reach, or indeed go beyond. There should also be measures put in place for those companies that fall below such minimum KPIs.

Such KPIs should include a minimum level of customer satisfaction, but should also reach across to ensuring an adequate level of investment is made by water companies on a consistent basis to prevent any issues, complaints or problems in customer service experience from re-occurring.

We believe that it is also important that Ofwat sets out the customer service standards water companies should aspire to achieve. For example, customer satisfaction in the water sector is currently below the UK all-sector average. We believe that water companies should aim to achieve at least the UK all-sector average level of customer satisfaction.

Ofwat should also consider utilising the UK Regulators Network (UKRN) scorecards. The Institute would be more than willing to be included as Ofwat works up monitoring and reporting mechanisms for water company's customer service and satisfaction levels given the Institute's insight and authority in this area via the UKCSI.

9) What are your views on annual reporting requirements to monitor compliance against the licence condition?

As above, the Institute would recommend that customer service and satisfaction levels of water companies are gathered via the UKCSI twice a year, rather than on an annual, basis.

10) What are your views on our proposed timescales for implementation?

Should Ofwat agree with the Institute in building in aforementioned items in this consultation response to ensure the holistic customer experience, customer trust and a 'right first time' approach with a culture that encourages service excellence that permeates an entire water company is able to be built into the proposed changes to the guidance and conditions in licenses then yes, the Institute would agree with the proposed timescales for implementation.

11) What are your views on consequent changes to other conditions in licences and are there any other changes we should make?

The Institute agrees with the proposed consequent changes to Conditions G & J. However, when consulting on deleting Condition J, the Institute would urge that reporting of customer satisfaction and service levels is conducted holistically and that benchmarking outside of sector is also conducted to ensure that water companies understand where their customer service levels and satisfaction sit against other regulated sector and utility companies. The Institute would be more than willing to support Ofwat in such benchmarking through the UKCSI. Further, monitoring and reporting for water companies should also include the UK Regulators Network (UKRN) and the UKRN's scorecards should also be prioritised. Again, the Institute would be more than willing to be included as Ofwat works up monitoring and reporting mechanisms for water company's customer service and satisfaction levels given the Institute's insight and authority in this area via the UKCSI.

About The Institute of Customer Service

The Institute of Customer Service is the professional body for customer service. The Institute's agenda is to assist the UK economy, consumers and workforce by helping organisations to improve their customer experience for the benefit of both organisations and their customers. Our membership includes around 400 organisations, including around 100 members across regulated sectors, including finance, electricity, gas, water and social housing.

At the Institute, we raise the profile of the impact of customer service on business performance, including with, and on behalf of our energy and water sector members. The Institute also administers accreditation schemes (ServiceMark) and produces the bi-annual UK Customer Satisfaction Index (UKCSI) – the independent, objective benchmark of customer satisfaction on a consistent set of measures on over 270 organisations and organisation types in 13 sectors.

For further information about the Institute, please visit: <https://www.instituteofcustomerservice.com/>.

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