

## **Response to Ofwat consultation: Service for all – Ofwat's draft vulnerability guidance for water companies supporting customers who need extra help**

October 2023

The Institute of Customer Service welcomes the opportunity to respond to Ofwat's consultation on its draft vulnerability guidance for water companies.

The Institute is keen to reiterate the position that we outlined in our previous consultation response to Ofwat on its consultation on 'Putting Water Customers First': the ongoing energy and cost of living crises make the work of utilities regulators, including Ofwat, even 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 people's daily livelihoods. At a time when costs are rising and discussion has centred on the UK's utilities – and given the geopolitical events which have pushed up gas prices – the responsiveness, understanding and effectiveness of a utility company's customer service has never been more critical. Ensuring water companies understand their customers' needs, while maintaining appropriate dialogues using the right channels with their customers, is of paramount importance.

On vulnerable customers, we would urge Ofwat to understand that some vulnerable customers will be easier to identify than others. Indeed, some customers who are vulnerable may not even know that they are. Further, others who are vulnerable may not wish to be classed as such. There are also those who may be vulnerable due to exclusion, particularly through digital exclusion – either due to circumstance or due to customers' proactive avoidance of digital methods of communication.

In essence, discretion, respect and understanding from water companies and staff of how to handle those customers who companies class as vulnerable is key. How to reach out respectfully to those customers who may be vulnerable is also key. Such qualities required from customer service staff will need to be driven from the board and leadership of organisations, and through company culture as well.

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. The accreditation is based on a combination of customer feedback, employee feedback, and an independent assessment. It gives evidence of an organisation's commitment to and achievement in customer service.

As such, we would maintain that ServiceMark accreditation be undertaken by water companies, in order 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 reduce negative customer feedback as far as possible. This, in turn, will build trust between water companies and their vulnerable customers, as well as helping to drive down excluded customers too.

It should be noted that in the Institute's July 2023 [UK Customer Satisfaction Index \(UKCSI\)](#), every sector had a lower customer satisfaction score than a year ago. However, the biggest downturn in customer satisfaction scores emanated from the transport sector and the utilities sector. In the July 2023 UKCSI, average satisfaction with Utilities organisations is down by 4.6 points (out of 100) compared to July 2022. Further, average satisfaction with water companies has declined by 3.5 points to 72.6.

In the July 2023 UKCSI report, our Chief Executive, Jo Causon notes:

*“More than half of the 275 organisations that appear in the UKCSI have received a lower customer satisfaction rating than they did a year ago. The adverse impact of a poor customer experience appears to have got worse, with customers more likely to experience a negative reaction when they report a problem and wait longer for their problem to be resolved. The consequences of organisations failing to understand and respond to a customer’s personal situation are especially apparent for people who are experiencing low levels of financial well-being.”*

Water companies will provide service to customers who are vulnerable *and* in the bracket of experiencing low levels of financial well-being. Therefore, the work of water companies to engage with, and provide excellent customer service to, vulnerable customers is vital.

**1. Do you agree that we should retain the vulnerability definition we set out in our 2016 Vulnerability Focus report?**

Yes, the Institute agrees with the definition as set out in the 2016 Vulnerability Focus report.

However, we would also urge Ofwat to define, and introduce a definition around, exclusion and excluded customers. This will ensure that excluded customers are also dealt with in the same way, and with an equal focus, as vulnerable customers. Oftentimes, these sets of customers will overlap.

**2. Do you agree with our approach to nomenclature, particularly our use of the term 'extra help'?**

Yes, the Institute agrees with the approach to nomenclature.

However, as with the previous question, we would suggest another term around exclusion and excluded customers is added to the nomenclature.

**3. Do you agree with our proposed approach to applying the guidance to new appointees and the Welsh non-household sector?**

Yes, the Institute agrees with the proposed approach to applying the guidance to new appointees and the Welsh non-household sector.

**4. What impact do you think our draft guidance will have on the experiences of customers who need extra help?**

The Institute expects that any positive impacts the draft guidance has on the experiences of customers who need extra help will be borne out in the monitoring function Ofwat proposes. Positive increases in customer satisfaction should be witnessed by Ofwat via the monitoring function proposed.

However, to help monitor the customer satisfaction of vulnerable customers being provided a service by water companies, we would urge Ofwat to continue working with the Institute to make the most use of the UKCSI. In Ofwat’s latest consultation on PR24, concerning the measures of experience performance commitments, we noted, that “The Institute has worked with Ofwat to understand the requirements for benchmarking to support C-MeX. As a result, from the January 2024 UKCSI, we will increase the number of customer responses so that by July 2024 the UKCSI will include 4,000 customer responses for the water sector. *We are confident that this approach will provide reliable and wide coverage of water companies and further demonstrate the UKCSI as an independent and authoritative cross-sector benchmark of customer satisfaction. We have indicated to Ofwat that we are happy to participate in a meeting with water companies to share and explain the methodology and address any specific concerns.*”

The UKCSI will provide additional data that will help to assess the experiences of vulnerable or potentially vulnerable customers. However, we acknowledge that the UKCSI, or indeed other online surveys, will not necessarily capture the full range of vulnerable customers. It will therefore be important that water companies

explore innovative ways of assessing the satisfaction and experiences of vulnerable customers. One example would be working with charities or community organisations to develop a comprehensive understanding of the issues and challenges faced by vulnerable customers.

#### **5. Are there further lessons from other regulated sectors that could be incorporated into our draft guidance?**

The Institute's research, and its engagement with member organisations, has suggested several issues relating to how organisations manage the needs of vulnerable customers, which Ofwat and water companies may wish to consider:

- Vulnerability may appear suddenly, so it is important that employees are trained to spot signs and are aware of any support for vulnerable customers that is provided by their organisation.
- Organisations should make sure that employees have sufficient time to deal appropriately with customers and that this is reflected in performance management and resourcing.
- Where necessary, organisations should engage with external organisations such as specialist charities, to access training or inform and validate their approach.
- As Ofwat's guidance has indicated, collaboration between organisations in different sectors is beneficial to share relevant information about customers, where this is appropriate, and to share best practice.
- Organisations should publish support and advice available to vulnerable customers across all available external channels.
- Organisations should develop specialist expertise in managing the needs of vulnerable customers. This will improve the ability to make appropriate modifications to an organisation's products and services, or signpost customers to a range of free and paid-for services available from specialist suppliers.
- Organisations should look at innovative ways to enable communication between the organisation, a customer and a nominated third party or carer – for example using voice, online, and video technologies

#### **6. Do you agree with our proposed approach to enforcing our customer-focused licence condition by reference to our draft guidance?**

Yes, the Institute agrees with this.

#### **7. Do you agree that our draft objectives cover the broad areas of vulnerability support activities that companies should be considering?**

Yes, the Institute agrees that the draft objectives cover the broad areas of vulnerability support activities that companies should be considering.

However, we would urge Ofwat to include an objective that focuses on consistent monitoring and benchmarking to ensure that water companies are hitting an agreed standard, staying above that standard, and/or addressing instances when they may fall below that standard.

Again, as we mentioned in the recent PR24 consultation, *“The highest performing organisations for customer service typically recognise the importance of benchmarking and learning from their own and other sectors. In addition, customers will compare their experiences with water companies and those with a wider range of brands, organisations, and service interactions. Given there is no option for consumers to switch supplier in the water sector, it is imperative that measurement of water companies considers the wider context.”*

## 8. Do you agree with the proposed list of minimum expectations we have set out?

Yes, we agree with the proposed list of minimum expectations set out.

However, we would urge Ofwat to ensure that all water companies focus on the culture of getting service 'right first time'. Also, rather than seeking to bolster and train staff to react when vulnerable customers need extra help, companies should look to proactively engage with customers to understand their needs as best they can and proactively act to make customers' lives easier.

The other item we would note is the use of communication channels in reaching customers who are vulnerable. It should be strongly noted that not all customers will want just one form of communication channel used by their social housing provider to contact them.

The Institute conducted breakthrough research on technology and customer service that is relevant to this. 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.
- **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 to cause annoyance than experiences in other channels.**
- 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. 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 adequate staffing levels for each channel during their opening hours to ensure the best customer service possible, particularly for vulnerable customers.

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, and indeed water companies, to consider exclusion as well as vulnerability as we have mentioned in previous responses. 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' engagement with customers 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, should also be of paramount importance.

**9. Do our draft minimum expectations offer a good balance between making clear the minimum standards we expect from companies, and challenging companies to innovate and find new ways to meet the needs of their customers?**

Yes, we believe setting a balance is appropriate between making clear minimum standards and challenging companies to innovate and find new ways to meet their customers' needs.

**10. Do you agree with the proposed approach and timeline around companies' vulnerability strategies?**

Yes, we agree with the proposed approach and timeline here.

However, as we have mentioned before, we would urge a focus on exclusion and driving this down as well as helping those who are vulnerable. There will be occasions when these types of customers overlap.

**11. Do you agree with our proposed approach and timelines for setting out our detailed expectations around the design of priority services registers in a separate standards document?**

We support the approach outlined. In addition, it is important to take into account the potential impact of service failures or gaps in communication with respect to vulnerable customers. Ofwat and water companies must give visibility to evidence about the customer experience of vulnerable customers, and take action to improve it, in advance of the standards document being agreed.

**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 3,000 individuals and over 400 organisations, including well over 100 members across regulated sectors, including finance, electricity, gas, water, and social housing.

We provide tools and services to support continuous customer service improvement and a framework for our members to share and learn from each other. We are independent – setting standards so that our customers can improve their customers' experiences and their business performance. The Institute is the secretariat for the All Party Parliamentary Group on Customer Service.

At the Institute, we raise the profile of the impact of customer service on business performance, including with, and on behalf of our energy 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 covering over 250 organisations and organisation types across 13 sectors.

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

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