

Appendix 19f:

C-Mex

The Customer Measure of Experience (C-Mex)

Big Goal: Customers

We will develop the deepest possible understanding of our customers' needs and wants and ensure that we develop a service tailored and personalised to meet those needs.

Summary

This performance commitment relates to the overall customer experience of the services we provide. The commitment is still in development; Ofwat will make its final decision on all aspects of the measure after completion and evaluation of the 2018-19 pilot.

C-MeX is replacing the service incentive mechanism (SIM). We are pleased with this move, specifically that performance will be judged direct from the customer experience. The measure drives the right incentive to truly understand our customers' needs and react to the changing environment.

It is important that customers consider that they receive excellent service and value for money. This measure will provide a sound indicator of our overall performance in delivery against our customers' priorities; our 5 Big Goals.

The performance commitment is a new measure for 2020-25, replacing the existing SIM and overall customer satisfaction measures. The performance commitment has proposed out and under performance payments to be recognised annually, in-period.

Engagement

Customer engagement

Our customers demonstrate good support for this performance commitment, with a majority of respondents to our Outcomes, Performance Commitments & ODIs study rating it as important. Customers are typically supportive of this measure in principle, though comment that the practicalities require careful thought. Some raise concerns over the number of customers that are engaged with, while others comment that many customers only engage when they are dissatisfied.

Customer Challenge Group (Yorkshire Forum for Water Customers)

We consulted with the Yorkshire Forum, who are in support of this performance commitment and they have raised no specific challenges.

Our performance

Whilst C-Mex is a new measure for the industry, we have been comparing our performance in the UKCSI survey since 2013. We consistently perform in the upper quartile for utilities and have been the leading water company overall. Our retail activity is industry leading and is demonstrated through leading performance in billing SIM satisfaction whilst keeping doubtful debt low. Within the SIM we have improved overall performance year on year and we aspire to achieve the same level of customer service in water and wastewater wholesale services.

What we have done to date

Our in-depth conversations with our customers have directly informed our overall approach to service. Our customers are at the heart of our plan. We want to ensure all customers can access our services and get what they need from us, especially if they find themselves in circumstances that could make them vulnerable or have a particular lifestyle reliance on water.

We are increasing our understanding of customers and their lifestyles, so we can offer and tailor services in the best way to suit their individual needs and expectations. One headline is clear: “not one size fits all”. The needs of our customers often span across many different areas, so it is important to our customers and us to ensure that we are meeting their individual needs.

Our customer service strategy is based on the following Customer Promise.

We're easy to deal with

- Our processes are straightforward
- We make it easy for customers to contact us at a time and in a way that suits them
- We talk to our customers in a way they understand

Our Customer Promise

Looking after our customers:
It's part of our Blueprint for Yorkshire

We get it right first time

- We're focused on delivering great customer service
- We actively seek and measure customer feedback
- We take ownership of a customers problem and see it through to a satisfactory conclusion
- We understand the personal needs of our customers

Our Customer Promise

Looking after our customers:
It's part of our Blueprint for Yorkshire

We're helpful and friendly

- We will provide our customers with a helpful and friendly service whenever and however they deal with us
- Customers can speak to a person in Yorkshire, 24 hours a day, 365 days per year
- We will respond quickly and work to our published service levels

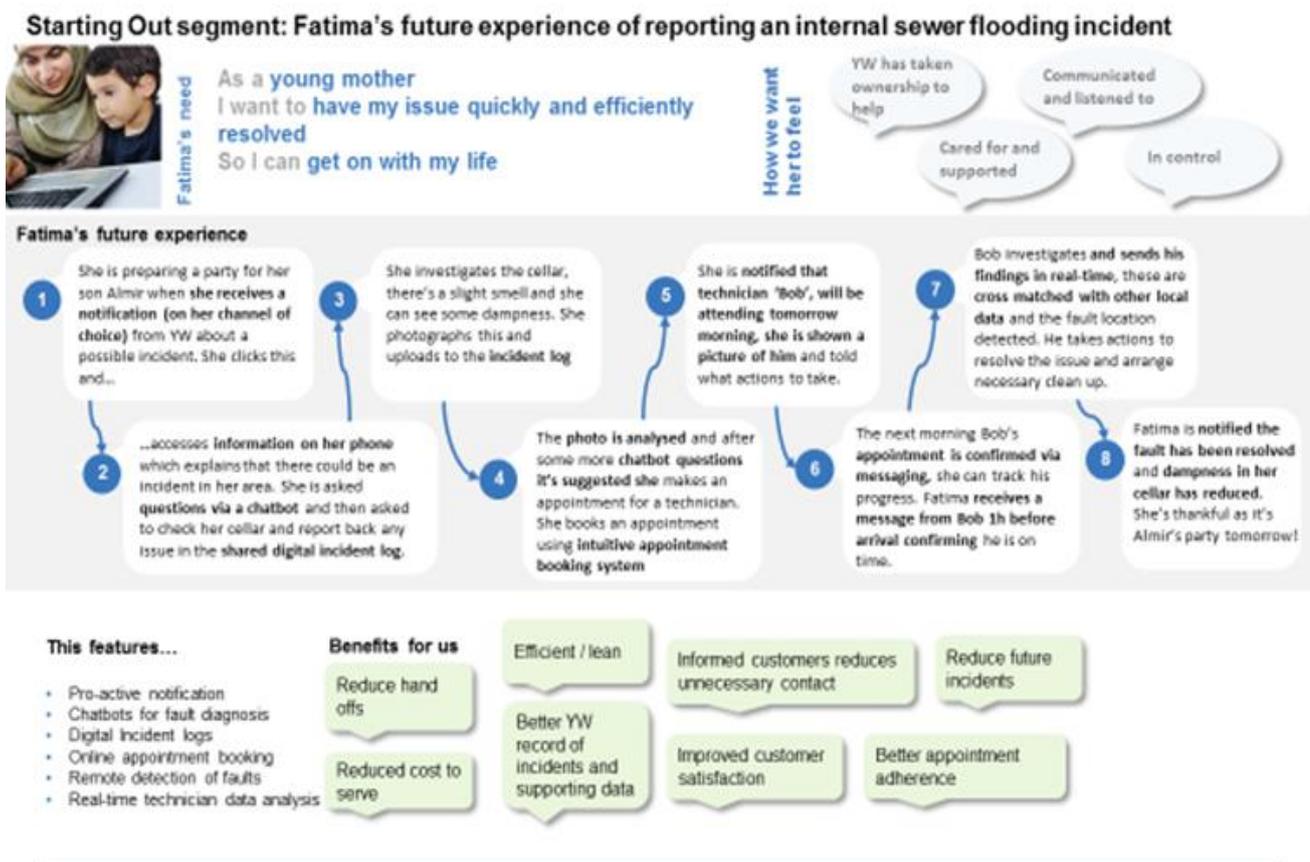
Our Customer Promise

Looking after our customers:
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This promise provides a reference point to our activities and helps structure continuous improvement. We have also profiled typical customer personas, allowing us to develop customer journeys that make us easy to deal with, helpful and friendly, and ensures we get it right first time. Our customer service offer is more automated, offering customers the opportunity to self-serve and allowing our teams to spend more time dealing with complex issues or customers who need a little extra help.

Many of our processes are becoming automated, giving customers the opportunity to self-serve. Colleagues will spend more time on complex calls and issues and supporting customers who find themselves in circumstances that could make them vulnerable.

A typical customer journey is faster and easier, giving the customer choice and control. For example, the illustration below shows that we will know that Fatima just wants a quick resolution to her reported internal sewer flooding and to self-serve through her phone, based on our knowledge of her preferences, behaviour and service expectations.



Development of the performance commitment

Ofwat are running two waves of surveys in 2018 as part of the overall pilot study. The purpose of the pilot exercise is to test approaches for C-MeX to determine a mechanism that meets the criteria set out in the December Methodology.

The pilot is testing a number of areas, including:

- Survey questions, frequency, channels, scales

- . Sample size
- . NPS results and volatility
- . Using the results to help make decisions relating to the weightings of the component parts of C-MeX, and the operation of the cross-sector threshold.

Measurement of the performance commitment

The performance commitment will be measured based on the results of the pilot. The following table illustrates the options of measurement under consideration:

	Customer service quarterly satisfaction survey via online channels, of contacts based on the handling and resolution of a recent matter or complaint	Customer experience quarterly satisfaction survey via phone, of customers who have not contacted their company	Net promoter score using monthly data submitted by companies of the net proportion of customers who would recommend their water company	Complaints volumes based on application of updated guidance (includes complaints made via social media)
Option 1	50% weighting	50% weighting	Not applicable	Reputational incentive
Option 2	40% weighting	40% weighting	Not applicable	20% weighting
Option 3	40% weighting	40% weighting	20% weighting	Reputational incentive

All options: Combined into a single C-MeX score benchmarked against an upper quartile UKCSI all-sector threshold

Our performance targets

We will set our targets once the metrics have been set by Ofwat. Our ambition is to be a leader in service and we will therefore target a minimum of top three in comparative performance.

Our plans to deliver the commitment

We know people need to have trust in our ability to serve them now and into the future, whatever the conditions, and that they want to be able to trust in us. Our plans for 2020 to 2025 will build on our pioneering data sharing arrangements by giving us an even better understanding of the needs of our diverse population. Our services are being modernised and tailored to reach the right people in ways that they need, and we will protect customers in circumstances make them vulnerable.

We are setting our sights on providing a frontier level of customer experience that is fair, flexible and accessible. We are already a leading company in efficiency and billing satisfaction, as measured by the

existing service incentive mechanism, and for the last three years have been industry leading in the Institute of Customer Service's UK Customer Satisfaction Index. We are focusing on increasing our understanding of customers, so we can offer and tailor services in the best way to suit their individual needs and expectations.

We want to deliver excellent service to all our customers, to transform our operational service and become an upper quartile operating business by improving performance across leakage, water supply interruptions, pollution and internal sewer flooding which impact the most on our customers.

Our plan is to focus our efforts into the following seven areas:

Our service approach	What we are doing
A digital first approach for all processes and promote the value of digital to our customers	<p>New customer portals and an improved website will enhance the customer journey by:</p> <ul style="list-style-type: none"> • Providing an easily accessible platform to allow customers to contact us or self-serve in the way that best suits them • Ensuring all required information is captured so we do not have to go back to ask again and can solve issues first time. • Ensuring customers can view the progress of a query or request in the way that suits them. • Providing an easy to use repository of information for customers to visit to help to make it easy to self-serve, if that is what they want to do
Personalisation based on segmentation and real-time use of customer data	<p>We need to ensure we are providing our customers with the individual services they require while maintaining a consistent high-level of service across our customer base.</p> <p>This includes providing a multi-channel approach for customers to interact with us in the way that works best for them. We understand our customers all have different preferences and, for example, offer a range of financial support options to residential customers.</p>
Pro-active customer communication together with transparency of process, progress and issues	<p>As part of the portal development and the website re-design we have included functionality to provide customers with our latest news, links to publications and access to key documentation.</p> <p>We will also provide guides on our processes and how customers can interact with us, track progress, and raise issues.</p>
End-to-end digital services promoting a	A full review of the processes of our services to customers has led to a focus on migrating these onto our new digital platforms to the same

<p>'self-service' approach for our customers, but traditional contact channels for those who need it</p>	<p>standard and satisfaction customers currently receive when they contact us on the phone.</p> <p>Some customers tell us they prefer the traditional contact channels, so these options will remain available.</p> <p>We will review these processes in parallel to ensure a consistent level of service and customer experience is provided no matter how customers contact us.</p>
<p>Data driven experiences – predictive, measured, analytical to support decision making</p>	<p>The portals and website allow us to monitor the traffic on each platform enabling us to:</p> <ul style="list-style-type: none"> • Plan and implement further improvements to enhance the customer experience • Provide knowledge sharing sessions to our customers where issues or lack of understanding of process exists
<p>The value of being digital first and using third party platforms that are already available in the customers' world</p>	<p>We know our customers use a variety of methods and devices to communicate with us. We have been extremely conscious of this and have ensured that as part of the SAP refresh programme, our business retail service portal, developer services portal and website functionality is available whether our customers use a traditional workstation, laptop or tablet.</p> <p>We continue to monitor the market and are open to new technologies and innovations that may further enhance how we provide services to our customers and how they can communicate with us.</p>
<p>Affordable and competitive services for all our customers</p>	<p>We have undertaken a thorough review of our supply chain for all the services that we deliver to:</p> <ul style="list-style-type: none"> • Provide the best value for money services to our customers and a range of financial support and social tariffs • Understand our own charges and costs in more detail • Ensure we minimise and remove any unnecessary charges/costs and that these are not passed on to our customers • Provide transparency about the cost of our services where they are higher than other providers • Take what we learn from the water and other sectors on how best to operate our supply chain, including our third-party partners

Costs and Value for Money

The costs within the residential retail price control rely on our ability to efficiently collect revenue while delivering great customer service. Historically, we have found the right balance. Our bad debt performance has been exceptional considering some of the factors specific to Yorkshire. Our innovative

approach to using data has allowed us to keep operating cost low, improve service and increase the support for those struggling to pay.

While we continue to serve our customers through multiple channels, the steps we are taking to increase the use of digital channels for information and transactions is proving a more cost efficient way to interact, enabling us to offer a personal service while driving affordability for all customers.

The efficiency challenge is ambitious, but we are confident it can be achieved based on transformational changes observed outside the water industry. By understanding and engaging with our customers we will offer more opportunities for self-service, reducing operating cost through fewer contacts being handled by our contact centre and reducing mailing and postage.

Our incentive to deliver

Each year the top three performers will receive an outperformance payment of up to 1.2% of Residential Retail revenue. Higher performance payments of up to 2.4% of Residential Retail revenue will be available if a company is within the top three performers and performs at or above the cross-sector threshold. The poorest performers will be liable for an underperformance payment of up to 2.4% of Residential Retail revenue.