

The service incentive mechanism (SIM) has shaken up water companies and re-energised them to put customers at the heart of their activities. That was the enthusiastic response from water company members working with the new customer service measure when they met to discuss it at a roundtable organised by *Utility Week* and supported by Pitney Bowes Business Insight (PBBI).

The group said the simple outcomes of the measure, the ease of comparison and the potential incentives meant the customer was the concern of not just the customer service department, but the whole company. The customer now topped the agenda across the company and in the boardroom – even in companies that had initially been slow to take an interest.

Mark Hann, associate director at Ofwat, said the new measure had initially had not been welcomed by everyone at the regulator. A working group involving industry members had been “the continuity and backbone” of the process. But once it went into operation it was quickly seen to be working well. In fact, better than expected: it allowed Ofwat to incentivise good performance and in addition, although this had not been planned, it cut the amount of data Ofwat needed to collect. Hann said that had been “liberating”. Now the SIM was seen by all at the regulator’s office as a good example for other regulatory tools.

Many of the delegates had been involved in that working group, so they were ready for the switch to the SIM when it came and had been able to get buy-in from across their companies. There was still work to do, however. In many cases third parties such as contractors were the initial customer contacts – streetworks operatives, for example, could be the most obvious public face of the company. Training and culture change had to be passed on through these companies and that was high on the industry’s agenda.

Tony Smith, chief executive of the Consumer Council for Water, also had praise for the SIM. He said it reinforced good behaviour and helped reduce complaints. He had minor concerns, though. The regulator should “keep an eye” on its quantitative measures (the SIM uses both quantitative and qualitative measures) to make sure they did not encourage perverse behaviours (as had been the case with the measure’s predecessor).

Andrew Dunn – now a consultant, but closely involved in the early development of the SIM when at Ofwat – also talked about the measures

# SIMply the best



used within the SIM. He agreed that the mix between quantitative and qualitative measures should move towards qualitative. But, he said, the value of the quantitative measure was that it could be translated easily into financial benefit for the company. So there was mileage in continuing it.

The group talked about how new customer contact methods such as social media could be incorporated into the SIM, and whether they should be at this stage, given that customers using these channels were a fairly small group. Paul Laycock, customer communications management business development manager, telecoms and utilities, at PBBI, picked up this discussion to talk about how customer contact routes had already evolved. Utilities had to make sure they had a consistent approach to customers across existing and new channels, and that had to be backed up by easy access and effective access to customer information.

How should the SIM develop? Delegates were unanimous that it was working well, had already been effective, and that Ofwat should not change an effective scheme. That had a sympathetic hearing from Hann, who agreed that the SIM’s focus should not be lost. There was some suggestion that it could be widened but his view was that this would make it less effective.

Smith, too, brought up broader customer satisfaction issues such as value for money, but he agreed it would not be helpful to try to incorporate them into the SIM.

All agreed that the principles that drove the SIM could usefully be applied to other areas. ●

Delegates at a roundtable organised by *Utility Week* and supported by Pitney Bowes Business Insight found much to applaud in Ofwat’s new service incentive mechanism. Janet Wood reports