OFWAT/CONSUMER COUNCIL FOR WATER

RESEARCH INTO HOUSEHOLD CUSTOMERS' VIEWS ON COMPETITION IN THE WATER AND SEWERAGE INDUSTRY

FINAL REPORT

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FINAL REPORT

PREPARED FOR:	PREPARED BY:
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FDS International was commissioned by Ofwat and the Consumer Council for Water (CCWater) to undertake a programme of research to assess the views of household customers towards the introduction of competition in the water and sewerage industry. In total we carried out six qualitative focus groups and 2000 computer aided telephone interviews (CATI) with a representative sample of householders across England and Wales.

Attitudes towards current suppliers

- Overall nine in ten respondents (90%) are satisfied with the service they receive from their water and sewerage company.

- Respondents are generally satisfied with all aspects of their water and sewerage services
  - no more than 10% are dissatisfied with any single aspect of service.

- The majority of customers (73%) are satisfied with the value for money from their water services
  - a slightly lower proportion agree that the water and sewerage charges that they pay are affordable for them (65%)
  - 25% claim that their charges are NOT affordable and this figure is higher among customers in the lowest socio economic group (36% among Es).

The concept of competition

- Over half of respondents (57%) say that they agree with the principle of introducing competition in the water and sewerage industry
  - three in ten (29%) disagree with the principle.

- The main reason customers agree with the principle is because they believe it will lead to lower prices (55%). A wide range of more philosophical reasons were also volunteered, such as ‘gives customers choice’
  - those who disagreed with the principle typically argued competition would introduce an unnecessary complication.

- Overall, 54% of respondents thought that the introduction of competition into the water and sewerage industry would be good for customers. 16% thought it would be bad for customers.
  - the main reason given for thinking it would be good for customers is that it would lead to reduced prices (mentioned by 47% of those thinking it will be good for customers)
  - the main reason given for saying that it would be bad for customers is that there would be too many companies which would lead to confusion (mentioned by 15% of those thinking it will be bad for customers)

- However, opinions changed when people were asked to consider that if competition was introduced, some customers could expect to save money but some may end up paying more. Whilst 30% thought it would still be good for customers, the same proportion now thought it would be bad for customers. Potentially vulnerable customers were especially likely to doubt whether competition would still be a good thing (for example 39% of single parents thought it would be a bad thing if some customers may end up paying more).

Switching water and sewerage companies

- 37% of respondents say that if they were given the opportunity to switch supplier, they would be likely to do so
  - the main reason people give for being likely to switch their water and sewerage supplier is to cut costs/save money (65%)
  - the main reason why customers would be unlikely to switch is that they do not feel that there is any need to/they are happy with current service (64%).
- The biggest motivator for switching would be lower prices/discounts (67%)
  - the main thing that would put people off switching is that it would be too much hassle (25%).
- When asked how much money, if any, they would expect to save in a year as a result of switching supplier, two in five (39%) felt unable to guess an amount, but estimates of 10-20% of their current bill were typical. The expected level of saving was a major determinant of people's interest in switching.
- When asked how likely they were to switch in order to achieve annual savings of £100, £50 or £20
  - 77% say they would be likely to switch to save £100
  - 53% would switch to save £50
  - 18% would switch to save £20.

Experience of switching in other utilities

- 71% of respondents had switched at least one of their utilities (gas, electricity, telephone) in the past five years
  - including 41% who had switched proactively through visiting price comparison sites or contacting companies directly.
- Experience of other markets was a major factor influencing attitudes towards competition in the water and sewerage industry.
- For example, those who had switched suppliers in other markets in the last five years were more likely to agree with the principle of competition in the water and sewerage industry than non-switchers (61% compared with 50%).
- Respondents who had switched other utilities in the past five years were also more likely than those who had not to say they would be likely to switch their water and sewerage supplier if given the opportunity (44% compared with 23%).

Method of switching

- Much of the switching in other utilities markets has arisen through unsolicited contact with sales reps. However only one in five (22%) think that it would be appropriate for water companies or sales reps to contact them directly by telephone, and one in nine (11%) think it would be appropriate for them to knock at their door
  - the majority of respondents (74%) think both types of approach are inappropriate
  - respondents in the lower social grades are, however, more likely than others to say that these methods of contact are appropriate (40% of Es think that contact by telephone *or* sales reps knocking at their door is appropriate, compared with just 15% of ABs).

- The majority of potential water and sewerage switchers (68%) say that if they were to look for information about switching water and sewerage supplier they would go on internet comparison sites. However older, less affluent customers were less likely to mention comparison sites, and more likely to say that they would look in the media for information about switching. For example only 44% of those in socio economic group (SEG) E say that they would use internet comparison sites, while 25% (compared to just 11% for all potential switchers) would seek information in the media.
  - this suggests that although most people don't like sales people contacting them, this may be important in terms of reaching certain groups of customers who are less likely to proactively look for information themselves.

Simon Driver (Project Executive)
Stephen Link (Director)
Rachel McGrail (Project Manager)

October 2008

1 INTRODUCTION

FDS International was commissioned by Ofwat and CCWater to undertake a programme of research to assess the views of household customers towards the introduction of competition in the water and sewerage industry.

Ofwat and CCWater wish to address the lack of detailed data on household customers' views on switching suppliers by carrying out an extensive research programme to examine how customers feel about the proposition of competition in the water and sewerage industry.

Ofwat and CCWater also wish to improve their understanding of customer perceptions, and identify expectations and aspirations for competition in the industry as it is important for Ofwat and CCWater to understand concerns and reservations customers may have about the water and sewerage industry being opened up to competition.

The research will be used to inform Ofwat's review of competition and input by both Ofwat and CCWater to the Government's independent review of competition and innovation in the water industry, ensuring that the views of household customers are taken on board as part of the wider decision-making process.

RESEARCH AIMS

Through this research programme Ofwat and CCWater specifically wish to explore:-

- Customers' satisfaction with their current water and sewerage supplier
- Levels of interest in being able to switch water and sewerage supplier
- Likelihood of switching if given the opportunity
- Factors that would motivate a customer to consider switching
- Expectations of alternative suppliers
- Barriers (actual and/or perceived) that would stand in the way of customers switching
- Ways of overcoming the barriers to switching
- Whether customers would be willing to accept (the possibility of) price rises if competition was introduced

APPROACH

A two-stage, phased research programme was adopted to explore the issues around household customers' views on competition in the water and sewerage industry. A phased approach to the research ensures that this consultation opportunity is fully utilised and provides a sound basis for Ofwat and CCWater to help inform the debate on competition in the industry.

Firstly, qualitative research was carried out to provide valuable insights into the range of customers' views, attitudes and perceptions towards competition and the reasons behind these.

The results of this qualitative research were then used to inform the quantitative phase. The quantitative survey built on the information gained in the first phase of the research and provides statistically robust results to allow Ofwat and CCWater to thoroughly examine the issues surrounding competition in the water industry.

In summary the research programme comprised:-

- six focus groups to provide depth of understanding of household customers' views and inform the second research phase;

- quantitative survey of 2,000 telephone interviews with household customers – representative of household water customers.

PHASE 1 – QUALITATIVE FOCUS GROUPS

A series of focus groups were conducted ensuring that the sample design was inclusive of people living in different parts of England and Wales and with varying demographic characteristics. The research took place between 23 and 31 July 2008 and participants were given an incentive as a thank-you for taking part.

The first group which took place in the Midlands was held in a viewing studio, observed by members of Ofwat and CCWater. This group was used as a pilot to test the discussion guide to ensure it was working well. The discussion guide was then refined after the pilot for use in the subsequent five focus groups.

Six focus groups were completed in total and the specific design of the qualitative research is detailed below. Two groups were completed in the South West as previous research with customers of the water and sewerage industry have identified atypical views among this group.

Group Composition				
Location	**Age**	**Social Grade**	**Urban/rural**	**Other**
South East	18-39	ABC1	Semi-rural	
South West	18-39	C2DE	Urban	
South West	60+	C1C2	Semi-rural	At least two participants with a disability/long-term health condition
Wales	40-59	C2DE	Semi-rural	
Midlands	40-59	ABC1	Urban	
North	60+	DE	Urban	

The qualitative research was illustrative, not looking to produce statistics but to identify the range of views within particular groups and identify key areas to be further explored through the survey. Participants may have provided views which are based on incorrect information or expectations; these are reported to illustrate the views of the public even if incorrect or misguided.

Some quotations from the discussions have been included within this report. These should not be interpreted as defining the views of an entire group but have been selected to provide an insight into a particular body of opinion.

Discussion Guide

For each session, moderators used a discussion guide. Such guides are intended to be a flexible aid to encourage the discussion. The discussion guide included a number of broad topic areas to be covered, and questions that could be used, (where necessary and appropriate) to encourage discussion. The discussion guide was designed in consultation with Ofwat and CCWater and covered the following areas:-

- current water and sewerage service provision
- experience of switching in other industries
- reactions to proposition of competition in the water and sewerage industry
- likelihood of switching – motivators and barriers.

A copy of the final discussion guide is included in the appendices.

PHASE 2 – QUANTITATIVE TELEPHONE SURVEY

The quantitative fieldwork was carried out using CATI (Computer Assisted Telephone Interviewing) from FDS's London and Newcastle Telephone Centres.

In total 2,000 interviews were achieved across England and Wales and fieldwork took place between 15 August and 13 September 2008.

Sample

A random digit dialling (RDD) sample of residential telephone numbers across England and Wales was purchased from an FDS approved supplier, UK Changes.

Quotas were set during the interviewing based on water and sewerage company regions and age. We also closely monitored the SEG of respondents to ensure we achieved a representative sample.

The sample was stratified by water and sewerage company region rather than proportionate to customer distribution by area to ensure robust numbers were achieved per region by which to conduct sub-group analysis. A target of circa 200 respondents was in place for each water and sewerage company region.

Questionnaire

The questionnaire was designed in consultation with Ofwat and CCWater and centred on the following four themes:-

- attitudes towards current suppliers
- the concept of competition
- switching water and sewerage companies
- experience of switching in other utilities

The interviews lasted for around 15 minutes and were conducted by telephone using CATI (Computer Assisted Telephone Interviewing).

Before the questionnaire went live, it was pre-tested for consistency by undertaking five interviewer shifts as a pilot of the project on 14th August. This was with real respondents and the data was collected as per the 'live' survey. After the pilot we reviewed the data received and made slight refinements to the questionnaire before rolling the project out across the remaining sample.

A copy of the final questionnaire is included in the appendices.

Data processing and computer tables

Weighting has been applied to the data to ensure they are representative of household water customers. With a stratified sample, to enable analysis by water region, weighting was required to correct this deliberate unequal distribution of customers. Weighting was also applied for household tenure (owner occupiers v renters) and household composition to ensure findings are representative of households in England and Wales. A sample profile is included in the appendix which shows the actual number of interviews achieved against the weighted data.

Computer tables have been provided to Ofwat and CCWater with each question analysed by four pages of sub-groups.

Interpretation of data

It should be remembered results are based on a national sample of households – not a census of all households. This means all data are subject to sampling tolerances.

The table below shows the statistical reliability of results based on a base size of 2000 and 200.

Overall statistical reliability			
Base size	**Approximate sampling tolerances applicable to percentages at or near these levels**		
	10% or 90%	***30% or 70%***	***50%***
2,000 *(total sample)*	±1%	±2%	±2%
200 *(c200 interviews per region)*	±4%	±6%	±7%

Where percentages do not sum to 100, this may be due to computer rounding, the exclusion of ‘don’t know’ categories, or multiple answers. Throughout the report, an asterisk (*) denotes any value less than half a percent but greater than zero.

Throughout the report, we highlight some of the key differences between sub-groups of respondents where these are statistically significant.

2 ATTITUDES TOWARDS CURRENT SUPPLIERS

In this section we explore customers' views on a number of issues relating to their current service. This includes views on satisfaction with value for money, satisfaction with various elements of service received, and overall satisfaction with service from customers' water and sewerage company.

Key findings

- The majority of customers are satisfied with the value for money from their water services (73%)
  - a slightly lower proportion agree that the water and sewerage charges that they pay are affordable for them (65%)
  - 25% claim that their charges are NOT affordable.

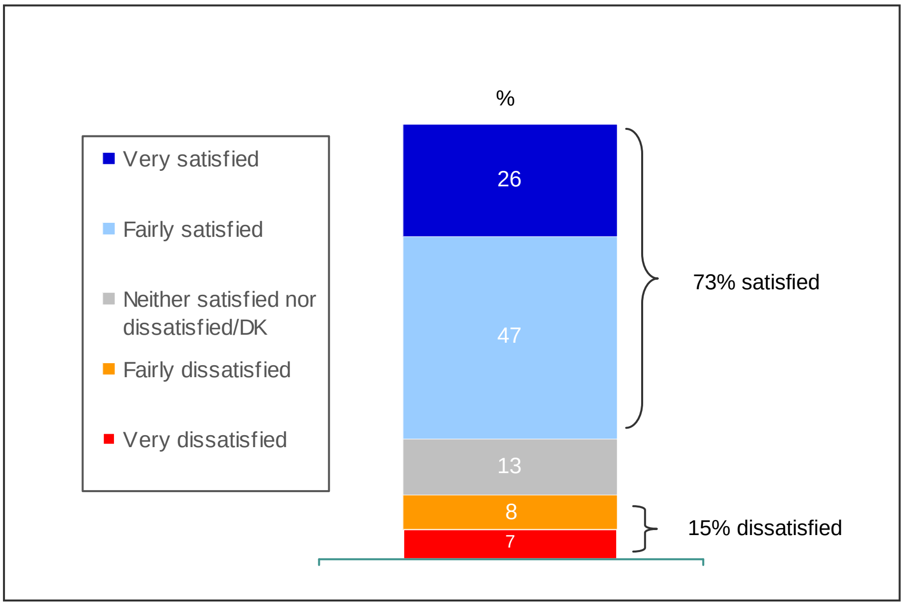
- Respondents are generally satisfied with all aspects of their water and sewerage services
  - reliability of water (97% satisfied, 2% dissatisfied)
  - safety of drinking water (93% satisfied, 4% dissatisfied)
  - water quality (87% satisfied, 9% dissatisfied)
  - accuracy/clarity of bills (84% satisfied, 7% dissatisfied)
  - removal of waste water (84% satisfied, 5% dissatisfied)
  - information and advice received (72% satisfied, 7% dissatisfied)
  - ease and quality of contact (44% satisfied, 7% dissatisfied)

- Overall nine in ten respondents (90%) are satisfied with the service they receive from their water and sewerage company.

Value for money

As the following chart illustrates over seven in ten respondents (73%) say that they are satisfied with the value for money from the water and sewerage services in their area and 15% are dissatisfied.

Chart 2.1: Satisfaction with value for money from water and sewerage services
(Base: All respondents – 2,000)

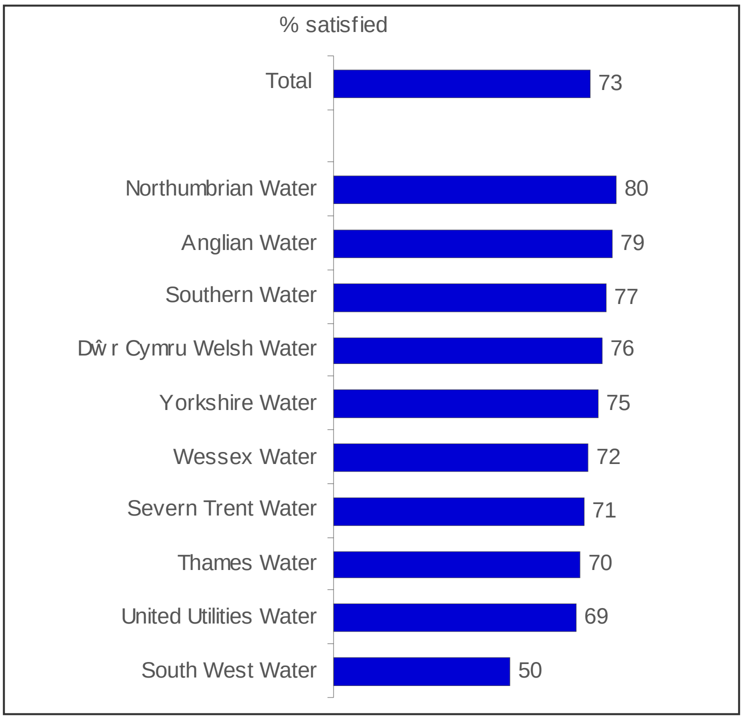


When analysed by region, there are clear differences in perceived value for money from water and sewerage services. Respondents in the South West Water region are significantly less likely to be satisfied with the value for money from their water and sewerage services (50% are satisfied, 37% dissatisfied).

As in previous research carried out for CCWater[1], dissatisfaction among customers in the South West is a marked feature of the survey and a theme that occurs throughout the report. This reflects customers in the South West Water region having the highest average bills for water and sewerage services in England and Wales. The self stated average annual bill for customers in the South West Water region is £501 which is significantly higher than in all other regions, and way above the average for England and Wales of £365[2].

Respondents in the Northumbrian Water and Anglian Water regions are the most likely to say that they are satisfied with the value for money from their water and sewerage services (80% and 79% respectively say that they are satisfied with the value for money.)

Chart 2.2: Satisfaction with value for money by region
(Base: All respondents – 2,000, c200 per region)



[1] CCWater Annual Tracking Survey 2007/08
http://www.ccwater.org.uk/upload/pdf/r7420__CCWater_FINAL_20080325090857.pdf
[2] This is based on the estimated annual bill of customers in the survey 'Q. can you tell me approximately how much your water and sewerage bill is each year?'

When this relationship is examined further it is clear that as we might expect, annual bill level and satisfaction with value for money are closely linked. Respondents with higher bills are significantly less likely to be satisfied with the value for money (84% of those with an annual bill of less than £250 are satisfied, compared with 71% of those with a bill of £250-499 and 58% of those with a bill of £500+).

Customers with water meters are more likely than those without to say that they are satisfied with the value for money from their water and sewerage services (76% compared with 70%).

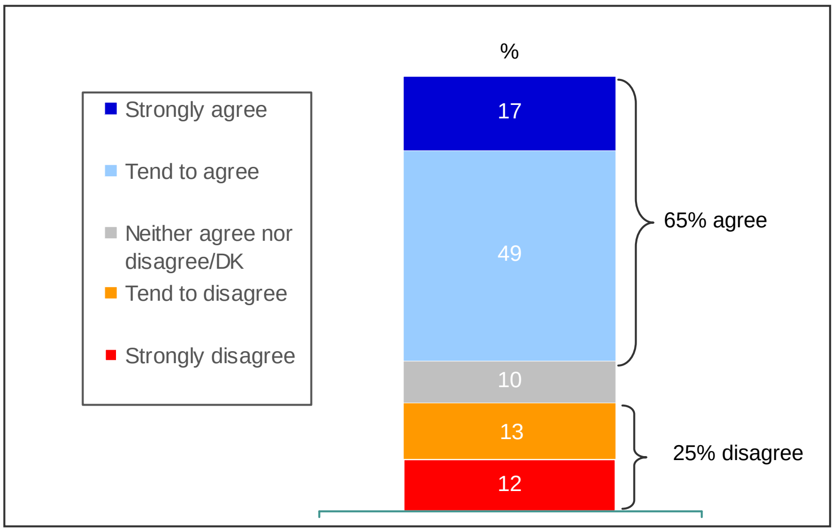
Those over 60 are *more* likely than younger respondents to be satisfied with the value for money from their water and sewerage supply (81% of those aged 61+ say that they are satisfied, compared with 68% of those aged 60 and under).

Respondents of higher social grade are *less* likely to say that they are satisfied with the value for money from their water and sewerage services (68% of those in SEG AB compared with 82% of E's say that they are satisfied with the value for money). This repeats a pattern common in surveys on utilities where perceived value for money is lowest among those in the highest social grades despite the fact that this group tend to have the highest incomes.

Affordability of water and sewerage charges

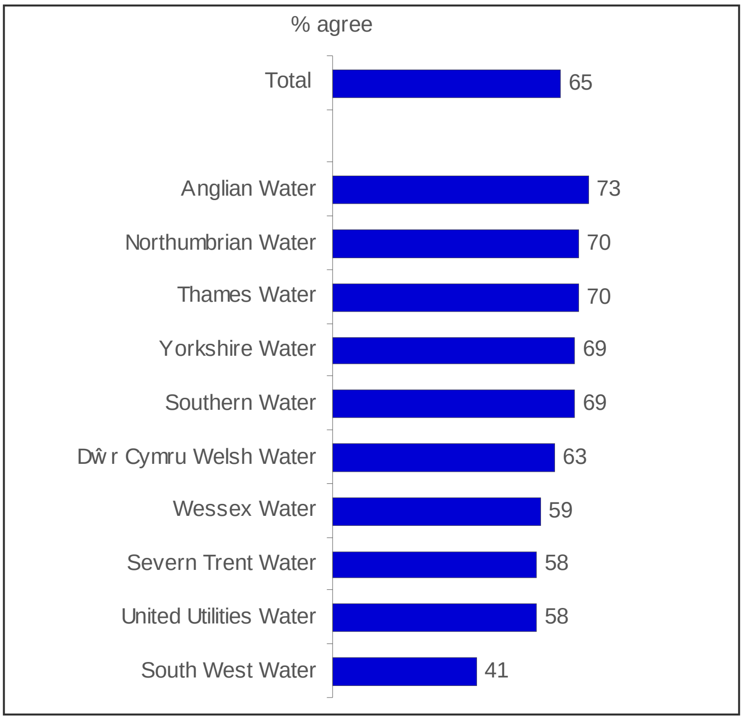
While 73% are satisfied with the value for money, a significantly lower majority of respondents (65%) agree that the water and sewerage charges that they pay are affordable to them. 25% disagree that charges are affordable.

Chart 2.3: How much do you agree or disagree that the water and sewerage charges that you pay are affordable to you?
(Base: All respondents – 2,000)



As with satisfaction with value for money, respondents in the South West Water region are significantly less likely than those in other regions to agree that their bills are affordable to them (41% of respondents in the South West agree that their bills are affordable, 51% disagree).

Chart 2.4: Overall agreement that water and sewerage charges are affordable by region
(Base: All respondents – 2,000, c200 per region)



Despite those of lower social grade being *more* likely to be satisfied with the value for money from their water and sewerage services, they are *less* likely to agree that their bills are affordable to them (73% of AB's agree compared with 53% of E's).

There are also key differences by a number of other demographics:-

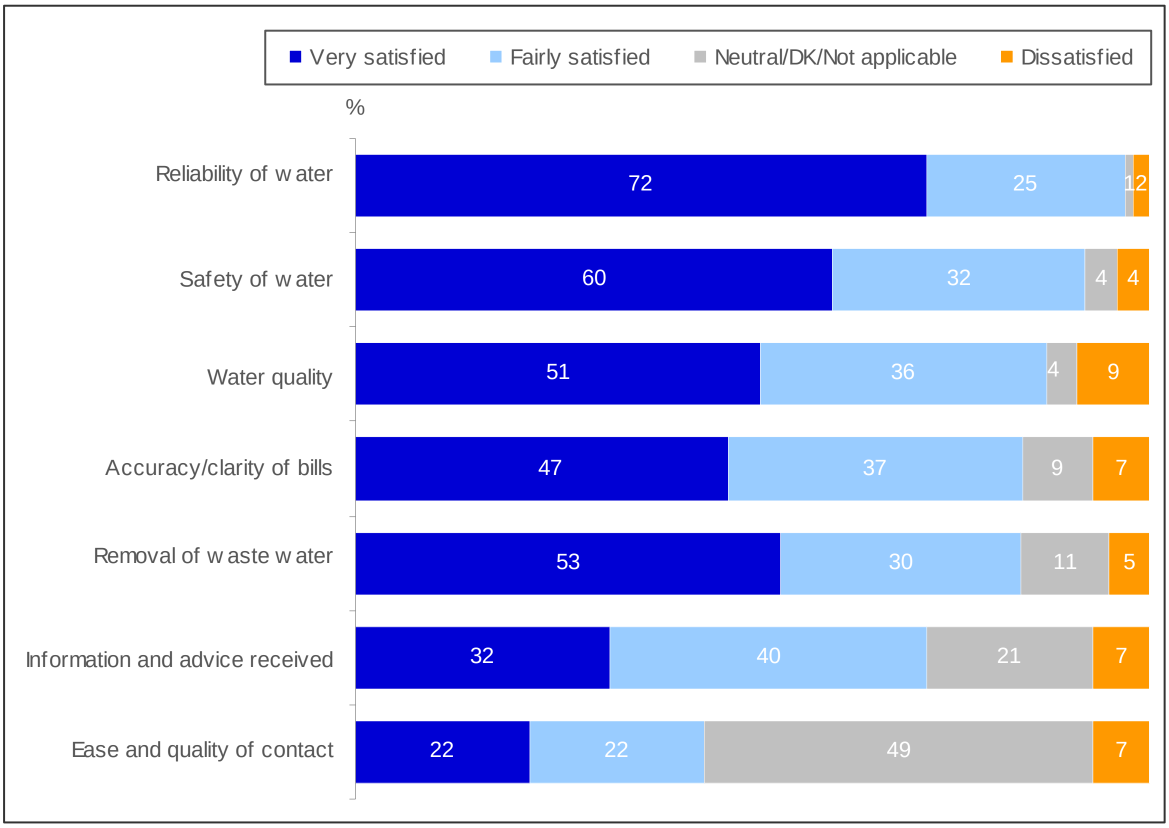
- respondents who have water meters are more likely than those without to agree that their bills are affordable to them (75% compared with 59%)
- owner occupiers are more likely than others to agree that their bills are affordable (68% of owner occupiers compared with 59% of private renters and 56% of social renters).
- white British respondents are significantly more likely than those of other ethnic backgrounds to agree that their bills are affordable to them (66% compared with 54%)
- single parents are less likely than others to agree their bills are affordable to them (54% of single parents compared to the average of 65%)
- respondents with a disability or long-term health condition are also less likely than others to agree (56% compared with 66% of those without a disability/long-term health condition).

Satisfaction with various aspects of service

Respondents were asked to rate how satisfied they were with a number of different aspects of their water and sewerage supply. As the following chart shows, no more than 10% of respondents are dissatisfied with any of the aspects of their water and sewerage services.

Overall respondents are most satisfied with the reliability and safety of their water supply (97% and 92% respectively were satisfied with these aspects of service).

Chart 2.5: How satisfied or dissatisfied are you with the following aspects of your water supply and sewerage services?
(Base: All respondents – 2,000)



Satisfaction with information and advice received and ease and quality of contact with customers' water and sewerage company seem low but that is mainly down to the high proportion saying that they don't know or are neither satisfied nor dissatisfied. Nearly half of respondents (49%) are neutral when it comes to ease and quality of contact. This would suggest that it is not a top of mind issue for water and sewerage customers because many customers have simply never contacted their water and sewerage company or do so infrequently. This is backed up by the findings from the qualitative research where most participants said that they had little or no contact with their water and sewerage company:-

'I've never even checked [my water bill], and yet I do for my gas and my electric'

(Female, North, 60+)

'I've never had to ring for anything'

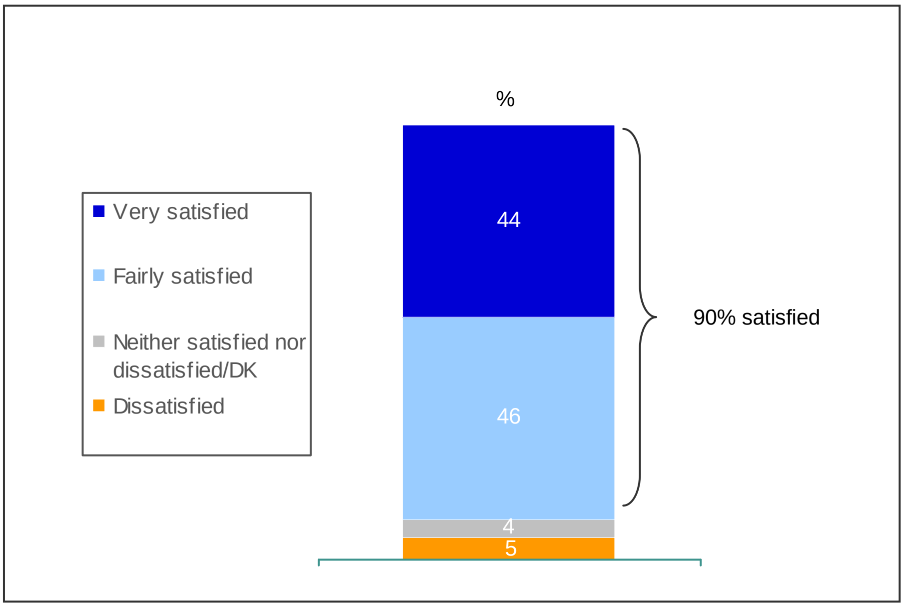
(Male, North, 60+)

Overall satisfaction with water and sewerage services

Overall, nine in ten respondents (90%) say that they are satisfied with the service that they receive from their water and sewerage company and only one in twenty (5%) are dissatisfied with the service they receive. While satisfaction levels are high, many are only fairly rather than very satisfied reflecting comments in the qualitative research that most people have little contact with their water and sewerage company and do not have a particularly clear image of them, as one participant stated;

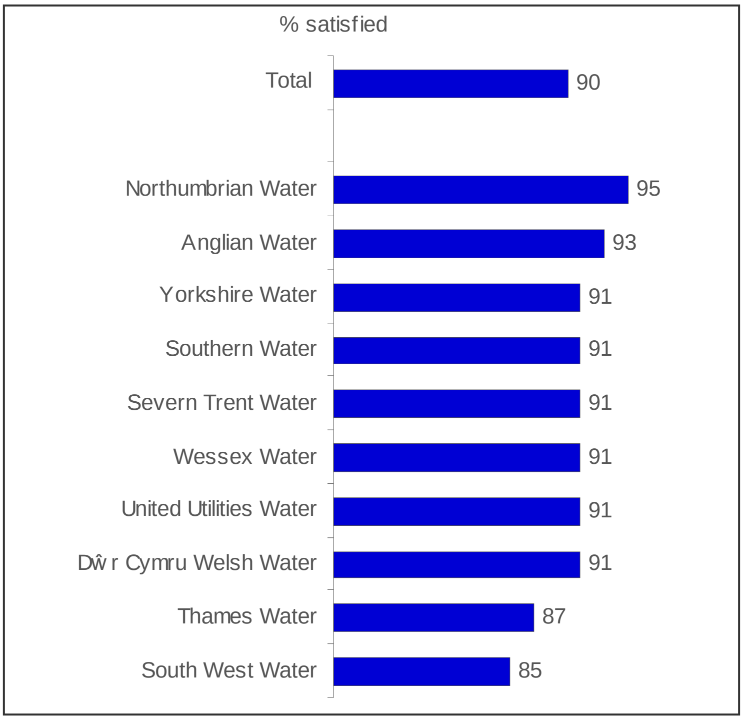
'Water company… I don't know who I'm with to be quite honest'
(Male, South West, 18-39)

Chart 2.6: Overall, how satisfied or dissatisfied are you with the service you receive from your water supply and sewerage company?
(Base: All respondents – 2,000)



Respondents in the South West Water region are significantly less satisfied with service (85%) than those in other regions while those in Northumbrian Water (95%) and Anglian Water regions (93%) are significantly more satisfied.

Chart 2.7: Overall satisfaction by region
(Base: All respondents – 2,000, c200 per region)



Customers who are over 60 are more likely than younger customers to be satisfied with the overall service from their water and sewerage company (95% of those aged 61+ say that they are satisfied, compared with 89% of those aged 60 and under).

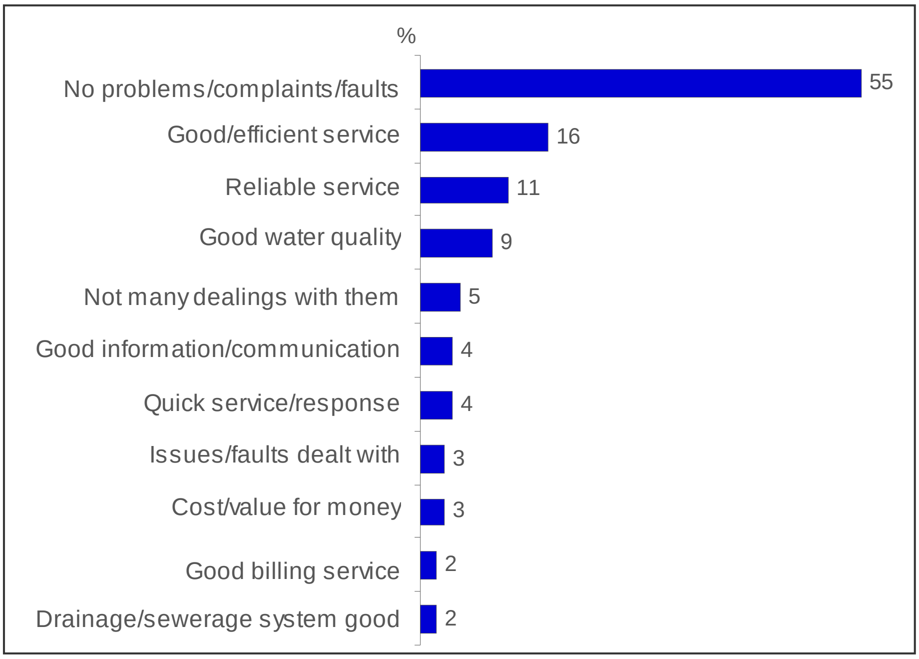
Respondents of higher social grade are *less* likely to say that they are satisfied with the overall service from their water and sewerage company (88% of AB's compared with 95% of E's say that they are satisfied with the overall service).

The differences by age and social grade are typical of differences in customer satisfaction research, especially in relation to utilities. The over 60s and lower social grades traditionally give higher satisfaction ratings and are less critical of their suppliers. Lower satisfaction among younger adults and higher social grades is an issue for all utilities sectors and not just a specific issue for the water and sewerage industry.

When asked why they were satisfied with the service they received, for over half of respondents (55%) it is because they have had no problems /complaints/faults.

This pattern of response echoes qualitative findings which suggest the customer relationship with a water and sewerage company is not a close one. In the absence of problems, many are satisfied without being able to give more positive or specific comments about the service they receive.

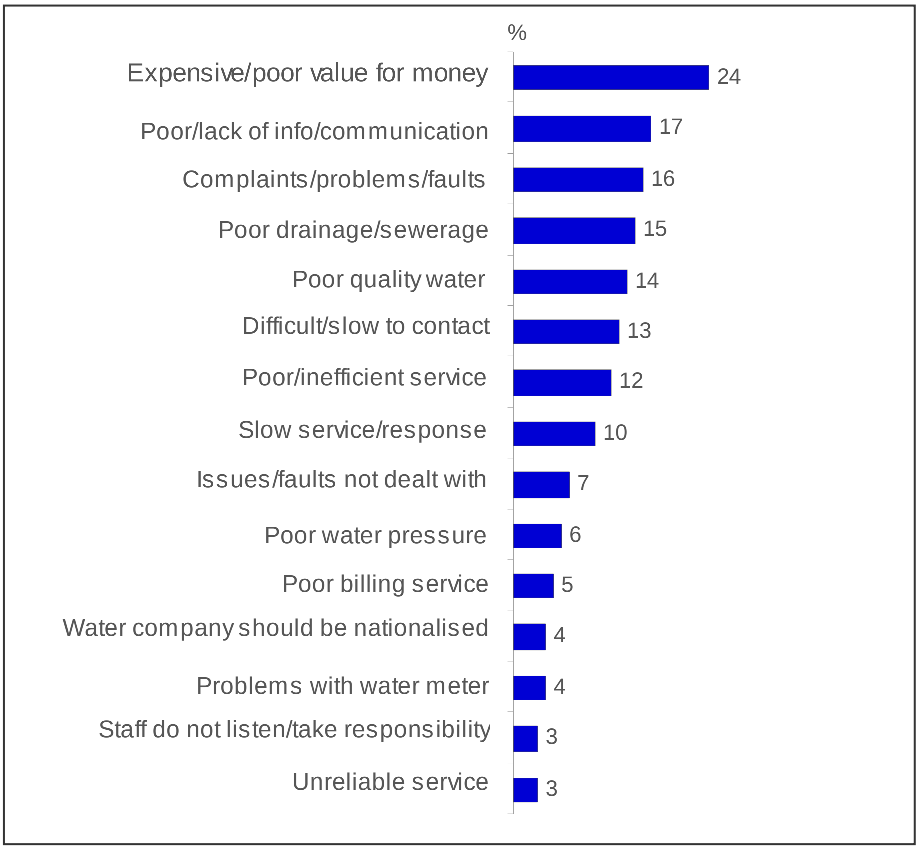
Chart 2.8: Why do you say that you are satisfied with the service?
(Base: All satisfied with service – 1,816)



When respondents who said that they were dissatisfied with the service they received were asked why, nearly a quarter (24%) state that it is because of reasons related to price and value for money. Poor/lack of information or communication was the most common service-related complaint.

The figures for complaints and poor quality water may appear high but these responses are based only on the 5% who were dissatisfied. Less than 1% of ALL respondents said they were dissatisfied and attributed this to poor quality water.

Chart 2.9: Why do you say that you are dissatisfied with the service?
(Base: All dissatisfied with service – 110)



3 THE CONCEPT OF COMPETITION

In this section we explore customers' reactions to the principle of introducing competition in the water and sewerage industry, and reasons behind their attitudes. We also examine whether customers think that the introduction of competition would be good for water and sewerage customers.

Key findings

- Over half of respondents (57%) say that they agree with the principle of introducing competition in the water and sewerage industry
  - three in ten (29%) disagree with the principle.

- The main reason customers agree with the principle is because they believe it will lead to lower prices (55% of those in favour giving this reason)
  - the most common reason given for disagreeing with the principle is because it will over complicate the market (mentioned by 29% of those opposed to competition).

- Overall, 54% of respondents thought that the introduction of competition into the water and sewerage industry would be good for customers. 16% thought it would be bad for customers.
  - the main reason given by those thinking it would be good for customers is that it would lead to reduced prices (47%)
  - the most common reason given by those saying that it would be bad for customers is that there would be too many companies which would lead to confusion (15%).

- When people were asked what they would think if some customers could end up paying more as a result of introducing competition opinions changed. Whilst 30% thought it would still be good for customers the same proportion now thought it would be bad for customers.

Initial reaction to the principle of introducing competition

In five of the six focus groups participants raised the issue of competition (or lack of it) in the water industry without prompting, illustrating that this is an issue which customers do think about.

They compared the energy market where they could switch suppliers if dissatisfied with prices or service to the situation in the water and sewerage industry where they had to rely on regulators and ombudsmen if unhappy with their provider.

> *"You can change your gas, electric, telephone, Broadband, mobile phone but you can't do that with water."*
>
> (Male, Midlands, 40-59)

"You never really hear water companies mentioned at all really. You think, well, you can't go to another water supplier because you got the same ones, there's no competition element is there? You're just dealing with the same company. Whereas gas and electric, you compare and then you can switch, can't you?"

(Female, South East, 18-39)

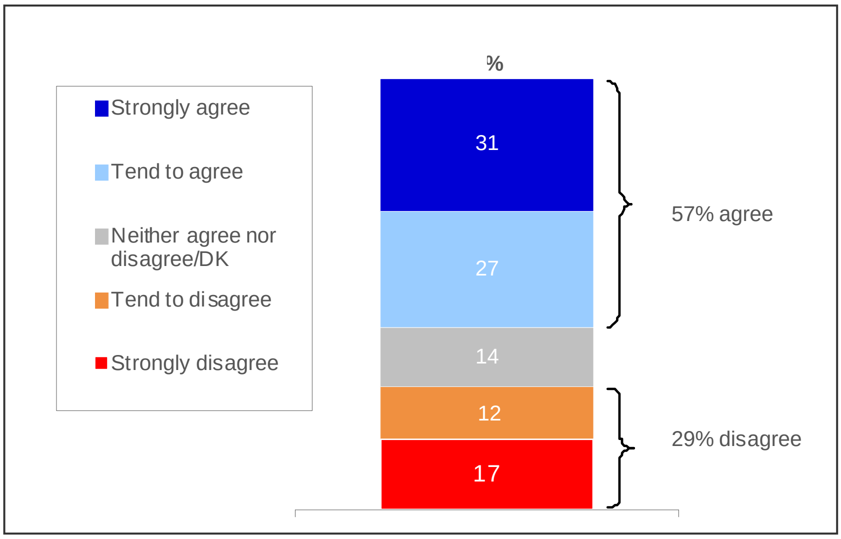
"There's no competition. It's not like gas or electric, it's not really a thing that I ever think about, like I do the gas or electric!"

(Female, North, 60+)

After being questioned about their satisfaction with their existing water and sewerage supplies, respondents in the quantitative stage were asked a series of questions about the principle of introducing competition in the water and sewerage industry. It was explained to respondents that *'competition in the water and sewerage industry would mean customers could choose their supplier (i.e. the company that charges them for water and sewerage services, but not change the actual water they receive.)'*

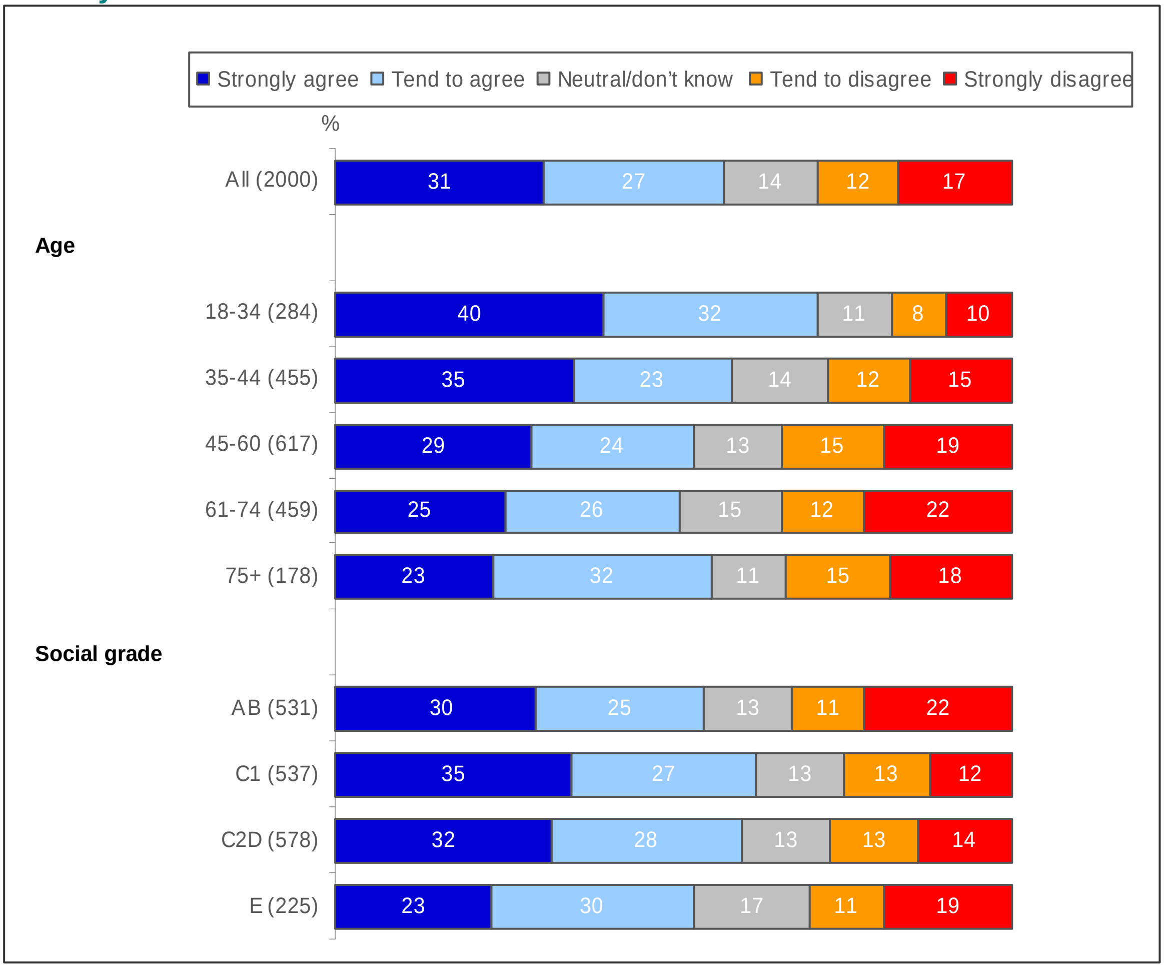
The respondents were then asked to what extent they agreed with the principle of introducing competition in the water and sewerage industry.

Chart 3.1: To what extent do you agree or disagree with the principle of introducing competition in the water and sewerage industry?
(Base: All respondents – 2,000)



Almost six in ten (57%) agree with the principle of competition in the water and sewerage industry while just under three in ten (29%) reject this idea.

Chart 3.2: Whether agree/disagree with principle of competition in water and sewerage industry



The under 35s enthusiastically embrace the idea of competition and 35-44 year olds are also overwhelmingly in favour.

Opinion is more evenly divided among the over 45s but even so, a clear majority agree with the principle of competition in the water and sewerage industry.

There are also significant differences in responses by social grade. Those in the 'middling' social grades C1 and C2D are predominantly in favour of competition. Most of those in the highest (AB) and lowest (E) social groups also support competition in the water and sewerage industry but at least three in ten of each group disagree with the idea and those who do so are generally strongly opposed.

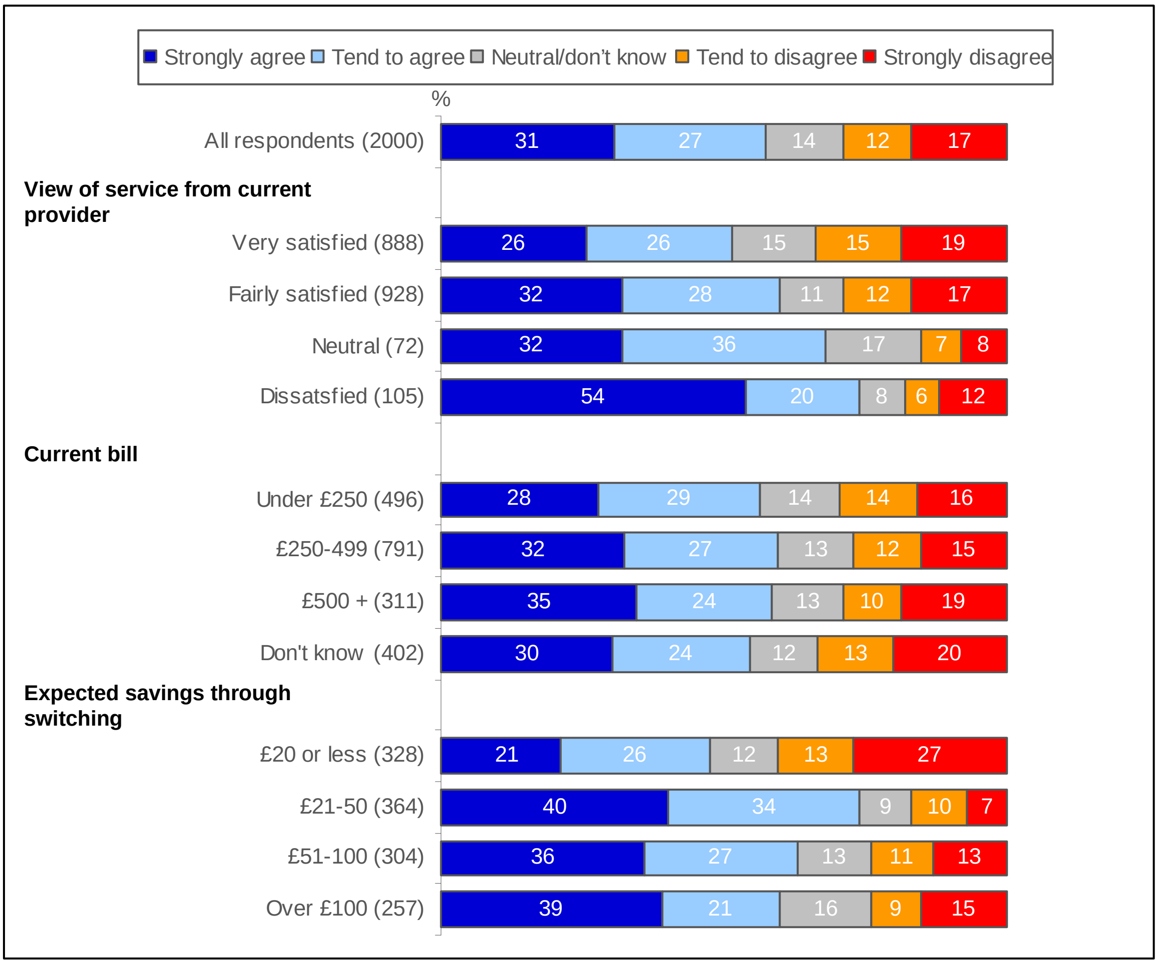
Around half (52%) of respondents with disabilities or long-term health problems compared with 59% of other respondents agreed with competition and only 51% of single parents did so.

There were NO clear correlations between current size of annual water and sewerage bills and views on the principle of competition.

Those who would expect to save £21-50 were most likely to agree with the principle (74%) and those who expected to save £20 or less were least likely to agree (48%). For those expecting to save £51-100, 63% agree, and for those expecting a saving of £100+ 60% agree with the principle.

Those who were dissatisfied with their current provider (and currently unable to switch away from a company they were unhappy with) were more likely than satisfied customers to endorse the principle of competition (56% of satisfied customers agree with the principle, compared with 74% of those dissatisfied with their current water and sewerage services).

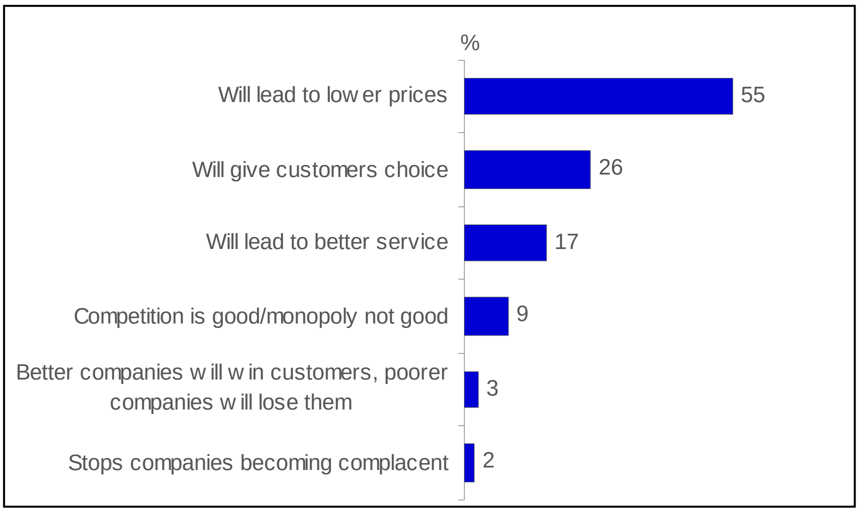
Chart 3.3: Whether agree/disagree with principle of competition in the water and sewerage industry by sub-group



People are also more likely to favour competition in the water and sewerage industry if:-

- they thought it was appropriate for sales reps to knock on their doors and/or ring them to try to persuade them to change supplier (78% agree)
- they had switched suppliers in other markets (such as energy or telecoms) in the last five years (61% of switchers compared with 50% among those who had not switched).

Chart 3.4: Why agree with principle of competition (unprompted)
(Base: All who agree with the concept – 1,127)



The expectation of lower prices emerged as the key reason for people agreeing with the principle of competition. Respondents in the South West Water region are especially likely to favour competition on the grounds it would lead to lower prices, 68% giving this as a reason.

One in six (17%) of those supporting the principle of competition say it would lead to better service. Customers who were dissatisfied with their existing provider are especially likely to expect competition to lead to a better service (38%).

About two in five of those supporting competition give reasons of principle for this ie:-

- freedom of choice for customers
- competition is good
- better companies prosper at the expense of poorer performers.

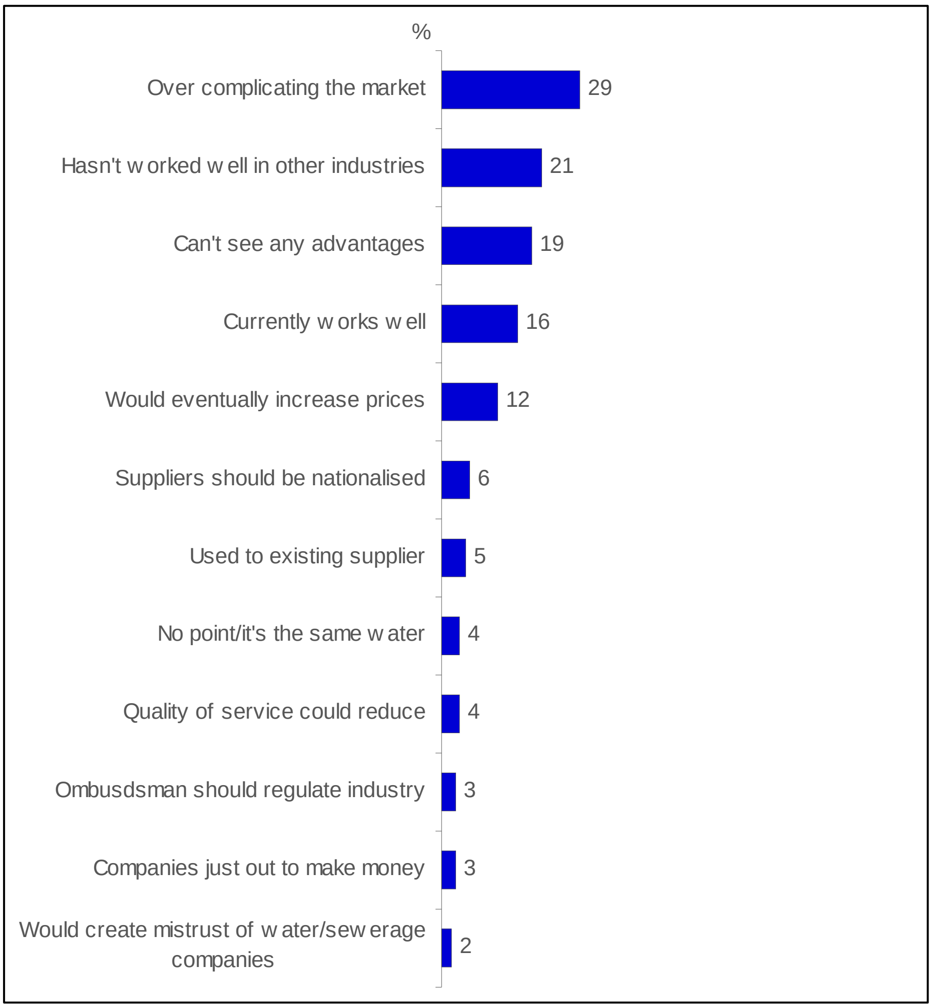
People who hold these views are not necessarily keen to switch themselves but believe the industry would benefit from competition.

Respondents of higher social grades are a little more likely than others to give material reasons such as competition leading to lower prices (61% of ABs compared with 42% of Es).

Respondents of lower social grades are more likely than others to give more philosophical reasons such as customers being given choice (36% of Es give this as a reason for agreeing with the principle of competition compared with 25% of ABs).

A wide range of reasons were given by those opposed to the principle of competition.

Chart 3.5: Why disagree with competition
(Base: All who disagree with the concept – 614)



The main single argument given for disagreeing with the principle of competition is that it would over-complicate the market. Whilst younger adults generally support competition, this is by far the main reason given by the minority of under 45s who opposed it.

One of the most common arguments for opposing competition in the water and sewerage industry is that competition has not worked well in other industries (21%). Some struggled to see practical advantages in competition (19%), while others (mainly those very satisfied with existing provider) argue the market is currently working well (16%). Suspicion that prices would eventually rise rather than fall caused others to oppose competition. Some take a cynical view of the way companies operate (in a competitive market) and a few want a nationalised industry, while others feel regulation does or would effectively safeguard consumer interests.

The question about the principle of competition was asked before respondents were asked to consider different saving amounts and before they were asked to consider what impact competition has had on other utilities.

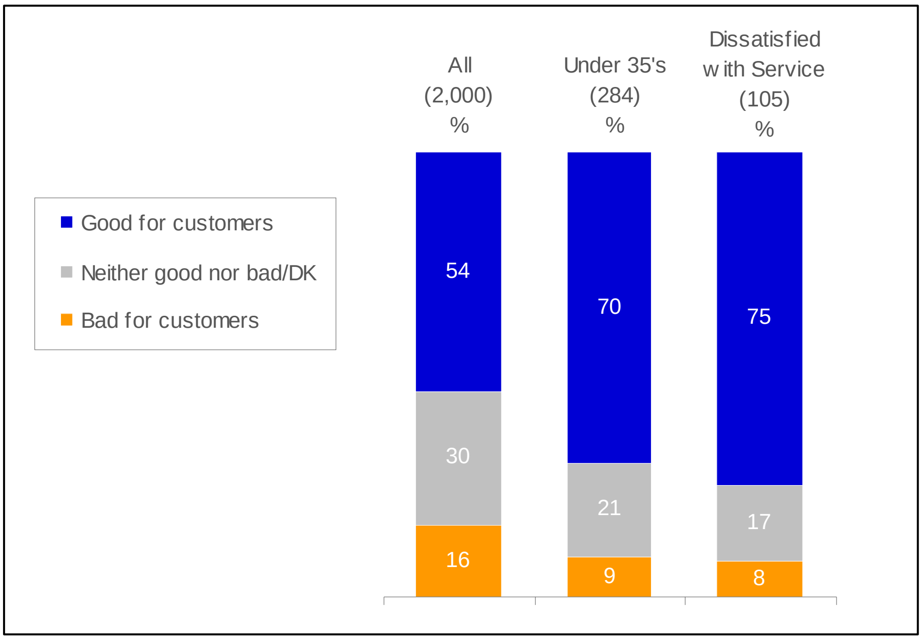
A similar question was asked later in the interview after people had been asked about these issues and had time to consider the pros and cons of competition in the water and sewerage industry in more detail.

Towards the end of the interview respondents were asked *'Overall would you expect competition in the water and sewerage industry to be good for customers, bad for customers, or would it make no difference?'*. Again, responses are generally positive, with far more expecting changes to be good than bad for customers.

In the chart below we show responses based on all respondents but also two groups who were very different (more positive) than others:-

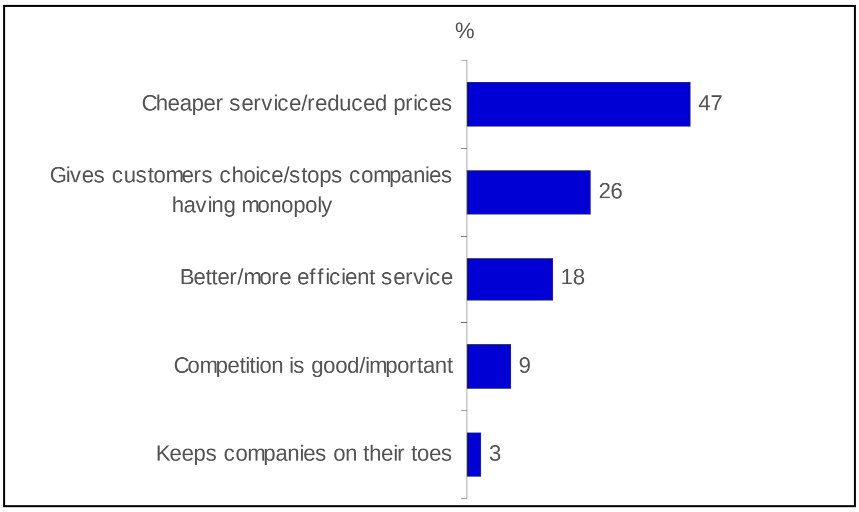
- customers aged under 35
- those dissatisfied with the service from their current water and sewerage company.

Chart 3.6: Expectations of competition in Water and sewerage Industry *Q: Overall would you expect competition in the water and sewerage industry to be…*



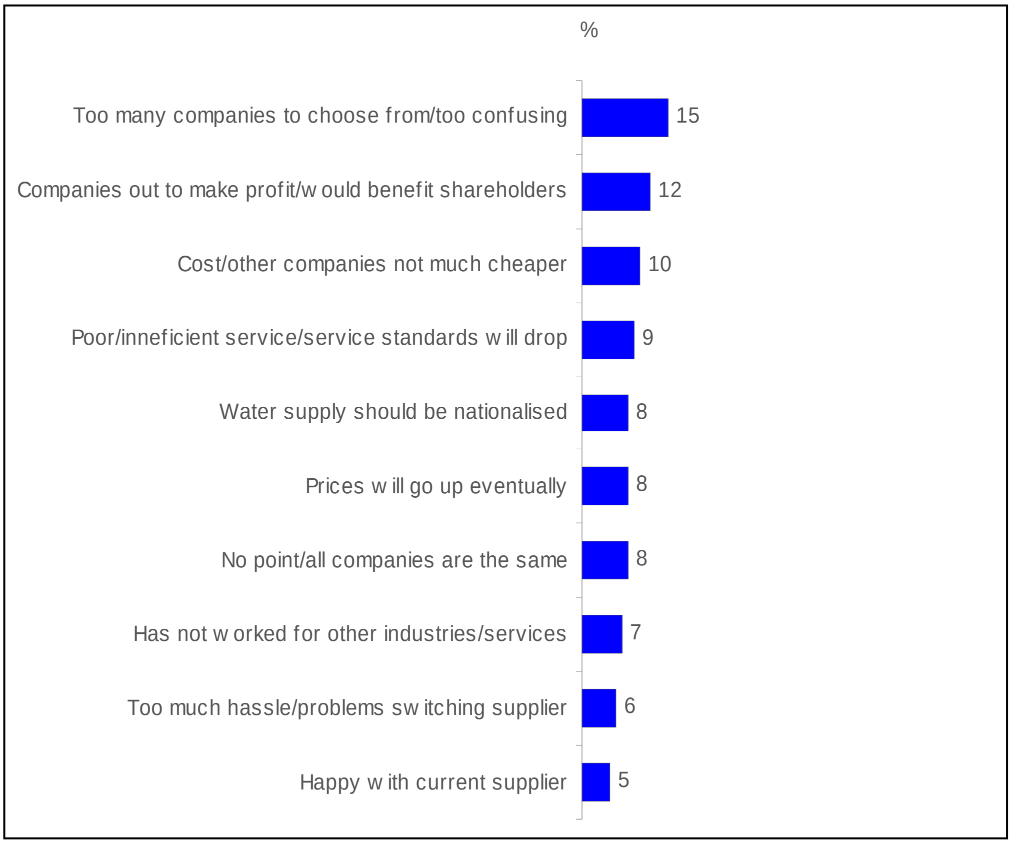
As the chart below illustrates, the main reason that customers think that competition would be a good thing is because it would lead to cheaper service/companies would have to reduce prices (47%), it would give customers choice and stop companies having a monopoly (26%), and because they believe it would lead to better/more efficient service (18%).

Chart 3.7: Why competition would be good for customers (unprompted)
(Base: All who say competition would be good for customers – 1,052)



The main reason given among those who think that competition would be bad for customers is that it would be too confusing (15%), companies would be out to make profits/benefit shareholders (12%), and that other companies would not be cheaper (10%).

Chart 3.8: Why competition would be bad for customers (unprompted)
(Base: All who say competition would be bad for customers – 330)



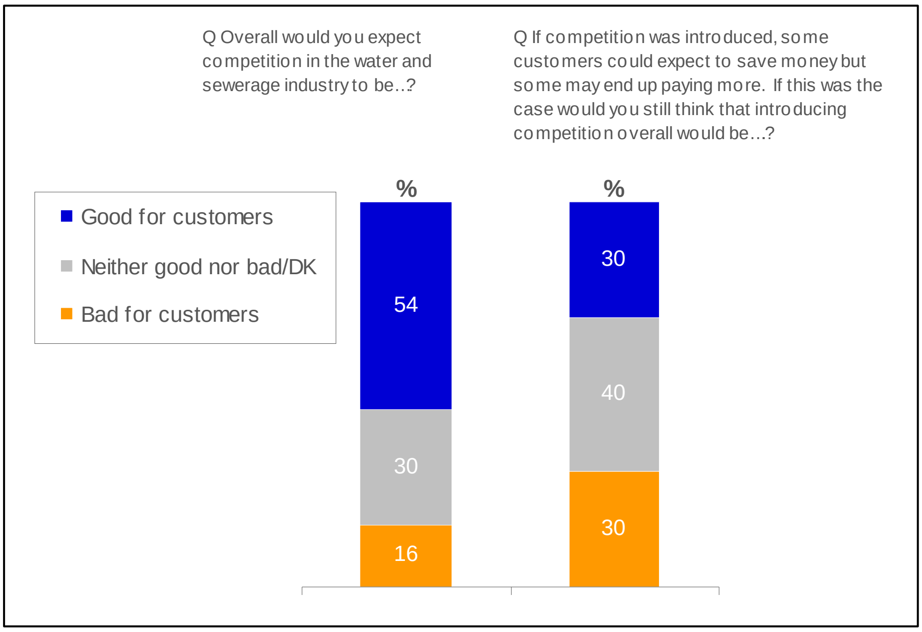
In the focus groups those who opposed competition usually did so on the basis it would cause unnecessary hassle rather than that they were concerned some people could end up paying more. Moderators of the focus groups therefore asked people to consider the possibility that if competition was introduced, some customers could expect to save money but some may end up paying more. However, focus group participants struggled to accept that some customers may end up paying more if competition was introduced.

Towards the end of the quantitative survey we introduced the idea that some customers might end up paying more if competition was introduced. At this point some became less keen on competition and the numbers believing it to be bad for customers equalled the number expecting it to be good (30% thought that it would be good for customers and 30% thought it would be bad for customers).

Indeed, among single parent families and those renting council/housing association properties significantly more people would regard competition as bad for customers if a minority could end up paying more (39% of single parents and 41% of council/housing association tenants thought that it would be bad for customers).

Previous research conducted by FDS for Ofgem has shown that for many financially poorer adults, knowing that they are able to manage at the moment is more important to them than knowing there might be opportunities to save money. This fear and conservatism can result in poorer adults being less willing to take risks than other adults – and if switching a supplier is seen as potentially risky, they may be less willing to switch.

Chart 3.9: Views of competition
(Base: All respondents – 2,000)



4 SWITCHING WATER AND SEWERAGE COMPANIES

In this section we explore customers' likelihood of switching suppliers if the water and sewerage industry was opened up to competition. Issues surrounding expected price savings, likelihood to switch for different levels of annual savings and preferred methods of switching are also examined in more detail.

Key findings

- 37% of respondents say that if they were given the opportunity to switch supplier, they would be likely to do so
  - the main reason people give for being likely to switch their water and sewerage supplier is for cost/savings reasons (65%)
  - the main reason customers would be unlikely to switch is because they do not feel that there is any need/happy with current service (64%).

- The biggest motivator for switching is lower prices/discounts (67%)
  - the main thing that would put people off switching is that it would be too much hassle (25%).

- When asked how much money, if any, they would expect to save in a year as a result of switching supplier many felt unable to give a figure (39%). Estimates varied widely among those giving an answer with savings of 10-20% on current bills being typical.

- When prompted with possible savings
  - 77% of respondents say that they would be likely to switch if they could expect to save £100 a year
  - 53% would be likely to switch if they could expect to save £50
  - 18% would be likely to switch if they could expect to save £20.

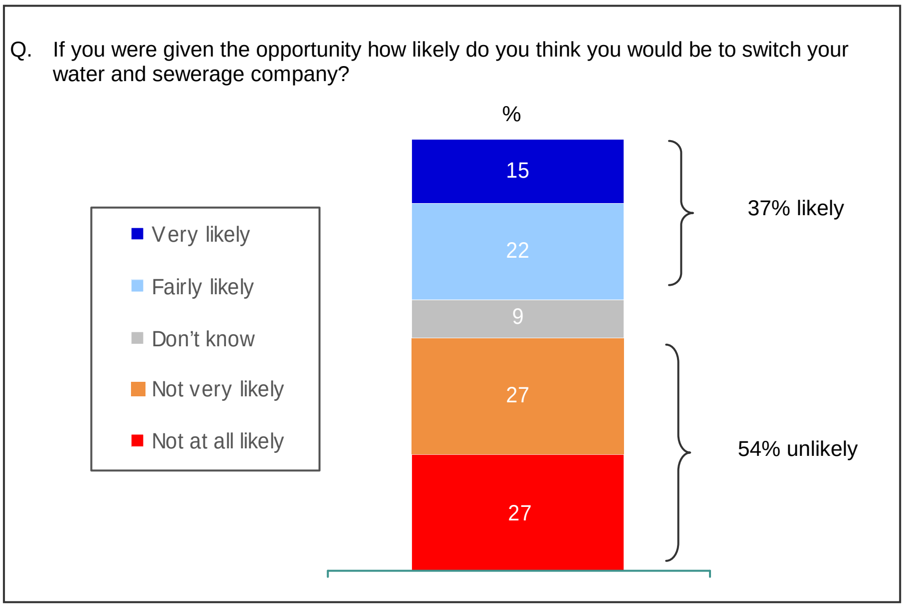
- The majority of respondents (68%) interested in switching say that if they were to look for information about switching water and sewerage supplier they would go on internet comparison sites.

- Almost half of the switching in the energy market has arisen through unsolicited contact with sales reps. However only one in five (22%) think that it would be appropriate for water companies' sales reps to contact them directly by telephone, and one in ten (11%) think it would be appropriate by knocking at their door
  - the majority of respondents (74%) think both types of approach are inappropriate.

Likelihood to switch water and sewerage company

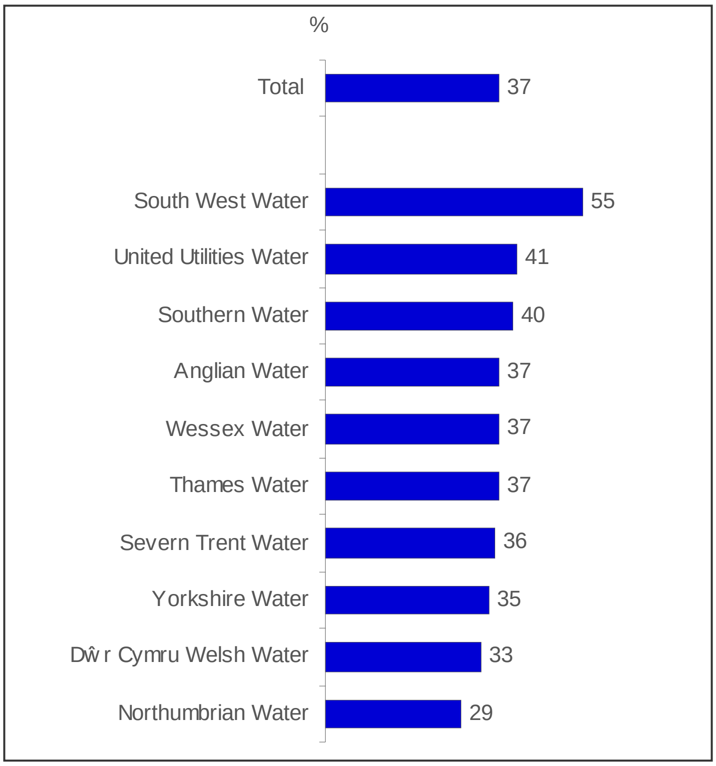
After establishing respondents reaction to the concept of introducing competition into the water and sewerage industry, the issue of switching suppliers was explored in more detail. When asked the hypothetical question: *"If you were given the opportunity, how likely do you think you would be to switch your water and sewerage company?"* more than one in three (37%) say that they would be likely to switch if given the opportunity, 54% say that they would be unlikely to switch, and 9% say that they are unsure.

Chart 4.1: Likelihood of switching supplier
(Base: All respondents – 2,000)



Interest in switching is generally higher in those areas where average bills were highest and satisfaction with existing suppliers lowest. Respondents in the South West Water region are significantly more likely than all other regions to say that they are likely to switch if given the opportunity. Respondents in the Northumbrian Water region are the least likely to say that they would switch.

Chart 4.2: Likelihood of switching supplier by region
(Base: All respondents – 2,000, c200 per region)

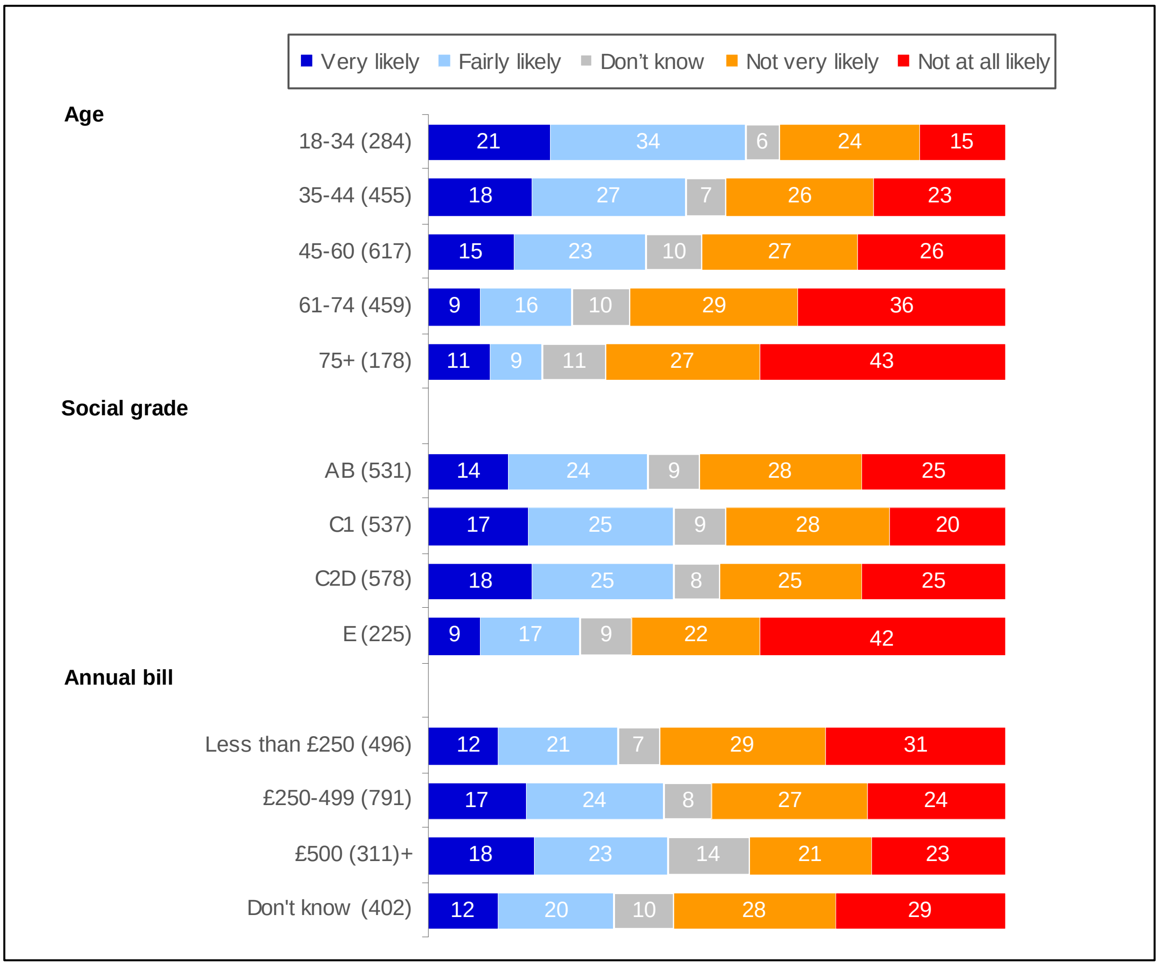


Likelihood to switch is closely related to the age of customers, with older respondents far less likely to say that they would consider switching (55% of those aged 18-34 would be likely to switch compared with 45% of 35-44 year olds, 37% of those aged 45-60, 26% of those aged 61-74, and 19% of those 75+).

The most economically disadvantaged adults are least likely to expect to switch with only 26% of those in social class E saying they would do so.

As we might expect, respondents with the lowest bills are the least likely group to say that they would switch their water and sewerage company (33% of those with an estimated annual bill of less than £250 say they would be likely to switch compared with 42% of those with bills of £250-499, and 42% of those with bills of £500+). Those unaware of the size of their bill (who may take less interest in their bills) are less likely than average to switch (32%).

Chart 4.3: Likelihood of switching suppliers



Respondents with a disability are also *less* likely than others to say that they would consider switching (27% compared with 41%).

There is also a link between ethnicity and likelihood to consider switching. White British respondents are significantly *less* likely than respondents from other ethnic backgrounds to say that they would be likely to switch (36% compared with 50%).

There were no significant differences in likelihood to switch between those who have and those who do not have a water meter.

Respondents were also asked in the survey about their experience of switching in other utilities markets such as gas, electricity and telecoms. Respondents who had switched any of these utilities in the past five years were more likely than those who have not to say they would be likely to switch their water and sewerage supplier if given the opportunity (44% compared with 23%).

Likelihood to consider switching is very closely linked to customers' attitudes towards their current water and sewerage supplier and attitudes towards the principle of competition in general:-

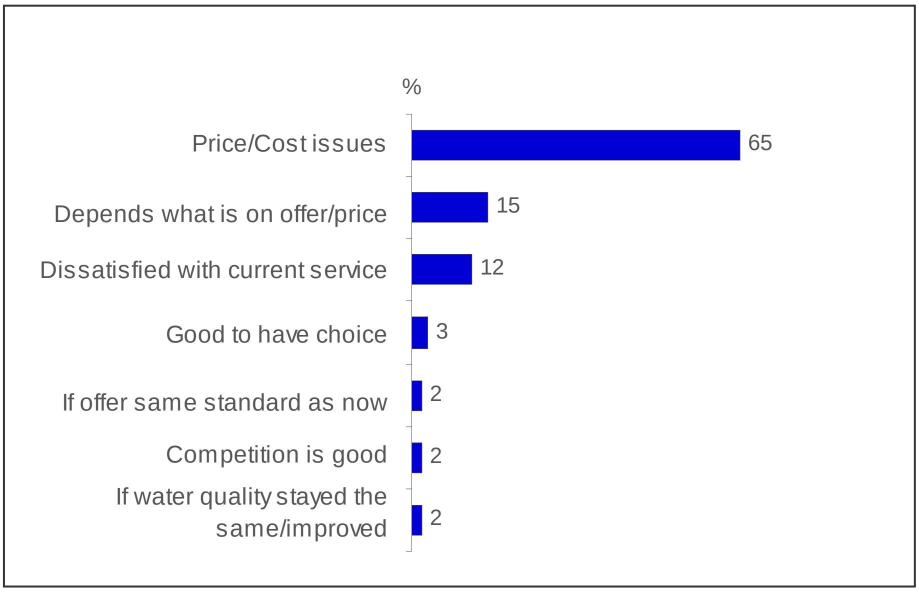
- respondents who are dissatisfied with their water and sewerage company are the most likely to say that they would switch (74% of those dissatisfied say that they would switch, compared with 34% of those satisfied)

- those who agree with the principle of competition in the industry are more likely than those opposed to say that they would be likely to switch (56% compared with 9%).

The main reason people give for being likely to switch their water and sewerage supplier is for cost reasons (65%) or because they are dissatisfied with their current service (12%). A relatively high proportion also say that it would depend on what was on offer/what they could expect to save (15%).

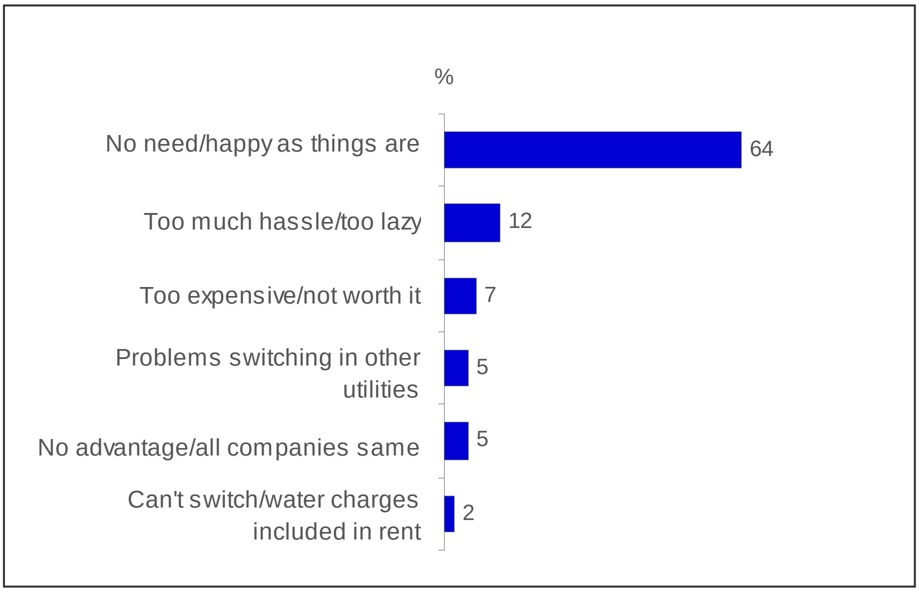
These responses are based on those likely to switch. Earlier we reported that 5% of all respondents were dissatisfied with the service they received and similarly 4% of all respondents want to switch because of their dissatisfaction with the service received from their existing supplier(s).

Chart 4.4: Why do you say that you are likely to switch?
(Base: All likely to switch – 761)



The main reason customers would be unlikely to switch is because they do not feel that there is any need/happy with current service (64%) or that it would be too much hassle (12%).

Chart 4.5: Why do you say that you are unlikely to switch?
(Base: All unlikely to switch – 1,071)

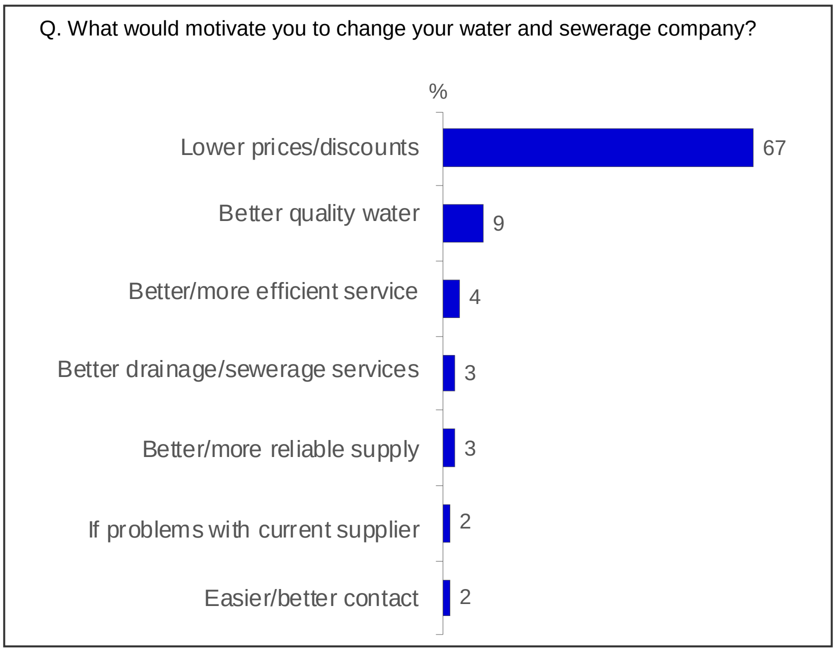


Motivators and Barriers to switching

A further objective of this research is to explore what would motivate customers to change their water and sewerage supplier, and also to look in more detail at the barriers to switching suppliers.

As the following chart shows the main motivator for switching supplier would be lower prices and discounts (67%). It was explained to respondents in the interview that the actual water they receive would not change if competition were to be introduced. However, 9% still suggest that having better quality water would be a potential motivator for switching.

Chart 4.6: Motivations for switching and services/options customers would like to see
(Base: All respondents – 2,000)



From the qualitative research, the possibility of lower prices/discounts was also the predominant factor for those who would consider switching. Other possible motivators were however mentioned by individuals in the groups. These included:-

- opportunity for different payment options such as online billing or billing structures incorporating a loyalty bonus
- possibility of greener options such as green tariffs or free water butts
- support for countries overseas with droughts
- better maintenance of pipes/leaks

'[I would switch] if they produce a loyalty bonus'

(Male, South West 60+)

'If my company are putting water pumps in places in East Africa with droughts, and they cost a bit more, I'd go with them'

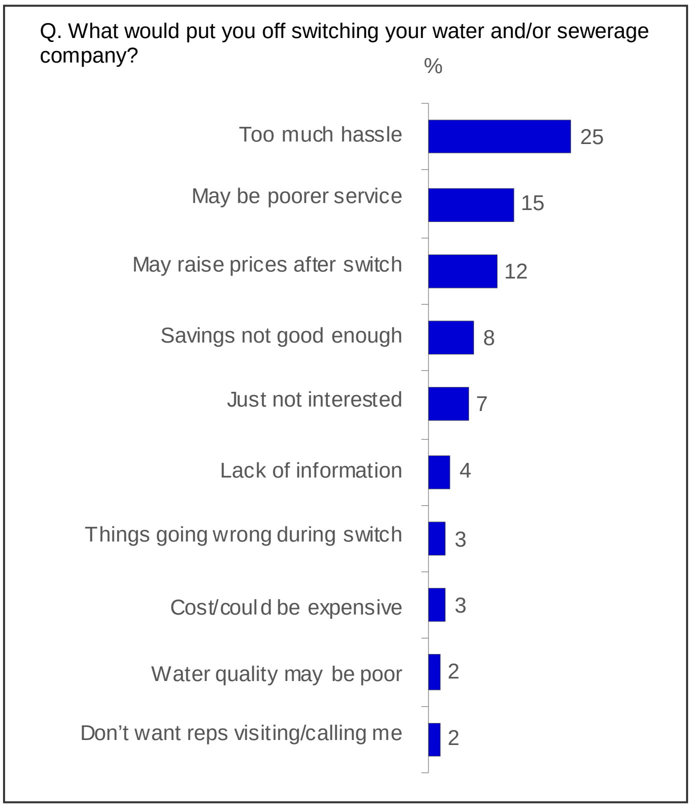
(Male, South East, 18-39)

In two groups, having a not-for-profit supplier would be a motivator for changing. However in Wales where the incumbent supplier is a not-for-profit organisation there was no awareness that this was the case, and perceptions of the water company were still that shareholders were benefiting from imposing high bills on the customers.

> *'They're all profit making companies so they want to make as much profit as possible'*
>
> (Female, Wales, 40-59)

The main thing that would put people off switching their water and sewerage company is that it would be too much hassle (25%), there may be poorer service (15%), or that prices may rise after switching (12%).

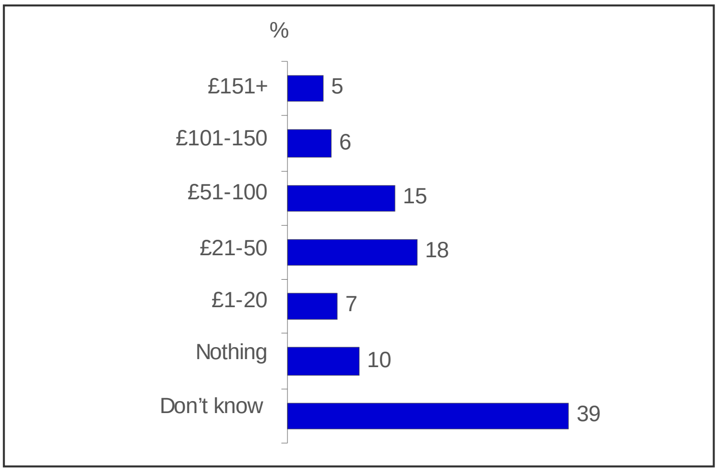
Chart 4.7: Barriers to switching
(Base: All respondents – 2,000)



Expected price savings and influence on likelihood to switch

Respondents were asked in relation to their current bill, how much, if anything, they would expect to save per year as a result of switching supplier. As the following chart illustrates respondents' expectations vary greatly, and a relatively high proportion of respondents say that they do not know how much they would expect to save. However, when we look at the results in relation to current bill, regardless of bill size, on average people expect to save around 10-20% on their current bill.

Chart 4.8: Expected price savings a year as a result of switching
(Base: All respondents – 2,000)



As we might expect, in areas with higher average bills, expectations of how much could be saved are greater. Indeed, 15% of South West Water residents would expect to save over £150 through switching.

Two in five of all respondents (39%) say that they don't know how much they would expect to save as a result of switching, and this figure is even higher among certain groups:-

- those who have not switched any other utility in the past five years (44%)
- respondents of social grade E (47%)
- those aged 75+ (59%)

Those unwilling to estimate likely savings are below average in their likelihood of switching, suggesting people who regard savings as uncertain will be less likely to switch than others.

From the qualitative focus groups it was also clear that participants felt that the savings would have to be reasonably significant for them to consider switching water and sewerage supplier.

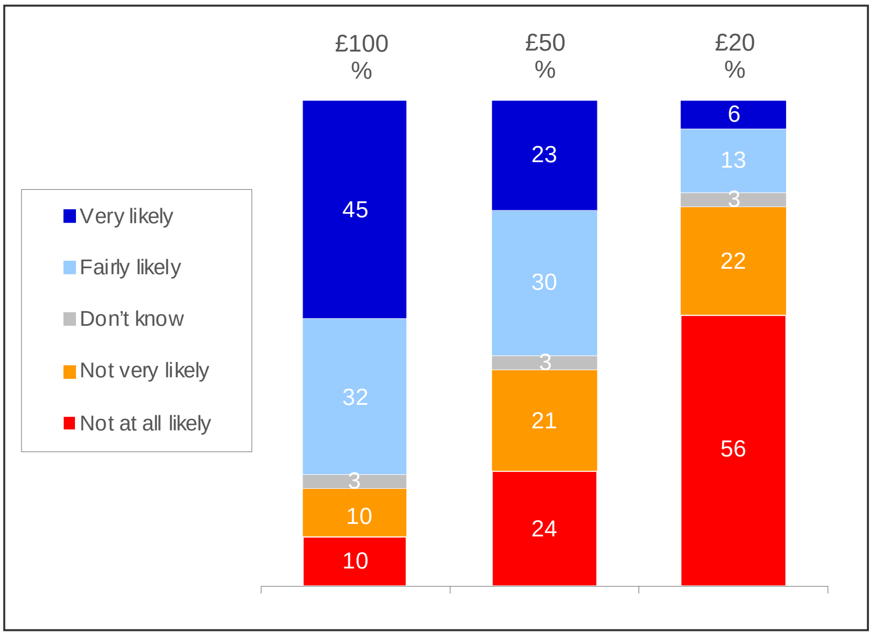
> *'If it's really that better a deal, you can save yourself say over 20%. If it was minimal then I certainly wouldn't be bothered.'*
>
> (Male, South East, 18-39)

> *'You've got to talk percentages I suppose. 20%. Anything less than 20% and I wouldn't bother, because it's not astronomical what we pay anyway.'*
>
> (Male, North, 60+)

> *'If you were talking about [a saving of] £4 a month, goodness me, you couldn't buy a pint of beer for £4'*
>
> (Male, Midlands, 40-59)

This is backed up by the quantitative findings. As the following chart illustrates, likelihood of switching water and sewerage supplier varies greatly when respondents are asked how likely they would be to switch if they could expect to save particular amounts on their water and sewerage bills. Over three quarters (77%) say they are likely to switch for an annual saving of £100, just over half (53%) say they are likely to switch for an annual saving of £50, and one in five (18%) say that they are likely to switch for an annual saving of £20.

Chart 4.9: Likelihood of switching for annual savings of £100, £50 and £20
(Base: All respondents – 2,000)



There were NOT marked differences in satisfaction with water and sewerage company or motives for switching among those who would switch for different levels of savings:-

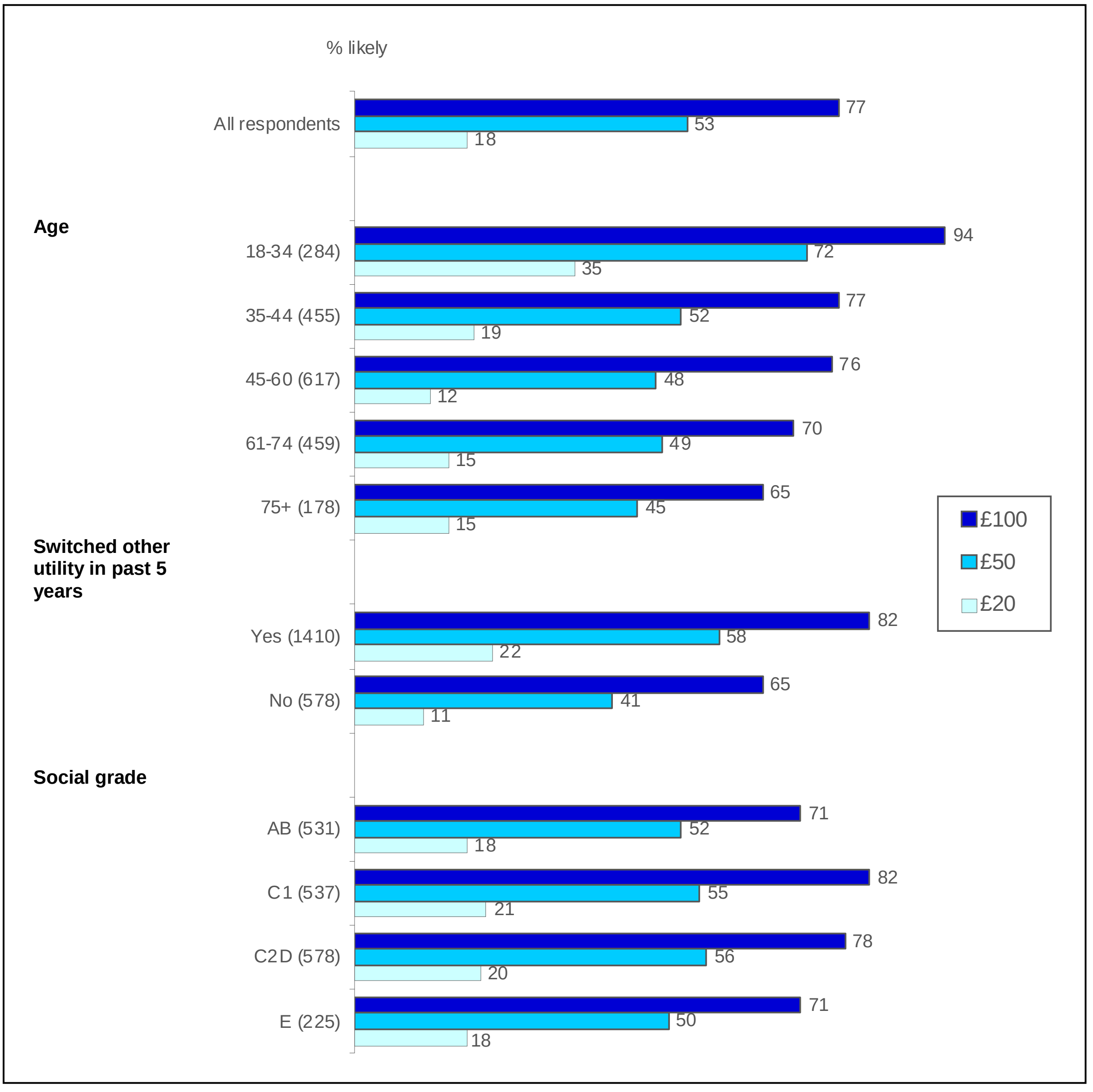
- of those very likely to switch to save £100 - 8% were dissatisfied with their overall service
- of those very likely to switch to save £50 - 11% were dissatisfied with their overall service
- of those very likely to switch to save £20 - 7% were dissatisfied with their overall service.

The following chart illustrates some of the key differences between sub-groups in terms of their likelihood to switch for an annual saving of £100, £50 and £20. Overall, younger respondents are significantly more likely to say that they would switch for an annual saving of £100, £50, or £20.

Those who have switched a utility in the past year are also more likely to say that they would switch for an annual saving of £100, £50, or £20.

There is little difference between social grades when it comes to likelihood to switch for the different annual savings.

Chart 4.10: How likely would you be to switch if you could expect to save £20, £50, and £100 a year as a result of switching?
(Base: All respondents – 2000)



Attitudes towards customers currently in debt

The qualitative research found that participants' views differed on whether customers in debt to their water and sewerage company should be allowed to switch suppliers.

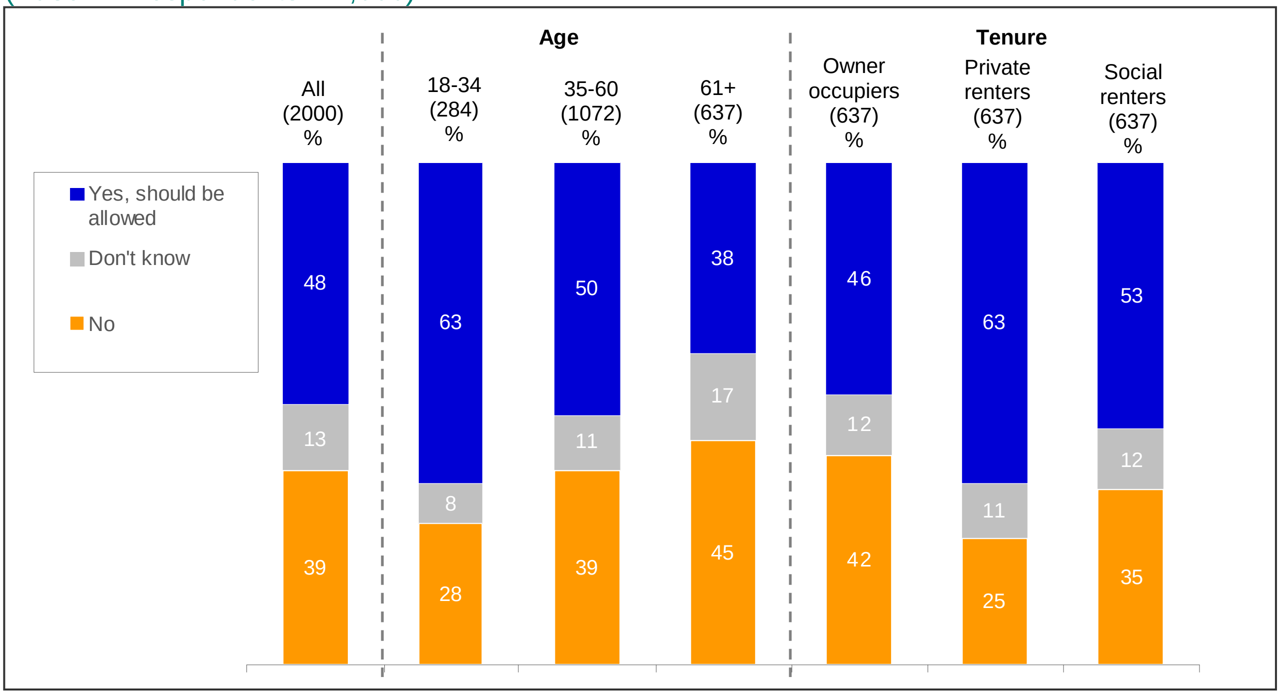
One view was that if the debt occurred because of a mistake by the supplier, such as charging too little then asking for a much larger sum, the customer should absolutely be allowed to switch.

However, respondents were less sympathetic where customers had allowed a debt to build up through no fault of their supplier. There was some concern that customers might try switching supplier to avoid paying their debts.

The issue of whether customers in debt should be able to switch their supplier was also explored in the quantitative survey. Respondents were asked whether customers in debt should be allowed to switch their water or sewerage company provided they repaid the debt at a later date.

As the following chart illustrates nearly half of respondents (48%) think that these customers should be able to switch their company, provided they repay the debt later. Two in five (39%) thought that they should not be allowed to switch.

Chart 4.11: Should customers who owe money to current suppliers be allowed to switch their water/sewage companies provided they repay debt later
(Base: All respondents – 2,000)



Younger respondents are significantly more likely to say that these customers should be allowed to switch. Those who live in private rented accommodation are also significantly more likely to say that they should be able to switch (63%). This is partly a reflection of the fact that younger customers are the most likely to live in private rented accommodation.

Single parents are also significantly more likely than others to say that customers in debt should be allowed to switch (67%).

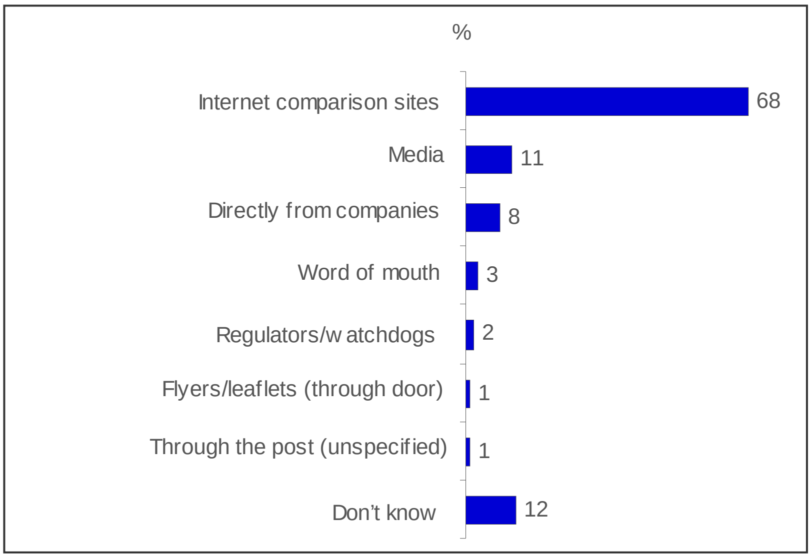
In general it appeared that those in groups more likely to fall into debt are correspondingly more sympathetic to those in debt.

Methods of switching supplier

In a number of markets including energy, finance and electrical goods, the growth of price comparison websites has changed the ways customers choose between different suppliers.

As the chart below shows, among respondents who would be likely to switch water and sewerage companies, the majority (68%) say that they would look on internet comparison sites for information about changing suppliers.

Chart 4.12: Where would you look (or go) for information about changing your supplier?
(Base: All likely to switch – 716)



Internet comparison sites are clearly the favoured method of looking for information about new suppliers; however there are differences between certain sub-groups. Older respondents are significantly less likely to say that they would use this method (82% of those aged 18-34 say that they would use this method compared with 80% of those 35-44, 66% of those 45-60, 36% of those 61-74 and 29% of those 75+).

Likelihood to use internet comparison sites is also linked to the social grade of respondents with those of a higher social grade far more likely to say that they would use internet comparison sites (84% of AB's compared with 73% of C1's, 58% of C2Ds and 44% of E's).

The implication here is that some of the more vulnerable groups (elderly and dependent on state support) are unlikely to proactively compare prices on the internet.

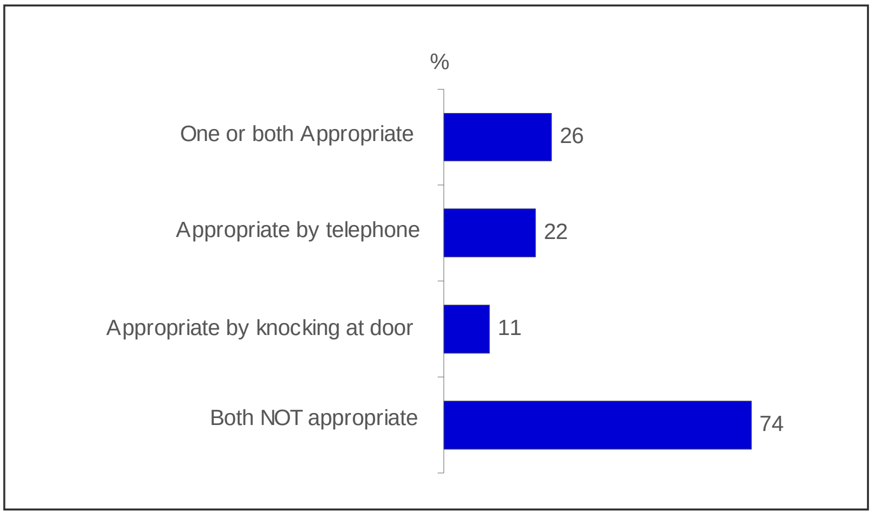
Therefore if customers need to compare prices on internet comparison sites to be confident they are getting the best deal those most likely to do so are younger, more affluent customers; those least likely to do so are the elderly and those in lower social grades.

Relatively few respondents mentioned the media as a source of information. However, in the focus groups there were some mentions of Martin Lewis, an expert whose views some would listen to before deciding whether to switch and to whom. Previous qualitative research for Ofgem also highlighted the extent to which some looked for guidance from experts such as Martin Lewis when considering whether to switch in the energy market.

As much of the switching in other utilities markets has arisen through unsolicited contact with sales reps it is therefore important to examine customers' attitudes towards these types of contact from companies.

As the following chart illustrates, one in five (22%) think that it would be appropriate if companies or sales reps contacted them directly by telephone, and one in nine (11%) think it would be appropriate by knocking at their door. However, the majority of respondents (74%) think both types of approach are inappropriate.

Chart 4.13: Do you think it would be appropriate if companies or sales reps contacted you directly by telephone or knocking at your door?
(Base: All respondents – 2,000)



There were marked differences in response by social grade, 85% of ABs but only 59% of Es regarding both methods of contact as inappropriate.

This suggests that (as has historically been the case in the energy market) sales reps may have more success contacting people of lower social grades living in local authority housing than more affluent ABC1 owner-occupiers.

5 EXPERIENCE OF SWITCHING IN OTHER UTILITIES

From the initial qualitative focus groups, when the issue of competition in the water and sewerage industry was raised, participants spontaneously contrasted the situation in other utilities markets which have already been opened up to competition (gas, electricity, and telephone landlines). In this section of the report we explore customers' views on the introduction of competition in these industries and their behaviour in these markets.

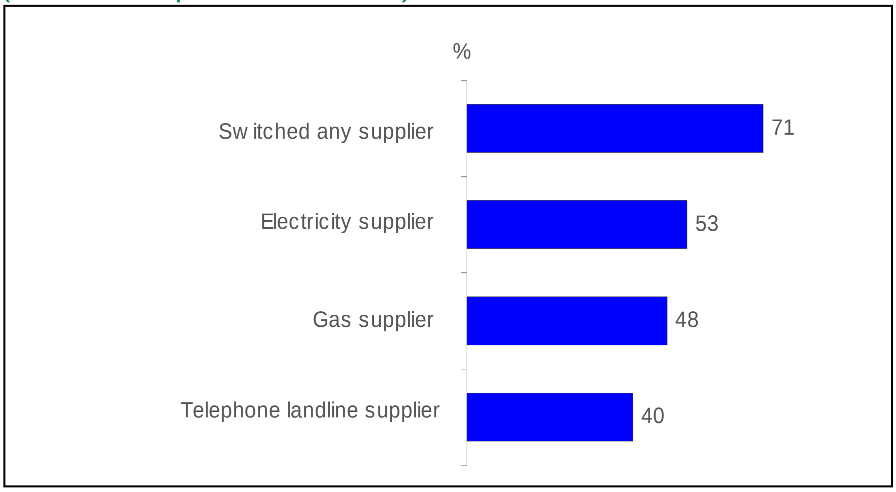
Key findings

- 71% of respondents have switched at least one of their utilities (gas, electricity, or telephone landline) in the past five years.

- Overall 48% of respondents think that the introduction of competition into the gas and electricity industry has been good for customers
    - 18% of respondents think that the introduction of competition into the gas and electricity industry has been bad for customers.

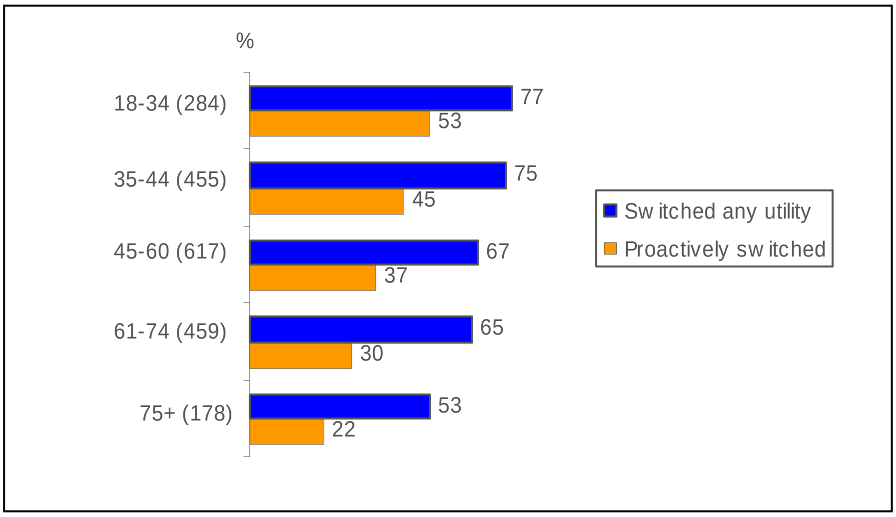
Seven in ten respondents (71%) say that they have switched at least one of their utilities in the past five years. Around half of all respondents say that they have switched their gas or electricity provider in the past five years (53% and 48% respectively). Two in five (40%) say that they have switched their telephone landline provider.

Chart 5.1: In the past five years have you switched…?
(Base: All respondents – 2,000)



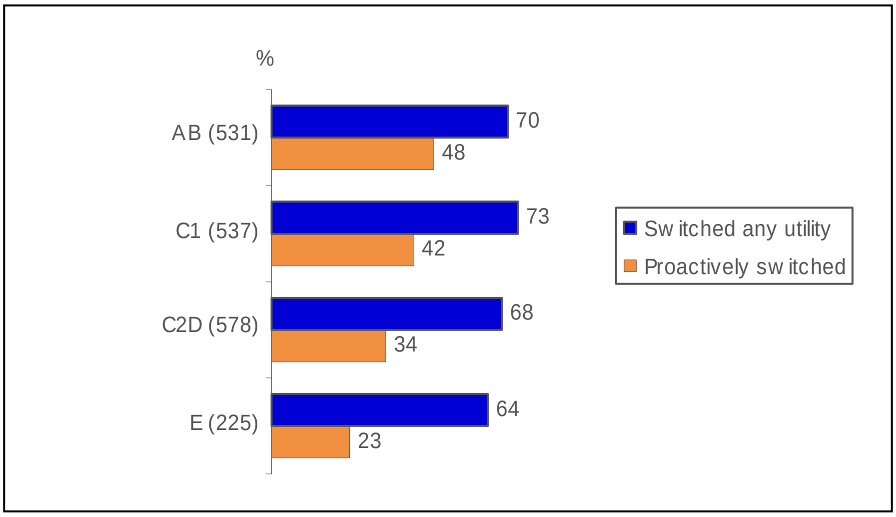
As the charts below illustrate there are some significant differences in the profiles of respondents who have switched any of their utilities in the past five years. Younger respondents are more likely to have switched any utility supplier (77% of 18-34 year olds compared with 53% of those 75+), and the gap between younger and older respondents switching proactively is even greater (53% of 18-34 year olds compared with 22% of those 75+).

Chart 5.2: Proportions switching by age
(Base: All respondents – 2,000)



There is a similar pattern with social grade, with AB's more likely than E's to have switched any utility in the past five years (70% of ABs compared with 64% of Es have switched). The gap between ABs and Es who have switched proactively is even greater (48% of ABs have switched proactively compared with 23% of Es).

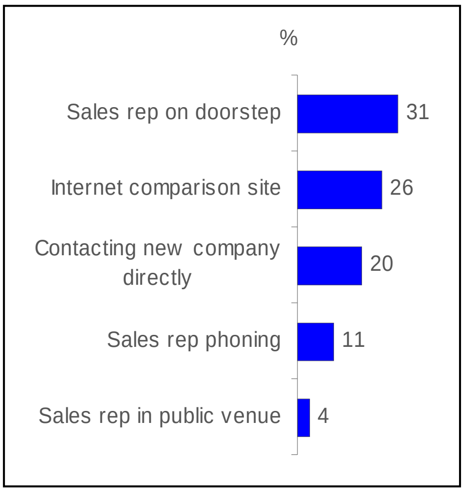
Chart 5.3: Proportions switching by social grade
(Base: All respondents – 2,000)



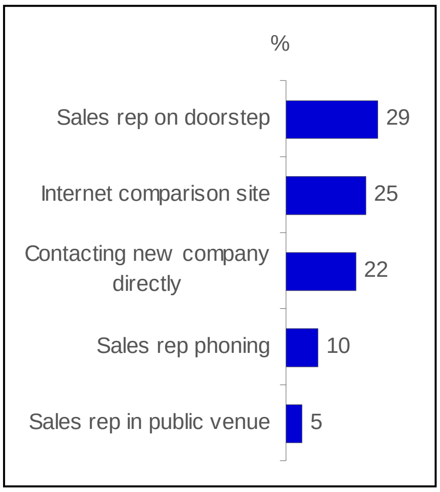
The following three charts illustrate the main way in which customers have switched in the gas, electricity, and telecommunications markets in the past five years.

Chart 5.4: How did you switch your…?

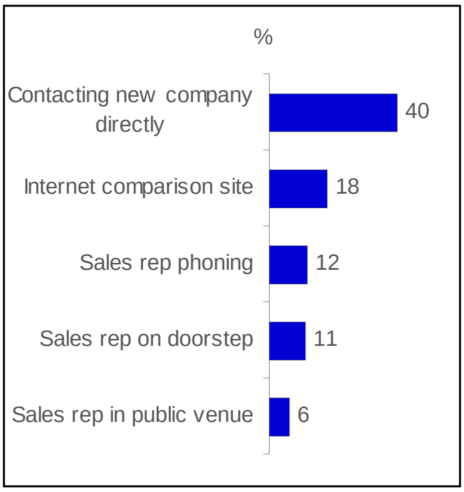
Gas supplier (955)



Electricity supplier (1056)



Telephone landline supplier (801)



In the gas and electricity markets three in ten (30%) of switchers have done so through doorstep selling, however only 11% of all respondents say that they think it would be appropriate for companies or sales reps from water and sewerage companies to contact them directly by knocking at their door.

Overall, among the 71% who have switched in the last five years 41% have switched pro-actively (i.e. through comparison site or contacting company directly). The remaining 30% have only switched reactively (typically through a sales rep phoning or knocking at their door).

Respondents were asked "*Broadly speaking, do you think introducing competition in to the gas and electricity industry has been good for customers, bad for customers, or has it made no difference?.*" Overall, nearly half of respondents (48%) think that competition in the gas and electricity market has been good for customers, 18% think that it has been bad for customers and 34% think that it has been neither good nor bad.

Respondents aged 18-34 are most positive about competition in these industries (62% say it has been good for customers, compared with 44% of those aged 35+).

Those who have switched supplier in the last 5 years are also more likely to be positive (53% say it has been good for customers, compared with 35% of those who have not switched any utility).

From the qualitative research there were also differing views on the success of competition in other utilities sectors, from those who thought that competition had caused too much hassle and confusion to those who thought that competition was essential in the utilities sector.

> *"It's just totally confusing, what about the older generation? Where it used to be just two or three different companies now there's like, I don't know, 10, 20, 30, 50, 100. It just seems ridiculous, all these changes, it's so complicated isn't it? Nobody knows who's getting the best deal...it's a minefield, isn't it? Because you get to the stage where you think "god, this has just taken up my life"'*

(Male, South East, 18-39)

> *"I mean, if you look at British Gas, I mean look how their prices were so high and they were ripping everybody off....You need an option to go around and shop about really"*

(Male, Midlands, 40-59)

6 ATTITUDINAL SEGMENTS

In the focus group we found people were split:-

- on the principle of whether competition in the water industry would be a good thing
- and on whether they would themselves want to switch.

Naturally, there was a correlation between these two aspects with those who were pro-competition more likely to expect to switch supplier themselves than those who were opposed.

Within those who were pro-competition and pro-switching we found those who embraced the idea of competition enthusiastically. Those we called *'Advocates'*.

They argued that competition was good for the industry and for consumers and that they should take advantage of competition to pay less. These were likely to be 'Early Adopters' in terms of switching behaviour.

Following behind them were a group of similar minded consumers who were not quite as convinced of the benefits of competition but were still generally supportive and thought they might switch. These we called *'Open-minded'*.

In contrast, a sizeable number of group participants were highly sceptical about the benefits of competition and unlikely to switch.

'Traditionalists' were more likely to argue that there were no particular problems with the status quo and that things were going well at the moment. They were sceptical as to the benefits of competition and switching.

'Worriers' held similar attitudes but were concerned that competition might introduce problems for consumers and that things might go wrong for them if they themselves tried to switch.

Among younger focus group participants we identified a fifth group who we called *'Critics'*. These individuals were opposed to the principle of competition seeing it as an unnecessary and unwelcome complication. However, they also thought that if there was potential to save money by switching they would make the effort to check out different options and to switch if necessary. They just did not like feeling they should make this effort.

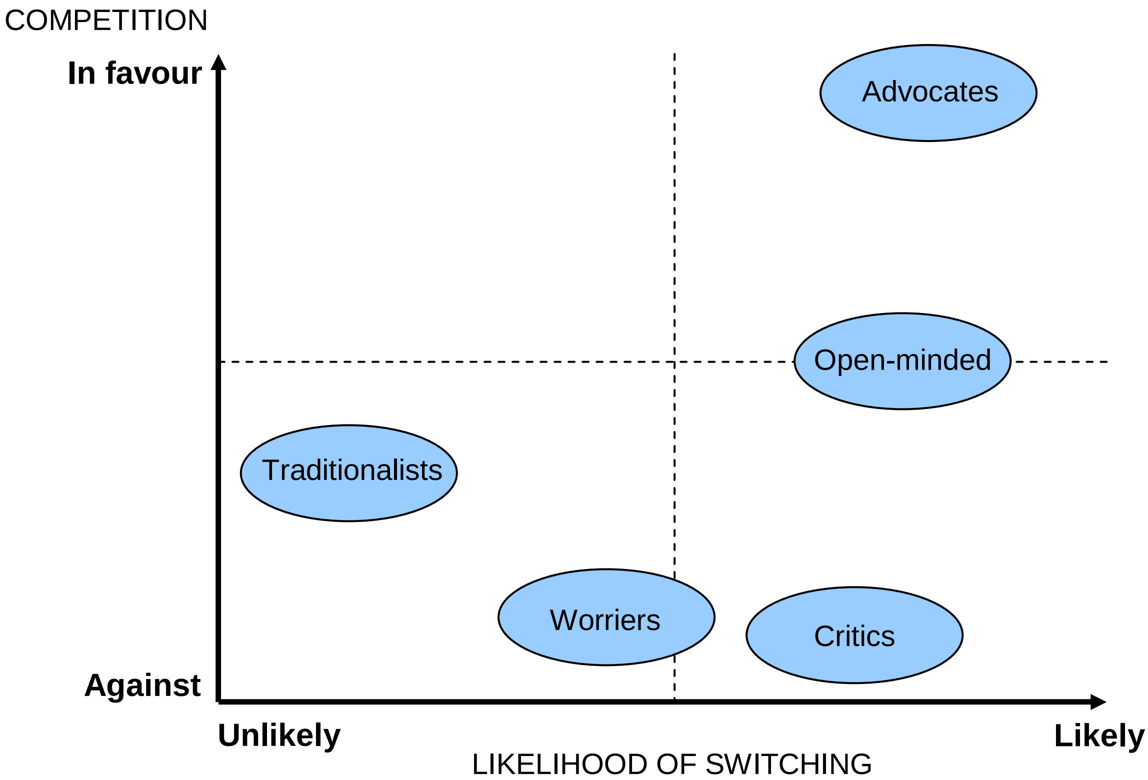
In our groups we did not find people who asserted simultaneously:-

- that they were clearly in favour of competition in the water and sewerage industry
- but that they were unlikely to switch themselves.

However, we observed when presenting the results of the qualitative research that in a larger sample we WOULD expect to find people holding both views simultaneously.

There were also people who were initially uncertain as to whether or not competition would be a good thing and whether or not they would switch but following an hour's discussion focus group participants held some views, even if tentative.

The segmentation shown below was based on qualitative research where we spoke to 48 focus group participants.



There was a strong correlation between whether people were supportive of competition and whether they themselves expected to switch.

At the quantitative stage we found similar groups and we characterised them as follows:-

- Advocates who were <u>in favour of competition</u> in the water industry and who thought they were <u>very likely to switch</u> themselves
- Open-minded who were also <u>in favour of competition</u> and who declared themselves <u>fairly likely to switch</u>

These two groups comprised 32% of the sample

We found opponents to competition who were unlikely to switch. Rather than split them by reasons (which emerged more strongly in qualitative than quantitative research) we grouped together all those who were opposed to competition AND unlikely to switch. They accounted for 26% of interviewees.

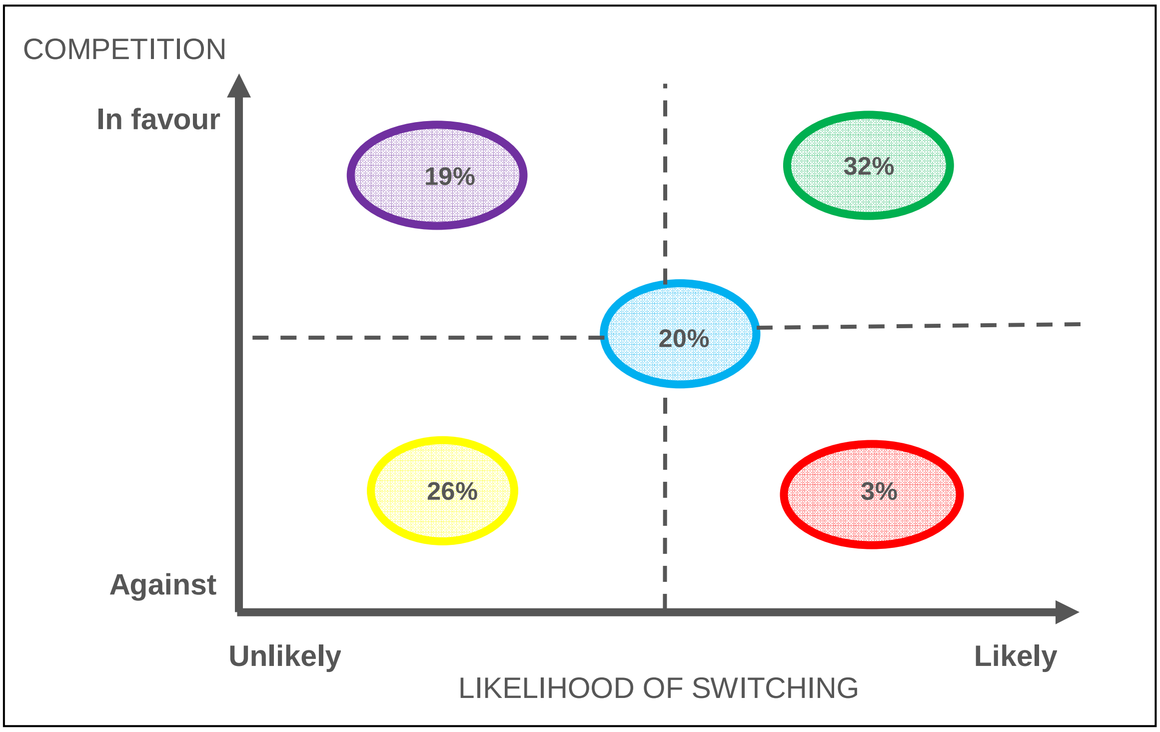
In the quantitative research we did find, as expected, that there were supporters of competition who nevertheless did not anticipate switching themselves. This was a sizeable grouping accounting for 19% of interviews.

There was also a small minority who were against the idea of competition, but if it were introduced say that they would be likely to switch. There accounted for 3% of all respondents.

Additionally, 20% of respondents either:-

- did not agree or disagree that competition would be good for the water and sewerage industry and/or
- did not know whether or not they were likely to switch themselves.

These five groups were presented diagrammatically when the initial quantitative findings were presented:



We developed demographic and attitudinal profiles of different customer groups and in doing so found as in the qualitative research that we could split the 32% supportive of competition into:-

- 'Advocates' (in favour of competition and very likely to switch)

and

- 'Open-minded' (in favour of competition and fairly likely to switch).

Advocates represented 14% and ‘Open-minded’ 19% of all respondents.

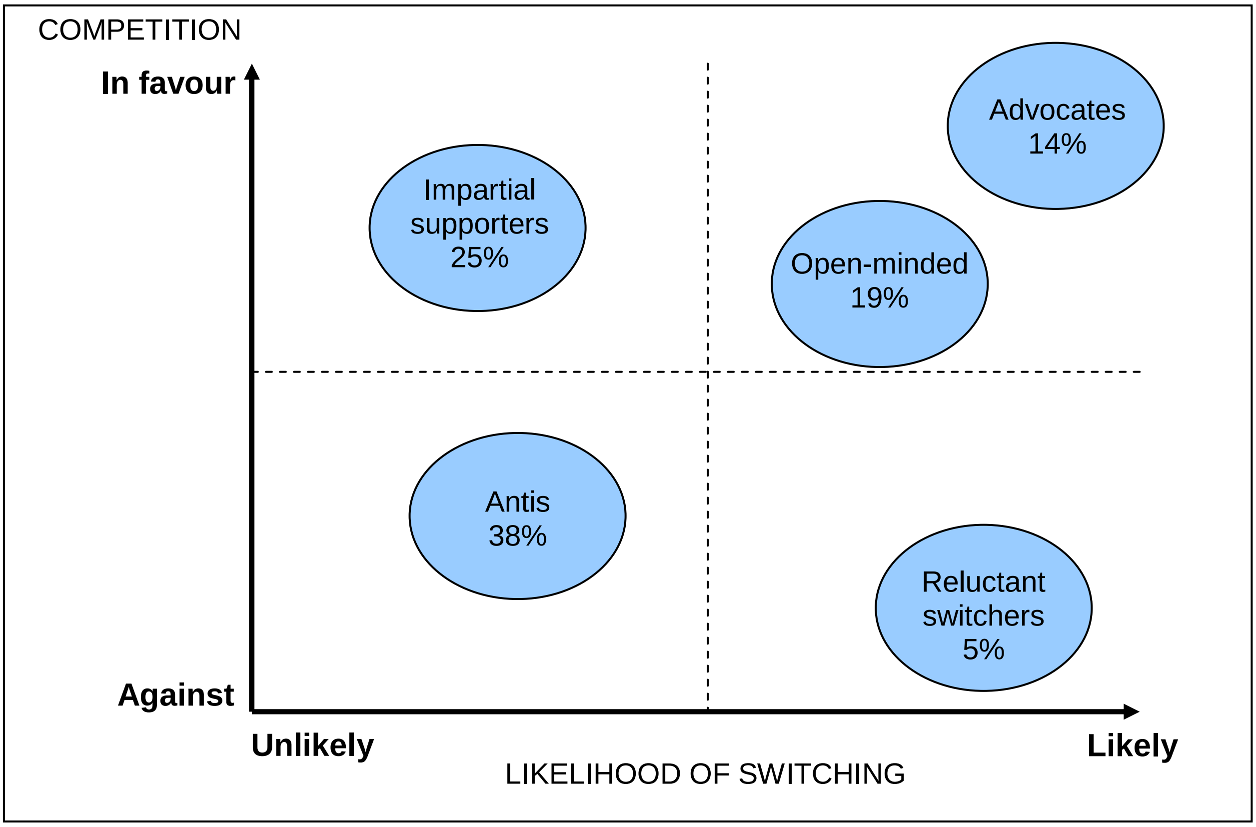
The 20% who were uncertain did not have a very clear demographic or attitudinal profile, because this was a diverse group including people with different attitudes.

Rather than treat them as a separate group we found the best solution was to assume that:-

- if someone was undecided about competition neither agreeing nor disagreeing that it was a good thing we would place them in the negative group with those disagreeing that it was a good thing
- if someone answered ‘don’t know’ when asked their likelihood to switch they were assumed to be unlikely to switch.

By moving the 20% of respondents who were undecided into these groups, the overall profile of the groups did not change, as demographically, attitudinally and behaviourally these groups continued to share the same characteristics.

The most successful customer segmentation was therefore based on the following 5-way division.



In summary

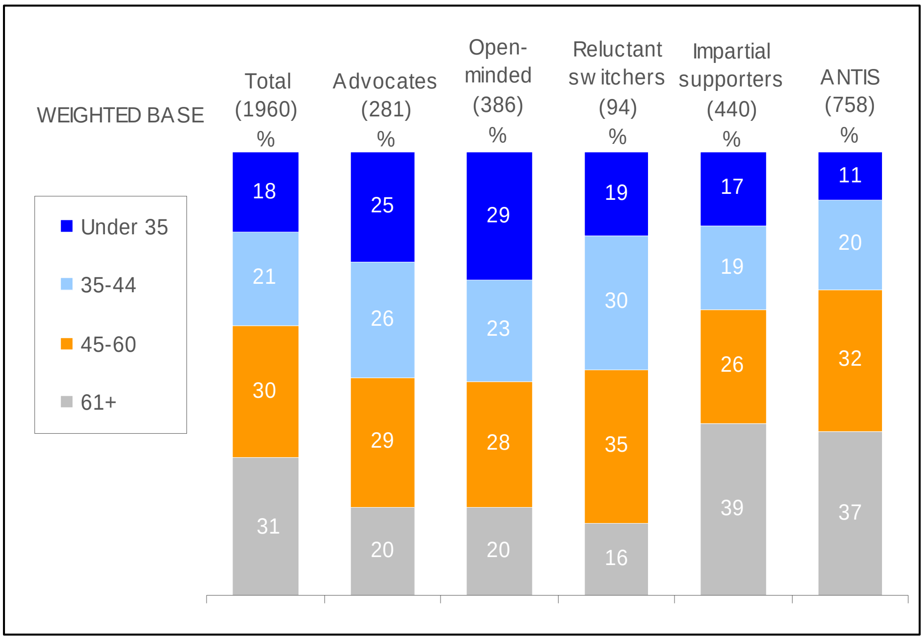
- Advocates tend to be younger adults who are willing to make a little effort to save money and with
  - positive experiences of switching in other markets
  - high water and sewerage bills and optimistic expectations of what they might save through switching water and sewerage company
- Open-minded have a similar demographic and attitudinal profile but are not quite as convinced of the merits of competition and switching
- Reluctant switchers tend to be in families. They are willing to make the effort to switch to save money but they don't agree with the principle of competition and despite switching in the energy market, they do not think competition in that market has benefited customers.

Impartial supporters are often single people with below average bills. They support the principle of competition but do not expect to save a lot of money themselves and are not keen on switching.

Antis tend to be older adults, with limited recent experience of switching in other markets. They do not want the hassle and are not interested in changing water and sewerage suppliers.

The charts below contrast the demographic profiles of the five sub-groups and show how Advocates and Open-minded are younger than average. Antis are older than average. Reluctant switchers are more likely than others to be in families. Impartial supporters are more likely to be one person households and least likely to be families.

Chart 6.1: Comparison of segments



(Note: Those who refused to give their age have been excluded from this chart)

Chart 6.2: Household Type

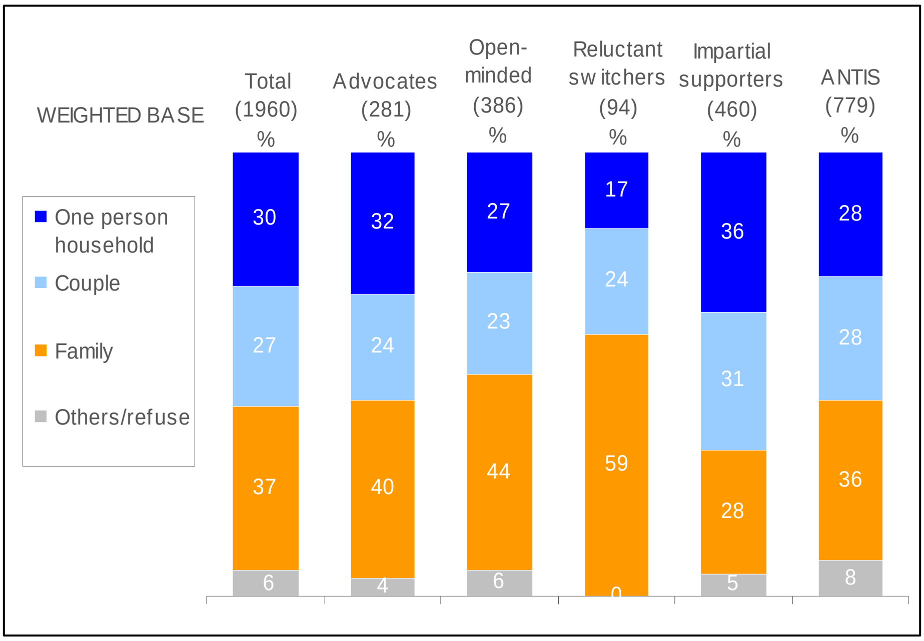


Table 6.3: Other key statistics

	Total	Advocates	Open-minded	Reluctant switcher	Impartial supporters	Antis
Have a water meter	39%	36%	38%	37%	44%	39%
Rent home	30%	27%	31%	43%	33%	27%
Social Grade 'E'	14%	9%	10%	12%	17%	16%
Non-white	5%	7%	4%	16%	6%	3%
Average annual water/sewerage bill	£366	£444	£359	£390	£340	£352
Dissatisfied with value for money of water/sewerage service	15%	38%	20%	23%	9%	8%
Disagree water/sewerage charges are affordable	25%	48%	31%	40%	19%	17%
Disagree with accuracy/clarity of bills	7%	15%	13%	8%	1%	4%
Dissatisfied with info/advice from water/sewerage company	7%	17%	7%	16%	3%	5%
Dissatisfied with service from water/sewerage company	5%	14%	9%	10%	2%	3%

The blue shading shows were a segment is more likely than average to have this particular characteristic or has a higher mean value than others.

	Total	Advocates	Open-minded	Reluctant switcher	Impartial supporters	Antis
Average expected saving through switching	£57	£75	£56	£81	£52	£49
Likely to switch to save £100	77%	96%	98%	98%	77%	57%
Likely to switch to save £50	53%	83%	76%	71%	49%	30%
Likely to switch to save £20	18%	44%	31%	31%	11%	6%
Regard telephone contact from sales reps as appropriate	22%	34%	25%	19%	23%	15%
Regard door knocking from sales reps as appropriate	11%	24%	14%	13%	10%	5%
Have switched gas supplier in past five years	48%	66%	56%	65%	41%	40%
Have switched electricity supplier in past five years	53%	71%	61%	64%	47%	45%
Have switched telephone landline supplier in last five years	40%	55%	45%	54%	36%	33%
Believe competition in energy industry has been good for customers	48%	74%	63%	36%	61%	23%
Expect competition in water and sewerage industry to be good for consumers	54%	91%	84%	39%	67%	18%
Think competition will be good even if some may end up paying more	30%	54%	46%	23%	36%	10%

7 CONCLUSIONS

Having seen how competition has worked in other markets where there was previously a single supplier, just over half of bill paying adults are in favour of the principle of competition in the water and sewerage industry. People support competition both philosophically and more importantly because they expect it to result in lower prices, with people typically expecting to save 10-20% on their current water and sewerage bills. Levels of dissatisfaction with current service are too low for this to be a major motivator to switch.

The under 35's are especially likely to agree with the principle of switching and say that they would be likely to switch companies. This may be because younger customers have grown up with competitive markets as the norm and are more used to switching in other utilities.

Only 4% of the total sample say they want to switch because of dissatisfaction with the service provided by their current supplier – however, interest in switching is higher in areas where customers are less happy with their suppliers.

Overall interest in switching is influenced by:-

- size of current bill
- size of expected savings
- how confident people are that they would make savings
- age and social grade (older E's being less likely to switch than young ABCIC2Ds)
- whether support the idea of competition
- whether had positive experiences/views of switching in other markets, such as energy.

Likely switchers would like to compare prices on internet comparison sites. If this proves to be the main method of finding new suppliers then switching is likely to be much lower among older, less well-off adults than younger, more affluent internet-savvy customers.

While the lower social grades are more likely to say that their water bills are not affordable, they may need the stimulus of door-to-door sales reps if they are to switch in large numbers.

In terms of the number likely to switch water and sewerage company much will depend ultimately on:-

- the level of potential savings – whilst just over half say they would be likely to switch to save £50 a year, far fewer say they would be likely to switch for savings of £20 a year
- the method of selling/switching.

APPENDICES

APPENDIX A

SAMPLE PROFILE

SAMPLE PROFILE

	Unweighted		Weighted	
	N	%	N	%
Total	**2000**	**100**	**2000**	**100**
Region				
Anglian Water	202	10	240	12
United Utilities Water	202	10	260	13
Northumbrian Water	204	10	100	5
Severn Trent Water	193	10	320	16
South West Water	201	10	60	3
Southern Water	195	10	160	8
Thames Water	203	10	460	23
Wessex Water	194	10	100	5
Yorkshire Water	203	10	180	9
Dŵr Cymru Welsh Water	203	10	120	6
Age				
18-34	284	14	360	18
35-44	455	23	420	21
45-60	617	31	580	29
61-74	459	23	427	21
75+	178	9	173	9
Gender				
Male	870	44	851	43
Female	1130	56	1149	57
Household composition				
One person household	482	24	600	30
Two person household	596	30	540	27
One parent family	130	6	180	9
Two parent family	716	36	540	27
Other/ref	76	4	140	7
Meter use				
Meter users	791	39	788	39
Non users	1199	60	1199	60

	Unweighted		Weighted	
	N	%	N	%
Total	**2000**	**100**	**2000**	**100**
Ethnicity				
White British	1832	92	1769	89
Other	115	5	153	7
Refused	53	3	78	4
Disability or long-term health problem				
Yes	297	15	324	16
No	1648	82	1586	79
Refused	55	3	90	5
Tenure				
Owner occupied/leaseholder	1610	81	1344	67
Private rental	150	7	230	12
Social renter	183	9	346	17
Don’t know/ref	57	3	80	4
Social Grade				
AB	531	27	468	23
C1	537	27	527	26
C2D	578	29	559	28
E	225	11	278	14
Refused	129	6	168	9

APPENDIX B

FURTHER STATISTICAL DETAILS OF GROUPS

FURTHER STATISTICAL DETAILS OF GROUPS

ADVOCATES

Opinions/Experience of Water/Sewerage Industry

- Their bills are well above average £444 v £366 for total sample
- They believe they receive a lower level of value for money than average
  - 38% dissatisfied compared to an average of 15%
- They are less likely to think that their bills are affordable
  - 48% disagree their bills are affordable compared to an average of 25%
- They are overall less satisfied with the service of their supplier
  - 14% dissatisfied compared to an average of 5%
- They believe they will save more by switching
  - 19% believing they will save more than £100 compared to 11% average
- Average savings expected are £75 versus £57 for total sample
- They are the most easily persuaded to switch with financial reward
  - 44% willing to switch with the lowest financial reward £20 compared to an average of 18% for the total sample
- They are least adverse to being contacted by sales reps knocking at their door
  - 24% said it would be appropriate compared to 11% on average
- They are more likely to think that competition in the water industry is a good thing
  - 91% in favour compared to an average of 54%
- They are more likely to think that competition would be a good idea even if some people may end up paying more
  - 54% in favour compared to an average of 30%

Reasons for not switching

When asked what might put them off from switching water company they are more likely than others to say ‘may be poorer service’ or ‘may raise prices after switching’ and less likely to say ‘too much hassle’ or ‘not interested’

Experience/Views of other industries

They are more likely to have switched their gas, electricity and telephone suppliers
  - 66% have changed gas compared to 48% for the total sample
  - 71% have changed electric compared to 53%
  - 55% have changed telephone compared to 40%

- They are more likely to agree that competition in the energy industry is a good thing for consumers
  - 74% approve compared to a 48% for the total sample

Demographics

- They are likely to be younger
  - 51% under the age of 45 compared to an average of 39% under 45

OPEN MINDED

Opinions/experience of water/sewerage industry

- Their average bills of £359 are in line with national average
- They are less satisfied with their value for money compared to the average
  - 20% dissatisfied compared to 15% average
- They are less likely to consider water/sewerage prices affordable
  - 31% compared to 25% average
- They are less satisfied with the service from their supplier than average
  - 9% dissatisfied compared to an average of 5%
- They are average in terms of their expected savings through switching
- They are relatively easily persuaded to switch with financial reward
  - 31% willing to switch with the lowest financial reward of £20 compared to an average of 18% in the total sample
- They are slightly less adverse to being contacted by phone or in person
  - 14% regard sales rep visit as acceptable versus 11% of main sample
- They are more likely to think that competition in the water industry is a good thing
  - 84% in favour compared to an average of 54%
- They are more likely to think that competition would be a good idea even if some people may end up paying more
  - 46% in favour compared to an average of 30%

Reasons for not switching

When asked what might put them off switching, in line with the total sample, their most common response was 'too much hassle'.

Experience/view of other industries

- They are more likely to have switched their gas, electric and telephone suppliers
  - 56% switched their gas compared to 48% in the total sample
  - 61% switched their electric compared to 53% average
  - 45% switched their telephone line compared to a 40% average
- They are more likely to feel competition in the energy industry is good for consumers
  - 63% think it's good compared to an average of 48%

Demographics

- They are likely to be younger
  - 52% under 45 compared to 39% in total sample

RELUCTANT SWITCHERS

Opinions/experiences of water/sewerage industry

- Their average bills of £390 are slightly higher than nationally (£366)
- They are less satisfied with their value for money compared to the average
  - 23% dissatisfied compared to 15% average
- They are less likely to consider the prices affordable
  - 40% compared to 25% for total sample
- They are less satisfied with the service from their supplier than average
  - 10% dissatisfied compared to an average of 5%
- They believe they will save more by switching
  - 22% believing they will save over £100 through switching compared to 11% for the total sample
  - Average expected savings are £81 versus £57 for total sample
- They are relatively easily persuaded to switch with financial reward
  - 31% willing to switch for the lowest financial reward of £20 compared to an average of 18% in total sample
  - They are average in terms of the acceptability of them being contacted by sales reps
- They are less likely to think that competition in the water industry would be a good thing
  - 39% in favour compared to an average of 54%
- They are less likely to think that competition is a good idea even if some people end up paying more
  - 23% in favour of switching regardless compared to an average of 30%

Reasons for not switching

When asked what might put them off switching water supplier they are more likely than others to say ‘may be poorer service’, ‘may raise prices after switching’ or ‘savings not good enough’. They are less likely to say ‘too much hassle’ or ‘not interested’

Experience/views of other industries

- They are more likely to have switched their gas, electric and telephone line
  - 65% switched their gas compared to a 48% average
  - 64% switched their electric compared to a 53% average
  - 54% switched their telephone line compared to a 40% average
- They are less likely to feel competition in the energy industry has been good for consumer
  - 36% think its good compared to an average of 48%

Demographics

- They are likely to be younger
  - 49% under the age of 45 compared to an average of 39% under 45
- They are more likely to be families with children
  - 59% versus 37% for total sample

IMPARTIAL SUPPORTERS

Opinions/experiences of water/sewerage industry

- Their average bills of £340 are a little lower than the total sample (£366)
- They are more satisfied with their value for money compared to the average
  - 9% dissatisfied compared to 15% average
- They are more likely to consider the prices affordable
  - 19% think they are NOT affordable compared to 25% average
- They are more satisfied with the service from their supplier than average
  - 2% dissatisfied compared to an average of 5%
- They believe they will save slightly less by switching
  - only 9% expect to save more that £100 compared to 11% for total sample
  - average savings expected are £52 versus £57 for total sample
- They are less likely than average to be persuaded to switch with financial reward
  - 11% willing to switch with the lowest financial reward of £20 compared to an average of 18% willing to switch
- They are average in terms of their likelihood of accepting telephone or door-to-door contact from sales reps
- They are more likely to think that competition in the water industry would be a good thing
  - 67% in favour compared to an average of 54%
- They are more likely to think that competition would be a good idea even if some people may end up paying more
  - 36% in favour compared to an average of 30%

Reasons for not switching

When asked what might put them off switching, in line with the total sample, their most common response was ‘too much hassle’.

Experience/view of other industries

- They are less likely to have switched their gas, electric and telephone suppliers
  - 41% switched their gas compared to an average of 48%
  - 47% switched their electric compared to 53%
  - 36% switched their telephone line compared to 40%
- They are more likely to feel competition in the energy industry has been good for consumers
  - 61% think it’s good compared to an average of 48%

Demographics

- They are likely to be older
  - 34% under the age of 45 compared to an average of 39% under 45

ANTIS

Opinions/experiences of water/sewerage industry

- They are more satisfied with their value for money compared to the average
  - 8% dissatisfied compared to 15% average
- They are more likely to consider the prices affordable
  - 17% think they are NOT affordable compared to 25% on average
- They are more satisfied with the service from their supplier than average
  - 3% dissatisfied compared to an average of 5%
- They believe they will save less by switching
  - Average expected savings are £49 compared to £57 for total sample
- They are the least easily persuaded to switch with financial reward
  - 6% willing to switch with the lowest financial reward of £20 compared to an average of 18% willing to switch
- They are less likely to approve of being contacted by phone or in person
  - 83% would reject either form of contact compared to 74% for total sample
- They are much less likely to think that competition in the water industry would be a good thing
  - 18% in favour compared to an average of 54%
- They are much less likely to think that competition would be a good idea if some people may end up paying more
  - 10% in favour compared to an average of 30%

Reasons for not switching

The main things that would put them off switching water supplier are ‘too much hassle’ and ‘not interested’

Experience/views of other industries

- They are less likely to have switched their gas, electric and telephone suppliers
  - 40% switched their gas compared to 48% on average
  - 45% switched their electric compared to 53%
  - 33% switched their telephone line compared to 40%
- They are much less likely to feel competition within the energy industry has benefitted consumers
  - 23% think it’s good compared to an average of 48%

Demographics

- They are likely to be older
  - 30% under the age of 45 compared to an average of 39% under 45

APPENDIX C

THE QUESTIONNAIRE

FDS International Ltd
Hill House, Highgate Hill
London N19 5NA
Tel: 020 7272 7766 Fax: 020 7272 4468

C1	C2	C3	C4	C5	C6	C7
7	5	0	8			

OFWAT AND CCWATER – RESEARCH INTO HOUSEHOLD CUSTOMERS' VIEWS ON COMPETITION – FINAL

INTRODUCTION

Good morning/afternoon. My name is … and I am calling from FDS International. We are conducting a survey about water and sewerage services on behalf of Ofwat (the economic regulator of the industry) and CCWater (the consumer body for the industry).

The survey should take approximately 15 minutes and has been developed to understand your views on the water and sewerage industry in England and Wales.

READ OUT IF NECESSARY

Ofwat is the Water Services Regulation Authority and is the economic regulator of the water and sewerage industry in England and Wales. Ofwat is responsible for making sure that the regulated water and sewerage companies in England and Wales give you a good-quality, efficient service at a fair price.

The Consumer Council for Water represents consumers and customers of the water and sewerage companies in England and Wales. It provides a voice for water and sewerage consumers and wants consumers to get high standards of service and good value for money.

We would like you to give your honest opinions as this is completely confidential and we can assure you that our discussion will be undertaken under strict market research codes of conduct.

If you would like to make an appointment please advise when a suitable time to call back would be.

Firstly I would like to ask you some questions to ensure that this survey is relevant to you: QA. Are you the water and sewerage bill payer in your household? **SINGLE CODE**		
Yes, sole responsibility	1	
Yes, joint responsibility	2	
No	3	
Don't know	99	

Ci

INTERVIEWER NOTE: If no/don't know at QA ask if there is somebody else in the household who is the bill payer. If yes, interview that person. If no, thank and close		
QB Do you or any member of your family work in: **READ OUT**		
The water industry i.e. work for a water company	1	Thank and close
Environmental services	2	
Marketing	3	
Advertising	4	
Journalism	5	
Market Research	6	
None of the above	7	QC
QC Does your household have a water meter? SINGLE CODE		
Yes	1	
No	2	
Don't know	99	
QD Who is your water company? (This may be the company which deals with your sewerage too.) **SINGLE CODE – PROMPT WITH HIGHLIGHTED COMPANIES IF NECESSARY**		
Anglian Water Services Ltd	1	Q1
Dwr Cymru Cyfyngedig (Welsh Water)	2	
Northumbrian Water Ltd	3	
Severn Trent Water Ltd	4	
South West Water Ltd	5	
Southern Water Services Ltd	6	
Thames Water Utilities Ltd	7	
United Utilities Water Plc (North West Water)	8	
Wessex Water Services Ltd	9	
Yorkshire Water Services Ltd	10	
Water only companies Bournemouth & West Hampshire Water Plc	11	QE
Bristol Water Plc	12	
Cambridge Water Company Plc	13	
Cholderton & District Water Company Ltd	14	
Dee Valley Water Plc	15	
Essex & Suffolk Water	16	
Folkestone & Dover Water Services Ltd	17	
Hartlepool Water Plc	18	
Portsmouth Water Plc	19	
Mid Kent Water Plc	20	
South East Water Plc	21	
South Staffordshire Water Plc	22	
Sutton & East Surrey Water Plc	23	
Tendring Hundred Water Services Ltd	24	
Three Valleys Water Plc	25	
Private water supply	26	CLOSE All respondents to check and arrange call back
Don't know	99	

	Col	Route
IF CODE 11-25 AT QD, ASK QE. ALL OTHERS GO TO Q1 QE And who is your sewerage company? ADD IF NECESSARY, THE BILL FROM YOUR WATER COMPANY MAY ALSO SAY WHO PROVIDES YOUR SEWERAGE SERVICES. **SINGLE CODE – PROMPT WITH HIGHLIGHTED COMPANIES IF NECESSARY**		
Water and Sewerage Companies		
Anglian Water Services Ltd	1	
Dwr Cymru Cyfyngedig (Welsh Water)	2	
Northumbrian Water Ltd	3	
Severn Trent Water Ltd	4	
South West Water Ltd	5	
Southern Water Services Ltd	6	
Thames Water Utilities Ltd	7	
United Utilities Water Plc	8	
Wessex Water Services Ltd	9	
Yorkshire Water Services Ltd	10	
Don't know	11	
N/A	99	CLOSE
SECTION A - SATISFACTION WITH WATER AND SEWERAGE SERVICE	Col	
ASK ALL Q1 Can you tell me approximately, how much your water and sewerage bill is each year, or month…? ASK RESPONDENT TO LOOK AT BILL IF NECESSARY. **WRITE IN AMOUNT EITHER PER YEAR OR PER MONTH**		
Per year (specify)	1	
Per month (specify and check whether paid over 12 months or other)	2	
Don't know	99	
Q2 How satisfied or dissatisfied are you with the value for money from the <u>water and sewerage services</u> in your area? **SINGLE CODE**		
Very satisfied	1	
Fairly satisfied	2	
Neither satisfied nor dissatisfied	3	
Fairly dissatisfied	4	
Very dissatisfied	5	
Don't know	99	
Q3 How much do you agree or disagree that the water and sewerage charges that you pay are <u>affordable to you</u>? **SINGLE CODE**		
Strongly agree	1	
Tend to agree	2	
Neither agree nor disagree	3	
Tend to disagree	4	
Strongly disagree	5	
Don't know	99	

	Col	Route
Q4 How satisfied are you with the following aspects of your water supply: **READ OUT EACH STATEMENT & SINGLE CODE** *Scale: 1= very satisfied, 2= Fairly satisfied, 3= Neither satisfied nor dissatisfied, 4=Fairly dissatisfied, 5= very dissatisfied, 6= don't know 7= not applicable.*		
Water quality (eg taste & appearance)	1	
The safety of your drinking water	2	
The reliability of your water supply	3	
Ease and quality of contact when you get in touch with your supplier	4	
Accuracy and clarity of bills	5	
Removal of waste water (sewerage services)	6	
Information and advice received from your water and sewerage company	7	
Q5 Overall, how satisfied or dissatisfied are you with the service you receive from your water and sewerage company?		
Very satisfied	1	Q6
Fairly satisfied	2	
Neither satisfied nor dissatisfied	3	Q7
Fairly dissatisfied	4	Q6
Very dissatisfied	5	
Don't know	99	Q7
ASK ALL SATISFIED/DISSATISFIEDAT Q5 Q6 Why do you say that you are [satisfied/dissatisfied] with the service? **PROBE FULLY & WRITE IN**		
Open (specify) ____________	1	
Don't know	99	

SECTION B - COMPETITION	Col	Route
READ OUT: I am now going to ask some questions relating to competition in the water and sewerage industry. Competition in the water and sewerage industry would mean customers could choose their supplier (i.e. the company that charges them for water and sewerage services, but not change the actual water they receive.)		
Q7 To what extent do you agree or disagree with the principle of introducing competition in the water and sewerage industry?		
Strongly agree	1	Q7a
Tend to agree	2	
Neither agree nor disagree	3	Q8
Tend to disagree	4	Q7b
Strongly disagree	5	
Don't know	99	Q8
ASK ALL WHO AGREE(CODED 1 OR 2) AT Q7 Q7a Why do you say that you agree? **DO NOT READ OUT.**		
Will give customers choice	1	
Will lead to lower prices	2	
Will lead to better service	3	
Will mean better companies win customers, poorer companies lose them	4	
Other (specify)	5	
Don't know	99	
ASK ALL WHO DISAGREE (CODED 4 OR 5) AT Q7 Q7b Why do you say that you disagree? **DO NOT READ OUT. MULTICODE**		
Over complicating the market	1	
Create lack of trust in water/sewerage companies	2	
Currently works well	3	
Regulator/ombudsman should regulate industry	4	
Hasn't worked well in other industries	5	
Would eventually increase prices rather than reduce them	6	
Used to existing supplier	7	
Cant see any advantages	8	
Other (specify)	9	
Don't know	99	
ASK ALL Q8 If you were given the opportunity, how likely do you think you would be to switch your water and sewerage company?		
Very likely	1	
Fairly likely	2	
Not very likely	3	
Not at all likely	4	
Don't know	99	

	Col	Route
ASK ALL CODED 1 - 4 AT Q8. OTHERS GO TO Q10 Q9 Why do you say you are [likely/unlikely] to change your water and/or sewerage company? **PROBE FULLY & WRITE IN**		
Please specify ________________	1	
Don't know	99	
ASK ALL Q10 What do you think would motivate you to change your water/sewerage company? **PROMPT** Are there any other services/options that you would like to see being provided by suppliers if competition was introduced? **DO NOT READ OUT. MULTICODE. PROBE FOR REASONS OTHER THAN LOWER BILLS. (**INTERVIEWER INSTRUCTION: If better quality water mentioned code but explain water received would not change)		
Better quality water	1	
Better/more reliable supply	2	
Easier/better contact with water/sewerage company	3	
Better drainage/sewerage services	4	
Clearer/more accurate bills	5	
Online billing	6	
More billing/tariff options	7	
Advice/information from company	8	
Lower prices /discounts	9	
Price guarantees	10	
No standing charge	11	
If I knew I could go back if things didn't work out	12	
Other (Specify)	13	
Nothing	14	
Don't know	99	
Q11 What would put you off switching your water and/or sewerage company? **DO NOT READ OUT. MULTICODE**		
Too much hassle	1	
Not enough time to sort it out	2	
Lack of information	3	
Don't know any other suppliers	4	
Don't want reps visiting/ringing me	5	
Might be stuck in a contract/unable to switch back	6	
Savings not good enough	7	
Concern that things could go wrong DURING switching	8	
May raise prices after switched	9	
May be poorer service	10	
If I had to have a water meter fitted	11	
Just not interested in switching	12	
Other (specify)	13	
Nothing	14	
Don't know	99	

	Col	Route
Q12 In relation to your current bill, how much, if anything, would you expect to save in a year as a result of switching your water and sewerage company? **DO NOT READ OUT**		
Nothing	1	
£1 – 20	2	
£21-£50	3	
£51- £100	4	
£100-£150	5	
£151+	6	
Don't know	99	
Q13 How likely would you be to switch if you could expect to save *Scale: 1=very likely, 2=fairly likely, 3=not very likely, 4=not at all likely, 5=don't know* **ORDER WILL BE REVERSED FROM A-C AND C-A….**		
a) £20 a year on your bill as a result of switching b) £50 a year as a result of switching c) £100 a year as a result of switching		
ASK IF LIKELY (CODE 1 OR 2 AT Q8) Q14 Where would you look (or go) for information about changing your supplier? **DO NOT READ OUT. PROMPT IF NECESSARY**		
Internet comparison sites	1	
Word of mouth	2	
Directly from companies themselves	3	
Media	4	
Regulators/watchdogs	5	
Would not want to find out about options	6	
Other (specify)	7	
Don't know	99	
ASK ALL Q15 Do you think it would be appropriate if companies or sales reps contacted you directly by telephone or knocking at your door?		
Appropriate - by telephone	1	
Appropriate - knocking at door	2	
Both not appropriate	3	
Don't know	4	

	Col	Route
READ OUT: For household customers, competition in the water and sewerage industry would mean being able to choose your water and sewerage supplier, similar to how you can choose your gas, electricity and telephone providers		
Q16 In the past 5 years have you switched? **READ OUT EACH SERVICE & SINGLE CODE** *(**Interviewer note:** Do not include any change respondents made accidentally e.g. moving to a new home where there was a different supplier)* *Code: 1= yes, 2= no, 3= Don't know* a) your gas supplier b) your electricity supplier c) your telephone landline supplier		
FOR EACH CODED YES AT Q16 ASK Q17 How did you switch your [insert utility from Q16 a-c]? **PROMPT IF NECESSARY. IF SWITCHED MORE THAN ONCE PROBE ON MOST RECENT SWITCH**		
Internet comparison site	1	
Sales rep phoning	2	
Sales rep on doorstep	3	
Contacting new company directly	4	
Sales rep in public venue (e.g., shopping centre/train station)	5	
Other (specify)	6	
Don't know	99	
ASK ALL Q18 Broadly speaking, do you think introducing competition in to the gas and electricity industry has been…? **READ OUT. SINGLE CODE**		
Good for customers	1	
Bad for customers	2	
Or neither good nor bad overall	3	
Don't know	4	
Q19 And overall would you expect competition in the water and sewerage industry to be? **READ OUT. SINGLE CODE**		
Good for customers	1	
Bad for customers	2	
Or neither good nor bad	3	
Don't know	4	
ASK ALL EXCEPT DON'T KNOW AT Q19 Q20 Why do you say that? **PROBE FULLY & WRITE IN**		
Please specify ____________	1	
Don't know	99	

	Col	Route
ASK ALL Q21 Some people owe money to their water and/or sewerage supplier. Should these customers be allowed to switch their water or sewerage company provided they repaid the debt at a later date? **SINGLE CODE**		
Yes	1	
No	2	
Don't know	99	
Q22 If competition was introduced, some customers could expect to save money but some may end up paying more. If this was the case would you think that introducing competition overall would be… **READ OUT. SINGLE CODE**		
Good for customers	1	
Bad for customers	2	
Or neither good nor bad	3	
Don't know	99	
SECTION C – DEMOGRAPHICS	Col	Route
ASK ALL For all respondents: Q23 Please record the gender of the respondent **DO NOT ASK**		
Male	1	
Female	2	
Q24 Which of the following age groups do you fall into? **READ OUT SINGLE CODE**		
18-24	1	
25-34	2	
35-44	3	
45-60	4	
61-74	5	
75+	6	
Refused	7	

	Col	Route
Q25 How would you describe your ethnic background? **DO NOT READ OUT SINGLE CODE**		
White: British	1	
White: Irish	2	
White: Any other White background	3	
Mixed: White and Black Caribbean	4	
Mixed: White and Black African	5	
Mixed: White and Asian	6	
Mixed: Any other Mixed background	7	
Asian or Asian British: Indian	8	
Asian or Asian British: Pakistani	9	
Asian or Asian British: Bangladeshi	10	
Asian or Asian British: Any other Asian background	11	
Black or Black British: Caribbean	12	
Black or Black British: African	13	
Black or Black British: Any other Black background	14	
Chinese	15	
Other	16	
Refused	17	
Q26 How would you describe the composition of your household? **READ OUT SINGLE CODE**		
One person household	1	
Married couple household	2	
Married couple with dependent children (under 16)	3	
Married couple with non-dependent children only (16+)	4	
Cohabiting couple household	5	
Cohabiting couple with dependent children (under 16)	6	
Cohabiting couple with non-dependent children only (16+)	7	
Lone parent household:		
- with dependent children (under 16)	8	
- with non-dependent children only (16+)	9	
other (specify)	10	
Refused	99	
Q27 Do you have any long-term illness, health problem or disability which limits your daily activities or the work you can do?		
Yes	1	
No	2	
Don’t know/refused	99	

	Col	Route
Q28 What is the occupation of the main income earner in your household? **CLASSIFY ACCORDING TO FOLLOWING OCCUPATIONAL GROUPINGS. SINGLE CODE**		
A – Very senior managerial positions (large organisations) and professional occupations	1	
B – Senior managerial; business owners. Middle management in large organisations	2	
C1 – Small employers; junior management and other non-manual occupations	3	
C2 – Skilled manual workers e.g. served apprenticeships, special qualifications or certificates	4	
D – Semi skilled and unskilled workers	5	
E – Casual workers; unemployed and otherwise not working	6	
Refused	99	
Q29 What type of accommodation do you live in? **READ OUT SINGLE CODE**		
Owner occupied	1	
Private rental	2	
Council tenant	3	
Housing Association tenant	4	
Leaseholder	5	
Don't know/refused	99	
Q30 Would you say you live in an urban or rural area? **SINGLE CODE**		
Urban	1	
Rural	2	
Suburban/semi rural	3	
Don't know	99	

Thank you for sparing the time to take part
This survey was conducted on behalf of Ofwat and the Consumer Council for Water and is intended to allow them to better understand your views.

Should you wish to contact Ofwat you can call them on 0121 625 1300 **or visit their website at** **www.ofwat.gov.uk**

Should you wish to contact the Consumer Council for Water you can call their national enquiries line on 0845 039 2837 **or visit their website at** **www.ccwater.org.uk**

Should you want to contact the MRS (the Market Research Society) to verify that FDS International Ltd comply with the code of conduct you can call them on 0500 39 69 99.

APPENDIX D

DISCUSSION GUIDE

JN 7508

OFWAT AND CCWATER – RESEARCH INTO HOUSEHOLD CUSTOMERS' VIEWS ON COMPETITION

DISCUSSION GUIDE - FINAL

INTRODUCTION (5 MINS)

- Explain how discussion group works (no right/wrong answers, respecting other people's opinion etc)
- Permission to record, confidentiality
- Explain who FDS are and the role of Ofwat and CCWater

Ofwat is the Water Services Regulation Authority and is the economic regulator of the water and sewerage industry in England and Wales. Ofwat is responsible for making sure that the regulated water and sewerage companies in England and Wales give you a good-quality, efficient service at a fair price.

The Consumer Council for Water represents consumers and customers of the water and sewerage companies in England and Wales. It provides a voice for water and sewerage consumers and wants consumers to get high standards of service and good value for money.

- Introduce members of the group and ask for brief background e.g. work/family/area in which they live and who their water and sewerage supplier is.

VIEWS ON CURRENT WATER/SEWERAGE SERVICES (15 MINS)

- How would you describe the service currently provided by your water and/or sewerage supplier?
  - *General attitudes*
  - *Satisfied/dissatisfied and reasons why.*
- What could be done to improve satisfaction?
- How easy/difficult do you find it to afford your water and sewerage bill?
- Do you feel the services provided by your water and/or sewerage company are value for money?
  - *Reasons why*
- Other than paying your bill what sort of dealings – if any – have you had with your water and/or sewerage company?
  - *Would you expect other water and/or sewerage companies to be similar or different to your own in this respect?*
  - *Which, if any other water and sewerage companies have you heard of?*
  - *How does the contact you have with your water and/or sewerage company compare with your energy or fixed line telephone supplier?(probe on amount of contact and experience of contact)*

PREVIOUS EXPERIENCE OF SWITCHING UTILITIES (20 MINS)

Explain that before we discuss in more detail issues related to participant's water and sewerage supplies we first want to briefly talk about their experience of other utilities.

- Have you ever changed gas, electricity or telecoms supplier?
  - *Why/why not?*
  - *Motivations/barriers?*

  For those who have switched:
  - *How often?*
  - *How did you switch and why?*
  - *How easy/difficult was this process?*
  - *If through sales visit, do they think they would have sought another company themselves? If so, how?*

All participants:-

- What effect do you think competition in the energy (gas and electricity) market has had since introduced in 1998? What effect do they think it has had on the price they pay and service they receive ?
  - *- Try to get participants to think back before competition in energy and compare to situation now*

- What about competition in other industries e.g telecoms, railways, bus services? Has this been good or bad for customers?
  - Why/why not?

INTEREST IN AND LIKELIHOOD OF SWITCHING WATER AND/OR SEWERAGE SUPPLIER (30 MINS)

If you were dissatisfied with the service you receive from your water and/or sewerage company or what you were paying what would you do?

- *If participants say that there is nothing they could do; probe on what customers should be able to do in this situation?*
- *Is it right that customers should be stuck with the same company even if that company has provided poor service?*
- *Is it right that a company which provides poor service and charges high prices is still able to keep customers?*

- Would you like the freedom to choose your water and sewerage supplier?

- Have you actively sought any information about competition (the possibility of switching) in the water and sewerage industry in the past?
  - How?

- Would you consider switching water and/or sewerage supplier if you could?
  - *Why/why not?*
  - *Would you proactively seek out other suppliers? Where would you go for information?*
  - *What would you look for from alternative suppliers (i.e. track record/reputation)?*

- What do you think would be the advantages/disadvantages of switching supplier?
  - *Would you expect other suppliers to give you the same or more or less choice of tariff/billing options than your current supplier? How much of an issue is this?*
  - *Reasons for these e.g. experience in other utilities.*

- What would motivate you to switch?
  - *probe on price savings/level of service/reliability of service/other motivating factors*

  (If quality of water mentioned - let participants know that the actual water they receive would not change. But what if suppliers offered water filters/softeners? Would that motivate them to switch?)

  - *what new services/options would they like/expect e.g. green tariffs, price guarantees, fixed price deals, online billing*
  - *What would be the most important/top 3 factor(s)*

- How much, if anything, would you like to save?
  - *If consider switching, how much price saving would motivate you to switch?(how many £ would you have to save to motivate you to switch?)*
  - *Would you switch if you knew you could save £20 a year? £30? £50?...etc*
  - *What other deals may tempt you to switch? E.g. cash back offers*

- What do you think would be the barriers to switching? What might hold you back from switching suppliers?
  - *Top 3*
  - *e.g. what if, in order to change supplier, you had to have a water meter fitted or switch to a different payment method?*

- How would you expect to find an alternative supplier? Would you expect switching to be easy? How long would you expect it to take?
  - *What is this view based on? What problems might you expect? What information/materials do you think you would need to switch? Where would you find information?*

- How should people be informed they can switch water and/or sewerage supplier if competition was introduced?
  - *How would you react to a salesperson knocking on your door and telling you about their water or sewerage company and inviting you to switch to them? Would you talk to them? Why/why not? What would you want to know?*

  - *What effect would it have if newspaper articles/websites recommended switching? What if friends and family had saved money? What if people had bad experiences when switching e.g. receiving bills from old and new suppliers?*

- What else, if anything could be done to encourage/enable you to switch supplier?

- Do you think that people who are in arrears with their current water and/or sewerage company should be able to try and get a better price or service by changing supplier? (*why, why not)*
  - *What if they were in debt because of an error on the part of their water and/or sewerage company?*
  - *If customers get themselves into debt should they be allowed to switch to another company? The outstanding debt would transfer to the new company but the switch may help them save money - which will help to pay off the debt and possibly keep future bills lower, or should they be made to pay their debt off first?*
  - *What effect do you think it may have if water and sewerage suppliers can be selective of who they accept as customers?*

GENERAL VIEWS ON COMPETITION IN THE MARKET (10 MINS)

- Do you think competition in the water and sewerage market would be a good or bad thing for customers?
  - *Over time there could be less price and service quality regulation in the water and sewerage industry if it was opened up to competition. What effect do you think this could have on the market?*

- What do you think could change if the market was opened up?
  - *Looking for an indication that people might think they can change the actual water they receive*

- What would be the advantages/disadvantages of competition in the market?
  - *If people mention changing the actual water they receive, ask if their views would change if they could NOT change the actual water they received when they switched supplier*

- Would you have any concerns about competition in the market?

- What effect would you expect/want it to have on water and sewerage bill prices/levels of service?

- What if competition in the market led to (the possibility of) increased prices for some customers?
  - *What if services improved as a result of competition? What services would you want to see improved? (e.g. customer service, water supply, sewerage)*
  - *Would you accept higher prices for improved service? If so probe on how much, and at what point the price change or % increase would become a barrier*

WRAP – UP (10 MINS)

- Overall, how likely do you think you would be to change supplier in the future if you could?
  - *Why/why not?*
  - *Likelihood of switching if given the opportunity – high/low.*
  - *Would they switch immediately if able to do so?*
  - *If participants would not switch, what would have to be done to make them open to the idea of switching?*

- What would be the key factor in changing your decision?

- What do you think would be most important in encouraging/enabling people to change water and/or sewerage supplier?

- And what do you think would be the most important factor stopping people from changing water and/or sewerage supplier?

- Sum up and close.