From customer consultation to a culture of customer participation: THE NORTHUMBRIAN WATER GROUP AMBITION

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CONTENTS

JT THIS DOCUMENT	PAGE 4
EWORD	PAGE 5
TS FROM OUR WATER FORUMS	PAGE 6
TOMER PARTICIPATION: WHAT IT IS AND WHY IT IS NEEDED IN THE SECTOR	PAGE 8
CUSTOMER PARTICIPATION MODEL	PAGE 10
RE WE ARE ON OUR JOURNEY	PAGE 12
FUTURE VISION FOR CUSTOMER PARTICIPATION	PAGE 19
VERING OUR VISION	PAGE 29
T STEPS	PAGE 32

ABOUT THIS DOCUMENT

This document tells the story of where we are on the journey to involve customers of water and wastewater services in the design and delivery of their future customer experience.

Authentic and true customer participation is an exciting prospect for the water industry and one that can set us apart. However, there is more to do before customer participation becomes an integral part of how we all do business. We are committed to making this step change in our thinking and we see this document as an initial marker along that journey.

To help us in the task we are using the analysis provided in the 'Tapped In' report, which was commissioned by Ofwat and produced by Corporate Culture in March 2017. In addition, we are using the latest academic research into participation to challenge our thinking and make sure our future approach is groundbreaking.

In publishing our report at this stage of the journey we hope to demonstrate our ambition and commitment to customer participation as well as to contribute to the debate on how the sector can draw on the interests, points of view, experience and knowledge of customers in shaping services.

We would very much like to work with other colleagues from the water sector, or more broadly, as we move forwards towards greater customer participation, and would welcome thoughts, comments and ideas:

♥@NorthumbrianH2O, ♥@ESWH20, or email haveyoursay@nwl.co.uk.

FOREWORD

Customers are at the heart of our business. This guiding principle has directed all that we do as a company over many years, including the way in which we have consulted with customers and taken their views into account.

In the past few years, however, we have started to take our interactions with customers further - moving from consulting and listening, to something deeper and more meaningful.

This shift developed in part from the benefits we saw when we co-created our 'Unrivalled Customer Experience' strategy in 2015.

When Ofwat published its 'Tapped In' report, earlier this year, much of what it said resonated strongly with us. We support the view, set out in the report, that customer participation taps into a wider movement to connect people to the things that matter in their lives, giving them not only a voice but also more control.

This notion of control, along with trust, is key, we feel, to the sector maintaining its legitimacy in the long term.

The excitement the report's publication created prompted us to take stock of where we had got to in our own approach and to use the 'FACE' analysis in the 'Tapped In' report to identify the steps we need to take in order to place ourselves at the frontier when it comes to customer participation

Change within the sector needs to be fast paced and we are keen to share our experience and to learn from others. A collaborative approach between companies, along with customers and employees, will be helpful as we define, as a sector, what leading customer participation should look like.

There is much to be learned too by looking at the practices of leading organisations within other types of businesses.

There is no reason why those in the water sector, who supply essential services, should not aspire to become leaders in this field.

This level of change will require a great deal of commitment from the sector. However, we know from experience that customer participation leads to more creative and innovative solutions and more dynamic and meaningful relationships Importantly, the process itself helps cement the emotional and cultural connection between company and customer, leaving customers with a much stronger sense of ownership of their services and of the value of water for their everyday lives.

Heich Motham H Mottram OBE Chief Executive Officer



INPUTS FROM OUR WATER FORUMS

We have engaged with our Customer Challenge Groups, the Water Forums, on our evolving customer participation story. We held a working session with the Forums in June, where we shared details of the FACE framework for customer participation, and explored members' views and experiences on the subject.

The session provided an opportunity for members to challenge the company and to identify any areas where they felt customer participation can and should be strengthened.

Forum members provided very valuable inputs and made a range of contributions. For example, members pressed us to find out more about why some customers do not wish to engage – to understand what might act as barriers to engagement. Similarly members discussed how we might identify what is likely to motivate customers into more participative relationships. Other helpful contributions included the direction to use more positive and active language, as this tends to lead to active engagement.

We will continue to share our participation strategy with Water Forum members and to incorporate their challenges and insights into our work in this area.

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CUSTOMER PARTICIPATION WHAT IT IS AND WHY IT IS NEEDED IN THE SECTOR

We believe that greater customer participation and co-creation within our own business, and for the sector as a whole, makes sense for a number of reasons:

Customer participation is "the active involvement of customers in the design, production, delivery, consumption, disposal and enjoyment of water, water services and the water environment in the home, at work and in the community.

It is an attempt to connect people to the things that really matter in their lives... to give them more control."

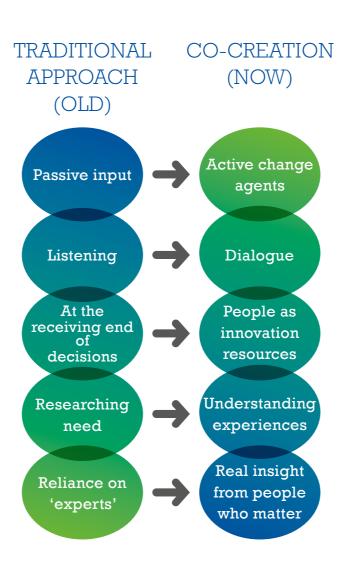
('Tapped In', Corporate Culture/Ofwat)

Launching the 'Tapped In' report earlier this year, Ofwat's CEO Cathryn Ross called on companies to "think differently and more radically" about how they view customers.

Rather than seeing customers as passive recipients of services, the sector should see customers as active participants, who have knowledge, skills and creativity that can identify issues and opportunities and help find ways to do things better. This might include, for example, making improvements to the local environment, saving water or improving customer service.

The opportunity exists for companies to build on the engagement they undertook at PR14, and to innovate. This will deliver a stronger sector, one that commands the trust of customers and is ready for the future.

We agree that customer participation helps to unlock value and build trust. Last year, as part of our 'Unrivalled Customer Experience' strategy we published our own assessment of the difference that greater participation brings.



ENGAGING CUSTOMERS IN SHAPING FUTURE SERVICES WHAT ARE THE BENEFITS OF CUSTOMER PARTICIPATION?



Customers and communities have local knowledge and expertise that can be channelled to solve problems and identify innovative approaches.

Active participation changes the dynamic, bringing a creativity that simply does not exist when customers are being consulted on a predetermined range of options.

Customer participation can generate widespread behaviour change, particularly when the sector works together on common issues.



As customers become more engaged, so does their understanding of the role the sector plays, their ownership of the issues it faces, and their appreciation of the value of water



Customers sit at the centre of the water and wastewater value chains. This approach recognises that fact by putting them fully at the heart of decision-making



Finally, water and sewerage companies have relatively long-term relationships with their customers. Embedding customer participation acknowledges this and, over time, should help to reinforce customer trust and confidence.

THE CUSTOMER PARTICIPATION MODEL

Ofwat's 'Tapped In' report highlights four strategic areas where action can be taken to increase customer participation, each with its own objectives, engagement techniques and principles for delivery. They are:

FUTURES:

customer participation to improve the current and future sustainability of water in the lives of customers.

ACTION:

customer behaviour change actions, including saving water and helping to reduce sewer blockages.

community ownership of particular aspects of water as an essential resource.

EXPERIENCES:

increasing customer control of water in their home and of the customer experience.

The model is a helpful basis to explore and assess the opportunities for and benefits of increasing customer participation.

COMMUNITY:

WHERE WE ARE **ON OUR JOURNEY**

Our commitment to customer participation is evolving rapidly, in part as a natural development from the process we went through at PR14 to engage more directly with customers, and the benefits that emerged from that.



One of our first steps on the customer participation journey was the co-creation, during 2015, of our customer experience strategy.

CO-CREATING OUR 'UNRIVALLED CUSTOMER EXPERIENCE' STRATEGY

To create the strategy we engaged with customers, including those in vulnerable circumstances, supply partners and employees through a number of highly interactive workshops across the areas we serve.

The strategy output reflects the ideas and experience of the hundreds of committed people who contributed, and is very different from what might have been produced had we developed our thinking in isolation.

Co-creation is now a key principle of how we develop all aspects of experience for our customers.

Through the process customers told us that the key priorities for them were:

- Showing each customer that they are special.
- Taking personal ownership for customers' problems.
- Keeping our promises.
- Making it easy.
- Keeping it local.

Perhaps most surprising was the finding that customers wanted to 'keep it local', valuing the role we play in their communities and the long-term nature of our presence in their lives.

One of the ways in which we have listened to customer feedback to 'keep it local' is through our investment in 'Flo', a customer engagement vehicle. Flo allows our Customer Heroes to get out and about across our regions, having conversations with customers who might never dream of joining a focus group or filling in a survey.

By using Flo we are able to reach more than l million customers every year. This includes customers in harder to reach rural communities, whose challenges and priorities are often very different from those of customers who live in towns and cities. We get great feedback from customers about Flo – around 94% say they agree or strongly agree that Flo is a good way for us to communicate with our customers.

Flo also helps us encourage changes in behaviour that benefit all customers, such as using water more wisely and being careful about what can go down the drain. Many customers use the opportunity too to sign up to our priority services register and for support tariffs - so great business benefits too!

Co-creation has become second nature for us, with customers shaping how investments are made and experiences are delivered. It was therefore a given to build on this when we started thinking about our PR19 business plan engagement.

DEFINING THE CONVERSATION

We decided that at this price review we would begin by having completely open conversations with customers about:

- What matters most to them about the services we provide.
- Which areas of the business they would most like to influence.
- The best ways for us to engage with them.

The qualitative, explorative conversations we had were quite unlike the more traditional research we had carried out in the past. They also yielded interesting insights.

Through customer workshops, focus groups, digital and one to one engagement we heard that customers were less interested in aspects of the delivery of water and wastewater services which they consider to be a core offering. There were other areas where customers were looking to have much more say and influence, such as customer service, value and trust.

This shift in customer expectations is a marked change from our experience at PR14. It also reflects the view given by Cathryn Ross at the launch of 'Tapped in', where she noted that customers increasingly want to have a say on more than simply the core service offering.

OUR FINANCES EXPLAINED

A more recent example of our evolving participation approach is the co-creation workshop we recently held with customers around issues such as profits and tax.

Our customers told us they were interested in understanding more about our finances during our 'defining the conversation' work. So we set up a participatory session in Newcastle, attended by our Finance Director and other members of staff. The discussions provided valuable insights into what customers knew and what they were interested in, and there were some surprises for us.

For example, customers did not at first understand why we should need to borrow money even though we are making a profit, or that we are required to pay tax.

Customers told us that they liked our simple presentation of how much of their bill, in pounds and pence, goes towards different types of expenditure (such as staff, materials, interest, profit and energy) each day. They were much less interested in where the spending is directed, such as for sewage collection and water resources.

The discussions helped us to improve the bill breakdown infographic that we provide with bills, and to create a specific 'Our Finances Explained' section on our websites.

It gave me a positive perception because money is going.

Workshop attendee

WHERE YOUR MONEY GOES





OUR FUTURE VISION FOR CUSTOMER PARTICIPATION

Our vision is to reach millions of our customers. We are seeking to build on our positive experiences of customer participation to date, and have been considering the cultural changes and practical steps we need to take to truly make this an instinctive part of how we do business. In doing so we have been conscious of the need to make sure that the actions we take are aligned to both our commercial and our resilience objectives.

To help us move forward we held an all-day workshop earlier this year, led by Corporate Culture, and attended by colleagues from across the business.

Over the course of the day we used the FACE model to analyse the full range of activities that we currently undertake in engaging with our customers – from the smallest, highly localised schemes to full company-wide initiatives.

In this way we identified the projects that we felt illustrated the benefits of customer participation well. They included the case studies set out on pages 20 to 27:

FUTURES – the Innovation Festival 2017 ACTIONS – the Water Rangers COMMUNITIES – Every Drop Counts EXPERIENCE – Make My Day We explored how we could take customer participation even further. We realised that while we are undertaking much that is genuinely participatory, we need to build stronger foundations to underpin that activity.

We wanted to:

- Develop a deep understanding of customers.
- Improve the customer experience.
- Involve customers in creating a resilient future.
- Use customer participation as a way to help us achieve our business objectives.

At the workshop we challenged ourselves as to how the business could translate the work we had done so far into a more fundamental change in culture, through the development of a customer participation strategy combined with greater employee engagement around participation.

FUTURES THE INNOVATION FESTIVAL 2017

In summer 2017 we held a truly unique event, which brought together major national and global companies to work with other businesses, universities, schools, stakeholders and our customers to co-create solutions.



During an intensive five-day period participants explored some of the biggest social and test solutions.

test the viability of an idea, product or feature. We have used them within the business since 2015 the final design.

stakeholders and our people, who considered:

- by IBM.
- by Microsoft.



- A session to consider how smart technology 2030, hosted by CGI:
- cities and communities with Ordnance Survey.

To encourage free thinking, we created a relaxed village and putting on music and activities such as yoga and mindfulness. We also introduced a schools challenge where young people designed the teenagers' bedroom of the future. Around 400 full five days.

During the course of the week, almost one key projects that are now being taken forward for further development. Some of the ideas included:

Prof Roy Sandbach Chair, Innovation Board,



This festival is a fantastic example of open backgrounds – all with a common desire to find with 'what's needed' through a multi-sectoral and

The festival format, embracing science and culture, at the boundaries of science, art, design and engineering. Finally, I was especially happy to see young people actively involved – they, more than customers of the future.





Peter







I felt it was a brave decision to allow customers and congratulate those with the foresight to invite 'the customer' to contribute to help shape the service in the future. This experience with the difficulties they face and the contact with staff the solutions.

Keith

A Northumbrian Water customer



ACTION THE WATER RANGERS: WORKING WITH LOCAL PEOPLE TO PROTECT THE REGION'S WATERCOURSES

The Water Rangers initiative involves volunteers from local communities who regularly monitor routes next to streams, becks, burns and bathing waters more vulnerable to pollution across the North East.

Volunteer Water Rangers look out for suspected pollution and report their findings so that any potential issues can be dealt with quickly, minimising the impact on the environment and wildlife.

They also report on third party issues such as fly tipping, fallen trees, abandoned shopping trolleys and missing life buoys so that this information can be passed on to relevant authorities to take action.

In this way members of the community are part of the solution when it comes to maintaining water quality. The initiative won the Water Industry Achievement Award's Community Project of the Year 2016. Since the initiative was launched in 2014, more than 3,100 patrols have been completed by volunteers, with over 180 issues reported. Encouragingly, three-quarters of the original volunteers are still involved with the initiative and the latest mood survey results (February 2017) shows the highest Net Promoter Score to date of +85.

A successful example of frontiership when it comes to customer participation, over the last eight months, the team has more than doubled to 64 volunteers. In addition, it is fantastic to see some mini Water Rangers coming through into the team, including children as young as five.

Partnership working with organisations such as the region's rivers and wildlife trusts has really blossomed and we are continuing to explore cross-volunteering opportunities to support one another. Water Rangers is an inspiring example of what is possible when you engage local communities in the management of the water environment. The sense of ownership and pride that these rangers have for their local environment is palpable. This sort of scheme doesn't just save money on water bills. By drawing on the local knowledge of Water Rangers as their eyes and ears, Northumbrian Water is able to obtain higher quality information faster than would otherwise be possible.

It is a win-win for the local communities and water customers. I have studied environmental governance and public participation around the world, and I view Water Rangers as an example of best practice when it comes to community engagement.

Prof. Mark Reed

Professor of Socio-Technical Innovation, University of Newcastle

COMMUNITIES EVERY DROP COUNTS: A WHOLE TOWN APPROACH TO WATER EFFICIENCY

We have found that there's a lot to be gained by working with a whole community, particularly when it comes to behaviour change.

We designed this award-winning water saving campaign to be genuinely different from the offset, in that it offers customers in a single area the chance to participate in a range of initiatives that are usually delivered at different times and places throughout the year.

We offer wide-ranging water saving schemes and use a combination of targeted advertising and community based marketing to maximise participation.

A key element is the offer to households of a free plumber-led home retrofit that is worth more than £130, which encompasses not only retrofitting of products but also direct engagement with the customer to bring about long-term behaviour change.

We first trialled the whole-town approach in 2014 and have been refining and improving the process since then. For example, after the scheme had been running for a couple of years we undertook customer research to understand how we could increase participation rates.

We got feedback that time was precious and that the 'morning' or 'afternoon' slots we were offering for an audit visit were too open-ended. We therefore introduced two-hour appointment slots for all of our visits.

We also heard that our more general flyers were easy to ignore so to make our information stand out we made it much more bespoke to customers - addressing them by name with a post-it note and tailoring what we were offering to their own circumstances (for example whether or not they have a meter and/or garden).



Since the initial trial we have completed more than 18,000 home audits in six towns, saving a total 388,000 litres of water every day across the company. We have also undertaken more than 150 audits with business customers. Recent analysis has shown that the retrofits we deliver bring long-term and sustained water savings.

The fact that the campaign is directed towards one town over one summer period helps build a buzz which, along with partnering with local community groups, enhances participation levels and in turn delivers higher water savings. This entrant demonstrated the benefits of multiple approaches.

and measurable.

Judges commentary, 2017 Water Industry Achievement Awards

EXPERIENCE #MAKEMYDAY

From our engagement with customers to create our strategy for our unrivalled customer experience, we knew that customers want to be made to feel special.

One of the ways that we have done this is through #makemyday - a week of activity to coincide with Customer Service Week. In October last year we went out into communities to surprise customers and community groups with treats and gifts to 'make their day'.

In advance of our activity, we asked our customer and employees for nominations. Throughout our #makemyday week we gave gifts to customers who had been nominated by friends, family or neighbours. This included a gift of £500 for Taylor who has severe cerebral palsy and wanted a beach wheelchair so he could enjoy visits with his family. Violet, who is 92, asked for someone to take her out for fish and chips as she has no family and was lonely. One of our managers showed her the sights of Great Yarmouth and they both had a great time. We also surprised a number of community groups with gifts, including taking 22 community café volunteers with learning difficulties for a five-star afternoon tea treat. As well as these bigger surprises we took our community engagement hub, 'Flo' to a different location each day and did special lucky dips for residents on their high streets. By the end of the week, we had 'made the days' for more than 2,000 customers.

This unique initiative is now firmly established in our customer participation calendar, helping us to deepen relationships with our customers and the communities we serve. Critically it is building on our already industry leading* levels of trust while also enhancing confidence in the sector.

*Annual Water Matters 2017 research by the Consumer Council for Water.



DELIVERING OUR VISION

We are committed to continuous improvement and have challenged ourselves to increase customer participation in co-imagining and co-creating the future with our customers, employees and supply partners.

In order to do this in a more structured way we have identified a number of initiatives that we will now progress within each of the four FACE areas.

We have included examples below.

FUTURES *The Innovation Festival 2018*

Following the success of our first innovation festival earlier this year we are committed to holding another festival in 2018.

Once again we will work with major global and national innovators, and with members of the public and other stakeholders, to tackle key problems in a true festival environment.

The festival is likely to include sprints and data 'hackathons' focusing on the value of water and the customer experience.

ACTIONS Influencing behaviour change through 'Love your Drain'

Drain blockages cost the company around $\pounds 1$ million a year, and of the 18,000 blockages we clear each year, more than half are avoidable

Our 'Love your Drain' campaign, spearheaded by the campaign character Dwaine Pipe continues to grow, educating customers about the causes of blockages and what can and cannot be disposed of down the toilet and sink. Dwaine Pipe uses multiple education and communication methods to pass on his messages, which has now been heard more than 15 million times in the North East.

Working with our customers in this way has had a real impact on reducing the number of unnecessary sewer blockages caused by material such as baby wipes, fats, oils and grease.

In particular, our innovative work with schools and food outlets is helping to change customer behaviour. For example in one local area of Darlington blockages have fallen by 24%.

We are committing to increasing investment in the Love your Drain campaign by ten-fold by 2020.

COMMUNITIES *Creating collaborative communities*

As part of our commitment to generating active participation, we are pledging to develop 'collaborative communities' and will publish a challenging target that will see us involving millions of customers.

Our ambition is to ensure that customers who actively participate through this initiative are broadly representative of the diversity of people we serve. Both individual and collaborative community input will be included in our participation activities and targets. A particularly important element of this initiative is to collaborate with other service providers – giving our customers and communities a more joined up service offering of water, health, multi-utility and lifestyle choices.

The idea for this initiative was co-created with our customers during customer engagement and co-imagination sessions held in August 2017.

As a first step we are seeking to appoint a customer and community collaboration lead. Their focus will be to build on the community partnerships that already exist and to develop new ones. Finally we understand that communities encompass not only communities in the traditional sense but also communities of interest and we will be using digital channels where possible to support those groups.

EXPERIENCE Our digital roadmap investment

With 8 million unique page views to our websites in 2016-17, we know that many of our customers want to engage through digital channels. At the moment customer journeys are not always being completed digitally end to end, with some customers moving onto analogue channels at some point.

Sometimes customers have to complete tasks off line or are directed to a phone number. This means we are directing customers away from their preferred channel. As a business we are investing in an ambitious move to digital capabilities which will substantially improve customer experiences and strengthen the resilience of our services.

The roadmap we designed is based on a 10-week collaboration with customers using workshops, pop up surveys and using our engagement vehicle 'Flo' in various locations across our areas. These workshops helped us to identify friction points and future state customer journeys in the areas of billing, moving home and reporting a problem (such as a leak). The investment we are making will deliver much higher digital interactions (50% of interactions starting and ending on digital channels by 2020, and at least 75% by 2025), key journeys available end to end, and an unrivalled and personalised digital experience.



NEXT STEPS

Looking ahead, we plan to make sure that customer participation is part of our DNA and reaches across all parts of our business. This work is focused around three areas in particular:

- Taking our customer engagement strategy further.
- Engaging with employees.
- Developing our strategy for inclusivity.

TAKING OUR CUSTOMER ENGAGEMENT STRATEGY FURTHER

We are putting plans in place now to develop our existing research and engagement strategy for PR19 so that it becomes a strategy of customer participation.

We held a workshop with customers in August where we explained our aspiration for customers to participate in developing our products and services. We explored with customers how they thought we could achieve this and discussed a range of approaches – from crowd sourcing ideas and solutions to offering apps for customers so they can provide on-line, real time feedback. We are building on these initial discussions now and will finalise our participation strategy in early 2018.

Our plans include greater connection through our online communities and through wider use of our customer engagement vehicle, 'Flo'. In the last year we reached more than one million customers in these ways and we expect to build on this figure next year. Flo allows for face-to-face interactions with our hugely diverse customer base, which

research has shown is really important to our customers. Using Flo also allows us to hear the thoughts and ideas of our diverse customer base, including in remote rural communities.

EMPLOYEE ENGAGEMENT

We want to make sure that customer participation is embedded across the business:

- Our business has a strong tradition of employee involvement in the community. We plan to tap into this by setting up volunteering opportunities for employees to engage with customers around services.
- We are already developing a Northumbrian Water Group Academy, working with schools and colleges, to raise the profile of careers in the water industry. We are taking this further by exploring opportunities for employees to work with students in co-creating materials for the Academy.
- As a final example we are exploring opportunities for customers to solve other customers' problems. This approach is used

Examples such as this will be supported by detailed internal communications plans - to share stories about customer participation, to recognise those who use customer participation, and to share the positive impacts that active involvement has had on the delivery of services.

DEVELOPING OUR STRATEGY FOR INCLUSIVITY

We aim to treat all customers fairly and to provide an excellent experience, no matter what circumstances they may be in. We have been developing our Unrivalled Customer Experience Strategy so that it becomes inclusive for all customers. We engaged with customers, employees and stakeholders through six co-creation workshops, where we explored what excellent service looks and feels like to customers in vulnerable circumstances. This helped us develop our vision, which is to provide a customer experience that is right for each and every customer.

by other businesses, including the mobile phone company Giff Gaff, and would require employees to work closely with customers as they develop their skills.

We identified a number of projects that we will deliver by 2025, including working with financial and health support organisations to share information so that customers get the support they need when they need it. As part of our company-wide 'Just an hour' programme, we will sponsor additional training of employee volunteers in debt advice and financial inclusion.

We are finalising our strategy now and will publish the final version early in 2018.



We hope that this report has provided some practical examples of customer participation in action.

We will continue to share our own experiences and will report back on our own progress on the journey early in 2018.

In the meantime we would very much like to hear from any customers, companies and industry parties who have similar stories or wish to share lessons learned.

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Northumbrian Water Group operates as Northumbrian Water in the north east of England and Essex & Suffolk Water in the south east.