

## Comments on PR19 Customer Preference Triangulation Phase 1 Report: Methodology

*Professor Giles Atkinson, March 2018*

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*This Interim Review is a nicely detailed set of summary slides on the proposed willingness to pay (WTP) triangulation. The intention appears to be establish a method for augmenting WTP data on customer preferences for various measures of service received by water company investments and activities. This augmentation involves presenting these additional data as well as, in some instances, developing a formulation for adjusting WTP values. The proposals look very promising as a basis for moving ahead, although the note below discusses a number of issues that could be worth bearing in mind in terms of the fuller details of the Final Report.*

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- I gather that full details on the method will be elaborated on in a subsequent main report. I look forward to this. These details will be absolutely crucial. For example, one way of assessing the method is with reference to what is the analytical problem that the proposed triangulation is trying to address. This could also usefully outline in full the intuition underlying the method as well (as well as any underlying concepts and so on).
- As things stand, the method feels like it has real potential. It needs to be looked at in context, of course. My reading is that it is a pragmatic analytical response presumably to some perceived narrowness in what WTP data, based on discrete choice experiments (DCEs), is saying about water customer preferences. That is, it makes use of additional sources of data relating to the latter.

Much of this seems more like a ‘data triangulation’ rather than a methodological one, which might involve making sense of quantitative (e.g. DCE) findings using qualitative *methods*. The Interim Report mentions the study will use this mixture of methods, which will be additionally interesting. For example, will this involve using in-depth interviews or focus groups to sense check what comes out of quantitative work on WTP? Presumably some of this involves the customer priorities element which involves workshops, which does seem a promising and substantive way of exploring this issue further and making sense of WTP data, especially if the aim is some sort of genuinely qualitative approach.

- Fleshing out the advantages and disadvantages of the ‘triangulation’ will also be important in the Final Report. At the moment, the proposals based on the customer contact/ complaints data seems the most developed, so I will focus on that. For example, I can readily understand that data on complaints might well provide further and important new information. However, this is presumably a self-selected sample which is then being used to triangulate and adjust WTP information on customer preferences from a representative sample. This seems like one issue worth reflecting upon.
- Some of the information revealed by rates of customer complaint could do with further discussion in the Final Report. For example, on the face of it, it seems odd that contacts arising from flooding from a burst pipe are so low relative to instances of this event. Assuming the data on the latter are roughly accurate, is this simply because customer response is typically to call an emergency plumber if the burst is on-property or if off-property to assume someone else will call the water company? In either case, it doesn’t seem absolutely clear why lower contact rates indicates customer preferences for reducing these instances are weaker than a DCE apparently indicates. But if I’ve understood the end-point of the triangulation properly, this is what is assumed.

- One broader point about triangulation that seems worth making relates to WTP service measures relating to things with wider public good characteristics such as “biodiversity”. In this case, information from customer preferences has a role but triangulation might think about evidence from beyond the purely customer domain for any given water company jurisdiction.
- Finally, there are practical issues about use of the triangulation exercise and ensuring that the method is very clearly explained, both in terms of its rationale and implementation as well as making a robust case for its relative merits; e.g. compared to the DCE approach alone or other ways in which a triangulation might be done.

This strikes me as particularly important. While a strength of the DCE approach is its potential for producing robust valuation of water service improvements, a possible drawback is that its ‘inner workings’ are understandable to a relatively specialist group. In this case, greater transparency can be ensured by care explanation of the ‘DCE narrative’. So a triangulation of the type described in this Interim Report is worthwhile endeavour but, needless to say, the same considerations about effective communication also apply.