



Piloting approaches to capturing customer experience in the water sector for PR24; Literature Review

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1 EXECUTIVE SUMMARY

1.1 Introduction

Ofwat commissioned Accent to test approaches to delivering customer satisfaction surveys for the C-MeX (Customer Experience and Customer Service components (CES and CSS)), D-MeX (qualitative/survey component only), and Business Customer Experience in Wales surveys (BCIWS), in advance of their continuation into the PR24 period.

The initial stage of the research comprised of a desk review of methodologies, conducted from a macro perspective, offering a bird's eye view of the suite of relevant methodologies potentially available for deployment by Ofwat.

Subsequent phases of the pilot programme involved reviewing the existing outputs of the various surveys (CES & CSS, D-MeX, Business Customer Experience in Wales), and testing (via physical pilots) alternative (and/or enhanced) versions of them.

This report covers the initial desk review of methodologies. Reports covering the physical pilots of the survey methodologies are published separately.

1.2 Review of methodologies

The desk review initially covers a range of high-level topics, observing for example;

- differences between research design appropriate for engaging domestic participants vs. non-household participants (for example the potential need for more nuanced survey design for non-household participants)
- Cognitive load and the mitigation thereof (primarily survey design)
- The challenges and opportunities associated with the move to digital surveying from the historic interview assisted mechanisms of CATI and CAPI (loss of interviewer support, questions over interview quality, set against good value for money and the speed with which results can be obtained)
- Sample design questions

The second section of the review covers strengths, limitations, the application in other regulated industries, of a suite of specific survey and sampling methodologies. This was set broadly within the context of the three relevant measures (starting with the methodologies currently in use on the live measures and moving on to potential alternatives).

The final stage of the review covered a number of final questions relevant to the implementation of the surveying; specifically, the use of incentives to encourage interview participation, response differences between interview assisted and online self-completion methodologies (and the concept of an "online correction factor" of the type currently in use on C-MeX CSS), the use of various response scales (e.g. 0-10 (currently used in C-MeX and D-MeX), and 1-5 (currently in use on BCIWS), and the Check and Challenge process (the process whereby water companies

use audio recordings of interviews as a basis for challenging the accuracy of the survey agency's data collection, with a view to correcting inaccurate scores).

1.3 Conclusions

Essentially, all current methodologies in use on C-MeX, D-MeX, and Business Customer Experience in Wales; (Computer Assisted Telephone Interviewing (CATI), Computer Assisted Personal Interviewing (CAPI), and email surveys) were shown to be of continued relevance and application in the measures of interest (although each were shown to have varying strengths and weaknesses).

In addition, a range of other methodologies (including postal surveys (both "push-to-web" and full postal), commercial online access panels, SMS surveys (push-to-online and full SMS), and digital intercept surveys) were explored in the same way. Full postal, full SMS, digital intercept, and commercial online access panels were essentially assessed as having too many critical limitations for them to be usable in the context of the three measures. Push-to-web (either postal or SMS) showed sufficient promise to enter into consideration for deployment.

The key benefit of using financial incentives (improved response rates) was noted, whilst some potentially negative impacts (primarily the financial cost, but also questions over whether the views of the financially motivated participants are truly representative of the entire sample frame) were observed.

The review did identify differences in scoring behaviour between participants surveyed online, as opposed to interview assisted methods such as online, have been observed in the past. Potential reasons for this (including social desirability bias, where participants tend to answer in a manner that would be viewed favourably by others) were identified. However, the phenomenon is not universal, and insufficient data exists to definitively answer the key question of what multiplication factor might be applied to either method to make it equivalent to the other.

Some literature was referenced, which considered the impact of using different scoring scales. The 0-10 scoring scale was found to offer more nuance than 1-5, whilst avoiding at least some of the central tendency bias (the tendency for scores to be grouped around the mid-point) associated with the 1-5 scale. It was observed that a 0-10 scale can increase the complexity of analysis, and also that moving from one scale to the other (as is potentially the case for BCIWS) does introduce issues with comparability with past surveys.

Very little was established in relation to the Check and Challenge process, primarily because it appears to be unique – no studies appear to exist covering the subject, and no comparable schemes in operation in other industries were found.

2 INTRODUCTION

2.1 Background

Ofwat is the economic regulator of the water and wastewater sectors in England and Wales. Ofwat work with a broad range of stakeholders including the UK Government, the Welsh Government, water companies, consumer organisations and other regulators.

At PR19 Ofwat introduced the Customer Measure of Experience (C-MeX) and the Developer Measure of Experience (D-MeX) with the aim of improving the customer service experience of residential customers, and developer services customers (including house builders, self-lay providers and new appointees).

At PR19 Ofwat also introduced corresponding bespoke performance commitments for Dŵr Cymru and Hafren Dyfrdwy, focused on the experience of business customers in Wales, the vast majority of which cannot choose their retail services provider (the Business Customer in Wales measure).

The purpose of these measures is to incentivise water companies to provide an excellent customer experience in England and Wales for residential, developer services and business customers respectively.

PR24 will retain C-MeX, D-MeX, and Business Customer Experience in Wales. Ofwat agreed to review these mechanisms before consulting on their proposals for the next price review period (from April 2025 to March 2030) in the PR24 draft determinations and publishing the final decision in the PR24 final determinations in December 2024.

As part of this review, Ofwat have engaged with stakeholders on the overall design of the mechanisms through a range of workshops and meetings, including water companies, customer groups and representatives of property developers and competitors in the new connections market.

Based on this engagement a number of key proposals have emerged which include broadening the operational incidents component in C-MeX, increasing the weight of the survey component in D-MeX and adding a contact component for business customer experience in Wales.

Following this, for PR24, Ofwat are reviewing surveying methods to:

- reflect significant changes in customer behaviour;
- ensure robust and reliable results;
- take account of stakeholder feedback and other research projects;
- future proof the approach up to 2030.

Ofwat commissioned Accent to conduct this research, the findings of which will inform the survey designs for the three measures of experience for the PR24 period.

2.2 Objectives

The overall research objectives were to:

- provide advice and make recommendations on the best approach to capturing customer views for PR24;
- pilot a range of methods for customer surveys that can be delivered in a robust and fair way, and which can be sustained through to 2030;
- test understanding of the questionnaires with the relevant customer base; and
- make recommendations for the delivery of the surveys for the next price review period, covering methodology, frequency, categorisation, different customer groups and other areas of interest.

2.3 Stages of the Research

The research was divided into sections, the first of which was a desk-based review of survey methods.

Subsequent phases of the research programme involved reviewing the existing outputs of the three surveys (CES, CSS, D-MeX, Business Customer Experience in Wales), and testing (via physical pilots) alternative (and/or enhanced) versions of them.

2.4 Scope of this Report

The scope of this report is the review of methodologies, including methodologies used by Ofwat and the water companies to survey customer satisfaction.

The desk review initially covers a range of high-level topics, observing for example;

- differences between research design appropriate for engaging domestic participants vs. non-household participants (for example the potential need for more nuanced survey design for non-household participants)
- Cognitive load and the mitigation thereof (primarily survey design)
- The challenges and opportunities associated with the move to digital surveying from the historic interview assisted mechanisms of CATI and CAPI (loss of interviewer support, questions over interview quality, set against good value for money and the speed with which results can be obtained)
- Sample design questions

The second section of the review covered strengths, limitations, the application in other regulated industries, of a suite of specific survey and sampling methodologies. This was set broadly within the context of the three relevant measures (starting with the methodologies currently in use on the live measures and moving on to potential alternatives).

Finally, the review turns to a number of specific questions of interest, informed by questions over the current methodologies employed. These are:

- The use of financial incentives to encourage interview participation
- Differences in the responses collected via online self-completion surveys vs. interviewer assisted means such as CATI and CAPI.
 - With a particular emphasis on whether an adjustment factor is an appropriate response
- The implications associated with the use of different response scales (particularly 0-10 vs. 1-5)
- The Check and Challenge Process

3 Review of Methodologies

3.1 Introduction

The water sector in England and Wales is at a critical juncture, and capturing and understanding customer experiences is crucial. The Customer Measure of Experience (C-MeX), Developer Measure of Experience (D-MeX), and the Business Customer Experience in Wales, stand as principal metrics deployed to assess and encourage improved customer service performance among water service providers. These measures serve as Ofwat's cornerstone incentives for elevating customer service standards.

The first part of this pilot project involved undertaking desk-based research on approaches to customer satisfaction surveying taken elsewhere, to inform the approach to the fieldwork components of the project.

Significance of the Desk Review

The desk review is instrumental in setting a solid foundation for subsequent research and experimentation. It examines existing literature, methodologies, and practices in customer experience measurement, mainly focusing on regulated industries similar to water services. The review aims to collate insights, challenges, and opportunities that will inform the design and implementation of surveying methods tailored to the unique requirements of the water sector.

The insights garnered from this desk review will inform the development of hypotheses, the design of fieldwork, and the testing of new methodologies in the subsequent phases of the pilot.

Scope and Approach

The desk review will cover a spectrum of topics pertinent to customer experience measurement:

- **Survey Methodologies:** Evaluation of current and emerging survey techniques, their applicability in the water sector, and their ability to capture nuanced customer feedback.
- **Digital and Non-Digital Interactions:** Consideration of the differences in customer experiences across digital and non-digital platforms and the implications for survey design.
- **Ethical and Regulatory Considerations:** Assessment of the regulatory requirements and ethical standards in research.

Methodological Approach

The desk review will employ a systematic and methodical approach, scrutinising various academic literature, industry reports, and case studies. The analysis will be rooted in both theoretical frameworks and practical insights, ensuring a comprehensive understanding of the challenges and best practices in customer experience measurement.

3.2 Customer Satisfaction Surveying Methods

The evolution of surveying methods over time reflects the changing landscape of customer interaction and feedback collection. Initially, customer satisfaction relied heavily on methods such as face-to-face or telephone interviews, or postal surveys. These methods offered detailed feedback but were often limited by their reach and the time required for data collection and analysis.

With the digital revolution, there was a significant shift towards online surveys. The opportunity for efficiency drove this shift, the ability to reach a broader customer base, and rapid feedback processing. Online platforms enabled water companies to gather and analyse customer feedback more quickly and on a larger scale than traditional methods allowed.

However, the transition to digital methods brought its own set of challenges. Concerns about the representativeness of online samples (particularly access panels), potential biases, and issues related to data privacy and security emerged. These concerns are particularly pertinent in regulated industries like water services, where social exclusion factors must be avoided as far as possible.

The following sections of this chapter will delve into various surveying methods, first by looking at methods currently used in the measures of C-MeX, D-MeX, and Business Customer Experience in Wales, and then by methods not currently used in these surveys. Each section will explore a specific method, detailing its strengths, limitations, and application in regulated settings. The focus will be on providing Ofwat with insights into how each method can be optimally utilised to measure customer satisfaction, ensuring that the collected feedback is representative and actionable.

3.3 Researching Household and Non-Household Customers

In the context of market research for regulated industries such as water services, distinguishing between household and non-household customers is critical. Household customers typically refer to individual consumers or families, whereas non-household customers encompass a range of entities, including businesses, public sector organisations, and not-for-profit organisations. For the water sector, Ofwat additionally distinguishes between developers and businesses and administers and analyses separate surveys .

Methodological Differences

Research methodologies for household customers often involve broad-based survey techniques, leveraging tools like Computer Assisted Telephone Interviewing (CATI), Computer Assisted Personal Interviewing (CAPI), and online approaches. These methods are designed to capture a broad spectrum of individual experiences and preferences. In contrast, research of non-household customers may require more targeted approaches, given the specific and varied nature of their water usage and service requirements. A study by Conrad et al. (2015) highlights the need for tailored survey designs and specialised sampling techniques to capture the nuanced needs of business entities.¹

¹ Conrad, D. A. (2015). The theory of value-based payment incentives and their application to health care. *Health Services Research*, 50, 2057-2089.

The complexity and diversity within the non-household sector may also necessitate a different analytical approach. Bolton et al. (2014) point out that data from non-household research often involves more complex statistical modelling to account for the varied scale and scope of services these entities use.² This contrasts with household customer data, which, while diverse, generally falls within a narrower scope of consumption patterns and service interactions.

Detailed Survey Design Approaches

- **Household Surveys:** Research methodologies for household customers typically involve generalised survey designs. According to De Vaus (2013), household surveys often use standardised questionnaires to cater to a wide demographic, focusing on general consumer behaviours and satisfaction levels.³ These surveys must be simple and concise to encourage participation from a diverse population.
- **Non-Household Surveys:** In contrast, surveys for non-household customers, which include businesses and other organisations, may require more bespoke approaches. As Bryman (2016) highlighted, these surveys must account for specific business needs, operational complexities, and industry-specific nuances.⁴ The design of such surveys often involves more targeted questions and may require sector-specific knowledge to ensure relevance and accuracy.

Sampling Strategies and Techniques

- **Sampling in Household Research:** Household research typically employs random sampling techniques to ensure a representative cross-section of the population, as Kothari (2004) discussed.⁵ This approach is crucial to avoid biases and ensure the generalisability of the findings.
- **Non-Household Customer Sampling:** Purposive sampling is often more appropriate for non-household customers, given the need to target specific businesses or organisations. As Patton (2015) notes, this method allows researchers to selectively choose participants most relevant to the study, such as businesses in a particular sector or of a specific size.⁶

Data Analysis Techniques

- **Data Analysis in Household Surveys:** Data analysis for household surveys often employs straightforward statistical techniques, focusing on descriptive statistics and basic inferential tests, as Field (2013) illustrated. This approach suits the typically less complex data obtained from these surveys.⁷
- **Non-Household Data Analysis:** More sophisticated analytical methods are often necessary for non-household customer research. Hair et al. (2017) pointed out that multivariate

² Bolton Ruth N., Gustafsson Anders, McColl-Kennedy Janet, Sirianni Nancy J., and Tse David K. (2014), "Small Details That Make Big Differences: A Radical Approach to Consumption Experience as a Firm's Differentiating Strategy," *Journal of Service Management*, 25 (2), 253–74.

³ De Vaus, D. (2013). *Surveys in social research*. Routledge.

⁴ Bryman, A. (2016). *Social research methods*. Oxford University Press.

⁵ Kothari, C. R. (2004). *Research methodology: Methods and techniques*. New Age International.

⁶ Patton, M. Q. (2014). *Qualitative research & evaluation methods: Integrating theory and practice*. Sage publications.

⁷ Field, A. (2013). *Discovering statistics using IBM SPSS statistics*. sage.

analysis techniques, such as factor analysis or cluster analysis, may be employed to decipher complex data structures and relationships inherent in business responses.⁸

Ethical Considerations and Data Privacy

- **Ethical Concerns in Household Research:** Household surveys must adhere to strict ethical guidelines, particularly regarding data privacy and informed consent, as O’Sullivan et. al (2021) state.⁹ Ensuring confidentiality and ethical treatment of personal data is paramount.
- **Ethical Aspects of Non-Household Surveys:** In the case of non-household surveys, ethical considerations are equally important, but for different reasons. These do include personal data confidentiality, but also potential impacts on business reputation and competitiveness, as discussed by Saunders et al. (2016).¹⁰

Outcome Differences

Research outcomes can differ significantly between household and non-household customers. For household customers, response rates and satisfaction scores generally align with wider consumer trends and overall satisfaction with services, according to Lemon & Verhoef (2016)¹¹. In contrast, findings for non-household customers are more closely related to the specific operational requirements and interactions with water services. This directly impacts their operational efficiency and cost structures, as highlighted by Homburg et al. (2017).¹² In other words, while household customers' feedback reflects broader service satisfaction, non-household feedback is intricately linked to how water services influence their business operations and costs.

Furthermore, the engagement levels and response rates can significantly differ, but for different reasons. Household surveys might face challenges regarding response rates due to scepticism/mistrust of “cold” approaches of any type. In contrast, non-household customers, with their vested business interest in the operational aspects of services, should have higher engagement levels in research activities but often have more limited time. For non-household customers, it is often challenging to find the appropriate person responsible for the issue being discussed.

Cognitive Overload in Multi-Dimensional Surveys

The concept of cognitive load, as applied to survey design, originates from cognitive load theory, which suggests that the human brain has a limited capacity for processing information. In the context of multi-dimensional surveys¹³, this limitation becomes particularly salient. Schwarz (2007) has illustrated how increased cognitive demand can lead to survey fatigue, diminished

⁸ Hair Jr, J. F., Matthews, L. M., Matthews, R. L., & Sarstedt, M. (2017). PLS-SEM or CB-SEM: updated guidelines on which method to use. *International Journal of Multivariate Data Analysis*, 1(2), 107-123.

⁹ O’Sullivan, L., Feeney, L., Crowley, R. K., Sukumar, P., McAuliffe, E., & Doran, P. (2021). An evaluation of the process of informed consent: views from research participants and staff. *Trials*, 22, 1-15.

¹⁰ Saunders, M. N., & Townsend, K. (2016). Reporting and justifying the number of interview participants in organization and workplace research. *British Journal of Management*, 27(4), 836-852.

¹¹ Lemon, K. N., & Verhoef, P. C. (2016). Understanding customer experience throughout the customer journey. *Journal of marketing*, 80(6), 69-96.

¹² Homburg, C., Jozić, D., & Kuehnl, C. (2017). Customer experience management: toward implementing an evolving marketing concept. *Journal of the Academy of Marketing Science*, 45, 377-401.

¹³ Multidimensional surveys are designed to capture data across multiple dimensions or aspects of a subject, providing a more comprehensive understanding than single-dimension surveys.

attention, and, consequently, lower data quality.¹⁴ As participants navigate complex survey tasks, they are likelier to exhibit increased non-response rates and resort to heuristic or simplified response strategies. This phenomenon is exacerbated in multi-dimensional surveys where maintaining consistency across different dimensions can be challenging, especially when accurately gauging customer satisfaction on diverse metrics.

Advances in Questionnaire Design to Mitigate Cognitive Load

Addressing these challenges, recent advances in questionnaire design, notably adaptive questioning and tailored survey flows, have shown promise in mitigating issues related to cognitive overload. Adaptive questioning, a technique highlighted by Couper in 2011, involves customising the survey experience based on a participant's previous answers, thereby reducing irrelevant or redundant queries.¹⁵ This approach has improved data quality and engagement in various fields, including customer satisfaction surveys in regulated industries. Similarly, tailored survey paths help reduce the burden on participants by eliminating unnecessary questions, enhancing focus, and improving response accuracy. Additionally, experimental studies have shown that interactive and engaging survey formats, such as gamification and interactive interfaces, can make complex multi-dimensional surveys more engaging, thereby reducing participant fatigue and enhancing data reliability.

Implications for Survey Design

These principles and techniques may have potential to be applied in the Developer Services Measure of Experience (D-MeX) survey in particular (where the pilot fieldwork is likely to focus on drawing out feedback related to numerous interactions at ones, a challenging task).

The literature on cognitive load and advanced survey techniques provides vital insights for designing effective multi-dimensional surveys, particularly in regulatory contexts such as this. These advanced methodologies have the potential to improve data quality and the participant experience in complex survey scenarios. As the field evolves, these insights will be crucial in shaping the future of survey design in regulated industries, offering a path towards more reliable, accurate, and participant-friendly approaches.

3.4 Methods currently used in C-MeX, D-MeX, and Business Customer Experience in Wales

Telephone Surveys (CATI – Computer Assisted Telephone Interviewing)

CATI is a widely used method in survey research, where participants are interviewed over the telephone using a computer-assisted system. This method combines the personal touch of traditional interviews with the efficiency of computer technology.

¹⁴ Schwarz, N. (2007). Cognitive aspects of survey methodology. *Applied Cognitive Psychology: The Official Journal of the Society for Applied Research in Memory and Cognition*, 21(2), 277-287.

¹⁵ Couper, M. P (2011) The Future of Modes of Data Collection, *Public Opinion Quarterly*, Volume 75, Issue 5, 889–908, <https://doi.org/10.1093/poq/nfr046>

Strengths

- **Personal Engagement:** Telephone surveys offer a more personal touch than online surveys, potentially leading to richer data through follow-up questions and clarifications.
- **Higher Participation in Certain Demographics:** Effective in reaching demographics less inclined or unable to use the internet, such as older populations.
- **Reduced Misinterpretation:** The interviewer can identify and address participant misunderstanding, leading to more accurate responses.
- **Flexibility in Questioning:** Interviewers can adapt their approach based on participant reactions, allowing for more nuanced data collection.

Limitations

- **Time-Consuming and Potentially Costly:** More resource-intensive than online surveys, requiring trained interviewers and more time per response.
- **Potential Bias:** The presence of an interviewer might influence responses, known as interviewer bias.
- **Declining Response Rates:** Increasing reluctance to participate in telephone surveys in an era of frequent telemarketing and phone scams. Moreover, one is beholden to fate in terms of whether the participant happens to be available (either to answer the phone, or to then participate) at the moment the initial call is made; with variances in people's working and personal habits and commitments, highly prevalent.
- **Coverage Issues:** With the decline in landline use and rise in caller ID, reaching a representative sample can be challenging.

Applications in Regulated Industries

In sectors like finance or utilities, CATI can be instrumental in collecting in-depth data on customer satisfaction, product understanding, or feedback on regulatory changes. For example, telephone surveys are used by banks in the finance sector to understand customer perceptions of banking services or regulatory impacts on investment behaviour.

Summary

Considering the strengths and limitations of Computer-Assisted Telephone Interviewing (CATI) as outlined, there is no reason to suggest that CATI is not a reasonable and feasible methodology to use within Ofwat's incentive mechanism survey suite. CATI is useful for reaching demographics less inclined towards digital participation and can offer some flexibility in data collection. However, it is not without challenges, including its resource intensity, potential for bias, and coverage issues in the modern communication landscape.

To optimise the benefits of CATI, we suggest the following strategic measures:

- **Targeted Use:** Employ CATI selectively for demographics known to respond favourably to this method, such as older populations. This targeted approach ensures efficient use of resources and enhances the representativeness and richness of data collected.
- **Hybrid Method Integration:** Integrate CATI within a hybrid methodological framework, combining it with other methodologies to mitigate its limitations. This approach balances CATI's depth of insight with the reach and efficiency of other methods, ensuring a comprehensive understanding of customer experiences.
- **Addressing Coverage Issues:** Adopt strategies to overcome coverage challenges, such as using mobile numbers.

Computer Assisted Personal Interviewing (CAPI)

CAPI involves face-to-face interviews with participants using a computer or tablet to record responses. This method combines personal interaction with digital efficiency.

Strengths

- **Personal Interaction:** Direct contact with participants can elicit richer, more nuanced responses.
- **Flexibility:** Interviewers can assess participant understanding and know when a question has been understood.
- **High Data Accuracy:** Digital data entry reduces errors associated with manual transcription.
- **Engagement:** The presence of an interviewer can increase participant engagement and willingness to participate.
- **Higher Participation in Certain Demographics:** Effective in reaching demographics less inclined or unable to use the internet (such as older populations), those difficult to reach by phone using traditional landline sampling (such as the young), and vulnerable participants.

Limitations

- **Costly and Time-Consuming:** Requires trained interviewers and can be resource-intensive, especially for large-scale studies.
- **Geographical Limitations:** Face-to-face interaction limits the reach to certain areas or demographics and can concentrate surveying to relatively small geographic pockets.
- **Potential Interviewer Bias:** The presence and mannerisms of the interviewer can influence responses.
- **Seasonal variations:** Weather and other seasonal factors can affect response rate.

Applications in Regulated Industries

The UK's Office for National Statistics occasionally uses CAPI for specific in-depth surveys, particularly when detailed and accurate data is required. CAPI is especially useful in sectors requiring detailed feedback, such as healthcare for patient experience surveys or utilities for in-depth customer service analysis. As a methodology though, CAPI can be relatively expensive, and there is some evidence of studies that had previously been conducted by CAPI moving to other more cost-effective methodologies (for example the Great Britain Tourism Survey commissioned by the aforementioned ONS; which was conducted by CAPI until 2019, before moving to online omnibus).

Covid-19 may have provided the requirement for moves of this type but given that there is little evidence of studies that temporarily moved from CAPI to panel moving back again since, it's not unreasonable to assume this was a catalyst rather than a cause.

Summary

Given the features of Computer-Assisted Personal Interviewing (CAPI), it remains suitable for strategic incorporation within the suite of methodologies used by Ofwat in the incentive setting surveys. CAPI's strengths in facilitating personal interaction, high data accuracy, and engaging a wide demographic spectrum are undeniable assets in capturing comprehensive and nuanced customer experiences. However, this endorsement comes with an understanding of CAPI's

inherent limitations, including its cost, potential for interviewer bias, and logistical challenges. To effectively leverage CAPI's advantages while mitigating its drawbacks, the following approaches can be adopted:

- **Strategic Deployment:** Utilise CAPI for targeted fieldwork where the depth of insight and demographic coverage justify the resource investment.
- **Blended Approach:** Integrate CAPI within a mixed-methods framework, combining it with complementary methodologies like online surveys, or CATI fieldwork. This hybrid approach maximises the reach and efficiency of data collection efforts.
- **Geographical and Demographic Targeting:** Identify and prioritise areas or demographics where CAPI is most effective, such as rural locations or among older populations. Tailoring the deployment of CAPI to these target groups can improve overall survey participation and data representativeness.

While recognising the valuable contributions CAPI can make to understanding customer experiences within the water sector, a careful, strategic approach to its use is essential. By addressing its limitations through thoughtful planning, technological support, and continuous improvement, CAPI can significantly enhance the quality and depth of customer insight gathered, supporting Ofwat's commitment to improving service standards and customer satisfaction.

Email Surveys

Email surveys are amongst the most prevalent in the research sector. They are cheap and easy to administer, especially since the advent of low-cost/self-serve survey design and administration apps/companies have emerged. They involve sending questionnaires directly to customers' email addresses, offering convenience and comprehensive data collection.

Strengths

- **Cost-Effective:** Less expensive than methods like postal mail or telephone surveys.
- **Flexibility in Design:** Can include multimedia elements, enhancing engagement.
- **Wide Reach:** Capable of reaching a large audience quickly.

Limitations

- **Dependent on Email Database:** Requires an up-to-date and well-maintained email list.
- **Risk of Low Engagement:** Potential to be ignored or lost in spam filters.
- **Lack of Personalisation:** May feel less personal than methods like CATI.
- **Lack of depth of data:** with no interviewer probing, depth of data is at the whim of the participant.

Applications in Regulated Industries

British Airways frequently uses email surveys to gather post-flight customer feedback. In sectors like finance or utilities, email surveys can gather detailed customer feedback on services or products, aiding in developing customer-centric strategies. The Charity Commission's "Charity Trustee Research 2021" was conducted using an email (as a push to online) methodology.

Summary

Given the attributes and challenges associated with email surveys, we recommend their judicious use within Ofwat's strategy for capturing customer experiences. The cost-effectiveness, design flexibility, and broad reach of email surveys make them an attractive option for engaging with customers. However, to mitigate the limitations inherent in email survey methodologies, such as potential low engagement and the dependence on a robust email database, we would highlight the following strategies:

- **Personalisation Techniques:** Address the potential lack of personalisation by employing advanced personalisation techniques. This includes using the recipient's name, tailoring content to their previous interactions with the water service and making the email's language and tone more conversational and engaging. Personalisation can significantly enhance the perceived relevance of the survey, thereby improving response rates.
- **Follow-up Strategies:** Implement systematic follow-up strategies to increase engagement. This could involve sending reminder emails to non-responders, offering incentives for completing the survey, and providing feedback on how survey results will be used to improve services. Such strategies demonstrate the value placed on customer feedback, potentially increasing future engagement.

While email surveys offer a cost-effective and efficient method for collecting customer feedback, their successful utilisation requires strategic planning, careful implementation, and ongoing management. By addressing the challenges associated with email surveys and leveraging their strengths, Ofwat can continue to gather valuable customer insights that inform service improvements and regulatory decisions.

3.5 Methods not currently used in C-MeX, D-MeX, or Business Customer Experience in Wales surveying

The following is a review of some methods not currently part of the C-MeX, D-MeX, or Business Customer Experience in Wales surveys but could potentially be incorporated.

Push-to-Web Surveys

Push-to-web surveys involve directing participants from an initial contact method, such as SMS, email or post, to complete a survey online. The sample source used would vary application to application but may include customer databases, contact logs, or purchased sample.

This approach takes advantage of internet accessibility, facilitating more accessible and quicker participation for a large population segment, as Tai et al. (2018) discussed.¹⁶ Online surveys allow for real-time data collection and analysis, enhancing the responsiveness and efficiency of the research process, a benefit underscored by Johnson (2016).¹⁷

¹⁶ Tai, X., Smith, A.M., McGeer, A.J., Dubé, E., Holness, D.L., Katz, K., McGillis Hall, L., McNeil, S.A., Powis, J. and Coleman, B.L., 2018. Comparison of response rates on invitation mode of a web-based survey on influenza vaccine adverse events among healthcare workers: a pilot study. *BMC Medical Research Methodology*, 18(1), pp.1-10.

¹⁷ Johnson, L. S. (2016). Revolutionary Local Constitutional Change. *City-County Consolidation and Its Alternatives: Reshaping the Local Government Landscape: Reshaping the Local Government Landscape*, 155.

Because email and SMS surveys are discussed separately in this report, this section concentrates on Post-to-web surveying.

Strengths

- **Cost-Effective when compared with some methodologies:** Depending on the initial contact method(s) used, push-to-web surveys *can* be far more cost effective than traditional methods such as full-postal, or CATI.
- **Flexibility in Survey Design:** The web format of the survey itself allows various question types and multimedia elements.
- **Broader Reach:** Combines the accessibility of digital surveys with the targeted reach to demographics less inclined to participate in purely digital surveys, including older populations or those in rural areas.
- **Higher Response Rates for Certain Demographics:** For some groups, such as older populations, receiving a physical invitation increases the likelihood of participation – for others, an email or SMS can be the more appropriate mechanism.
- **Combines Traditional and Modern Methods:** It bridges the gap between traditional and digital methodologies, leveraging both strengths.

Limitations

- **Initial Contact Challenges:** The survey's success can depend heavily on the effectiveness of the initial push method.
- **Potential for Lower Engagement:** The steps required to access the survey may deter some participants (particularly the digitally disengaged).
- **Lack of Quota Manipulation Mechanisms:** Depending on the source sample used, targeting particular demographics can be hard or even impossible – and declining to accept surveys from high prevalence participant types does nothing to increase the prevalence of missing ones.
- **Data Quality Issues:** Risk of non-serious responses or fraudulent surveys (a particular risk where incentives are used (as with any non-interviewer assisted methodology)).
- **Dependent on Postal System:** If sending postal invites, reliability and speed are subject to the efficiency of the postal service.
- **Higher Costs (when compared with Digital-Only Methods):** Printing and postage costs are additional factors when employing a Postal push-to-web approach.
- **Environmental Impact:** If sending postal invites, using paper and physical delivery contributes to a larger environmental footprint (although environmental impacts still are reduced in comparison with a full postal survey).
- **Dependence on Internet Access:** Requires participants to have internet access, potentially excluding some demographics (although including mechanisms for non-internet based responses to be collected can mitigate this).

Applications in Regulated Industries

Post-to-web surveys are particularly useful in sectors like utilities and telecommunications. They combine the effectiveness of direct contact with the efficiency of online data collection. The FCA's Financial Lives survey is a good example of a survey of this mode being used in a regulated setting, as are numerous studies conducted by the Care Quality Commission (including the "2023 Community Mental Health Survey" and "Adult Inpatient Survey 2022"). Ofwat too have employed this methodology both directly (in the 2022 "Collaborative ODI Research") and indirectly (by mandating it as part of the suite of methodologies to be used by water companies in the 2023 "Affordability and Acceptability Testing Research").

The suitability of PAF as a sample source

The Royal Main Postal Address File (PAF) is a potential source of sample for use with this methodology but presents a mix of potential benefits and inherent challenges.

With its extensive demographic coverage, the PAF method offers potential access to a broad customer base, as highlighted by the UK Royal Mail's usage data.

Despite these benefits, the PAF approach faces several challenges. The response-driven nature of the PAF approach complicates quota management and demographic screening, potentially impacting response rates and increasing costs. While using features like the Index of Multiple Deprivation (IMD) decile can ensure a socio-economic spread, it does not offer a comprehensive solution for achieving a representative sample, as Groves et al. (2009) indicate.¹⁸

The implementation of the PAF - Push to Web approach necessitates a careful evaluation of the trade-offs involved. The benefits of increased reach must be weighed against the challenges of variable response rates across demographic groups, and the cost of the exercise.

The suitability of water company billing databases as a sample source

Many of the opportunities and challenges detailed when considering the suitability of PAF as a sample source for a post to web approach, exist here too. The key difference is that customer lists tend to have a named contact, which *may* improve response rates and add to the feeling of authenticity.

There are a number of other practical factors that differentiate customer lists from PAF;

- Customer lists can be of variable quality, and differ in format, company to company
- Customer lists frequently contain additional information that can be useful either for targeting or for profiling (e.g. PSR status, supported tariff status)
- Customer list frequently contain other contact details in addition to the address

The latter point in particular, enables the exploration of hybrid methods that combine postal with other approaches, such as SMS or email invites, that might address some of the issues that accompany PAF, particularly in managing response rates and quotas, as suggested by Callegaro et al. (2015).¹⁹

Summary

As companies increasingly prioritise sustainability and seek to reduce their environmental impact, moving away from “full postal” survey methods that send pages upon pages to each participant in the hope they will return them and moving to postal invitations with a “push to online” is a logical step.

¹⁸ Groves, R. M., Fowler Jr, F. J., Couper, M. P., Lepkowski, J. M., Singer, E., & Tourangeau, R. (2009). Survey methodology (Vol. 561). John Wiley & Sons.

¹⁹ Callegaro, M., Manfreda, K. L., & Vehovar, V. (2015). Web survey methodology. Sage.

Ensuring inclusivity in design, especially for digitally excluded participants, requires innovative approaches like multi-modal survey distribution, combining digital and non-digital methods, as highlighted by De Bruijne & Wijnant (2013).²⁰

Further, in the case of water company customer databases at least, complementary full digital invitation mechanism (such as email and SMS surveys), do exist, which eliminate the need for paper and physical delivery entirely for some participants. These methods can still provide many of the benefits of post-to-web surveys, such as flexibility in survey design and the ability to reach a wide audience, whilst minimising the environmental impact.

Commercial Access Panels

Commercial Access Panels (“Online panels”) have long been a staple in market research, valued for their efficiency and broad reach. However, in the context of regulatory bodies like Ofwat and the water sector, the use of online panels for surveying presents significant challenges.

Panels consist of a pre-recruited pool of participants who have agreed to participate in online surveys. This method has gained popularity due to its cost-efficiency and the ability to turn around results quickly.

One of the core limitations of online panels is the challenge they pose in terms of sample representation. Online panels require participants to sign up voluntarily, leading to a selection bias. Certain groups, such as high-involved consumers, are over-represented, while others, are often under-represented or absent altogether. This poses a severe challenge to anyone needing to ensure that all customers have opportunity to be included in research being conducted.

Consumer attitudes and behaviours have evolved significantly since the early days of online panels. The modern consumer's attention is scarce, and there is general scepticism about signing up for panels. This change in consumer attitudes affects the effectiveness of online panels. The promise of influencing brands or earning rewards is no longer a sufficient incentive for many, leading to challenges in recruiting panel members.

The phenomenon of 'professional panellists' – individuals who frequently participate in surveys to earn rewards – further complicates the integrity of data collected via online panels. These individuals may not provide genuine responses; instead, they focus on completing surveys quickly to earn rewards. This behaviour can lead to skewed results and questions the overall validity of the data collected.

The use of sub-suppliers by panel providers to complete sample quotas can lead to a mix of methodologies, compromising the transparency and consistency of the data. The lack of systematic data quality controls, such as checking for duplicates and monitoring survey completion times, further exacerbates these issues. These issues are particularly concerning in the regulated environment of the water sector, where data integrity is paramount.

Strengths

- **Cost-Effectiveness:** They are generally more cost-effective than traditional non-digital methodologies.

²⁰ De Bruijne, M., & Wijnant, A. (2013). Can mobile web surveys be taken on computers? A discussion on a multi-device survey design. *Survey Practice*, 6(4).

- **Flexibility and Scalability:** These panels are highly adaptable to various research needs and can be scaled up or down depending on the study requirements.
- **Rapid Data Collection:** The digital nature of these panels enables quick collection and processing of data.

Limitations

- **Representation Concerns:** There are concerns about whether online panels fully represent the general population, especially less tech-savvy groups or those without internet access.
- **Response Quality:** Responses can be variable, with issues such as survey fatigue and inattentive responses being more prevalent even than other non-interviewer assisted methods.
- **Coverage:** In smaller geographic areas in particular, coverage can be low (reducing the suitability where tight and specific geographic targeting is needed and where the same areas need repeated targeting over time).
- **Potential biases:** Personality bias and responses influenced by 'experienced' survey participants.

Applications in Regulated Industries

Online panels are particularly useful in industries like healthcare, finance, and utilities, where understanding diverse customer experiences and preferences is critical. For instance, online panels are used in the healthcare sector to gauge patient experiences with different healthcare services or collect feedback on pharmaceutical products. There is plenty of evidence of the growing use of commercial access panels in regulatory research, including the 2022 “Great Britain Tourism Survey” conducted by the Office for National Statistics, and the “Individuals, Small Businesses and Agents Customer Survey 2021”. Widening the definition of “Online Panels” to include “Online Omnibus”, studies such as the Food Standard Agency’s “Consumer Insight Tracker” also emerge in this field.

Summary

While online panels offer certain advantages in terms of cost and efficiency, their limitations regarding sample representation, changing consumer attitudes, lack of diversity, professional panellists, and data quality concerns make them a less suitable choice for regulatory bodies like Ofwat. The need for accurate, representative, and high-quality data in the water sector necessitates the exploration of more robust and reliable survey methodologies that can meet the unique demands of this regulated industry. All that said, it is certainly true to observe increasing numbers of fairly high profile consumer research studies (as documented previously) moving to a panel approach; and indeed, it should be noted that Ofwat’s Collaborative ODI research in 2022 did contain a component of panel work (up to 50% of the HH consumers in any given water company area) alongside the postal component.

Postal Mail Surveys (Hard Copy)

Postal mail surveys involve sending paper questionnaires to participants through the post, offering a traditional and tangible method of data collection.

Strengths

- **Inclusivity:** Ensures participation of demographics without internet access, such as older populations or those in rural areas.
- **Perceived Authenticity:** Physical mail can be viewed as more official and trustworthy, potentially increasing response rates.
- **Detailed Responses:** Allows for comprehensive questions, providing space for elaborate feedback.
- **Reduced Technology Bias:** Avoids skewing data towards tech-savvy individuals.

Limitations:

- **Higher Costs and Time:** Printing, postage, and manual handling increase cost and turnaround time.
- **Environmental Impact:** Paper and physical delivery have a larger environmental footprint.
- **Data Entry Requirements:** Responses require manual digitisation, increasing the potential for error and the time required for analysis.
- **Lower Response Rates:** The effort required to complete and return a physical survey can deter participation.

Applications in Regulated Industries:

The Office for National Statistics in the UK occasionally employs postal surveys for comprehensive studies, balancing the need for detailed data with the reach of traditional methods.

Postal mail surveys are valuable in sectors where comprehensive feedback is essential and reaching a non-digital audience is crucial, such as in local government surveys or utilities' customer satisfaction studies.

That said, the methodology appears to be in decline. There is evidence of studies that had previously been conducted via a full postal method, moving at least partially to more modern “push to web” equivalents (including the two aforementioned Care Quality Commission studies (2023 Community Mental Health Survey and Adult Inpatient Survey 2022) – although it should be recognised that in both these studies once push to web and other methods had been exhausted, a “full postal” methodology was returned to). It is interesting to observe that the CQC reported an increase in data quality as having been the result of the move to online data collection (due to the ability of an online script to handle complex routing).

Summary

Given the unique position of Ofwat and the essential need for inclusivity in capturing feedback from all customer demographics within the water sector, postal mail surveys present both valuable opportunities and significant challenges. While their strength in reaching non-digital populations—including older adults and residents of rural areas—is undeniable, the method's high costs, environmental impact, lack of quota control, prolonged fieldwork period, and potential for lower response rates necessitate a strategic approach.

It is difficult to build a case for adopting a “full postal” survey on a large scale when the alternative strategy of using post to “push to web” is also available – particularly given that access provision for the digitally excluded can be made.

SMS Surveys

SMS surveys involve sending short, concise questions via text message, offering a direct way to collect immediate customer feedback.

In addition, SMS has emerged in recent years as a viable “push to web” approach, whereby short links to surveys are included within the SMS message body (given the prevalence of smart phones within the population).

Strengths

- **Immediate Feedback:** Ideal for capturing real-time responses, especially post-interaction.
- **High Response Rates:** The simplicity and convenience of SMS can lead to higher engagement.
- **Flexibility in Survey Design (when used as a “push-to-web” method):** The web format of the survey itself allows various question types and multimedia elements.
- **Broad Reach:** Effective in reaching a wide range of demographics, including those with limited internet access. Can fill a gap between postal and email surveys, with samples that contain mobile phone number data.
- **Cost-Effective:** Less expensive than many other survey methodologies.

Limitations

- **Limited Depth (when the survey itself is administered by SMS):** Restricted character count limits questions' complexity and responses' depth. This is mitigated when used as a push to web method.
- **Potential Response Bias:** SMS may be less effective for sensitive or detailed feedback, due to the character limit and the light touch feel of the methodology. This may be mitigated when used as a push to web method.
- **Overreliance on Technology:** Dependent on mobile phone access and usage habits. With the growing use of mobile phones, in particular smart phones, this is unlikely an issue.
- **Participant scepticism:** unsolicited SMS messages can be treated with a great degree of scepticism (due to the degree of fraud/scam attempts via SMS). However, there are ways this can be mitigated (for example using appropriate language and providing appropriate information at point of approach).

Applications in Regulated Industries

The NHS uses SMS surveys for patient feedback, leveraging the method's immediacy and high response rates. In industries like utilities or public services, SMS surveys can be used for quick customer satisfaction checks or service feedback, providing timely insights for immediate improvements.

The CMA has run large scale unsolicited SMS-to-web surveys with response rates approaching that of other methods (c5%), for example in the “Consumer Purchasing Behaviour in the UK Smartphone Market for the CMA’s Mobile Ecosystems Market” study.

Again, both of the previously mentioned (in the context of post-to-web and the decline of full post) CQC research studies used SMS as a reminder methodology to supplement the core “post to web” and final “full post” methodologies.

Summary

Considering the unique benefits and limitations of SMS surveys, there is certainly a case for the testing of this method by Ofwat for gathering customer feedback within the water sector. The immediacy and convenience of SMS surveys are unmatched, making them particularly suited for capturing real-time responses following customer interactions. Additionally, their low cost, high response rates and broad reach across demographics, including those with limited internet access, position SMS surveys as an invaluable tool in bridging the gap between traditional and digital survey methods.

To maximize the effectiveness of SMS surveys, Ofwat should strategically integrate them into a broader, multi-modal survey approach. This integration allows for the leveraging of SMS surveys' strengths—such as their cost-effectiveness and flexibility—while mitigating their limitations, such as the restricted depth of responses when surveys are administered solely via SMS. A "push-to-web" survey design can be particularly effective in this respect, enabling a wider variety of question types and the inclusion of multimedia elements, thereby enhancing the quality and richness of the data collected.

Digital Intercept Surveys

Digital intercept surveys involve observing and collecting data from customers' online interactions with services in regulated industries. The method is akin to User Experience (UX) methods, where the user interaction with the companies' digital interface is monitored and recorded.

Strengths

- **Real-Time Insights:** Captures customer behaviour and feedback in the moment of interaction.
- **Broad Reach:** Can engage a wide audience across various digital platforms.
- **User Behaviour Analysis:** Provides deep insights into customer preferences and behaviours.
- **Cost-Effective:** Typically, more economical than traditional survey methods.

Limitations

- **Privacy Concerns:** Must navigate data privacy laws and user consent.
- **Potential Bias:** May not represent the entire customer base.
- **Technical Challenges:** Requires robust digital infrastructure and analytics capability.
- **Impartiality concerns:** disaggregating the research agency from the target of the research (i.e. the website operator) can be difficult.

Applications in Regulated Industries

Digital intercept surveys are valuable for understanding online customer experiences, gauging digital service effectiveness, and enhancing web-based customer interactions in sectors like utilities or telecommunications.

Summary

Given the focused capabilities and specific limitations of digital intercept surveys, their use in the incentive setting survey suite seems problematic. While digital intercept surveys offer valuable real-time insights into customer behaviours and feedback during online interactions, their application is narrowly confined to the evaluation of digital customer service portals. This focus on the user interface and navigational aspects, although beneficial for understanding and enhancing the online customer experience, does not adequately address the broader spectrum of service quality and customer satisfaction concerns that are critical within the water sector.

Additional Assessment of the use of hybrid methodologies

Hybrid methodologies involve combining various survey techniques to maximise reach and effectiveness. This approach tailors data collection to the study's specific needs and target audience.

Some hybrid methodologies are already in use on C-MeX (CATI and CAPI for non-contact survey, CATI and email for contact survey), and others remain a possibility moving forward.

Strengths

- **Increased Representativeness:** Combines strengths of different methods to cover a more comprehensive demographic range.
- **Flexibility:** The approach can be adapted based on response rates and preliminary findings.
- **Comprehensive Data Collection:** Offers a blend of data collection methods, leveraging the benefits from various methodologies.
- **Enhanced Participation:** Different methods can appeal to different preferences, potentially increasing overall response rates.

Limitations

- **Complexity in Implementation:** Managing multiple methods simultaneously can be logistically challenging.
- **Data Integration Challenges:** Harmonising data from different sources requires careful analysis.
- **Cost and Resource Intensive:** This may incur higher costs due to the use of multiple platforms and resources.
- **Inconsistent Response Quality:** Different methods can yield varying response quality and detail levels.

Applications in Regulated Industries

Mixed-method approaches are common in large-scale government surveys in the UK, like the Understanding Society survey, which utilises online, telephone, and face-to-face interviews to ensure comprehensive coverage. Hybrid methods are particularly effective in complex studies in industries like healthcare, where combining qualitative interviews with quantitative online

surveys can provide a more holistic understanding of patient experiences and outcomes. Many of the research studies cited previously in this review (particularly those conducted by Ofwat, the QCQ) adopt this approach, which offers many mitigations to the weaknesses of selecting one single methodology.

Summary

Given the intrinsic strengths and manageable limitations associated with hybrid methodologies, a hybrid approach for Ofwat's survey and data collection initiatives within the water sector seems a sensible strategy. The selection of various survey techniques, when effectively combined, promise to maximise reach, enhance representativeness, and ensure a comprehensive understanding of customer experiences and satisfaction.

A final note on methodological openness

In many research reports and publications, the language used to describe the methodology is opaque. For example, research by the Gambling Commission (2022 study "Exploring Online Staking" and others) describes the methodology as having been "a combination of online surveys and online community panels". Much of the Payment Systems Regulator's research outputs (for example the "PSR SME Research 2021" and "PSR Consumer Research 2020") use similarly ambiguous language, describing the methodology as having been "an online survey" and "online survey of a nationally representative sample of the UK public" respectively, without offering any explanation of the actual source of the participants.

Ambiguity of this type makes it difficult to assess how to properly categorise or critically review such studies.

3.6 The use of incentives

Incentivising participation in customer satisfaction surveys is a key topic in the field of market research, with incentives often viewed as a crucial strategy to enhance response rates and ensure representative data. Here we explore the benefits and challenges associated with varying incentives, drawing from a variety of academic research and industry insights.

Benefits of Incentivising Participation

Academic literature has consistently indicated that offering incentives can significantly boost survey response rates. Studies such as those by Singer and Ye (2013) demonstrate that even modest incentives can lead to a marked increase in participation.²¹ The effectiveness of incentives in engaging participants, particularly those in hard-to-reach populations, is well-documented. Additionally, incentives have been associated with improved data quality. Research by Conrad et al. (2015) suggests that incentives can reduce the likelihood of rushed responses and increase participants' attentiveness, thereby enhancing the accuracy of the data collected.²² Furthermore, incentives can positively affect participants' attitudes towards the survey. Göritz (2006) notes that participants who receive incentives often report higher

²¹ Singer, E., & Ye, C. (2013). The use and effects of incentives in surveys. *The Annals of the American Academy of Political and Social Science*, 645(1), 112-141.

²² Conrad, D. A. (2015). The theory of value-based payment incentives and their application to health care. *Health Services Research*, 50, 2057-2089.

satisfaction with the survey experience, potentially leading to greater willingness to participate in future research.²³

Challenges of Financially Incentivising Participation

However, incentivising participation is not without its challenges. The most apparent issue is the cost. As Ebert and Prelec (2007) highlight, the financial implications of providing incentives, especially for surveys with large sample sizes, can be substantial and may not always be feasible for every research project.²⁴ There is also the risk of introducing bias into the sample. Berk (2012) points out that participants motivated primarily by incentives may not represent the broader population accurately, leading to skewed results.²⁵ This issue is particularly pertinent in customer satisfaction surveys where an unbiased representation is crucial. Additionally, the concern of diminishing returns exists. Church (1993) highlights that the increase in response rate plateaus and additional incentives do not yield proportional benefits beyond a certain point. Ethical considerations regarding incentivisation have also been raised in the literature. Grant and Sugarman (2004) discuss the ethical implications, particularly regarding coercion and the potential to influence the honesty of responses.²⁶

Implications for Customer Satisfaction Surveys

In the context of customer satisfaction surveys, finding the optimal incentive requires balancing enhanced response rates with maintaining data integrity. The choice of monetary, non-monetary, or intrinsic incentives must align with the target demographic and the specific objectives of the survey. Furthermore, as Porter and Whitcomb (2003) suggested, transparency about incentive use and purpose can mitigate ethical concerns and ensure that participants are fully informed.²⁷

Using incentives in customer satisfaction surveys presents a nuanced landscape of benefits and challenges. While they can effectively increase response rates and improve data quality, they also bring considerations of cost, potential bias, diminishing returns, and ethical issues.

3.7 CATI v Online Response Differences

Particularly when comparing Computer-Assisted Telephone Interviewing (CATI) with web-based surveys, several studies have highlighted notable differences in the responses obtained through these different modes.

One key finding relates to the social desirability bias, where participants tend to answer in a manner that would be viewed favourably by others. Research has shown that this bias can vary significantly between CATI and web surveys. For instance, a study published in *Public Opinion*

²³ Göritz, A. S. (2006). Incentives in web studies: Methodological issues and a review. *International Journal of Internet Science*, 1(1), 58-70.

²⁴ Ebert, J., & Prelec, D. (2007). A New Method of Measuring Temporal Discounting: the Motivational Present Value of Future Rewards. *ACR North American Advances*.

²⁵ Berk, R. A. (2012). Top 20 Strategies to Increase the Online Response Rates of Student Rating Scales. *International Journal of Technology in Teaching & Learning*, 8(2).

²⁶ Grant, R. W., & Sugarman, J. (2004). Ethics in human subjects research: do incentives matter? *The Journal of Medicine and Philosophy*, 29(6), 717-738.

²⁷ Porter, S. R., & Whitcomb, M. E. (2003). The impact of contact type on web survey response rates. *The Public Opinion Quarterly*, 67(4), 579-588.

Quarterly found that participants were more likely to report undesirable characteristics in web surveys compared to CATI. This indicates a tendency for participants to be more honest in web surveys, possibly due to the perceived anonymity of the online environment. Conversely, CATI, where an interviewer is present, might lead to underreporting of such characteristics due to social desirability concerns. Additionally, the same study observed differences in item nonresponse rates between CATI and web surveys, with CATI participants more likely to skip questions or respond with 'don't know'.

Online Correction Factor

The Online Correction Factor in the context of Ofwat's C-MeX (Customer Measure of Experience) survey is a mechanism designed to adjust the scores obtained from online surveys to ensure they are comparable with scores from other survey methods, such as telephone interviews.

The need for an Online Correction Factor arises due to the differences in how customers respond to surveys based on the delivery method. It is a recognised phenomenon in survey design that the mode of survey (online, telephone, face-to-face) can influence the responses given by participants. This is due to various factors, including the presence (or absence) of an interviewer, the perceived anonymity of the survey, and how questions are presented and interpreted.

Depending on the mode, participants frequently answer similar questions differently (Dillman et al. 1996).²⁸ An experiment by Gallup explored how survey response patterns vary depending on whether the survey is administered by an interviewer (CATI) or self-administered (web or mail).²⁹ It notes that in CATI, participants process aurally delivered questions and may respond differently due to the presence of an interviewer, potentially leading to more socially desirable responses. Conversely, in self-administered formats, participants can visually process information at their own pace, potentially leading to more candid responses. They showed that responses to attitudinal and behavioural questions varied between web and phone formats. In this experiment, phone participants responded more positively to customer engagement questions than web participants. The difference in responses, especially on items like "always treats me fairly," was significant enough to influence the interpretation of results and subsequent actions. For instance, questions like "Overall satisfaction" and "Always treats me fairly" showed higher positive response rates in phone surveys compared to web. The differences ranged from 4 to 16 percentage points, indicating a significant mode effect on responses. Understanding this disparity in responses between phone and web surveys is crucial for interpreting survey data accurately.

Despite all of the indicators, the phenomenon is not universal. Accent has experience working for a number of energy suppliers in connection with delivering post-installation surveys amongst customers receiving smart meters (in accordance with their obligations under the Consolidated Metering Code of Practice (CoMCoP)). In these cases questionnaires are administered both by CATI and online via email recruitment. There is typically no statistically significant difference between the responses to participants being interviewed online as opposed to by telephone.

²⁸ Dillman, D. A., et al. (1996). Understanding differences in people's answers to telephone and mail surveys. In M. T. Braverman & J. K. Slater (Eds.), *Advances in Survey Research* (pp. 45-62). San Francisco: Jossey-Bass.

²⁹ Marlar, J. (2018). Why Phone and Web Survey Results Aren't the Same. Gallup. <https://news.gallup.com/opinion/methodology/233291/why-phone-web-survey-results-aren.aspx>

3.8 Response Scales (1-5 compared to 0-10)

The shift from a 1-5 to a 0-10 response range in customer satisfaction and experience surveys is thought provoking. While seemingly minor, this change has significant implications for data collection, interpretation, and the resulting business strategies. This review systematically explores perspectives on this transition, examining the rationale, impact, and challenges associated with the move to a broader response range.

Impact of the Broader Response Range

- **Enhanced Data Precision:** The move to a 0-10 scale has been shown to enhance the precision of customer feedback. A wider range of options enables participants to express their opinions more accurately, leading to more detailed data. This precision is crucial for businesses aiming to pinpoint specific aspects of their service that require improvement.
- **Improved Response Distribution:** Studies have indicated that a scale of 0-10 can lead to a more evenly distributed set of responses. In contrast, a 1-5 scale often results in clustering responses around the mid-point, a phenomenon known as central tendency bias. The broader scale reduces this bias, providing a clearer picture of customer satisfaction.
- **Increased Sensitivity to Changes:** The 0-10 scale is more sensitive to changes in customer perceptions, as slight shifts in satisfaction are more easily captured. This sensitivity is particularly valuable for tracking the impact of incremental service improvements or changes.

Challenges Associated with the Shift

- **Data Comparison Issues:** For businesses transitioning to the new scale, comparing historical data collected on a 1-5 scale with new data on a 0-10 scale presents a challenge. This issue requires careful consideration in data analysis and may necessitate the development of conversion models or benchmarks for accurate comparisons.
- **Increased Complexity in Data Analysis:** The broader range of responses also introduces increased complexity in data analysis. Businesses and researchers need to adapt their analytical models to accommodate the finer granularity of the data, which may require more advanced statistical techniques.

The shift from a 1-5 to a 0-10 response range in surveys offers potential benefits regarding data precision, response distribution, and sensitivity to changes in customer satisfaction. However, this transition is not without challenges, including issues with participant understanding, data comparison, and increased complexity in data analysis. As the academic literature suggests, successfully adopting a 0-10 scale requires careful planning and consideration, particularly in how data is collected, interpreted, and applied in business strategies. This nuanced approach is critical for businesses seeking to leverage the full potential of customer feedback to enhance their services and customer experiences.

3.9 The Check and Challenge Process

The "Check and Challenge" process in the context of Ofwat's surveys involves water companies reviewing customer feedback and recordings provided by survey agents. This process allows companies to ensure the feedback is accurately recorded. If customers agree, their feedback and recordings are shared with the relevant company quarterly. Companies can then review this data and submit issues or queries. Types of issues raised primarily include incorrect data capture

on the part of the interviewer. The process does not allow for challenges based on disagreement with the customer's score or the format of questioning. Each query is considered by the agent, who then responds to the water company with a decision.

Check and Challenge in other sectors

The "Check and Challenge" process of Ofwat in the C-MeX surveys is relatively unique, particularly in its structure and the specific context of regulated utility services.

Our search for similar processes in use elsewhere led us to uncover a wide range of mechanisms for addressing inaccuracies in customer feedback across many sectors (including financial services, healthcare, academia, telecoms, and energy). However, they don't typically involve a formalised process for the company subject to scoring to challenge externally and independently collected customer ratings or feedback in the same manner.

3.10 Conclusion

Through analysis of existing literature, methodologies, and practices across regulated industries, the review has illuminated the landscape of customer satisfaction surveying, setting the stage for informed methodological advancement.

Survey methodologies, as explored within the review, span a broad spectrum from traditional face-to-face interviews and postal surveys to modern digital platforms and hybrid approaches. The transition to digital surveying methods reflects a broader shift towards efficiency and broader reach, although not without challenges. Privacy concerns, representativeness, and the potential for bias underline the complexities of effectively capturing the nuanced feedback necessary for regulatory and service improvements in the water sector. The review underscores the importance of a strategic, methodical approach in selecting and implementing survey methodologies that not only capture but also respect the multifaceted nature of customer experiences.

The use of hybrid methodologies emerges from the review as a particularly promising avenue for enhancing the robustness and representativeness of customer experience data. By amalgamating various survey techniques, it can be possible mitigate the inherent limitations of single-mode surveys, presenting an adaptable, comprehensive approach to data collection.