

## Yorkshire Water Wins CRM Award With Business and IT Change

**U.K. utility Yorkshire Water has won Gartner's 2003 European Excellence award for customer relationship management. A program of business change and IT investment has transformed a once highly unpopular company.**

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### Core Topic

Customer Relationship Management:  
Creating Business Value for CRM

### Key Issue

How can enterprises control the investments and quantify the benefits of CRM?

### Strategic Planning Assumption

Through 2007, enterprises that use a strategic CRM framework to estimate, plan and promote their CRM implementation, while building up their capabilities in small, piloted steps, are twice as likely to achieve planned business benefits as enterprises that pursue projects without a framework (0.7 probability).

Yorkshire Water is part of the Kelda Group and is the ninth largest water utility in the world (source: Lehman Brothers, 2002). It provides clean and waste water services to 2 million households and 140,000 businesses in the Yorkshire area of the United Kingdom. It supplies 1.24 billion liters of quality drinking water, and collects, treats and disposes of 1 billion liters of waste water a day. In 2002, its revenue was £559 million. Yorkshire Water employs 2,100 people, including 750 field engineers performing 1 million jobs a year.

**Problem:** Privatized in 1989, Yorkshire Water operates as a monopoly supplier with a 25-year license in an environment where the U.K. government is encouraging more competition. Historically, Yorkshire Water was not well equipped to operate in a competitive environment. In 1995, there was a major drought in the United Kingdom and it handled customer communications badly. In 1996, a national newspaper survey rated it the most hated company in the United Kingdom. In 1998, the U.K. water industry regulator, the Office of Water Services (OFWAT), rated Yorkshire Water bottom of its customer service league. When Yorkshire Water consulted its own customers, it found disturbing levels of dissatisfaction. At the same time, Yorkshire Water went through a price review with the regulator, resulting in the imposition of a 15 percent reduction.

**Objective:** When it started its customer relationship management (CRM) journey, Yorkshire Water's business imperative was to improve customer service significantly, as a safeguard against competition and to change negative public perception. Now, with the competitive threat less than initially anticipated, the objectives are to surpass regulatory demands, provide new services, and increase customer satisfaction and loyalty. Also, it aims to operate more efficiently and reduce costs.

### Gartner

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**Approach:** In relation to its industry, business model and regulatory environment, Yorkshire Water's CRM program maps well to Gartner's eight building blocks of CRM framework (see "The Eight Building Blocks of CRM").

## **Vision and Strategy**

Yorkshire Water's vision is "to be known as the best water company in the United Kingdom." The board understood early on that to achieve this would require enterprisewide change and focus on end-to-end customer processes. In 1998, it gave strong, visible support for a major business change and IT investment program. This included customer, workforce, financial, and risk and asset management.

The CRM program was called ICOM (integrated customer and operations management) and the focus was on the customer service organization and the field-service force. ICOM made up over 60 percent of the total change program. It was based on an internal strategy known as "R cubed," to provide customers with:

- *Reliable* service
- *Responsiveness* to needs
- Fast *resolution* of problems

The strategy covers business and domestic customers. The definition of "customer" has been extended from the 2 million billing addressees, to the 4.5 million individuals who use Yorkshire Water's services. Business customers are segmented according to revenue. The top 1,000 customers each have a dedicated account manager who provides a proactive operational service and pursues cross-selling opportunities. These are based on value-added services, such as conservation strategy and leakage detection.

## **Customer Experience**

The first decision made was that customers should define the customer experience. Rather than focus on internal efficiencies and cost savings first, Yorkshire Water conducted market research and customer surveys in an ongoing program called the "Voice of the Customer." By applying the research findings and employing R cubed principles, Yorkshire Water was able to develop its CRM strategy to:

- Survey all customers annually to discover current and future needs.
- Update customers with a complete view of interactions and status of work.

- Make and deliver customer commitments.
- Make appointments within customer-defined two-hour slots.
- Provide customers with a single point-of-ownership from first contact through to resolution.
- After the work is done, close the loop through follow-up customer satisfaction calls.

Service can be customized, to a degree, based on customer needs. Integration of field operations, impact analysis and customer service can ensure that customers with special needs receive consistently high-quality water supply or be pre-warned of problems. Examples include dialysis patients and hospitals, or business customers, such as drinks companies that rely on constant water pressure or water hardness.

### **Organizational Collaboration**

The organizational challenge and cultural shift for Yorkshire Water was immense. The CRM program had strong business buy-in and full executive sponsorship with weekly, face-to-face management team updates. Yorkshire Water, supported by external consultants, set up a change team of more than 100 key people from within its business and from service partners. Program management was an operational responsibility and total business involvement was critical. To improve the customer focus, the CRM team crossed conventional organizational boundaries, challenged work practices and worked closely with partners, such as Loop Customer Management, another member of the Kelda Group. It runs the contact center and provides inbound and outbound customer services.

The CRM program eased the cultural shift toward being truly customer-focused. This included step-change working methods for all customer facing teams, organizational realignment and a comprehensive business readiness and communication plan to manage expectations, reduce fear of change, and build commitment. There were 250 internal business briefings, which were reinforced by 8,000 man days of role-based training.

After implementation, the internal team returned to their line roles, forming part of an ongoing network of local experts to manage change and promote best practices. The customer-facing workforce has been instilled with a sense of pride in the company and its services. Improvements in customer service and operational efficiency have been delivered so far without new incentive programs and there has been no reorganization around customer segments.

## Processes

Yorkshire Water tried to understand which processes affected the customer and which ones the customers most cared about. The processes were prioritized according to customer survey results. Most concerns were with getting reliable, timely information and having Yorkshire Water take real ownership of problems. Unlike other utility industries, billing was not a major concern because water bills are relatively simple. Improvements have been in:

### *First call resolution*

Now when a customer contacts Yorkshire Water, call center agents have a view of all previous contact with the customer and also have direct access to the billing system. The agents have real-time information on all logged incidents and their impact. Agents can see all work via an interface with the work management system, so if a job has been allocated to a field engineer, they can see where the engineer is and what the status of the job is, including an estimate of how long it will take to resolve the problem. Readily available information allows the agent to provide the customer with up-to-date information and resolve or close the call on first contact.

### *Appointment scheduling*

Agents can schedule field engineer visits within a customer-defined two-hour window between 8 am and 9 pm on weekdays and 10 am and 6 pm at weekends. Visits can be rescheduled online, if required. Previously, visits could only be scheduled for a morning or afternoon, within a 37-hour working week.

### *Proactive management of customer needs*

Agents can provide work-in-progress updates or warn of the impact of incidents. This reduces calls from customers seeking information or chasing progress.

### *"Closing the loop" on customer satisfaction*

Yorkshire Water makes routine calls to confirm that customers' needs have been addressed and work has been completed satisfactorily.

### *Field service optimization*

The field engineer's time is scheduled far more efficiently. Engineers can go directly to their first job and then continue to other jobs with little time wasted. They update the contact center

with progress on jobs — this is done in real-time from mobile devices — and can be assigned new jobs, if existing ones cancel, or if work needs to be re-prioritized.

## **Information and Technology**

Since 1999, Yorkshire Water has updated its IT portfolio and has taken a best-of-breed approach to its CRM applications. ICOM comprises many applications including:

- Customer service and support applications, based on Amdocs Clarify v8 and used by 150 contact center agents and over 1300 business users.
- Work management applications, based on SAP R/3 Enterprise.
- Field service optimization, work scheduling and mobile applications, based on MDSI's Advantex v5.4.

These new ICOM systems complement the legacy billing system, which is based on custom COBOL applications running on an ICL mainframe. Much of the billing system's functionality is being incrementally replaced by new packages. But, it retains its role as the customer and property master database, although it is planned to move the customer master to the Clarify system. The end-to-end business processes of ICOM depend on tight integration between the Clarify, SAP, Advantex and billing applications.

Yorkshire Water has created an integration hub infrastructure based on BEA System's Tuxedo and Mercator's Design Studio. This involved the integration of 28 systems through 213 interfaces. The Clarify system alone has 33 different interfaces, some of which are near real time. The implementation and testing of this integration infrastructure was a major challenge.

## **Metrics**

Yorkshire Water uses a balanced, business scorecard approach to its corporate performance management. Many customer-oriented metrics are determined by the regulator, but also Yorkshire Water measures its own internal efficiency and effectiveness to evaluate the services it provides.

The customer service metrics focus on contact handling, case management and customer service. They include customer contacts, repeat calls, calls closed on first contact, unnecessary field jobs and written complaints. Customer satisfaction metrics include overall satisfaction, company image, quality of water services, service innovation, call center quality and field engineer capabilities. Unlike more competitive environments, the metrics

do not focus on criteria such as retention, profitability and cross selling.

**Results:** Yorkshire Water has moved from the bottom of OFWAT's customer satisfaction table to second place. Its business customers have rated it as a top U.K. utility for customer service. The total business change program at Yorkshire Water cost more than £40 million. Benefits include operating cost savings of £8.5 million per annum for the water and waste water business units.

Operational effectiveness has improved:

- Operational contacts (due to fixing problems earlier and better) have fallen by 20 percent.
- Repeat calls from customers have decreased by 10 percent.
- Written complaints have fallen by 40 percent.
- Unnecessary field jobs have been reduced by 50 percent.

Service levels have improved:

- Service hours for field engineering have increased from 37 to 85 hours (with no increase in headcount).
- 70 percent of calls were closed on first contact.
- 99 percent of appointments are attended within a customer-defined two-hour window.
- 99 percent of any necessary call-backs to customers are made within 30 mins.

**Critical Success Factors/Lessons Learned:** Yorkshire Water cited critical success factors as:

- Having a corporate CRM vision with strong executive sponsorship and input.
- Letting customers define the required customer experience and allowing them to judge its success.
- Developing and maintaining focus on an integrated, whole business CRM strategy.
- Making best use of people. Being hard on the issues, not the people.
- Ensuring "to-be" business processes are aligned and agreed.
- Understanding the importance of business readiness planning and regular, internal and external communication.

- Looking for early wins. Recognizing and celebrating success. Keeping the focus on business change.
- Coping with the culture shift — the greatest challenge of all.

**Bottom Line:** Yorkshire Water has demonstrated that a newly-privatized water utility can transform its internal culture and increase the efficiency and effectiveness of its customer processes. This has led to greatly improved customer satisfaction levels, cost savings and extension of services. The insight gained from its "Voice of the Customer" program was key to the creation of the customer relationship management strategy, which guided the enhanced customer processes and experience.

**Acronym Key**

<b>CRM</b>	customer relationship management
<b>ICOM</b>	integrated customer and operations management
<b>OFWAT</b>	Office of Water Services