Customer Satisfaction Tracking; 2008-09

Final Report

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Executive Summary

- The vast majority of customers (90%), are either satisfied or very satisfied with the water services provided by STW and there has been little change from previous waves

- There are also strong satisfaction ratings with the waste water services provided by STW; over four fifths being satisfied or very satisfied

- The proportion of respondents who contacted STW in the last 12 months is consistent with previous waves, around 10%, and most of these contacts were by phone. Although the base sizes are small only about 50% of respondents felt their problem was satisfactorily resolved

- Value for money ratings have remained relatively consistent with past waves of research, with just over half of both samples saying that STW provides good/very good value for money. People were not that aware of the amount of investment carried out by STW, so it is not surprising that value for money ratings are at their current level

- Just over half of both samples thought their bills were affordable but there was a quarter of face to face respondents who did not think they were affordable

- In terms of STW's responsibilities towards the environment there were around 40% of people who thought it should be focused on reducing leaks. When asked if they were aware of anything that STW was doing, only about 10% knew they were reducing leaks. Almost one third of customers said STW was doing nothing.

- Virtually everyone thought conserving water was important and a high proportion of customers, over 80%, said it was acceptable for water companies to ask customers to use water efficiently. Ratings on this attribute increased for the fourth time in a row, to a mean score of 4.2

- There were varying proportions of respondents with different water saving devices in their homes. The most common devices to be found were energy and water efficient washing machines, followed by dual flush cisterns. Between a quarter and one of third of respondents reported having water meters, while just over one in ten said they had a Save a Flush bag or some other similar device.

- People seem to be more proactive in their actual behaviour than they are with water saving devices. More than three quarters of respondents took showers instead of baths, as well as only using washing machines with full loads. Between two thirds and three quarters also said they turned taps off when brushing their teeth.

- In terms of information requirements about a quarter of all respondents wanted information about using water more efficiently. Face to face respondents seemed particularly interested in understanding more about 'why the prices are increasing', 'where the money is going' and improvements over the last 12 month; these findings back up recent qualitative work where customers have said they want more of this kind of information. Around a third of respondents said they did not want any information

- Television and a bill insert are perceived as the two most effective ways of communicating with people; the latter being at odds with recent focus groups in the last 18 months. STW's approach of adopting new media communications channels seems justified as there are between 10% and 20% saying that email and the website is the most effective way of communicating

- Less than one in ten said that the Source Magazine was one of the two most effective ways of communicating with customers. This is hardly surprising given that 65% of customers do not recall receiving it.

- Generally people are unlikely to use text messaging as a means of communicating with STW because they want to speak to a person or they just not interested. They are however, more likely to carry out basic transactions on the internet such as change of address', 'paying the water bill', 'providing water meter readings' and 'checking account details'.

- Overall, just under a half of all respondents recalled seeing or hearing something about STW, which is a significant increase on the previous three phases and is comparable to the July 2006 data. A significantly higher proportion of customers remembered hearing about STW across a range of media channels, where television and local and national newspapers were the most frequently mentioned mediums

- Highest media story recall was about leakage, the Serious Fraud Office and the Ofwat fine. Unfortunately none of these stories had a very positive affect on customer perceptions with well over half the total sample saying they had no affect on customer perceptions, and between 30 and 45% saying their perceptions had worsened

- Generally respondents are unlikely to switch supplier; however, in contrasting the mean scores with previous waves, the latest wave indicates a greater likelihood to switch – 2.1 to 2.9. The main reason for people thinking about changing supplier, given the opportunity, is price driven as between two thirds and three quarters of all respondents would switch for a cheaper, more competitive price.

- Perceptions of Severn Trent Water in the last six months have generally remained unchanged and overall the image of Severn Trent Water could be described as above average.

- Overall perception comparisons with other organisations show STW in quite a positive light; however, there are a high proportion of 'don't knows' which means some of these findings should be treated with care.

- The data has shown that the two approaches – face to face and telephone – produce very compatible results though the telephone survey looks to provide typically improved findings for STW. We believe that the telephone survey is, however, more likely to provide a representative customer sample as a face to face approach will in its very essence comprise a level of clustering.

1. INTRODUCTION

1.1 Background

Severn Trent Water (STW) is one of the largest water and wastewater service providers in the UK, serving a population of over 8 million customers. Understanding customers' perceptions around different aspects of its service is essential for monitoring performance over time and identifying areas for increased focus.

STW operates within the regulated UK water industry where regional monopolies exist and where OFWAT measures and compares company performance, ensuring the delivery of a high quality service and good value for money to customers.

In line with its identified aim of being the best water and waste company in the UK, STW carries out a programme of market research that will play an increasing role in delivering this goal through helping identify customers' priorities and expectations to assist in business planning.

Customer tracking will also play a valuable part in assessing Severn Trent's performance in delivering investment and customer service objectives. STW has a long history of customer tracking even though the emphasis, size and scope of the research has changed over the years.

STW has commissioned Accent to undertake its customer tracking study for 2008-09.

1.2 Objectives

The overall purpose of this customer tracking research is to communicate performance internally to directors and senior managers and externally to OFWAT and CCWater.

The primary objectives of the tracking study are to:

- Measure perceptions of core service, including
  - quality of drinking water, taste, appearance, hardness and pressure
- Measure perceptions of customer service
  - including levels of contact, what it was regarding and satisfaction
- Measure perceptions of value for money
- Identify attitudes towards water conservation – including leakage
- Understand the number of customers experiencing problems and identify the type of problems these are
- Measure trends for STW's key performance indicators

The secondary objectives of the tracking study are potentially to:

- Benchmark STW's image against other leading non-water brands
- Measure recall of media stories and their impact on the brand
- Explore awareness and attitudes towards the company's Corporate Responsibility work, including education and environmental work
- Investigate opinions of stwater.co.uk and propensity to use it.

1.3 Report Structure

The report is based on the following structure.

- Executive Summary – highlights the key issues to emerge from the customer tracking study
- Section 1 – provides detail about the background and objectives
- Section 2 – explains the methodology and sampling strategy, as well as detailing issues related to questionnaire design and administration and the pilot
- Section 3 – details the findings from the face to face and telephone surveys
- Section 4 – conclusions and recommendations
- Appendices – copies of questionnaires

2. METHODOLOGY

2.1 Introduction

Accent recommended a twin methodology where part of the sample utilised a face-to-face methodology and the other part used a telephone approach. This methodology is planned to last for 12 months to take account of any seasonal variations and to understand what differences exist, if any, between the two methodologies. If the differences are minimal we suggested migrating to a telephone approach for the second year of tracking and use that as the basis of moving forward for future tracking studies. If however, there are significant differences as a result of not maintaining the current face-to-face approach we would suggest maintaining the original approach.

Based on our experience Accent believes such an approach gives more credibility to any changes in the research programme, enabling it to stand up to external scrutiny, and in particular ensuring that the survey can meet the requirements of being auditable and accountable, thus meeting the requirements of both OFWAT and the June Return auditor each year.

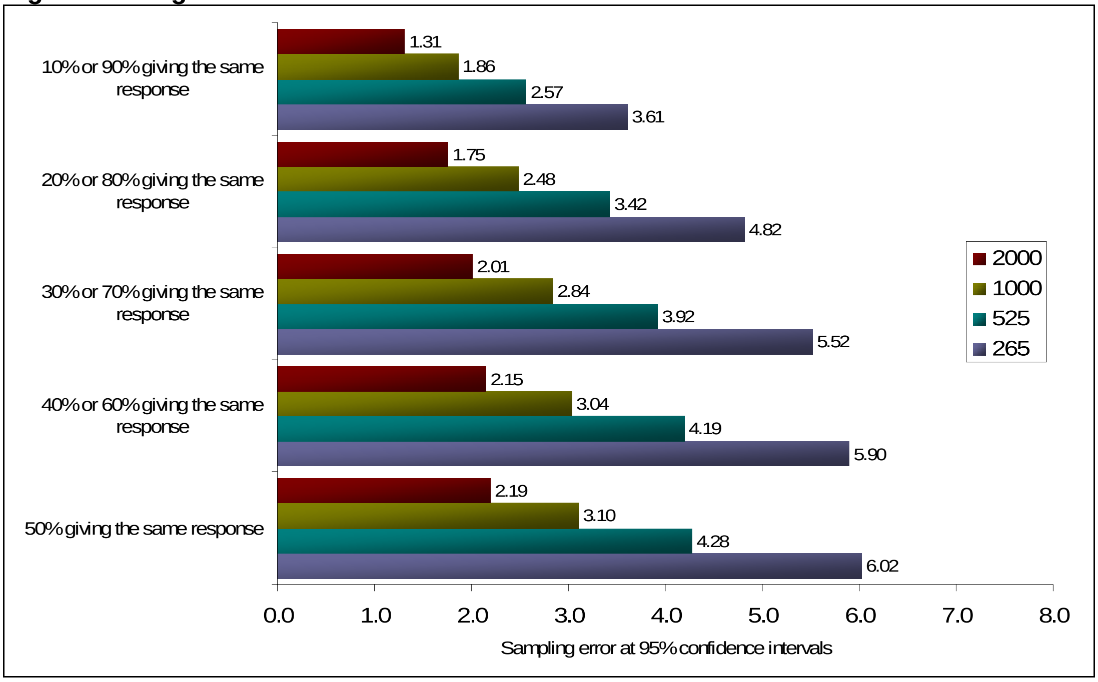
2.2 Sample Size and Representation

The significance of the data is based on a number of variables, for example:

- size of population
- size of sample
- what degree of significance is required – for example 95% or 99% confidence limits
- the proportion of the sample giving a particular answer.

Figure 1 below shows the margins of error for different proportions (at the 95% level) for different sample sizes ranging from 265 to 2000 is shown below.

Figure 1: Margins of Error at 95% Confidence Level



The above graph shows the margins of error for different proportions (at the 95% level) for the different total sample sizes suggested above. For example, if the sample consisted of 1000 respondents and 40% agree with a statement, then we can say with 95% confidence that the true proportion in the population as a whole that agree with the statement is 40% ± 3.04% (that is between 36.96% and 43.04%).

After discussions with Severn Trent Water it was decided to use different sample sizes depending on the methodology. In total therefore, 525 face-to-face interviews and 265 telephone interviews were undertaken. A representative cross section of STW customers was made by social grade and age groups and the recruitment procedures also ensured a good geographical spread including rural and urban representation.

To ensure that all respondents were in scope for this research, contacts were asked a number of screening questions including whether their water supplier was Severn Trent Water. Respondents who were either unsure of their water supplier or who simply did not know that their water supplier was Severn Trent Water were excluded from the research.

Face-to-Face Sampling

Accent put together a representative sample using census data. Based on previous studies for STW, we developed a very sophisticated sample frame to ensure a robust representation of Severn Trent's population as a whole.

Telephone Sampling

Accent recommended a Random Digit Dialling (RDD) approach for the telephone interviews. This technique allows a random sample either of people or households to be recruited by telephone. A sample of domestic telephone numbers was selected from the telephone directory and this list of telephone numbers then formed the basis of the sample.

2.3 Questionnaire Content

Accent carried out an audit of how the current set of questions fit into the KPIs, Strategic Intentions, DG and GSS standards. This was followed by a meeting with STW management to understand the business requirements from the tracking survey in order that the outputs would be used to inform future business strategy.

The structure of the questionnaire was as follows

- Background questions
- Satisfaction with water and sewerage services
- Customer contact
- Internet and bill management
- Environmental issues
- Water conservation
- Prices, affordability and competition

- Communications and branding; and
- Demographics

2.4 Questionnaire Administration

Both the telephone and face-to-face interviews were conducted on computers for the following reasons:

- interviews were customised to the individual respondent by carrying forward data from previous answers to be used later in the questionnaire
- routings were automatically followed, simplifying the interviewer's task and eliminating potential error
- more open-ended questions could be included allowing for probing and exploration of issues
- it is a very cost effective methodology.

The final questionnaire was submitted to STW for approval prior to being used and the average length of interview was about 17 minutes.

The respondent was the person within the household who was solely or jointly responsible for paying the bill. A screening question was used to ensure that the most appropriate target was selected for interview.

2.5 Pilot

Accent recommended a small pilot of 20 interviews to be conducted and evaluated in advance of the main fieldwork activity to test the following:

- the clarity and flow of the questionnaire
- the appropriateness of the language used
- the accuracy of all routings
- the interview duration
- the survey hit rate

The results of the quantitative pilot showed that the questionnaire worked well and that except for a couple of small question edits, the questionnaire could be used for the main survey.

2.6 Data Processing

Accent undertook all data preparation, processing and analysis in-house. All the questionnaires were checked for completion before analysis took place.

Data was first processed through range and logic error checks. Analysis was then undertaken using SPSS and output was in the form of tables (SPSS for Windows analysis files or Excel) or as raw data (SPSS for Windows analysis files, Excel or ASCII database files).

3. FINDINGS

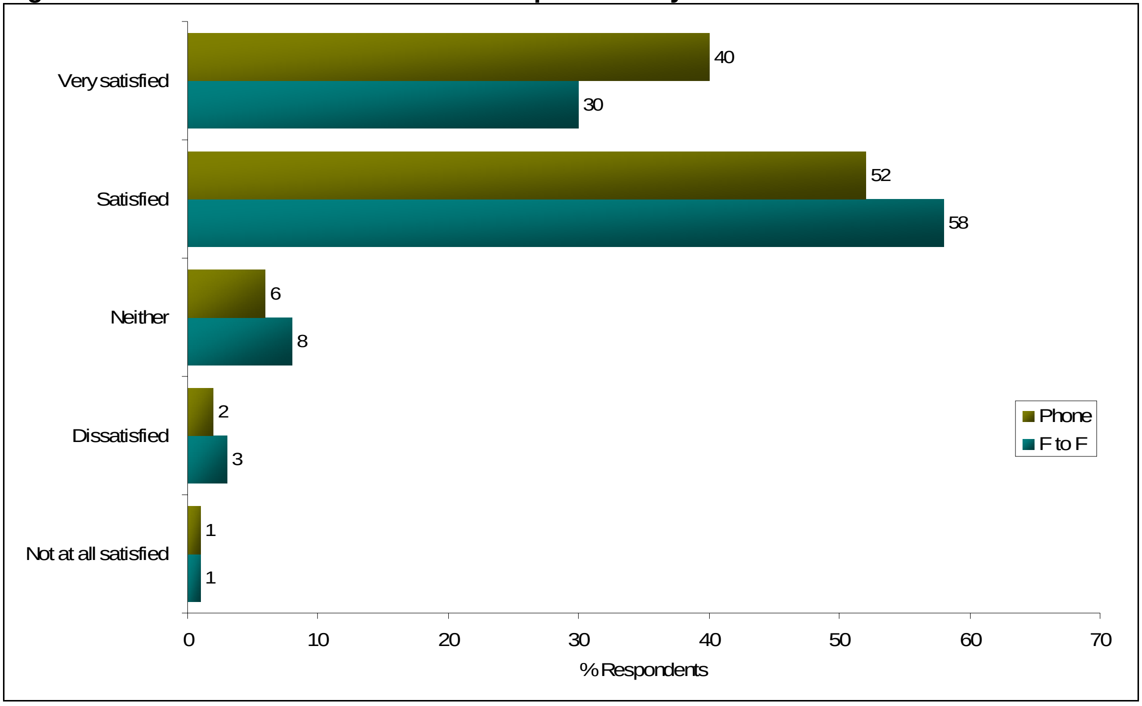
3.1 Introduction

This section details the findings of the first phase of the 2008-09 customer tracking survey and compares the findings with the previous five waves as well as contrasting any differences and similarities between the face-to-face and telephone methodologies.

3.2 Satisfaction with Drinking Water

Overall, the vast majority of customers, around nine tenths, are either satisfied or very satisfied with the water services provided by STW regardless of methodology. However, Figure 2 below shows that a greater proportion of telephone respondents were very satisfied compared to face to face respondents, 40% and 30% respectively. It should be noted that the differences between CATI and CAPI respondents are statistically significant.

Figure 2: Satisfaction with water services provided by STW



Base – all respondents

In comparing drinking water attributes with previous phases in Table 1 it is worth noting that some of the attributes have been amended; in particular, the taste attribute includes smell, and appearance has been changed to colour. In addition, continuity of supply and leakage are two further attributes that have been included in this survey.

Like for like comparisons show some differences from past phases especially where hardness and pressure are concerned; the mean scores of these attributes have increased from 3.5 to 3.8 and 3.9 to 4.2 respectively.

There are also some differences between CAPI and CATI respondents where the latter, with the exception of hardness, provide generally higher ratings. In most cases these differences are statistically significant.

Table 1: Ratings of individual water supply attributes

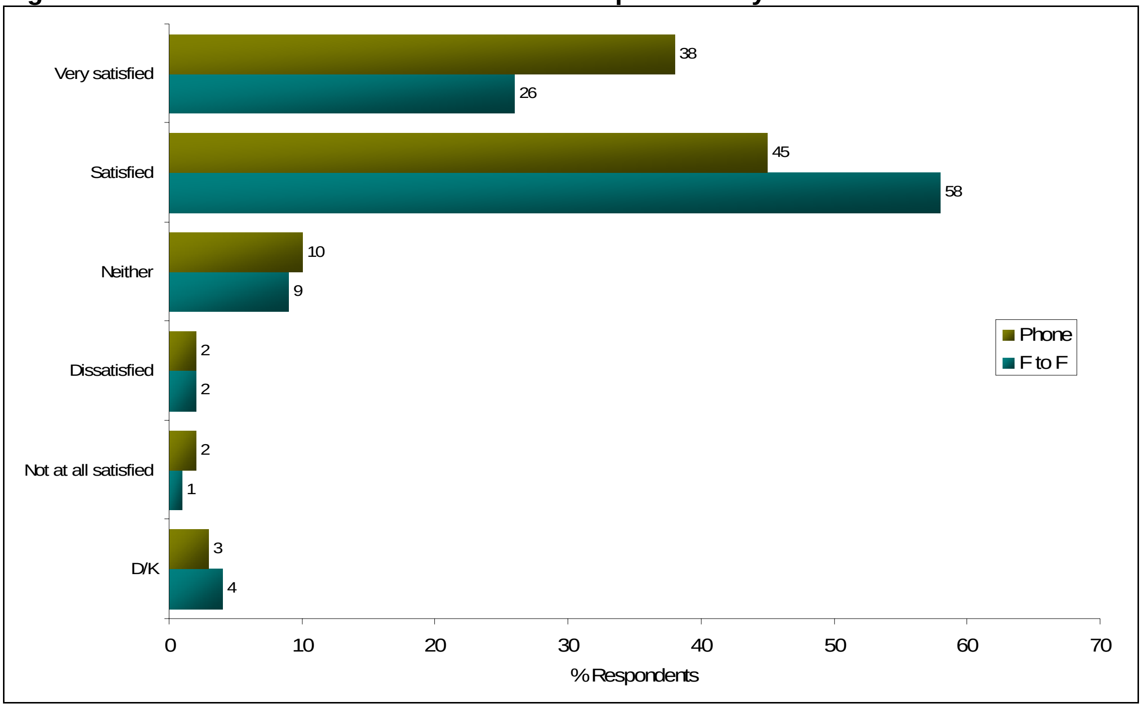
	Jan-06	Jul-06	Jan-07	Jul-07	Jan-08	Jul-08 F2F	Jul-08 Tel
Taste & smell	4	4	4.1	4	4	**4**	**4.1**
Appearance/colour	4.2	4.2	4.2	4.2	4.1	**4.2**	**4.4**
Hardness	3.6	3.5	3.6	3.5	3.5	**3.8**	**3.6**
Pressure	4	3.7	3.9	3.9	3.9	**4.2**	**4.3**
Continuity of supply						**4.4**	**4.5**
Leakage						**4.2**	**4.3**

Base – all respondents
Red = statistically significant

3.3 Satisfaction with Waste Water Services

Satisfaction with waste water services was not really asked about in previous surveys but overall there are strong satisfaction ratings with over four fifths being satisfied or very satisfied with the sewerage services provided by STW. Again, there was a higher proportion of telephone respondents who were very satisfied, 38% compared to 26% of face to face respondents. There were no significant differences between CATI and CAPI respondents on the waste water attributes.

Figure 3: Satisfaction with waste water services provided by STW



Base – all respondents

In terms of specific waste water attributes, Table 2 below shows little difference between ratings of the various attributes for both of the methodologies; suffice to say that all of the attributes received strong levels of satisfaction.

Table 2: Ratings of individual waste water supply attributes

	Jul-08 F2F	Jul-08 Tel
Reducing smells from sewage treatment works	4	4
Maintenance of sewerage pipes & treatment works	4	4.1
Minimising sewer flooding	4	4
Cleaning waste water properly before returning to the environment	4.1	4.2
Reducing pollution incidents	4.1	4

Base – all respondents

3.4 Contact with STW

As with previous surveys respondents were asked about any contact made with Severn Trent Water during the previous 12 months. Table 3 shows consistency with previous waves in relation to face to face respondents. A slightly lower proportion of telephone respondents said they had contacted STW in the last 12 months.

Table 3: Have you ever had reason to contact them with a complaint or query in the last 12 months?

	Jan-06 %	Jul-06 %	Jan-07 %	Jul-07 %	Jan-08 %	Jul-08 F2F %	Jul-08 Tel %
Contact with STW in last 12 months	18	15	13	16	13	**13**	**10**

Base – all respondents

The reasons for respondents contacting STW are shown in Table 4 below.

Table 4: What was the reason for your last contact

	Jul-08 F2F (n)	Jul-08 Tel (n)
Water quality issues	2	14
Water availability issues	3	4
Issues relating to the bill	20	7
Sewerage issues	7	3
Other	34	11
BASE	**66**	**26**

Base – Those who contacted STW

Of the 92 respondents who contacted STW in the last 12 months, 86 had made contact by phone. The reported length of time that it took for customers to get through to someone who could deal with their query, as shown in Table 5, was evenly spread across a range of timescales, although just over half of all phone contacts were dealt with in up to two minutes.

Table 5: Length of time to get through to someone who could deal with your query

	Jul-08 F2F (n)	Jul-08 Tel (n)
Less than 30 seconds	8	3
30 seconds to one minute	15	6
Between 1 and 2 minutes	14	3
Between 3 and 5 minutes	6	3
Between 6 and 10 minutes	10	2
Other	3	3
Don't know	6	4
BASE	**62**	**24**

Base – Those who contacted by phone

Of the 66 face to face respondents, 47 were first time contacts, 11 had twice contacted STW about the same issue and 7 people had contacted STW three times or more about the same issue.

Of the 26 telephone respondents, 13 were first time contacts, 3 had twice contacted STW about the same issue and 9 people had contacted STW three times or more about the same issue

Again, because of the low base, the table below highlights actual numbers of respondents that said how satisfied they were with the length of time that it took to get through to someone who could deal with their query. Although only indicative of the overall STW customer base, it shows that between half and two thirds were satisfied or very satisfied with this element of the service.

Table 6: Satisfaction with the length of time it took to get through to someone who could deal with your query?

	Jul-08 F2F (n)	Jul-08 Tel (n)
Very satisfied	16	5
Satisfied	25	7
Neither	7	3
Dissatisfied	6	3
Not at all satisfied	6	5
Don't know	2	1
BASE	**62**	**24**

Base – Those who contacted by phone

Respondents were also asked whether their complaint or query was resolved to their satisfaction. Table 7 shows that although the majority of respondents had their query resolved to their satisfaction, a sizeable minority of the respective bases did not. Even though the bases are small and therefore the results only indicative, this could be of concern to STW as it seeks to make improvements in its service delivery.

Table 7: Was the complaint or query resolved to your satisfaction?

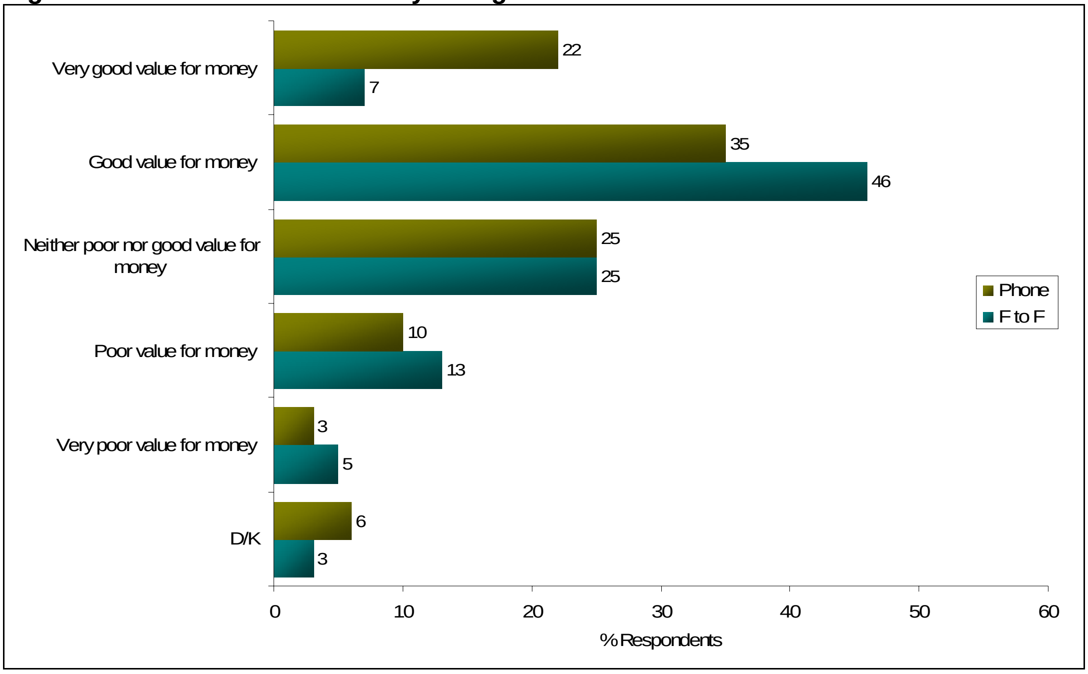
	Jul-08 F2F (n)	Jul-08 Tel (n)
Yes	44	14
No	21	8
Don't know	1	4
BASE	**66**	**26**

Base – Those who contacted STW

3.5 Value for Money and Affordability

Having informed respondents that the average daily charge for water and sewerage services in the Severn Trent Water region is 80 pence per day, or £292 a year, they were asked to rate the service in terms of value for money, Figure 4 below shows that over half said STW provided good/very good value for money, with more CATI respondents saying this. A quarter of respondents said it was neither good nor poor value for money, so there are potential opportunities to reinforce the value for money message in order to promote STW's reputation.

Figure 4: Overall value for money ratings



Base – all respondents

Mean value for money ratings for July '08 are compared with the previous five waves in Table 8. The results show that the CAPI approach provides ratings similar to those in the past while CATI respondents have provided a higher rating which is statistically significant.

Table 8: Mean value for money ratings

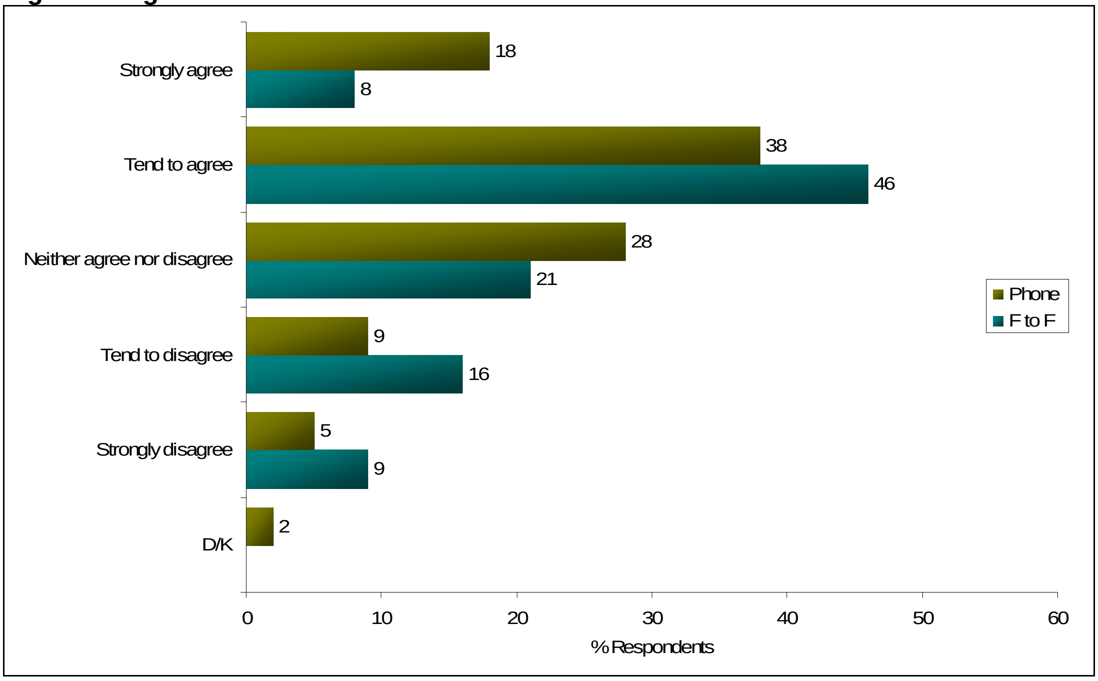
	Jan-06 %	Jul-06 %	Jan-07 %	Jul-07 %	Jan-08 %	Jul-08 F2F %	Jul-08 Tel %
Value for money	3.5	3.3	3.3	3.4	3.2	**3.4**	**3.7**

Base – all respondents
Red = statistically significant

The middling value for money ratings are perhaps not unsurprising given that the proportion of STW customers who were aware that the company invested over £500 million in 2007-08 into maintaining and improving water and sewerage services was only 20%.

In terms of affordability Figure 5 shows that over half of the respective samples said they agreed that the water and sewerage charges were affordable, with almost two fifths (18%) of CATI respondents saying they strongly agreed compared to less than one in ten of CAPI respondents. It is also worth noting that a quarter of CAPI respondents disagreed that their water bill was affordable compared to 14% of CATI respondents, and that these differences are statistically significant.

Figure 5: Agreement with how affordable STW bills are

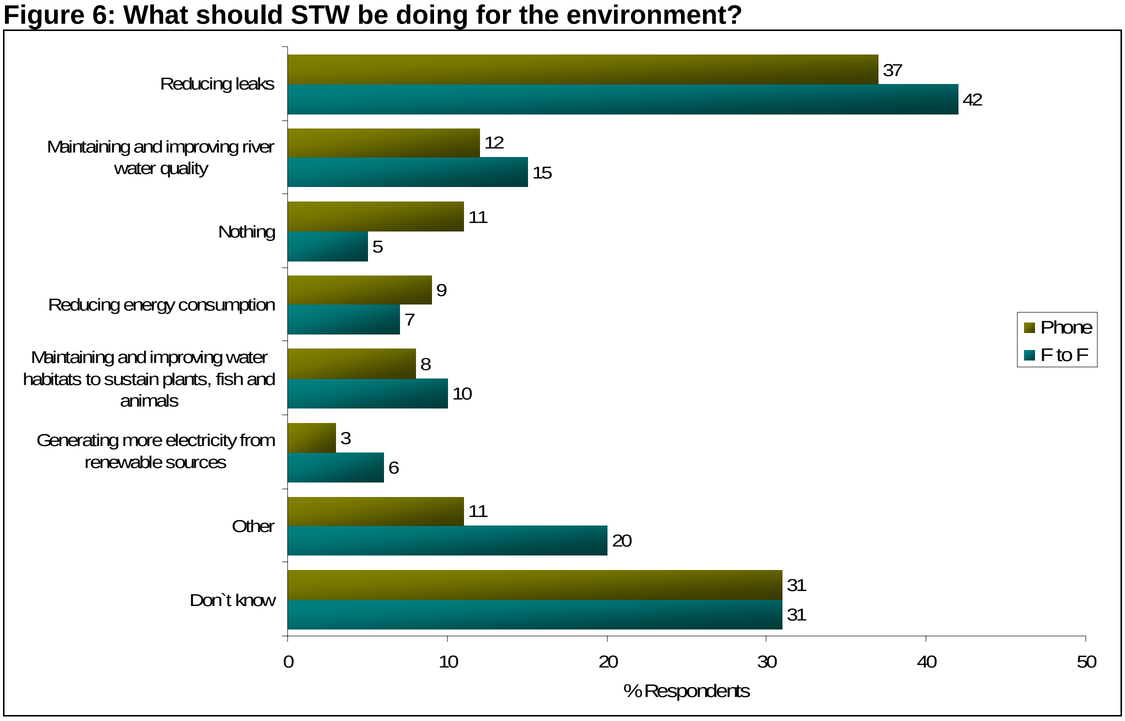


Base – all respondents

3.6 Environment and Water Conservation

Respondents were asked what Severn Trent Water should be doing to ensure it is helping with environmental issues. Around two fifths of both samples, as shown in Figure 6 below, said that STW should reduce leaks and over one in ten said that it should be maintaining and improving river water quality. Almost one third of respondents (31%) said they did not know what STW should be doing which is perhaps surprising given the topical nature of environmental issues.

Figure 6: What should STW be doing for the environment?

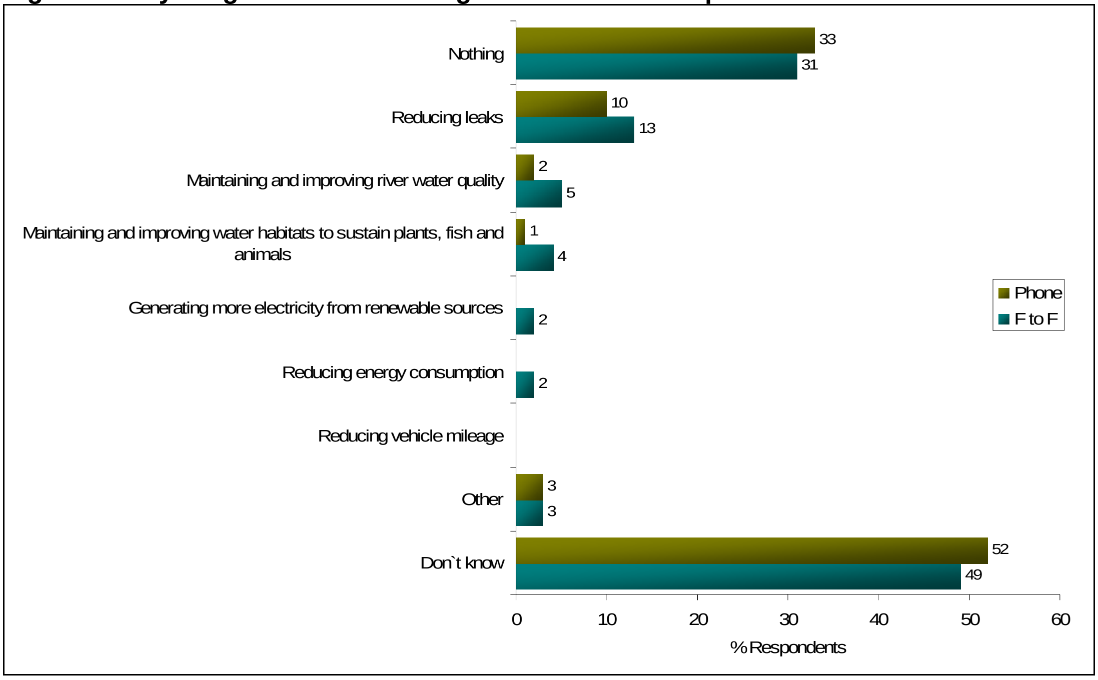


Base – all respondents

Those people from B social grade and living in rural locations mentioned reducing leaks most frequently. Female respondents, C1s, those in the younger age group and earning between £15.5k and £30k were most likely to say they did not know.

When asked whether respondents were aware of anything that STW is doing to minimise its impact on the environment, Figure 7 shows that around a half of all respondents said they did not know and about one third said 'nothing'.

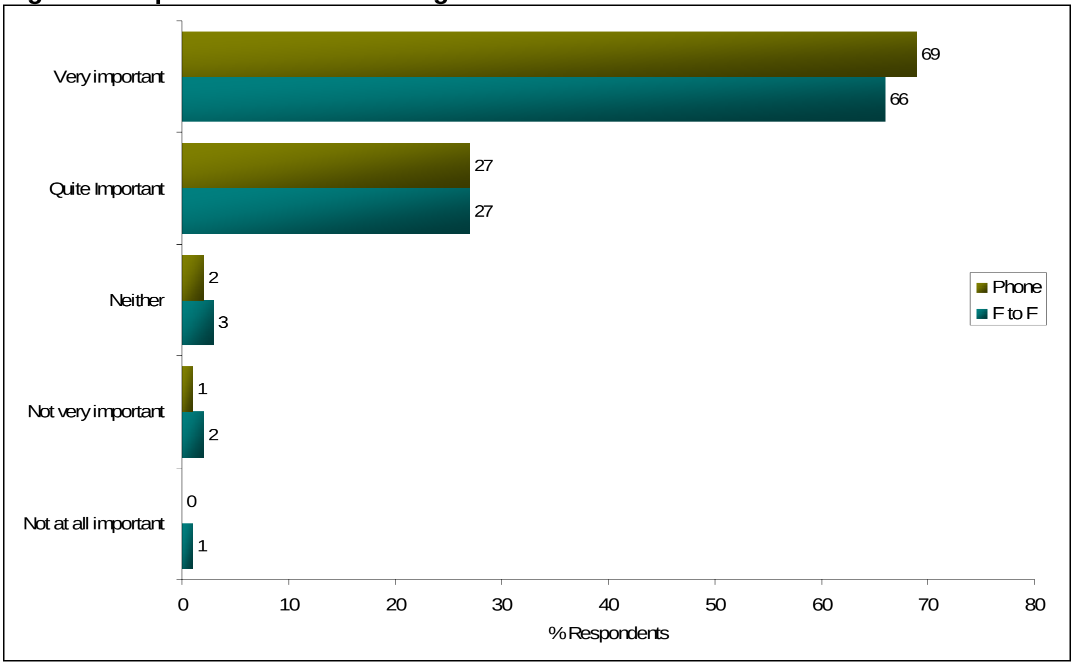
Figure 7: Anything that STW is doing to minimise its impact on the environment



Base – all respondents

In terms of water conservation, Figure 8 shows that virtually everyone said it was important to conserve water, with two thirds saying it was very important.

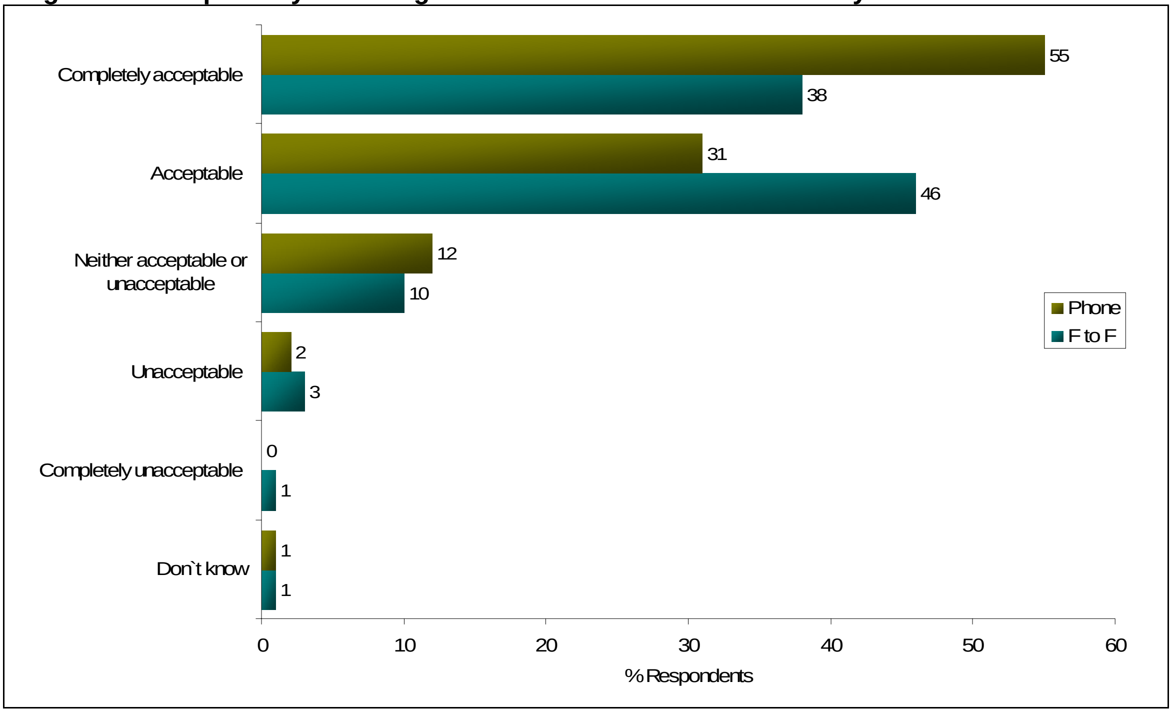
Figure 8: Importance of conserving water



Base – all respondents

The vast majority of respondents also said it was acceptable for water companies to ask customers to use water efficiently as shown in Figure 9. Although similar numbers of CATI and CAPI respondents (86% and 84% respectively) said it was acceptable, there were considerably more CATI respondents (17%) who said it was completely acceptable. Again, these differences are statistically significant.

Figure 9: Acceptability of asking customers to use water efficiently



Base – all respondents

The acceptability of asking customers to conserve water has risen slightly for the fourth time in a row, to a mean score of 4.2 on a like for like methodology. However, as with other ratings in this study, CATI respondents are more favourably disposed in their attitudes.

Table 9: Acceptability of asking customers to use water efficiently (mean ratings)

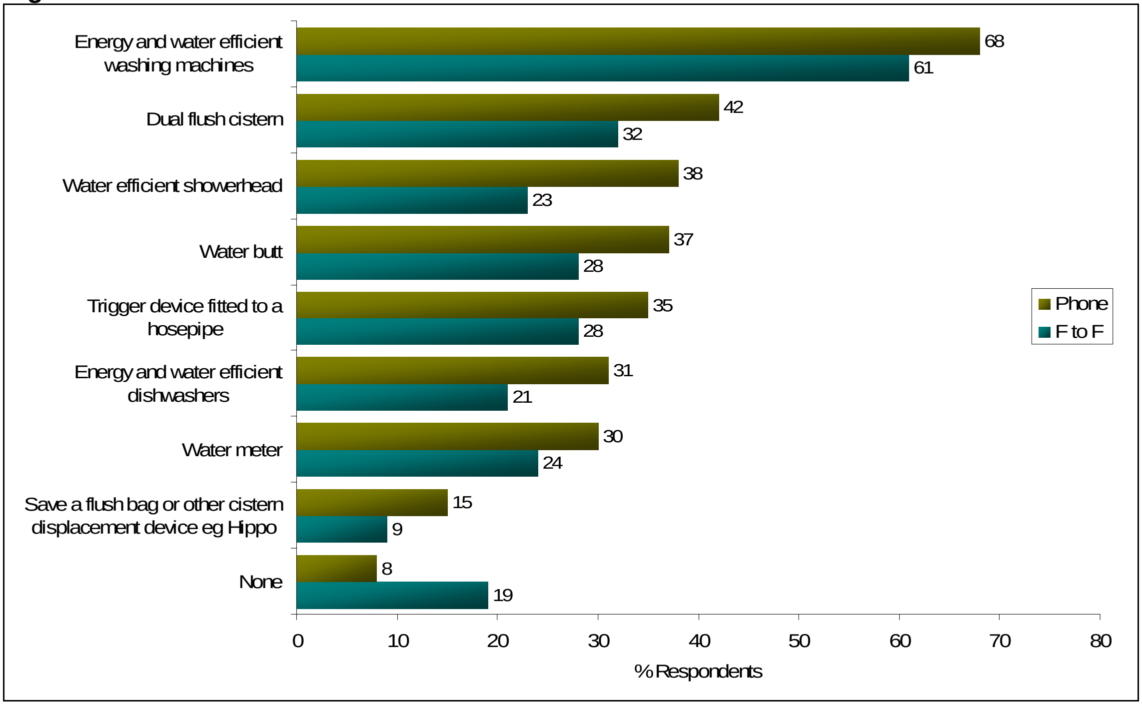
	Jan-06 %	Jul-06 %	Jan-07 %	Jul-07 %	Jan-08 %	Jul-08 F2F %	Jul-08 Tel %
Acceptability of being asked to conserve water	4	3.8	3.9	4	4.1	**4.2**	**4.4**

Base – all respondents
Red = statistically significant

Water Saving Measures

Respondents were asked whether they had any water efficient devices in their homes. Figure 10 shows that CATI respondents said they had more devices than their CAPI counterparts for each of the various devices. The most frequently mentioned device was energy and water efficient washing machines, followed by dual flush cisterns. Between a quarter and one of third of respondents reported having water meters, while just over one in ten said they had a Save a Flush bag or some other similar device. Considering STW's strategy to promote water efficient use these findings can provide a useful context for going forward with that strategy.

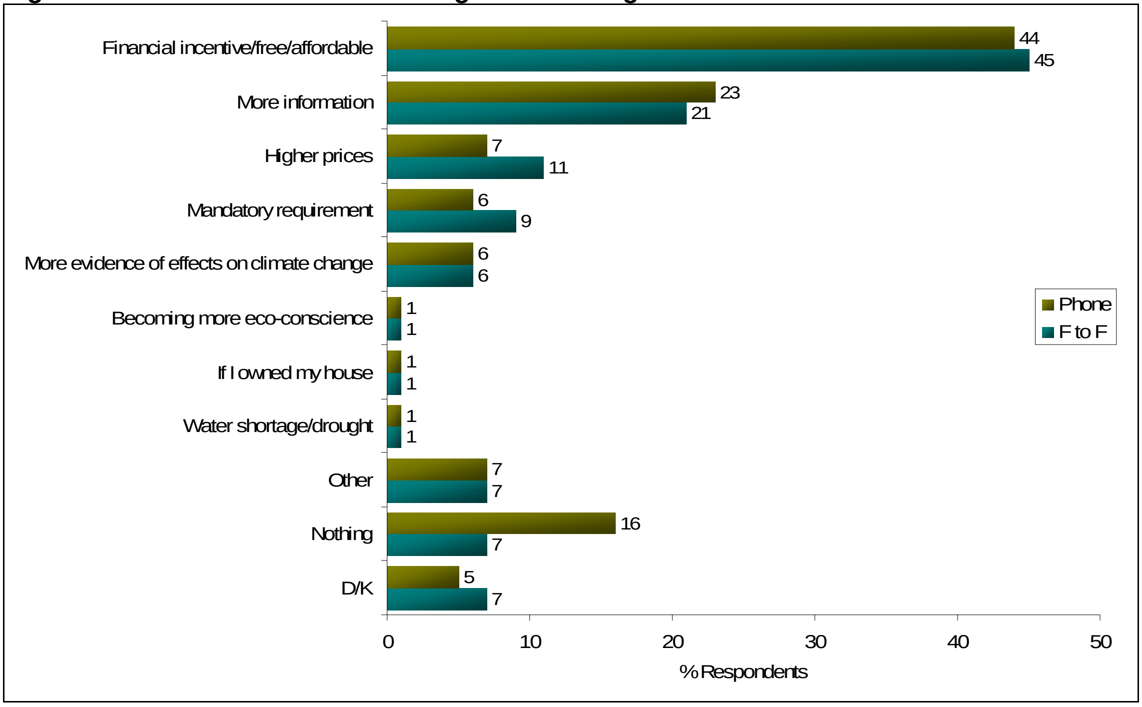
Figure 10: Water conservation devices in household



Base – all respondents

When respondents were asked what would make them consider adopting some of these measures in their homes, almost a half said there needed to be a financial incentive and just over a fifth said that they would like more information, as shown in Figure 11 below. Only about one tenth of customers said that higher prices would make respondents consider some of these measures.

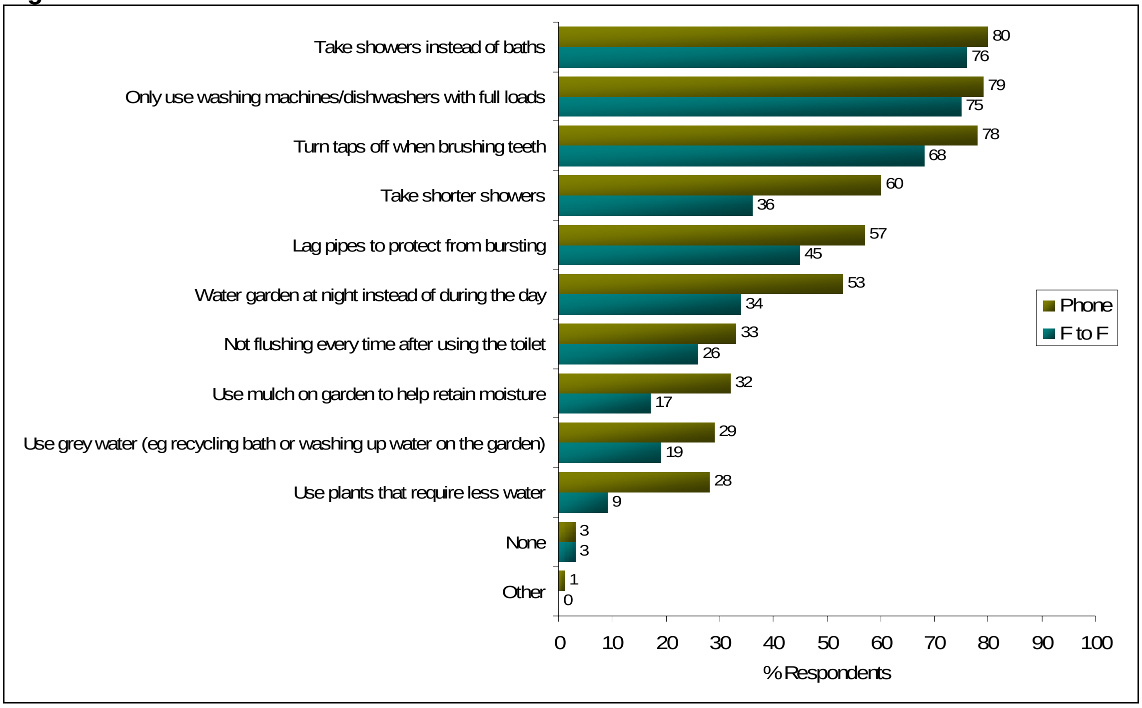
Figure 11: Incentives for considering water saving devices



Base – all respondents

As well as asking about what devices customers had to help conserve water, they were also asked what actions they took to use water efficiently. Figure 12 below shows that people are more proactive in their actual behaviour than they are with water saving devices. More than three quarters of respondents took showers instead of baths, as well as only using washing machines with full loads. Between two thirds and three quarters also said they turned taps off when brushing their teeth. The results also show that people tend to be more water conscious inside the house than outside, and that CATI respondents were generally more inclined to say they adopted water saving behaviours compared to CAPI respondents.

Figure 12: Water conservation behaviour



Base – all respondents

Comparing the three water saving measures from past phases of research shows little movement on 'taking showers instead of baths'. However, the number of people turning the tap off when brushing teeth has increased for the fourth consecutive time, while those with devices in their toilet cisterns has shown a marked decrease.

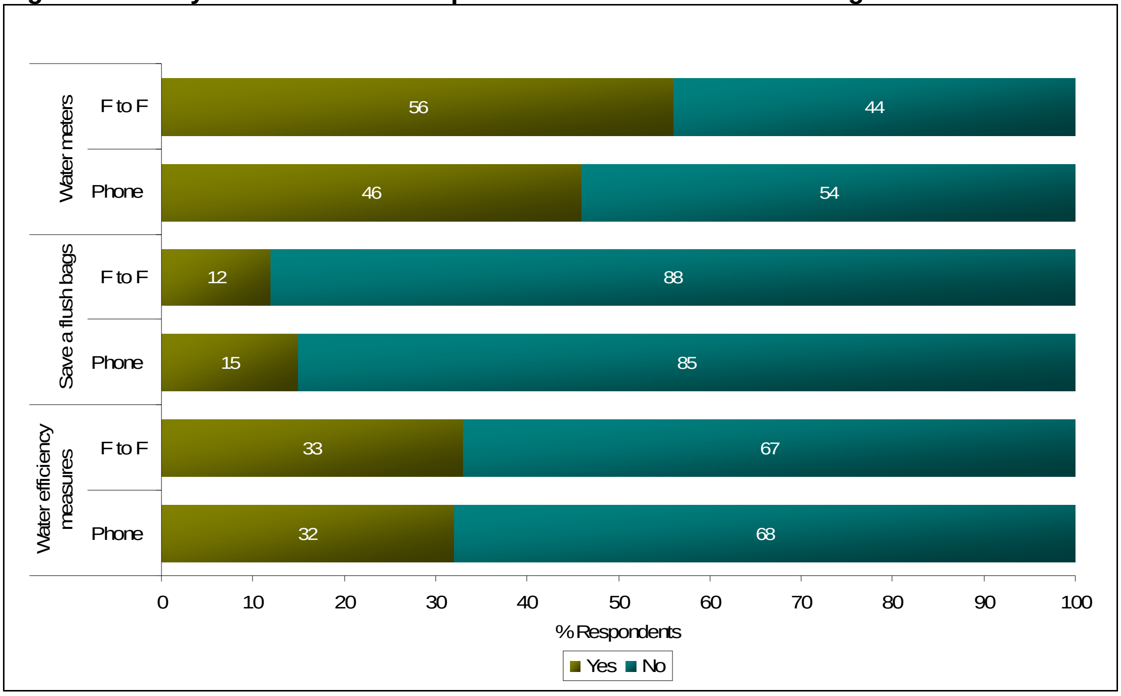
Table 10: Water conservation behaviour

	Jan-06 %	Jul-06 %	Jan-07 %	Jul-07 %	Jan-08 %	Jul-08 F2F %	Jul-08 Tel %
Taking showers instead of baths	71	77	84	76	80	**76**	**80**
Turn off taps when brushing teeth	63	54	59	52	62	**68**	**78**
Device in toilet cistern	20	16	26	27	24	**9**	**15**

Base – all respondents

It would appear that most respondents do not know that STW provides advice about water efficiency measures and Save a Flush bags, and that only about a half knew STW provided advice about water meters. Given STW's drive towards promoting water efficient use and accelerating its metering programme, these findings provide further evidence to support that approach.

Figure 13: Are you aware that STW provides advice on the following?



Base – all respondents

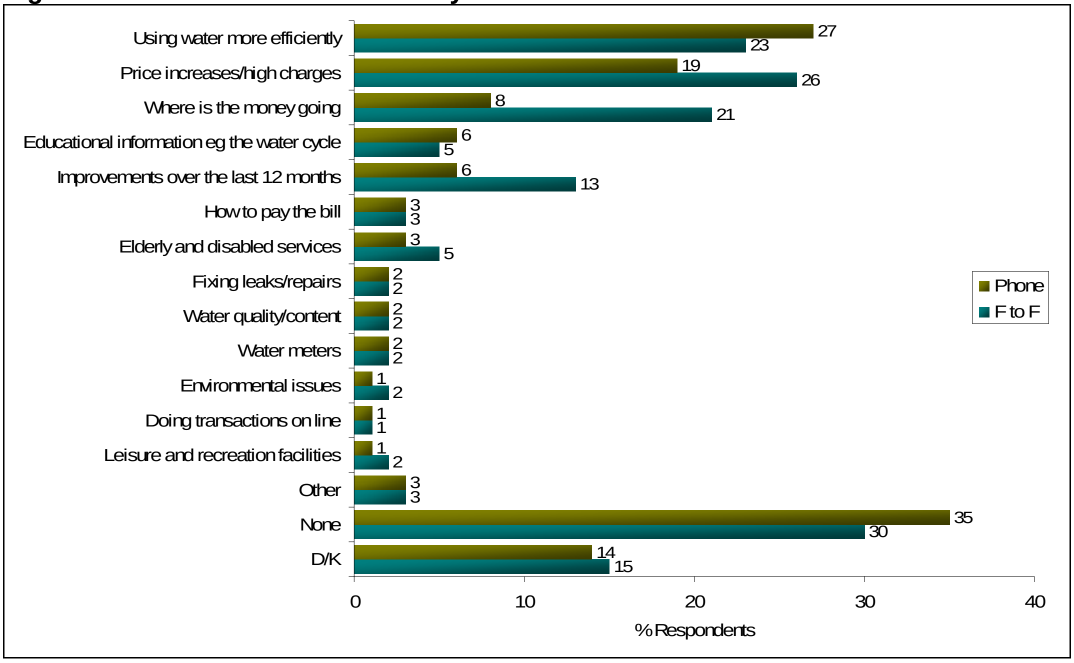
3.7 Communications

Communication Channels

To understand how STW might make its communications more relevant to customers, a question was asked around what aspects of the service they wanted to receive information about. The results in Figure 14 show that about a quarter of all respondents wanted information about using water more efficiently. CAPI respondents seemed particularly interested in understanding more about 'why the prices are increasing', 'where the money is going' and improvements over the last 12 months. Although, there is nothing quantitative to benchmark this against, these findings back up recent qualitative work where customers have said they want more of this kind of information.

It is noteworthy that around a third of respondents (35% CATI and 30% CAPI) said they did not want any information with a further sixth saying they did not know. The reasons for these responses are unclear but it would seem to indicate a certain degree of apathy towards the water industry in general.

Figure 14: What information would you like to receive?

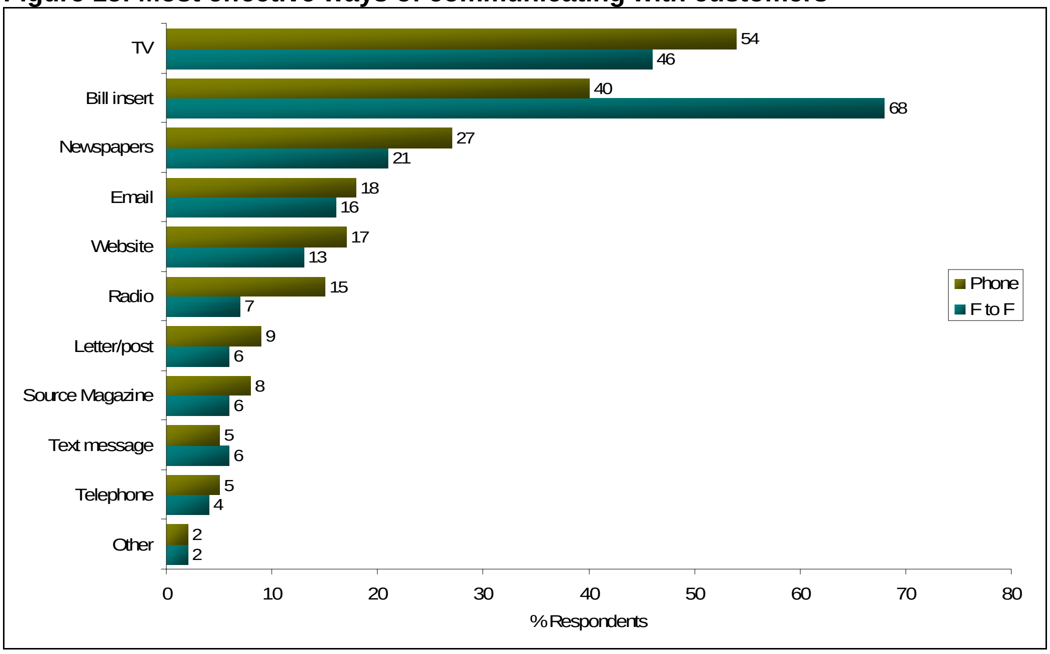


Base – all respondents

In terms of the most effective ways of communicating with customers the results in Figure 15 show that television and a bill insert are the two most effective ways. The sense of priority is the same between the two samples, except for bill inserts where CAPI respondents said that this was the most effective communications channel. This finding seems to be at odds with recent focus groups in the last 18 months, where customers have said they do not really pay attention to anything but the bill when it arrives each year.

The results would also seem to support STW's approach to adopting new media communications channels as there are between 10% and 20% saying that email and the website is the most effective way of communicating.

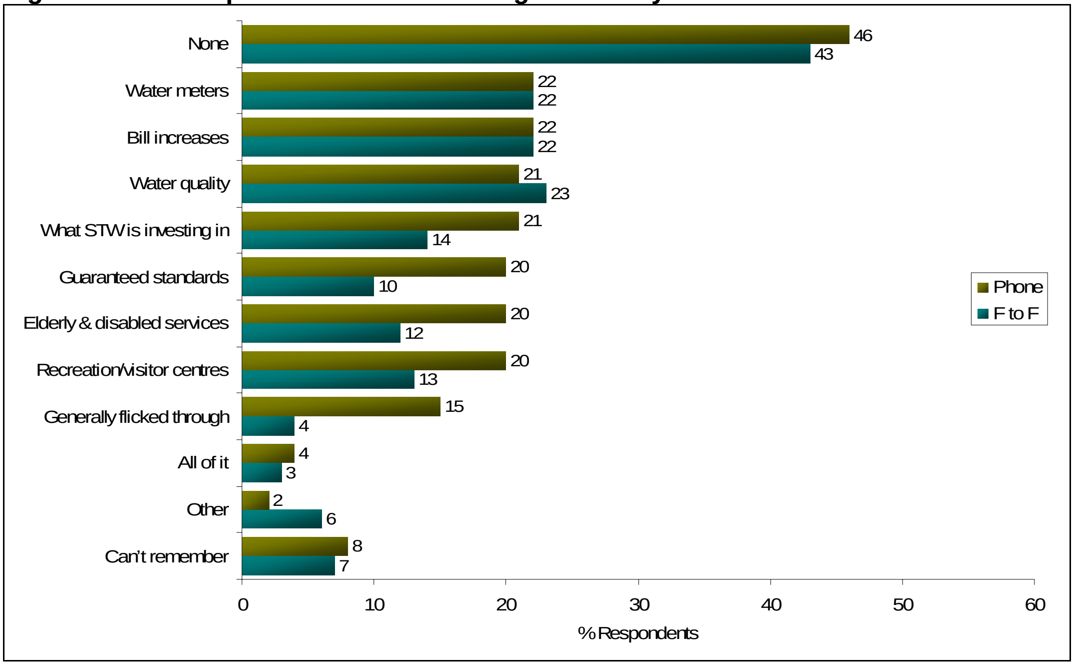
Figure 15: Most effective ways of communicating with customers



Base – all respondents

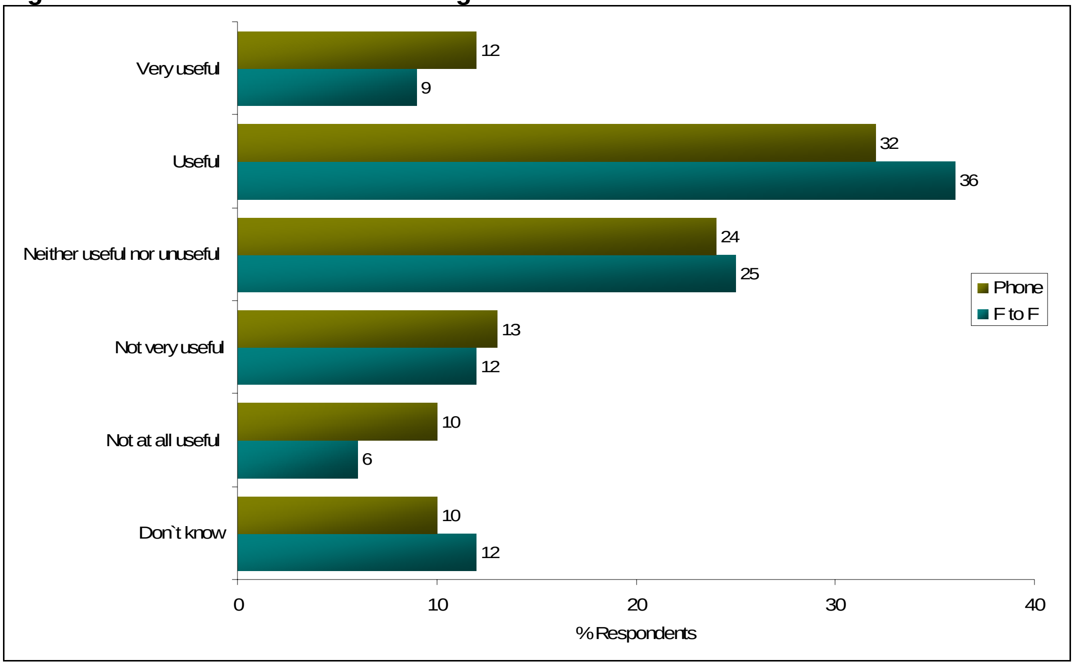
Generally, customers do not perceive the Source Magazine as one of the two most effective ways of communicating with customers with less than in one in ten (Fig. 15), saying this was the case. This is hardly surprising given that 65% of customers do not recall receiving Source. Neither is it helped by the fact that over two fifths of respondents, who do recall receiving it, reported they had not read any of it, as shown in Figure 16 below.

Figure 16: Which parts of the Source Magazine did you read?



Overall, less than half of both samples said that the Source Magazine was useful or very useful. However, Figure 17 also shows that respondents do not find it unuseful, but rather there seems to be a prevailing feeling of apathy towards it. It may be that STW takes another look at the magazine to see how it can be more effective in delivering the key messages in a clear, relevant and concise manner.

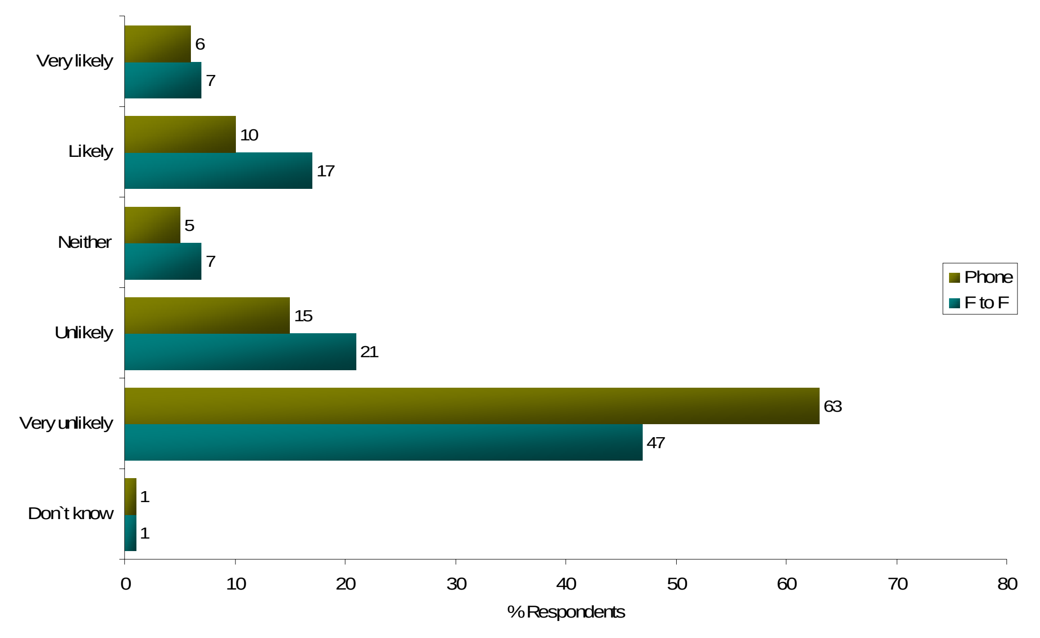
Figure 17: Usefulness of Source Magazine



Internet and Bill Management

Respondents were asked how likely they would be to communicate with STW via text messaging, assuming that they were provided with all the necessary information. Regardless of the methodology, the majority of customers, as shown in Figure 18, said they were unlikely or very unlikely to communicate with STW in this way, with telephone respondents being significantly more unlikely than face to face respondents, 78% compared to 68%.

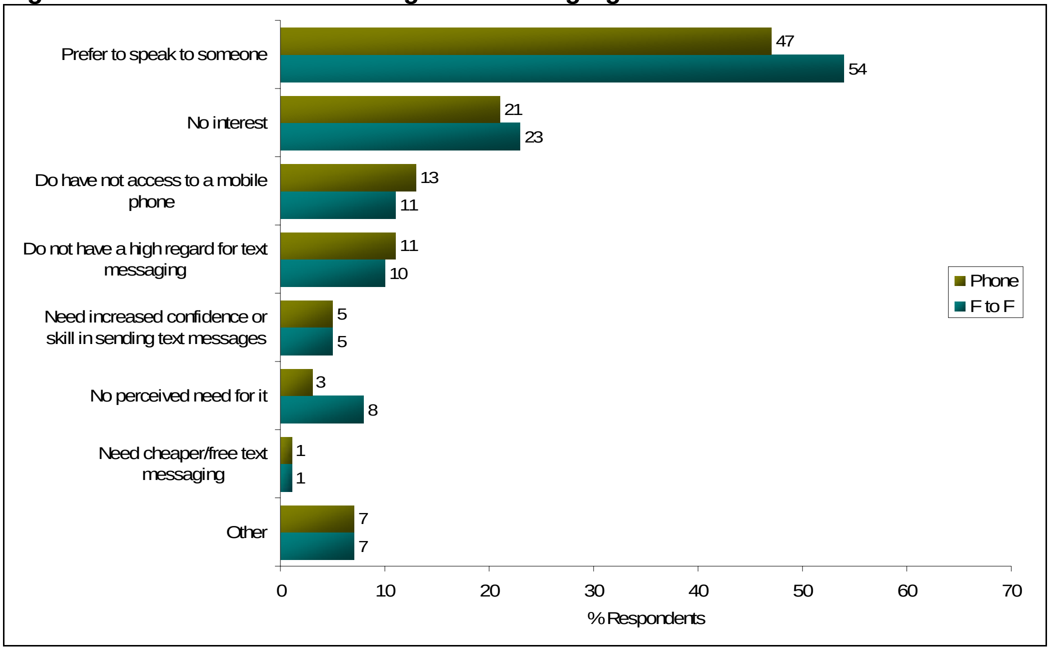
Figure 18: Likelihood of using of text messaging



Base – all respondents

The reasons that people are unlikely to use text messaging are shown in Figure 19. Unsurprisingly the key reason is that people would prefer to speak to someone with around half for both CATI (47%) and CAPI (54%) respondents saying this was the case. About a further fifth of both samples just said they were not interested; it is also worth nothing that similar proportions of people gave the same answers across both samples.

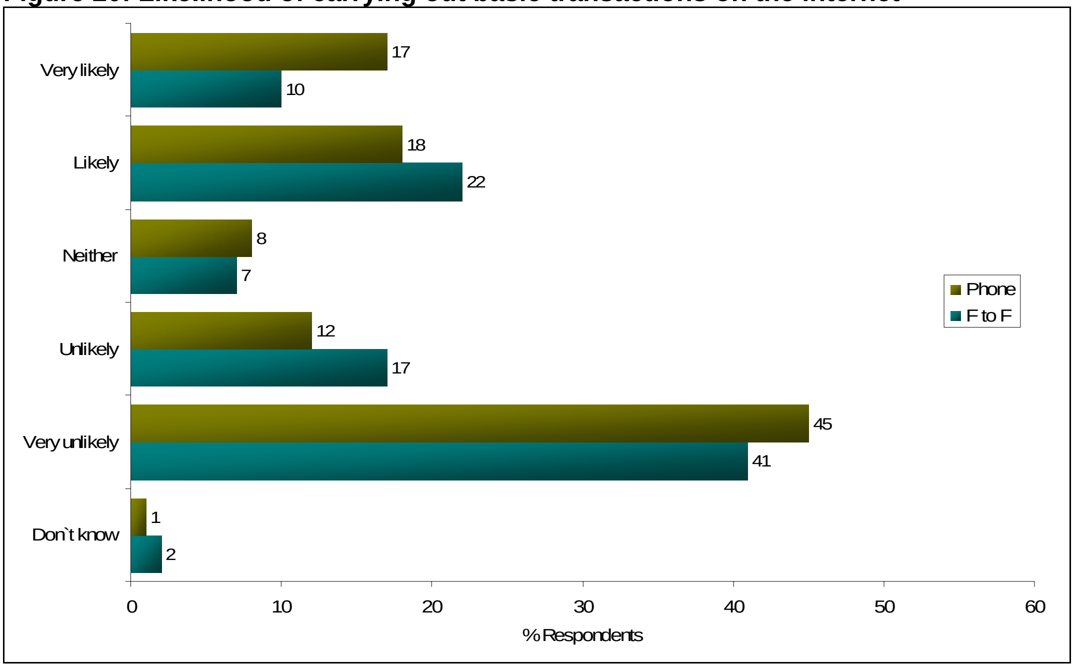
Figure 19: Reasons for not using text messaging



Base – all respondents

Respondents were also asked how likely they would be to carry out basic transactions over the internet. Around one third of face to face (32%) and telephone respondents (35%) were likely to carry out basic transactions on the internet. Between half and two thirds of respondents, 57% telephone and 58% face to face, were unlikely to do business in this way.

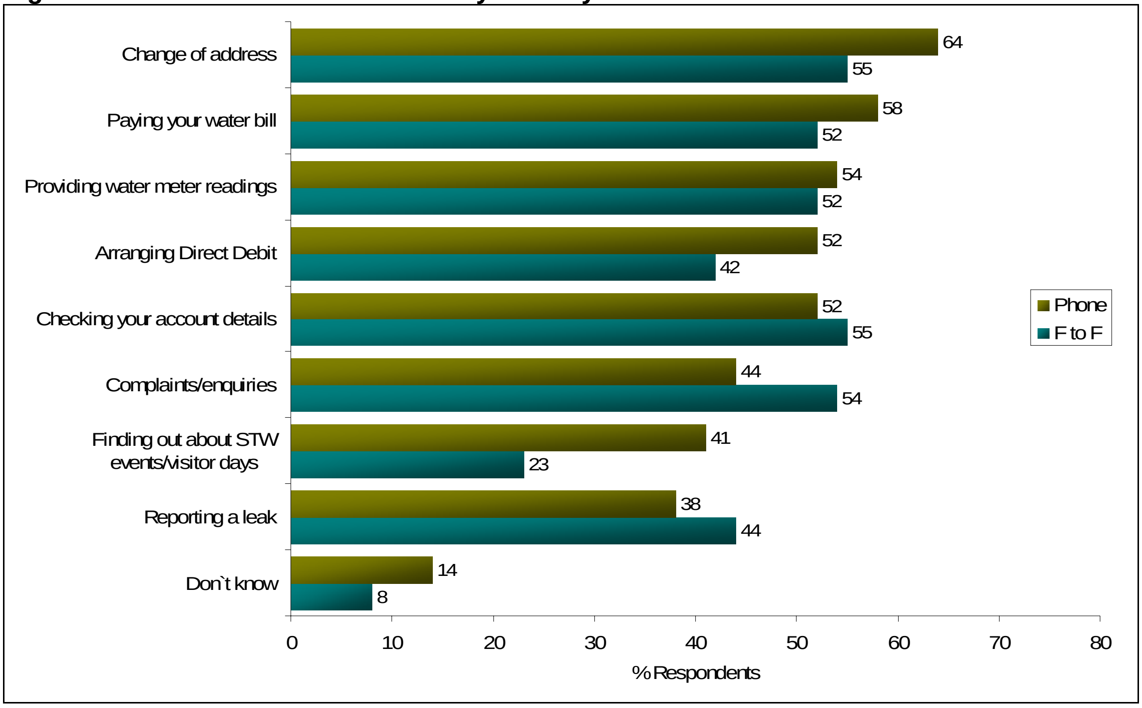
Figure 20: Likelihood of carrying out basic transactions on the internet



Base – all respondents

For those who were likely to carry out basic transactions on the internet, there was not a great deal of difference across the two samples, as shown in Figure 21. More than half of both samples would carry out the following most common transactions - change of address', 'paying the water bill', 'providing water meter readings' and 'checking account details'.

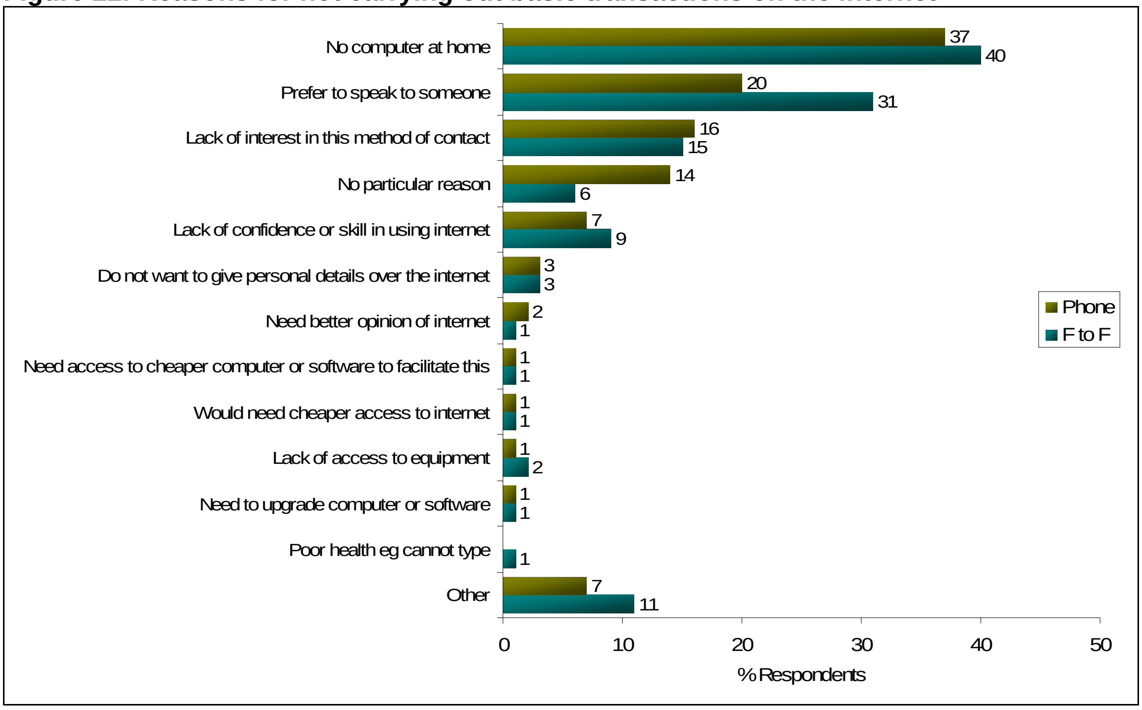
Figure 21: Which transactions would you carry out?



Base – those likely to carry out basic transactions on the internet

Of those who were unlikely to use the internet to carry out basic transactions, around two fifths of the whole sample (37% phone, 40% face to face) said that they had no computer at home and between one fifth (20% phone) and a third (31% face to face), said they would prefer to speak to someone.

Figure 22: Reasons for not carrying out basic transactions on the internet



Base – those unlikely to carry out basic transactions on the internet

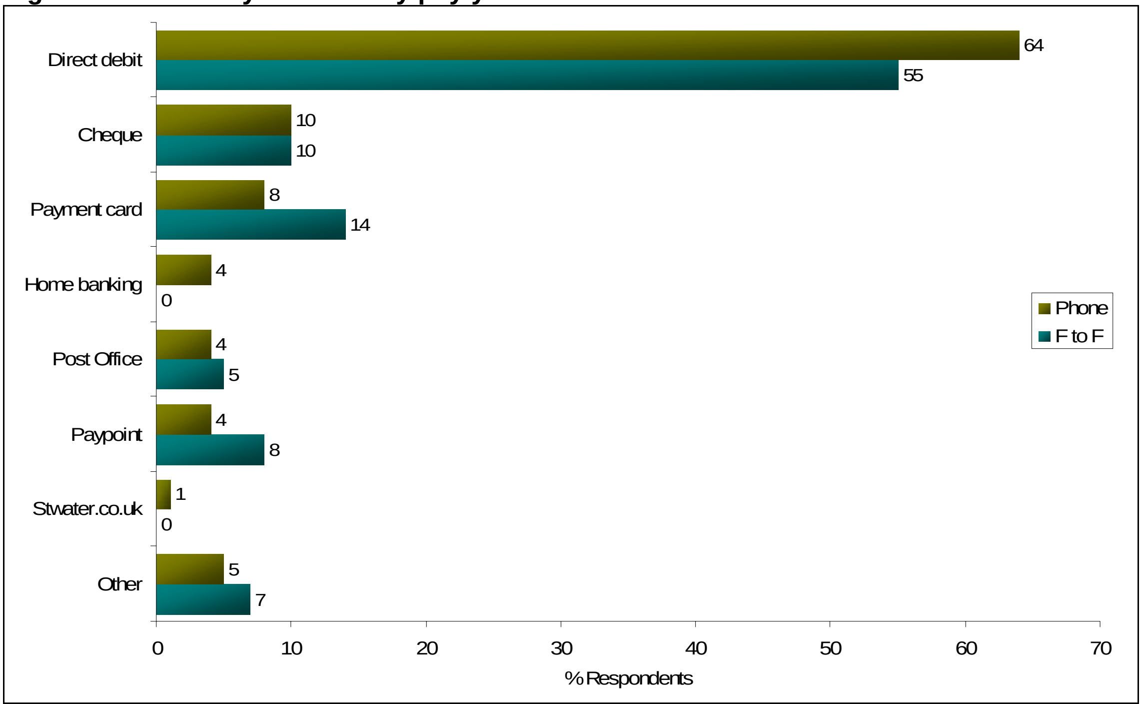
Table 11 shows those most likely to utilise text messaging and internet. Those in social grade D, and in the 18-34 age group are more likely to use SMS; while those in the BC1 social grades and 18-54 age range are more likely to use the internet. The 55+ age group are least likely to use either SMS or the internet, and the C2/E social grades are also least likely to use the internet.

Table 11: Likelihood of of text messaging and internet use by demographics

		More likely	Less likely
CATI	**SMS**	D, E SEG 18-34 years £7.5k - 15.5k	B & C2 SEG 55+ years £40k - £75k
	Internet	B, C1 SEG 18-54 years Urban £30k - £75k	C2, E 55+ years Rural £6.5k - £13.5k
CAPI	**SMS**	D SEG 18-34 years Urban	C1 SEG 55+ years Rural
	Internet	B, C1 SEG 18-54 years £25k - £75k	C2, E 55+ years £6.5k - £13.5k

Customers were asked how they currently pay for their water bills. Most respondents spread their bill by paying on Direct Debit, with 64% of CATI respondents and 55% of CAPI respondents using this mechanism.

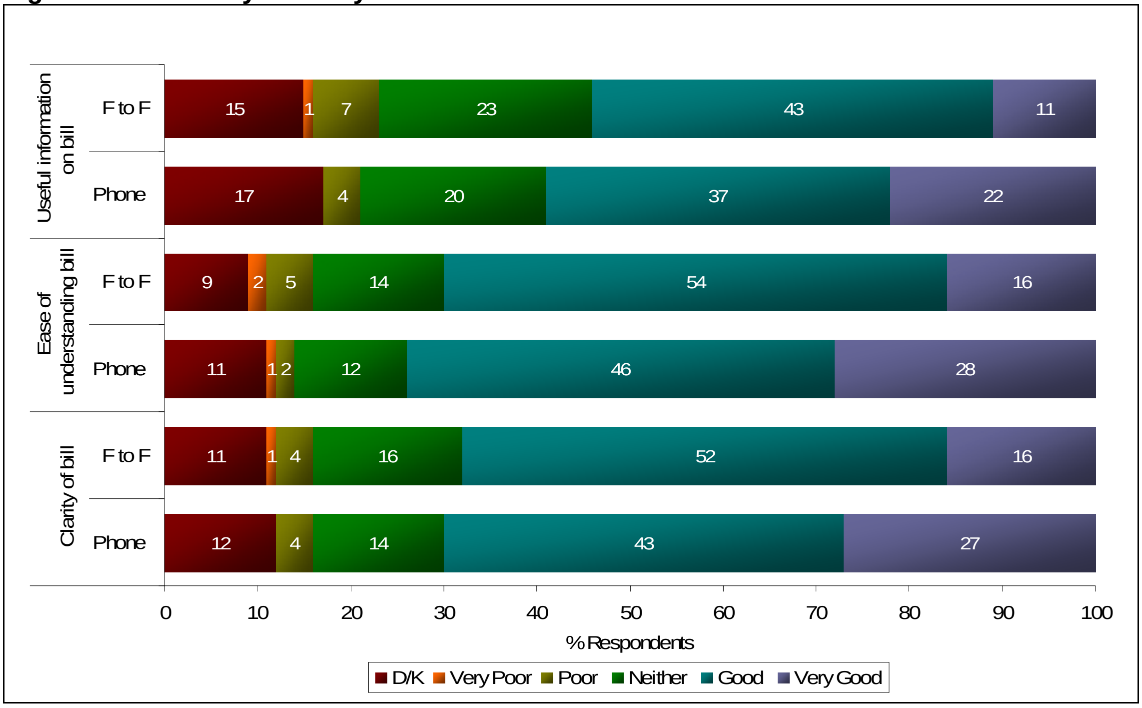
Figure 23: How do you currently pay your water bill?



Base – all respondents

In addition to asking how they paid their water bills, respondents were also asked about the bill presentation – how clear it is and how easy to understand, as well as the usefulness of the information on the bill. Figure 24 shows that more than two thirds of respondents thought that the clarity of the bill and the ease of understanding it was good or very good. This proportion dropped to less than three fifths in terms of the usefulness of information on the bill.

Figure 24: How do you rate your water bill in terms of..



Base – all respondents

3.8 Media Coverage

Overall, just under a half of all respondents recalled seeing or hearing something about STW, which is a significant increase on the previous three phases and is comparable to the July 2006 data.

Table 12: Recall of STW in the media

	Jul-06 %	Jan-07 %	Jul-07 %	Jan-08 %	Jul-08 F2F %	Jul-08 Tel %
Media story recall	46	27	25	31	**49**	**46**

Base – all respondents

Comparisons with previous phases of research show that a significantly higher proportion of customers remembered hearing about STW across the range of media channels as indicated in Table 13.

Table 13: Which media channels did you see/hear about STW?

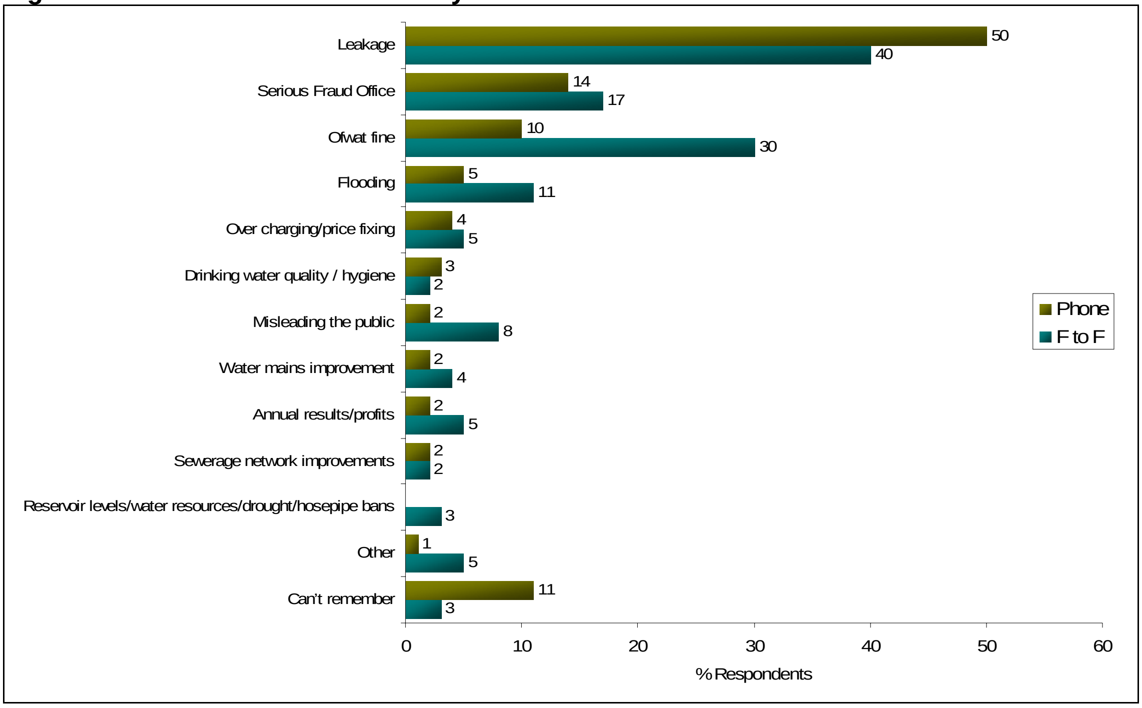
	Jul-06 %	Jan-07 %	Jul-07 %	Jan-08 %	Jul-08 F2F %	Jul-08 Tel %
TV	38	19	19	24	**84**	**64**
Local newspapers	7	7	6	11	**23**	**34**
National newspapers	4	5	6	9	**27**	**22**
Local radio	4	1	2	6	**13**	**18**
National radio	3	-	2	4	**7**	**11**
Internet					**1**	**-**

Base – those who remembered see/hearing about STW

Of those who had seen or heard any stories about STW in the media, a clear majority said they had done so on TV, with 64% CATI and 84% CAPI respondents saying this was the media channel where they had heard news about STW. Local and national newspapers were the next most common mediums for customers hearing about STW in the media.

When asked what the media story was about most respondents reported leakage as being the subject matter, which was followed by the Serious Fraud Office (SFO) and the Ofwat fine as shown in Figure 25 below. Almost a half of the CAPI sample (47%) remembered the SFO/Ofwat fine coverage compared to just 24% of the CATI sample.

Figure 25: What was the media story about?



Base – those who remembered see/hearing about STW

Compared to previous waves of research there has been a marked increase in the recall of various news stories. Many respondents spontaneously recalled the Ofwat fine and described that story in different ways such as ‘misleading the public’ or ‘overcharging’. From the way that people are describing these stories there would be appear to be quite an accurate recall of the facts which could mean that customers are more sensitive to STW news coverage than they have been in the past.

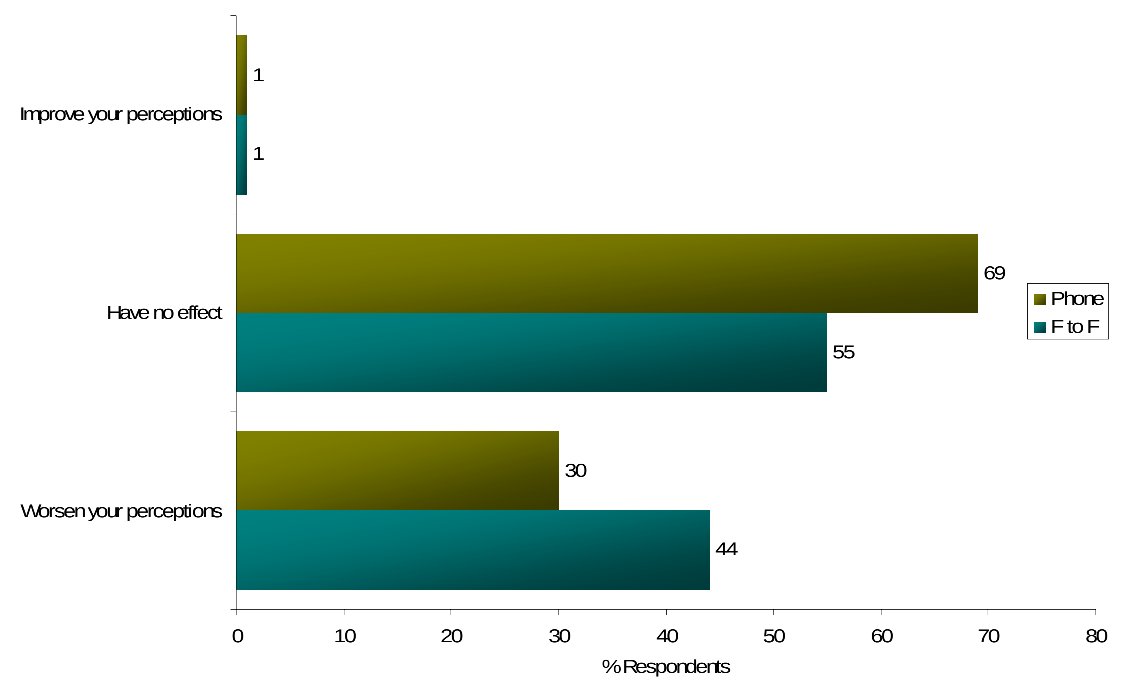
Table 14: What was the media story about - comparisons

	Jul-06 %	Jan-07 %	Jul-07 %	Jan-08 %	Jul-08 F2F %	Jul-08 Tel %
Leakage	20	9	7	7	**40**	**50**
Serious Fraud Office	11	3	4	4	**17**	**14**
Ofwat fine	-	-	-	-	**30**	**10**
Flooding	-	-	-	9	**11**	**5**
Overcharging	-	-	-	-	**5**	**4**
Misleading the public	-	-	-	-	**8**	**2**
Annual profits	10	5	4	5	**5**	**2**
Others	-	1	3	1	**16**	**5**
Can’t remember	4	4	3	4	**3**	**11**

Base – those who remembered see/hearing about STW

Unfortunately none of these stories had a very positive affect on customer perceptions. Indeed, Figure 26 shows that well over half the total sample said that media coverage had no affect on customer perceptions, which could be seen positively given the nature of the stories i.e. leakage, flooding, Ofwat fine and misleading the public. It is perhaps not unsurprising that, given the subject matter of the media coverage, there were a significant amount of respondents whose perceptions had worsened, particularly so for CAPI respondents where over two fifths (44%) said this was the case compared to 30% of CATI respondents..

Figure 26: How did the media story affect your perceptions?



Base – those who remembered see/hearing about STW

From January 2007 to January 2008 news coverage was helping to improve customer perceptions of STW. However, the most recent July results are more on a par with the July 2006 results, especially the CAPI proportions, where over two fifths reported worsening customer perceptions of STW as a result of news stories.

Table 15: How did the media story affect your perceptions - comparisons

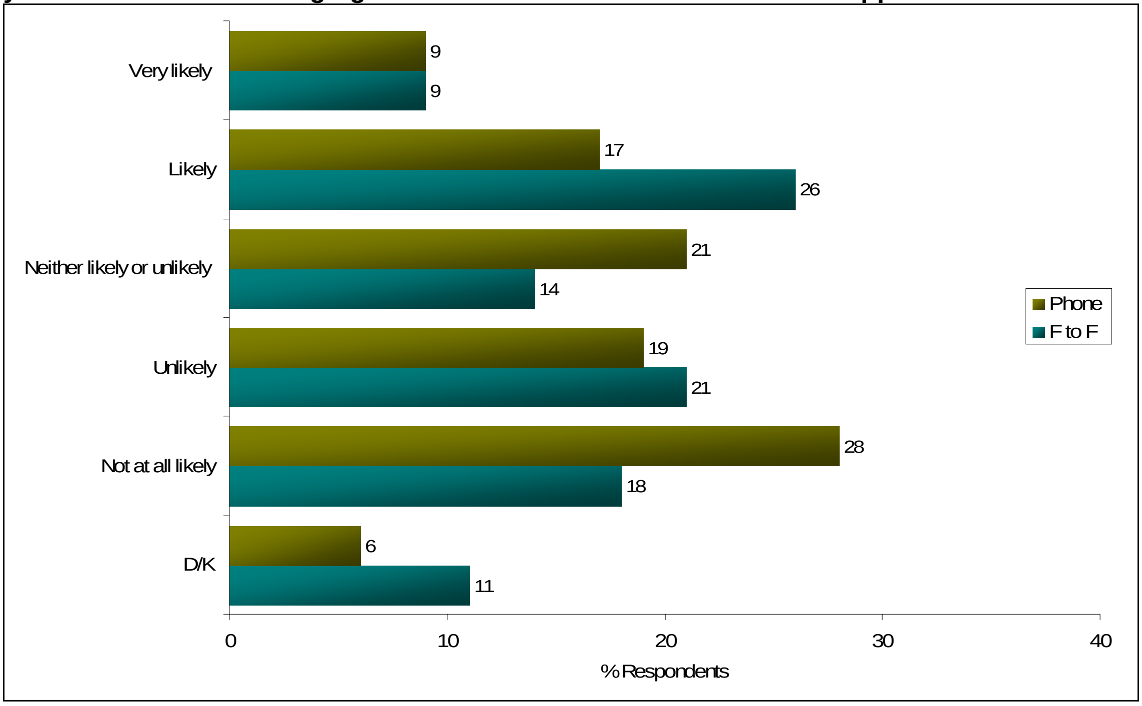
	Jul-06 %	Jan-07 %	Jul-07 %	Jan-08 %	Jul-08 F2F %	Jul-08 Tel %
Improved perceptions	1	1	5	4	**1**	**1**
Had no affect	58	62	64	73	**55**	**69**
Worsened perceptions	41	37	31	23	**44**	**30**

Base – those who remembered see/hearing about STW

3.9 Competition

Respondents were asked how likely they would be to switch supplier. Figure 27 shows a comparatively even distribution, with the exception of very likely to switch, against each of the choices. The results show almost 10% more CAPI respondents (35%) are likely to switch compared to 26% of CATI respondents.

Figure 27: If another company were to offer water services in this area, how likely would you be to consider changing from Severn Trent Water to another supplier?



Base – all respondents

In contrasting the mean scores with previous waves, the latest wave indicates a greater likelihood to switch. Why there is such a difference from previous waves cannot be discerned from the survey as it is currently formulated and this may be worth following up in the next phase to try and understand the reasons behind this.

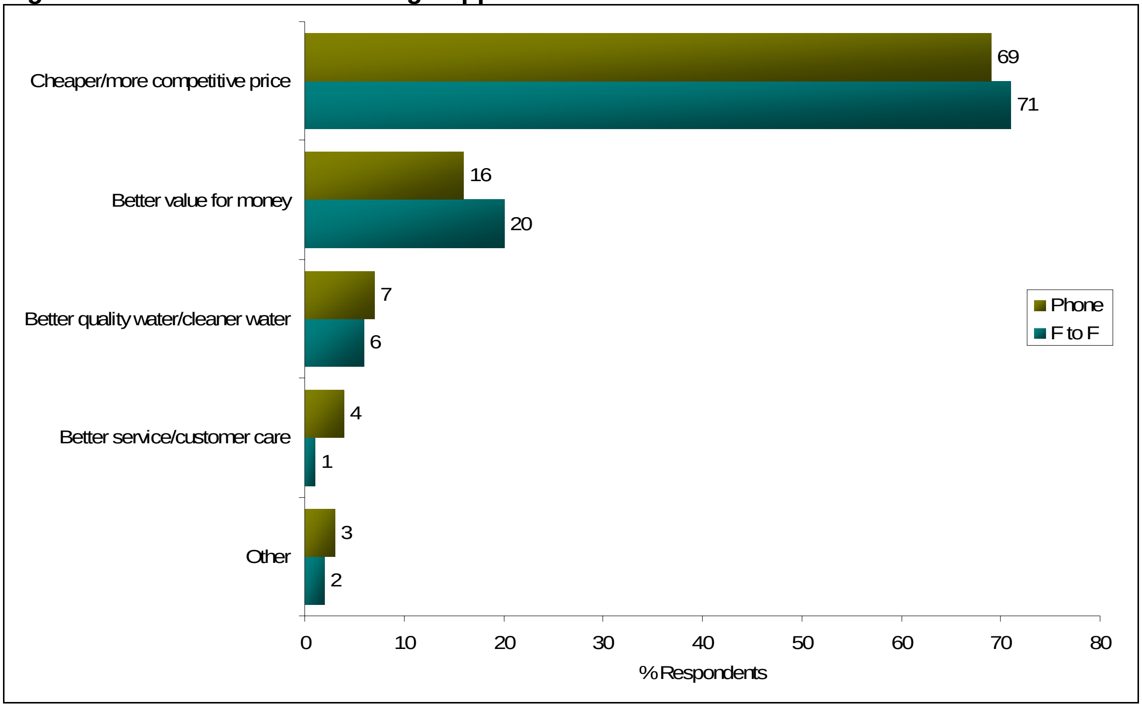
Table 16: Likelihood of switching supplier - comparisons

	Jan-06 %	Jul-06 %	Jan-07 %	Jul-07 %	Jan-08 %	Jul-08 F2F %	Jul-08 Tel %
Likeliness to switch	2	2	2.1	2.1	2.1	**2.9**	**2.6**

Base: all respondents
5 = very likely; 1 = not at all likely

The main reason for people thinking about changing supplier, given the opportunity, is price driven. Figure 28 shows that between two thirds and three quarters of all respondents would switch for a cheaper, more competitive price.

Figure 28: Reasons for switching supplier



Base: all respondents

Compared to previous phases of research it appears that the reasons for people thinking about switching supplier are in a similar rank order with cheaper/more competitive price as the most common reason followed by better value for money.

Table 17: Reasons for switching supplier - comparisons

	Jan-06 %	Jul-06 %	Jan-07 %	Jul-07 %	Jan-08 %	Jul-08 F2F %	Jul-08 Tel %
Cheaper/more competitive price	86	84	83	88	87	**71**	**69**
Better value for money	17	25	20	18	19	**20**	**16**
Better quality water	13	18	12	9	7	**6**	**7**
Better customer care	9	10	9	10	8	**1**	**4**

Base: all respondents

3.10 Branding

Perceptions of Severn Trent Water in the last six months have generally remained unchanged and overall the image of Severn Trent Water could be described as above average. There have been no significant changes, with the exception of ‘provides good value for money’; this is possibly due to the change of wording in the statement. In previous phases this statement has read ‘will try to keep prices at a reasonable level and give good value for money’.

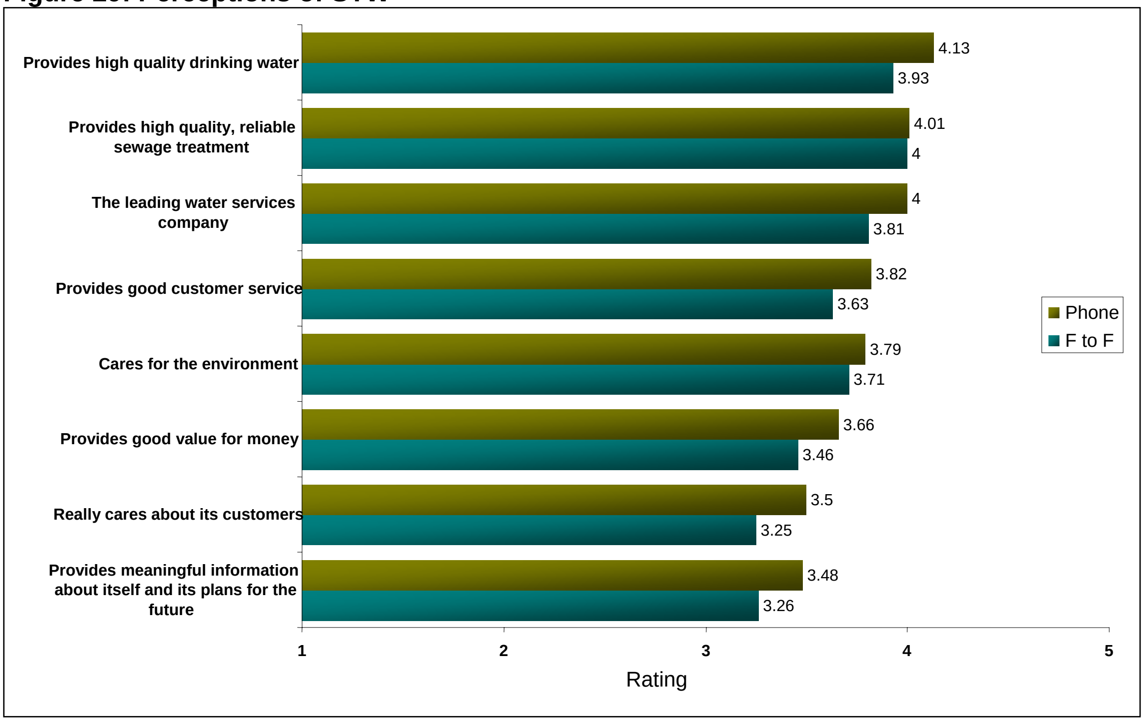
Table 18: Perception of STW

	Jan-06	Jul-06	Jan-07	Jul-07	Jan-08	Jul-08 F2F	Jul-08 Tel
Provides high quality drinking water	4.0	3.9	3.8	3.9	3.8	**3.9**	**4.1**
Provides high quality, reliable sewage treatment	4.2	4.0	4.0	4.0	4.0	**4.0**	**4.0**
The leading water services company	4.0	3.8	4.0	3.8	3.8	**3.8**	**4.0**
Provides good customer service	3.8	3.6	3.6	3.6	3.6	**3.6**	**3.8**
Cares for the environment	3.8	3.5	3.6	3.6	3.6	**3.7**	**3.8**
Provides good value for money	3.3	3.1	3.0	3.1	3.1	**3.5**	**3.7**
Really cares about its customers	3.6	3.4	3.5	3.4	3.4	**3.3**	**3.5**
Provides meaningful information about itself and its plans for the future	3.6	3.5	3.4	3.4	3.4	**3.3**	**3.5**

Base: all respondents
Red = statistically significant

Figure 29 below shows the difference between CATI and CAPI responses. Although this is only phase one, it should be noted that with the exception of 'Severn Trent Water cares for the environment' and 'Severn Trent Water provides high quality, reliable sewage treatment', all the other statements show statistically significant differences.

Figure 29: Perceptions of STW



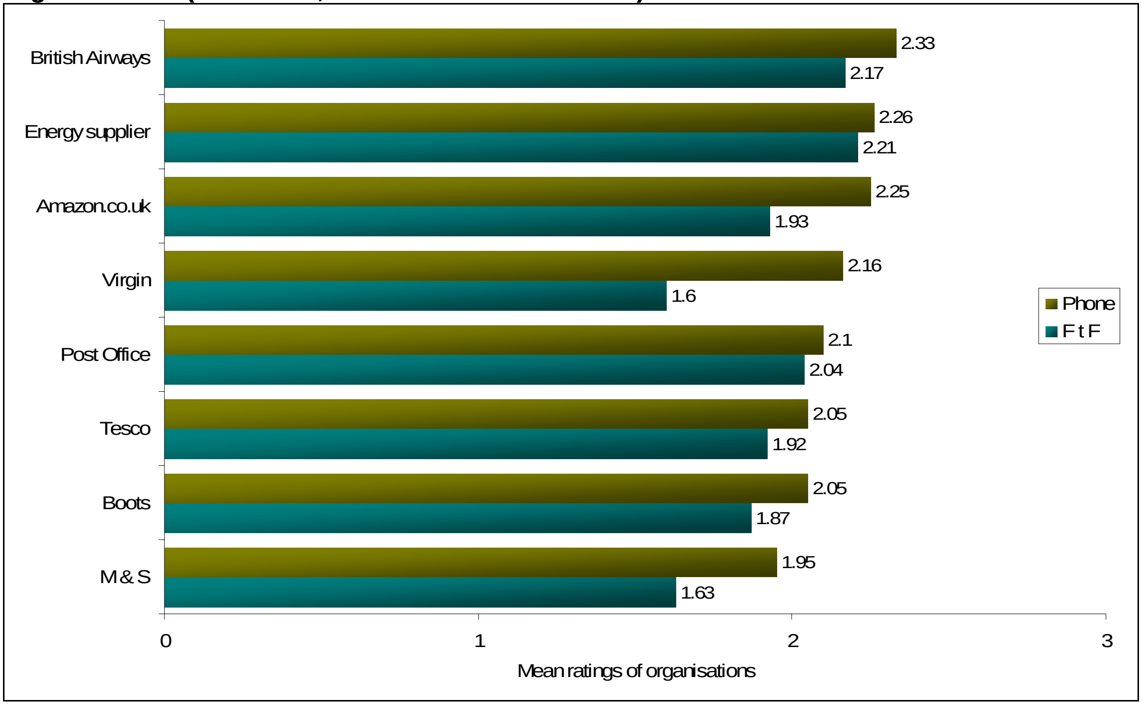
Base: all respondents

Overall perceptions of Severn Trent Water were also compared to a range of other different organisations to understand how people perceived the brand. Figure 30 below shows the mean scores of the various organisations STW was compared to. Scores have been attributed to each of the descriptive ratings such that Better = 3 points, The Same = 2 points and Worse = 1 point. Overall STW was rated in quite a positive light, particularly amongst CATI respondents.

Comparisons with the retail sector (Boots, Tesco and M&S) show that more people think STW is worse than these organisations; however there are quite significant proportions who do not know, perhaps because they may not know on what basis to make comparisons and therefore how do they judge this.

Comparisons were also made with the service sector (BA, Amazon.co.uk and Virgin). Surprisingly there are more people who rate STW better than BA and Amazon, especially amongst the CATI respondents; however there are large proportions who do not know, again perhaps because they do not know how to make these judgements.

Figure 30: How does STW rate in terms of overall perceptions compared to the following organisations (Better = 3, Same = 2 and Worse = 1)



Base: all respondents

4. CONCLUSIONS AND RECOMMENDATIONS

- The vast majority of customers are either satisfied or very satisfied with the water and waste water services provided by STW.

Recommendation – keep finding relevant and creative ways of communicating how good STW is at delivering its core service

- Value for money ratings have remained relatively consistent with past waves of research, with just over half of both samples saying that STW provides good/very good value for money. People were not that aware of the amount of investment carried out by STW, so it is not surprising that value for ratings are at their current level

Recommendation – keep finding relevant and creative ways of communicating what good value STW customers are getting for their water services

- In terms of STW's responsibilities towards the environment there were around 40% of people who thought it should be focused on reducing leaks. When asked if they were aware of anything that STW was doing, only about 10% knew they were reducing leaks. Almost one third of customers said STW was doing nothing.

Recommendation – take every opportunity to inform customers of the ongoing effort to reduce leakage and tell them of your achievements

- There were varying proportions of respondents with different water saving devices in their homes. The most common devices to be found were energy and water efficient washing machines, followed by dual flush cisterns. Between a quarter and one of third of respondents reported having water meters, while just over one in ten said they had a Save a Flush bag or some other similar device.

- People seem to be more proactive in their actual behaviour than they are with water saving devices. More than three quarters of respondents took showers instead of baths, as well as only using washing machines with full loads. Between two thirds and three quarters also said they turned taps off when brushing their teeth.

Recommendation – customers have given STW permission to ask them to use water efficiently, so keep encouraging them to use it efficiently as a matter of habit, all year round.

- In terms of information requirements about a quarter of all respondents wanted information about using water more efficiently. Face to face respondents seemed particularly interested in understanding more about 'why the prices are increasing', 'where the money is going' and improvements over the last 12 month; these findings back up recent qualitative work where customers have said they want more of this kind of information. Around a third of respondents said they did not want any information

Recommendation – PR09 represents an excellent opportunity to communicate why prices are going up above inflation and where the money is going

- Less than in one in ten said that the Source Magazine was one of the two most effective ways of communicating with customers. This is hardly surprising given that 65% of customers do not recall receiving it.

Recommendation – If Source is going to be produced, focus on the key areas of interest

- Generally people are unlikely to use text messaging as a means of communicating with STW because they want to speak to a person or they just not interested. They are however, more likely to carry out basic transactions on the internet such as change of address', 'paying the water bill', 'providing water meter readings' and 'checking account details'.

Recommendation – keep on promoting and stressing the benefits of electronic media as a means of carrying out basic transactions

- Overall, just under a half of all respondents recalled seeing or hearing something about STW, which is a significant increase on the previous three phases and is comparable to the July 2006 data. A significantly higher proportion of customers remembered hearing about STW across a range of media channels, where television and local and national newspapers were the most frequently mentioned mediums

Recommendation – as customers seem to be receptive to stories about STW, use the opportunity to maximise positive news coverage

- Overall perception comparisons with other organisations show STW in quite a positive light; however there are a high proportion of 'don't knows' which means some of these findings should be treated with care.

- The data has shown that the two approaches – face to face and telephone – produce very compatible results though the telephone survey looks to provide typically improved findings for STW. We believe that the telephone survey is, however, more likely to provide a representative customer sample as a face to face approach will in its very essence comprise a level of clustering.

Recommendation - We recommend that the two approaches continue to be closely monitored and discussions are held with the appropriate external bodies to gauge their reaction to a potential strategy of migrating the programme to a telephone approach.

APPENDIX A

Data Tables

APPENDIX B

Questionnaire