



Social Tariff Cross Subsidy Research: DJS Research proposal

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Background

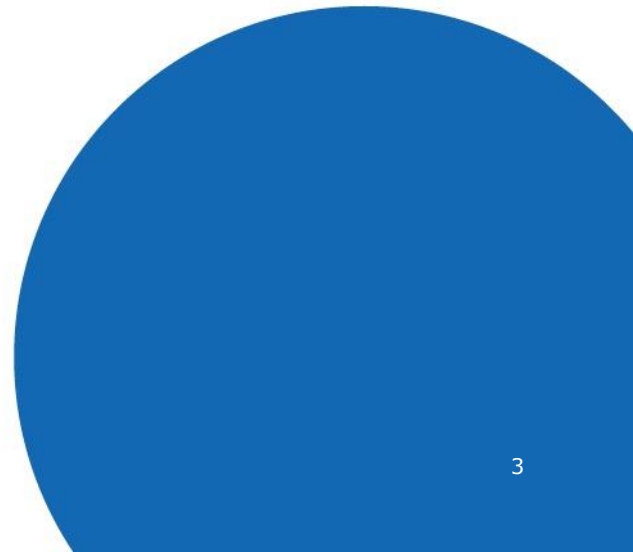
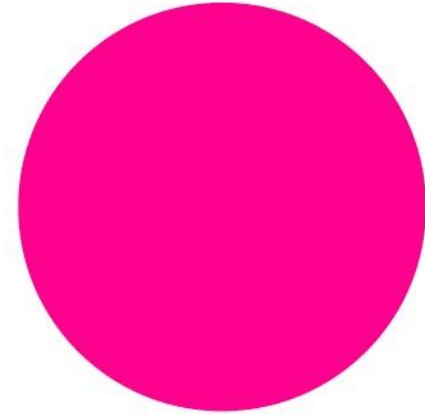
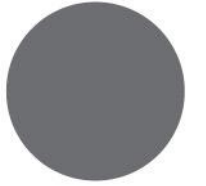
“To be honest I've had no spare cash for two weeks and have been living on soup and sandwiches since then. This afternoon I will go online and pay all my bills. I don't expect to have much left. It makes me feel pretty helpless when the money comes in and by the end of the day it's all gone.”

You have just read a quote from a customer DJS Research spoke to as part of CCW's affordability review two years ago.

The reason we include it here is because since then the cost of living crisis has been relentlessly gripping the nation. Recent figures from YouGov show that the majority of Great Britain (59% as of December 2022) has already made cuts to its usual spending. The cost of living crisis shows little sign of abating and Ofwat's Cost of Living: Wave Two report highlights that one-fifth of bill payers say they are currently struggling to pay their water bill.

Against this backdrop, modelling shows that a much higher number of household customers in the Wessex Water (WW) and Bristol Water (BW) areas will need to be in receipt of a social tariff in order to move towards the companies' ambitions to eradicate water poverty. Social tariffs rely on cross subsidies and the cross subsidy levels which both companies have agreed with customers have been met. This means in order to support more customers going forward, WW and BW need to re-visit customer appetite to increase this cross subsidy.

Research considerations





Research considerations: approach

The brief states 'we assume there will need to be a qualitative and quantitative element' to the research.

- Given that the main objective of the research is to **test support for the additional level of cross subsidy** and not to review the design of the social tariff or who should be eligible, we'd question the need for extensive qualitative research, certainly ahead of a quantitative stage, and feel that the research should primarily be quantitative in nature to provide statistically robust results.
- Having said that, we recognise that we are all living in unprecedented times and people who have previously supported a social tariff cross subsidy may no longer do so due to their own circumstances changing.
- We therefore feel that it would be more appropriate to follow up the quantitative research with some qualitative research which probes into the reasons and sentiments behind peoples' responses.
- This approach gives us the flexibility to tailor our qualitative research around what the quant has told us and to handpick respondents according to their responses. At this moment in time, we'd anticipate that in-depth interviews would be most appropriate so that we can probe into an individual's background and financial situation and their reasons for not supporting the increase in cross subsidy. We'd profile them based on the demographics of those in this cohort.
- If the numbers in this cohort are larger than anticipated (based on previous studies we've done on social tariffs), then we'll have a discussion with Wessex Water around the feasibility of running 1-2 post quant focus groups. More details can be found later in the document.



Research considerations: quantitative sample

Wessex Water will need to quantitatively evidence household customers' support for an additional level of cross subsidy.

- The sample therefore needs to be **statistically robust** enough for Wessex Water to confidently make a decision.
- As the required cross subsidy may be different in the Wessex Water supply and waste area compared to the Wessex Water/Bristol Water joint area, both will need to be researched individually.
 - Approximately 600,000 household customers live in the joint Wessex/Bristol Water area and an additional c.560,000 live in the Wessex Water supply and waste area.
 - In addition, Wessex Water provides wastewater services to around 100,000 customers in the Bournemouth area, however, no joint billing or alignment of social tariff exists here. Wessex Water still wish to survey a small number of customers in this area. This is something we are used to doing for other companies and we discuss under questionnaire design later in the document how we'd deal with this.
- Wessex Water wishes to consult a representative sample which includes those who are harder to reach. In this category we'd include the following groups:
 - The digitally disengaged
 - Those with learning difficulties
 - ESOL
 - Customers with long term health problems
- This has been factored into our considerations when it comes to research methodology.



Research considerations: quantitative method

Testing customers' **support for additional cross subsidies** works best in a quantitative situation where respondents can see the options being tested.

- Furthermore, social tariffs are not an easy concept to understand – the challenge for the agency conducting this piece of quantitative research for Wessex Water will be to communicate the concept of social tariffs to respondents in a clear and succinct way. This is best done online or face to face.
- DJS Research has conducted a large number of projects on social tariffs over the years and our recommendation would be to use a mainly **online quantitative approach, supplemented by some face-to-face CAPI interviews with those harder to reach.**
- For the Wessex Water and Bristol Water areas, we'd use an online panel. We know from previous studies we've conducted for Bristol Water and for CCW in the Wessex Water area, that we can consult a representative sample of 300 online in each area.
- The Wessex Water/Bournemouth Water area is more niche, however we can still reach a maximum of 100 panellists there.



Research considerations: informed vs uninformed

There is no doubt that for customers to make an informed decision as to whether to support an increase in their cross subsidy, they will need to understand how social tariffs and cross subsidies work along with the benefits/disadvantages of social tariffs.

- However, there is an argument to say that if customers taking part in the research are educated to this degree, that the results will then not be representative of the typical customer base as not all customers are in a position to acquire the same level of knowledge.
- One way of tackling this is to build the amount of information provided to customers as they go through the survey, so initially they may simply be asked whether they support the idea of a social tariff along with a short definition, but by the end we'd be asking them for their level of support based on detailed information including proposed cross-subsidies. We could then present Wessex Water with 2 measures from the start and end of the survey.
- The brief also asks agencies to consider whether those currently on a social tariff should be consulted as part of this project.
- This is something that we've come up against on other projects. Some water companies have excluded them and some have included them. There is no right or wrong answer. These people may not be on a social tariff in the future and others will move onto them who are not currently. As long as in our analysis we can see if they are a current, past or non recipients we can include them and we know that they'll only make up a small proportion of respondents.



Research considerations: stimulus

The questionnaire design and content of the stimulus materials will be crucial to this project.

Our design team are brilliant at taking complicated subject matter and turning it into attractive and easy to digest content. Below we provide just a few examples of how we have done this for other clients in the past who were researching their own social tariffs.



Whilst we're adept at creating attractive social tariff stimulus, we would pilot/soft launch these and if time allows we can also use our in-house future bill payers from our CATI unit as an additional check.



Research considerations: framing the questions

Social tariffs are an emotive subject and responses may differ depending on how information is presented (or 'framed').

According to Behavioural Economics, choices can be worded in a way that highlights the positive or negative aspects of the same decision, leading to changes in their relative attractiveness. A real world example of this can be seen in the following comment:

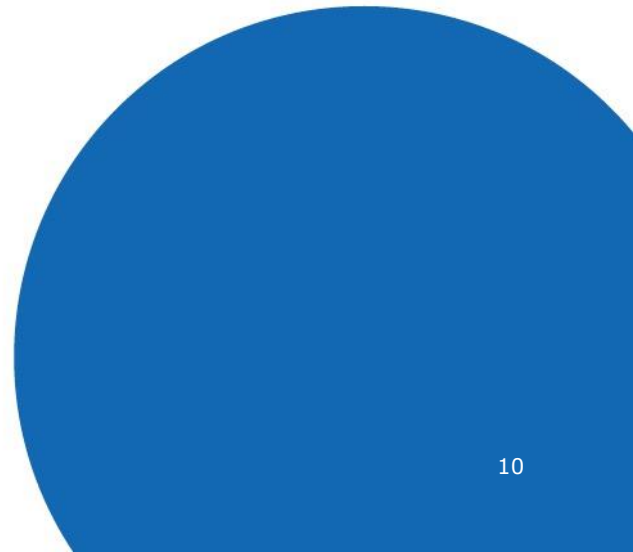
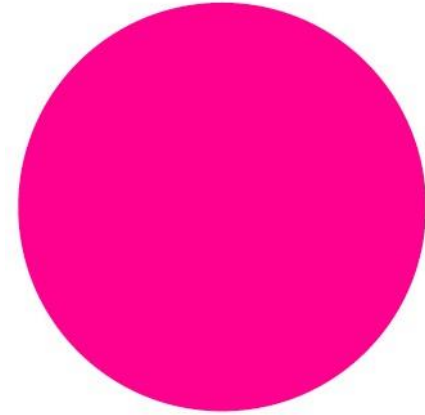
"Why should the working person subsidise those who don't want to work!"

This comment was given in a previous study we conducted and represents a relatively common top of mind attitude that certain respondents can hold when discussing cross-subsidies.

Often though this is a view that some respondents hold because they haven't been provided with enough relevant information on the types of fellow customers that a social tariff could help. The use of example households who could benefit is an excellent way to combat this knee-jerk negativity.

To help craft our wording and stimulus in as respondent-friendly way as possible and to combat any knee-jerk negativity, we will use the skills of Alex McCluckie, our in house behavioural economics expert.

Our approach





Overview

Laying the foundations

We are recommending an online survey, supplemented by CAPI with harder to reach customers. We'd follow this up with depth interviews to probe into why some cohorts don't support an increased cross subsidy.

Following a thorough (AV) briefing between the WW and DJS teams, we would draft a questionnaire and stimulus materials that would be sent to WW/BW/CCGs for review.

Methodology & conducting fieldwork

- We would test the materials internally and externally before launch.
- We advise 800 interviews – 350 WW; 350 BW/WW and 100 WW/Bournemouth. 120 would be CAPI.
- We recommend 20 depth interviews following quantitative stage – 8 in WW; 8 in BW/WW and 4 in WW/Bournemouth.
- This may change depending on receipt of the cross subsidy in each area.

Leaving our (research's) mark

We would provide an engaging and insightful, well written, comprehensive report of the findings, including an Executive Summary along with a virtual debrief.

We'd provide a technical report and full dataset.

We're happy to present in person or virtually and have costed for both.



Our approach in detail: quantitative research

- As mentioned previously, we recommend primarily using an online approach to survey customers.
- Once the questionnaire is agreed, we'd script the survey, purchase a list of panellists from a reputable panel provider and soft launch the survey before sending it out to panellists who live in the 3 regions, ensuring a representative sample of domestic customers per region was achieved, including a sample of vulnerable customers. We also recommend conducting 8 cognitive interviews spread across the 3 regions.
- The survey would be **hosted by DJS Research** and on completion of the targeted number of interviews, we would process the data using our in-house Data Services department.
- To top up any cohorts which are low and to reach our harder to reach audiences, we'd use our team of face-to-face IQCS trained interviewers to conduct CAPI (Computer Assisted Personal Interviews). We use the same programme for online and CAPI, so we'd be able to mirror our approaches across the two.
- We recommend the face-to-face interviews are conducted in-home (if respondents feel uncomfortable about this we can do the interview on the door step). Our recommended split of online/CAPI is shown opposite.

Methodology

To keep respondents engaged in the research we will:

- Employ interesting question styles
- Include open questions so that respondents can express themselves in their own words at key points in the survey
- Use visuals/diagrams to keep their interest
- Include a progress bar indicating how far through the survey the respondent is

Sample size

We would recommend conducting 800 interviews in total (680 online and 120 face to face):

	Wessex Dual	Wessex/ Bristol	Wessex/ Bournemouth
Online	300	300	80
CAPI	50	50	20

A sample size of 800 will have a margin of error of 3.4%

A sample size of 350 will have a margin of error of 5.2%

A sample size of 100 will have a margin of error of 9.8%



Our approach in detail: quantitative research

We recommend conducting a 10-15 mins survey amongst customers. Cross subsidies are a difficult concept to discuss with customers. To make the research more palatable we would widen the discussion into the support Wessex Water offers more generally to customers in vulnerable circumstances.

We recommend a phased questionnaire as follows:

*Based on a 15 min survey

Context

- Confidence in paying household bills
- Confidence in paying water bill
- Awareness that their water company offers support to those struggling to pay
- Whether they use/have used these services

Topline reactions to social tariffs

- Brief outline of what social tariffs are
- Level of agreement with the principle of a cross subsidy

Detailed reactions to social tariffs and cross subsidy

- Details provided on the current schemes, number of customers supported and the cross subsidy
- Acceptability of the different elements of the schemes
- Proposed additional support and acceptance of this
- Reasons why/why not (to gain qualitative insights into the rationale for responses given).

Willingness to pay

- Willingness to pay increased cross subsidy (further information over the page on recommended approach)

Classification questions – these would include...

- Age/SEG/Gender
- Number in household
- Whether they are in receipt of benefits
- Household income

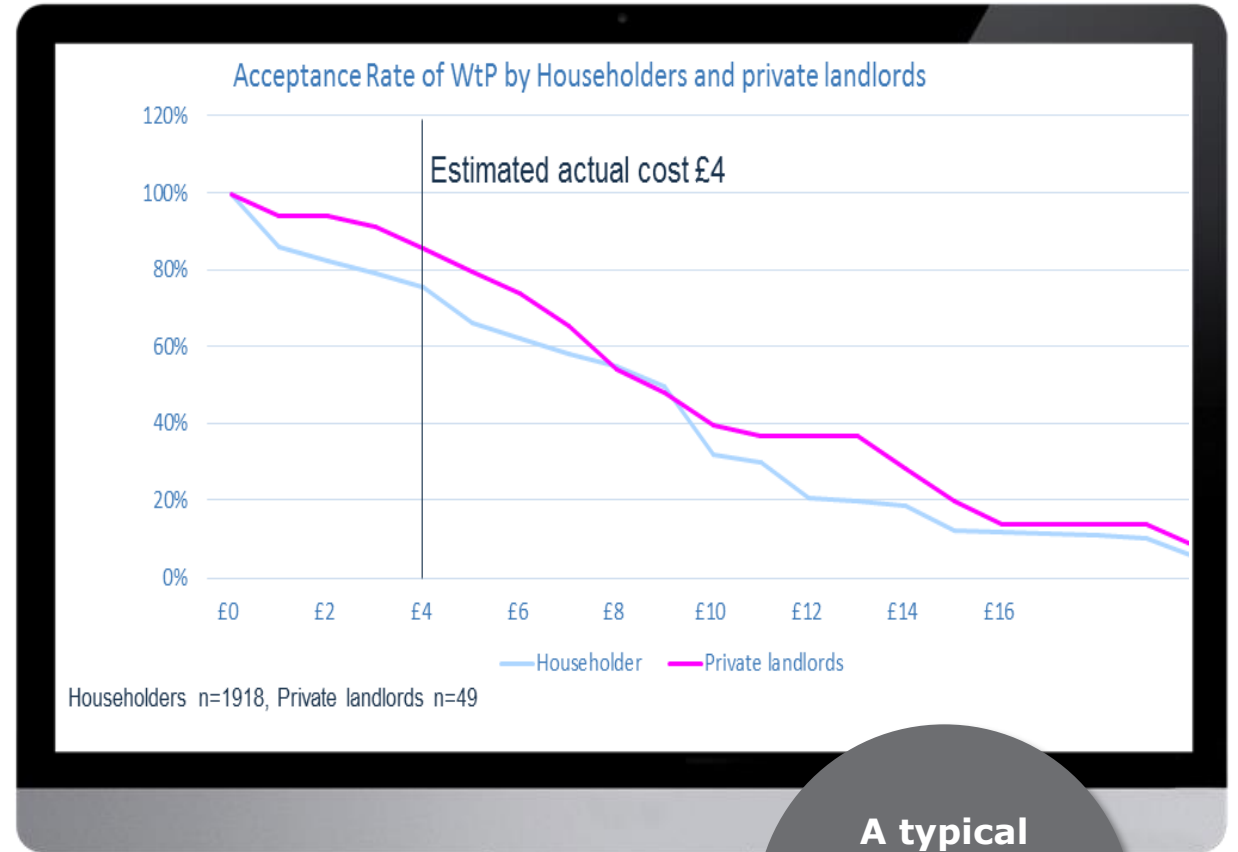
Willingness to pay: Contingent Valuation

As we have done previously for other WaSCs, we often use Contingent Valuation (CV).

CV uses a simple questioning approach to obtain the optimal price point (see below). As a reminder, the questioning essentially runs as follows:

- Would you be willing to pay £x?
- If they say yes, offer them incremental increases until they stop
- If they say no, offer them incremental decreases until they stop
- So what is the maximum you would be prepared to pay in support of a social tariff?

This approach can result in the identification of the optimum amount most customers will be willing to pay before there is a widespread drop in support for the tariff. Our alternative approach, Gabor Granger which is shown over the page asks about *a set of pre-defined price points*.



A typical output from Contingent Valuation



Willingness to pay: Gabor Granger

Gabor Granger asks its questions using a set of pre-defined price points until either the respondent codes 'not acceptable' or 'DK' or reaches the highest price.

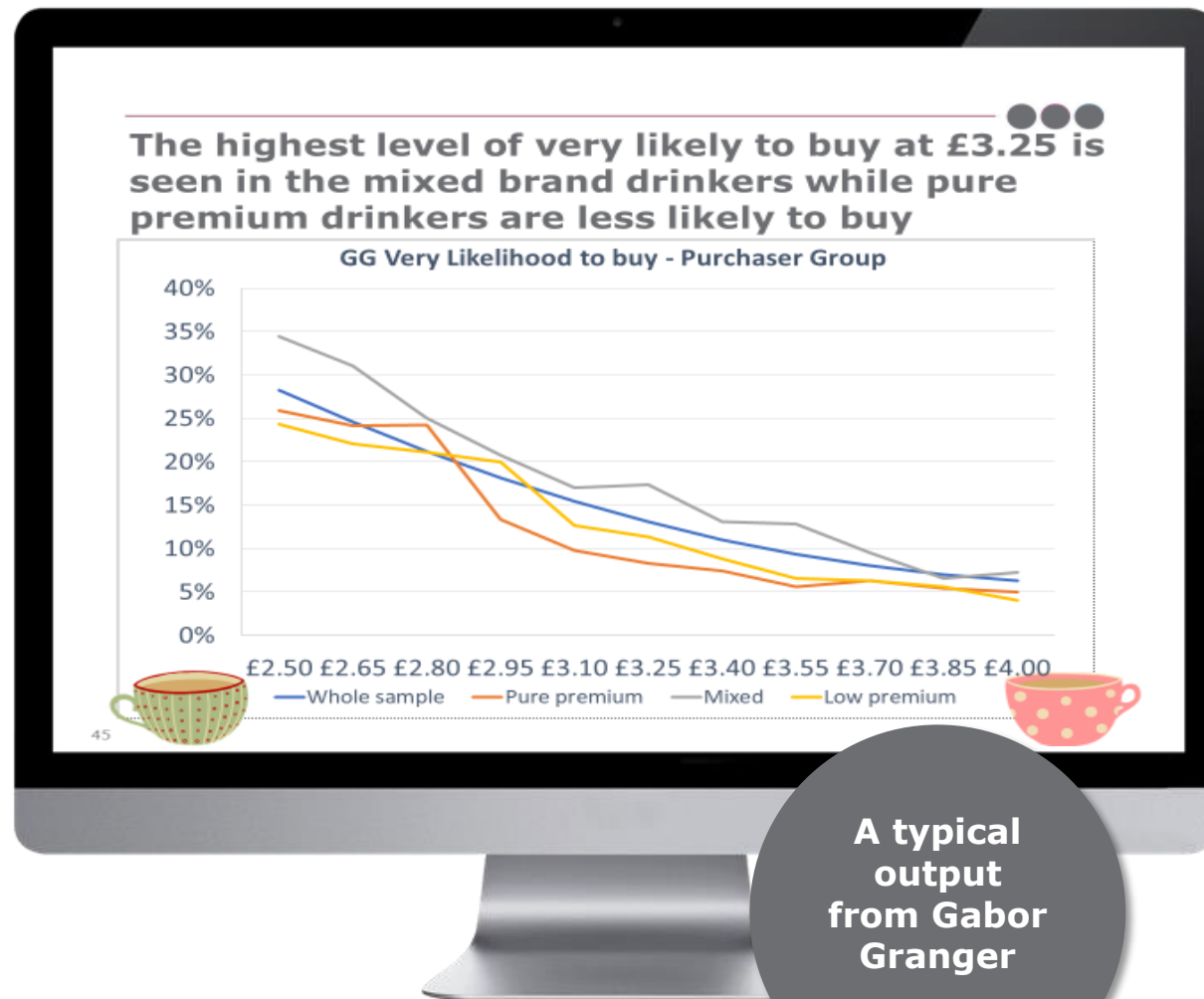
We have used this technique in the past and would be happy to replicate the approach.

The brief does mention that you're open to challenge and as such, we make the following observation.

If you want to *ascertain how much extra customers are prepared to pay* as and you wish to know what the distribution of prices are like above and *beyond* the top pre-defined price, Contingent Valuation might be best.

There is no right or wrong answer and we're happy to discuss this further with you at the briefing meeting.

NB. Whether CV or GG is used, the costs would be the same.





Consideration: varying the starting points

In designing our willingness to pay questions, our statistician will ensure that the research is *conducted ethically and does not lead customers to a particular answer*.

We therefore advise that we should vary (within reason!) the starting point across customers so that starting point bias, or anchoring, can be accounted for in the results.

This can be discussed further at the briefing meeting.

Anchoring...

When exposure to a number serves as a benchmark for later choices, this is known as anchoring. Surprisingly, this happens whether or not the number you're exposed to is relevant. Take this study from the US conducted back in the 90's. In an attempt to sell more Campbell's soup, stores advertised a discount offer from 89c per can to 79c. Where the experiment came in was by tweaking the impact of three different conditions: a) no limit per person; b) a limit of four cans per person; and c) a limit of twelve cans per person.

The twelve can limit condition led to significantly more purchases of the soup than the four or no limit conditions (an average of 7 cans vs. 3.5 and 3.3 cans).

The purchase limit number of 12 had anchored their behaviour.





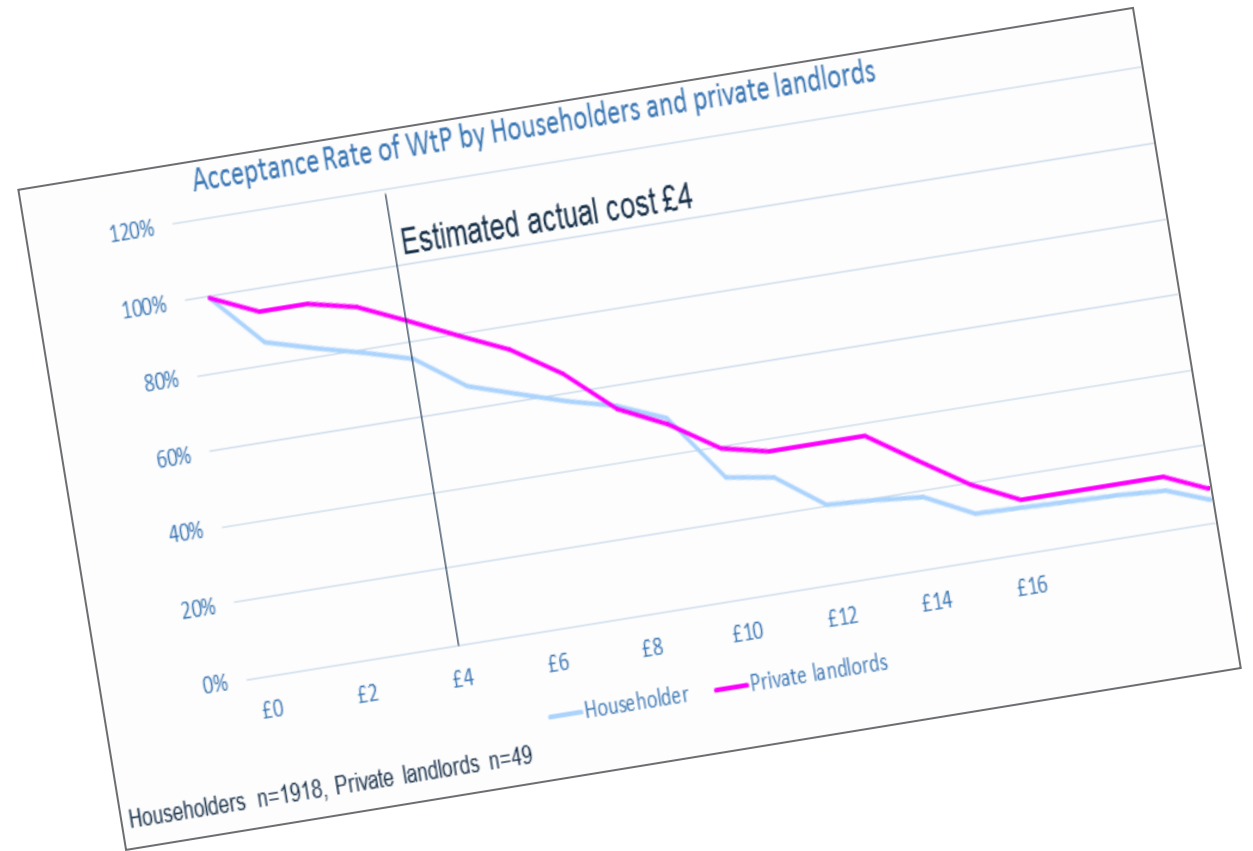
Our approach: qualitative research

- We recommend sharing the results of the quantitative survey with the project team via an interim debrief. At this point we'd share our recommendations for the next qualitative stage.
- **In a recent survey, around 1 in 4 customers were not in favour of paying an increased subsidy. They were not from any particular cohort.**
- Based on this we'd suggest conducting 20 depth interviews in total – 8 for Wessex Dual Supply, 8 for Bristol Water/Wessex and 4 in Bournemouth (if required).
- Respondents would be selected from those who have agreed to participate in future stages of the research and based on their responses. We'd make an appointment and our researchers from the project team would conduct a 30 minute interview on Teams or over the telephone to probe into their answers in more depth.
- Ahead of this we'd design a discussion guide which we'd run by our client, their CCG and CCW. This would explore their background and financial situation, their attitudes towards social tariffs and cross subsidies and barriers to paying an increased cross subsidy and what would be acceptable.
- All interviews would be recorded and transcribed and the team would analyse responses and build the themes and verbatims into the final report.
- An incentive of £35 would be paid to each respondent.

Our approach: analysis

- On completion of the research we'd produce a slide pack for each of the 3 regions. Our slide pack would look at the results as a whole, as well as the following:
- Those struggling/not struggling to pay their bills
- Household income
- Whether they are on benefits
- Whether they agree with the principle of a cross subsidy
- They're view of Wessex Water/Bristol Water

Charts like the one opposite would be produced for each region and by sub groups as appropriate.





Reporting and Dissemination

We pride ourselves on the quality of the reports and presentations that we produce (see examples to the right).

All analysis & reporting is carried out by senior researchers, and is subject to our rigorous quality procedures.

We'd provide Wessex Water with an interim and final report with an executive summary plus all stimulus material in an appendix. We'd also include a technical report and dataset.

Our report would also demonstrate how the research has met Ofwat's principles for high quality customer research and reflect the learnings from the CCW project on the same topic.

We would also include a final debrief as requested.





Evidencing Ofwat's principles & CCW's learnings

Make it meaningful!

In the brief you state that it is very important that the report should evidence how the research has met Ofwat's principles for high quality customer research and reflect the learnings from the CCW project *Engaging water customers for better consumer and business outcomes*.

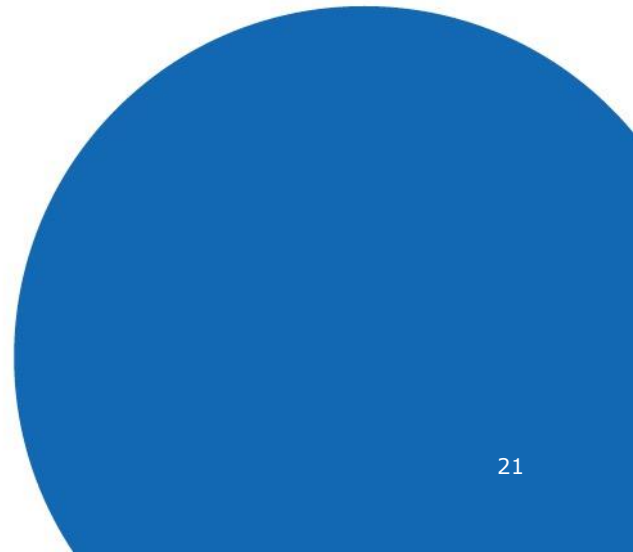
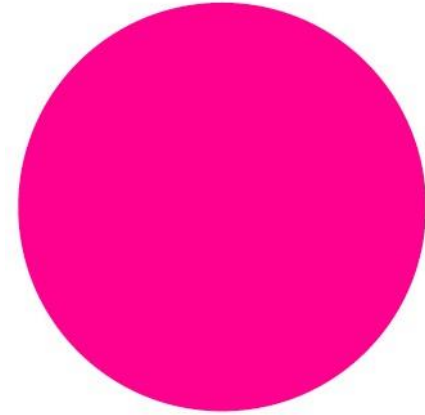
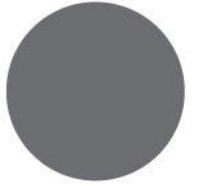
On this point, we are entirely in agreement. That is why throughout the planning, set-up and fieldwork of this research, we would include questions to check customers' views on these key criteria and would weave in a number of threshold questions along the way in the survey to ensure that each is being achieved.

Example checklist of how we'll demonstrate how CCW's criteria was upheld throughout the research...

Criteria	Threshold questions	Verdict	Illustration
Relevance	<ul style="list-style-type: none"> • Is the topic relevant/ of interest to me? • Do I actually have a view on what I am being asked? 	It is clear from the comments detailed within this report that people found this topic relevant and of interest - arguably more so than they originally thought would be the case. That said, more frequent engagement would prove even more relevant and appealing.	<p>"This is really interesting content."</p> <p>"I think I would like to be consulted on a more frequent basis. It's such an important right now and it's only going to grow in importance over the coming months."</p>
Listening	<ul style="list-style-type: none"> • Do I feel like the organisation that has commissioned the research is paying attention to what I say? 	Participants were clear, they felt as though WW was listening and paying attention through this exercise. Furthermore, senior members of WW deliberated with participants.	"I feel I'm being included and Wessex Water actually does care about the voice of their customers so I feel like my thoughts and opinions have been heard."

At the end, we could provide you with a checklist and various illustrative examples of how this was achieved (see example above) for the criteria of ease, relevance, listening, making a difference and financial incentive (CCW's criteria).

Timings and Team





Timings

Task	When?
Research commissioned	w/c 30 th Jan
Kick off meeting	w/c 6 th Feb
Questionnaire + stimulus sent (by DJS)	14 th Feb
Questionnaire signed off	23 rd Feb
Scripting and testing	w/c 27 th Feb
Quant fieldwork	9 th to 23 rd March
Interim debrief to project team	4 th /5 th April
Discussion guide designed and signed off	w/c 3 rd April
Depth interviews	w/c 10 th April and w/c 27 th April
Debrief and final report delivered	End of April



Experience across the board!

Ali Sims, Research Director

(Quality Director on the project)



Ali started her research career in 1993 after graduating from the University of Sheffield. She left Harris Interactive in 2005 and is co founder of DJS Research.

Ali has worked extensively in the water sector for 15 years and has conducted numerous social tariff projects.

She would bring this experience to this project and would be the quality director for this piece and the main point of contact.

Alex McCluckie, Research Director

(Support Director on the project)



Alex has worked for the likes of Severn Trent, Northumbrian Water, Essex & Suffolk Water and Hafren Dyfrdwy in order to ascertain their customers' levels of willingness to contribute to social tariffs and as such is highly experienced in this area of research.

Alex is also our Behavioural Economics expert and would advise on framing the questions.

Ali and Alex would be supported by an experienced project manager.

Rachel Waddington, Statistician

(Statistician on the project)

Rachel works in collaboration with DJS Research on a regular basis and is an extension of the research team. Rachel would be responsible for all statistical aspects of the project and would work with the research team to provide the required outputs.

Anthea Thompson, Operations Manager

(Field manager on the project)

Anthea has more than two decades of experience in market research and in 2014 Anthea joined DJS Research as Operations Manager and took on responsibility for field services. Anthea would have responsibility for overseeing the CAPI interviewing.

Steve Searle, Data Manager

(Data manager on the project)

Steve has worked on numerous social tariff projects utilising contingent valuation and is adept at designing these types of studies. He would be assigned to the scripting and panel liaison portions of the project.

Some of our clients who've trusted us with their social tariff research...



severn dee



For more information



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