Informing PR24:
A research report

PREPARED FOR NIC JOHNSON

August 2021

Relish

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01 Project background and approach

DCWW is preparing its response to PR24.

In order to support relevant business plans, there is a need to collect initial feedback from customers to:

- **Identify customer priorities for future investment**
- **Understand the extent to which customers feel able to make a decision on these topics**
- **Establish extent to which customers are prepared to potentially pay more in order to facilitate their future investment priorities**

In order to answer these questions, we have undertaken 2 phases of research:

1 A quantitative survey with n=1,000 DCWW / Hafren Dyfrdwy customers, representative of those in Wales

Our response comprised n=800 online interviews and n=200 CATI (computer assisted telephone interviews), to maximise the opportunity for different customer groups to take part.

RECRUITMENT – from a quantitative panel provider - using quotas and weighting to ensure a sample representative of DCWW's customer base.

2 Qualitative depth interviews with 30 DCWW customers, to explore in depth the customer rationale for their investment priority choices

One-to-one interviews via video meetings (60 mins), enabling us to build rapport with respondents and to build in a more informed viewpoint

RECRUITMENT – using the Relish freelance recruiter network, we applied a combination of contacting databases of registered/interested participants, snowballing from these contacts and advertising in the local area for interested participants.

01 Our quantitative sample was representative of the Welsh population

Sample demographics
(Total sample, n=999)

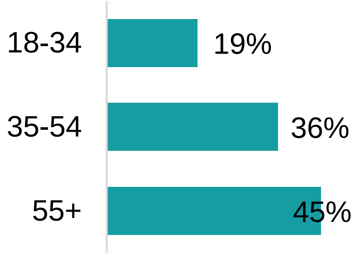
All were:
- *Aged 18+*
- *Responsible for paying water bill*
- *Living in DCWW regions*
- *Customers of DCWW or HD*

GENDER

Female: 50%

Male: 50%

AGE



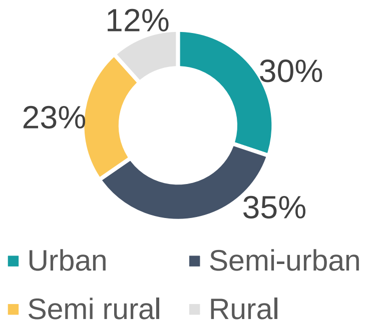
LOCATION

Cardiff / Swansea / Rhondda / Newport: **35%**

Herefordshire / Carmarthenshire / Bridgend / Gwynedd / Neath PT / Caerphilly / Conwy / Flintshire: **36%**

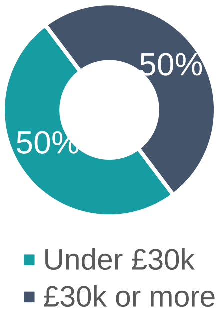
Other regions**: 29%**

RURALITY

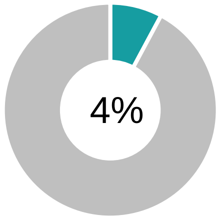


Data is weighted to ensure a match with census / customer data, by:
- *Gender*
- *Age band*
- *Household income*
- *Region*

HOUSEHOLD INCOME



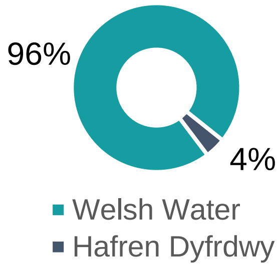
SOCIAL TARIFF STATUS



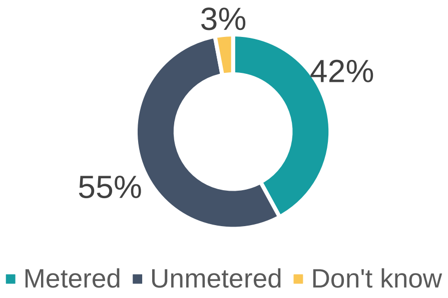
'On a lower water tariff for customers with lower incomes who struggle to pay their water bill'

WATER PROVIDER

Fresh or waste water



METER STATUS



01

Our qualitative sample included a good cross-section of DCWW customers

Sample demographics

(Total sample, n=30)

All were:

- *Aged 18+*
- *Living in DCWW regions*
- *Customers of DCWW*

APPROACH

Hour-long, one-to-one video calls with customers

GENDER

x17 x13

LIFE STAGE

4x 18-22 live with parents
4x Pre-family
10x Family
8x Empty nester/retired
4x Vulnerable

LOCATION

5x Clwyd/Gwynedd
5x Powys
5x Dyfed
6x Glamorgan/Gwent
5x Hereford
4x Wrexham

RURALITY

15x Urban/suburban

15x Semi-rural/rural

HOUSEHOLD INCOME

Included four who struggle to pay their water bills, otherwise a good spread of income

WATER PROVIDER

All DCWW customers

(No exclusions placed on including HD customers)

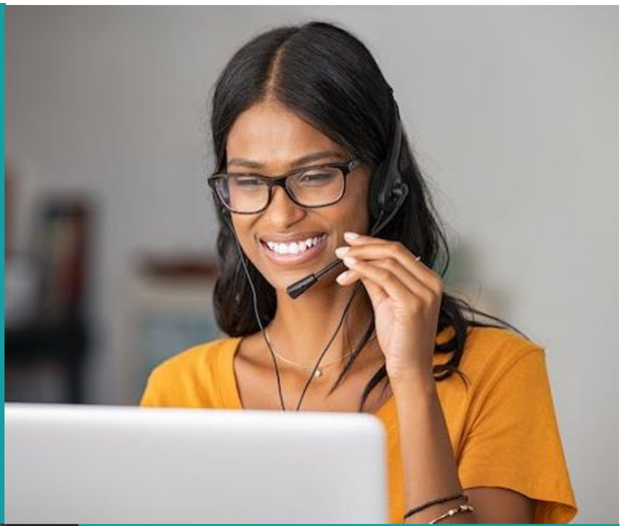
Key insights

1

Customers recognise the need for their water provider to invest more now to head off future issues around infrastructure and climate change. This research evidences that many are prepared to accept a small annual bill increase to facilitate this

3

The pace of climate change and perceived importance of the environment are felt to be valid justification for further investment on resilience and sustainability. Though it remains that the true impact of these factors on the water sector are not well understood by customers



2

But customers also recognise the need for DCWW to adopt a balanced approach to this future-proofing investment, in which water remains affordable to all - especially in challenging economic circumstances as Wales emerges from the pandemic

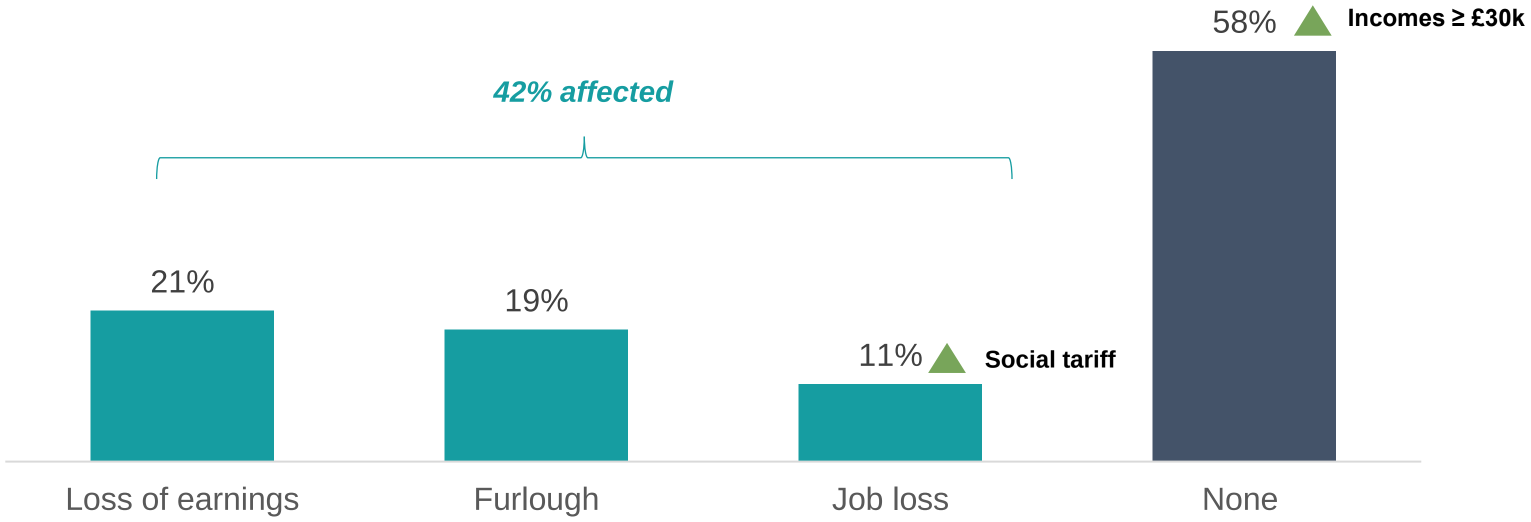
4

DCWW is felt to be delivering a good service and to do the basics of water/wastewater well. There is an expectation for increased digitisation of customer service, but this does not need to be at the same level as that of companies in other sectors that are high performing on customer service

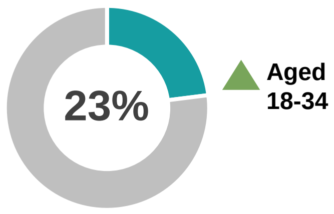
A changing world since PR19

02 Among those who work, two-fifths have been affected by changes in income as a result of the pandemic and we are seeing long term concerns about job security

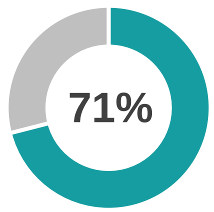
Covid-19 impact
(Those who work)



Tested at 95% significance



More concerned about job security now



Feel this is a lasting and not temporary attitude

A14. If you work, did you experience any of the below as a result of the Covid-19 pandemic? We are interested in your experiences over the last 18 months, even if things are back to 'normal' now. E8. And thinking of how things might have changed over the last two years or so, which of these - if any - do you agree with?
Base: Rebased among those that work (645)

02

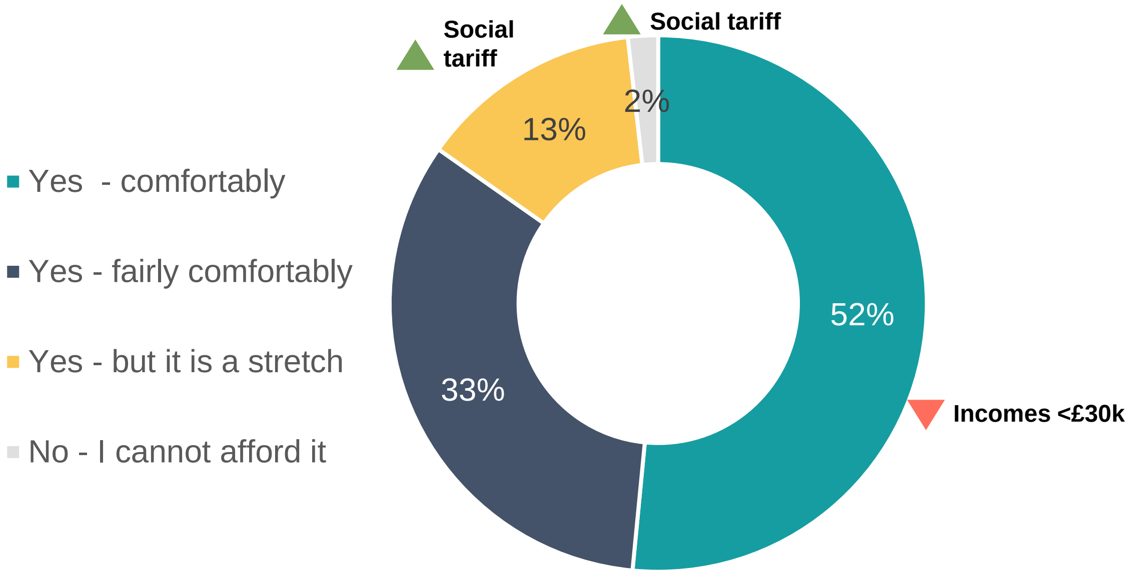
Water bills are currently a stretch for more than one in ten and particularly vulnerable customers, with a quarter thinking it will become harder to pay their bill in the future

Water bill affordability

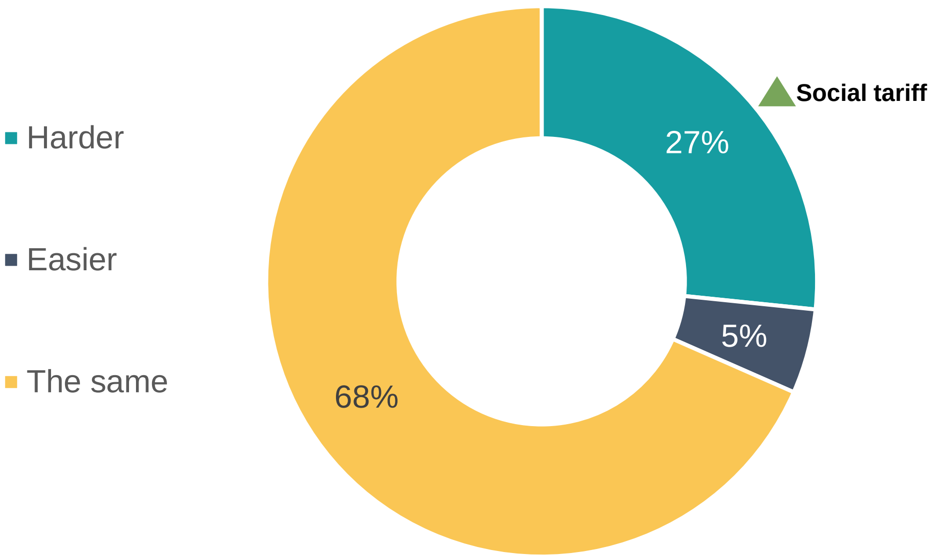
(Total sample)

Tested at 95% significance

CURRENT SITUATION



PERCEIVED FUTURE SITUATION



The proportion who can comfortably afford their bill has increased vs. the 'Bill research' in 2017 (19%)

A10. Can you afford to pay your current water bill? A11. Over the next two years or so, do you think affording your water bill will be…?
Base: Total sample (999)

02

Whilst water bills are still being paid, there is clear evidence of a tightening of finances in many households that may well impact on future ability to pay

"Money is tight, but the bills need to be paid regardless. We've had to cut down on activities we used to do and treats".

The impact of the pandemic on household finances has varied according to employment situation, wider family situation, and customers' ability to diversify into other income streams

Whilst there are those who have been relatively unaffected, or even have an increased income, we have plenty evidence from our qual interviews of households for whom finances have become much tighter, with less left over at the end of the month

Price inflation has been noticeable, particularly on weekly shops. For some, it has become about 'making do' as they struggle to find alternative employment and sacrifice previous luxuries they enjoyed

In all of this, water bills have remained manageable for most, because they are not one of the bigger household outgoings, but also because water/wastewater is seen as a bill which has to be paid (almost like a tax), unlike mobile phone, broadband, TV etc.

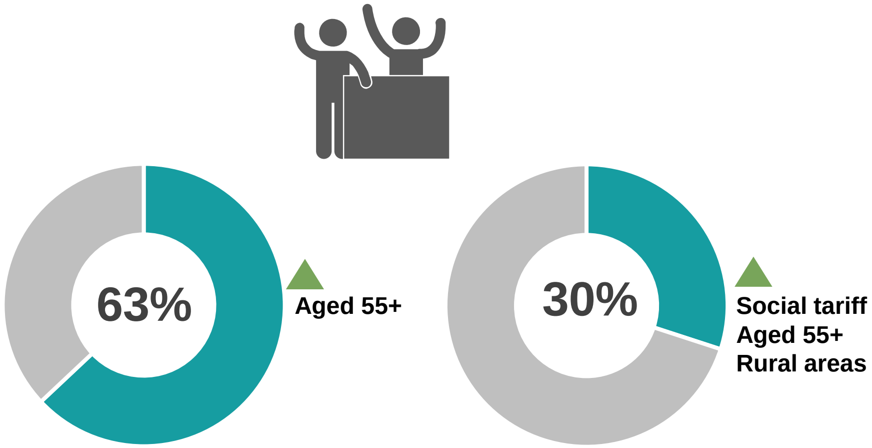
02

Beyond the financial impact, there have been wider implications of the pandemic on our how our customers think and feel – in terms of service expectations and the environment

Recent change

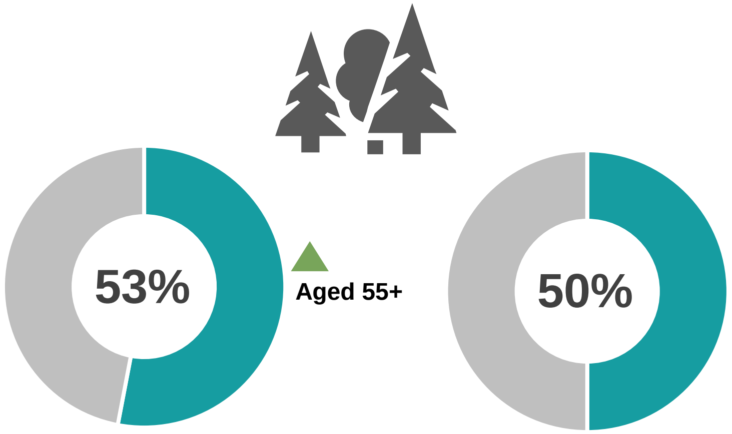
(Total sample)

▲▼ Tested at 95% significance



I think companies need to be more prepared for events like another pandemic

I expect more from household service providers now (e.g. in terms of communicating with me)



I am more worried about environmental issues such as climate change now than I used to be

I have become more aware of the natural environment around me

% who think this is a lasting (not temporary) shift in attitude	**90%**	**84%**	**96%**	**94%**

E8. And thinking of how things might have changed over the last two years or so, which of these - if any - do you agree with?
Base: Total sample (999)

02

The public parameters and expectations on future-preparedness, social responsibility and the environment have shifted notably and will need to be reflected in PR24

"COVID has definitely changed how we think about things and made us realise just how vulnerable we are to so many threats, not just this virus."

"When we were in lockdown it was really apparent the lack of noise and pollution from cars and we saw examples of this all around the world."

From living through the pandemic, there is now a real sense that worst case scenarios can play out and that we **need to be more prepared** for this as a nation, and as a world

This has been a wake-up call for many that our systems are fragile, and that we need to build in more **resilience and future focus** to mitigate against future known problems, in particular climate change

Periods of lockdown have **changed consumer behaviour** patterns, led to more engagement with nature / the environment, and made a visible (if short lived) impact on pollution levels. This has brought already increasing environmental concerns into even sharper focus and **climate change** is now seen as a major threat that needs considerable global focus and investment

It has also been a period in which service providers have communicated a lot with customers and often shown flexibility and given a sense of **'being in it together'**. This has increased public perceptions of a wider sense of **social responsibility**

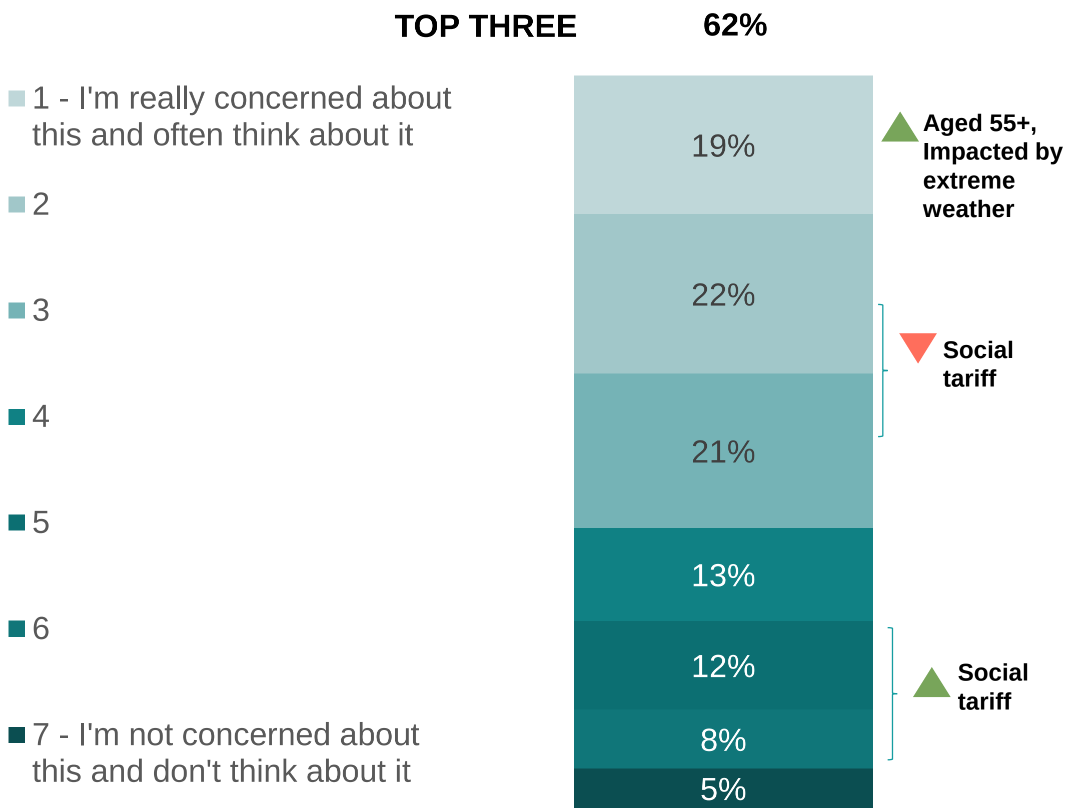
Increased concern about climate change is apparent with well over half of customers more concerned than they were two years ago – especially older customers

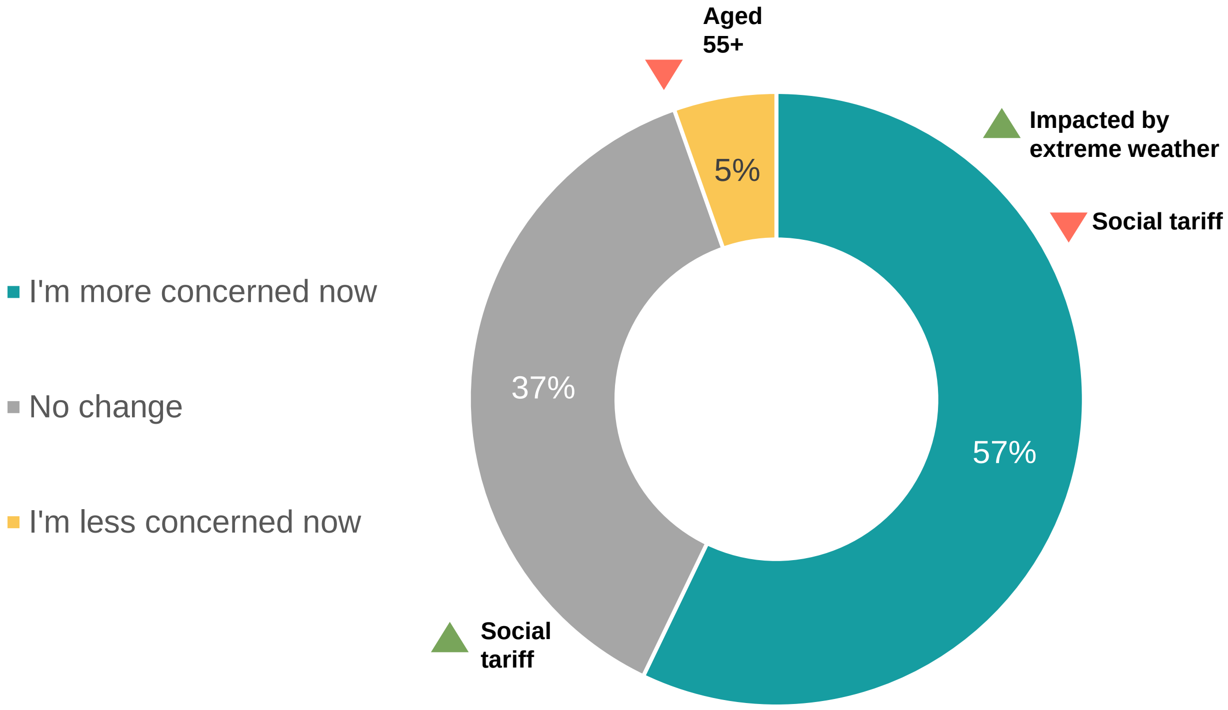
02

Thoughts towards climate change

(Total sample)

Tested at 95% significance





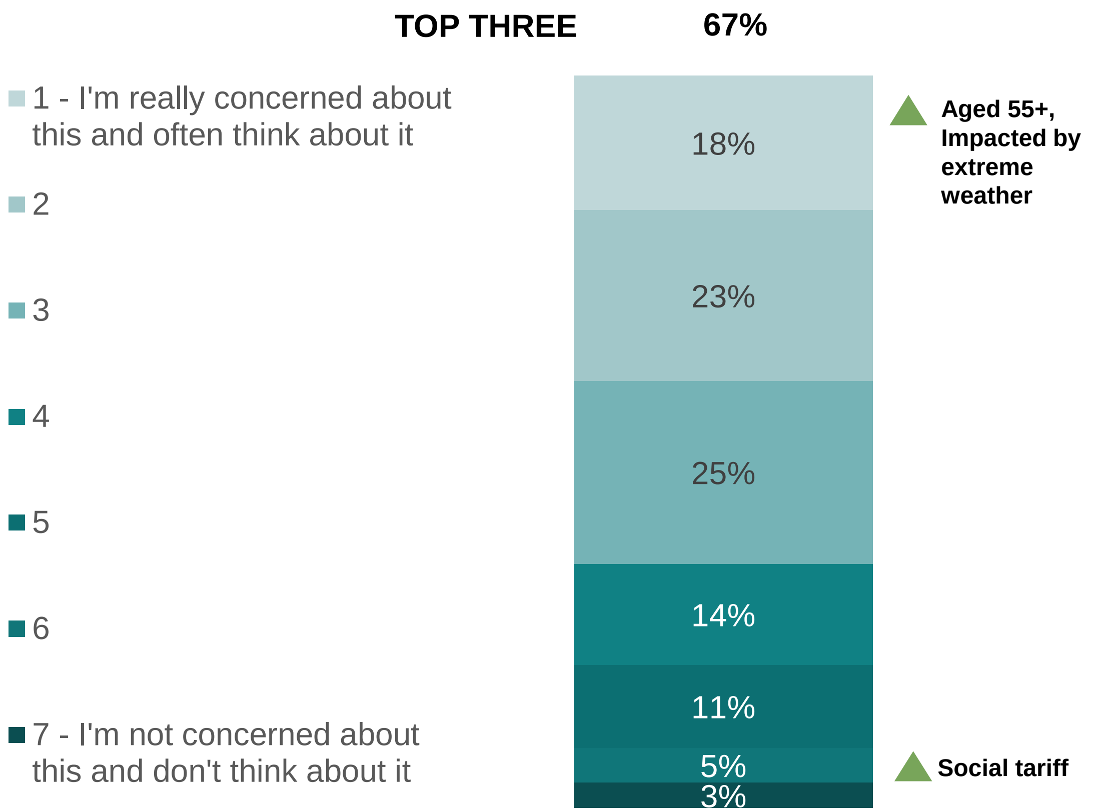
E1: Which of these statements best describe your level of concern (or lack of concern) about climate change? E2: Looking back, has your concern about climate change changed over the last two years or so?
Base: Total sample (999)

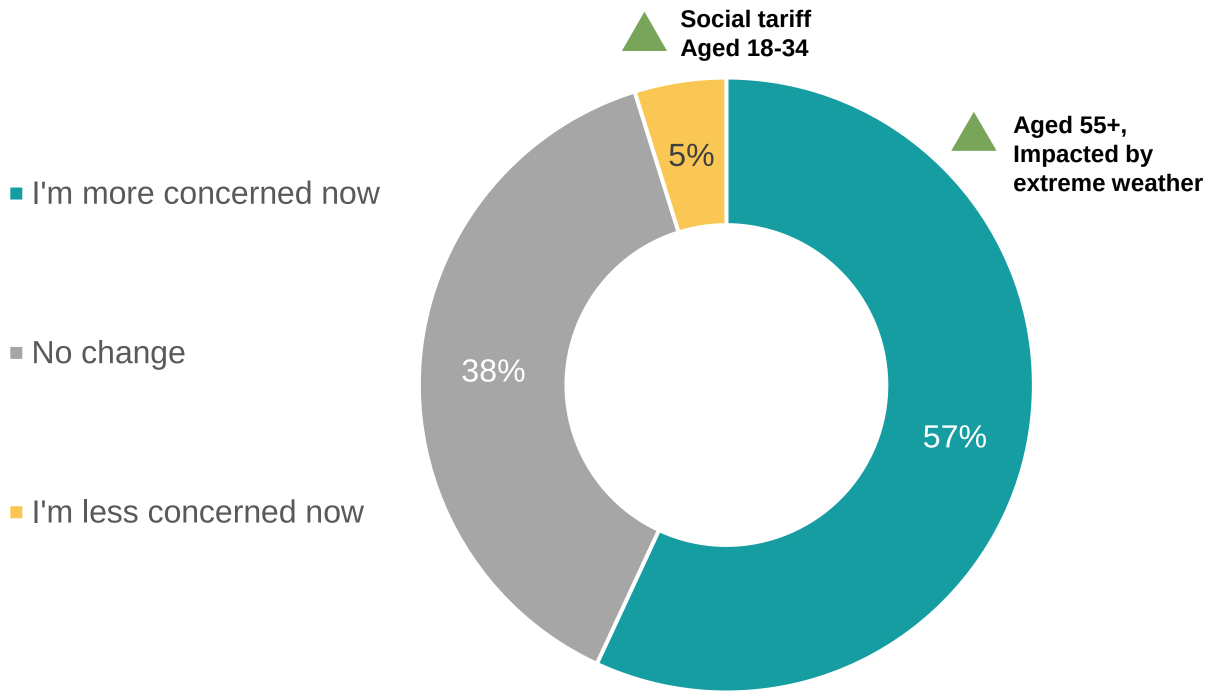
02

The same is true about concerns over extreme weather events, with a big increase in the last couple of years and not just amongst those most impacted

Thoughts towards extreme weather
(Total sample)

Tested at 95% significance





E5: Which of these statements best describe your level of concern (or lack of concern) about extreme weather events, e.g. droughts, floods, storms, etc.? E6: Looking back, has your concern about extreme weather events changed over the last two years or so?
Base: Total sample (999)

With the environmental issues of water quality in rivers and seas, the picture is not dissimilar though with a slightly less pronounced increase in the last couple of years

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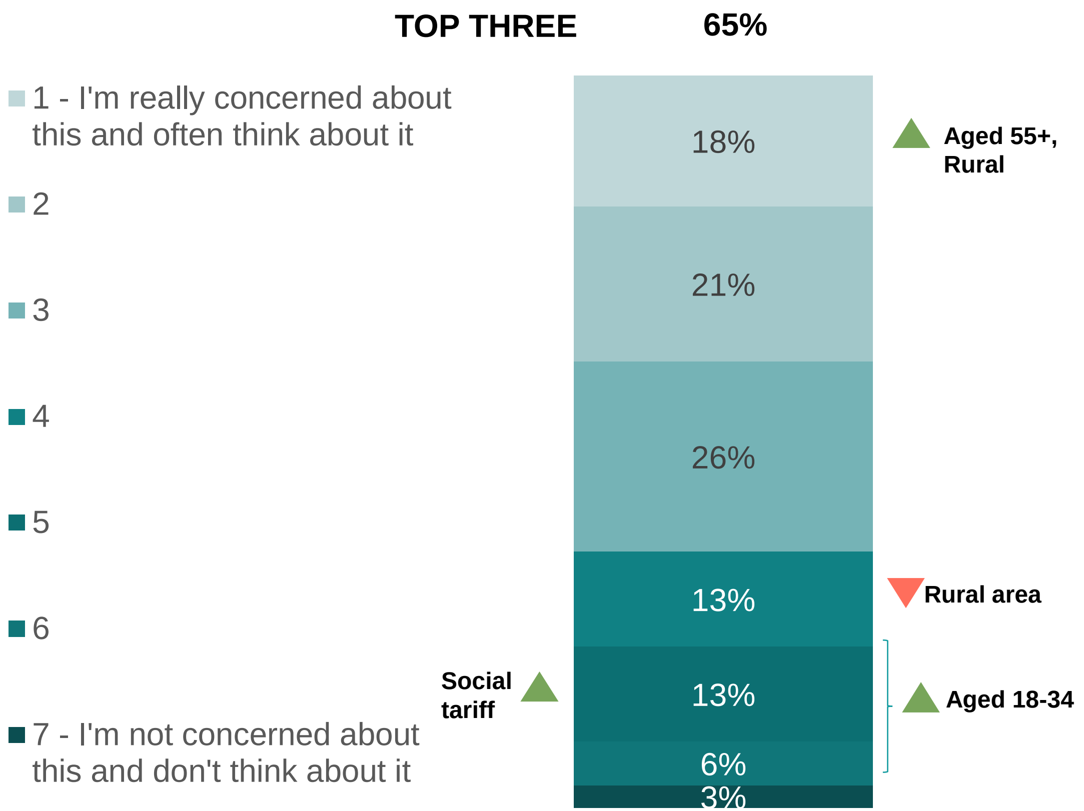
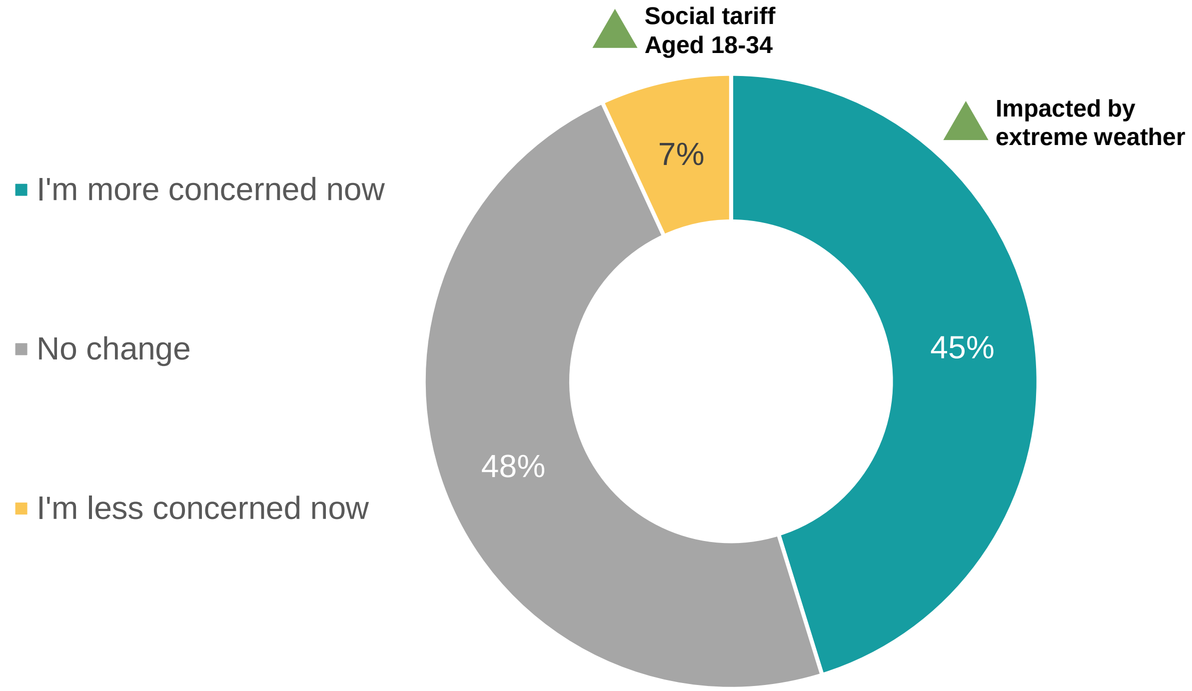
Thoughts towards water quality in rivers and seas

(Total sample)

Tested at 95% significance





E3: Which of these statements best describe your level of concern (or lack of concern) about the water quality in our rivers and seas? E4: Looking back, has your concern about the water quality in our rivers and seas changed over the last two years or so?
Base: Total sample (999)

02 However, the high levels of environmental concern generally do not translate into concerns over the reliability, safety and security of water supply in the long term

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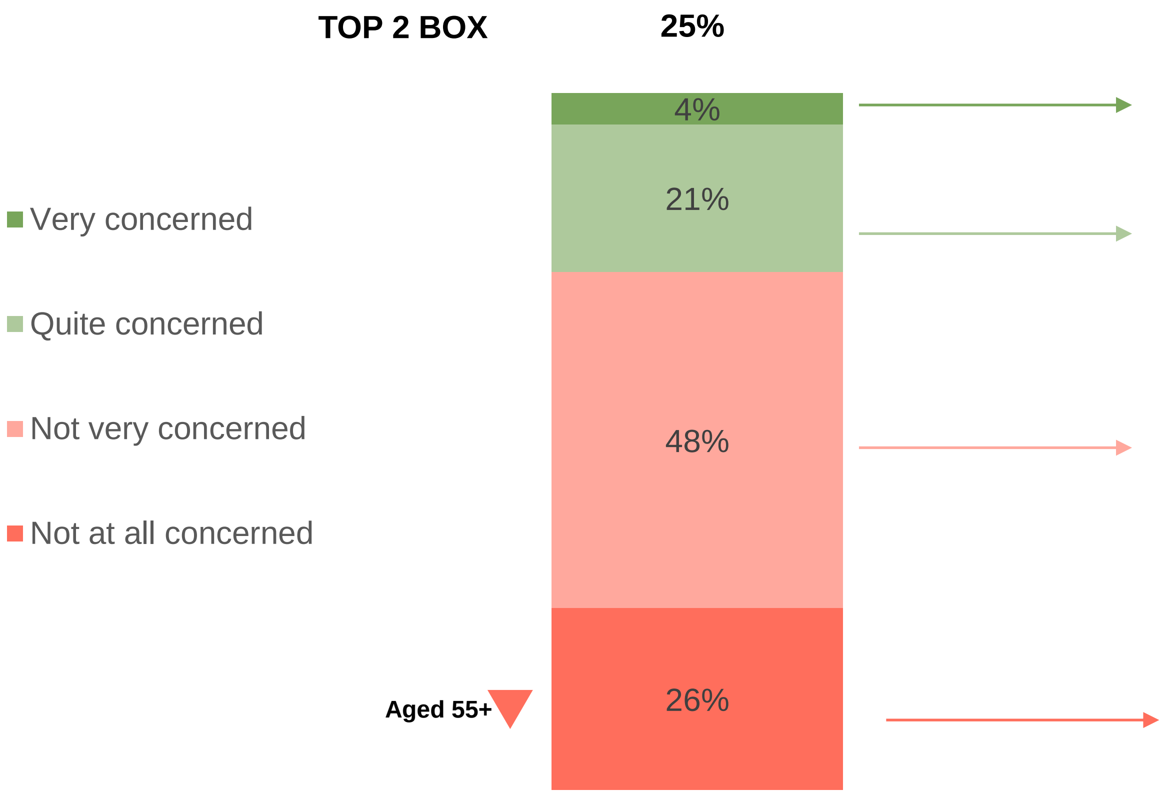
Concern over future water supply
(Total sample)

Tested at 95% significance



"Wales has a lot of water, but we give it other parts of the UK, and I am worried if there could a shortage for Wales as Welsh Water have asked their clients to cut back due to hot weather"

"The change in climate may make water supplies and waste water treatment and management very difficult. Particularly if we have more sudden heavy rainstorms."

"I do not anticipate any significant difficulties regarding the supply of water over the long term. I would hope that the company is able to minimise wastage, and to improve its record with regard to untreated sewage emissions."

"If there's ever been a problem, they let you know well in advance, they've always been pretty on the ball with sorting problems out. I've got full confidence in them. I've lived in this property for 20 years and I've never had a problem with the water supply."

B3. And how concerned are you, if at all, about the reliability, safety and security of your water supply over the long term (the next 10-20 years)? B4. Why do you say you are [xxx] about the reliability, safety and security of your water supply over the long term (the next 10-20 years)?
Base: Total sample (999)

02

Underpinning a lower level of concern about future water shortfall is a lack of consumer understanding on the water process in Wales

There is a perception that there has **not been a water shortfall situation in Wales in recent memory**, thus it is not something consumers are expecting – especially given the amount of rainfall

Whilst some think climate change may affect future water supply, they are **unclear on the specifics of how**, beyond hotter summers making for drier conditions – this relates to their lack of knowledge as to the actual source/s of their fresh water

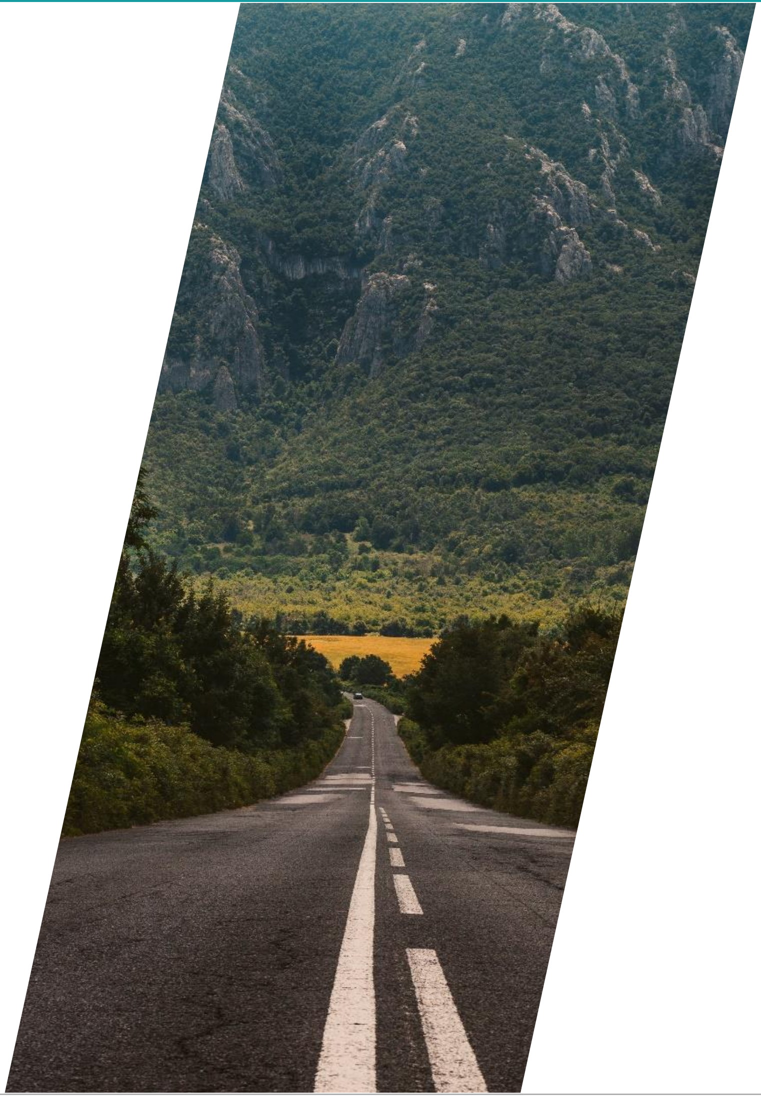
We didn't hear much evidence in the qual of **water reduction**/conservation measures being taken

Any **service interruptions** experienced have not been sufficient to raise concerns about future reliability of supply

From a safety perspective, water is understood to go through fairly **rigorous cleansing and testing** before reaching consumer homes, with industry standards adhered to, so this is also not an area of concern

"I live in a town and we are on the mains, so no I'd never see a risk to us being able to get a ready supply of water to our home."

02 What does all this mean for PR24?



1	Water bill affordability should be seen in the **context of perceptions of longer term financial insecurity for many** of our customers, in particular younger people
2	Already high on the consumer agenda pre-pandemic, **climate change and the environment are now seen as major and growing threats** even amongst those who may previously have been more complacent
3	However, understanding of the threat to the environment remains very high level and **most customers are unaware of any potential threat to water as a resource in the medium to long term** – thus there remains a not inconsiderable education gap to address here
4	**Expectations** from household service providers (including water companies) **have increased** as a result of the pandemic - in terms of **future preparedness/resilience**, **communication** and also in having a sense of **social responsibility**

Water company perceptions and service priorities

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03 Satisfaction with their water company is high for customers, including amongst those who have contacted DCWW

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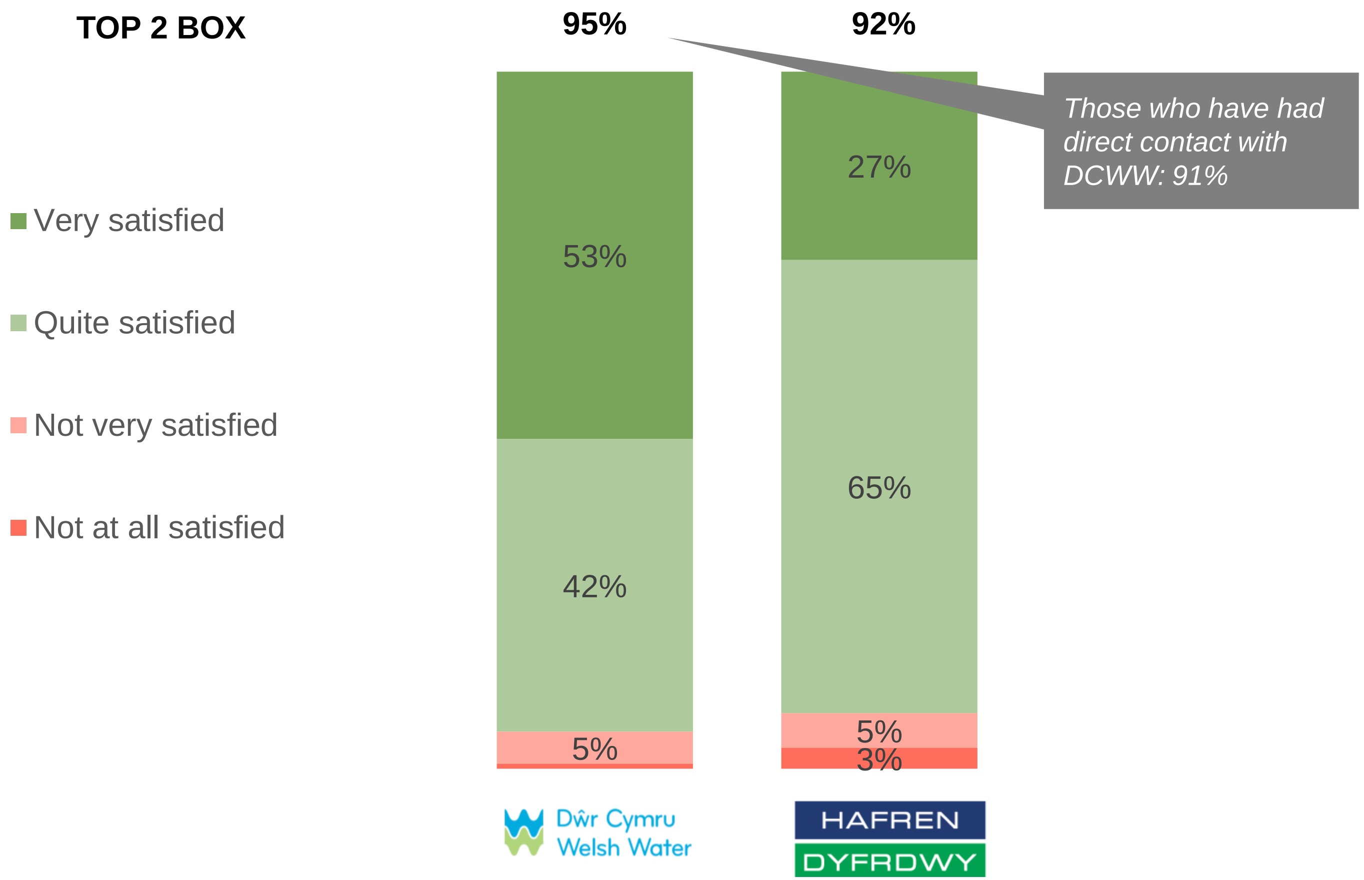
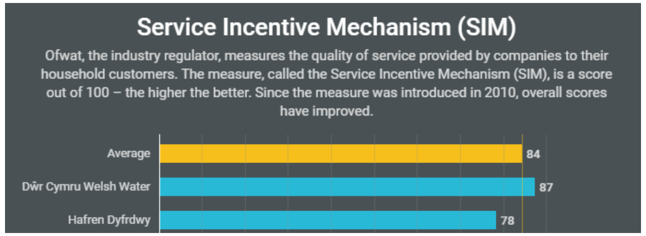
Water company satisfaction
(Total sample)

No significant differences by subgroups



Results in line with PR19 satisfaction (54% top box score), *although direct comparison across the scale is not possible as response options differed*

In line with this, Discover Water shows DCWW over-indexing vs. the average on service quality, with HD just below average:



B2. Taking everything into account, how satisfied are you with your water company?
Base: DCWW Customers (972), HD customers (46), Had direct contact with DCWW (221)

03 Some positive, but overall fairly neutral views of DCWW – a functional provider, reliable, with a fairly low profile, though NFP status helps engender wider social responsibility

Top of mind associations with DCWW…

"Fairly good value for money"

"A fundamental utility, nothing more or less"

"It works, never had any problems"

"Just a billing relationship"

"Good water quality, don't need a de-scaler"

Dŵr Cymru Welsh Water

"See the vans but that's the only visible presence"

"Seen NFP adverts recently – definitely a good thing and unexpected compared to other utility companies"

"Feel a bit low key, invisible"

"Supply some people in England more cheaply than Wales"

"Don't know what they are involved with beyond providing water and fixing leaks"

03

Over half of customers (esp. younger) think it is important for their water company to keep up with the latest customer service technology….

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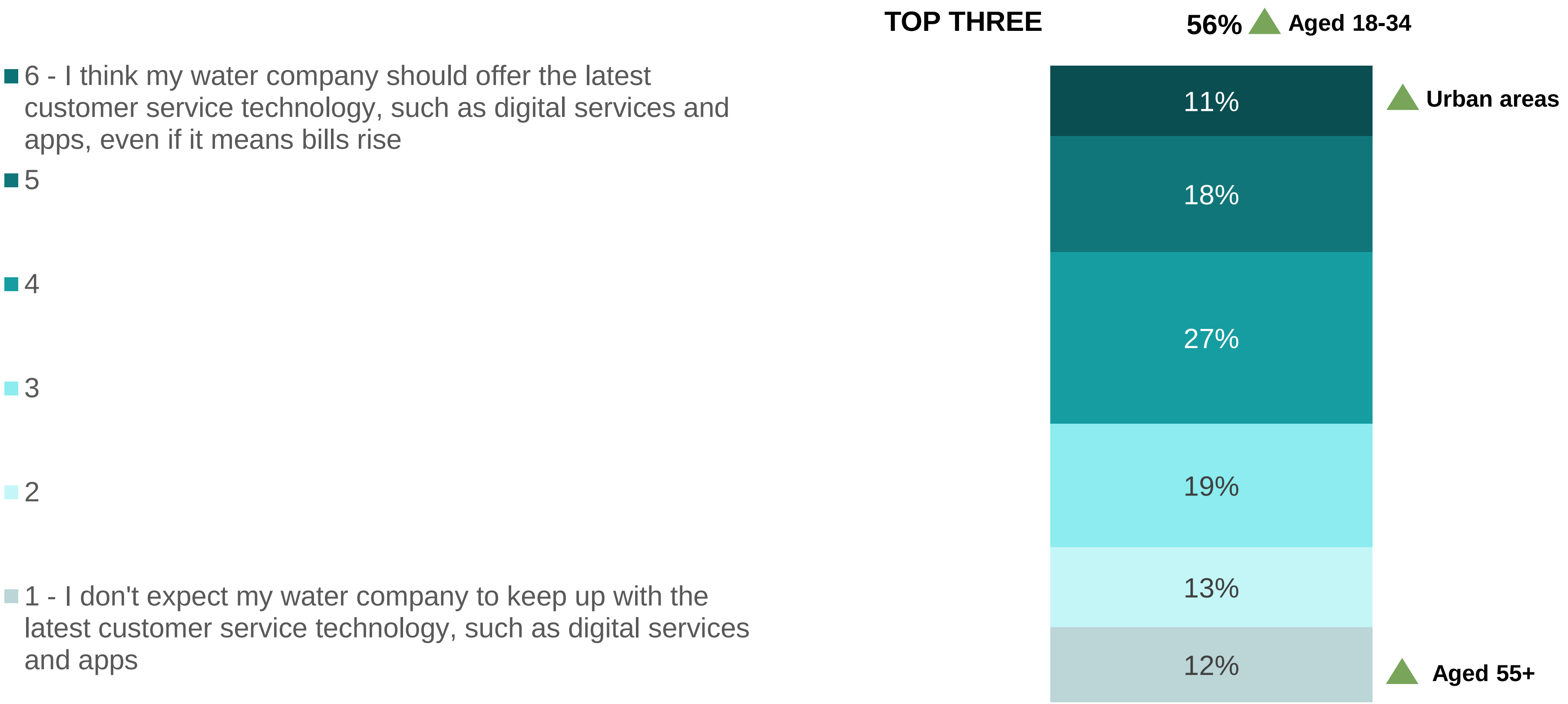
Trade off

(Total sample)

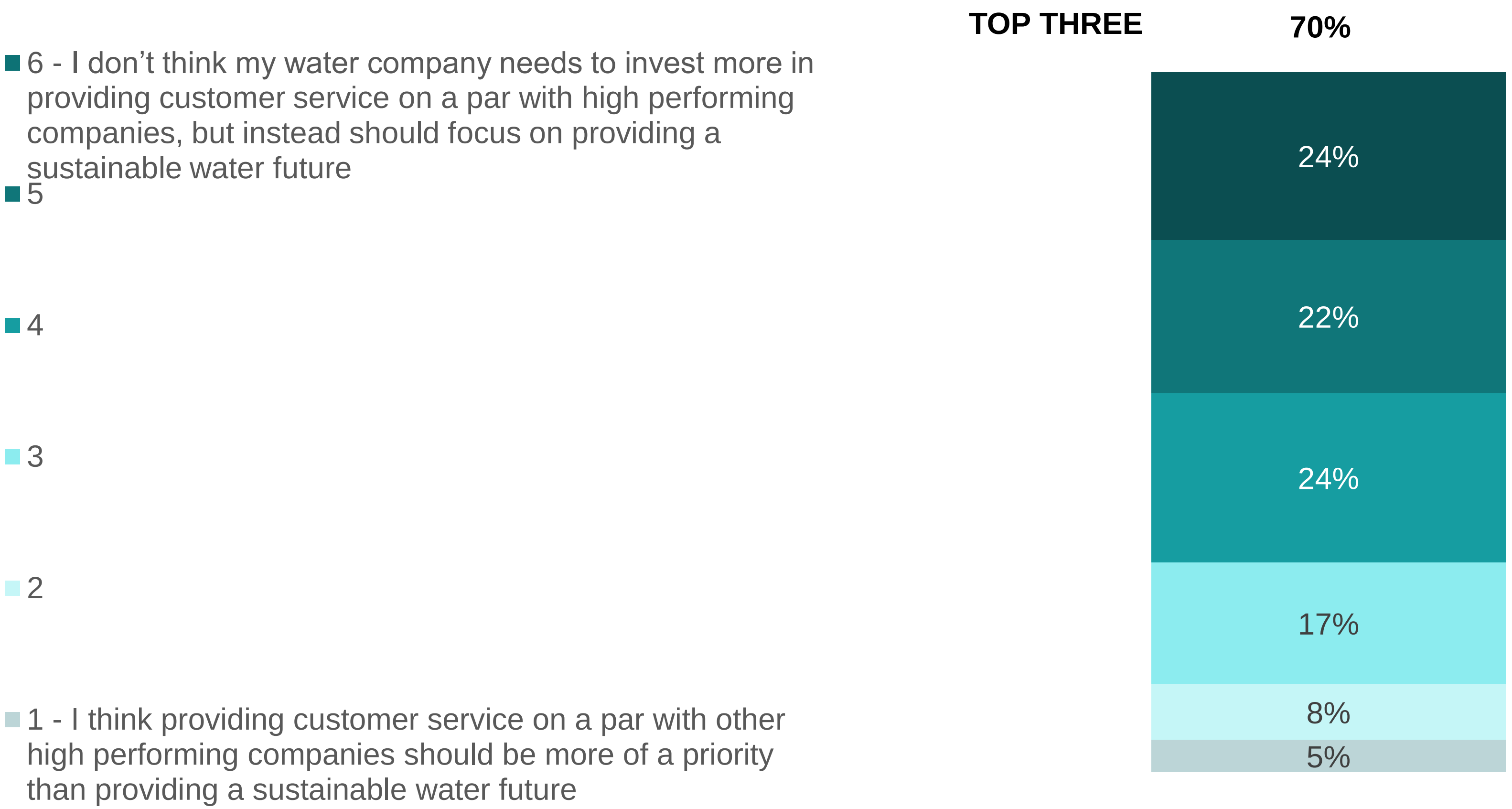


D1. Where on the below scale do you sit?
Base: Total sample (999)

03

…but there is general consensus that this does not need to go so far as being on a par with companies from other sectors that are high performing on customer service

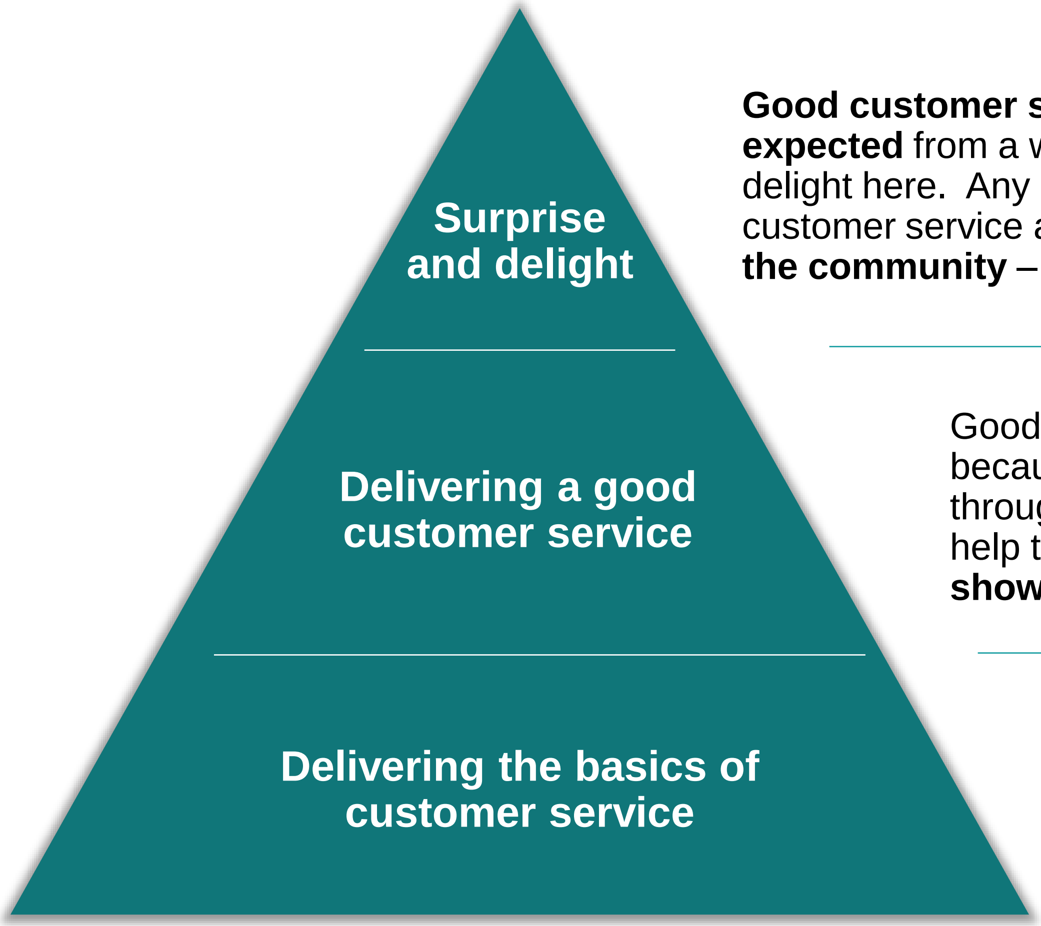
Trade off
(Total sample)



No sig differences by social tariff status, area, income, life stage or age

D1. Where on the below scale do you sit?
Base: Total sample (999)

03 There is not an expectation or perceived need to invest in significantly better customer service delivery, but we must keep pace with digitization to ensure we meet needs



Good customer service and communication is entirely expected from a water company, thus little room to surprise and delight here. Any opportunity to exceed expectations is less about customer service and more about **finding ways to give back to the community** – but this is hard for customers to conceptualise

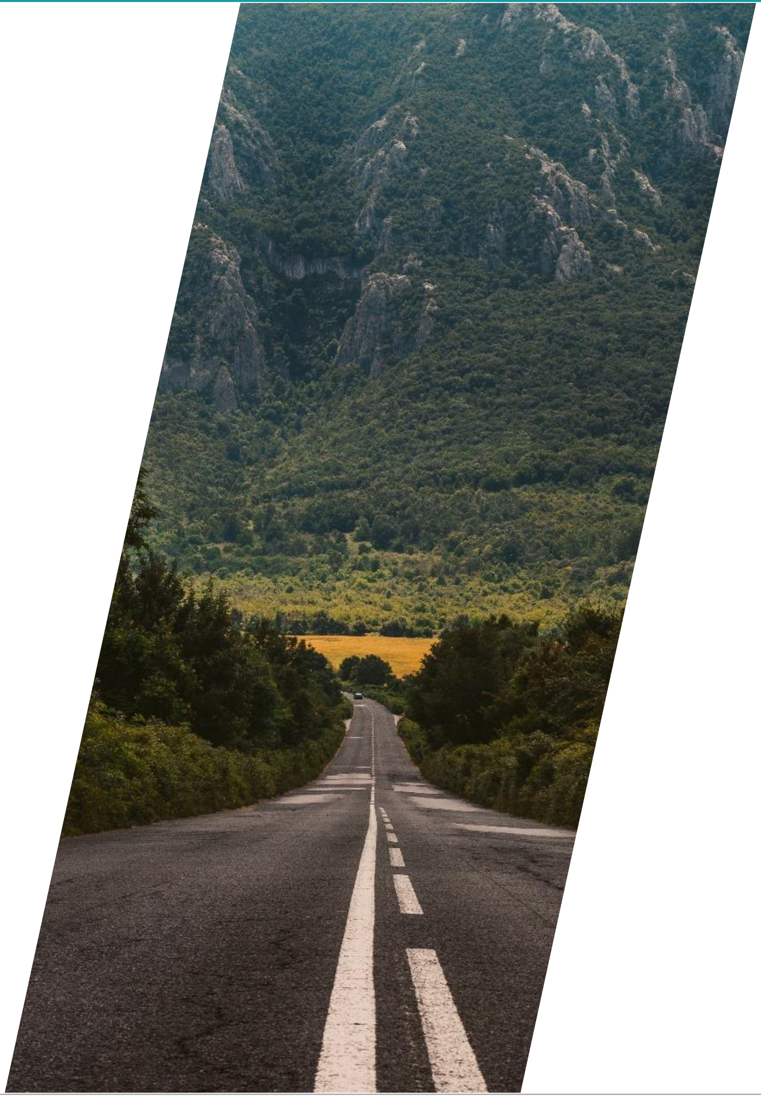
"Obviously customer service is very important, but not if prices rise to fund it!"

Good customer service is **keeping up with digitisation**, not least because our customers have become more digitally focused by necessity through the pandemic. Many claim an app linked to a smart meter would help them better understand and reduce water consumption, and **would show that their provider is helping them to help themselves**

But ultimately, customers **don't see a need for large increases in investment in customer service** and just want the basics done well. Excellence in customer service is seen as more a concern for private sector than NFP companies, and customers **would rather their water company focuses in on area of core expertise and future focus**, i.e. a sustainable water future

03

What does all this mean for PR24?



1	Ultimately, customers most readily evaluate their water company on reliable and **safe delivery of the core product**, as well as on how they are to deal with on a service level
2	Thus, it is encouraging that DCWW and HD perform well on customer satisfaction and are felt to be **delivering both the product and the service customers expect** – though this has all to be considered within the realm of being hygiene factors
3	Whilst there is felt to be a need to continue to **digitize customer service** to fit with wider societal behaviors, customer service per se is **not felt to be an area that needs strengthening via extra investment** beyond what other water companies are delivering
4	It remains **hard for paying customers to understand the wider role that a water company can play at a societal level**, though NFP status does give DCWW some credibility on this front

Future investment priorities

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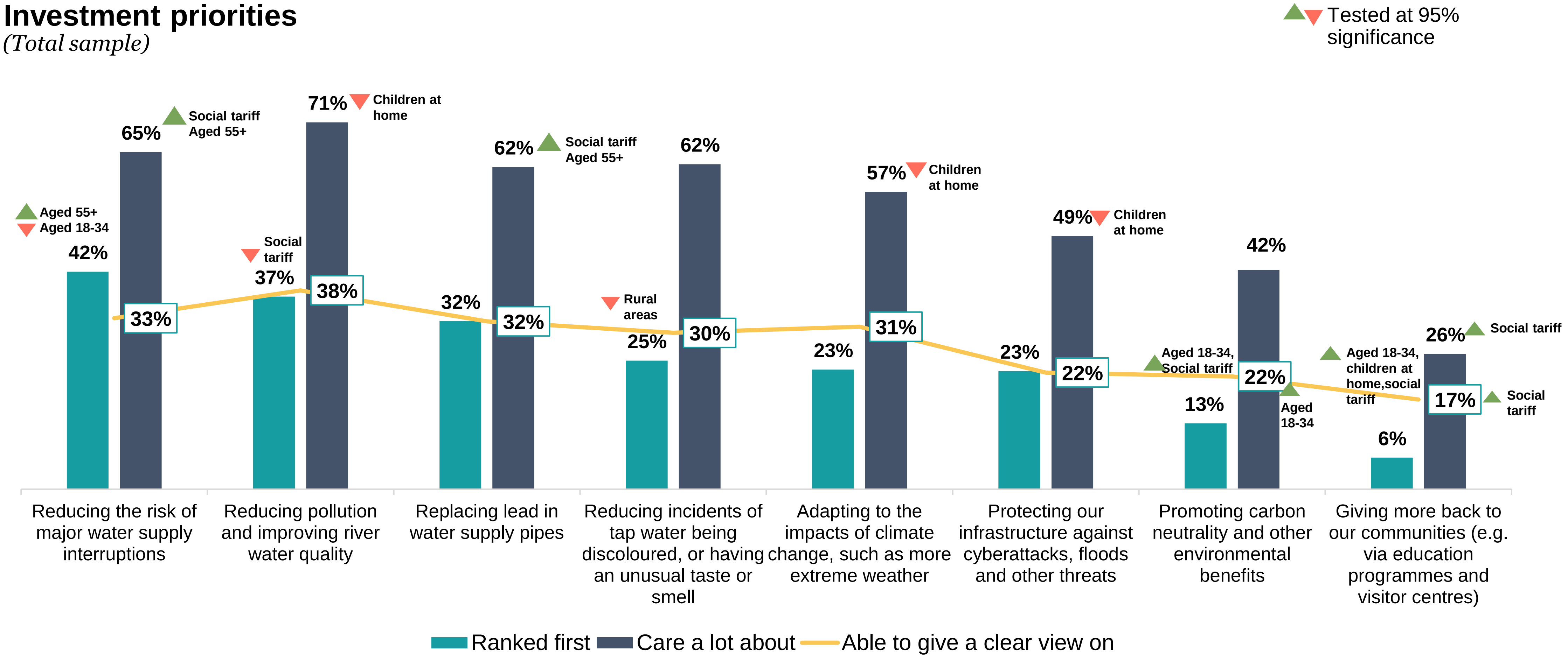
04

Amongst an uninformed audience, priorities correlate closely with understanding and care about the issues – though understanding of the issues is fairly low

Investment priorities

(Total sample)



C2 / C2A: Now please rank these, from the one you think is most important for your water company to invest in, to the one that you think is least important for your water company to invest in. C3/ C3A: How much do you care about your water company's investment in this area? C4 / C4A: And which of these options, that you've just seen, do you feel you can offer a clear point of view on?
Base: Total sample (999)

Priorities differ by age, with older cohorts placing greater importance on water supply and lead replacement, and younger on carbon neutrality and environmental benefits

04

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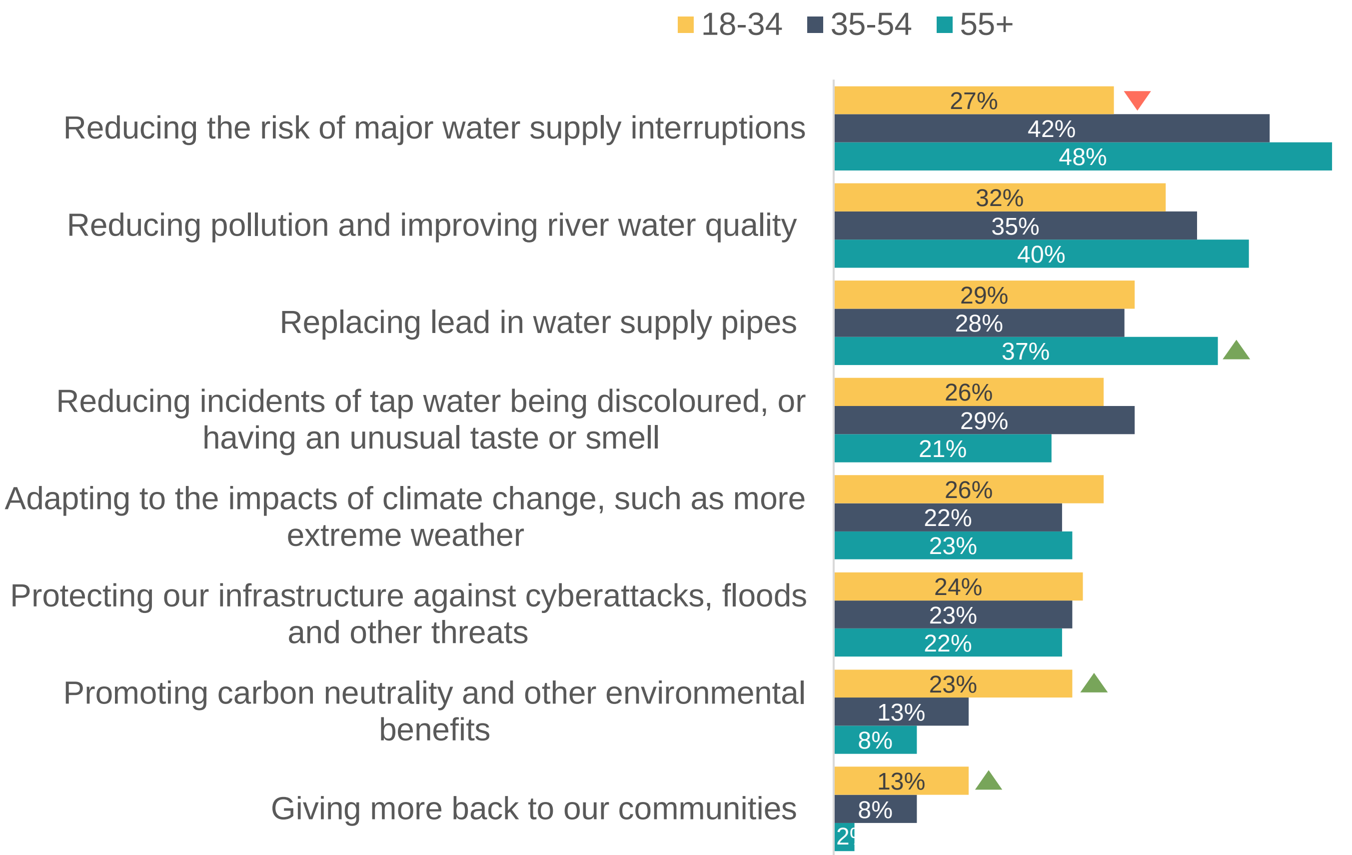
Investment priorities
(Total sample)

Tested at 95% significance vs. other age groups



- Qual demonstrated that **younger consumers often have a greater appreciation for the long-term environmental consequences** of companies' actions – they expect companies to administer their respective services without causing additional harm. DCWW is held to this same high standard
- **Younger consumers also expect companies they interact with to 'practice what they preach'.** That is, if DCWW was to invest in promoting environmental benefits, they feel this may help achieve more community buy-in when they need customer support with conservation, reducing consumption, or other calls to action

C2 / C2A: Now please rank these, from the one you think is most important for your water company to invest in, to the one that you think is least important for your water company to invest in.
Base: 18-34 (222), 35-54 (335), 55+ (442)

A more informed view from customers collated through in depth qualitative discussions reveals how increased knowledge has the potential to affect these rankings

04

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Area for potential future investment	Impact on ranking	Rationale
Reducing pollution and improving river quality	⇧	Ranked high without consumers fundamentally understanding how water companies affect pollution and river quality, thus may well be understated by the less informed audience
Reducing lead in water supply pipes	⇩	Ranked fairly high because of a known health risk, but when we explain that this is typically only between mains and stop tap and part of the WSP is householder responsibility, customers reduce the importance of this area
Adapting to the impacts of climate change, such as more extreme weather	⇧	Again ranked without consumers fundamentally understanding the risks, or specifically how the water infrastructure will be affected – discussion around CSOs and the role of water companies in dealing with flooding increase the importance of these future facing threats for consumers
Protecting our infrastructure against cyberattacks, floods and other threats	⇧	

04

Customers view reducing the risk of major supply interruptions as being part of the core remit, and responsibility of their water provider to continue to invest heavily in

Reducing the risk of major supply interruptions

(among total sample)

PRIORITY

HIGH
RANKED
1 ST

UNDERSTANDING

33%

CARE
(TOP BOX | A LOT)

65%

ADVOCATE FURTHER INVESTMENT

82%

- One of the ways in which consumers most readily define their water provider is by **how reliable they feel the supply of fresh water is** - thus, they are always likely to rank this as a core priority
- It is also felt to be future facing by being part of **making the infrastructure more resilient** (replacing ageing pipework)
- Ultimately though, **this is a hygiene factor** – always expected by customers, but we can never delight them by delivering it
- Important to note that this ranking is not born from high numbers of water supply interruption experiences

C1/A-Which of these best describes your opinion of your water company's investment; C2/A- Now please rank these, from the one you think is most important for your water company to invest in, to the one that you think is least important for your water company to; C3/A- How much do you care about your water company's investment in this area; C4A_And which of these options, that you've just seen, do you feel you can offer a clear point of view on
Base: Total sample (999)

04

What do customers say about reducing the risk of major water supply interruptions?

"Ensuring we have a steady supply of fresh drinking water is the number 1 thing I expect of Welsh Water" – Female, 80

"I've never thought water supply issues could be a problem for us in the UK. You'd expect to always be able to take this for granted here" – Female, 40

"It does seem like it would be more cost effective in the long term to make the network more robust now so there are less interruptions in the future." – Female, 48

"Everything else is an 'extra' – if they can't provide a fresh supply of water, how much can the rest matter?" – Female, 59

"To understand how important water is, you just have to look to other parts of the world where they don't have it…and how dire things can get without a fresh supply of water." – Male, 24, CoT

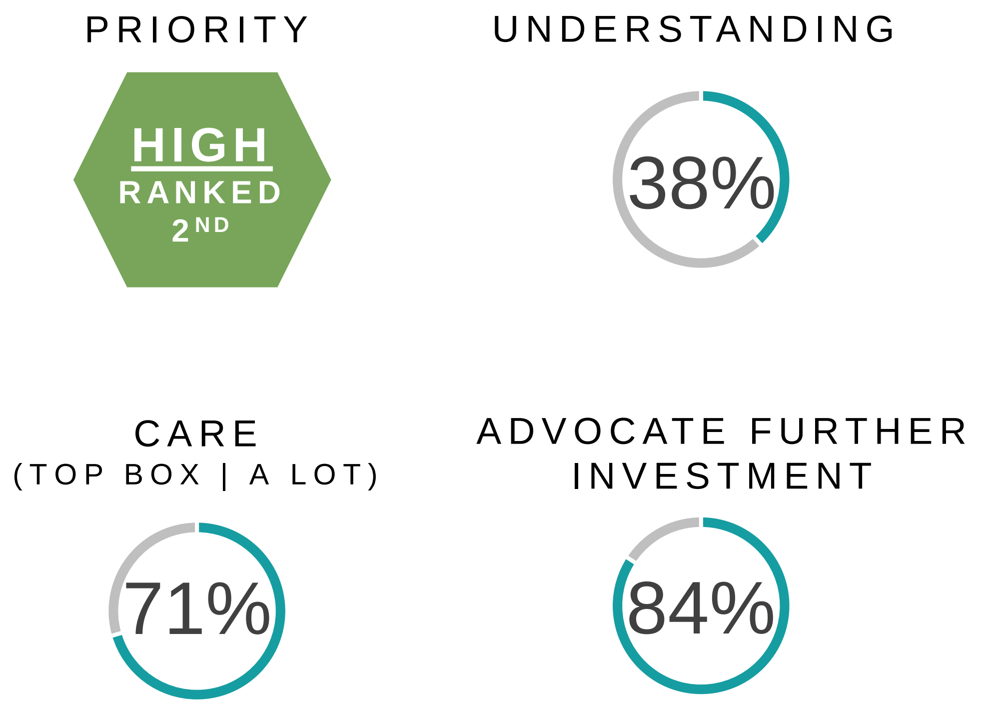
"They should really be doing this already, shouldn't they? But that said, we haven't ever had any kind of outage." – Male, 32

04 Consumers care about the environment and advocate any investment their water company can make to positively affect this, even if they don't understand the detail

Relish

Reducing pollution and improving river water quality

(among total sample)



- Evident from the qual interviews that consumers make their judgement on this from a **very general perspective of pollution being bad, and improving river quality being good**
- There is **little understanding of how a water company uses rivers** from a supply perspective
- There is also very **low knowledge of the wastewater process**, and therefore where there is any potential for pollution
- Whilst customers do take into account the state of their local river water, this is often **more from the perspective of what they see** (debris, rubbish etc.) than what they know about water quality levels

C1/A-Which of these best describes your opinion of your water company's investment; C2/A- Now please rank these, from the one you think is most important for your water company to invest in, to the one that you think is least important for your water company to; C3/A- How much do you care about your water company's investment in this area; C4A_And which of these options, that you've just seen, do you feel you can offer a clear point of view on
Base: Total sample (999)

What do customers say about reducing pollution and improving river quality?

"A big part of our tourism in Wales centres on our nature and hiking trails. Having clean rivers is fundamental to this." – Female, 19, CoT

"It's heartbreaking when you walk past a river and it's filled with rubbish like recyclable bottles or shopping bags" – Female, 59

"It's something I'd like to see them strongly consider doing if they have the facility to actually do something about this?" – Female, 37

"If Welsh Water can make a difference to the quality of our rivers, I'd happily pay more to know that they were using the money for this." – Male, 40

"There's so much wildlife that relies on our local rivers – cleaning up the rivers would help all the aquatic life and birds of the area" – Female, 39

"Reducing pollution is definitely something… that I'm interested in so yes, I'd love to see them doing more on this front, though I don't particularly know what it would be they'd do." – Male, 26

04

Whilst removing lead is understandably a high priority for consumers, this is an area in which further educating customers may help mitigate the level of investment required

Relish

Replacing lead in water supply pipes

(among total sample)

PRIORITY

HIGH
RANKED
3RD

UNDERSTANDING

32%

CARE
(TOP BOX | A LOT)

62%

ADVOCATE FURTHER INVESTMENT

82%

- At first sight, this is a definite concern for many customers and somewhat unexpected, as they **perceive lead to no longer be in the network**
- It is commonly understood by most (though not all) that lead is **potentially harmful** to humans
- This immediate level of concern is why customers want removal of lead prioritised in future investment
- However, when they learn that it is only in the connection between the mains and stop tap that some lead persists, and that part of this is their responsibility, this **feels like less of a priority** for the water company to resolve (though they still want them to make customers aware of the fact)
- Many seem accepting of an element of **shared responsibility** between individual households and the water company here rather than a universal bill increase

C1/A-Which of these best describes your opinion of your water company's investment; C2/A- Now please rank these, from the one you think is most important for your water company to invest in, to the one that you think is least important for your water company to; C3/A- How much do you care about your water company's investment in this area; C4A_And which of these options, that you've just seen, do you feel you can offer a clear point of view on
Base: Total sample (999)

04

What do customers say about replacing lead in water supply pipes?

"I wouldn't have thought there was any lead left in our water piping – this is really surprising!" – Male, 59

"Lead is quite dangerous – I'd expect Welsh Water to find the funding to fix this wherever it's a problem. People shouldn't be getting sick from their water." Female, 42

"The shared responsibility will make it harder for Welsh Water to make all the necessary changes and could make the process drag out as a result." Female, 78

"If the lead in the pipes was harming people, we'd know about it. That we haven't heard this means it can't be that urgent to fix and investment could be better prioritised." – Male, 21, CoT

"I wouldn't expect my bill to go up so that Welsh Water could fix the piping that's part of someone else's house. That should be dealt with individually." – Female, 34

"It does seem quite dangerous so it is a fairly high priority, but if we are saying householders are partly responsible then it shouldn't just be on Welsh Water to fix this." – Male, 26

04 Delivering good quality tap water is expected, and in most cases is felt to be what customers experience – they want this to continue

Relish

Reducing incidents of tap water being discoloured, or having an unusual taste or smell
(among total sample)

PRIORITY

MEDIUM
RANKED
4TH

UNDERSTANDING

30%

CARE
(TOP BOX | A LOT)

62%

ADVOCATE FURTHER INVESTMENT

80%

- As with reducing water supply interruptions, customers see the reduction of incidents involving discolouration, taste or smell as being **part of delivering the core product** – and again this is a hygiene factor
- Important to note that this ranking is not born from high numbers of experiences of discolouration, unusual taste or smell – many in the qual interviews are keen to highlight that they like the water and don't (for example) have to have a de-scaler or filter
- They also make the distinction between discolouration, taste, and smell from water that is unsafe to drink, seeing it as being more about **general water quality** – with it not being a direct health risk, it is seen as less of a priority than some other areas for investment

C1/A-Which of these best describes your opinion of your water company's investment; C2/A- Now please rank these, from the one you think is most important for your water company to invest in, to the one that you think is least important for your water company to; C3/A- How much do you care about your water company's investment in this area; C4A_And which of these options, that you've just seen, do you feel you can offer a clear point of view on
Base: Total sample (999)

04

What do customers say about reducing incidents of tap water being discolored, or having an unusual taste or smell?

Relish

"Clean water coming out of your tap is what you expect. If running the tap for a few minutes doesn't solve the issue, then it needs to be fixed for anyone facing this." Male 22, CoT

"I've had so few experiences of this that I can't see it being a real high priority – given the few times it happens, investment could be better made elsewhere" – Female, 40

"If it's happening a lot, then it needs addressing but it's hard for me to say it needs more money spent on it when I haven't ever experienced it myself." – Female, 35

"Incidents of discoloured water is usually because they're doing work in the local area. It's usually not harmful, you just have to run your tap for a little while before you can use it." Female, 80

"Discoloured water is such a local problem. I wouldn't expect them to address this across the entire network given how little it happens. I would just expect them to fix the problem where it is if it's required." – Female, 34

"There is no implication of water safety here, this is just about aesthetics, so I don't think it's such a massive priority." – Male, 48

04

There is a clear information gap on the links between a changing climate and the water industry, and this serves to down-weight its relative importance

Adapting to the impacts of climate change, such as more extreme weather

(among total sample)

PRIORITY

MEDIUM
RANKED
5TH

UNDERSTANDING

31%

CARE
(TOP BOX | A LOT)

57%

ADVOCATE FURTHER INVESTMENT

75%

- We have evidenced the recognition customers now attach to climate change and how this has increased considerably in the last 2 years, but we also see here how – relative to other areas for investment – **a less informed audience does not rank it particularly highly**
- This emerges in the qual interviews as being because consumers simply **don't understand the direct impact of climate change on the water industry**
- Revealing the challenges faced by water companies and how badly they are affected by extreme weather in the delivery of the core products, serves to **heighten importance of this area for future investment**
- Whilst it is not always easy subject matter to convey to consumers, it is a **justifiable and credible rationale for infrastructure strengthening** and needs to be addressed

C1/A-Which of these best describes your opinion of your water company's investment; C2/A- Now please rank these, from the one you think is most important for your water company to invest in, to the one that you think is least important for your water company to; C3/A- How much do you care about your water company's investment in this area; C4A_And which of these options, that you've just seen, do you feel you can offer a clear point of view on
Base: Total sample (999)

04

What do customers say about adapting to the impacts of climate change, such as extreme weather?

Relish

“Climate change is happening and life here in Wales will change as a result. Making sure that you’re able to operate in the future in light of this is important.” – Female, 40

“Before this conversation I wouldn’t have been able to tell you how extreme weather could affect a water provider like Welsh Water.” – Female, 34

“This is really important and I’m sure they do need to do more but I’m not sure I can tell you exactly what it is they need to be doing.” – Male, 40

“I’ve definitely noticed the weather getting more extreme over the last few years – we all have to adapt and Welsh Water is no different. I’m not sure what that looks like for them though." Male, 22, CoT

“Once you realise how climate change can jeopardise the quality and reliability of our water services, it’s clear that Welsh Water should prioritise acting on it now.” – Male, 21, CoT

“If they don’t act now then the impact of this more erratic weather is going to get worse and worse over time.” – Female, 53

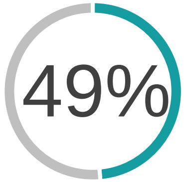
04 Protecting against cyberattacks, floods and other threats feels like another area in which consumers need more info and that is possibly more important than the ranking shows

Protecting our infrastructure against cyberattacks, floods and other threats
(among total sample)

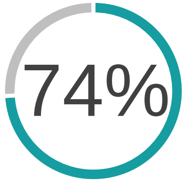
PRIORITY

UNDERSTANDING

CARE
(TOP BOX | A LOT)



ADVOCATE FURTHER INVESTMENT



- Whilst the pandemic has slightly elevated perceptions of network vulnerability when customers have heard about traces of Covid-19 in sewage, they **usually don't consider cyberattacks or other forms of malicious attack on the water network**
- It is nonetheless a very credible threat to find out about, and when they think it through, it does feel prudent and important to future-protect the network as best we can
- It feels again like this is an area in which **consumers would benefit from more explanation**, which in turn has the potential to heighten importance of this area for investment

C1/A-Which of these best describes your opinion of your water company's investment; C2/A- Now please rank these, from the one you think is most important for your water company to invest in, to the one that you think is least important for your water company to; C3/A- How much do you care about your water company's investment in this area; C4A_And which of these options, that you've just seen, do you feel you can offer a clear point of view on
Base: Total sample (999)

04

What do customers say about protecting our infrastructure against cyberattacks, floods and other threats?

Relish

"I would never have thought that Welsh Water would need to protect itself from cyberattacks, but I guess this is the case for all companies nowadays." – Female, 24

"Protecting infrastructure against flood threats would be welcomed as we've seen the devastation that floods can have here in Wales." – Female, 78

"There are things that can be done to help prevent floods, and if this is part of Welsh Water's remit then, yes, this needs to happen." – Male, 62

"You hear of cyberattacks that steal customers' data… it can be devastating to all the people involved. I suppose it would be important for Welsh Water to protect themselves and their customers from this." – Male, 22, CoT

"If I knew more about how a cyberattack could actually impact Welsh Water I might be able to say more definitively how important the area would be for investing in." – Female, 34

"This seems pretty important and is another one that falls into the category of prevention being better than repair in the long run." – Male, 26

04 Low ranking for promoting carbon neutrality shouldn't be seen as a lack of support for becoming carbon neutral, but as a measure of the expectation that we do this anyway

Promoting carbon neutrality and other environmental benefits

(among total sample)

PRIORITY

LOW
RANKED
7TH

UNDERSTANDING

22%

CARE
(TOP BOX | A LOT)

42%

ADVOCATE FURTHER INVESTMENT

64%

- Carbon neutrality is understood as being a **positive environmental measure/aspiration**, though often – when pressed – consumers are unable to explain what it means
- This area for potential investment therefore falls into the bracket of 'environmental good practice' which is supported as a positive value by almost all, but also **seen as entirely expected by any company in any sector**
- The idea of a bill increase to help fund what consumers see as expected practice therefore often **falls quite flat**
- It may be an area that benefits from **greater specificity** on how the water company would achieve this, but doing so may equally further enhance the view that this is commonly expected business practice now

C1/A-Which of these best describes your opinion of your water company's investment; C2/A- Now please rank these, from the one you think is most important for your water company to invest in, to the one that you think is least important for your water company to; C3/A- How much do you care about your water company's investment in this area; C4A_And which of these options, that you've just seen, do you feel you can offer a clear point of view on
Base: Total sample (999)

04 What do customers say about promoting carbon neutrality and other environmental benefits?

Relish

"I wouldn't expect to pay more on my bills so that Welsh Water could be carbon neutral." Female, 40

"I'd expect any company to look to be more carbon neutral if and where they can." – Male, 22, CoT

"It's definitely part of their responsibility towards the wider environmental cause to do this, so I can't say it isn't important." – Female, 48

"I can't see many people being in favour of their bills increasing so that Welsh Water could turn their fleet of vans into electric vehicles or something." – Male, 59

"It'd be great if they could be carbon neutral and still provide a great service." – Female, 80

"It's important because of saving the planet and all that, but I don't want my bill going up for it…though maybe if it was a tiny amount like £3 a month I'd be ok with it." – Female, 29

Clearly not currently understood or seen as being a priority for our customers, but we do now have more fertile conditions for growing our community work in the medium term

Relish

Giving more back to our communities (e.g. via education programmes and visitor centres)

(among total sample)

PRIORITY

LOW
RANKED
8TH

UNDERSTANDING

17%

CARE
(TOP BOX | A LOT)

26%

ADVOCATE FURTHER INVESTMENT

41%

- The very functional and transactional way in which paying customers view their water providers makes this a **difficult area for them to envisage**
- **Educating customers on water reduction** is seen as perhaps the most obvious opportunity here, as well as leveraging the infrastructure specific to Wales (e.g. dams) with visitor centres as a learning experience
- But despite a low ranking, low understanding and low level of care for this potential area for investment, it is clear that being **not-for-profit furthers the DCWW cause** in terms of a wider role in the community
- In addition, the increased sense of social responsibility that has been seen through the pandemic (and is now expected of all providers) means that we can achieve on this area in future, though it **still feels quite a way away**

C1/A-Which of these best describes your opinion of your water company's investment; C2/A- Now please rank these, from the one you think is most important for your water company to invest in, to the one that you think is least important for your water company to; C3/A- How much do you care about your water company's investment in this area; C4A_And which of these options, that you've just seen, do you feel you can offer a clear point of view on
Base: Total sample (999)

04 What do customers say about giving more back to our communities?

"It'd be difficult to rationalize them not investing in improving the water supply for instance because they already spent the money on a visitor centre." - Female, 40

"As a non-profit, it's good to see Welsh Water looking to give back to the community – I just think they could use the money better elsewhere" - Male, 59

"What would they be able to tell me that I couldn't just Google myself? I don't understand the benefit for them investing in this if all the information is available online." - Male, 22, CoT

"This wouldn't be a good use of investment – there are higher priority areas worth investing in." - Female, 19, CoT

"I'm sure they'd be able to educate people without having to build a visitor centre. It's hard to see how an investment in this would be as impactful as other areas they could invest in." – Female, 78

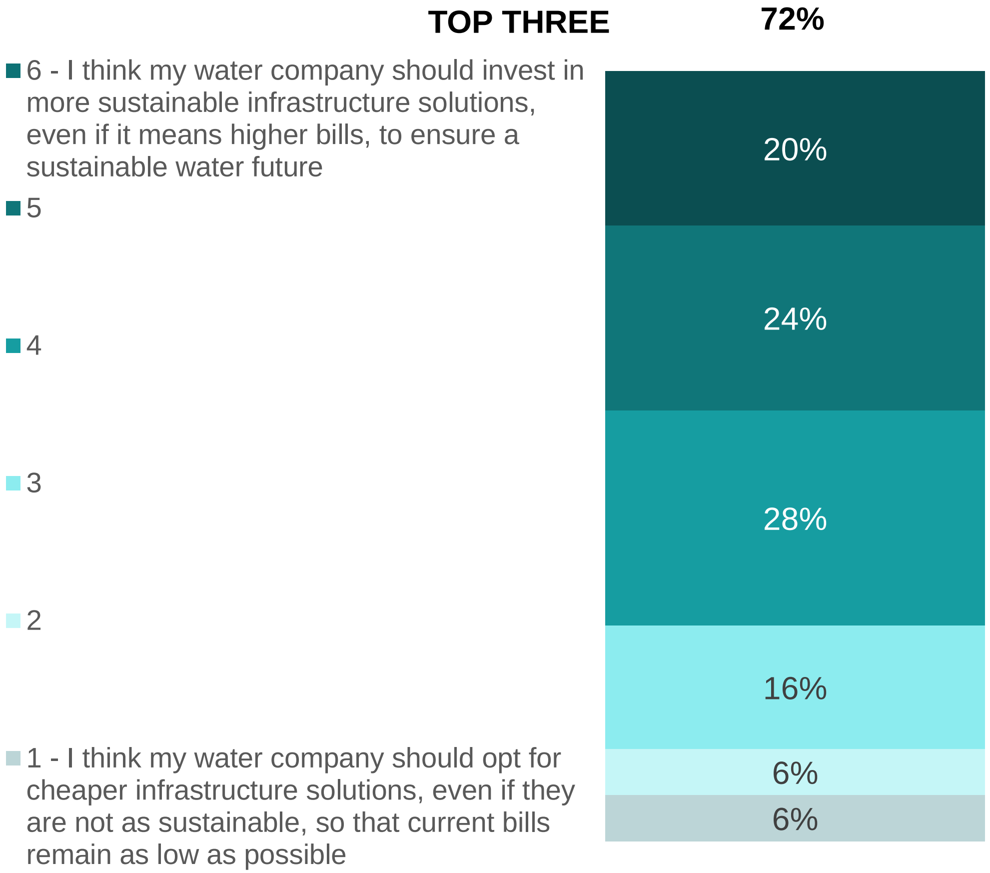
"I think helping communities is always a good thing and is a win win for the company because it helps to show their positive side as well as helping the local area and people." – Male, 26

Most see value in investing in sustainable infrastructure, even if it means higher bills, though they also recognize the need for balance to ensure water remains affordable

No sig differences by social tariff status, area, income, life stage or age

Trade off

(Total sample)



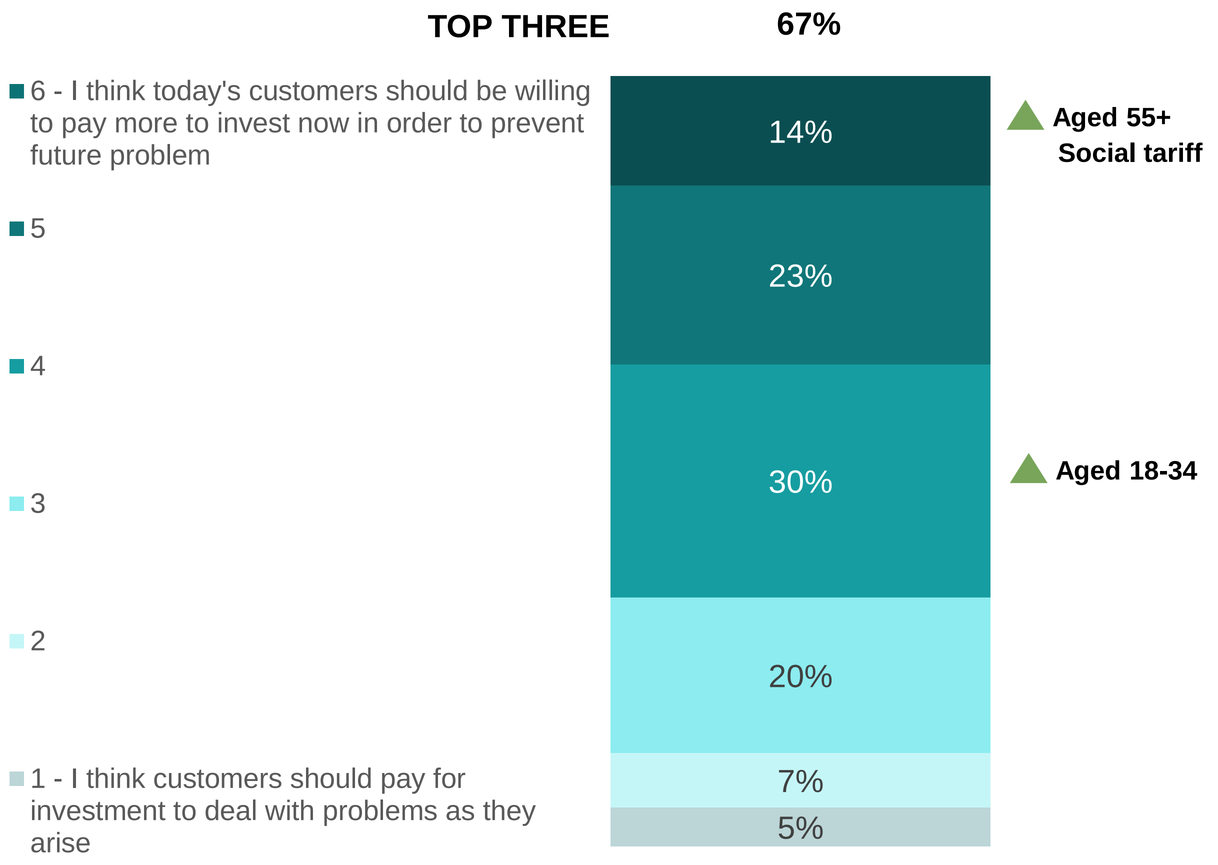
- Customers cite many cliches when making this trade-off – ‘prevention better than cure’, ‘buy cheap, buy twice’, ‘a stitch in time saves nine’ etc. – but all **demonstrating support for immediate funding to resolve known future problems**
- Little doubt that it **feels intuitively like the right thing to do** to invest now, even if that means bill increases
- But there is also a broader recognition that doing the right thing means doing so by everyone, and that is about ensuring water remains affordable to all. Thus customers want a **balanced approach** and suggest potentially **doing a little less but over a longer time period** to fund the changes
- Ultimately though, there is strong consensus that cheap infrastructure solutions are not likely to be good infrastructure solutions

D1. Where on the below scale do you sit?
Base: Total sample (999)

Likewise, there is recognition of the need for today's customers to pay more to prevent future problems in order to future-proof the network as best we can

Relish

Trade off
(Total sample)



- Following on from the acknowledged need to act now to deliver more sustainable infrastructure solutions, **customers are – for the most part – willing to pay more on their bills to prevent future problems**
- This is again about acting responsibly and doing the right thing, taking a shared responsibility (water company and customers)
- Whilst future generations and the customers of tomorrow may be indirect beneficiaries of this investment today, this is not about shielding them from paying more in the future; rather it is about **future-proofing the water infrastructure and network in a responsible manner**

D1. Where on the below scale do you sit?
Base: Total sample (999)

04 Most are willing to pay more on their bills, but it is important to balance this against the views of the minority (especially younger customers) who have affordability concerns

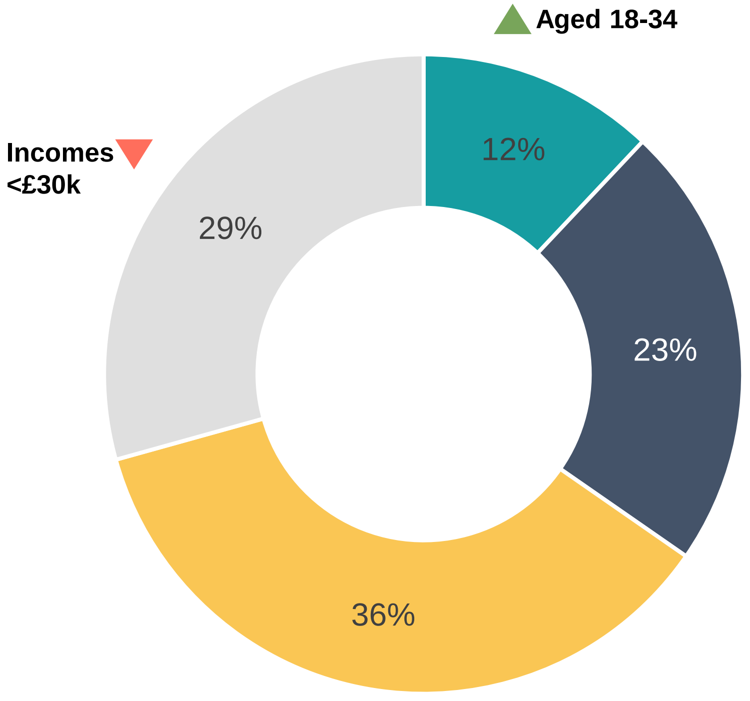
Relish

Acceptability of bill increases

(Total sample)

Tested at 95% significance

- Reducing my bill by £10 a year, and doing less to prepare for a sustainable water future
- Keeping my bill as it is, and doing the minimum to prepare for a sustainable water future
- Increasing my bill by £10 a year, and doing a bit more to prepare for a sustainable water future
- Increasing my bill by £20 a year, and doing a lot more to prepare for a sustainable water future



Greater acceptability of a bill rise now vs. 2017, where 52% were happy to accept a bill rise, vs. 65% now

"It's already expensive as it is, they need to find the money from somewhere else and stop charging the customers for it."

"There are a large majority of customers who struggle to pay their water bills as it is. They will struggle even more if bills rise"

"I think we all have to be prepared to pay some more, but there's a limit to what a lot of us can afford."

"We have to be realistic for the needs of the nation, climate change and ageing systems. I think we need to make sure that this is sustainable for future generations."

D2. Water companies want to get the balance right between doing more to prepare for their future challenges, and keeping bills affordable. If they invest more money in preparing for the future, it means bills will rise. If they don't invest quite so much, bills won't rise. If you assume your annual water bill is £500 (around £42 a month), which of these would be your preferred option? D3. Why do you say you would prefer [INSERT ANSWER ABOVE] in the future?
Base: Total sample (999)

04

A £10 increase on current bills is the most acceptable for most customer types, with the exception of those on social tariffs

Relish

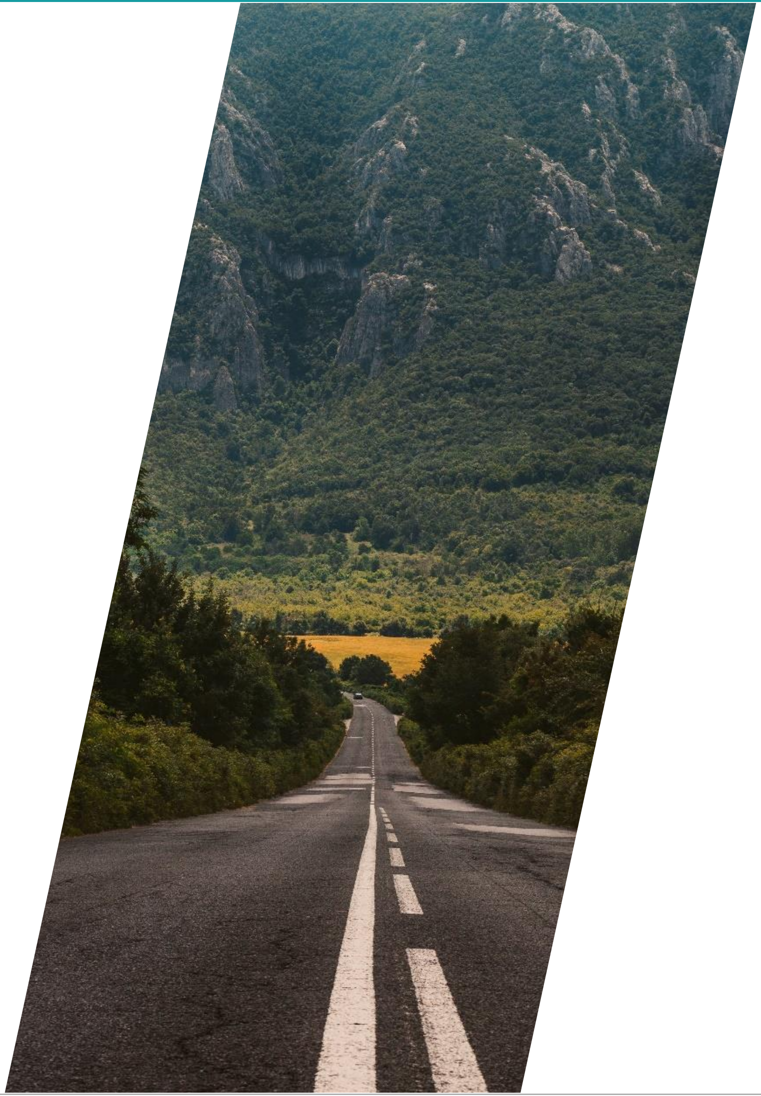
Acceptability of bill increases: Median choice
(Total sample and by subgroup)

Total sample	On a social tariff	Under £30k household income	Over £30k household income	18-34	35-54	55+
£10 increase	No change	£10 increase	£10 increase / £20 increase *(joint*	£10 increase	£10 increase	£10 increase

Qualitative exploration reveals that when given greater consideration about how a bill increase would break down over 12 months, as well as much deeper discussion of the issues at play, a £20 increase is often felt to be entirely justifiable

D2. Water companies want to get the balance right between doing more to prepare for their future challenges, and keeping bills affordable. If they invest more money in preparing for the future, it means bills will rise. If they don't invest quite so much, bills won't rise. If you assume your annual water bill is £500 (around £42 a month), which of these would be your preferred option? D3. Why do you say you would prefer [INSERT ANSWER ABOVE] in the future?
Base: Total sample (999), on Social Tariffs (129), Under 30k (523), Over 30k (476), 18-34 (222), 35-54 (335), 55+ (442)

04 What does all this mean for PR24?



1	It is important in taking learnings forward for PR24 to see a holistic picture **encapsulating both the informed and less informed view**
2	**There are priorities that are high/medium**, not because of perceived high incidence, but **because they are expected** – we need to think hard about whether this is justification for additional investment beyond BAU
3	**There are priorities that are high/medium without being fully understood** – do we need to be addressing these information gaps to better engage our customers and communities in what we do?
4	There are priorities that are low, but this **doesn't automatically mean they are unimportant** or not opportunities for the medium term
5	The most consistent strand of customer feedback has been that **climate change and environmental responsibility are increasingly important and justify further investment** in resilience – albeit they still suffer from a lack of water-related understanding

Looking at specific customer groups

Relish

05 Those on social tariffs are significantly more likely to struggle to pay their water bills, and are generally less concerned by changes to the climate

Those on social tariffs are predominantly…

Female (58%)

Living in urban or semi-urban areas (72%)

And are significantly more likely to have **experienced job loss and/or loss of earnings** as a result of the COVID 19 pandemic (55% vs. 28% of total sample)

- More **likely to struggle affording the water bill -** 26% say it's a stretch…
- While **almost half** (48%) **perceiving this becoming harder to pay** in the future
- More **likely to have been in touch with the water company in the past 2 years** (53% vs. 23% of total sample)

Generally **less worried about climate change, extreme weather and water quality in rivers/ seas**

TOP 3 INVESTMENT PRIORITIES
(RANKED FIRST)

1. Reducing the risk of major water supply interruptions
2. Replacing lead in water supply pipes
3. Reducing incidents of tap water being discoloured, or having an unusual taste or smell

Significantly more likely to…

- ✓ Care a lot about 'Giving back to the community'
  - ➢ …. And feel able to give a clear opinion on this
- ✓ Think today's customers should be willing to pay more to prevent future problems

05 Those aged 18-24 – our Customers of Tomorrow – are generally living in urban or semi-urban areas, and more likely to feel informed on the potential investment areas

Those aged 18-24 are predominantly…

Living in urban or semi-urban areas (83%)

On lower incomes (55% with incomes < £30K) and more likely to be on a social tariff

Less likely to be on a water meter (only 29% on a meter vs. 42% of everyone)

More likely to have experienced job loss or loss of earnings as a result of the COVID 19 pandemic (46% vs. 28% of everyone)

18-24 year olds **can generally afford their bill** (43% comfortably, 37% fairly comfortably)…

And are **generally satisfied with their water company** (92% satisfied overall)

But are **significantly more likely to have contacted their water company** in the past 2 years (36% vs. 23% of total sample)

18-24 year olds are **significantly more likely to feel able to give an opinion** on at least one investment area (75% vs. 51% of everyone)

TOP 3 INVESTMENT PRIORITIES *(RANKED FIRST)*

1. Reducing pollution and improving river water quality
2. Reducing incidents of tap water being discoloured, or having an unusual taste or smell
3. Adapting to the impacts of climate change, such as more extreme weather

*All rankings shift vs. total sample, with the biggest difference seen in 'Replacing lead in water pipes'– ranked **last** by 18-24's, ranked **third** among total sample*

Significantly more likely to care a lot about:

- Promoting carbon neutrality and other environmental benefits (59% vs. 42% for total sample)
- Giving more back to our communities (43% vs. 26%)

Significantly less likely to care a lot about:

- Reducing the risk of major supply interruptions (49% vs. 65%)

Hafren Dyfrdwy customers, residing predominately in Powys and Flintshire, have lower household incomes than DCWW customers

05

Relish

Hafren Dyfrdwy customers are more likely than DCWW customers to be…

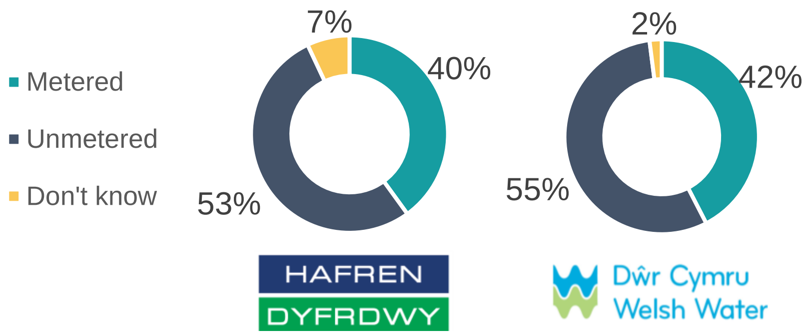
Younger (19% aged 18-24)

Female (64%)

On a social tariff (14%)

HD customers are more likely to have experienced job loss and/or loss of earnings as a result of the COVID 19 pandemic (72% vs. 59% of DCWW customers)

A similar proportion are on a water meter:



HD customers are **more likely** than DCWW customers **to struggle to afford the water bill:**

- **32% say it's a stretch**, vs. 13% of DCWW customers….
- …With **almost half** (47%) **perceiving this becoming harder to pay** in the future, vs. 26% of DCWW customers

Water company satisfaction is lower for HD than for DCWW; although 92% are satisfied overall, 27% are '**very satisfied**', vs. 53% for DCWW

TOP 3 INVESTMENT PRIORITIES *(RANKED FIRST)*

1. Reducing the risk of major water supply interruptions
2. Replacing lead in water supply pipes
3. Reducing pollution and improving river quality

Rankings 2 and 3 switch order for DCWW customers

HD customers also more likely than DCWW customers to rank 'Giving more back to our communities' as important

Conclusions

Relish

Conclusions

The pandemic has had a profound impact on our customer base in terms of financial security, and outlook on society and the environment. This is crucial context to our planning for PR24

We must not mistake customers who care more about the environment / climate change for customers who understand their impact on the provision of water and the removal of wastewater. But we should also acknowledge their increased concern, because – even at an uninformed level – this is important rationale for their support in future resilience measures

Boosted by this increased environmental concern, customers give a green light for further investment (via a bit more on their annual water / wastewater bills) on infrastructure to mitigate future threats, especially from climate change. But the level of this increase must be balanced against the financial security concerns for some of our younger and more vulnerable customers in particular.

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