

3 Customer views

Our objective is to provide customers with the water service they require at a price they are willing to pay. Understanding customers' views is critical to meeting this objective.

Regular research

The views of our customers are very important to us. Every year we undertake:

- An annual customer satisfaction survey of 1,000 customers

	2004	2005	2006	2007	2008
Customers rating our services as good or better	87%	91%	87%	88%	87%

- Monthly tracking research that surveys 150 customers who have been in contact with us during the month, to measure ease of contact, ability to solve the problem, politeness and knowledge of our customer service staff. These surveys always show high performance and satisfaction and allow us to further improve our performance. If any adverse comments are made by individual customers these are followed up.
- OFWAT undertakes quarterly research into the satisfaction of customers who have contacted us by telephone. We have been consistently in the upper quartile since this measure was introduced and were ranked second overall in 2008/9.

Specific research

To help us develop our 25 year Strategic Direction Statement and our business plans we commissioned Holden Pearmain to survey customers' willingness to pay for improvements in their water service using conjoint analysis covering:

- 1,000 households in July 2007
- 300 businesses in May 2008

In addition to the local research we commissioned, we have taken note of the findings of research undertaken by others including:

- Joint industry research undertaken for PR04 by MRUK
- Research by UKWIR on behalf of the DWI into customers' willingness to pay for improvements in the aesthetic qualities of water
- The PR09 stage two joint industry deliberative research undertaken by Corr Willbourn
- Research published by NERA undertaken for DEFRA investigating customers' willingness to pay for improvements to the environment
- CCWater research into customers' views on paying for water.

Key findings from previous surveys

Customers have consistently identified safety of drinking water as their most important concern, followed by reliability of service. These surveys showed our customers are satisfied with the levels of service we currently offer.

Household customers:

A clear majority of our customers indicated a significant willingness to pay more for:

- Improvements in the resilience of supply
- Replacement of lead service pipes
- Reducing the amount of water lost through leaks
- Reducing the risk of standpipes being needed during a drought

Willingness to pay for improvements varied between household customers, with the better off generally willing to pay more. Three key customer segments have been identified:

- Price Focussed (39%) – more focussed on price than service and willing to pay only small amounts to improve service
- Risk Averse (39%) – place a high value on reliability of supply and willing to pay substantially more to achieve this
- Focussed on Quality (22%) – particularly focussed on the water quality aspects of supply. Willing to pay substantially more to enable replacement of lead pipes

Non-household customers:

Over half of the non-household customers surveyed told us that water supply was critical to their business. Only 7% told us it was unimportant.

Over one fifth of respondents told us that a one hour interruption would cause major disruption to their business. This increased to over half of customers for a six hour interruption.

In terms of willingness to pay, the valuations given by non-households were similar to those for households relative to the size of bill. However, greater willingness to pay was shown for:

- Improvements in the resilience of supply
- Reducing the likelihood of discoloured water.

Incorporation of findings from other research

We have also taken account of the findings from other research. In general the findings are consistent with the findings of our own research. In particular, the importance of reducing leakage was strongly evident.

Customer feedback on our Strategic Direction Statement and Draft Business Plan

We sent out copies of our Strategic Direction Statement and Draft Business Plan to a wide range of stakeholders and made it available on our website. We also summarised the latter and got wide local coverage as an outside cover “advertorial” wrapped around local newspapers. Although few customers responded, those that did were in every case supportive.

Latest customer views

We commissioned additional research to test customer support for our final proposals in light of the anticipated overall bill increase and the deteriorating economic climate.

Further national joint stakeholder Phase 3 survey research was published in February 2009. Although largely supporting our detailed service improvement proposals individually, the results for Bristol Water were materially different from any other previous research findings. It indicated a sizeable number of those surveyed did not believe we offered good value for money at present and hence not surprisingly they were negative towards the price increases we put forward.

We have deep concerns that the Phase 3 survey sample of 277 customers in our area was not fully representative of our customer base. We therefore decided to increase the sample size in our own research and included a question that replicated the test of customers' uninformed views on the value for money of our current service.

Our expanded research covering a representative sample of 867 households was carried out in late February/early March 2009. It was therefore able to include our near final proposals for the next five years and reflect the latest possible impact of the economic recession. MRUK, an independent market research company, have confirmed their research has produced statistically valid results that we can rely on. We therefore accept the findings as the best possible and most up-to-date independent view of our proposals. The findings from this latest research follow. In terms of value for money:

Value for money of existing service	Water service MRUK	Water & sewerage MRUK	Water & Sewerage Phase 3
Very good	18%	12%	5%
Fairly good	44%	41%	32%
Neither poor nor good	17%	21%	17%
Fairly poor	7%	10%	42%
Very poor	4%	6%	3%
Don't know	10%	10%	1%

Having been told we seek a bill increase of £4 per month in real terms, customers were asked what improvements they would strike out having been given a fair estimate of the impact it would have on bills:

Option	Option cost per month	Want to retain option	Strike out option	Would pay for more investment than in plan
Reduce leakage	9p	77%	10%	49%
More plant maintenance	11p	76%	12%	47%
Fewer interruptions	19p	72%	12%	44%
Meet demand growth	11p	70%	15%	50%
Increase network capacity	18p	69%	18%	46%
Fewer discolouration events	20p	64%	21%	43%
More resilience	35p	57%	22%	41%

These results clearly demonstrate strong support for retaining the service options that are integral to our plan in full knowledge of the impact on bills.

Also clearly demonstrated is the significant numbers of customers willing to pay more than the proposed increase for investment in these key areas - above 40% in each case.

Those sampled were asked their preference between various levels of price increase and service:

Customer reaction to the proposals in our plan

Our latest survey shows strong support for our proposals –

Bill increases of more than £4 per month and see wider improvements to service	14%
Bill increases of £4 per month and have service maintained and in some areas improved (as set out in our plan)	44%
Bill increases by the minimum of £2 per month but possibly see service deteriorate	18%
None of these – presumed as wanting less than £2 per month increase regardless of the impact on service	17%
Don't know	6%

This survey is based on a fully representative sample of 867 of household customers questioned on the facts set out in this plan in February and March 2009.

These findings are closely aligned to the broadly consistent findings from all earlier research except the Phase 3 research, confirming, in our view, the doubts we held about the representative-ness of respondents interviewed in that survey.

Customer priorities for the greatest level of investment were:

Leakage reduction	38%
Avoid loss of water for over 2 weeks	22%
Reduce discoloured water events	12%
Reduce unplanned interruptions over 6 hours	11%

Summary of customer research

The various elements of customer research have a consistent theme. Customers want a safe and reliable supply of water at an affordable price.

Safe:

- fully complies with drinking water quality requirements

Reliable:

- interruptions are infrequent and rectified quickly
- continuity of supply is resilient to natural/malicious events
- water is available to meet long-term increases in demand
- reliability is particularly important for non-household customers

Affordable:

- water bills should not increase beyond customers' willingness to pay

Overall, our research indicates 44% of customers are willing to pay an increase of a third in real terms for the improved service we are proposing. A further 14% would pay more for even greater levels of investment and service improvement. We believe this would impact too heavily on those who would prefer lower levels or no increase in bills. We are responding to this latter finding by considering the issue of affordability, which we do in section 7.

In summary, our proposals have the support of customers.