

Adopting Private Drains and Sewers: an unmissable opportunity to develop customer relationships

Overcome the private drains and sewers challenge – an unprecedented opportunity to secure lifetime relationships with millions of households

Andrew Marsh,
On behalf of Pitney Bowes Business Insight

Abstract

The transfer of private lateral drains and sewers connecting to the public network is a huge undertaking and presents operational and customer challenges of still unknown proportions: but it also represents the single largest opportunity since privatisation to understand customers better. Genuinely every household receiving (in effect) an upgrade to their sewerage service is a new opportunity to further this aim.

While the transfer programme is challenging, water and sewerage companies and the supply chain can use this substantial new asset base as a vehicle to transform relationships with wastewater customers and influence changes in attitude and behaviour towards the network. Those who fail to improve their customer relationships in these circumstances could pay the price both in terms of customer satisfaction, and long-term customer loyalty in a sector which will become more and more competitive in the next five years.

(NB. From here on, where the term 'sewers' is used, please read this as including lateral drains.)

USING IMPROVED PROCESSES AND INSIGHTS WILL IN TURN IMPROVE CUSTOMER LOYALTY.

Transfer of private drains and sewers – the challenge

Even as each household in England and Wales receives a letter from their water and sewerage company during the late summer of 2011, the industry is still not quite in the right place to make the best of this unmissable opportunity. To succeed, customer data gathering, handling and analytics must improve, and with it the development of customer insight and understanding.

The stakes are high for both success and failure, but every household affected by the transfer of sewers and lateral drains represents a requirement to:

- a. Improve customer data and insight: and ensure that the customer relationship and customer service functions have caught up with operational, contracting and financial preparations.
- b. Satisfy customer demands by ensuring the right people are in the right place at the right time to solve customer problems, (and use customer insight from early experience to provide an evidence base for continuous tailoring of the wastewater service).
- c. Improve customer loyalty by getting jobs right first time, resolving any problems arising, acknowledging and apologising for errors, and introducing the necessary improvement for next time.
- d. Reduce reactive costs: in particular, continuously improve the resourcing, workforce management and operational efficiency of the work surrounding the transfer.

A number of workstreams within companies have to succeed during the transfer to meet these requirements. First, customer data and analytics have to be working alongside efficient processes, working all the way from first customer call through to reactive repairs, and from the first advance information on improvement work to be carried out, through to leaving the customer with an improved sewerage system which they understand and can help look after. Location intelligence, improved mapping and insight will all help to anticipate and satisfy these new customer demands and iron out process wrinkles throughout a company's transfer programme.

Using these improved processes and insights will in turn improve customer loyalty, but the industry must not (and will not) expect this to happen as a matter of course when it comes to implementing the transfer: it is essential that time is taken to communicate and acknowledge the inevitable 'bumps in the road' as respective water and sewerage companies deal with inherited weaknesses in previously private infrastructure, some of it in a state of disrepair.

It is critical, therefore, that companies learn lessons and reduce costs: not least by tackling only those problems which are theirs to tackle. Under the terms of the transfer, water and sewerage companies should repair only those drains outside the property 'curtilage' immediately surrounding the property (which could be as limited as a patio or as wide the whole site of a caravan park, for example). If they end up repairing floods or blockages within the curtilage, small drainage contractors will complain, understandably, that their already threatened market is being invaded by a near-monopoly. And their complaints could have foundation in competition law, if there is not a sound process for deciding whether to repair, leave the customer to contact their insurance company (most property owners will have insurance for such problems) or some agreed form of 'triage' offering customers guidance on the best next action.

A central conundrum to solve, then, is this: how should companies provide an acceptable level of service and not leave the customer in the lurch, while still enabling the right and appropriate agency to fix the customer's problem?

Adopting Private Drains and Sewers: an unmissable opportunity to develop customer relationships

1. Transfer - more opportunity than threat

Although water and sewerage companies have agonised for nearly 10 years now over the length (234,000 kilometres is the 2011 estimate) and state (questionable) of the sewers they are about to inherit, the transfer offers one of the biggest potential “win-win” outcomes for the industry and its customers since privatisation took place 22 years ago.

First, the bare facts of a story which started with consultation 10 years ago: the Regulations governing transfer came into force on 1 July, in order that all private sewers could transfer to the sewerage companies on 1 October 2011. This follows enabling legislation dating all the way back to the Water Act 2003. Private pumping stations will also transfer, but because of their uncertain location and condition, the Government has conceded that water and sewerage companies can have until October 2016 to complete the process for pumping stations.

For those sewers built between 1 July and the 1 October (‘vesting date’), the water and sewerage companies have to create a supplementary scheme to transfer these in – probably in April or October 2012.

For the customer, the transfer removes the risk of future liability for large repair costs and provides certainty over who is responsible. Many moving cases of customers on the edge of the poverty line, suddenly facing a £10,000 bill for a system they didn’t know they owned, will be behind us.

In terms of national infrastructure, it will help the industry get to a position where the wastewater network is under more integrated management, also supporting the continued development of surface water management plans.

With the transfer comes the introduction of new mandatory build standards for sewers on new developments, subject to completion of Government consultation, meaning that the nature of new drainage infrastructure will be commonly understood between planners, developers, sewerage companies and contractors.

When it comes to resources and skills, sewerage companies are probably better qualified than any other organisation to make

the most of these changes, and in many cases their field/operational preparation has been strong, with much advance work on contracting arrangements and concentrating operational skills and management focus on the task ahead. Severn Trent Water, for example, had already mobilised its supply chain well in advance of transfer, placing the emphasis on the expertise of its framework contractors and keeping fixed employee costs to a minimum.

Yet it is from a customer relationship perspective that the transfer presents an unmissable opportunity; over the course of five years and more, the sewerage companies will be contacting and looking after a sizeable proportion of their current and future customers in connection with the transfer.

Apart from billing, website interfaces and very laudable but limited contact by the industry with the primary and secondary education system, the only other real contact that water and sewerage companies have with customers comes through the development, connection or repair of their assets. And the latter activity is a vastly undertapped resource for establishing the credibility and rapport that will enable companies to retain the trust of the customer and eventually influence customer behaviour in a way which makes their job easier.

Naturally, for every positive opportunity that the transfer offers, there is an attendant risk of negative sentiment from mishandling the exercise (collectively or individually). Faults could lie in the operational delivery, customer communication or the disruption associated with work needed to bring the sewers and lateral drains up to decent standard. There are also less obvious traps such as competition disputes which could arise from failing to manage the relationship with small drainage contractors - who stand to lose market share as a result of the transfer.

A NEW APPROACH TO ENGAGING CUSTOMERS IS FUNDAMENTAL TO THE SEWERAGE COMPANY'S SUCCESS IN BUILDING CUSTOMER LOYALTY FOR THE FUTURE.

2. The stakes are high for failure too – some challenges

There are, however, huge risks to be managed, not least in terms of working with those who may miss out on a piece of the Private Drains and Sewers action. Within the wider industry, small drainage contractors are likely to lose a chunk of their market as sewerage companies secure the relationships with larger contractors (so-called “Tier 1 contractors”) that they feel are needed to maintain the required standards.

However, by far the biggest communications challenge is to explain to customers why the considerable costs of the transfer – potentially hundreds of millions of pounds across the UK – are worth the substantial benefits. The task is made more difficult by the fact that this particular cost chicken will not come home to roost with customers until 2014/15 (this year indicates the time at which individual water and sewerage companies may have persuaded Ofwat to grant them a higher interim price limit to be passed onto customers in the final year of the current regulatory period). It is complicated even further by the current uncertainty on how substantial the costs will be.

To take just two of the listed companies who saw fit this year to provide visibility of their embryonic costs for implementing the transfer over the next four years, United Utilities foresaw £55m opex over the next few years to April 2015, with projected capex at £125m: while Severn Trent Water gave a range of £40m to £70m opex from April 2012 to April 2015, and £35m to £75m capex. And even these ranges were surrounded, carefully, by hedging statements. So costs could double from the most conservative estimates. Certainly in some areas of the country, bill increases could exceed easily the estimated impact on customer bills touted by Ministers in Parliament during the latest debates on the topic (June 2011).

3. Making the stakes work in favour of the business and its profitability

The journey to making the transfer work in favour of better customer relationships, easier revenue collection and better corporate reputation starts with improving the operational reality in the field. In adopting a private sewerage system, a company is making its physical presence felt with a household or community in a sense which few other business sectors can achieve. The ability of a sewerage company to convey credibility through its operational work is a point of differentiation (and of course, risk) in comparison to other sectors which do not have any visible impact on customers' homes and businesses.

Accordingly, a new approach to engaging customers is fundamental to the sewerage company's success in building up customer loyalty for the future – a company shouldn't feel comfortable asking customers to respect its wastewater activities if it doesn't respect customers' way of life.

It should be crystal clear to the company's people, be they in-house or contractors, that their behaviour has a major bearing on both future customer loyalty and any future campaigns to influence behaviour and how customers look after the sewers (for example, campaigns to reduce blockages from fats, oils and greases). Further, businesses must be prepared to amend the associated work programme in its substance – as well as its communications – in response to customer feedback: the eventual benefits of altering your plans will pay for themselves in terms of avoiding the “re-working” costs of abandoning a programme which has proved unacceptable to customers.

To enable this flexibility, it is essential to use customer analysis to build a bridge between customer demands and how asset managers, contractors and their teams deliver the transfer in the field; a clear 'line of sight' should exist between centralised customer messages and those relayed to customers at the point of delivery. These messages must be delivered sensitively to any local circumstances which could cause them to ring hollow – an example could be major sewer flooding which has happened recently in the locality.

Adopting Private Drains and Sewers: an unmissable opportunity to develop customer relationships

Due attention should be paid to both internal and external stakeholders during this time – this should include direct engagement with local authorities' planning teams, environmental health professionals, interested politicians and (of course) the wider workforce. Better to keep engaging, on the front foot, rather than waiting to parry any punches that are thrown. Strip out the engagement processes which have succeeded best in specific locations, and export them across the business.

The result of this sort of community engagement is not only that the business will find it easier to deliver the transfer process, it means that customers will appreciate the value of the asset and are more likely to look after it – in turn, the business benefits from that will include fewer blockages from fats, oils and greases (not to mention concrete and other unhelpful substances) being deposited in the sewer, and better use of customer contact centres when reporting wastewater problems. A genuine win-win for both the customer and the business.

The key foundation here, then, is to build community engagement into the programme properly, so that it is up and running when the real operational legwork of the transfer takes place. The processes must be scaleable, so that you can achieve the same desired outcomes, irrespective of whether the company is dealing with one household or an entire estate of several hundred homes.

Triage - Meeting customer demand while staying within the rules

Companies could feel the highest pressure from the small drainage contractors in the period immediately following the transfer. The existing private drainage industry is very fragmented, with a small number of large players (such as Dyno and Homeserve), and a much wider range of smaller drainage contractors: water and sewerage companies are, in general, not used to dealing with this latter group.

A basic customer service challenge awaits those water and sewerage companies who begin to tackle floods and blockages which turn out to be faults on systems which remain private after the transfer. Under competition law, water and sewerage companies should only be fixing problems on pipes and sewers that belong to them, and this presents a problem if a company attends a customer's property following a call only to find the problem is on a system that remains private (for example, on a domestic drain directly under a downpipe). In theory, the customer in this instance should be directed to a list of reputable drainage contractors or offered a quote from the water company to do the work.

However, the practicality of this arrangement is questionable when attending genuine distress cases where sewage is being discharged on a customer's property as the crew arrives on site. Strict application of competition law should not result in any customer being abandoned.

Water and sewerage companies have made preparations to deal with this thorny contracting issue around the transfer. Anglian Water, for example, is holding 'mandatory adoption forums' with its customers. The aim of these is to communicate in more detail information about the new standards, legislative changes and amendments to current adoption and sewer connection processes.

Most water and sewerage companies will rely on their large 'tier 1' contractors to carry out the work, either directly or through sub-contracting: given this situation, due attention should be paid to small drainage contractors, who are more experienced at working on household customers' property. However, the latter will not be used to the costs and data reporting requirements of the water industry – unless they have worked primarily on insurance issues – and may need support in abiding by these standards.

In any event, the building of mutual understanding and common data between supply chain partners will be crucial to the success of looking after these new assets – and the customers who depend on them.

IMPROVED CUSTOMER INTELLIGENCE AND ANALYTICS IS ESSENTIAL TO HELP CALL CENTRES DEAL WITH CUSTOMER QUERIES.

Reduce costs, rationalise and extend services across any permutation of 10 departments

CONFIRM is a modular software solution for the maintenance and management of public infrastructure assets and services. The system can be used by asset managing organisations, service providers, partners, mobile workers and stakeholders in the value chain. With its powerful reporting capabilities, Confirm facilitates and underpins optimised asset maintenance without adding administrative overhead. Organisations purchase only the modules relevant to their particular portfolio of Infrastructure Assets whilst allowing them to change and grow their system should internal re-organisation demand.

How to tackle the customer risks – and fulfil the duty to map new assets

Water and sewerage companies face a new obligation under the transfer regime, although it is one which they should be used to fulfilling: that of mapping the new assets as they transfer across (and in some cases, mapping them as they are discovered!)

As a result, water companies will need to work hard over the next few years with local authorities, social housing organisations and other agencies collecting map information, in particular to come up with an agreed set of mapping to which all parties and contractors can sign up.

Yet that process is only half the battle – the greater challenge for most of the companies' IT systems will be assessing to overlay the changed or new mapping data onto other platforms such as customer relations data and incident management processes.

Communicating the transfer to customers

Water and sewerage companies have already faced their first challenge, to send out legal notices (usually in the form of direct mail) to all customers, irrespective of whether they have private sewerage systems or not.

Communicating about an issue which is fundamentally uncertain is fraught with problems and results in a range of avoidable and unwanted contacts. Most customers didn't know they owned the systems anyway, so why on earth would they feel grateful about paying a little more for the water and sewerage company to fix them? Calls from customers about what the systems are and how their bills will change to accommodate the transfer (they probably won't until 2014/15) are inevitable, but must be anticipated and managed through a consistent process. In some cases, water companies know of groups of customers who have 'saved up' private sewer issues until October 2011, knowing that transfer is imminent.

Recruiting and training employees in call centres that can deal with these queries will be essential, but even this will not fix the fundamental problem of having no ability to identify from the caller whether problems exist on the public system, transferred sewers or remaining private drainage (even the best equipped companies would need vastly improved customer intelligence and analytics to make that possible).

Adopting Private Drains and Sewers: an unmissable opportunity to develop customer relationships

Improving customer loyalty by outperforming the regulatory system surrounding the transfer

At least on this occasion we have something which has not applied to Government policies on some other water policy issues during the summer – and that is urgency and the certainty that the transfer is the right thing to do.

Richard Benyon, the Minister of State, said on 7 June: “Although increases in charges are never welcome, at up to a little over £1 a month, those relatively modest annual increases are preferable to a system in which costs fall unequally across water charge payers or unfairly on individuals.”

However, the regulator Ofwat has not always been completely behind the transfer and, to make the best of the opportunity provided by it, companies will need to break the mould of performance measurement that has prevailed in the past 10 years.

Where the companies and Ofwat can change their approach is in moving away from the ‘league table’ mentality of measuring customer service performance. This mentality has verged on obsession in the past, when water companies strained to become ‘masters of mediocrity’ – that is to say, striving to achieve 100% against a low standard, when compared to other sectors offering the best customer service record.

Rather than looking over their shoulders at each other when it comes to implementing the transfer, water and sewerage companies should try to attain the best standards of service they can – from the outset. Not least among the reasons for getting the service right first time is the impact that the Service Incentive Mechanism (SIM) will exert on water companies for the first time during 2011/12.

Companies who do not get on top of the customer data, analysis, interaction and communication required to implement the transfer properly could be punished under the SIM regime and could feel the impact of millions of pounds lost in customer revenue. High scores associated with the failure to deal with customer queries and complaints on the first occasion, and in particular failing to provide the ‘best next action’ for the customer, will result in both a reputation-denting position at the base of the performance table and a potential loss of revenue through having prices ‘discounted’ by up to 0.5%.

Improving performance, learning lessons and reducing costs – meeting the financial challenge

As the transfer progresses, water and sewerage companies will learn how to deliver triage, planned improvements and reactive repairs more and more efficiently. Some of the work on furthering financial efficiency should have been done already, through the setting of clear contracting arrangements and clear specification of which jobs will be tackled by tier 1 contractors or external suppliers according to the circumstances of each customer contact.

However, other improvements will inevitably come through a process of discovery, and in partnership with developers as well as through contracting relationships. Sewerage companies will no longer have the option of not adopting a new sewer if it does not meet required standards, and closer working with housebuilders has been an encouraging feature in the run-up to transfer as work continues to provide safety-net agreements to govern sewers previously covered by non-performance bonds.

TAKING ON THESE ASSETS AND SERVING MILLIONS OF 'NEW' CUSTOMERS CAN PROVIDE ENORMOUS BENEFITS TO BOTH CUSTOMERS AND BUSINESS.

There will be no sudden step-change in knowledge of the new assets come October 2011, and it is to be expected that unit costs will fall as more knowledge becomes available and companies fulfil their responsibility to map the sewers and plan improvements. That is why companies should be acting now to improve customer relationships using data, analytics, interaction and communication as the building blocks, to facilitate the learning process and ensure they become as efficient as they can in comparison to other providers, in a sector which is becoming more competitive.

In particular, it is important that water companies are circumspect in the way they approach private pumping stations, which are covered by the transfer regulations with the objective of adoption in 2016. Yet it is inevitable that water companies will have to tackle some of these pumping stations in advance of that date – otherwise they could find themselves discharging from newly adopted sewers and drains upstream, into downstream private systems with unknown capacity. The legal, financial and operational issues associated with discharging from public sewers into private systems would be substantial and difficult to unravel.

Other financial surprises (pleasant as well as unpleasant) will emerge as more is discovered about the assets being adopted. As with any large new operational undertaking though, the fundamental need to improve insight from customer data and create better customer relationships will remain fundamental, and will help to avoid 're-working' costs by increasing the likelihood that companies will make the right intervention at the right time, at the right service quality.

Conclusion

The size of the operational and customer service challenge inherent in taking on 234,000 kilometres of lateral drains and sewers, in questionable condition, can hardly be overstated. But taking on these assets and serving millions of 'new' customers can provide enormous benefits to both customer and business; these benefits are worth the care, expenditure and systematic development of customer relationships that we are about to devote to transferring private drains and sewers over the next three years. The best outcome will be the creation of a virtuous circle of continuous improvement in analysis, contact handling, processes and outcomes, which will improve the wastewater service offered while keeping costs to customers down. And who wouldn't buy into that?

How PBBI can help - solutions

Pitney Bowes Business Insight (PBBI) offers a wide range of solutions that enable water companies to plan to perform strongly during the transfer of private drains and sewers, improving their customer data, analysis, interaction and communication.

We do this through our market-leading solutions for:

- Location intelligence
- Data quality and enrichment
- Customer interaction optimisation
- Customer self service
- Multi-channel communications

To find out more about how PBBI can help you succeed in SIM, visit www.pbinsight.co.uk

pbinsight.com

UNITED STATES

One Global View
Troy, NY 12180

1.800.327.8627

pbbi.sales@pb.com
www.pbinsight.com

CANADA

26 Wellington Street East
Suite 500
Toronto, ON M5E 1S2

1.800.268.3282

pbbi.canada.sales@pb.com
www.pbinsight.ca

EUROPE/UNITED KINGDOM

Minton Place
Victoria Street
Windsor, Berkshire SL4 1EG

+44.800.840.0001

pbbi.europe@pb.com
www.pbinsight.co.uk

ASIA PACIFIC/AUSTRALIA

Level 7, 1 Elizabeth Plaza
North Sydney NSW 2060

+61.2.9437.6255

pbbi.australia@pb.com
pbbi.singapore@pb.com
www.pbinsight.com.au

Every connection is a new opportunity™

