

A NEW WAVE OF CUSTOMERS

Generation Z and the challenges the water sector faces in a future destined for change

A Consumer Research Report

FOREWORD



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Water companies are welcoming a new wave of customers, the so called Generation Z, those aged 24 and under as they start out as home owners or renters for the first time and become responsible for utility bills.

This new generation of customers have already been highlighted as being less satisfied with the companies that serve them than those that have gone before them, and water companies have some work to do to meet the expectations of this growing customer group.

Our report looks at how Gen Z perceive their water supply and the companies that service them, and how this does or doesn't differ from previous generations.

We look at customer service, brand awareness and opinion, digital profiles, data preferences and the on-going debate of water ownership. We also consider their priorities and where they want water companies to focus their efforts.

And, as a generation known for their concern surrounding the environment, we ask whether this outweighs all other factors when it comes to what water companies do and how they serve their communities.

Monica.

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The report is based on a nationally representative online consumer survey sample of 500 UK residents aged 16-24 (half of which are currently bill paying), and 1,000 UK residents aged 24-65+, completed in February 2020.

THE INVISIBILITY OF WATER SUPPLIERS

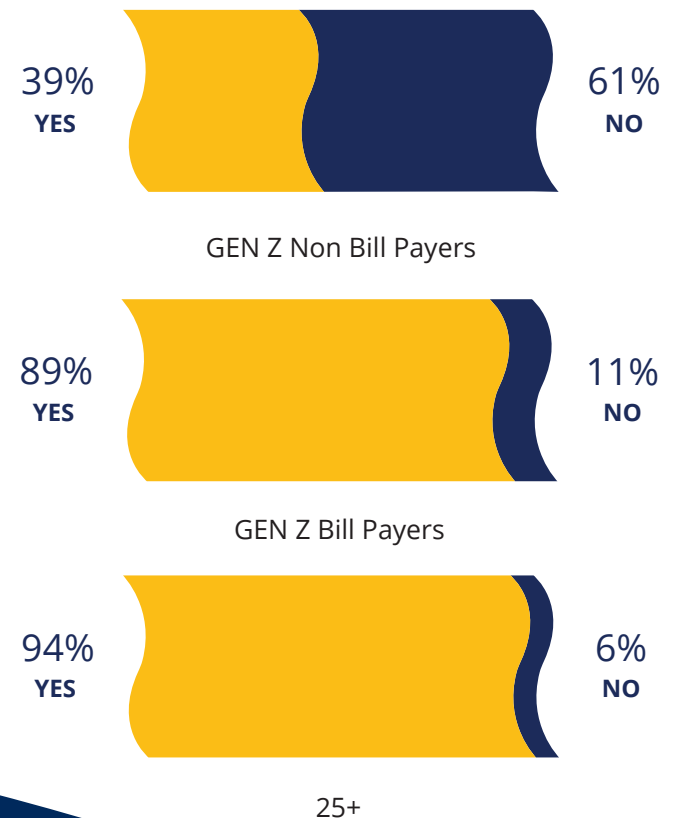
The question of who supplies the water to the home you live in seems like basic, general knowledge – after all, it sets the foundation for the relationship between company and customer. If residents are not even aware of the identity of their water supplier, then building engagement, customer confidence and brand loyalty is an uphill struggle.

Yet our survey found that well over half – 61% – of non-bill payers in the Generation Z age bracket have no idea who supplies the water in the home they live.

Bill-paying Gen Z-ers did better, with 89% of this group able to name their supplier, but awareness was still lower than for 25+ customers; 95% of whom knew their supplier's name.

This shows that water companies have a worrying lack of brand profile amongst the younger people in the communities they serve, people who will soon be their customers for many decades to come.

Do you know who supplies the water in the home in which you currently live?



THE GEN Z KNOWLEDGE GAP

Interestingly, when we asked what services respondents believed water companies provide, Gen Z showed much lower awareness around water saving campaigns and the work water companies do to protect and improve local habitats. Just a third – 34% – of Gen Z bill payers know that water companies educate the general public on how to save water, and even fewer – 29% – know that water companies protect and improve local habitats. These proportions dropped even further amongst Gen Z non-bill payers.

Gen Z non-bill payers also have substantially less knowledge than the other groups around water meters and their advantages in saving water and reducing bills (just a third of respondents).

There is a clear opportunity then, for water companies to

better engage Gen Z and make them more aware of their wider social and environmental strategies particularly given this generation's well-known concern around environmental issues. This can then be used as a basis on which to build positive brand awareness.

When thinking about a water supply company, which of the following services do you believe it provides? Select all that apply:

	GEN Z Non Bill Payers	GEN Z Bill Payers	25+
<i>Supplies my property with quality water that is safe to drink</i>	67%	78%	84%
<i>Offers water meters to help me save water and potentially pay less</i>	33%	53%	66%
<i>Owns and looks after local reservoirs</i>	24%	45%	62%
<i>Fixes water leaks</i>	64%	55%	75%
<i>Prevents contamination and pollution</i>	42%	58%	68%
<i>Educates the general public on how to save water</i>	30%	34%	56%
<i>Protects and improves local habitats</i>	18%	29%	40%

TOP OF THE MIND RECALL

Generation Z *What is your perception of your water provider?*

GENERATION Z

"Never had any problems with them and they are great companies overall who are reliable and provide a great service."



GENERATION Z

"I couldn't ask for a better service. They provide great customer service and great water rates."



GENERATION Z

"I think of them as companies that are trying to make as much profit as possible."



GENERATION Z

"They provide and make sure that everyone has water so I think they are very important to the community and provide a brilliant service."



GENERATION Z

"My water company is absolutely useless, all I think about when thinking of water companies is continual road works and delays."



GENERATION Z

"They lack communication with the customer, it's usually just a bill and once every few months, a water check."



GENERATION Z

"I don't hear any complaints about water companies generally. The ones used in my area, I believe, provide a good service and good value for money, with little disruption."



GENERATION Z

"They provide good water services however you only hear from them when there is a problem."



GENERATION Z

"They waste too much water and do some things wrong with it and I strongly disagree with their methods of producing healthy water."



Gen Z are much more positive than other generations when it comes to their initial thoughts about water companies and how they serve their communities. Over half of those we surveyed gave positive feedback with only 19% providing a negative comment. A range of the comments provided are highlighted on this page.

TOP OF THE MIND RECALL

25+ What is your perception of your water provider?

+25

"Corporate, distant, pass responsibility to others, poor record in terms of investment to renew ageing water infrastructure."



+25

"Not really sure what they do never hear from them unless it's to pay our bill."



+25

"Generally they care, but the infrastructure is old."



+25

"Holes in road where repairs started and never finished."



+25

"They only serve themselves it's all about how much profit they can make. They tell us about saving water and how important that is but leave bursts running for weeks how much water is wasted by them."



+25

"I've never had any problems with them, it's easy to deal with them, the bills are always accurate. They are quick to sort out problems and always give plenty of notice when the water has to be turned off for urgent work to be carried out."



+25

"No choice in provider. Standard service, nothing innovative, I worry the bills go up every year."



+25

"They are becoming more involved in their community and bills are lessening."



+25

"It is remarkable the work they do. We are so blessed to have a clean and plentiful supply of water for drinking and bathing."



Compared to Generation Z, older consumers we surveyed were far less positive when it came to their initial thoughts around water companies and how they serve their communities. There was an almost equal split in terms of positive, neutral and negative viewpoints– each being around a third of the total responses. A range of the comments provided are highlighted on this page.

BUILDING BRAND ENGAGEMENT

So, how can water companies improve their engagement, visibility and presence within the communities they serve? When asked how they would prefer to see their water company try and engage and inform its communities, survey respondents were divided in their responses.

Whilst respondents showed a mix of preferences for various marketing and communication channels, there were some distinct differences between Gen Z and those of other ages.

For example, broadly speaking, Gen Z shows a significantly higher preference for social media and text than other generations, and are less likely to engage via traditional direct letters and leaflets delivered through the door – which is perhaps to be expected from this generation of digital natives.

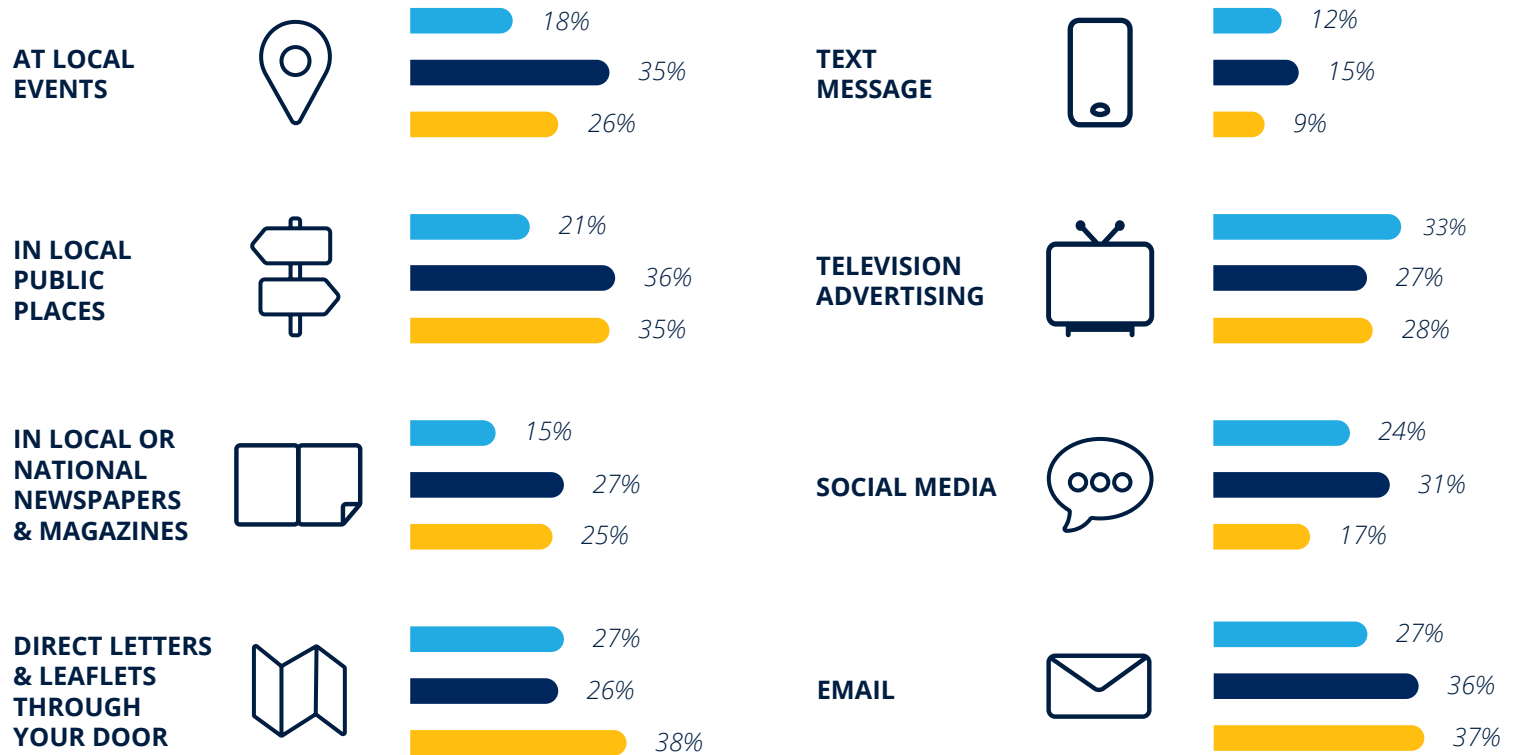
Water companies, have over recent years increased their usage of text and social media to communicate with the communities they serve, and to satisfy Gen Z, relevant content via these channels must continue.

Worryingly for water companies, 12-15% of respondents across all generations said they are simply not interested in hearing from their water company at all. This should not only act as a caution when it comes to over-communication, but also presents a challenge in terms of building their brands amongst all registered bill payers and customers of the future.





How would you prefer to see a water company try and engage and inform its communities? Select all that apply:



● Gen Z Non Bill Payers
 ● Gen Z Bill Payers
 ● 25+

GETTING SOCIAL

Water companies continue to face a battle to engage their customers via social media and gain followers – 63% of those we surveyed aged 25+, for example, said they wouldn't follow their water company on any social media channel.

However, for younger customers the tide may be turning. The percentage of customers who wouldn't follow their water company on social media drops significantly for Gen Z; to just 31% of bill payers and 36% of those not currently paying a water bill.

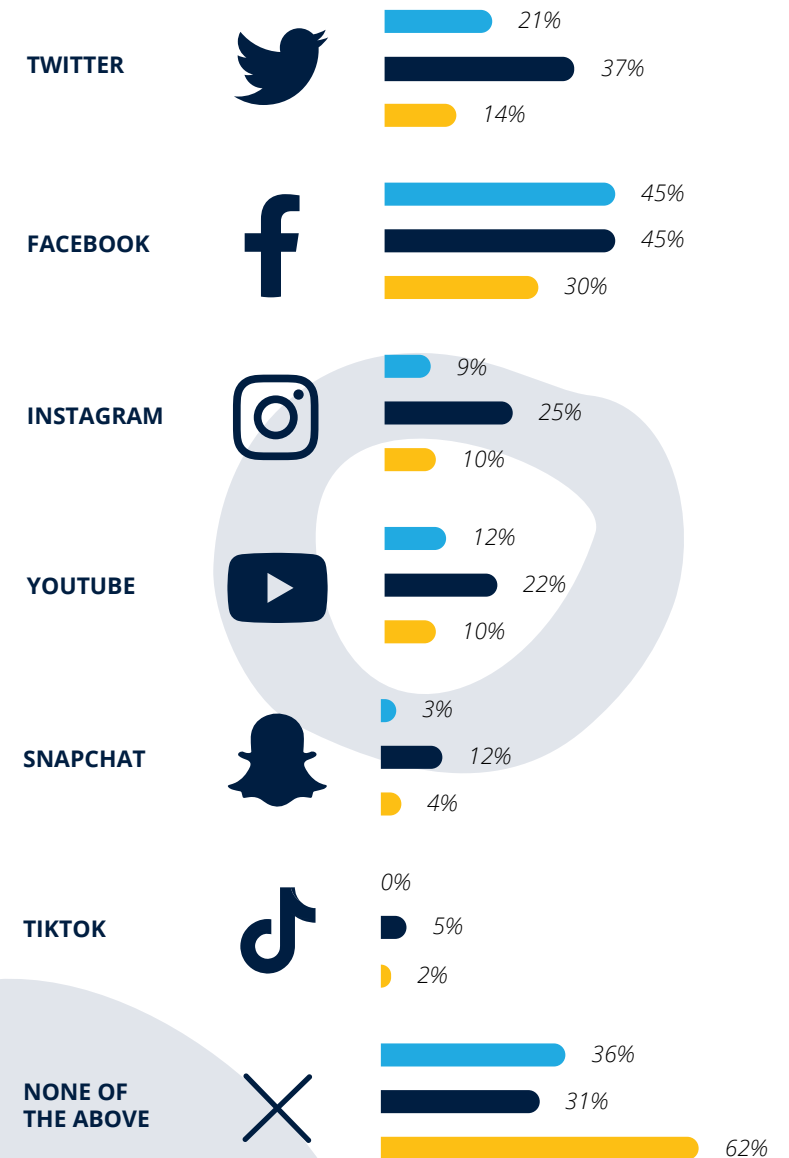
When it comes to which social media channels Gen Z would pick to follow their water company, Facebook is the most popular, followed by Twitter and Instagram.

It's clear that water companies must work harder to make their social media content relevant, engaging and useful for younger

customers to attract followers, given that a large proportion of this age group are 'socially active'. A deeper understanding of Generation Z can help water companies be more innovative with their content and messaging.

Other touch-points such as bills and company websites are also useful to promote a water company's social media channels – not just that they exist, but more importantly what it is that customers can benefit from as a follower.

Which social media channels would you use to follow a water company? Select all that apply:



● Gen Z Non Bill Payers ● Gen Z Bill Payers ● 25+

DIGITAL FOOTPRINT

Gen Z-ers are digital natives – they have grown up with ubiquitous internet, mobile devices and digital culture. They are used to inputting personal information to websites and applications, creating digital profiles, and storing and sharing data online. How does this affect their trust around data sharing?

When asked how they would feel about their water supplier sharing their data with third parties and other service providers, Gen Z bill payers were notably more trusting and comfortable than other groups.

If data sharing can drive a more relevant, personal and tailored service from their water supplier, then this group appear more welcoming of this as a concept.

41% of Gen Z bill payers said they are happy for this to happen, compared with 22% of the 25+ group and, interestingly, 21% of Gen Z non bill-payers. In other words, once Gen Z-ers become responsible for actually paying their water bills,

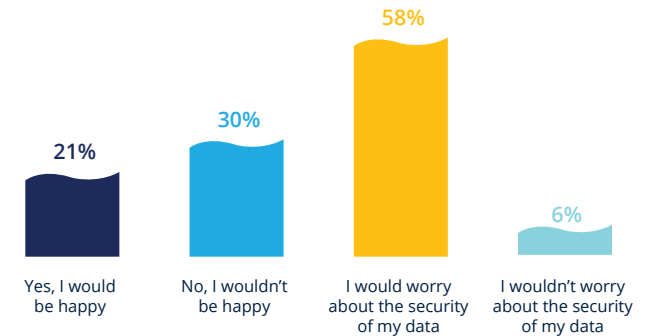
they become much more interested in how water companies and third parties might help them better manage those bills, or provide a more personalised service.

However, Gen Z bill-payers were much more comparable to the older group when it came to still worrying about the security of their data. 34% of Gen Z bill payers said they would worry about this, compared with 38% of the 25+ group.

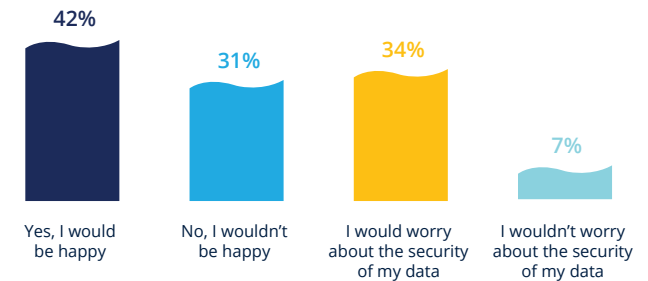
Yet a hefty 58% of Gen Z non-bill payers said they would worry about security. Without responsibility for actually paying the bills, Gen Z seem much more keen to keep their data to themselves.

How would you feel about your water company sharing your data with third parties, and other service providers, to help you better manage your bills, or provide you with a more tailored, personalised service? Select all that apply:

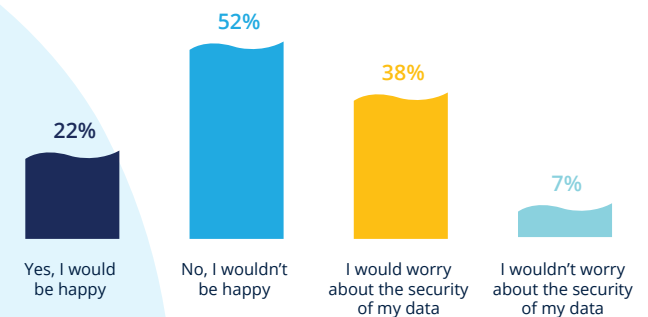
Gen Z Non Bill Payers



Gen Z Bill Payers



25+



A GENERATION OF DIGITAL NATIVES

When it comes to managing their accounts and interactions with essential service providers, all age groups prefer online channels; 65% of Gen Z bill payers, 64% of Gen Z non-bill payers and 61% of those aged 25+.

As older generations continue to immerse themselves in a digital world, the digital generation gap is closing, and perhaps even disappearing. However, our survey does show that Gen Z are more likely to find online tools easier and less time consuming than older generations. For Gen Z, wanting to talk to a human customer service agent is also in decline. On average, only 8% of Gen Z-ers said their preference was to talk to another human, compared with 20%

of those aged 25 and above. To satisfy Gen Z, water companies should ensure that digital channels continue to deliver what this generation may want or need in terms of service. Gen Z also demonstrates a more relaxed attitude in terms of digitally stored data. Twice as many Gen Z-ers, as 25+ respondents said they trust digitally held information, providing a real opportunity for water companies

to personalise service in a relevant and meaningful way. For newer online channels such as mobile apps, there is a clear perception versus reality problem for Gen Z-ers. 36% of Gen Z non-bill payers said they would prefer to use a mobile app, but this dropped to 25% for Gen Z bill payers. This indicates that mobile apps in the water sector are perhaps not yet living up to customer expectations.

When thinking about managing your accounts and interactions with essential services providers, which of the following statements are true? Select all that all apply:

	GEN Z Non Bill Payers	GEN Z Bill Payers	25+
<i>My preference is to manage everything online</i>	63%	65%	61%
<i>My preference is to manage everything via an app</i>	36%	25%	20%
<i>Online tools are easier and less time consuming</i>	36%	31%	22%
<i>I trust digitally held information</i>	24%	22%	10%
<i>My preference is to manage everything offline</i>	6%	11%	10%
<i>My preference is to manage everything via post and written statements</i>	6%	5%	9%
<i>My preference is to talk to another human being when it comes to my account & service</i>	6%	11%	20%
<i>I struggle to access and use online tools</i>	3%	1%	3%
<i>I do not just digitally held information</i>	3%	6%	7%
<i>Other</i>	3%	1%	>1%

A QUESTION OF PRIORITIES

Outside of the fundamental need to provide clean, safe water, we asked survey respondents what else they felt water companies should prioritise.

Keeping water bills affordable for customers was scored as the number one priority across all age groups highlighting that, despite Gen Z's well known environmental concerns, affordability still top their list of worries.

The survey also highlights an interesting perception difference around water efficiency and where responsibilities lie. Gen-Z appear to feel more responsible for the part they can play, with water conservation and provision of water saving advice and devices this generation's second highest priority.

For those aged 25 and over, reducing leaks in the water network and investment in water pipes to protect against failure were the second and third rated priorities, suggesting perhaps that older customers feel water efficiency responsibilities lie firmly with the water companies themselves.

A water company's social purpose was also seen as a higher priority for Gen Z compared to older generations, with 22% believing a water company's contribution to society and local communities should be prioritised, compared to just 10% of those aged 25 and over.

Outside of providing clean, safe water, which of the below do you think water companies should prioritise? Select three answers:



PRIORITIES

COMMENTS FROM GEN Z

"Due to the state of Earth now, giving water saving advice is a good idea and it also educates the younger generations."

"It is very important in my opinion to get children involved when they're young in water preservation."

"They need to ensure minimum leaks as leaks lead to complaints."

"I think it's important to prioritise the environment and make sure the service is good."

"It's important to deal with the issue of environmental damage."

"I would like to know about water saving products that could save me money and help the environment."

"I think that water companies should also be helping with communities."

"They should focus on affordability to ensure access for all."

"Water should be a necessity so it should be affordable for everyone."

"Keeping water affordable should be a top priority in Scotland... we already have a HUGE poverty percentage. Water saving devices should also be better advertised in my opinion."

ENVIRONMENTAL CONCERNS

When we asked respondents to think more deeply about a range of environmental concerns, no single topic stood out as the prominent issue consumers felt water companies should act on.

Nearly one in three (27%) Gen Z non-bill payers feel that acting on carbon emissions and achieving net zero are most important.

Meanwhile, Gen Z bill payers and those aged 25+ both prioritise helping users reduce the amount of water they used - selected by 22% of Gen Z bill payers and 26% of those aged 25 and over.

Gen Z respondents overall are less concerned than other generations with the provision of extra help and support to vulnerable customer groups, but more concerned about carbon emissions, educating the next generation of water customers and community partnerships.

Whilst there is no single takeaway for water companies here, it is clear that all groups felt that water companies have responsibilities beyond simply providing a good service, and should be thinking about sustainability and their wider impact.

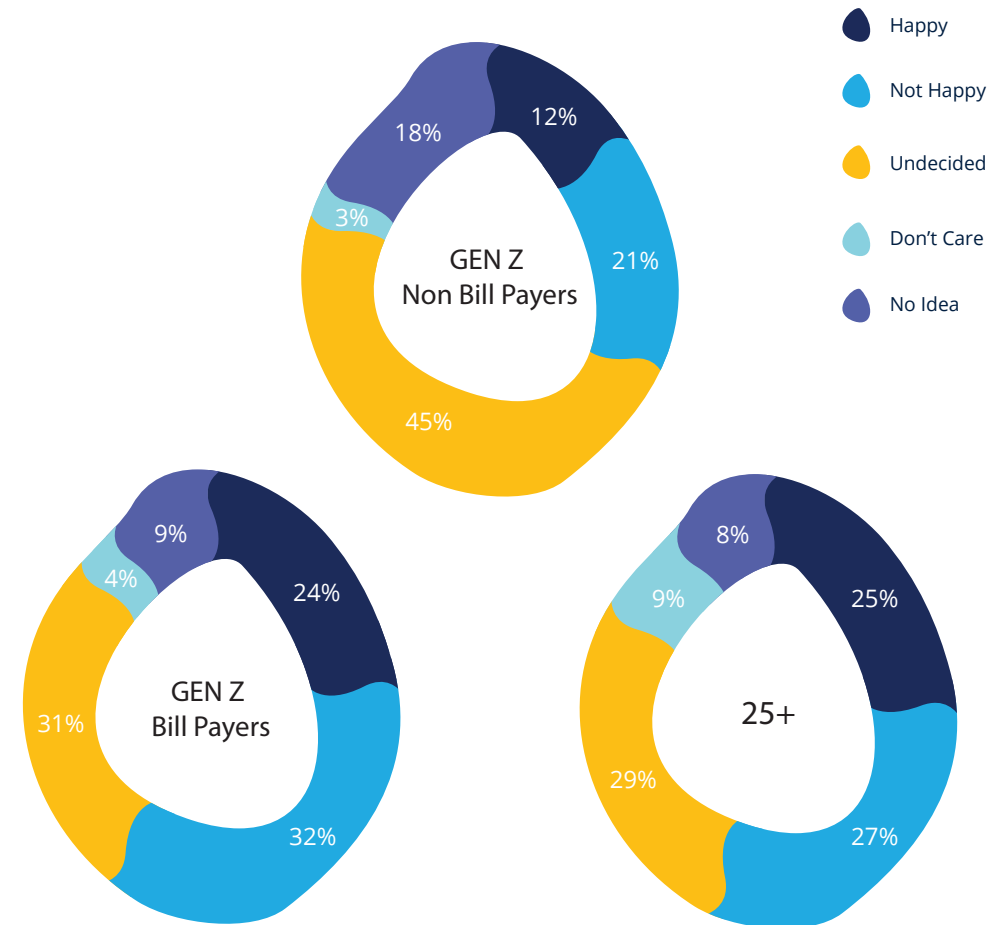
<i>Which of the following is the most important for water companies to act on? Select one:</i>	<i>GEN Z Non Bill Payers</i>	<i>GEN Z Bill Payers</i>	<i>25+</i>
<i>Reduce their production and use of single-use plastics</i>	3%	11%	9%
<i>Source the services and products they use in an ethical manner</i>	18%	7%	9%
<i>Restore and improve the natural habitats their operations impact on</i>	9%	11%	12%
<i>Reduce their carbon footprint and achieve net zero emissions</i>	27%	18%	13%
<i>Help its users to reduce how much water they use, as a resource essential for life</i>	12%	22%	26%
<i>Provide local jobs for local people</i>	6%	6%	5%
<i>Provide extra help and support to the most vulnerable people they serve</i>	9%	8%	15%
<i>Work with schools to educate young people on water</i>	9%	8%	5%
<i>Build partnerships in the local community for the benefit of the general public</i>	6%	10%	6%

THE NATIONALISATION DEBATE

Our survey also considered the results of the December 2019 General Election, underlining that the Conservative Party win meant that the Labour Party's plans to nationalise water companies are unlikely to happen for the foreseeable future.

When we asked consumers whether they were for or against nationalisation of the water sector, there was no substantive difference between Gen Z's attitudes and those of older generations, though it was noticeable that many Gen Z non-bill payers had not formed an opinion either way (45%) or even heard about this issue (18%). This indicates that, until people start paying for their own water bills, it seems they have little interest in the question of utility ownership.

Amongst bill payers of all ages there is an even split between those who support nationalisation, those who do not, and those who are not sure.



The Conservative Party held onto power in the recent general election, which means the Labour Party's plan to nationalise water companies, and bring them into public ownership, won't happen for the foreseeable future. What are your feelings about this and water companies staying in private ownership? Select one:

PERCEPTION INFLUENCES

- GEN Z Non Bill Payer (NBP)
- GEN Z Bill Payer (RBP)
- 25+

Which of the following most influences how you perceive water companies? Please select one:

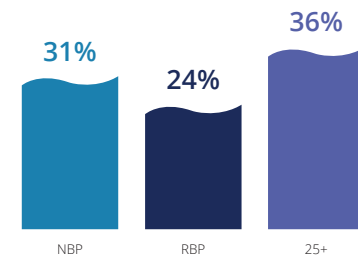
When it comes to how customers form their perceptions of water companies, our survey results show Generation Z is more outward looking than those that have come before.

Whilst personal experience of water quality and service received are the most important perception influencers for all age groups, Gen Z places a higher value on the perceptions of their friends and family in forming their opinions. 19% of Generation Z water bill payers and 15% of those yet to pay water bills said their perception was most influenced by their friends and families, compared with just 5% of those aged 25 and over.

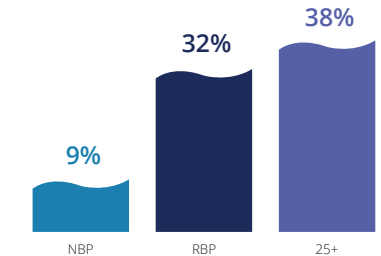
Gen Z is also more likely to be influenced by the experiences of people in their community, content on social media, news coverage about the company in question, and global news and

concerns around water supplies than other age groups. Overall, 45% and 60% of Gen Z bill and non-bill payers named external factors as their prime influencers, compared to just 26% for all other age groups.

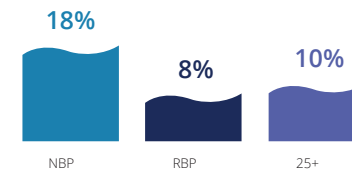
To please Generation Z, water companies therefore need to pay increasing attention to how they are portrayed in the media, how they are discussed in public, and broader issues in relation to water supplies. Simply providing a good service is not enough.



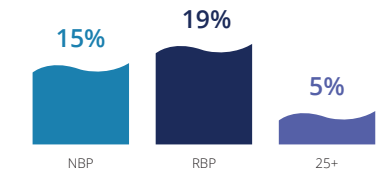
Your personal experience of the water quality and service received



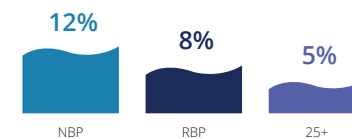
The reliability of the water supplied



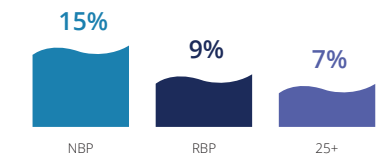
News coverage about the water company in the media



My friends and families' perceptions of the water company



The experiences of people in my community or on social media



Global news and concerns around water supplies

WATER COMPANY ATTRIBUTES

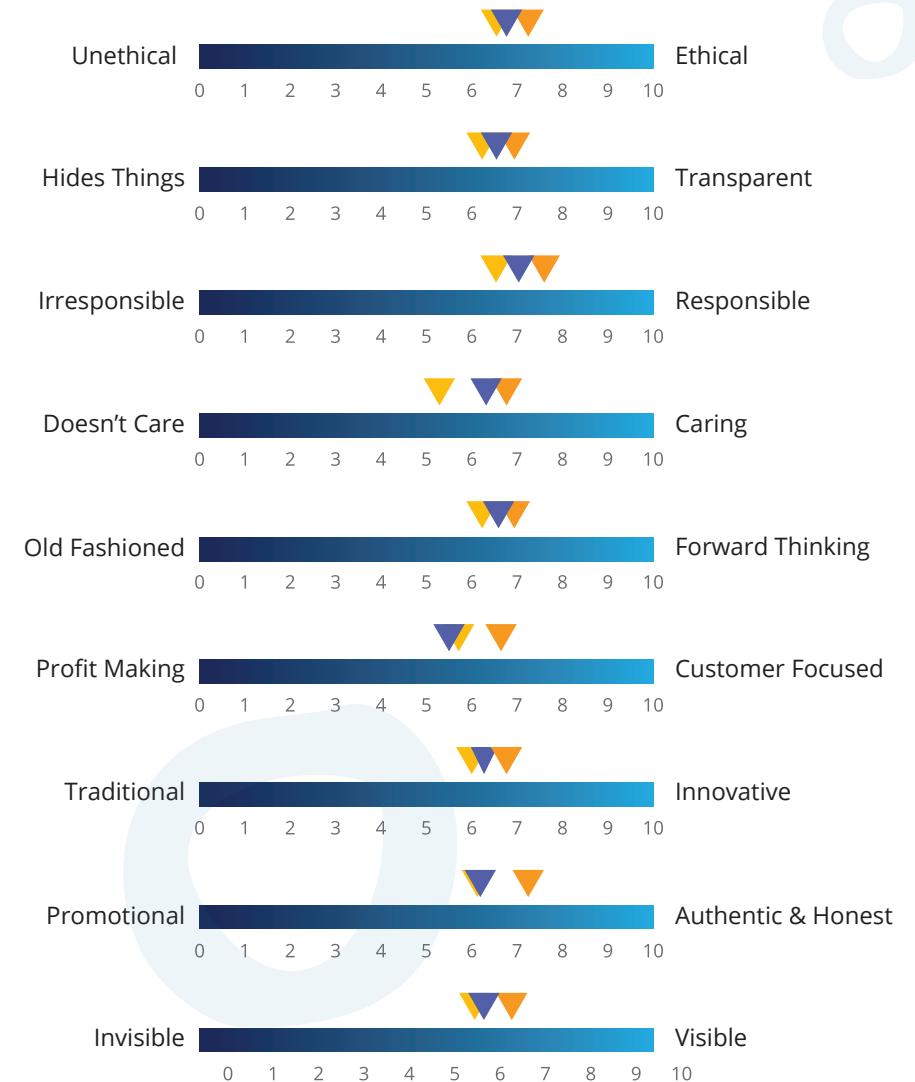
When it came to attributes, or what characterises water companies, putting profits ahead of customers was a common perception for both Gen Z bill payers and bill payers aged 25 and above, with both ranking water companies lowest on this attribute.

Interestingly, Gen Z non-bill payers – with no direct relationship with water companies - ranked caring as the lowest scoring attribute, indicating a perception that water companies don't care.

Encouragingly, Gen Z bill payers gave more positive scores for all attributes listed than customers in other age bands, showing their overall perception of the water sector is more positive than that of the generations that have come before them. This group scored water companies highest for being responsible, ethical and authentic.

However, Gen Z non-bill payers gave water companies on the whole the lowest scores compared to all other groups of customers. This perhaps highlights the lack of brand presence and profile that water companies have in their communities, and suggests an overall lack of widespread engagement with this group of future customers.

Thinking about the attributes of water companies. On a scale of 1-10, where do you think they fit on the following scale?



● Gen Z Non Bill Payers
 ● Gen Z Bill Payers
 ● 25+

ESSENTIAL SERVICES

MAKING THE COMPARISON

Our survey asked respondents to consider three other essential services: telecommunications, energy, and banks and building societies and how their perceptions of water companies compare with these other services?

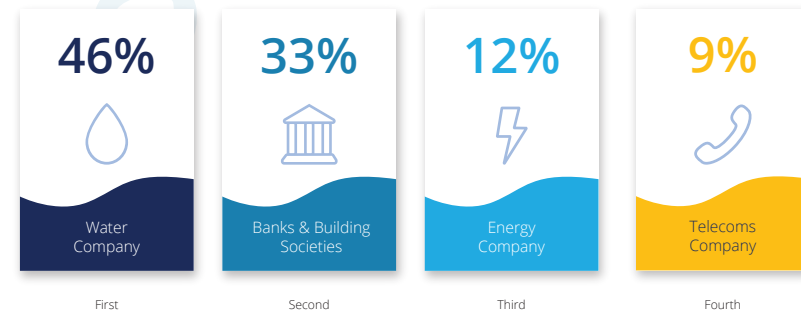
The results are positive for the water sector, with every age group of respondents believing that water companies have a better reputation than all these other essential services.

Interestingly, Gen Z respondents perceive telecommunications more poorly than older generations, but the energy sector has a much better reputation amongst this age group.

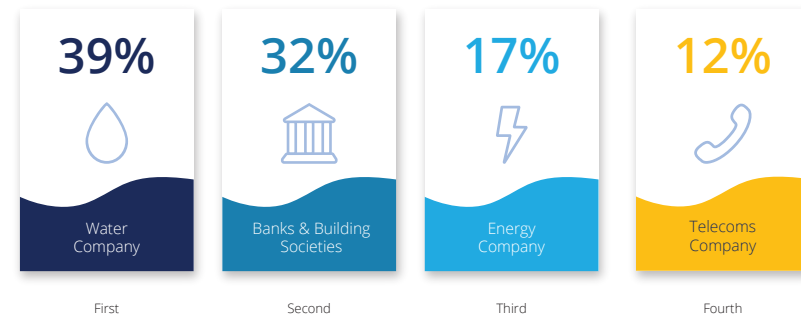
On average, 42% of Gen Z believe that water companies have a better reputation than other essential services providers, though perceptions do slip as this group transitions from being non-bill payers to bill payers. (46% of Gen Z non-bill payers ranked water companies on top, compared with 39% of bill payers).

When thinking about the following essential services, which do you believe has the best reputation. Order from best (1) to worst (4):

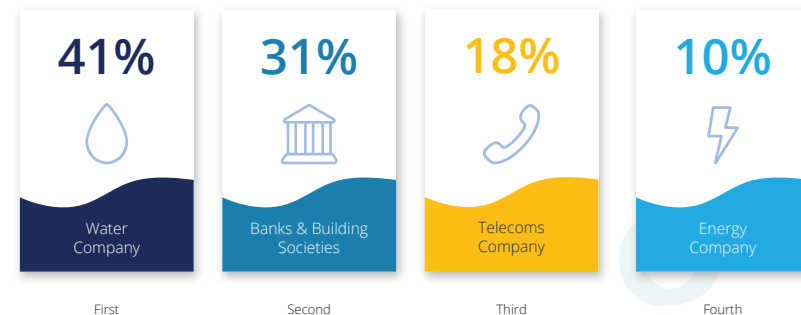
GEN Z Non Bill Payer



GEN Z Bill Payer



25+



CUSTOMER SERVICE

We asked survey respondents which communication channels they prefer to use when interacting with their water company in a variety of common scenarios.

Phone (voice) remains the overriding channel of choice for all age groups across all common scenarios, although Gen Z shows a slightly lower preference – at 57% vs. 62% for other generations.

Those in Gen Z do display some differences when it comes to channel choice preferences, highlighting potential future channel shift behaviour for water companies to consider.

For example, 12% of Gen Z prefer to use TEXT/SMS across all common contact scenarios, double that of those aged 25+ (6%). Apps and social media are also more popular with Gen Z than older generations (14% vs. 8% for Apps and 9% vs. 5% for social media).

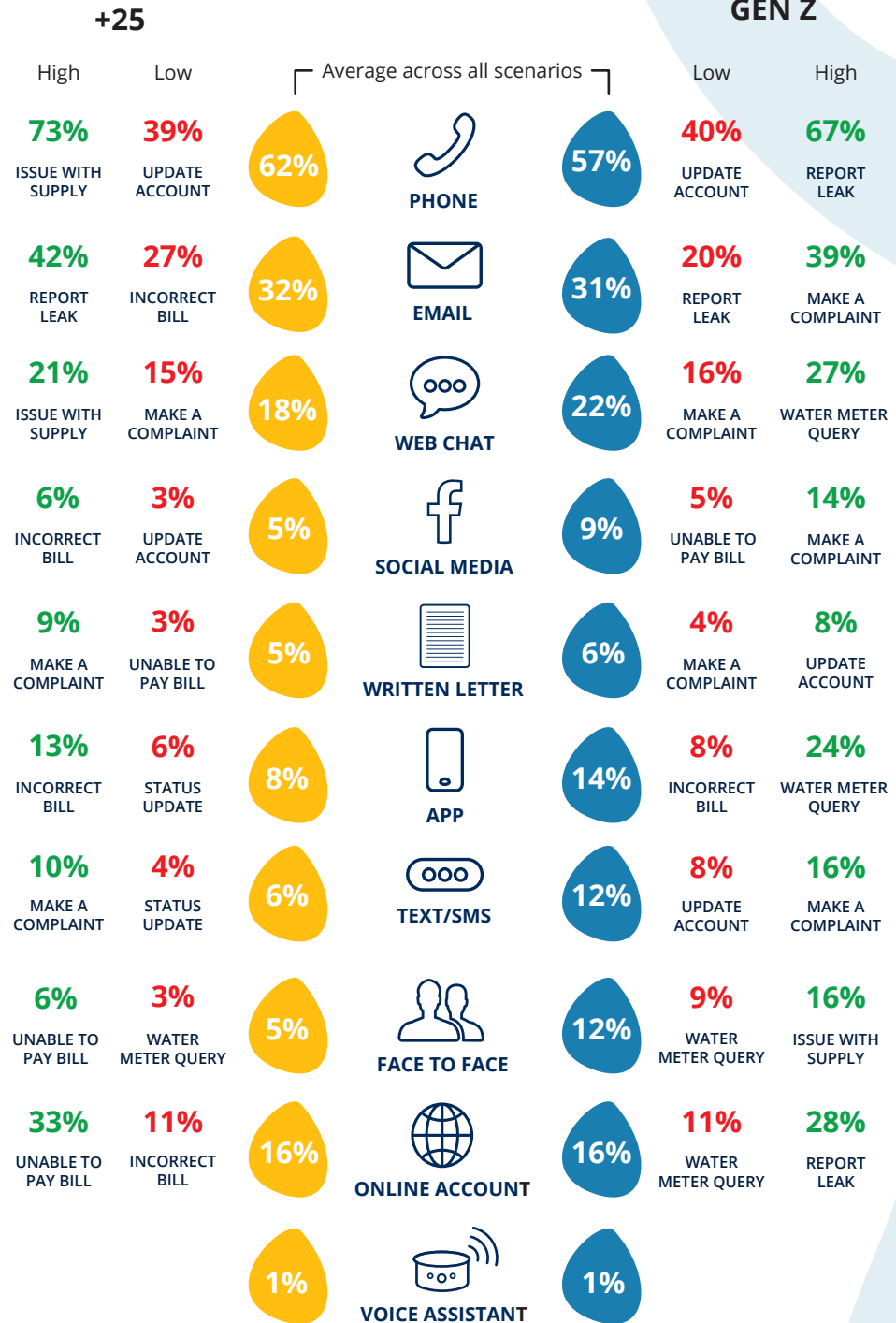
Interestingly, Gen Z consumers indicated a stronger preference for face to face customer service than the generations that have gone before them (12% vs. 5%) across all the common contact scenarios.

Our survey findings reinforce that consumers across all generations want and expect water companies to provide the option of multiple engagement channels. And, although Gen Z customers appreciate the efficiency, speed, and reliability of technology, they still yearn for human interaction. This means water companies must continue to find the balance between providing human connection with customer service agents and using digital channels and automation.



How would you prefer to contact a water company in each of the following scenarios?

- Your bill wasn't correct
- You couldn't afford to pay your bill
- You needed to update your account details or notify a change of address
- There was something wrong with your water supply
- You spotted and wanted to report a leak
- If you wanted an update on why you had no water, or it was discoloured or tasted strange
- You wanted to complain about your water supply or service you've received
- You wanted to ask about a water meter or discuss your meter reading



KEY TAKEAWAYS



Water companies are simply not memorable enough to Gen Z. More work is needed to build a stronger, Y relevant brand.



Despite being a digitally native generation, 35% of Gen Z wouldn't follow their water company on any social media channels, water companies need to work harder to make their social media content more relevant, useful and engaging to attract these customers.



Gen Z is less resistant to data sharing. This opens the door to better use data to drive the highly personalised service and experience this generation desire.



Water companies have more work to do to make their apps appealing and relevant. There is a clear perception vs reality issue, it is not enough just to have an app!



Gen Z compares water companies favourably to their other essential services providers, a positive position from which to start.

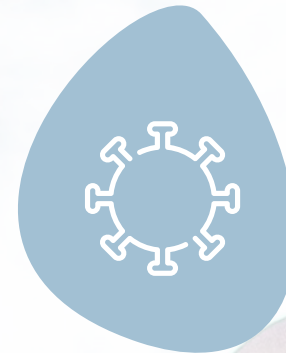


As Gen Z become renters or home owners for the first time, this is a key opportunity for water companies to create and build a positive relationship with their new customers for the future. A deep understanding of Gen Z's views of water and the water sector can help companies to best shape their initial contact and the service and contacts that follow.



Bill affordability remains the key priority for Gen Z, despite their well-known environmental concerns.

Water companies have a social responsibility beyond the bottom line, whether through education on water wastage, or protecting natural habitats. This is hugely appealing for Gen Z – but they have low awareness around water company activities and campaigns.



It's important that water companies assess the impact COVID-19 has or hasn't had on Generation Z, and continue to track this insight. Has Gen Z's satisfaction increased or decreased during this time, and how does this compare to satisfaction trends for older customers? Is there anything to learn or takeaway from this?



Gen Z appear more willing than previous generations to play their part in water efficiency. They want water companies to support them in doing this through a better promotion of water conservation and better provision of water saving devices and advice.



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