

Introduction

In March 2019, Savanta was engaged by Cadent to provide assurance consultancy for the ongoing customer engagement programme as part of the RIIO-2 process. Our goals were:

- to provide an ‘outside-in’ view on the process to date
- to suggest ongoing improvements and to assure the engagement and research being undertaken
- to ensure the research work informing the business plan was conducted in a way that reflected industry best practice.

The outcome of this engagement on behalf of Cadent was designed to ensure the programme, its findings and the ultimately the feedback to the business were robust, representative, accessible and clearly informed Cadent’s decision making on its plan.

The work primarily delivered to Cadent on three levels cutting across the strategic and the tactical;

1. Advising on the overall theoretical approach to customer engagement and research
2. Designing clear ‘phases of work’ to develop the plan with clear line of sight to ‘what matters to customers’ and providing assurance on their validity and robustness (Note: at the point our engagement began, the ‘exploratory’ phase was almost complete)
3. Consulting on specific elements of methodology such as sampling, non-standard analysis and audience access/approach to ensure the work met requirements – across the programme – to deliver a representative and reliable view of customer and stakeholder views



Building a best practice approach to customer engagement and research

Our initial assessment of work completed by Cadent in 2018/19 was robust, representative and comprehensive, although lacked a clarity of central thread and meaning. The exploratory research exercises had approached the core customer and stakeholder groups in a sensible manner: identifying the key areas that mattered most to customers through deep and deliberative qualitative work and then reinforcing this with quantitative work and additional work with different groups of customers (e.g. customers in vulnerable situations (CIVS)).

Our first challenge to the organisation was that, whilst this work was both comprehensive in terms of audience and thematic coverage, there needed to be a clearer way to document the research that demonstrated the reasoning for each additional work stream. Our solution was to build an Engagement Mastersheet, which captured the necessary details of each piece of research: audience, methodology, supplier, geographical spread, sample and customer representation – in effectively cataloguing the work across the key variables required to meet the regulatory requirements of audience coverage, but crucially also to link it to the framework developed to sit at the core of all the research and engagement work.

The four core pillars of the framework are detailed below:

- 1. A ‘hierarchy of needs’ and its impact on customer priorities** – Not all customer needs are equal. For example, it is not possible to ask customers to prioritise safety or the resilience of future gas supply with questions around supporting customers in vulnerable circumstances or issues about environment improvement. These issues can all be important to the same customer, but they are very clearly different in kind. As such, the understanding that not all customer needs are equal sits at the heart of our research framework. Our categorisation of customer needs has its roots in established psychological theory - Maslow’s hierarchy - drawing on three levels:
 - Delivering functional needs (core, basic services e.g. security of supply, regulatory obligations and safety)
 - Meeting psychological needs (customer service, customer engagement and empowerment)
 - Creating opportunities for self-fulfilment (broader societal contribution).
- 2. Distinguishing between different ‘types’ of engagement** – It might seem like a truism, but the key to a robust research and engagement, is *‘asking the right people the right questions and listening or observing the right people and their behaviours’*. This is not quite as easy as it might at first appear. Savanta helped Cadent to sort its activities into the following groupings, which demonstrated the breadth of engagement and the fact that the appropriate ‘type’ had been used in each situation. These types were developed in response to a challenge to Cadent from the CEG, and took inspiration from (1) the Citizens Advice March 2018 Report entitled ‘Strengthening the Consumer Voice in Energy Network Company Price Controls’ and (2) the need from the regulator to demonstrate that Cadent uses innovative methods to listen to customer opinions, rather than just approaching them with survey questions:

- Inform – Broad- or narrow-casting information to customers to ensure they are appropriately aware of Cadent activities and plans
- Listen – Analysing customer-generated data (e.g. social media data, complaints data) that does not involve the biases created when people are asked questions
- Consult – Approaching customer groups with either qualitative or quantitative questions
- Involve – Engaging customers in a two-way, deliberative exchange of information that enables them to provide a more informed opinion
- Collaborate – Enabling customers to create solutions to problems or alternative plans for Cadent

3. Being aware that customers tend to focus on the ‘here and now’ – The complexity of the issues that needed to be considered in order to provide a robust and reliable customer view, means we need to consider that the further one goes into the future, the less customers are conscious of the important issues that might affect them, future generations, and their current and future gas supply. Embracing this understanding has been instrumental in ensuring Cadent employ the appropriate methodology for a given topic. For example, we consider that issues such as resilience, which are both unconscious and often future facing. As such they are usually best addressed using deliberative research, which builds awareness and uses active participation to get more informed opinions.

4. Clearly demonstrating the coverage of all themes and customer priorities – Through a combination of an extensive review of existing research materials and insights, and a series of internal discussions with Cadent experts, we created a collection of 13 themes. These 13 areas are mutually exclusive and collectively exhaustive, meaning that if we ensured the research programme robustly covers these, we could be sure that we have sufficient insight into all customer priorities. The 13 are as follows:

- Communications
- Safety
- Supply
- Customer Service
- Affordability
- Environment
- Roadworks
- Customers In Vulnerable Situations (CIVS)
- Transparency
- Community
- Partnerships
- Staff behaviour and skills
- Future of gas

In addition to this framework, Cadent and Savanta worked collaboratively to build a system for the business to directly learn from customer insight and use it to make evidence-based

decisions. A major reason behind this is that, even if customer engagement is being done to an extremely high standard, it is not being fully utilised unless there is no mechanism for the outputs to drive action with regards to the business plan. In fact, that would have the opposite effect: customer time and effort, as well as Cadent’s money and resources, would have been wasted.

With this in mind, Savanta and Cadent created a system by which the research findings from each phase were disseminated amongst the owners of the individual business plan commitments. This information was used to guide further internal discussion as to how best to act on this customer sentiment. For example, where customers consistently chose the most ambitious option during BOT for a particular commitment area, the business was prompted to decide if it was operationally possible to offer an even more ambitious option, given the clear customer permission to do so.

In addition, where potentially conflicting information emerged from different research projects or audiences, guidance was offered on how to ‘triangulate’ these different data sources. Savanta suggested that this should be facilitated through a ‘triangulation session’ which explored the evidence base in each of the key commitment areas and collaboratively reached a shared conclusion on how Cadent should act. This workshop was held in September 2019 and involved using the different insight sources’ robustness, relevance and recency when ‘triangulating’ between them.

Testing, developing and re-testing options for the business plan

Savanta provided extensive advice, guidance and support in designing the final approach to the 'Business Options Testing' phase of work. Working with the Cadent team, we developed a plan for BOT that would consist of two waves of research: the first would test costed business options with customers and the second would enable iteration and development based on this feedback. This would incorporate both qualitative and quantitative research methodologies and involve both customer and stakeholder engagement. Our suggested approach had the following benefits over a single-phase programme:

- The iterative approach enabled final business options that not only were liked by customers, but also some that had been genuinely shaped by customer opinions and feedback
- This process enabled greater engagement with the customer forums, and built on the strong relationships between Cadent and these customers that had been established previously
- Any feedback that was unclear or polarised in the first phase could be clarified in the second
- If it was felt that a particular segment had already provided conclusive feedback on a given business option, this flexible approach meant we could avoid spending unnecessary funds or customer time on discussing it again in the second phase

This partnership approach continued into the 'Acceptability' phase of research. This too involved both qualitative and quantitative engagement of customers, as well as appropriate engagement with stakeholders. It was heavily informed by both a thorough review of PR19 in the water industry and a best-practice approach to engaging various customer and stakeholder groups. More details on this phase can be found in the paper entitled 'Our approach to acceptability testing' which was produced by Savanta.

Detail of significant specific inputs on methodology

Savanta is a full-service research agency, working with clients in a multitude of regulated industry and, as such, is well placed to advise on the specifics of research methodologies. Savanta reviewed key research materials and attended some qualitative sessions, to ensure that our goals of making the research more robust and representative were met. Throughout the process, our researchers, commercial team and statistical analysts were on-hand to advise on consult on five key areas:

- Sampling – If research is poorly-sampled, the results will be close to useless. In the quantitative sphere, Savanta supported Cadent and Traverse by advising on the overall sample size required in each research phase and how this should be split between each region, and by mode of collection (i.e. split of online vs face-to-face). For qualitative research, Savanta advised on the number of groups needed and their spread geographically over the four regions. We also consulted on the number of participants to recruit for each group and the proportion that should be ‘fresh’ or from the customer forum.
- Non-standard analysis – Ofgem has clearly stated that it wants the GDN’s to demonstrate that they are employing innovative methodologies to, amongst other objectives, understand ‘revealed’ behaviours. At Savanta suggestion, a MaxDiff analysis was introduced to the BOT questionnaire to enable a statistically robust customer prioritisation of the suggested business commitments. In line with the ‘Hierarchy of Needs’ thinking introduced by Savanta, the MaxDiff was aligned to this to ensure that customers were not being asked to compare commitments at dramatically different points in the hierarchy. Moreover, Savanta assisted in the design and analysis of Implicit Association Testing in the ‘Acceptability’ phase to enable Cadent to understand customer views in a different way. This particular analysis is at the cutting-edge of research and borrows heavily from recent developments in the academic field of psychology. Savanta’s in-house statistician provided support throughout the process to ensure it was carried out in-line with industry best-practice.
- Questionnaire design and wording – In reviewing key research materials, Savanta ensured that they were designed in the best possible way. Examples of challenges that Savanta levelled at the materials (which were addressed) included the need for greater independence of language (i.e. talking about Cadent in the third person to reduce response biases) and the need for the use of balanced question scales.
- Approaches to ‘harder to reach’ audiences – Throughout the research process, the different audiences that required engagement were both numerous and diverse. Savanta provided recommendations on how best to target individual groups, particularly when they were non-standard (i.e. not ‘average’ domestic customers). For example, large businesses were excluded for quantitative studies (which explored SME opinions) and targeted through 1-2-1 telephone in-depth interviews, because their operations and needs from a gas provider are extremely different from each other’s. The conversations therefore needed to be highly tailored to the individual business, as the needs of an airport are very different to those of a supermarket. To take a second

example, Savanta ensured that Cadent's approach to quantitatively determining which customers were fuel poor or in a vulnerable situation reflected industry best practice.

- Utilising the segmentation – Not all customers are the same, and neither are their needs from a gas provider or their opinions on a variety of related topics. Savanta and Cadent employed the latter's pre-established segmentation model, which identifies different types of business customers, domestic customer and stakeholders, when designing research activities. Significant effort and attention went into ensuring that customer and stakeholder groups were only engaged when it was necessary to do so and in an appropriate manner. For example, future customers (i.e. those currently too young to pay bills, but who will likely do so in the next few years) were engaged very differently to adult domestic customers. They were invited to small focus groups consisting only of people of a similar age, where they were asked to take part in activities that had specially been tailored for them. Additionally, all quantitative surveys within both BOT and Acceptability phases involved a substantial proportion of face-to-face interviewing, to ensure that less 'digital' audiences were able to participate.

Conclusion

In summary, Savanta has been able to provide assurance from top to bottom: we can advise that the overall thinking behind the approach is sound, that the design of individual programmes was rational and that the methodologies were implemented in an appropriate and customer-centric manner. Moreover we have seen Cadent consistently use industry-leading research techniques to engage customers, primarily through building on and learning from the successes of the PR19 process in the water industry.

We have seen the programme develop substantially in its sophistication of thinking and, just as importantly, in its ability to clearly document the research streams. This has enabled Cadent to demonstrate its extensive coverage of customer views and feedback and ensure they were fit for purpose to feed internal decision making around the plan and various options.



Oliver Worsfold, Associate Director

On behalf of Savanta

11th November 2019

The Savanta team

Dr Nick Baker, UK CEO

Nick has specialised in the application of research and insight solutions to help drive his clients' commercial performance or operational efficiencies working for the likes of HM Revenue & Customs, United Utilities, Welsh Water, Eon, npower and others.

Nick is an expert in research design, sampling and the application of advanced analytics to really uncover what matters to customers. He has a depth of experience of ensuring the voices of harder to reach groups – often vulnerable customers – are heard in the research and engagement process.

Nick Chairs the MRS think-tank, the Delphi Group and has a non-executive role for Severn Trent Water Plc. as part of their 'Customer Challenge Group' through PR19 and was part of the sector review process into the failure of the 2015 UK election polls (http://eprints.ncrm.ac.uk/3789/1/Report_final_revised.pdf).

Savanta was born when five best-in-class agencies, all specialists in their fields, joined forces to offer big agency benefits, whilst retaining a refreshingly boutique mindset. A full range of integrated intelligence services at global scale, married to deep sector, issue and methodological expertise, delivered with an entrepreneurial spirit and client-first mindset.

Oliver Worsfold, Associate Director

Oliver has substantial experience in assisting clients in regulated industries to better serve their customers. He currently works with clients in the gas, water, rail and telco industries, with a focus on ensuring the customer voice is present in strategic business decisions. In particular, Oliver has built experience in ensuring the voices of business customers are heard by his clients.

Throughout his career, Oliver has always been a mixed methodology researcher, with an emphasis on matching the methodology to the end client goal. He has significant experience in designing, conducting and analysing both qualitative and quantitative research techniques, including focus groups, one-to-one depth interviews, implicit association testing and MaxDiff analysis.