

Welsh Water

B2C maturity model: billing & collections
August 2019



Maturity Assessment: Our approach

Background

PwC have an established model for assessing the billing and collections approach of an organisation. This has been developed over many years and incorporates experiences from Utilities, Telcos and Local Authorities with an overlay of the latest technology and behavioural science developments. The model scores a company's approach across 20 specific points on a scale of Basic to Advanced. High performing companies are likely to have more scores in the Advanced column while poor performing companies are likely to score more in the Basic column. But generally we would expect a company to show a range of scores between Basic and Advanced. We would then assess on the overall spread of scores.

Limitations

This was a desktop exercise that relied on a qualitative assessment from interviews and a review of limited documentation. We did not, in this case, undertake an analytical assessment to validate the scoring.

Our approach

Model walkthrough

Interviews conducted with:

1. Head of collections
2. Collections & recovery lead
3. Affordability lead

Evidential review

We reviewed the following information that was provided to us:

1. Internal comms
2. Management information
3. Segmentation model
4. Process flows (collection paths)
5. Example customer comms
6. Internal training material

Peer Comparison

We have completed these billing and maturity maturity assessment for clients in both the water and retail energy sectors, building a strong comparison base. This includes water companies of varying size and levels of bad debt performance.

Maturity model scoring shows the current position and where the company's ongoing initiatives are like to take them when fully implemented

		Basic	Normal	Advanced
Encouraging prompt payment	1 Data Accuracy	Extent to which customer data is proactively captured and validated to enable effective billing & collections		
	2 Approach to segmentation	The way that segmentation is used throughout the end to end process to deliver effective communications and maximise collections		
	3 Billing completeness frequency, timing, accuracy	Extent to which consumption is accurately billed with tailored billing strategies geared to optimise income, cash & cost		
	4 Payment methods & timing	How easy do customers find it to pay & to continue to pay, maximising cash collected & customer engagement		
	5 Nudge marketing	Degree to which you seek to influence customer's payment behaviours & attitudes towards debt through various media		
	6 Sharing success	Sharing success internally & externally (including recovery & affordability successes) to maximise engagement		
	7 Pre dunning contact	Extent of targeted contact to remind customers when instalments are due to minimise late payment & debt proliferation		
Supporting customers in need	8 Identify customers in need	Proactively identifying & engaging vulnerable customers to maximise use of affordability schemes & maximise engagement		
	9 Tariffs	The depth and breadth of affordability schemes and the degree of penetration achieved		
	10 Working with other parties	Extent to which you engage with RSLs, charities & other organisations to promote joint working and raise awareness		
	11 Repayment plans	Degree to which you strike a balance between maximising engagement & receipts while minimising broken arrangements		
	12 Direct DWP deductions	The quality of the working relationship with DWP & your investment in maximising success rates to maximise collections		
	13 Bursary/trust & debt matching schemes	The extent of charitable & debt matching schemes used to help customers in need to re-engage & make regular payments		
Address poor payment practice	14 Follow-up & escalation timescales	Extent to which dunning is dynamic ensuring a balance between speed & fairness to maximise success & minimise cost		
	15 Clarity of purpose & direction	Are dunning communications clear & concise and telegraph consequences to maximise collections		
	16 Debt collection pathways	Extent to which dunning strategies are tailored to different customer types to maximize collections and optimise cost		
	17 Decisive recovery	Extent to which recovery is able to reach a definitive end where consequences are felt by the debtor		
	18 Consequence	Range of tangible consequences applied & how these are targeted to ensure they are relevant & effective		
	19 Persistent/unyielding	The relative ease for debtors to avoid payment without encountering any consequence of note		
	20 Culture & people	The efficiency & effectiveness of teams & the importance of cash throughout the organisation		

B2C Maturity model evaluation results

		Score	Rationale
Encouraging prompt payment	1 Data Accuracy	Nor/Adv	The company uses various sources of external data to validate occupancy and identify the debtor throughout the lifecycle of the account. The planned purchase of enhanced credit bureau data will move the company firmly into the advanced category.
	2 Approach to segmentation	Nor/Adv	Limited Behavioural segmentation allows the effective targeting of key debt levers and the proactive identification of deceased debtors. A new data science team are creating a refined behavioural scoring model to move the company firmly into the advanced category
	3 Billing frequency, timing & accuracy	Normal	External data used to drive billing/voids strategy. The company is testing a new estimates strategy, providing an online self-read capability with sms reminder to improve bill accuracy. An advanced rating would require tailored billing strategies by customer segment.
	4 Payment methods & timing	Nor/Adv	The company actively targeted "paying-in book" customers to convert to DD, delivering penetration close to that achieved in the energy sector. There is full flexibility with payment dates & cycles. Advanced would require weekly cycles and better use of pull payments.
	5 Nudge marketing	Normal	Nudges have been included on bill messaging for annual bills and metered bills are due to be updated from 10/19. Proactive marketing to educate landlords about their responsibilities. Advance level comes from extending this marketing to educate customers to pay.
	6 Sharing success	Normal	Our service excellence methodology and team leader cascade are used to promote cash successes and consequences internally. But there is no sharing of success externally which would move the rating towards advanced.
	7 Pre dunning contact	Basic	This capability does not currently exist although is currently being built. This will move the company towards advanced depending upon the sophistication of the solution for example tailored by customer segment would score highly.
Supporting customers in need	8 Identify customers in need	Advanced	The company has integrated affordability field visits into its routine bau process. In addition it has been proactively seeking to refine, help U to better target the most needy. Have a specialist vulnerability team. Refining with enhanced CRA data will improve the score.
	9 Tariffs	Nor/Adv	HelpU has been improved to provide the best level of support. Customers in high deprivation areas were actively targeted. HelpU is funded by cross subsidy and significant WW contribution. The company aspire to be smarter with targeting and assessment
	10 Working with other parties	Advanced	Proactive relationships with external agencies. Close collaboration and support to educate agencies and customers using those agencies. Agencies are actively promoting schemes and tariffs.
	11 Repayment plans	Nor/Adv	Focus has been on getting ongoing charges paid, agent sets the plan with minimal structured policy to encourage the best outcome. Quality reviews & exception reporting is used to monitor success resulting in 60% reduction in low value plans.
	12 Direct DWP deductions	Advanced	Proactive applications are used in a targeted way. As a result the company has increased Water Direct by over 60%.
	13 Bursary/trust schemes	Normal	There is reactive referral to the customer assistance fund and the debt matching scheme is well utilised, paid from bad debt charge. Staff targets and incentives would create a more advanced
Address poor payment practice	14 Follow-up & escalation timescales	Nor/Adv	Variable escalation timescales by customer type includes accelerating those that have previously been legal. Generally timescales between actions is reduced due to intra letter calls & sms reminders. Advanced segmentation is required to move to advanced.
	15 Clarity of purpose & direction	Advanced	Dunning letters provide a clear articulation of consequences & have a clearly defined escalation route
	16 Debt collection pathways	Advanced	Collection paths are tailored to different customer segments (as above), more refinement sought including better sms journeys Refinement of the segmentation model will enable refinement of the pathways.
	17 Decisive recovery	Advanced	Use internal and external resources to good effect to enforce judgements.
	18 Consequence	Advanced	Currently use a full suit of consequences to encourage payment compliance including Full Data Share and litigation in a targeted manner, have demonstrated an appetite to follow through on legal action.
	19 Persistent/unyielding	Normal	Only write off live debt through negotiation of a settlement & Debt Matching. Use internal and external tracing. WW Debt covenants don't allow debt sale which would move them closer towards advanced.
	20 Culture	Advanced	A balanced operational scorecard is used along with a debt dashboard incorporating end to end operations metrics. There has been targeted contact centre agent training in cash awareness & debt etc. But there is no incentivisation in place.

Our assessment and conclusions

Welsh Water has put a great deal of focus on improving the collection of debt and the engagement with financially vulnerable customers. This is reflected in improvements in the end to end process as well as the improving bad debt position. Whilst we've not assessed all water or energy companies, the latest score for Welsh Water compares favourably to those where we have.

- We've undertaken this assessment for Welsh Water on two occasions now; once in 2015 and also in July 2019. We've seen a significant improvement over this time.
- In 8 areas in our model, Welsh Water have scored in the advanced area while another 6 areas are scoring on the cusp of Normal and Advanced. This creates a profile that tends significantly towards the Advanced end of the spectrum - an area where we would expect the leading practices and performance in debt management.
- We also note that Welsh Water are continuing to seek to deliver further improvements and have a number of initiatives in plan that are likely to move several scores even further towards the Advanced end of the spectrum. In particular, the one remaining item that scored basic (Pre-dunning contact) is expected to show an improvement in the coming months.

Appendix

B2C Maturity model scoring shows the current position and where the company's ongoing initiatives are like to take them when fully implemented [Alternative view]

		Basic	Normal	Advanced
Encouraging prompt payment	1 Data Accuracy	Poor data; high volumes of “unmatched” customers	Reactive validation; Data sharing for validated customers only	Dynamic validation Data sharing; extensive use of data search and append
	2 Approach to segmentation	No segmentation	Segmented late, limited	Early behavioural segmentation
	3 Billing frequency, timing & accuracy	For maximum efficiency, many estimates; Highly speculative billing	Efficiency balanced with cash. Fewer estimates; Some speculative billing	Aligned to customer segment Few estimates; No speculative billing
	4 Payment methods & timing	Low DD & self serve CC 1 date per month; monthly payments	Good DD & self serve CC penetration. Little focus 1 date per week; monthly payments	Extensive Penetration. Active targeting. “Pull” Flexible payment day. Weekly DDs offered
	5 Nudge marketing	No concept of behavioural change	Passive use behavioural change	Active campaigns by customer types
	6 Sharing success	None	Some internal sharing of success	Success published internal & externally
	7 Pre dunning contact	None	Limited for larger customers	Tailored to customer types; Incl. e-comms
Supporting customers in need	8 Identify customers in need	Only at later stages of recovery	Emphasis throughout process; Use of external data	Use of advanced segmentation. Field visits
	9 Tariffs	Limited, Reactively encouraged; Limited marketing	Limited; Reactively moved , Actively marketed	Actively encouraged & moved. Staff incentivised; targeted marketing
	10 Working with other parties	Only reactive – responding to agencies	Active sponsorship of relevant agencies/charities	Proactive Field support to agencies/charities
	11 Repayment plans	No formal policy	Rigid plans, High level of broken plans	Dynamic plans, actively monitored & reviewed
	12 Direct DWP deductions	Limited use of Water Direct	No active targeting. Customer Aps only	Actively encouraged. Staff incentivised. Supplier Aps used extensively
	13 Bursary/trust schemes	No scheme available	Available but reactive referral	Actively encouraged. Staff incentivised
Address poor payment practice	14 Follow-up & escalation timescales	Monthly. No apparent escalation	Clear escalation. Long intervals	Tailored to segment
	15 Clarity of purpose & direction	Consequences are not telegraphed	Clarity of consequence. Limited follow through	Tailored to specific customer types. Threats followed through
	16 Debt collection pathways	One size fits all dunning process	Limited differentiation based on customer risk	Tailored to customer segment
	17 Decisive recovery	Only internal recovery	Primarily external using non specialist. No enforcement	Good use of internal/external options including enforcement
	18 Consequence	No tangible consequence for late/non payment	Tangible consequences incl, limited legal enforcement	Ingrained into tailored recovery processes
	19 Persistent/unyielding	W/O at predetermined point. No trace & collect	W/O at predetermined point. Some trace & collect	W/O when all options exhausted. Extensive trace & collect. Debt sale used
	20 Culture	Little focus on cash	Cash a priority but limited analysis, targeting or incentives	Comprehensive monitoring, targeting, incentivisation

This document has been prepared for Dwr Cymru only in accordance with the terms of our Contract and for no other purpose. We do not accept or assume any liability or duty of care for any other purpose or to any other person to whom this document is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

In the event that, pursuant to a request which Dwr Cymru has received under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the “Legislation”), Dwr Cymru is required to disclose any information contained in this presentation, it will notify PwC UK promptly and will consult with PwC UK prior to disclosing such report. Dwr Cymru agrees to pay due regard to any representations which PwC UK may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation to such report. If, following consultation with PwC UK, Dwr Cymru discloses this report or any part thereof, it shall ensure that any disclaimer which PwC UK has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Conduct Authority for designated investment business.

© 2019 PricewaterhouseCoopers LLP. All rights reserved. “PricewaterhouseCoopers” refers to PricewaterhouseCoopers LLP, a limited liability Partnership incorporated in England or, as the context requires, other member firms of PricewaterhouseCoopers International Limited, each of which is a separate legal entity.