Small and Medium Business Customer Views on Competition in the Water and Sewerage Industry

Final Report

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Executive Summary

The research was carried out in two stages, and this report covers the quantitative stage of the research project, which built on the qualitative stage. The qualitative work has been reported separately at Appendix A and was used to inform the focus of the questions asked.

The key findings of the quantitative research are as follows:

- small and medium business (SME) customers are satisfied with their current water and sewerage supplies overall but are more neutral on whether their suppliers offer value for money

- switching would be driven mainly by financial considerations

- many SMEs are already accustomed to utilities competition, and the majority have switched energy supplier in the last 3 years. However, a significant minority have not and would be less prepared for competition in the water and sewerage industry

- knowledge and expectations of competition in the water and sewerage industry is currently low, suggesting a potential focus for CCWater's strategy to inform SMEs of changes in the market:

  - there is very low awareness of the current availability of competition in the water and sewerage industry

  - the majority do not know what safeguards might be needed to ensure competition works in their best interests

  - most SMEs are unable to suggest any new or improved services they would like to see introduced as a result of competition

- SMEs are generally positive about the principle of competition in the water and sewerage industry: 69% think it is a good thing but a lower proportion (57%) are likely to switch

- a number of factors, however, make businesses more positive or more negative about the prospect of competition. Businesses which are more positive tend to be those:

  - who have switched energy supplier in the last 3 years, especially prolific switchers

  - with higher water and sewerage bills

  Businesses which are more negative towards competition tend to be those:

  - with an unsatisfactory experience of switching energy suppliers

- the greater proportion of SMEs (51%) would switch if doing so offered them savings in excess of 10%; however, over a third of SMEs (37%) would change supplier for a more modest saving of up to 10%. This consists of:

- 12% who would change for a bill saving of up to 5%
- 25% who would change to save between 6% and 10%

- most customers (62%) would not be prepared to pay higher charges in the short term in order to get lower prices and/or better services in the longer term as competition develops

- there is little consensus on what key measures would be needed to ensure that competition would work for SMEs. The largest proportions of respondents think it should include a cap on prices (27%) and ongoing monitoring of performance (17%), whilst 27% either say they do not know or express no opinion on this

- the main information sources SMEs want to advise them of competition are national press or a letter from potential new suppliers. SMEs like direct calls from suppliers least of all and there is little mention of official independent sources such as government or regulators

- there would not seem to be an issue with multi-site operators with sites in both England and Wales, if competition was not introduced in Wales. Almost three quarters think they would still switch suppliers in England, even if they couldn't in Wales

- of the 178 SMEs with sites supplied by Dŵr Cymru Welsh Water, three quarters of them are unaware of their business model[1]. Once explained, 38% said that it makes a difference on their views towards competition. Understanding Dŵr Cymru Welsh Water's business model seems to create the impression that they would provide a cheaper and better quality of service than other suppliers or it promotes a positive view of them

- the South West and North West of England are distinctive in being the only regions where the average customer is dissatisfied with the value for money of the water and sewerage service they receive. There is evidence to suggest that these regions may embrace competition more strongly than other regions

- generally, customers in the Eastern, Wessex, Yorkshire and Northumbrian regions tend to be most positive about their suppliers and would be least likely to switch

- there is little difference in perceptions between SMEs in England where competition will be introduced and Wales where it may not be introduced at this stage.

[1] In this research, Dŵr Cymru Welsh Water's business model is referred to as being 'not-for-profit'. This means that the company does not have any shareholders, and the profits made are re-invested in the business for the benefit of their customers and consumers.

1. INTRODUCTION

1.1 Background

1.1.1 The Consumer Council for Water (CCWater) represents the interests of consumers in the water industry in England and Wales and aims to provide a strong national voice for the consumers it represents. It wants consumers to get (and be able to recognise that they are getting) high standards and good value for money in water and sewerage services, comparing well with the best of other service sectors.

1.1.2 CCWater commissioned research to establish the attitudes of SMEs towards the potential for competition in the water sector. Currently only large business customers using more then 50 Megalitres (Ml) of water a year are able to change their water supplier. They are able to choose from new suppliers coming into the water market which are licensed by Ofwat. These suppliers are called ‘licensees’.

1.1.3 In 2008 the Government commissioned Professor Martin Cave to carry out an independent review of competition and innovation in the water industry in England and Wales. The Cave Review made a number of recommendations about how competition could be developed in the water industry, including suggesting that the consumption threshold at which business users are able to switch supplier should be reduced from 50Ml to 5Ml a year.

1.1.4 In September 2009, the UK Government and Welsh Assembly Government consulted on the Cave Review recommendations, and how they propose to take forward the development of competition. The consultation concluded that the intention is to lower the consumption threshold in England only from 50Ml to 5Ml from April 2010. The UK Government said it would consider opening competition up to all business customers in the future following work by Ofwat and CCWater to evaluate the success of the competition regime. However, the Welsh Assembly Government is not currently minded to lower the competition threshold in Wales.

1.1.5 To inform the Governments’ future decisions, it is important for CCWater to provide evidence about what SMEs want and expect from the competition regime. This research aims to address these questions.

1.2 Objectives

Business Objectives

1.2.1 The aim of the research is to inform CCWater’s understanding of SME customers’ views on competition in the water and sewerage industry and also to identify SME customers’ expectations and aspirations for competition in this industry.

1.2.2 The research was specifically designed to:

- inform and contribute to the Government and Ofwat reviews of competition
- develop the evidence base on what customers expect from competition
- help CCWater to develop an effective communications strategy on competition.

1.2.3 CCWater will use the research to:

- identify SME customers' positive and negative views on competition
- provide greater legitimacy in representing all consumers
- provide a stronger evidence base on which to make policy decisions
- gauge SME concerns about competition and how these might be overcome, in order to ensure that a competition regime develops that will meet SME expectations.

Research Objectives

1.2.4 The research was designed to provide information on the following:

- SME customers' satisfactions levels with their current water and sewerage supplier (in terms of price, level of service and scope of services offered)
- the level of interest in being able to switch water and/or sewerage supplier and the likelihood of switching
- the factors that would motivate a customer to consider switching water and/or sewerage supplier, including how much customers value any financial and non-financial benefits (i.e. new services, service quality, price savings, tailored tariffs etc)
- the information SMEs would want/need to assist their choice of supplier
- what customers would look for from alternative suppliers (i.e. level of price savings, type of services, tailored service, single contract for all sites etc)
- the barriers (actual and/or perceived) that could stand in the way of customers switching and how these could be overcome to facilitate a change of supplier
- whether customers would be willing to accept (the possibility of) price rises to achieve a competitive market
- whether SME customers' with multiple sites in England and Wales would be 'put off' if competition was limited to either England or Wales and they were unable to switch all their sites in England and Wales to the same licensee.

Background to the Quantitative Findings: Findings from the Qualitative Stage of the Research

1.2.5 The research consisted of two stages. Firstly, five deliberative mini focus groups were held between 2nd and 8th February 2010 to explore the views of SMEs about competition in the water and sewerage industry. This helped inform the focus of the subsequent second stage quantitative survey which sought to measure attitudes of SMEs towards competition.

1.2.6 The key findings of the qualitative stage are as follows:

- contact and engagement with water companies is minimal; it is only initiated when a problem arises

- there is little awareness of the current availability of competition in the water industry

- the overarching advantage of introducing competition relates to pricing, as it offers SMEs the ability to negotiate payment terms with water suppliers

- the main disadvantage of introducing competition is perceived to be that having more choice may lead to confusion over which water supplier to select

- key conclusion:

  - whilst all respondents hold the belief that competition in the water industry is a good thing for businesses, fewer agree that its introduction would be beneficial in terms of offering them a substantive saving on their already modest bills. Therefore, more respondents feel that – *on balance* – the effort of trying to find the 'best' supplier will dwarf the eventual cost savings.

1.2.7 The full qualitative findings are contained in "Small and Medium Business Customer Views on Competition – February 2010". This is attached at Appendix A.

2. METHODOLOGY

2.1 Conducting the Research

2.1.1 The quantitative phase of the research was conducted in the following way:

- To ensure informed views were obtained, respondents had to be the person responsible for paying water bills or for liaising with energy and water suppliers on behalf of the business. If the business had more then one site, the respondent had to be able to speak on behalf of more than one site or be involved in decisions to switch water suppliers for more than one site.

- For the purposes of this survey, SMEs were defined as:

  - having under 250 employees

  - paying under £20k annually for water and sewerage at a single site

  - having their own business premises, therefore excluding businesses operating from home and potentially paying domestic water and sewerage charges

  - businesses which are part of larger chains of SMEs and sole traders.

- 10 pilot interviews were conducted to test the methodology.

- In business-to-business research, where sample and budget typically restrict the number of interviews that can be achieved, a sample size of 30 is considered the minimum required to achieve robust findings and 75 to 100 the ideal. This acted as a guide to setting robust sample sizes of the desired customer segmentations. These were as follows:

  - 1,515 computer aided telephone interviews (CATI) were conducted to provide very robust overall findings (+/- 2.5% at the 95% confidence interval)

  - quotas were set to obtain robust samples for each of the 9 water and sewerage company regions in England, and for the two water companies of Dŵr Cymru Welsh Water and Dee Valley Water. These two companies had their own individual quotas to ensure that the research objectives relating to the not for profit status of Dŵr Cymru Welsh Water and SMEs with sites in both England and Wales could be met. The interviews achieved in each water region were:

    - 154 Eastern
    - 155 Dŵr Cymru Welsh Water
    - 142 Northumbria
    - 150 Midlands
    - 150 South West
    - 141 Southern
    - 140 Thames
    - 140 North West
    - 141 Wessex
    - 141 Yorkshire
    - 61 Dee Valley Water.

- the fieldwork also achieved 31 interviews with SMEs with branches in both England and Wales.

The statistical margins of error of findings for these different sample sizes, at the 95% confidence interval, are shown in Table 1. These should be interpreted as follows:

- if 50% of the full sample of 1515 gave a certain response we can say – with 95% confidence – that the actual proportion of all customers that would have given that response (had all customers been surveyed) would have been 50% +/- 2.5% i.e. between 47.5% and 52.5%

- if 90% of the full sample of 1515 gave a certain response we can say – with 95% confidence – that the actual proportion of all customers that would have given that response (had all customers been surveyed) would have been 90% +/- 1.5% i.e. between 88.5% and 91.5%

- however, if 50% of the sub-sample of 61 Dee Valley Water customers gave a certain response we can say – with 95% confidence – that the actual proportion of all Dee Valley Water customers that would have given that response (had all Dee Valley Water customers been surveyed) would have been 50% +/- 12.6% i.e. between 37.4% and 62.6%

- if 90% of the sub-sample of 61 Dee Valley Water customers gave a certain response we can say – with 95% confidence – that the actual proportion of all Dee Valley Water customers that would have given that response (had all Dee Valley Water customers been surveyed) would have been 90% +/- 7.5% i.e. between 82.5% and 97.5%.

Table 1: Margins of error for different percentage response levels for different sample sizes

	Margin of error on percentage data reported by different sample sizes (+/- @ 95% confidence interval)		
Base Size	**10% or 90%**	**30% or 70%**	**50%**
1515 (full sample)	1.5%	2.3%	2.5%
150 (approximation of water region sample sizes)	4.8%	7.3%	8.0%
61 (Dee Valley Water)	7.5%	11.5%	12.6%
31 (businesses with branches in England and Wales)	10.6%	16.1%	17.6%

- The research sought a representative spread of views by sector of activity, bill size, urban and rural locations, single and multiple sites, incidence of businesses in both England and Wales. This was achieved by randomly selecting respondents within each of the 11 areas surveyed. Appendix B shows the characteristics of the sample obtained.

- The development of the quantitative questionnaire was informed by the findings of the qualitative research (see Appendix C for the questionnaire used).
- The average interview duration was 11 minutes.
- Fieldwork was conducted between 1st and 19th March 2010.

2.2 Reporting

In this research, Dŵr Cymru Welsh Water's business model is referred to as being 'not-for-profit'. This means that the company does not have any shareholders, and the profits made are re-invested in the business for the benefit of their customers and consumers. This was explained to respondents supplied by Dŵr Cymru Welsh Water when they were asked whether the business model affected their views towards competition. The explanation they were given was: "Dŵr Cymru Welsh water is a not-for-profit company which means that it has no shareholders. Any financial surpluses are retained for the benefit of Welsh Water's customers."

3. FINDINGS

3.1 Introduction

3.1.1 This chapter sets out the findings of the quantitative research under the following headings:

- attitudes towards current water and sewerage service suppliers
- possible response to water and sewerage competition: experience of switching energy suppliers
- knowledge and attitude towards competition in the water and sewerage industry
- switching water and sewerage service suppliers
- attitude to switching among businesses with more than one site
- not for profit status of Dŵr Cymru Welsh Water
- summary comparisons of English and Welsh SMEs
- distinctive attitudes in the North West and South West of England.

3.2 Attitudes towards Current Water and Sewerage Service Suppliers

Summary

3.2.1 Attitudes towards water and sewerage services are positive overall, although quite ambivalent with respect to value for money. There are few specific reasons why businesses are satisfied with their suppliers (i.e. drivers are nebulous). When there is dissatisfaction (and this is not widely the case) cost is the key factor. These findings are similar to those of research conducted by Accent in the electricity and gas sector.

3.2.2 Yorkshire and Wessex receive the best scores for satisfaction with water and sewerage services and with value for money. The North West and South West regions receive the least favourable satisfaction scores, particularly for value for money, where customers are on average dissatisfied.

Ratings of Water and Sewerage Services

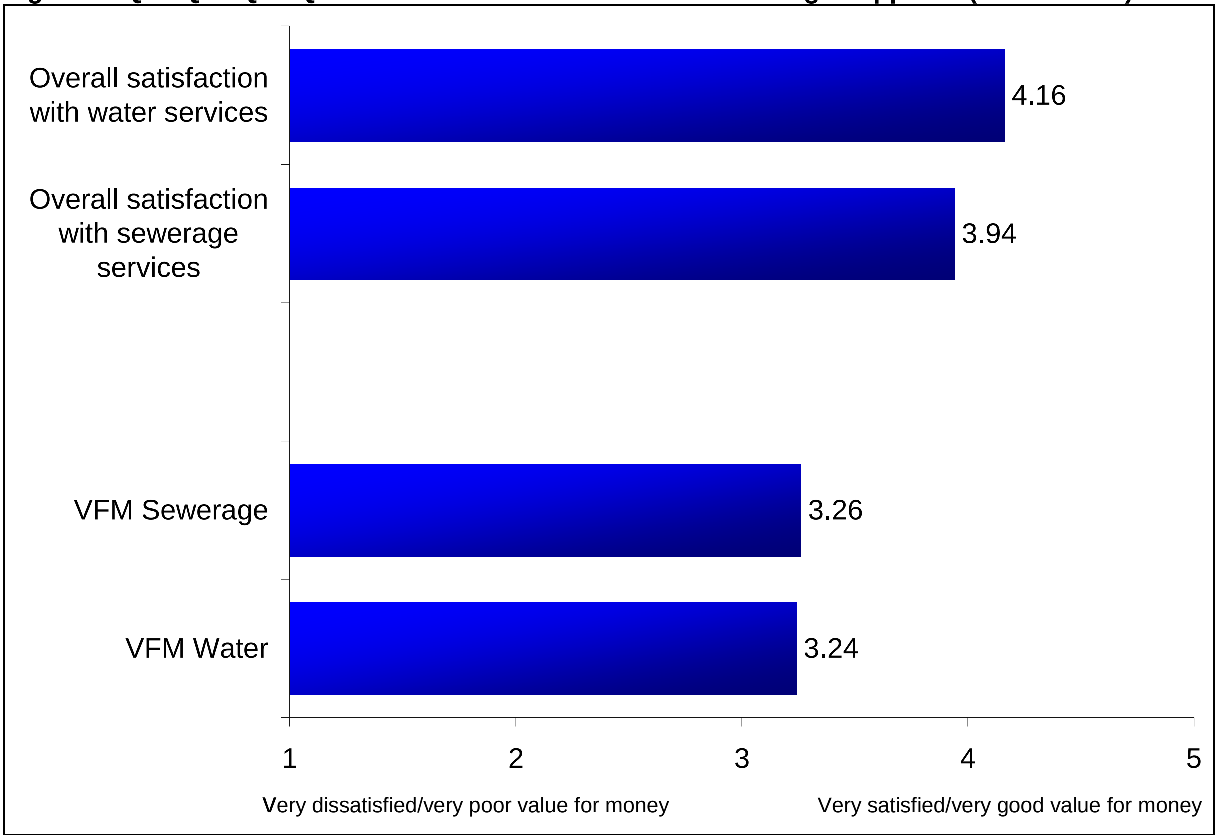
3.2.3 Respondents were asked to rate their satisfaction with their water and sewerage service on a scale of 1 to 5 where 1 means very dissatisfied and 5 means very satisfied. They were asked to use this rating to judge overall service and value for money.

3.2.4 All respondents are more satisfied with water services than sewerage services and the difference is statistically significant. However, sewerage services are perceived to provide about the same value for money as water services.

3.2.5 The ratings for value for money are much lower than the ratings for overall satisfaction (this difference is statistically significant).

3.2.6 Respondents are quite satisfied with water services overall (i.e. 4.16 out of 5). The rating for sewerage services is a little lower (3.94). The ratings for value for money (VFM) of 3.26 for sewerage and 3.24 for water show that businesses are more ambivalent towards their suppliers on cost. These findings are shown in Figure 1.

Figure 1: Q21/Q25/Q24/Q28: Attitude towards water and sewerage suppliers (mean score)



Base: All respondents; overall satisfaction water (1515), sewerage (1436); value for money water (1515), sewerage (1388)[2]

3.2.7 Figure 2 and Figure 3 show the same information for each of the water and sewerage company regions and Dee Valley Water and these reflect the high level findings, with some variations:

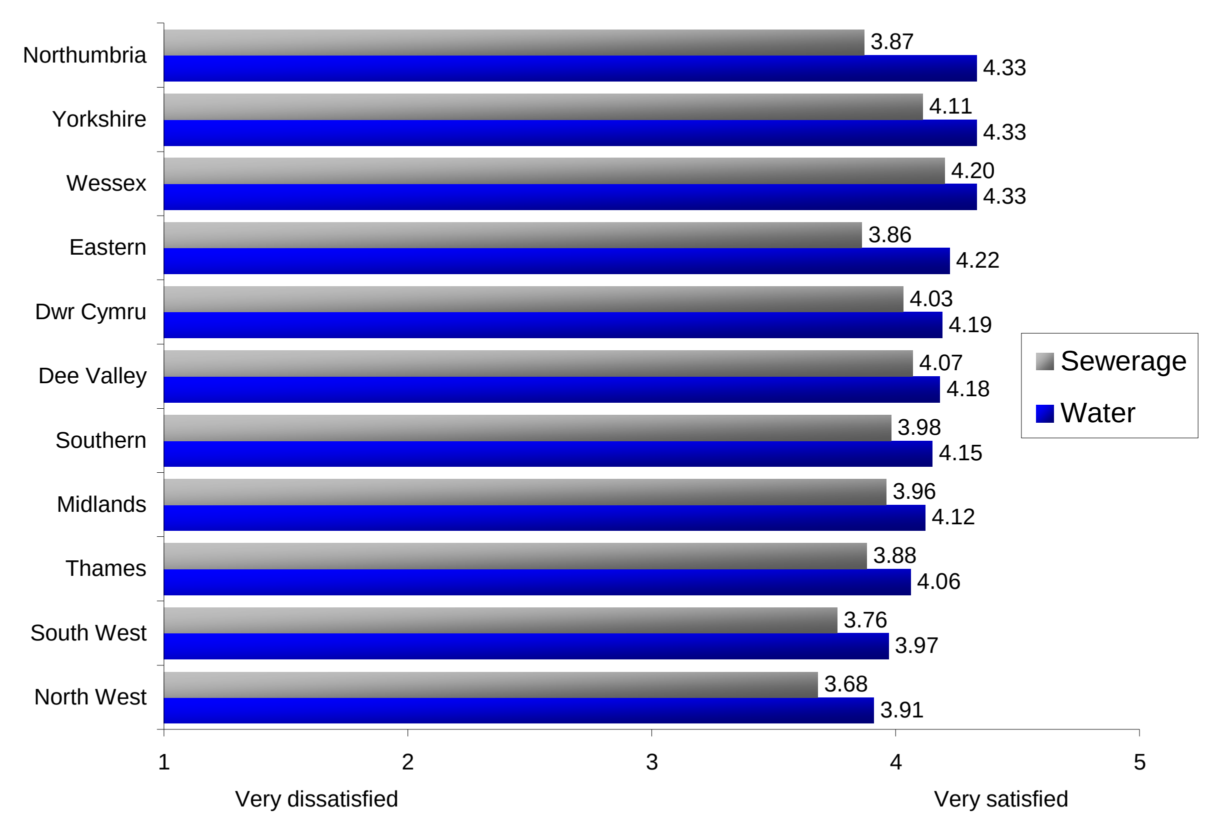
- On overall satisfaction with water services (Figure 2), customers in the South West, Thames and North West regions are significantly less satisfied than those in the Yorkshire, Wessex and Northumbria regions.

- On overall satisfaction with sewerage services, SME customers in the North West are significantly less satisfied than all others, except for those in the South West, Eastern and Northumbria regions.

  – South West customers are significantly less satisfied than customers of Dŵr Cymru Welsh Water, Dee Valley Water, and those in the Wessex and Yorkshire regions.

[2] Fewer responded to the sewerage questions as some businesses felt the question was not relevant to them as they had their own septic tanks

Figure 2: Q21/Q25 Overall satisfaction with water and sewerage services (mean score)



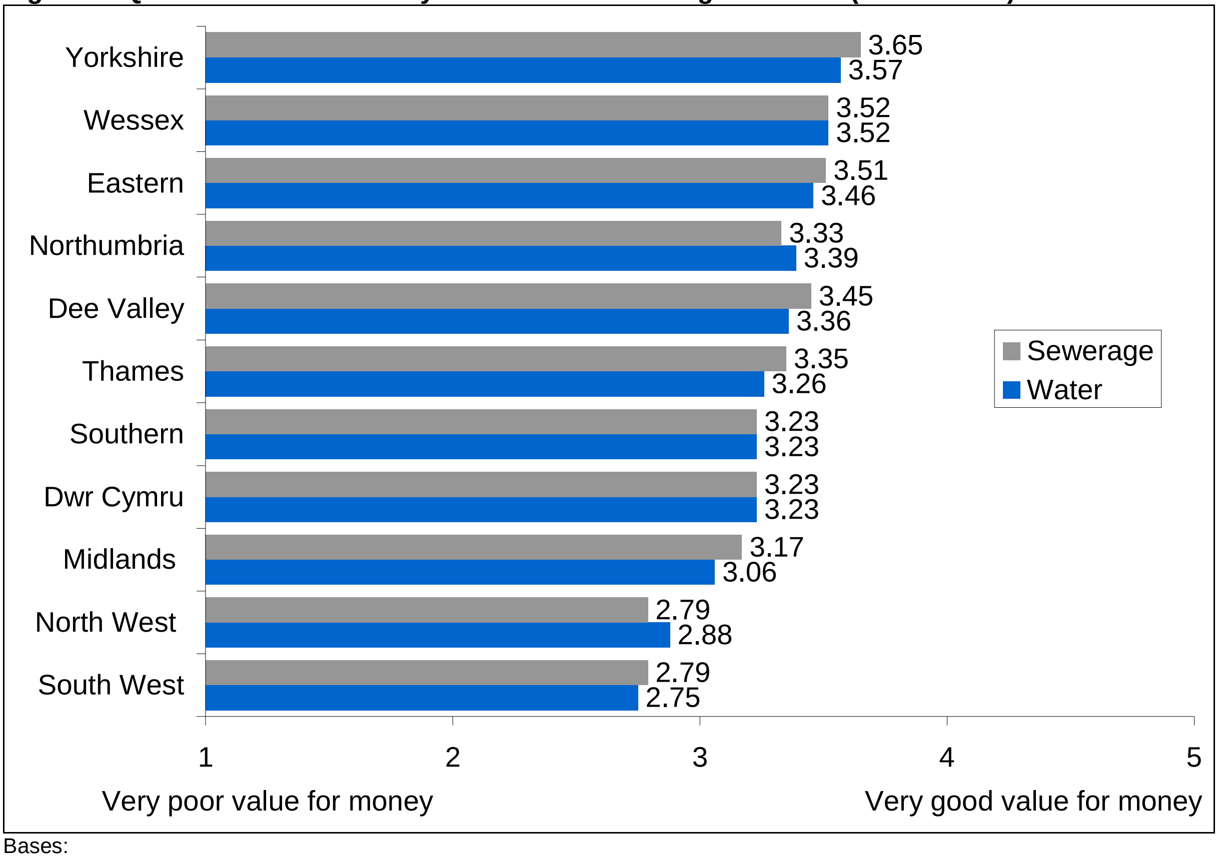
Bases:
Overall satisfaction with water services: All respondents (1515), Northumbria (142), Yorkshire (141), Wessex (141), Eastern (154), Dŵr Cymru (155), Dee Valley (61), Southern (141), Midlands (150), Thames (140), South West (150), North West (140).
Overall satisfaction with sewerage services: All respondents (1436), Northumbria (141), Yorkshire (135), Wessex (131), Eastern (142), Dŵr Cymru (145), Dee Valley (56), Southern (130), Midlands (143), Thames (138), South West (136), North West (139) .

- On value for money scores (Figure 3), the key finding is that the scores given by SME customers in the North West and South West of England for both water and sewerage are below 3, indicating that respondents do not think the two companies give good value for money.

- On value for money of water service:
  - South West customers are significantly less satisfied than all other customers except those in the North West
  - North West customers are significantly less satisfied than all other customers except those in the South West and Midlands.

- On value for money of sewerage services:
  - South West and North West customers are less satisfied than all other regions.

Figure 3: Q24/28: Value for money of water and sewerage services (mean score)



Bases:
Value for money of water: All respondents (1515), Eastern (154), Dŵr Cymru (155), Northumbria (142), Midlands (150), South West (150), Southern (141), Thames (140), North West (140), Wessex (141), Yorkshire (141), Dee Valley (61)
Value for money of sewerage: All respondents (1388), Eastern (135), Dŵr Cymru (134), Northumbria (134), Midlands (140), South West (129), Southern (122), Thames (135), North West (134), Wessex (129), Yorkshire (130), Dee Valley (55)

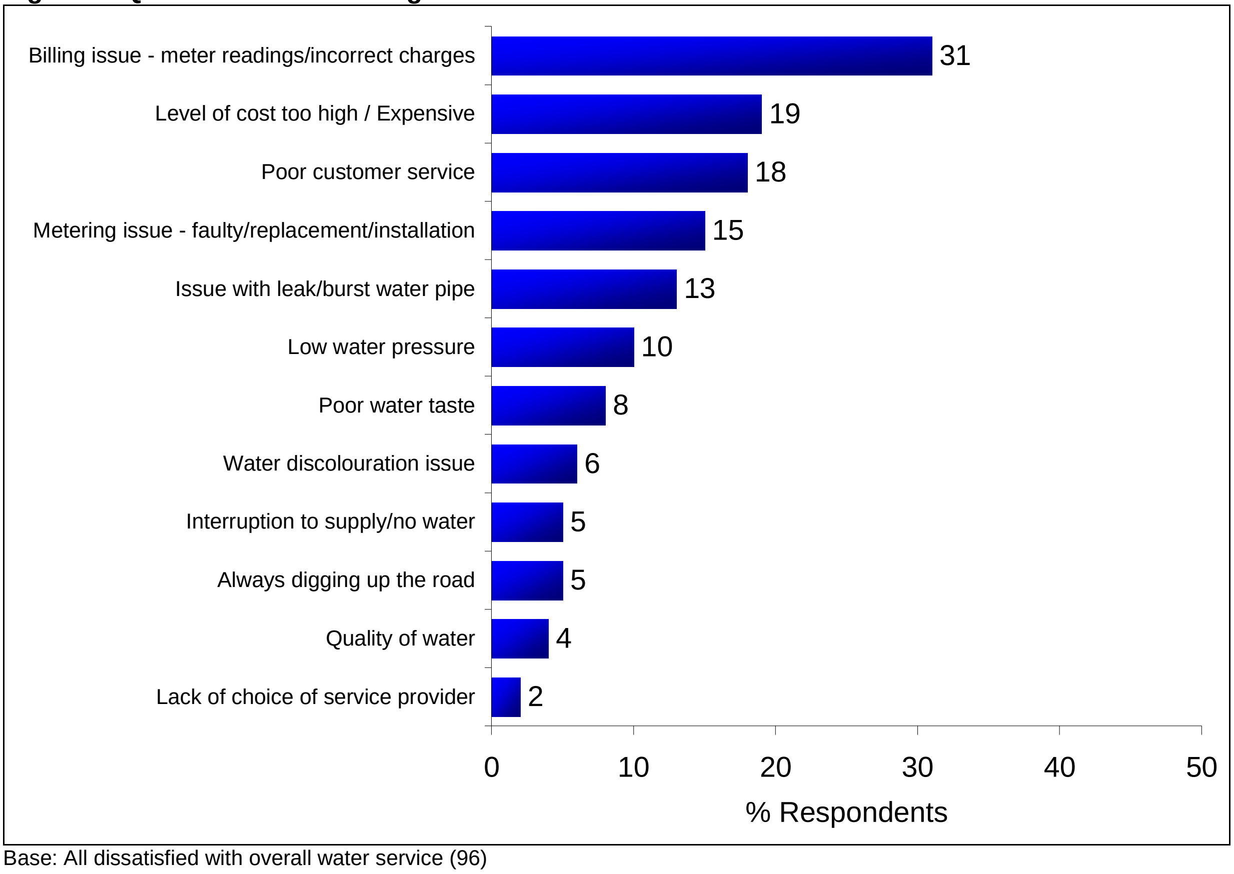
Reasons for Dissatisfaction

3.2.8 A small proportion of SMEs are dissatisfied with water and sewerage services overall (6% with water and 8% with sewerage services). When asked to give reasons for their dissatisfaction, as Figure 4 and Figure 5 show, 2 of the 4 top reasons for dissatisfaction are directly related to cost. Billing issues, which includes incorrect charges, is another key reason, as is blocked sewerage pipes. Poor customer service is therefore an issue for both water and sewerage services.

3.2.9 The top three reasons for dissatisfaction with water and sewerage services are as follows:

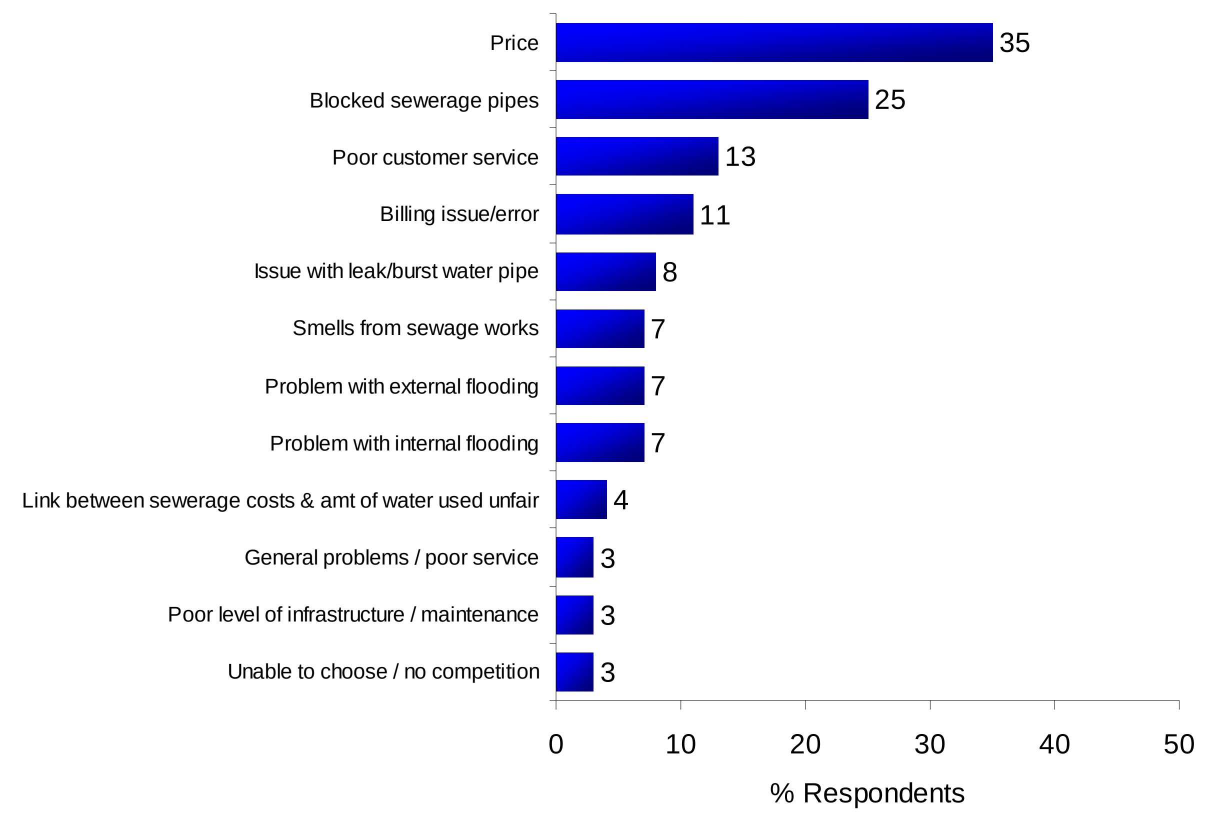
- Water
  - billing issues relating to meter readings and incorrect charges (31%)
  - levels of cost are too high/expensive (19%)
  - poor customer service (18%)
- Sewerage
  - price (35%)
  - blocked sewerage pipes (25%)
  - poor customer service (13%).

Figure 4: Q22: Reasons for being dissatisfied overall with water services



Base: All dissatisfied with overall water service (96)

Figure 5: Q26: Reasons for being dissatisfied overall with sewerage services



Base: All dissatisfied with overall sewerage service (120)

3.2.10 Bases are too low to show reasons for dissatisfaction by individual water and sewerage regions.

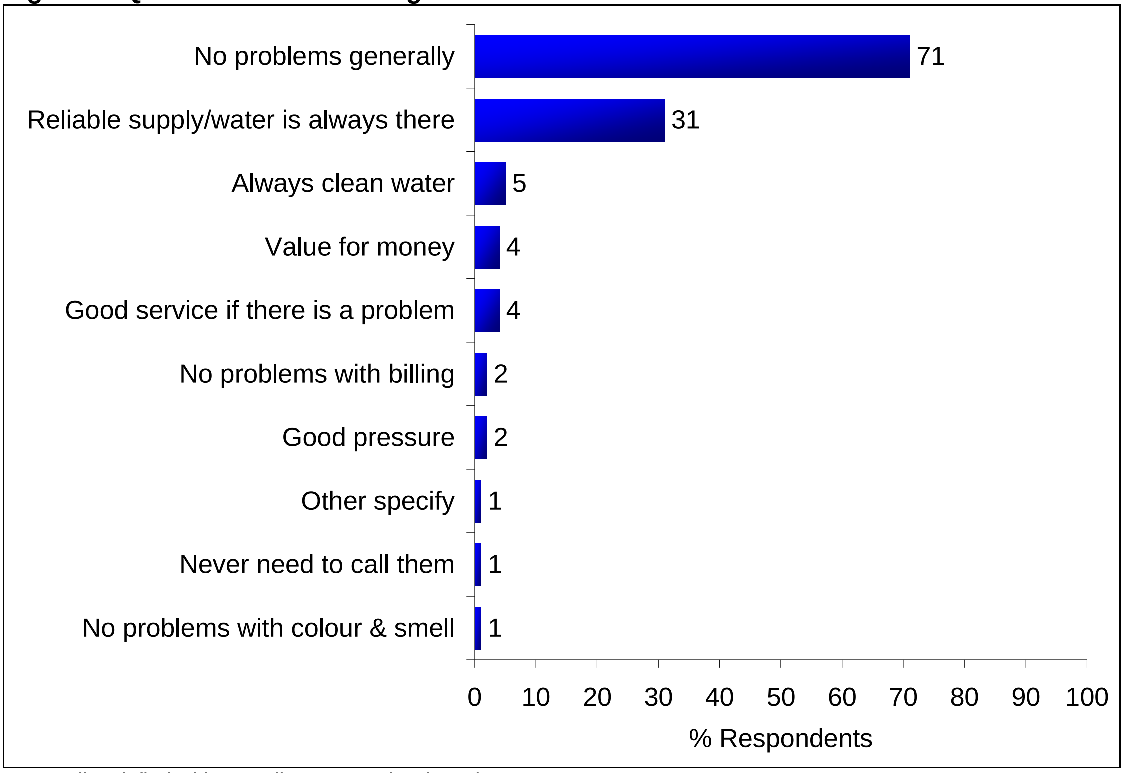
Reasons for Satisfaction

3.2.11 Those who were satisfied with the overall service received (i.e. giving mean scores of 4 or 5) were asked to give reasons for the high scores.

3.2.12 A high proportion (80%) are satisfied with their water services and 65% are satisfied with their sewerage services.

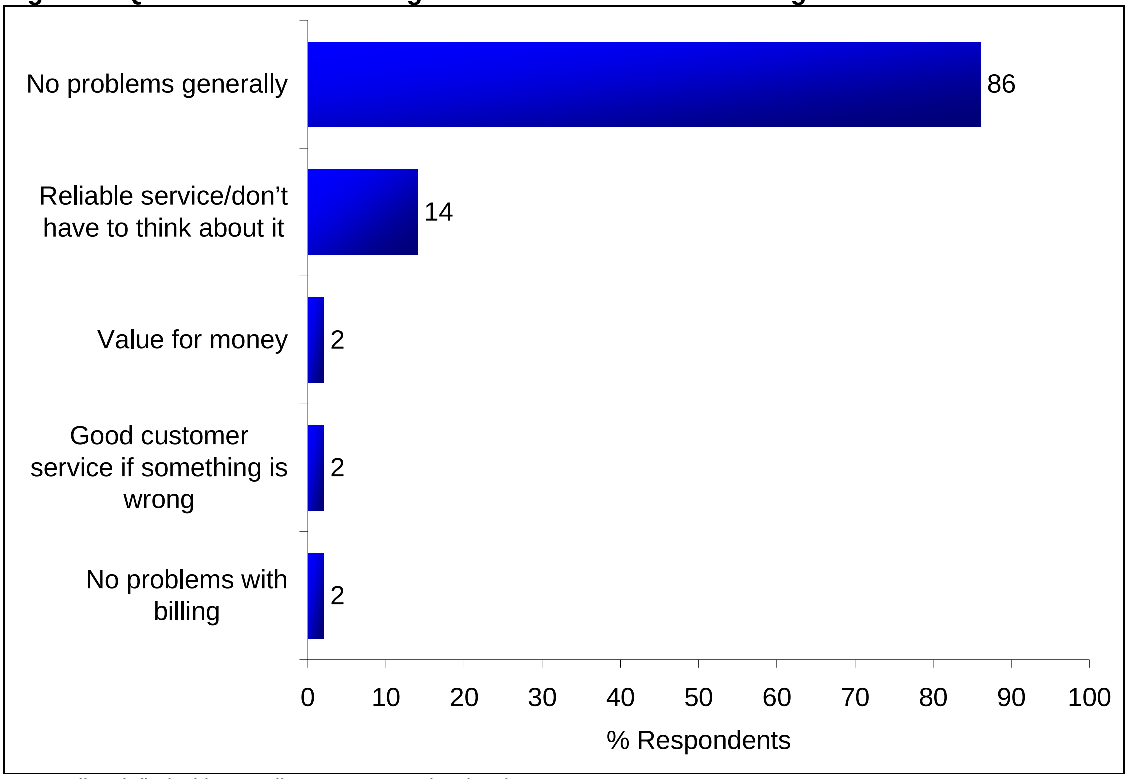
3.2.13 The reasons for satisfaction are quite passive (i.e. no problems) and few cite specific reasons for being satisfied (see Figure 6 and Figure 7).

Figure 6: Q23: Reasons for being satisfied overall with water services



Base: All satisfied with overall water service (1207)

Figure 7: Q27: Reasons for being satisfied overall with sewerage services



Base: All satisfied with overall sewerage service (987)

3.2.14 Please see Appendix D Table 5 and Table 6 for the water region breakdown of reasons for satisfaction with water and sewerage services. These tables show that the ranking of factors in each area mainly reflects the overall pattern seen above.

3.3 Possible Response to Water and Sewerage Competition: Experience of Switching Energy Suppliers

Introduction

3.3.1 There are similarities in the water, gas and electricity industries in business. By reviewing how SMEs engage with the energy market, which has been open to competition for medium sized organisations since 1994 and small businesses since 1998, it may be possible to assess how these businesses may react to water competition.

Summary

3.3.2 The key findings are that while many SMEs are already used to operating in a competitive energy market, a significant minority are not:

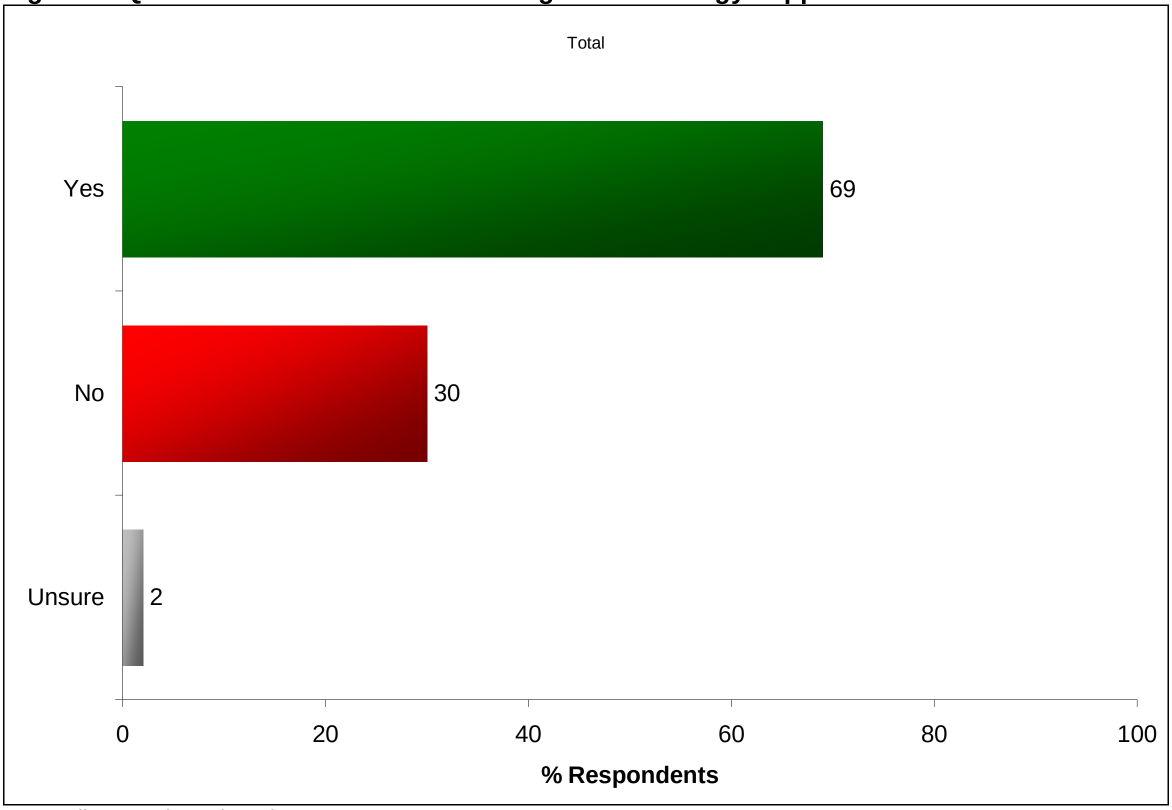
- over two thirds of respondent SMEs have switched energy supplier in the past
- a significant minority, 30%, have never changed their energy supplier
- 80% of those who have changed their energy supplier have done so at least once in the last three years; however, 18% last switched more than three years ago
- multiple switching is not uncommon
- nine out of ten switched energy supplier because it gave them cheaper prices
- 8% of those who had switched think that switching has been a bad thing for their business and this is mainly because of price issues (48%) i.e. their new supplier sounding cheaper but not being cheaper, them being misled or encountering price increases or hidden charges
- where switching energy supplier is seen as a good thing this is overwhelmingly because those concerned have experienced better prices (91%).

3.3.3 Water and sewerage charges for most SMEs are, however, much smaller than their energy costs (e.g. only 8% have charges equal to or larger than their energy bills). Therefore, if price is to be a key driver for switching in water (as it is in energy) there may be less motivation to switch suppliers for some businesses where the potential savings on water bills may be proportionately less than for energy bills.

Findings

3.3.4 Over two thirds of SMEs (69%) have switched their energy supplier, and a significant proportion has never switched (30%). See Figure 8.

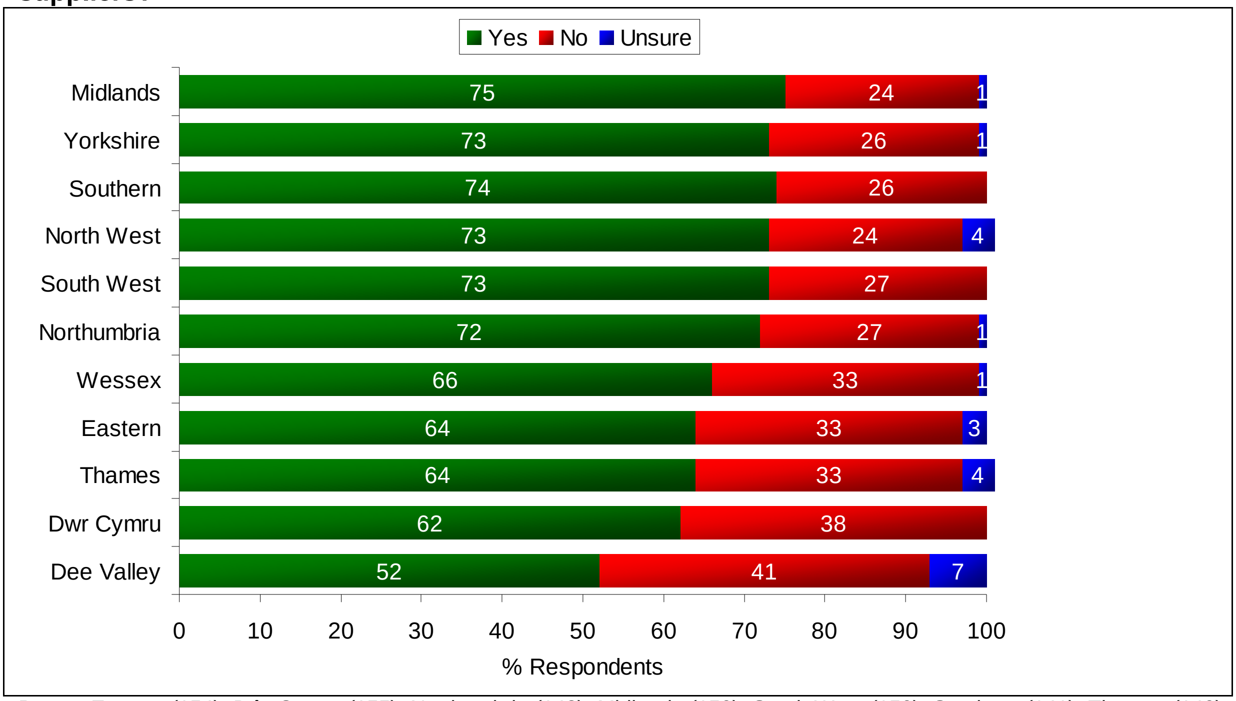
Figure 8: Q32: Have businesses ever changed their energy suppliers?



Base: All respondents (1515)

3.3.5 There is some variation by water region (see Figure 9). Significantly fewer SMEs in the Eastern, Thames and Dŵr Cymru Welsh Water regions have switched energy supplier than in the Southern or Midlands regions, suggesting that businesses in those regions may be less persuaded by the notion of competition for utility services.

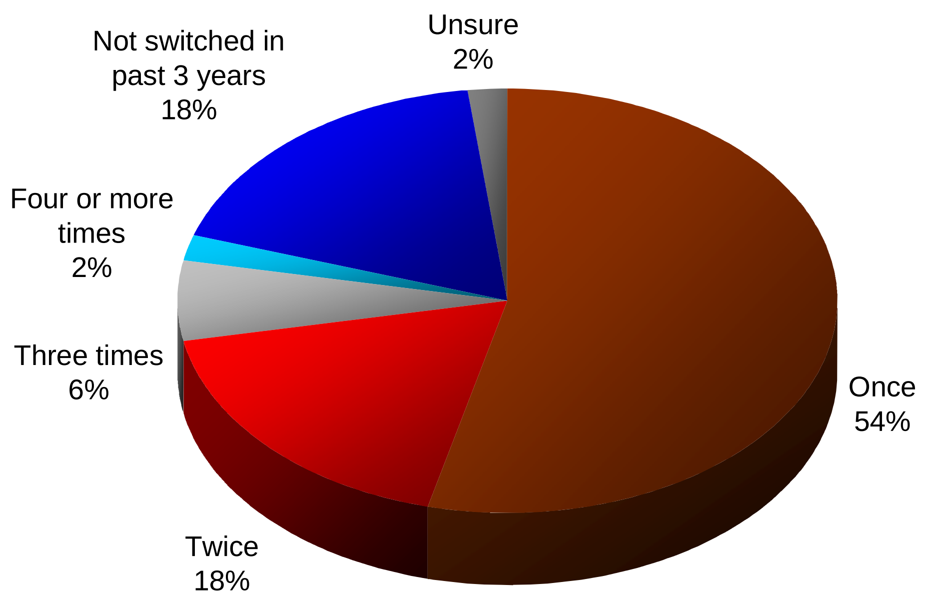
Figure 9: Q32: Water region breakdown: have businesses ever changed their energy suppliers?



Bases: Eastern (154), Dŵr Cymru (155), Northumbria (142), Midlands (150), South West (150), Southern (141), Thames (140), North West (140), Wessex (141), Yorkshire (141), Dee Valley (61)

3.3.6 Among those who have switched, about 1 in 5 last switched more than 3 years ago, whilst just over half have switched once and 26% have switched 2 or more times within the last 3 years (see Figure 10).

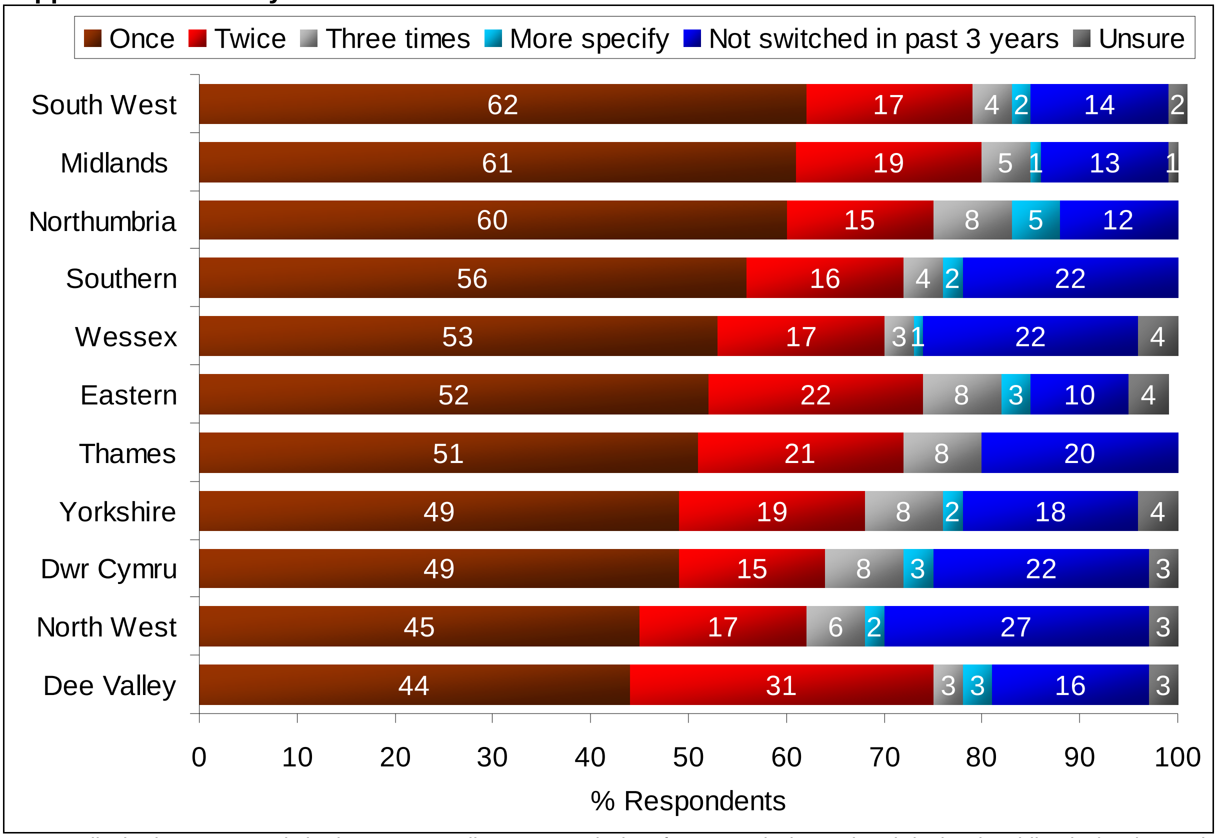
Figure 10: Q33: All energy supply switchers: number of times businesses have changed energy supplier in the last 3 years



Base: all who have ever switched energy supplier (1041)

3.3.7 Figure 11 shows the level of switching among those businesses that have switched energy supplier in the past. Switching activity (in terms of the proportions who have not switched at all in the last 3 years) is lowest in the Southern, Wessex, North West and Dŵr Cymru Welsh Water regions, these results all being significantly different to the 10% who have not switched in the past 3 years in the Eastern region.

Figure 11: Q33: Water region breakdown: number of times businesses have changed energy supplier in the last 3 years

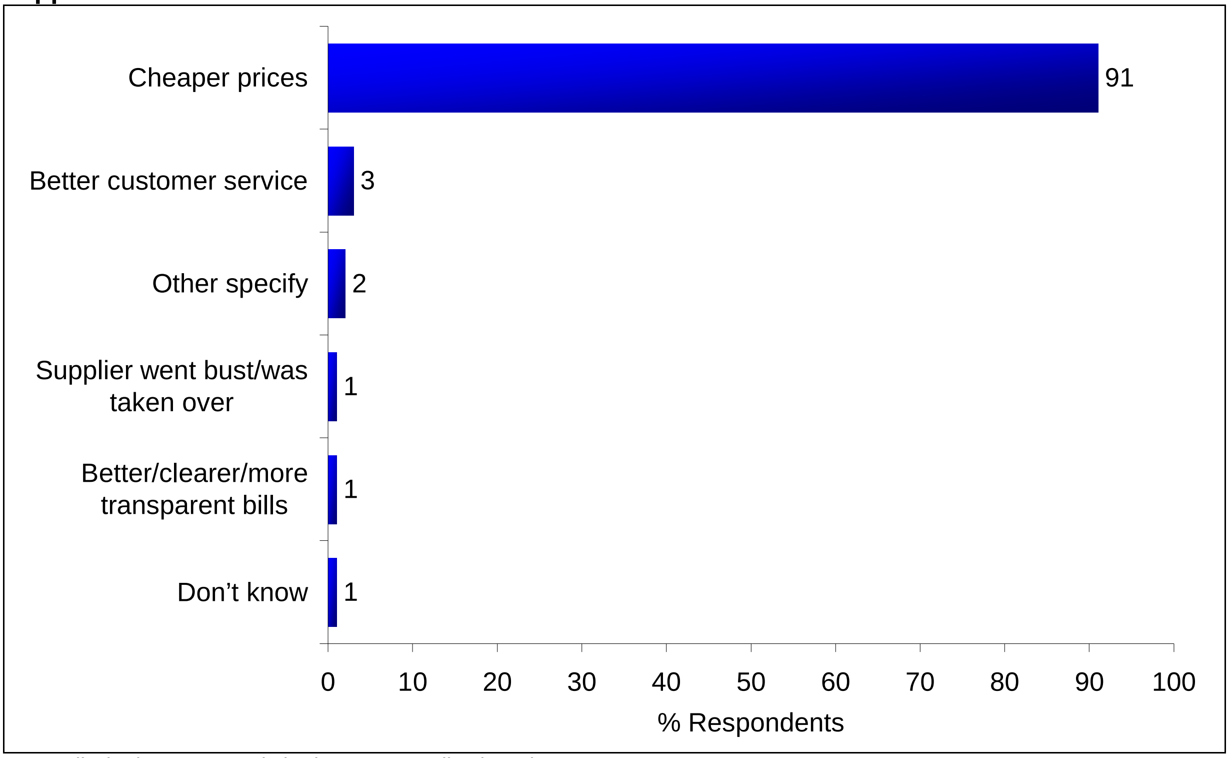


Bases: All who have ever switched energy supplier: Eastern (98), Dŵr Cymru (96), Northumbria (102), Midlands (112), South West (110), Southern (104), Thames (89), North West (102), Wessex (93), Yorkshire (103), Dee Valley (32)

3.3.8 Across England and Wales the key reason SMEs have switched energy supplier is because of price (91% – see Figure 12). It is also the most overwhelming reason for energy switching in each of the water and sewerage regions (see Figure 13) and as noted in Section 3.2, price-related issues are amongst the key reasons for dissatisfaction with water and sewerage suppliers. It would be reasonable to conclude, therefore, that prices would also be a driver to change water and sewerage suppliers.

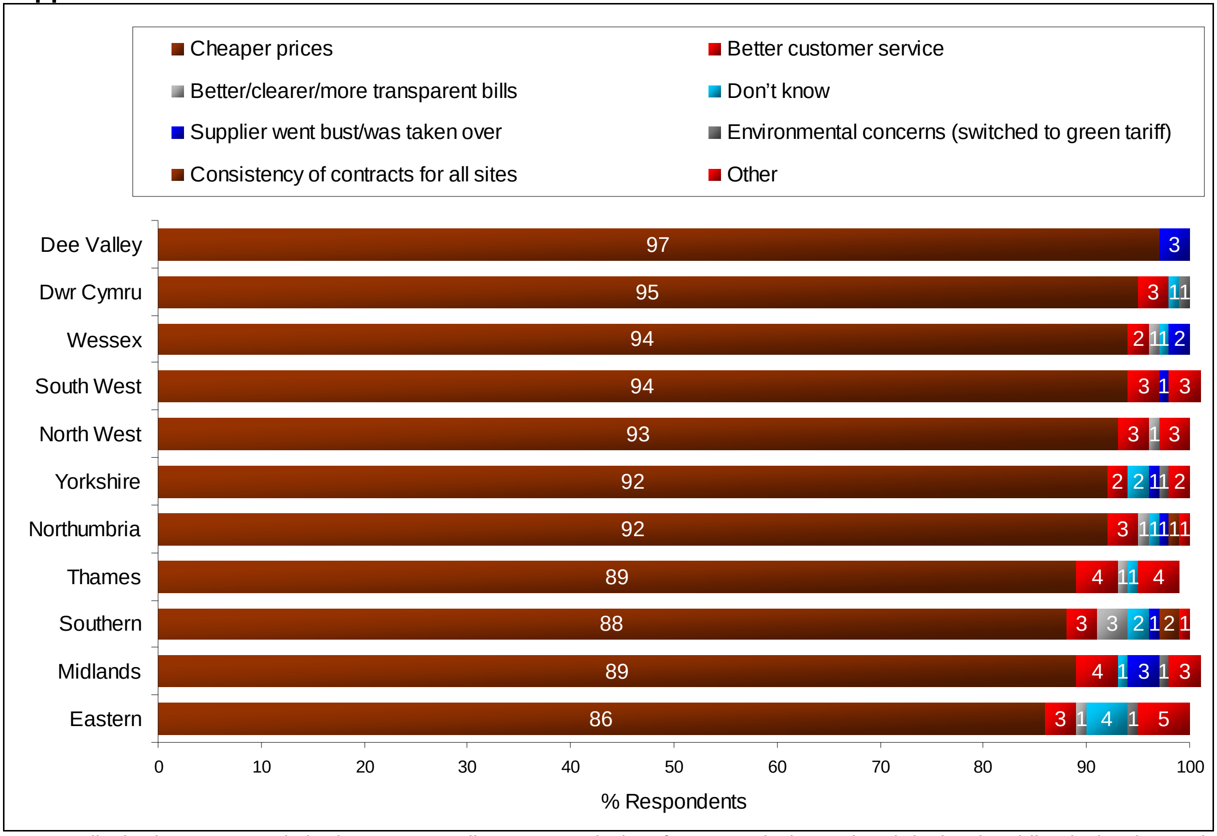
3.3.9 In Section 3.2, billing issues are cited as the main reason for dissatisfaction with water services. In energy, customer service issues are far less of a driver for switching than the desire for cheaper prices. However, results shown in Figure 41 (and Table 12 in Appendix D) on motivations for switching water and sewerage supplier suggest that customer service issues such as incorrect billing may, albeit for a much smaller proportion of SMEs, come into play in decisions to switch in the water and sewerage sector.

Figure 12: Q34: All energy supply switchers: single most important reason for changing energy supplier



Base: all who have ever switched energy supplier (1041)

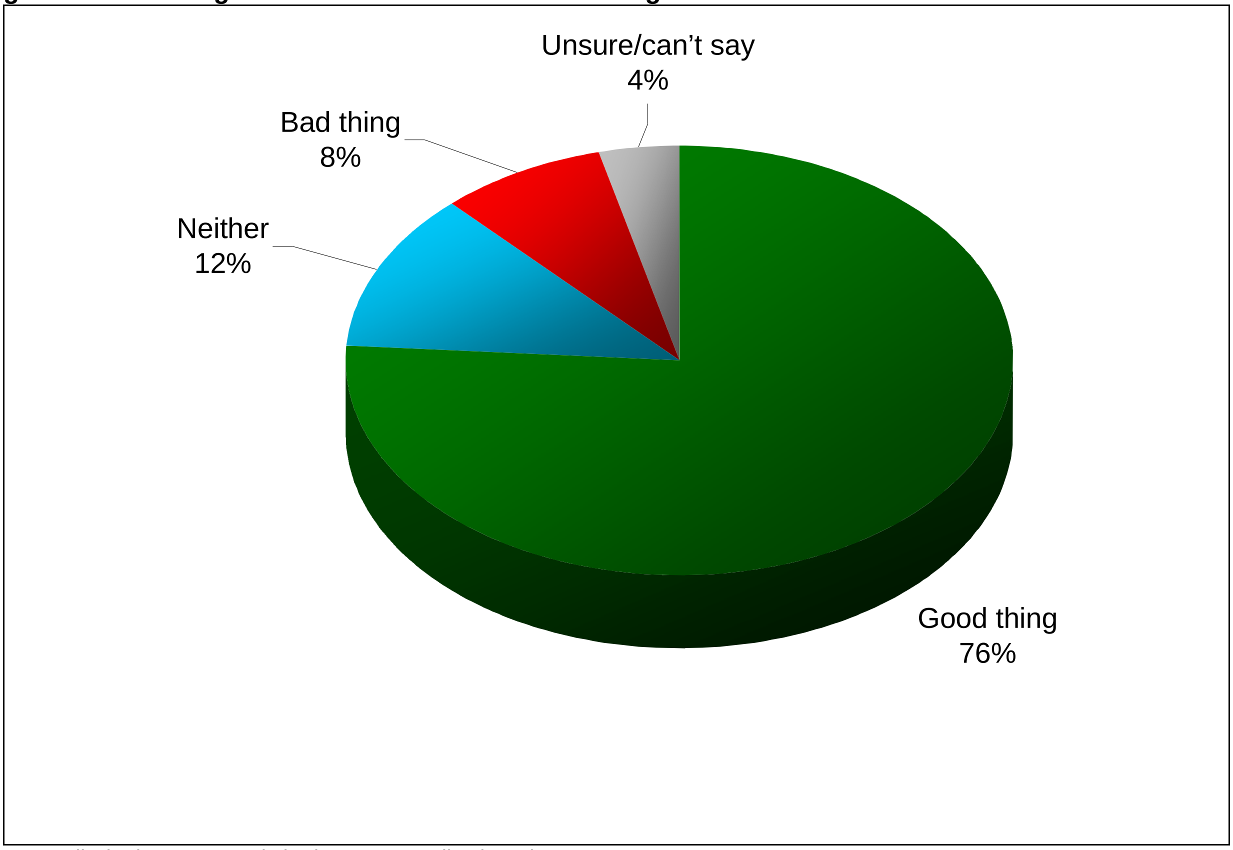
Figure 13: Q34: Water region breakdown: single most important reason for changing energy supplier



Bases: All who have ever switched energy supplier: Eastern (98), Dŵr Cymru (96), Northumbria (102), Midlands (112), South West (110), Southern (104), Thames (89), North West (102), Wessex (93), Yorkshire (103), Dee Valley (32)

3.3.10 Those who perceive that changing their energy supplier has been a good thing for their business, heavily outweigh those who think it has been a bad thing: 76% vs. 8% (see Figure 14).

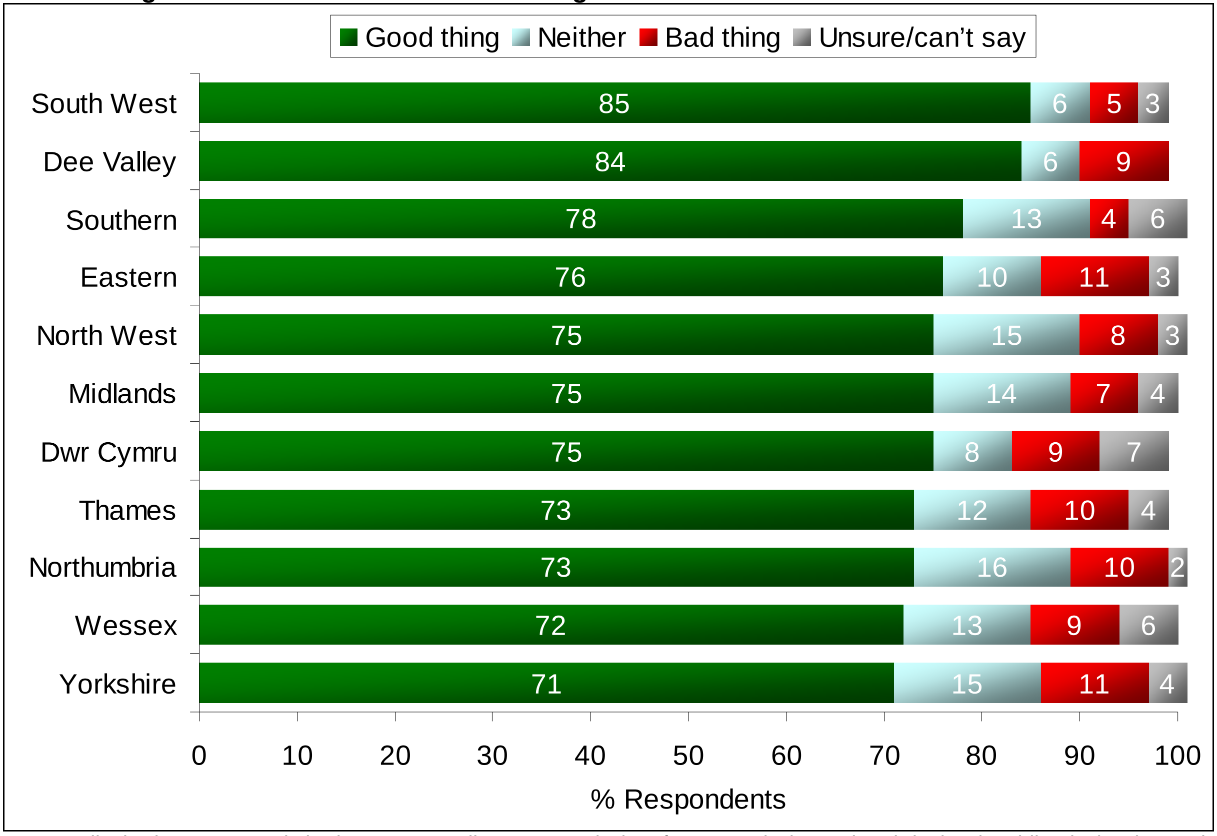
Figure 14: Q35: All energy supplier switchers: overall, was switching your energy supplier a good or bad thing for businesses or was it neither good nor bad?



Base: all who have ever switched energy supplier (1041)

3.3.11 A very large majority in each of the water regions are positive about their experience of switching energy supplier (see Figure 15). The key difference is the views of South West customers. The high positive score is due to significantly fewer customers being neutral about the benefits of switching[3].

Figure 15: Q35: Water region breakdown: overall, was switching your energy supplier a good or bad thing for businesses or was it neither good nor bad?



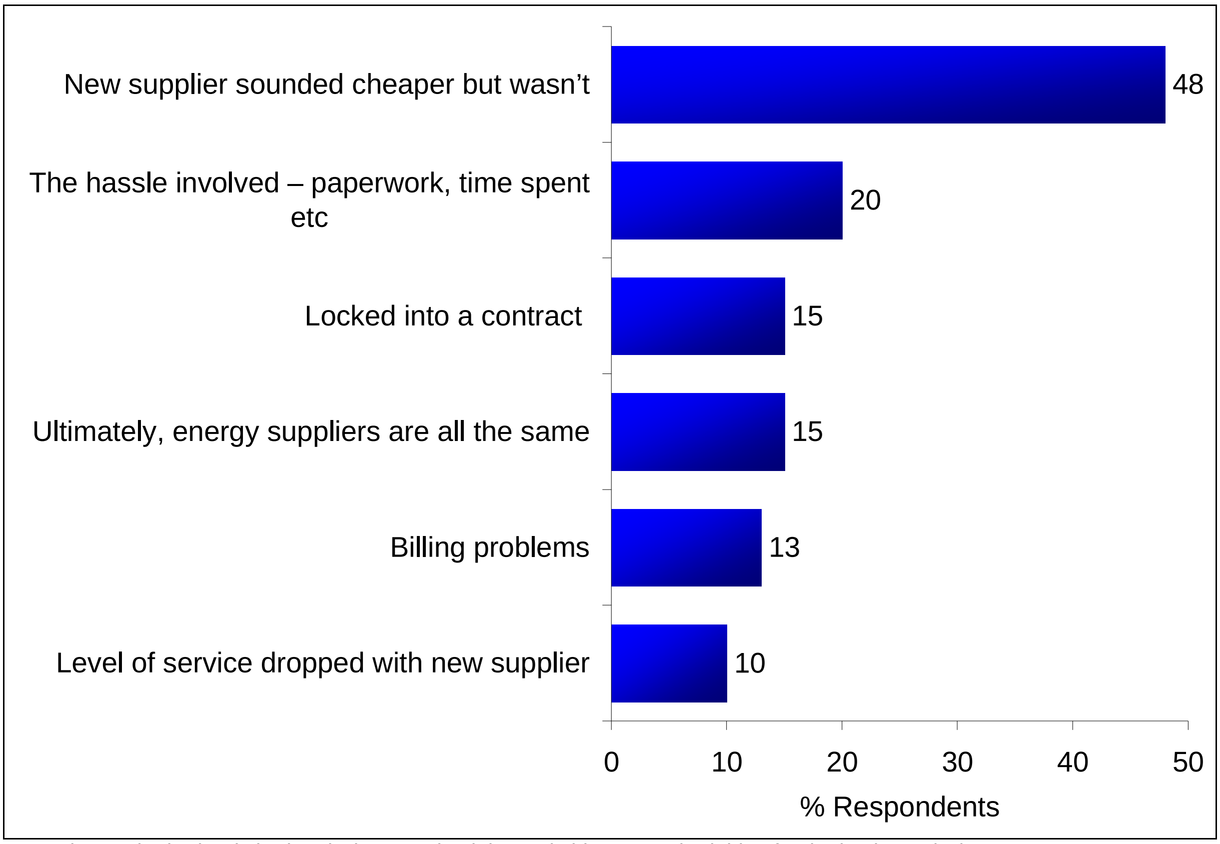
Bases: All who have ever switched energy supplier: Eastern (98), Dŵr Cymru (96), Northumbria (102), Midlands (112), South West (110), Southern (104), Thames (89), North West (102), Wessex (93), Yorkshire (103), Dee Valley (32)

3.3.12 Among the 8% who think that switching has been a bad thing for their business, the majority (48%) cite disappointed expectations with regard to cost savings as the main reason (see Figure 16). However, where switching is perceived to have been a good thing, it is primarily (91%) due to having made cost savings (see Figure 17).

3.3.13 The base sizes are too small to show a breakdown by water region of reasons for thinking switching energy supplier is bad for the business. The reasons for thinking it is a good thing are all very similar across the water regions and these are shown in Appendix D (Table 7).

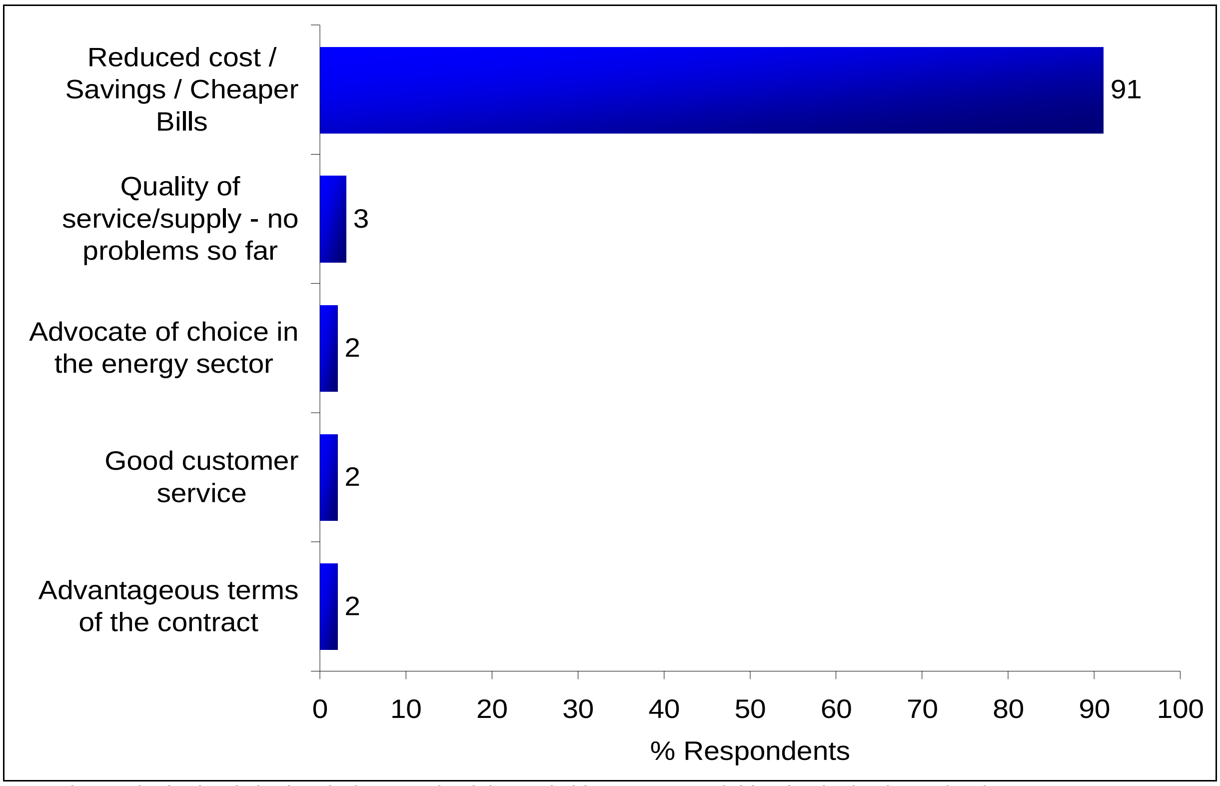
[3] Although the South West region and Dee Valley have similar scores, the difference between Dee Valley and the other water regions is not statistically significant as the Dee Valley sample size is small (32)

Figure 16: Q36: Reasons why switching energy supplier was seen as a bad thing for the business



Base: those who had switched and who perceived that switching was a bad thing for the business (87)

Figure 17: Q36: Reasons why switching energy supplier was seen as a good thing for the business



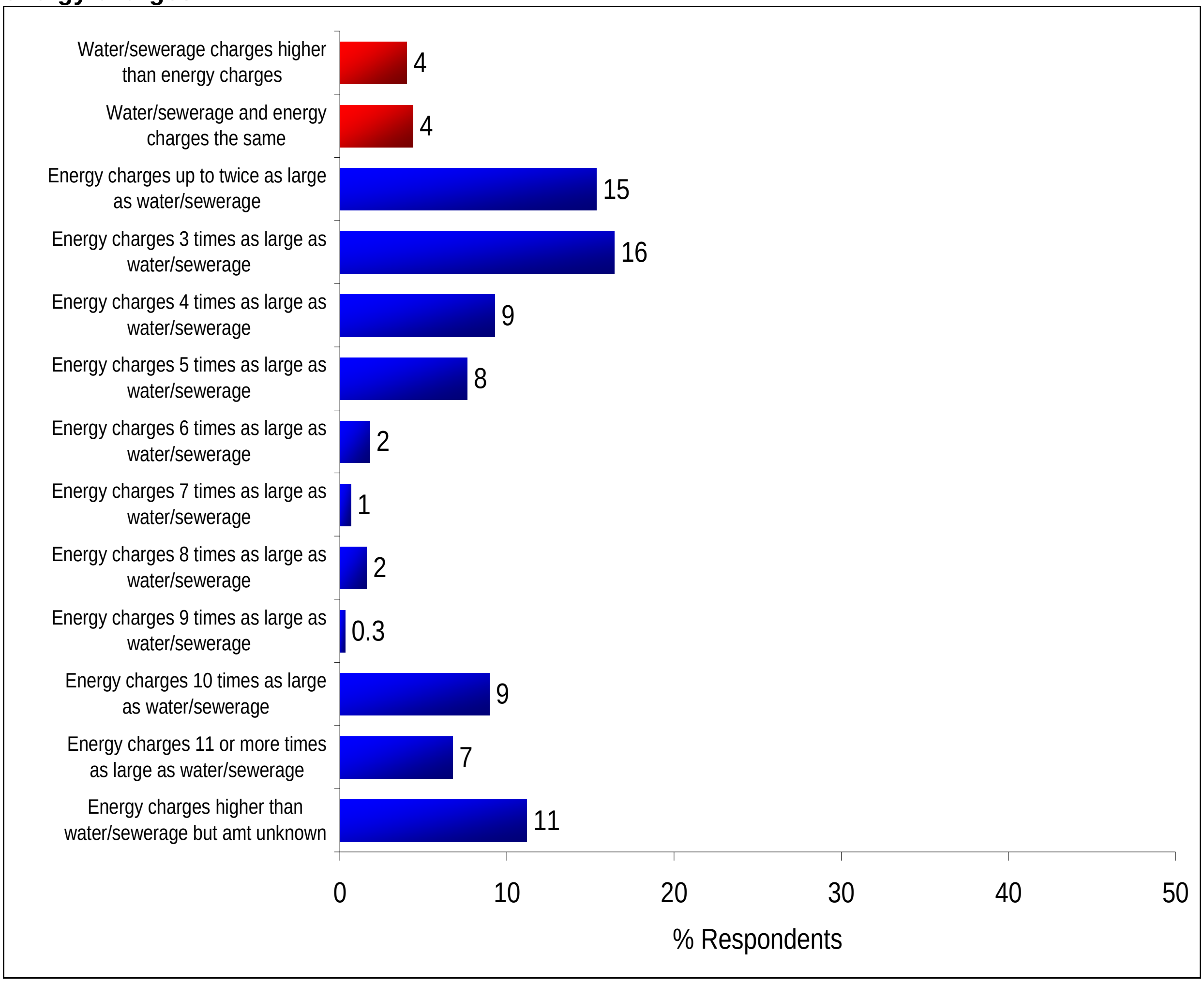
Base: those who had switched and who perceived that switching was a good thing for the business (787)

Relative Size of Water and Sewerage Charges

3.3.14 The qualitative research shows that whilst all respondents hold the belief that competition in the water industry is a good thing for businesses, fewer agree that its introduction would be beneficial in terms of offering them a substantive saving on their already modest bills. Therefore, more respondents feel that – *on balance* – the effort of trying to find the 'best' supplier would dwarf the eventual cost savings.

3.3.15 The quantitative findings support this conclusion, as the size of SME water and sewerage bills are, for the most part, much smaller than their energy costs. Figure 18 shows that only 8% of respondents have water and sewerage bills that are the same as or greater than their energy bills. A further 15% have water and sewerage charges that are relatively large (i.e. up to half their energy bills). Over half (52%) have bills that are at least 3 times smaller than their energy costs, including 18% whose bills are at least 8 time smaller than energy charges.

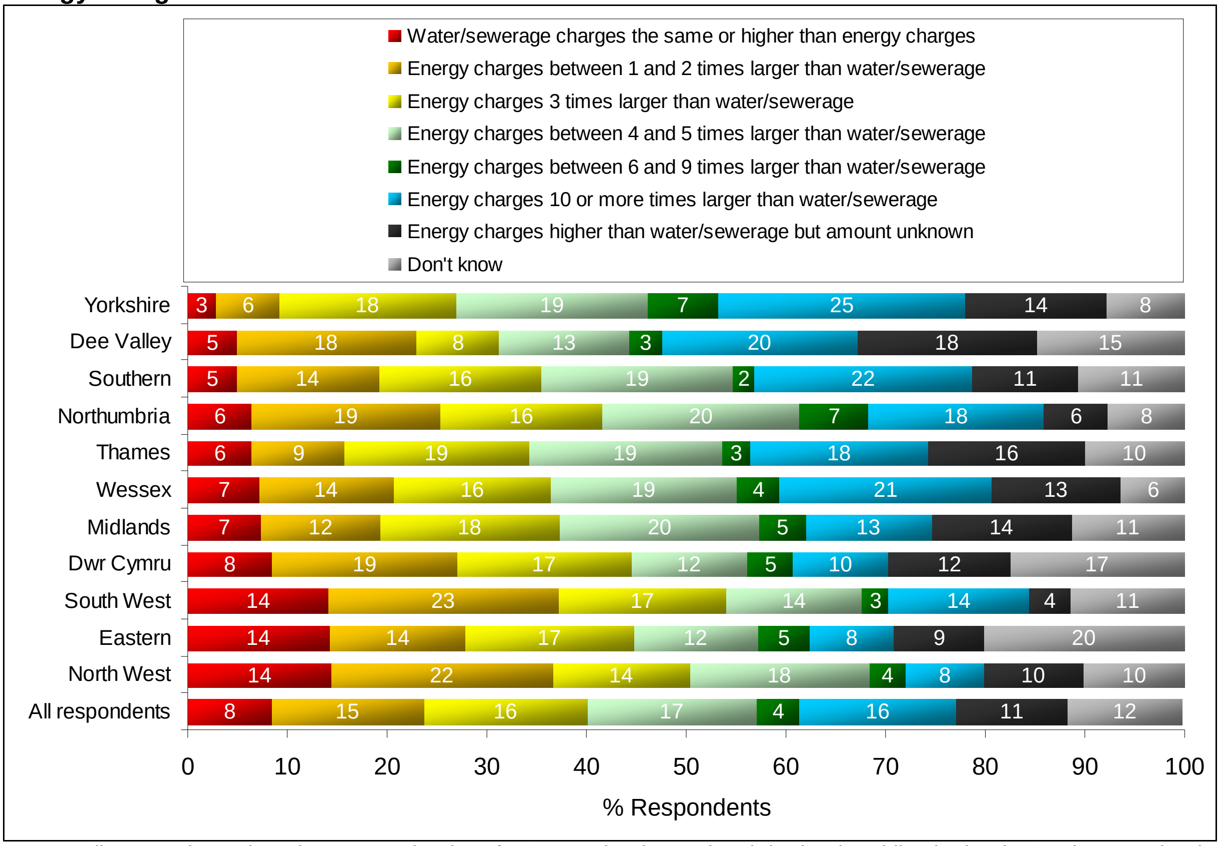
Figure 18: Q29/30/31: All respondents: size of water and sewerage charges relative to size of energy charges



Base: All respondents (1515)

3.3.16 Analysis by water and sewerage company region in Figure 19 shows a similar pattern of relative bill size, with the notable exceptions of the South West and North West. These two regions have more customers with relatively large water and sewerage bills (i.e. bills that are either the same as, or only 1-2 times lower than, their energy charges). Compared with the average of 23%, the South West have 37% in this category and the North West have 36% (statistically significant differences). As noted in section 3.2, these are the only two regions that are dissatisfied with the value for money of their water and sewerage charges and it is possible that the drive to switch may consequently be greater in these regions.

Figure 19: Q29/30/31: Individual SMEs: size of water and sewerage charges relative to size of energy charges



Bases: All respondents (1515), Eastern (154), Dŵr Cymru (155), Northumbria (142), Midlands (150), South West (150), Southern (141), Thames (140), North West (140), Wessex (141), Yorkshire (141), Dee Valley (61)

3.4 Knowledge and Attitude towards Competition in the Water and Sewerage Market

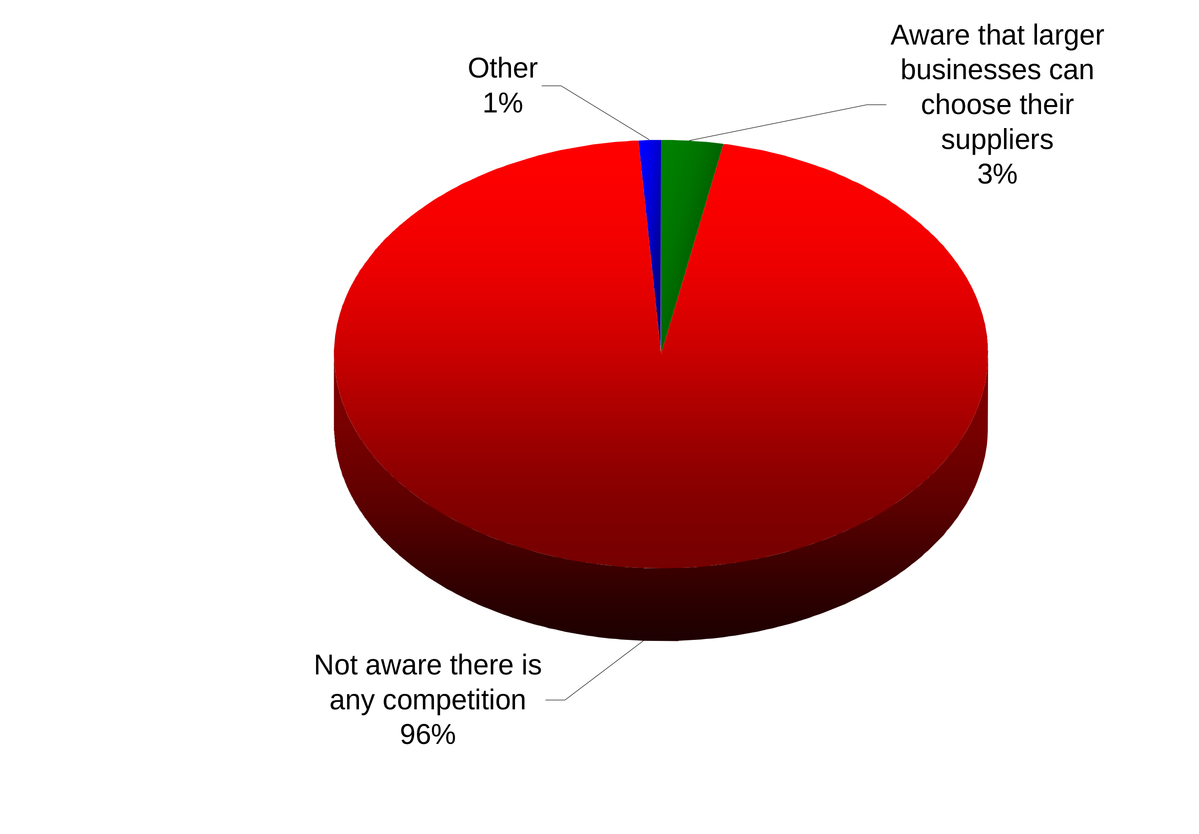
Summary

- There are relatively low levels of knowledge and understanding of competition
  - 96% of respondents are not aware of the current availability of competition
  - a large minority (24%) do not know what measures need to be in place to ensure competition works for SMEs
  - most (82%) do not see a need for new or improved services coming out of competition.
- The concept of competition is seen as quite a good thing, but the degree of support varies according to experience of switching in the energy market and the size of water bills.
- The prospect of lower prices is seen as the chief benefit of competition.
- Price controls and ongoing monitoring of performance are seen as the key safeguards needed if competition is implemented.
- Most want to find out about competition through passive media (e.g. TV, national press) or through letters from potential new suppliers. Phone calls are less popular and little mention is made of official independent sources of information.
- Whilst there is no strong agreement on the amount of notice needed before competition is introduced, the vast majority would nevertheless like to be informed in advance of competition being introduced.

Awareness of Competition

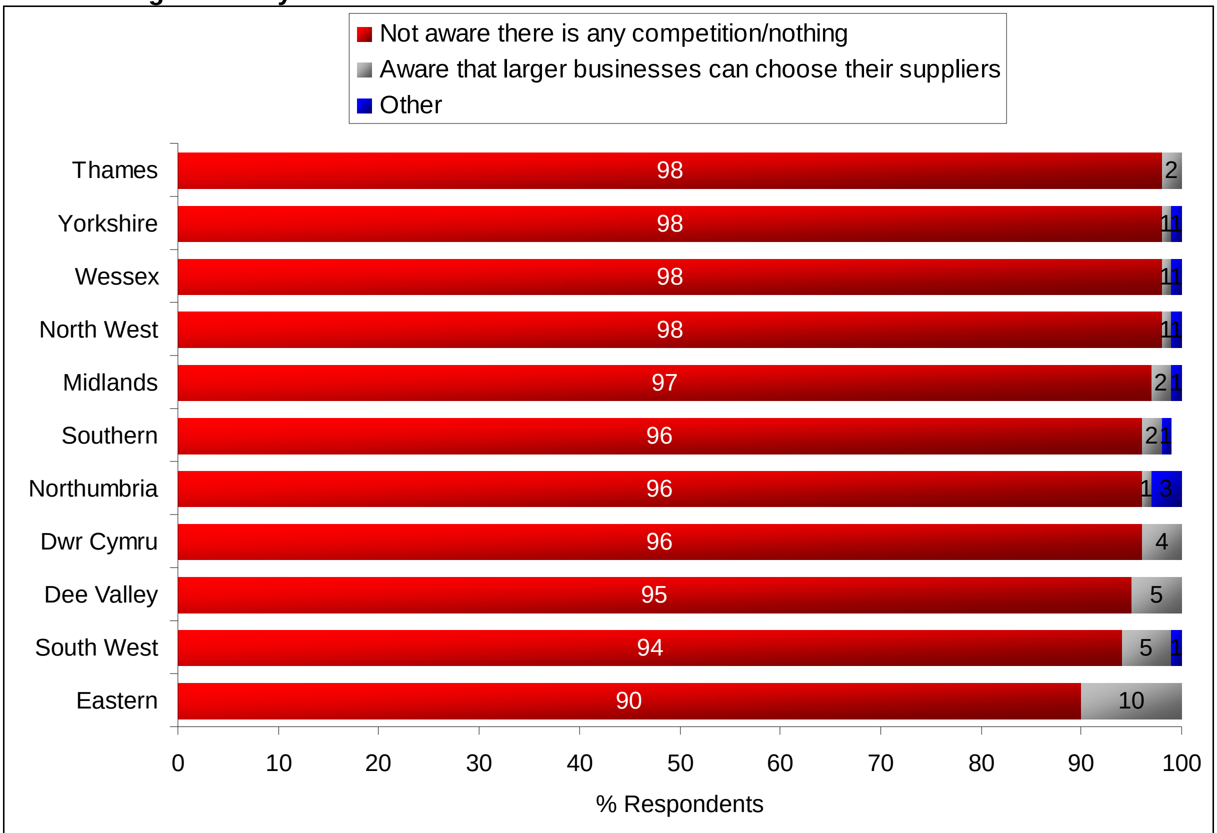
3.4.1 Very few respondents are aware that there is competition in the water industry (96% perceive that there is no competition – see Figure 20). This is not surprising as competition does not yet apply to SMEs. A similar pattern of awareness exists across all the regions surveyed (Figure 21). The differences by region are not statistically significant.

Figure 20: Q37: All respondents: awareness of availability of competition in the water and sewerage industry



Base: All respondents (1515)

Figure 21: Q37: Water region breakdown: awareness of availability of competition in the water and sewerage industry



Bases: Eastern (154), Dŵr Cymru (155), Northumbria (142), Midlands (150), South West (150), Southern (141), Thames (140), North West (140), Wessex (141), Yorkshire (141), Dee Valley (61)

Attitude towards Competition in the Water Industry

3.4.2 After being given summary details of what competition in the water and sewerage industry entails for SMEs[4], respondents were asked if they thought the principle of competition was a good or a bad thing. As Figure 22 and Figure 23 show, it is seen as quite a good thing (with 38% saying it is a very good thing and 31% quite a good thing), and with customers in the North West and South West regions (i.e. those regions where more respondents think that water and sewerage charges are not value for money) being among those most positively disposed to the principle (scores over 4).

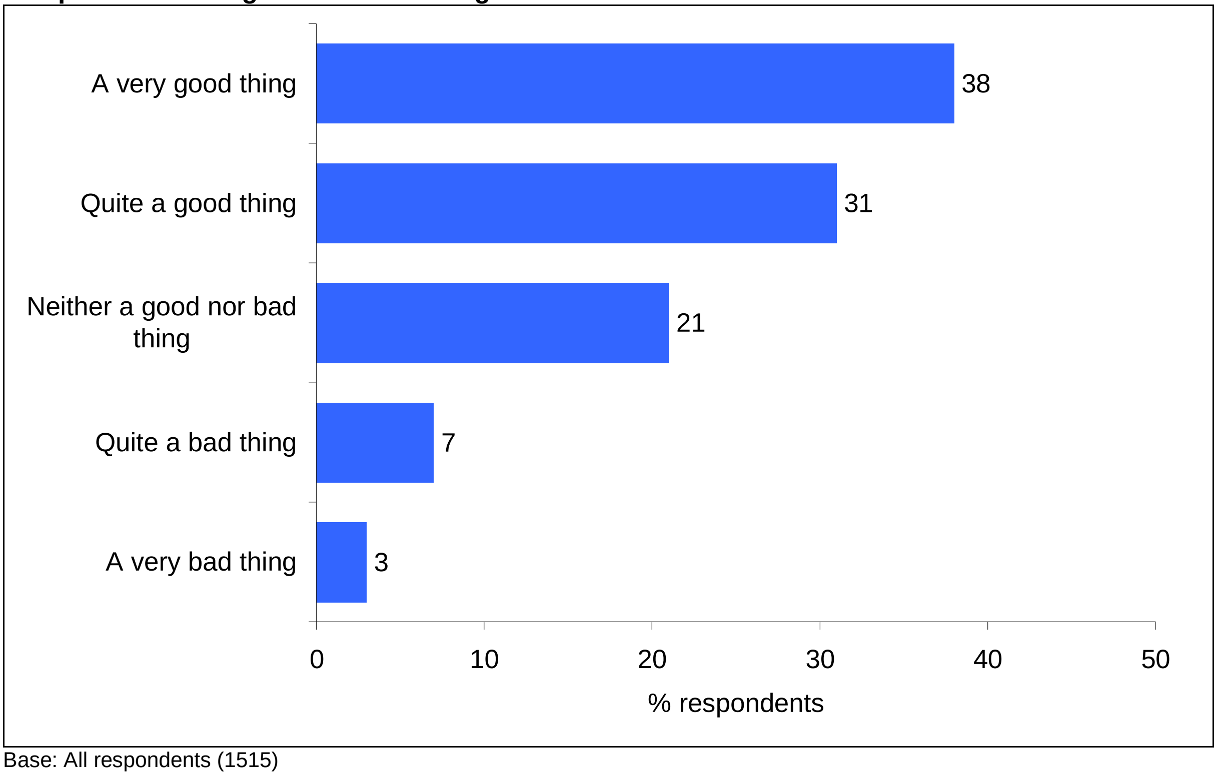
3.4.3 Variations in the strength of support for competition are statistically significant between the following water regions/companies:

- customers in the North West and Northumbria are, statistically, more in favour than all other regions except for the South West and Dee Valley Water, where there is no significant difference
- SME customers in the South West are, statistically, more in favour than customers in the Thames and Yorkshire regions, and customers of Dŵr Cymru Welsh Water
- customers in the Midlands and Southern regions are more in favour than those in Yorkshire.

3.4.4 However, as shown in Figure 23, all regions are overall in favour of the principle.

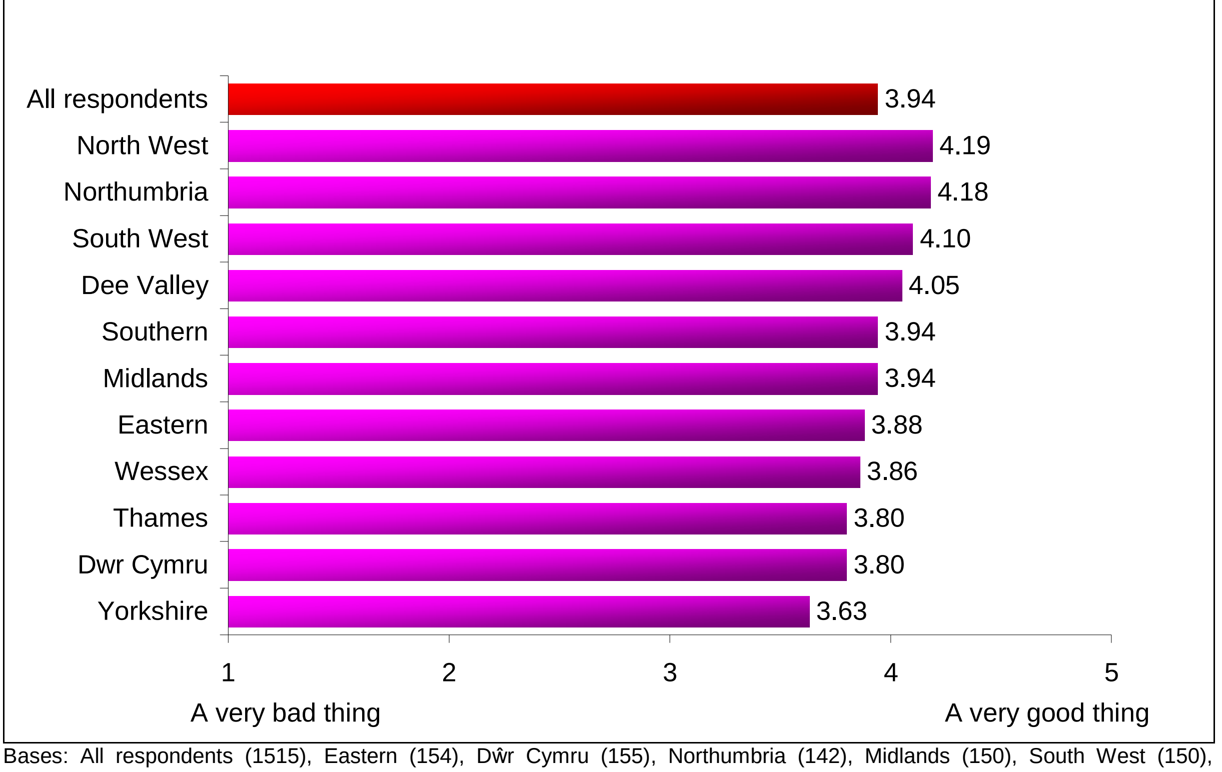
[4] Competition in the water industry was explained to respondents as follows: "The government is looking to introduce competition in the water industry to businesses of your size. The aim is to provide opportunities to improve the cost and quality of services provided to business consumers. It would not change the water that comes out of your taps. Water and sewerage would be treated to the same standards that it is now, and you will use the same pipes to get it to your business. Do you think that for your business, **the principle** of competition in the water industry would be a good thing, neither good nor bad, or a bad thing?"

Figure 22: Q38: After being given summary details of what competition in the water and sewerage industry entails for SMEs, respondents were asked if they thought the principle of competition was a good or a bad thing



Base: All respondents (1515)

Figure 23: Q38: After being given summary details of what competition in the water and sewerage industry entails for SMEs, respondents were asked if they thought the principle of competition was a good or a bad thing (mean score)



Bases: All respondents (1515), Eastern (154), Dŵr Cymru (155), Northumbria (142), Midlands (150), South West (150), Southern (141), Thames (140), North West (140), Wessex (141), Yorkshire (141), Dee Valley (61)

3.4.5 The strength of positive feelings about competition also varies by other features of the sample:

- Those with a negative view of switching energy supplier are least in favour of water competition, as shown below in Table 2.

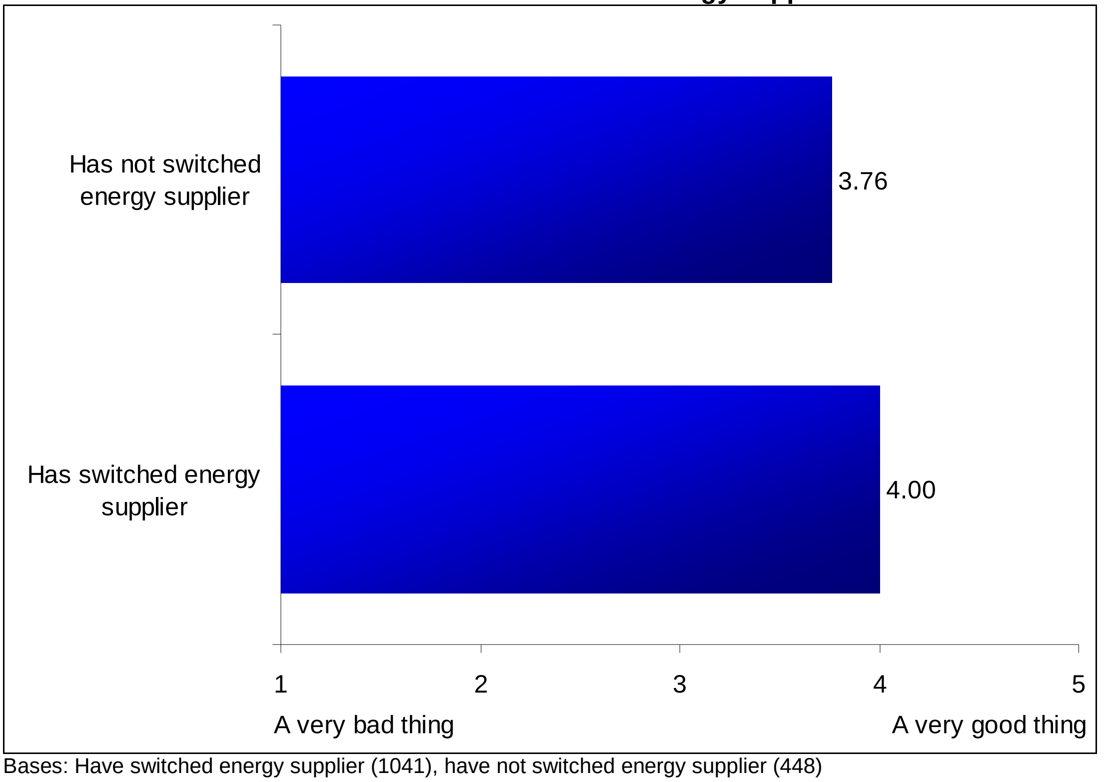
Table 2: Perception of water competition varied by the perceived impact on the business of switching energy supplier [5]

	Water Competition is a good thing	Water Competition is a neither good nor bad	Water Competition is a bad thing
	%	%	%
Switching energy supplier was a good thing for business	76	17	8
Switching energy supplier was neither a good thing nor a bad thing for business	64	22	14
Switching energy supplier was a bad thing for business	56	24	20
Unsure	58	34	7

Bases: Switching energy supplier was a good thing for business (787); Switching energy supplier was neither a good thing nor a bad thing for business (125); Switching energy supplier was a bad thing for business (87); Unsure (42)

- Those who have not switched energy supplier are less favourably disposed, as Figure 24 shows[6].

Figure 24: Q38/Q32: Perceptions of competition in the water and sewerage industry depended on whether or not the business had ever switched energy supplier



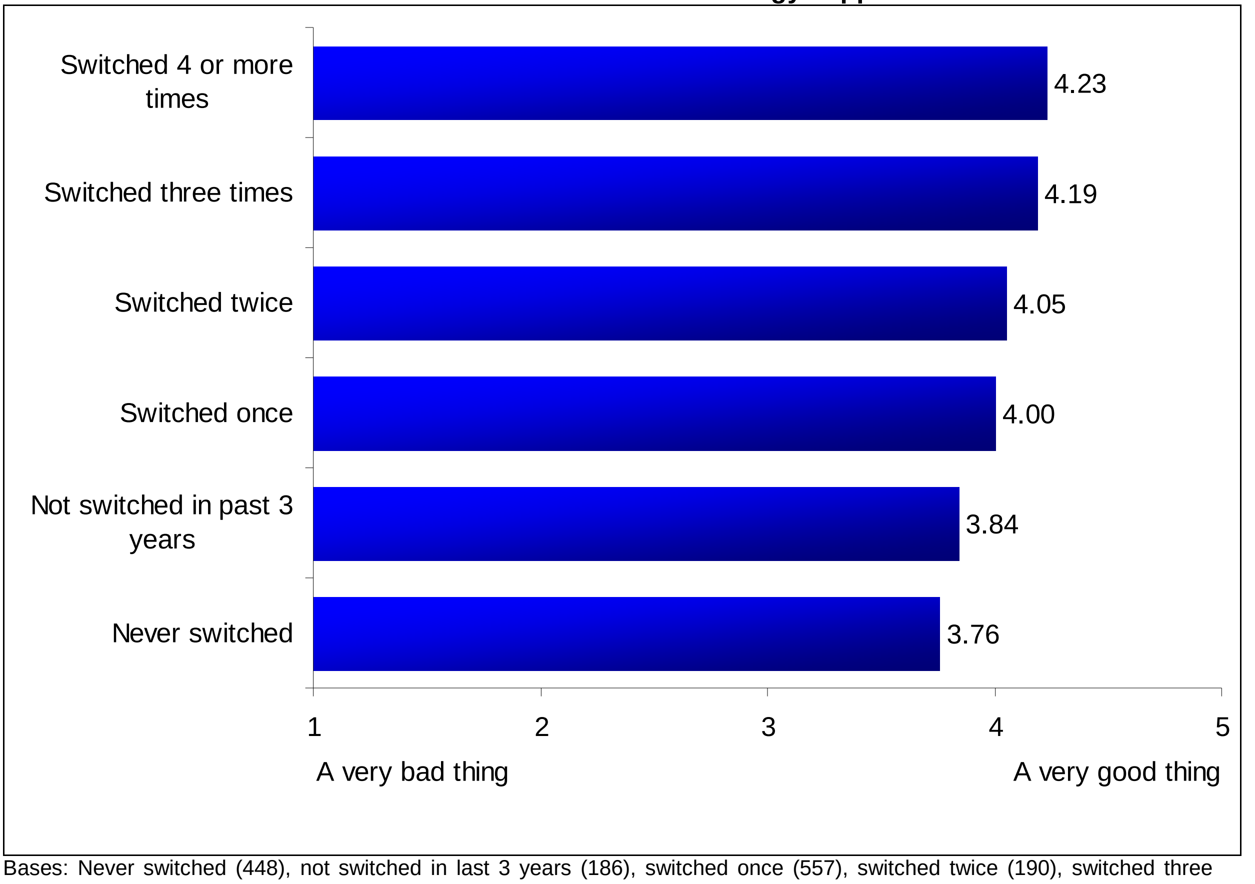
Bases: Have switched energy supplier (1041), have not switched energy supplier (448)

[5] Differences apart from 20% and 24% are statistically significant

[6] Difference is statistically significant

- Multiple energy supplier switchers are more in favour of competition in the water industry (see Figure 25)[7].

Figure 25: Q38/Q33: Perceptions of competition in the water and sewerage industry depended on the number of times the business had ever switched energy supplier

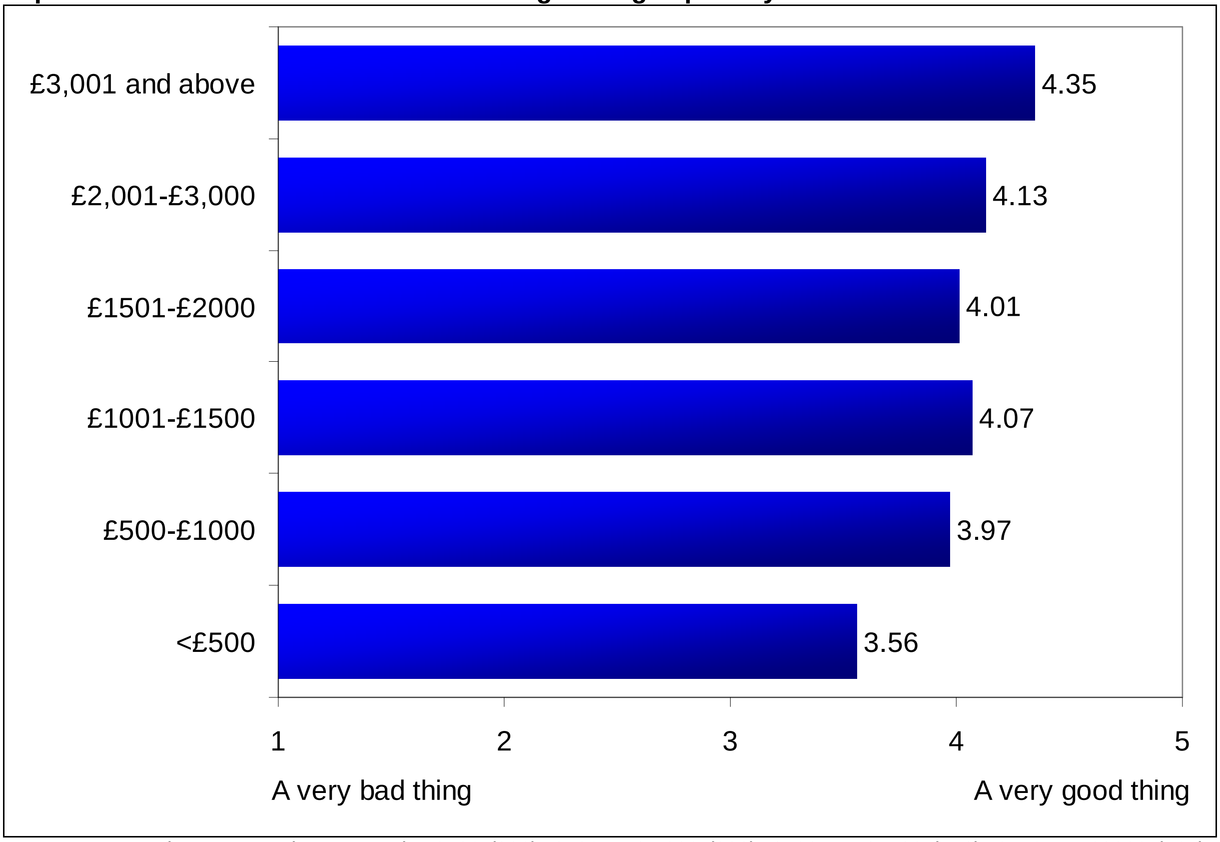


Bases: Never switched (448), not switched in last 3 years (186), switched once (557), switched twice (190), switched three times (63), switched four or more times (22 - low base)

[7] Difference in scores between: never switched vs switched once, twice, 3 times, 4 times or more is significant as is the difference with "not switched in last 3 years" vs switched 3 times and 4 or more times

- Those with larger water and sewerage bills see competition as more of a good thing. Those with bills under £500 are most ambivalent (see Figure 26).[8]

Figure 26: Q38/Q66/Q16 Perceptions of competition in the water and sewerage industry depended on the size of water and sewerage charges paid by businesses



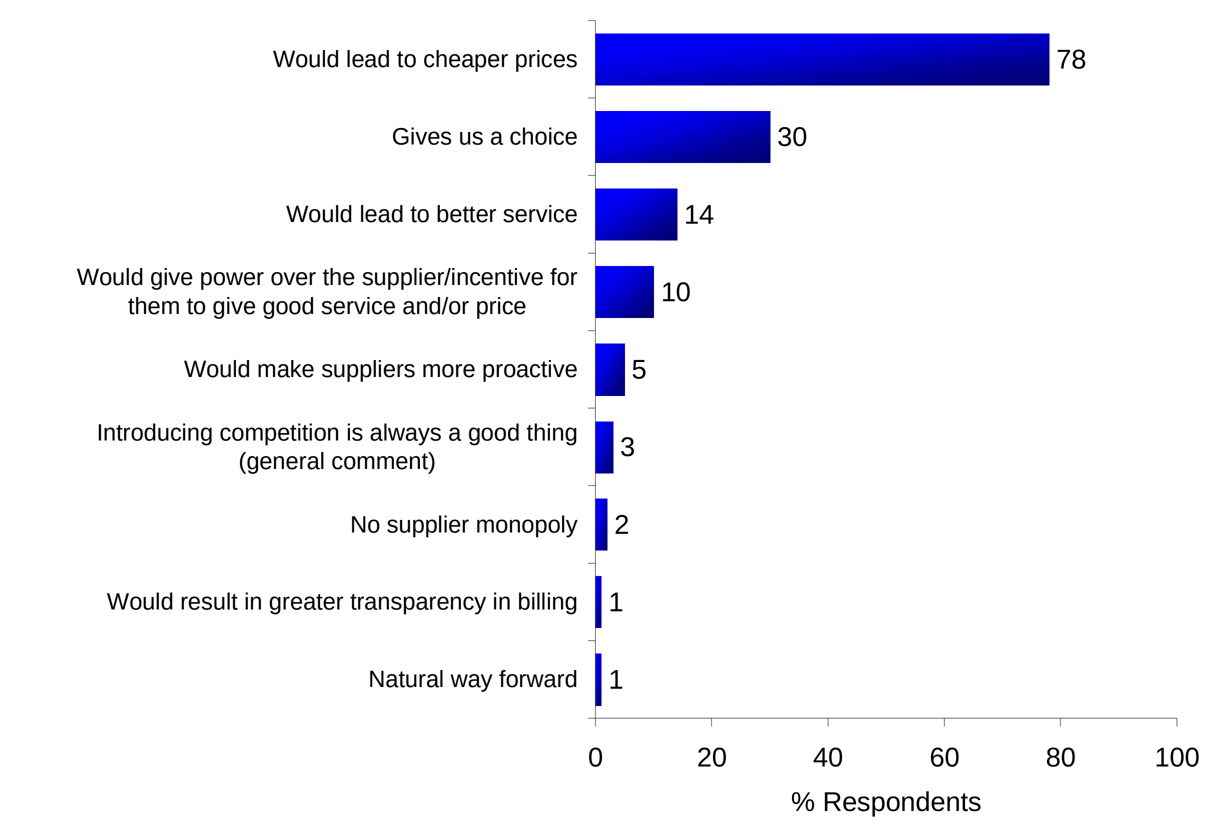
Bases: water and sewerage charges: under £500 (390), £500 to £1,000 (339), £1001 to £1500 (152), £1501 to £2000 (164), £2,001 to £3,000 (136), £3001 and above (214)

[8] Statistically significant differences: under £500 vs rest, £500 to £1,000 vs £3k and above. £3k and above vs rest

Reasons for Being Positive or Negative about Competition

3.4.6 Among the 69% who think competition is a good thing, the main reason for thinking so, by a very large margin, is that it would lead to cheaper prices (78%).

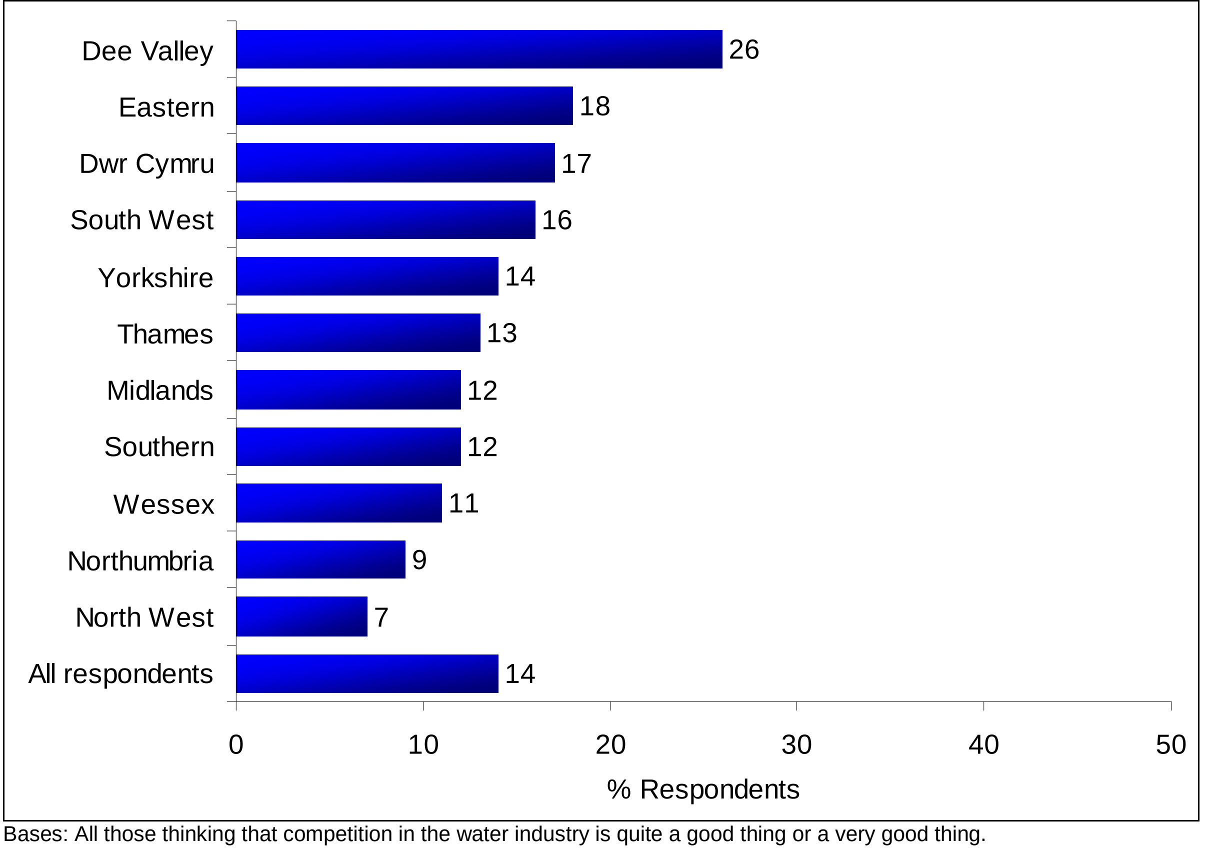
Figure 27: Q39: Reasons given for perceiving that competition in the water and sewerage industry is a good thing for businesses



Base: those who perceive competition in the water and sewerage industry to be quite a good thing or a very good thing (1044)

3.4.7 Please see Appendix D Table 8 for the water region breakdown of reasons why competition is perceived to be a good thing. This shows the same general pattern as seen for all respondents. The greatest variations in perception, however, are around whether competition would lead to better service as shown in Figure 28. The difference between the Eastern and North West regions is statistically significant.

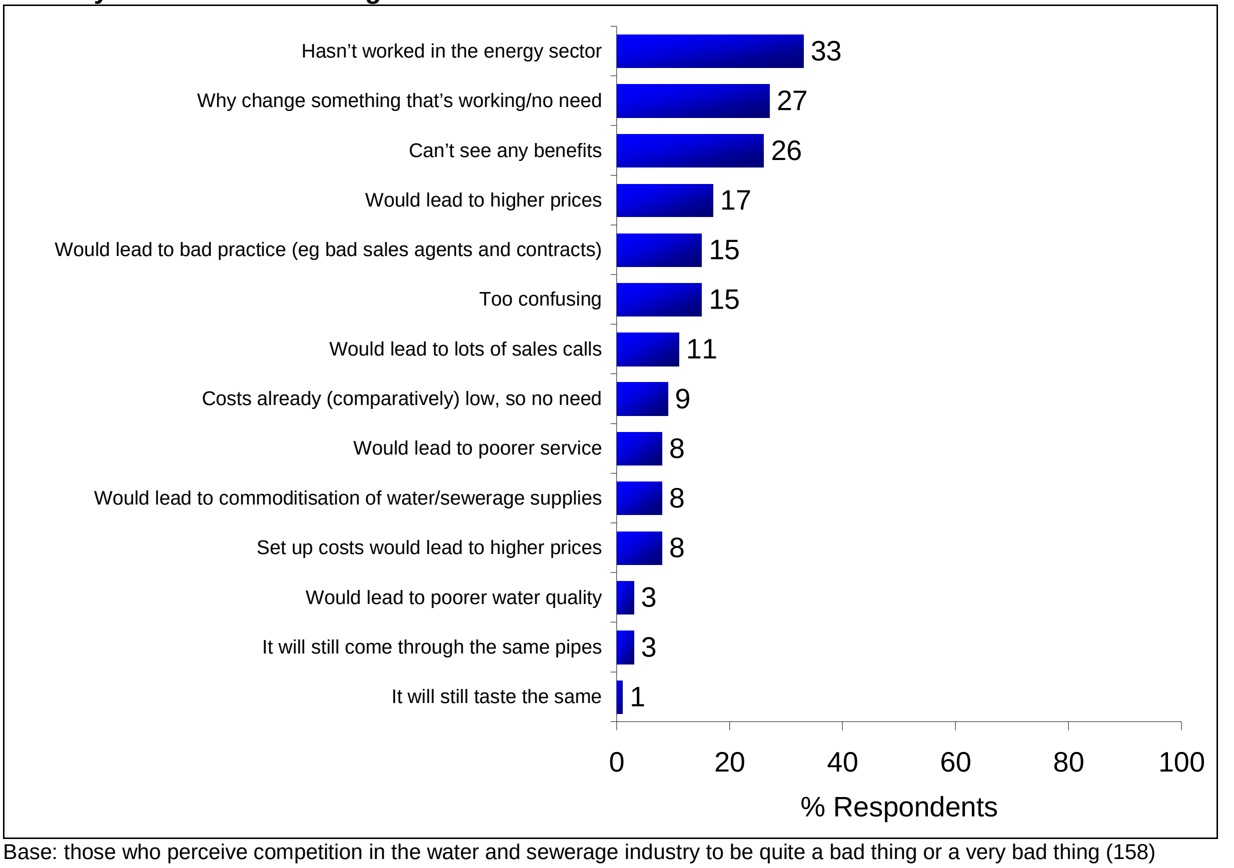
Figure 28: Q39: Water region variations in those perceiving that competition in the water and sewerage industry would lead to better service



Bases: All those thinking that competition in the water industry is quite a good thing or a very good thing.
All respondents (1044), Eastern (107), Dŵr Cymru (104), Northumbria (105), Midlands (97), South West (121), Southern (93), Thames (95), North West (108), Wessex (90), Yorkshire (77), Dee Valley (47)

3.4.8 Among the 8% who think competition would be a bad thing for their business, 33% think that competition has not worked in the energy sector, 27% think that the current system works well enough and 26% cannot identify any clear benefits (see Figure 29).

Figure 29: Q40: Reasons given for perceiving that competition in the water and sewerage industry would be a bad thing for businesses



Base: those who perceive competition in the water and sewerage industry to be quite a bad thing or a very bad thing (158)

3.4.9 Sample sizes are too low to show water region breakdowns of reasons why competition is perceived to be a bad thing.

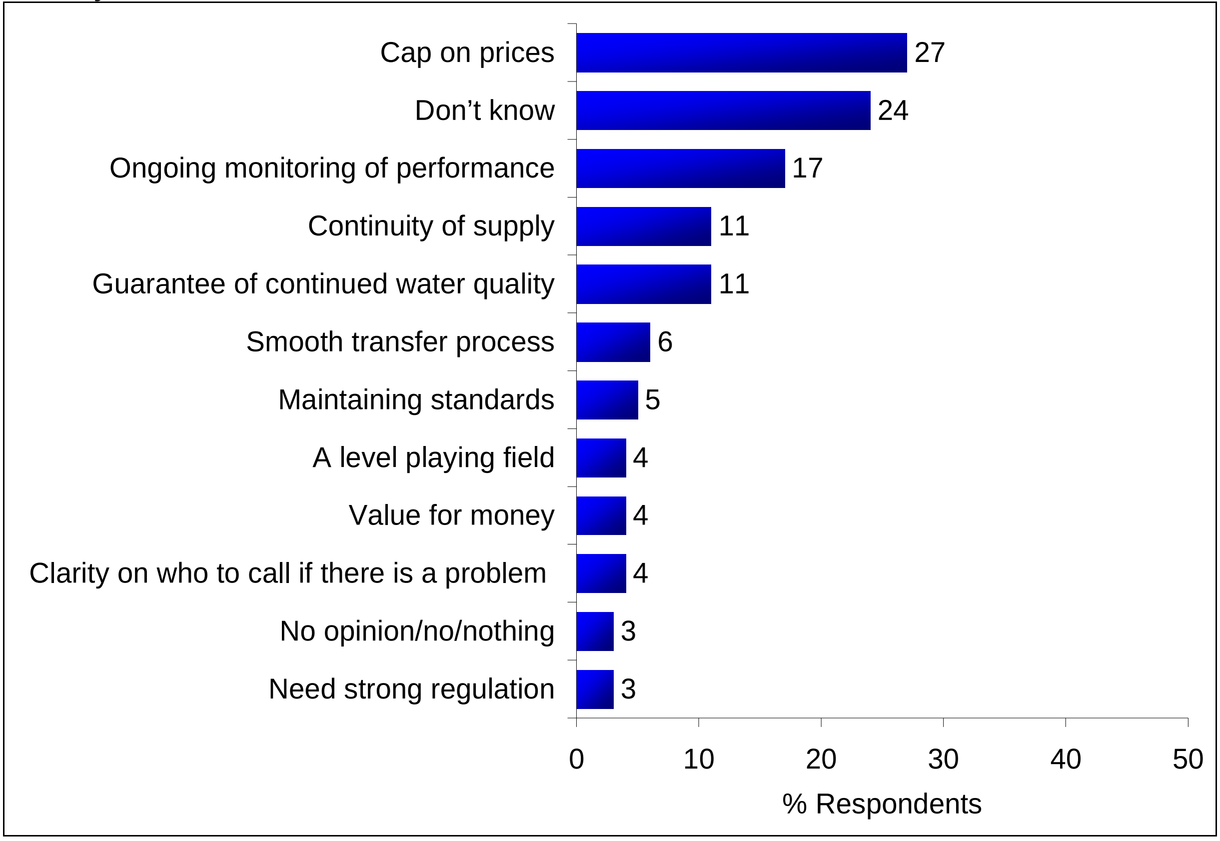
Ensuring Competition Works

3.4.10 Respondents identify two key measures as being necessary to ensure competition works for SMEs. Over a quarter (27%) feel that a cap on prices is needed and 17% look for ongoing performance monitoring (see Figure 30).

3.4.11 A relatively high proportion of respondents (24%) do not know what could be done to ensure competition in the water and sewerage industry works for SMEs. In the Yorkshire, Southern, Wessex, North West, Thames regions and Dee Valley Water, the majority of respondents are in this category (see Appendix D Table 9).

3.4.12 The difference between the low proportion of SMEs in the Eastern region that do not know (12%) is significantly lower than the proportion in Yorkshire (31%), Wessex (30%) and Thames (29%).

Figure 30: Q41: Measures needed to ensure that competition in the water and sewerage industry works for SMEs



Base: All respondents (1515)

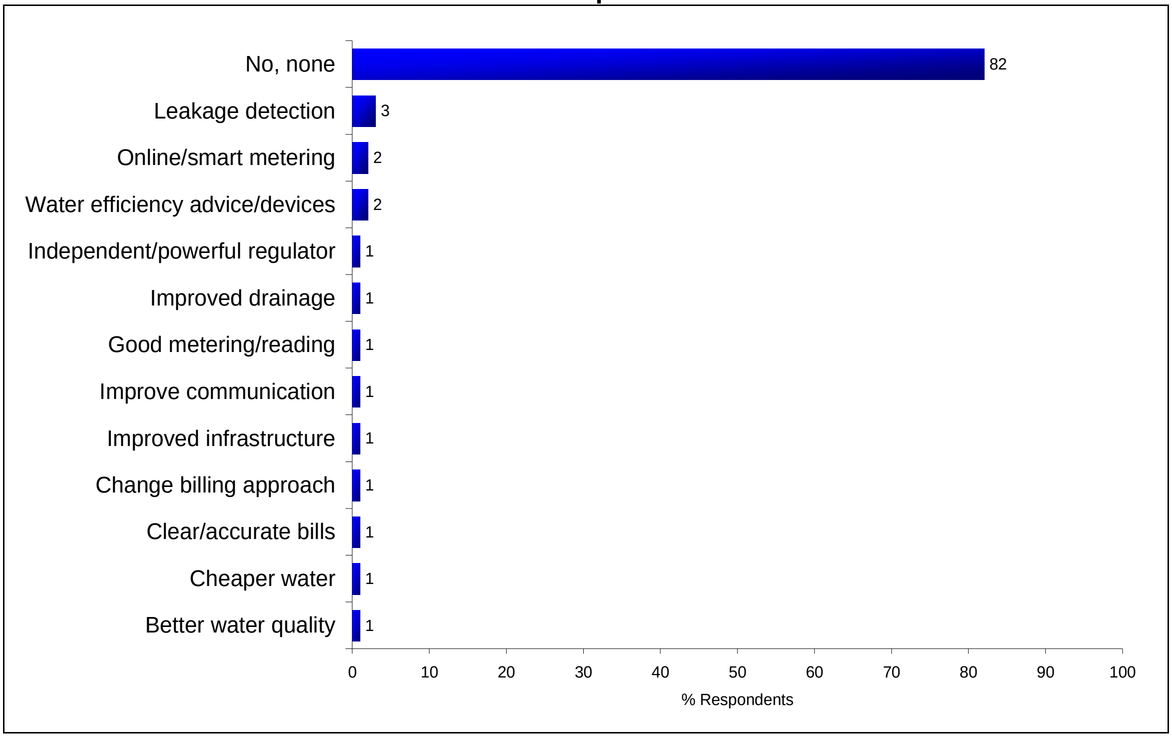
3.4.13 Very few respondents identify any new or improved services that could be introduced as a result of competition (see Figure 31).

3.4.14 At regional and company level the main findings are that:

- the proportion not seeking improved services is high in all regions, between 77% and 90%. Respondents of Dŵr Cymru Welsh Water and in the Wessex region are significantly less likely to identify potential service improvements than those in the Thames, Southern, South West and Midlands regions

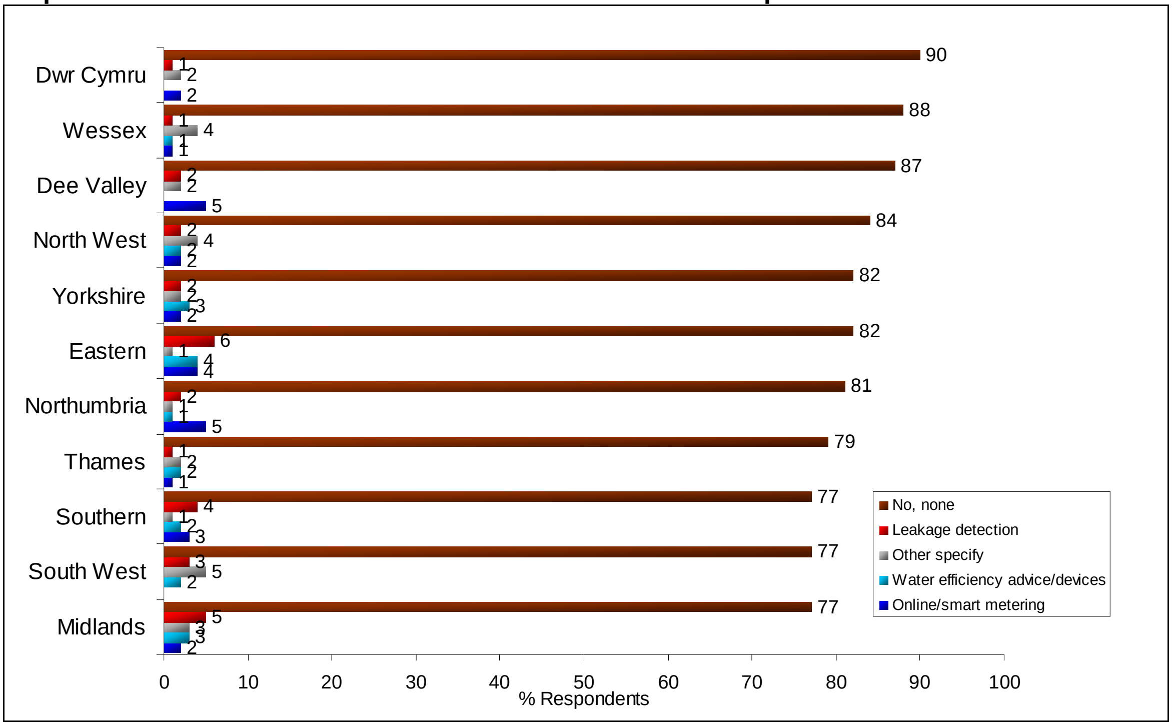
- over 5% want to see improved leakage detection in the Eastern region and the Midlands
- 5% of Dee Valley Water customers and those in the Northumbria region want to see online/smart metering (see Figure 32).

Figure 31: Q42: All respondents: new or improved water and sewerage services respondents would like to see introduced as a result of competition



Base: All respondents (1515)

Figure 32: Q42: Water region breakdown of new or improved water and sewerage services respondents would like to see introduced as a result of competition



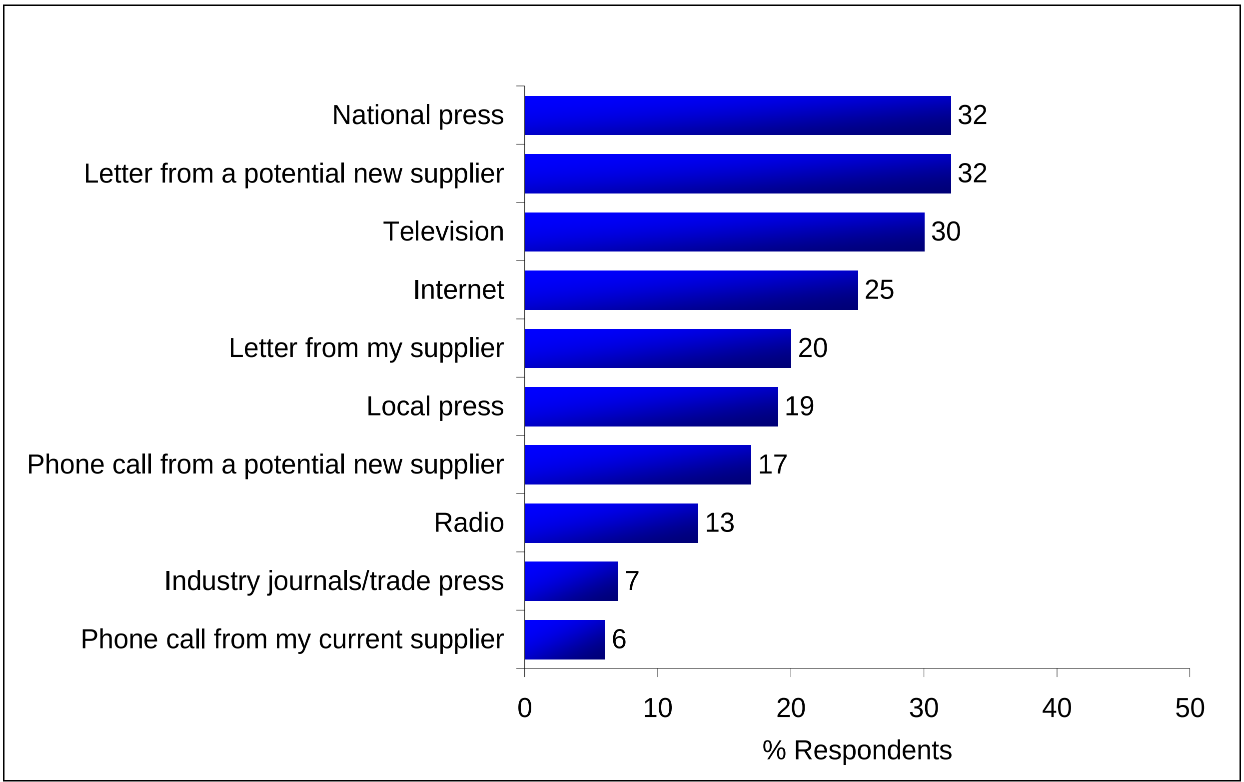
Bases: Eastern (154), Dŵr Cymru (155), Northumbria (142), Midlands (150), South West (150), Southern (141), Thames (140), North West (140), Wessex (141), Yorkshire (141), Dee Valley (61)

3.4.15 No one method of publicising competition is favoured by respondents, although direct calls from suppliers are less popular than sending letters (see Figure 33). The findings for each region are quite similar (see Appendix D Table 10 for the water region breakdowns).

3.4.16 Little mention is made of official independent sources of information; the mentions were as follows:

- central government (3%)
- local authorities (1%)
- Ofwat (6 respondent – less than 1%)
- CCWater (2 respondents – less than 1%).

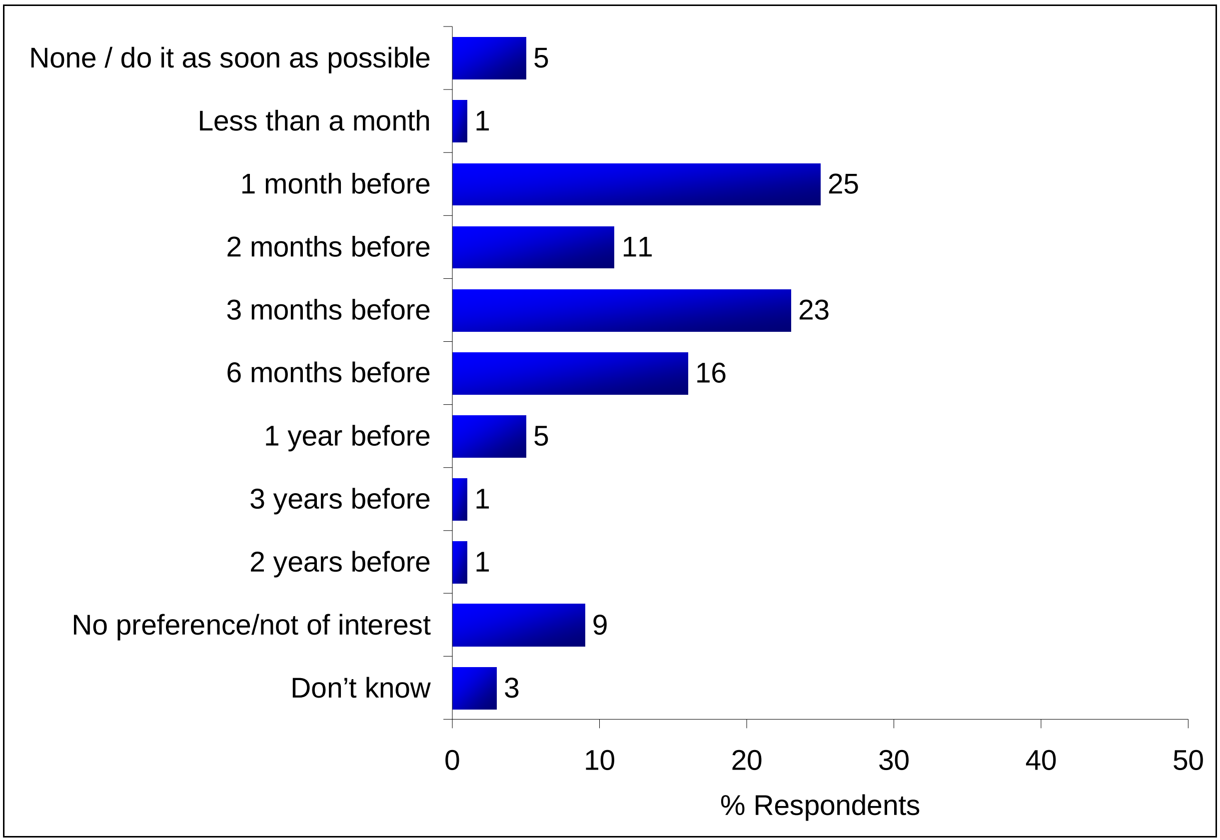
Figure 33: Q43: How would respondents expect to find out about competition being introduced?



Base: All respondents (1515)

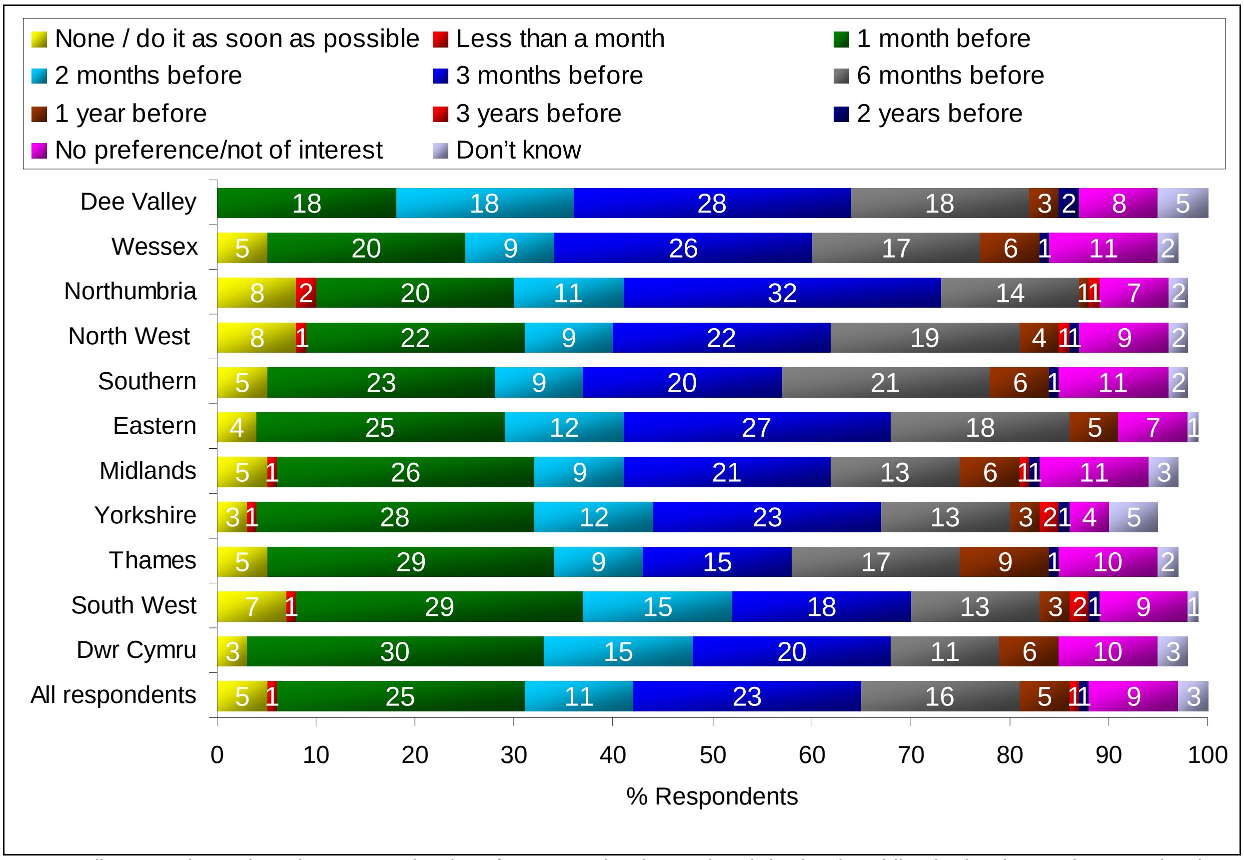
3.4.17 There is no strong agreement on the amount of notice SMEs would like to have about competition being introduced. Eighty two percent want at least a months notice, with a quarter thinking one month is sufficient, 11% wanting two months and 23% preferring three months (see Figure 34). There is little variation by water region (see Figure 35).

Figure 34: Q44: All respondents: amount of notice SMEs would like before competition is introduced



Base: All respondents (1515)

Figure 35: Q44: Water region breakdown: amount of notice SMEs would like before competition is introduced



Bases: All respondents (1515), Eastern (154), Dŵr Cymru (155), Northumbria (142), Midlands (150), South West (150), Southern (141), Thames (140), North West (140), Wessex (141), Yorkshire (141), Dee Valley (61)

3.5 Switching Water and Sewerage Service Suppliers

Summary

- Although 69% of respondents think competition in the water industry would be a good thing, a smaller proportion (57%) think they would switch given the opportunity.
- The proportion of SMEs likely to switch decreases with smaller water bills and increases with larger bills:
  - these findings support the conclusions reached in the qualitative research, where most did not think that switching would offer a substantive saving on their water bills where they were much lower than their energy bills.
- The key advantage of switching is price, as 96% of those likely to switch supplier say that cheaper prices would be the main reason for doing so.
- The key barriers to switching are:
  - changing supplier would be too much effort
  - the potential savings would not be worthwhile
  - being happy with their current supplier.

- The greater proportion of SMEs (51%) would switch if doing so offered them savings in excess of 10%. Just over 1 in 10 (12%) would switch for a saving on their water bill of up to 5% and a further 25% would switch for savings of between 6% and 10%.

- About a quarter of businesses would be prepared to pay higher prices in the short term to get long term cheaper prices and/or better service.

  - typically they would pay 3% to 5% extra for 6 months to a year.

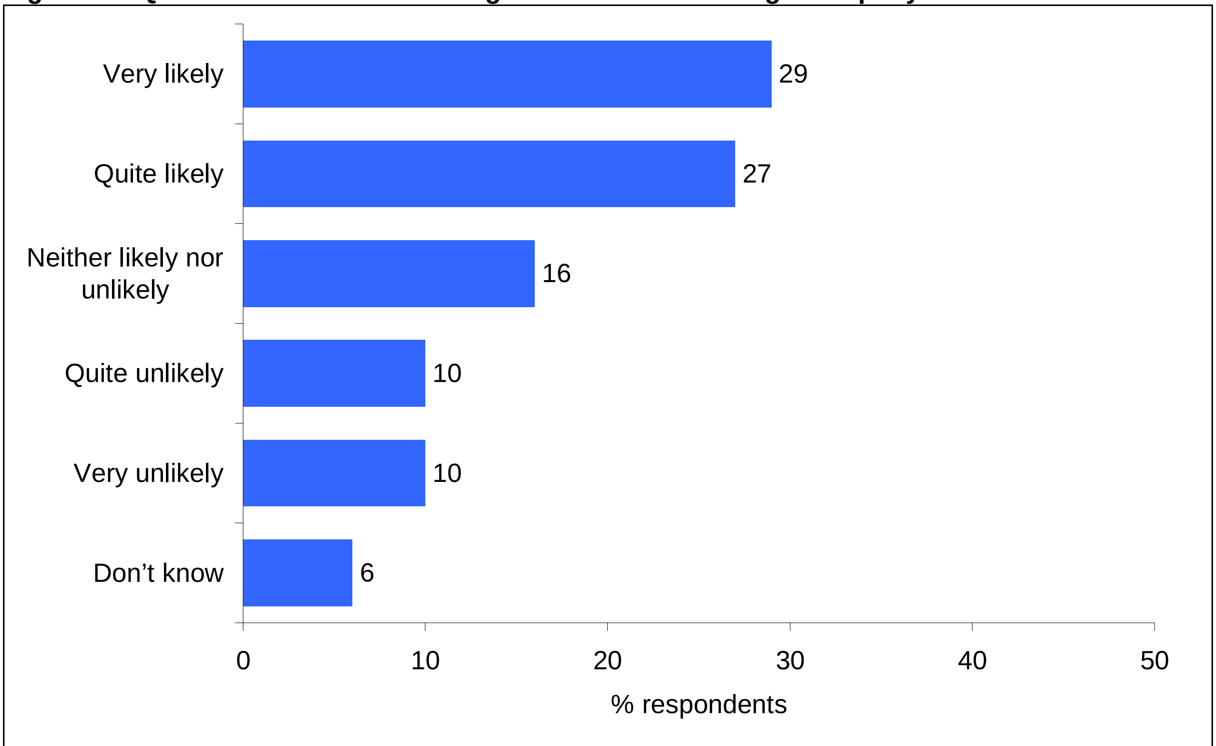
- The majority of respondents (62%) would not be prepared to pay higher prices. The key reasons for this are:

  - they would not pay higher prices in principle
  - there is no guarantee that prices would fall back
  - they would not want to switch supplier and are happy with the status quo
  - increases would have a bad effect on their business.

Likelihood of Switching

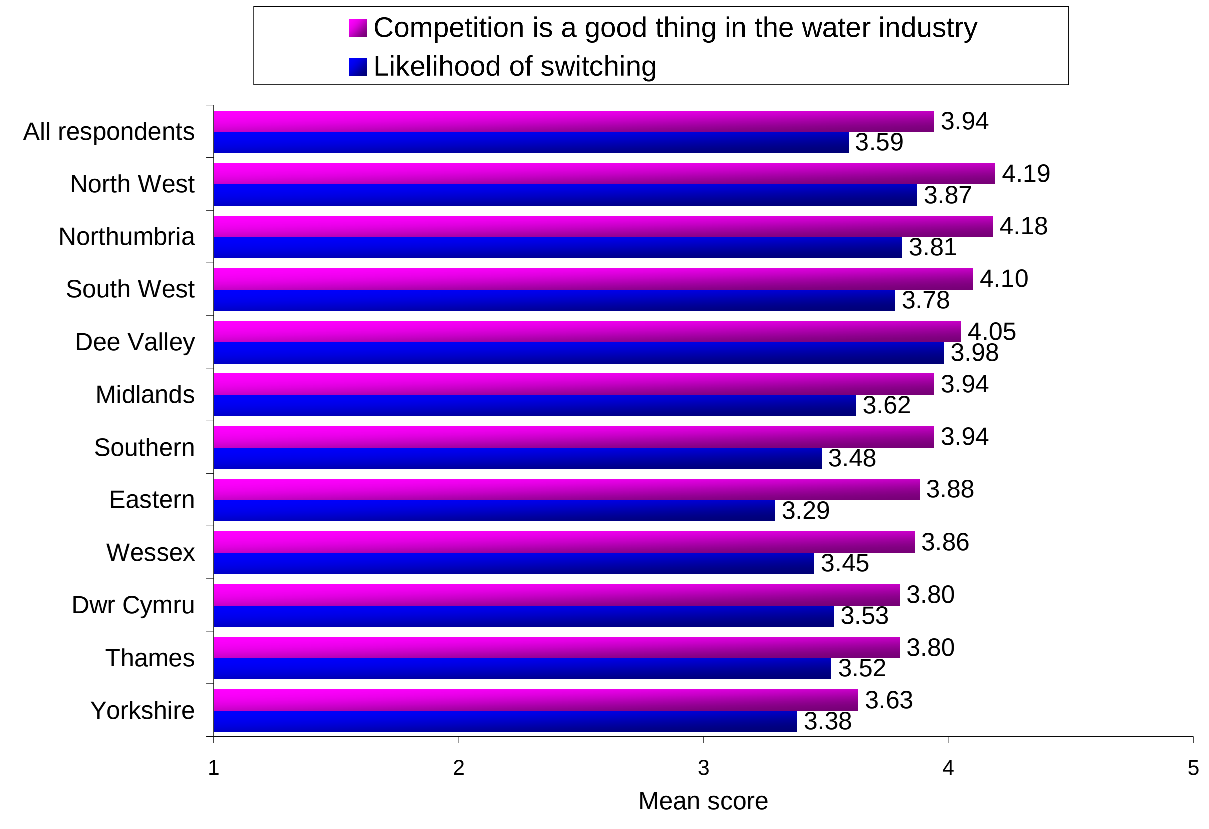
3.5.1 Asked "How likely would you be to switch your water and/or sewerage company/ies if you were able to do so?" 57% state that they would be likely to (29% very likely and 27% quite likely – due to rounding the combined figure is 57%) as shown in Figure 36. Given that 69% think it would be a good thing, as seen previously, there is a clear difference in the belief that competition is a good thing and the likelihood of switching i.e. the findings suggest that agreement with the principle wouldn't necessarily lead to actual switching. This exists in all the regions surveyed as shown by the mean scores for this question in Figure 37. (The differences between the two indicators are statistically significant except for Dee Valley Water).

Figure 36: Q45: Likelihood of switching water and/or sewerage company/ies if able to do so?



Base: All respondents (1515)

Figure 37: Q45/Q38: comparison of mean likelihood of switching and whether or not competition is regarded as a good or bad thing

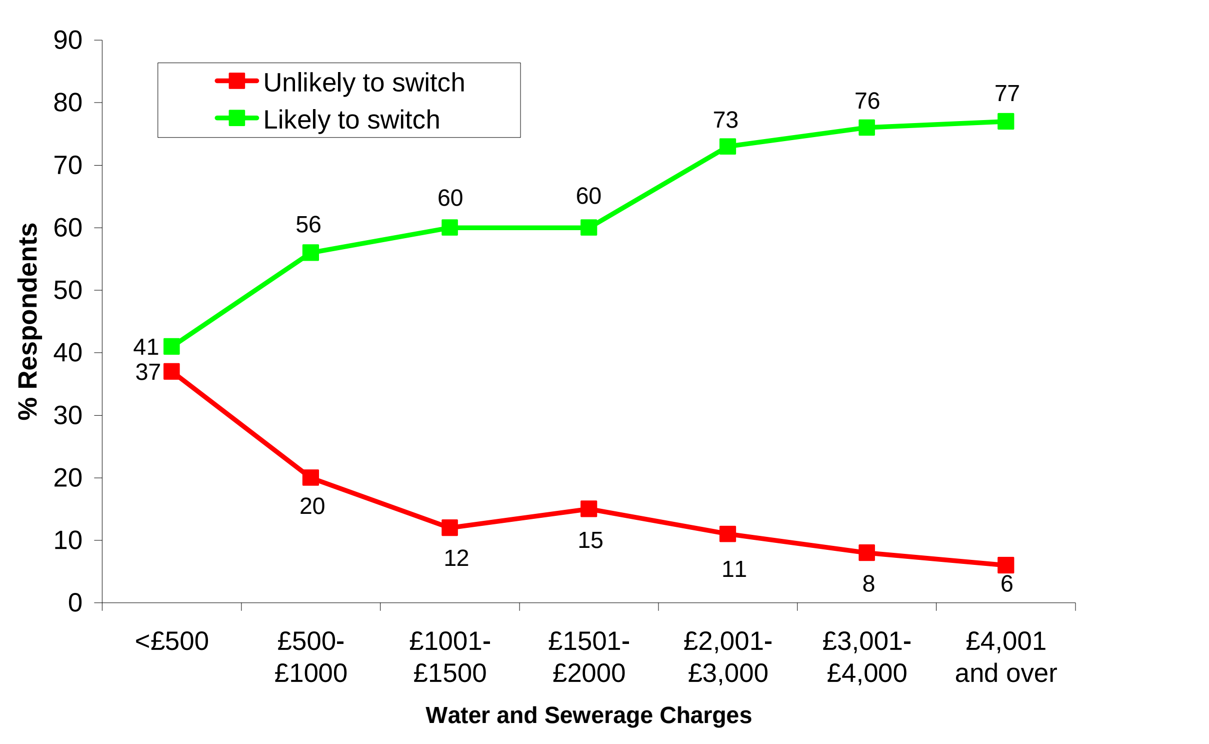


Bases:
Likelihood of switching: All respondents (1515), Eastern (154), Dŵr Cymru (155), Northumbria (142), Midlands (150), South West (150), Southern (141), Thames (140), North West (140), Wessex (141), Yorkshire (141), Dee Valley (61)
Principle of competition All respondents (1419), Eastern (147), Dŵr Cymru (150), Northumbria (133), Midlands (135), South West (144), Southern (128), Thames (132), North West (134), Wessex (131), Yorkshire (128), Dee Valley (57)

3.5.2 Figure 37 also shows that customers in Eastern, Wessex and Yorkshire, are significantly less likely to switch than those of Dee Valley Water, the North West, Northumbria and South West regions.

3.5.3 A key driver of switching is the size of water and sewerage charges. SMEs with larger water and sewerage bills are much more likely to switch than those with smaller ones as Figure 38 shows. (The differences in scores between SMEs with smaller charges and those with larger charges are statistically significant).

Figure 38: Likelihood of switching water supplier varies by the size of water and sewerage bills



Bases: water and sewerage charges: under £500 (390), £500 to £1,000 (339), £1001 to £1500 (152), £1501 to £2000 (164), £2,001 to £3,000 (136), £3001 to £4000 (53), £4001 and above (161).

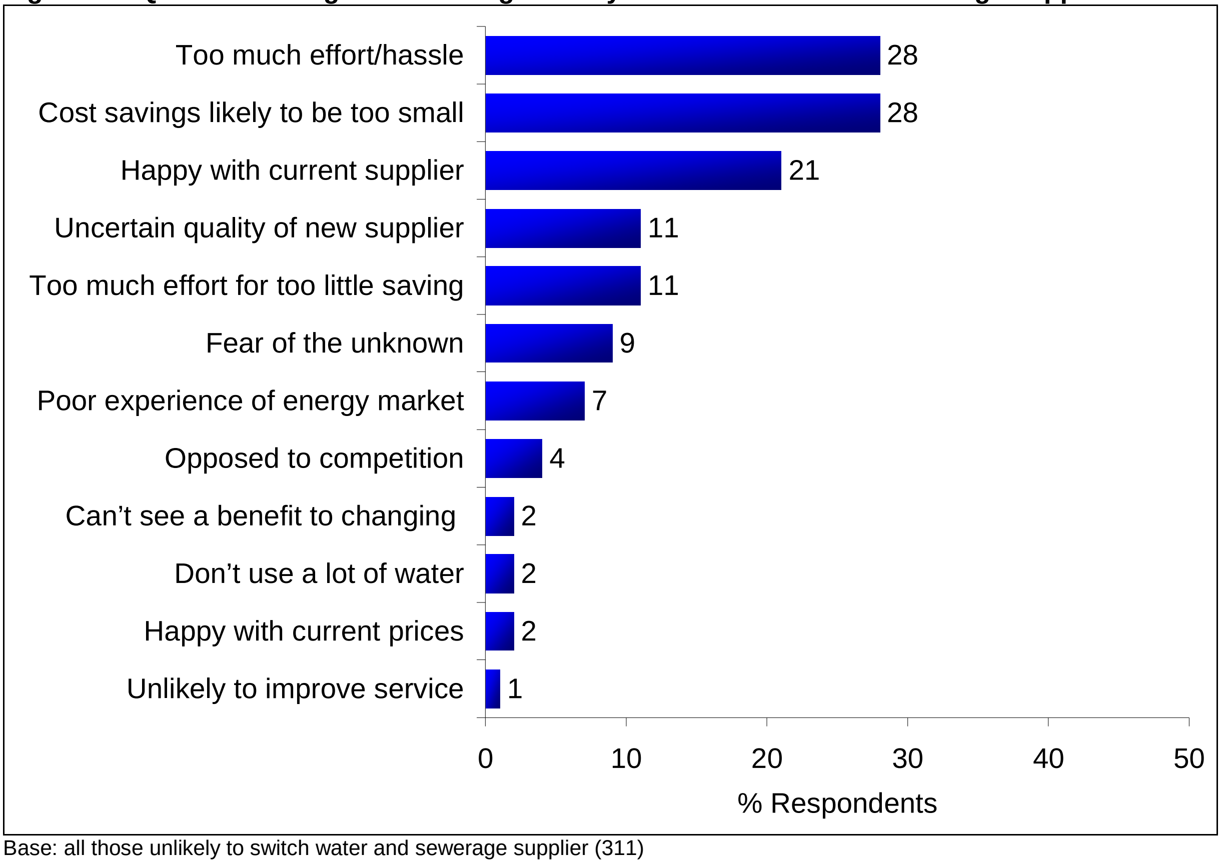
3.5.4 It would appear therefore that larger SMEs are the ones most likely to seek a benefit from competition.

3.5.5 The quantitative findings support the qualitative research conclusions. These earlier findings show that while respondents generally believe in the concept of competition for businesses, competition may not lead them to change water supplier as the savings introduced may be fairly small – and making savings is seen as the main advantage of competition.

Motivations for Switching or Not Switching Water and Sewerage Suppliers

3.5.6 Among the 20% unlikely to switch, as Figure 39 shows, 28% think changing would be too much effort, 28% do not think the potential savings are worthwhile and 21% are happy with their current supplier.

Figure 39: Q46: Reasons given for being unlikely to switch water and sewerage suppliers



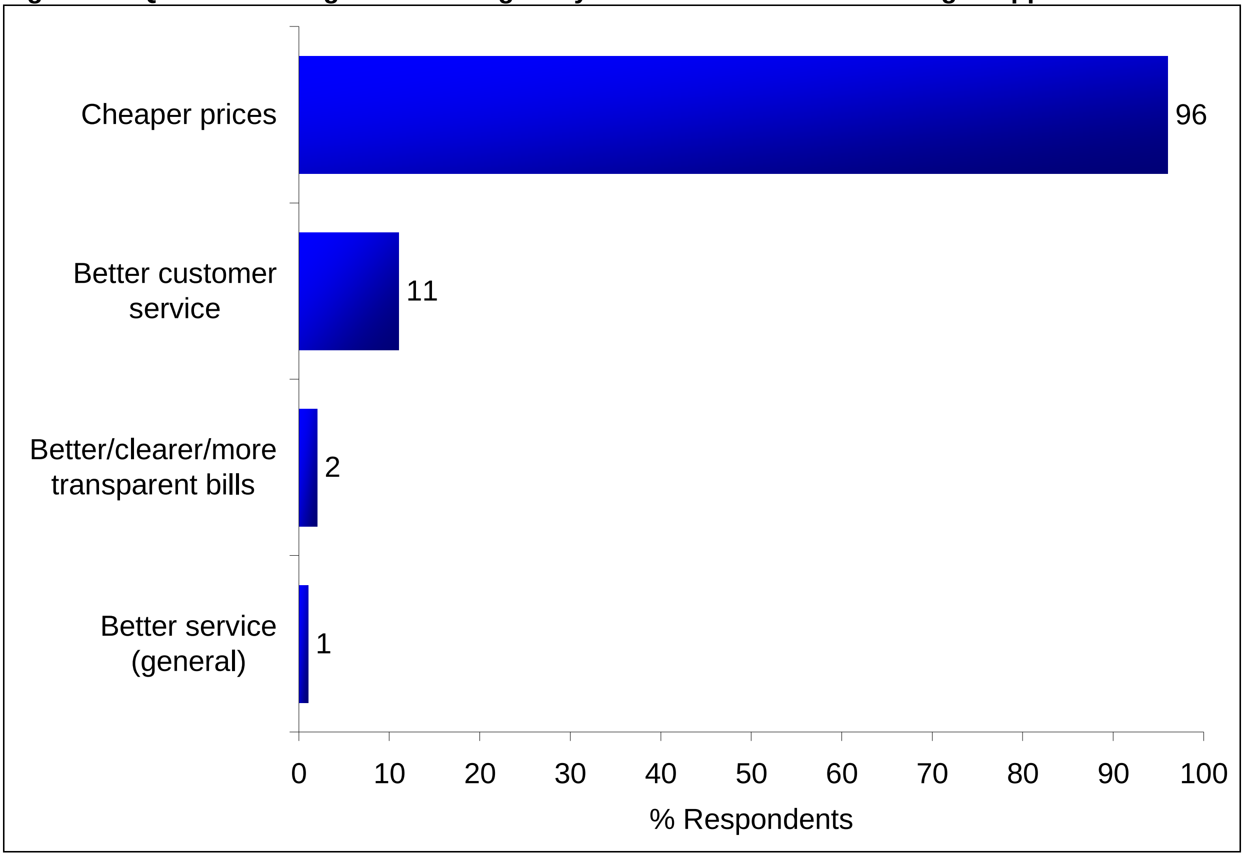
Base: all those unlikely to switch water and sewerage supplier (311)

3.5.7 Please see Appendix D Table 11 for the water region breakdown of reasons given for being unlikely to switch water and sewerage suppliers. Please note that differences between regions are not statistically significant due to small base sizes.

3.5.8 Among the 57% of respondents likely to switch, the key motivation, given by an overwhelming 96% of respondents, is cheaper water and sewerage prices (see Figure 40). This is a similar level to the extent of price motivation for switching energy suppliers seen in Section 3.3 (91%).

3.5.9 Just over 12% of those likely to switch supplier give more than one reason for wishing to do so. These were asked to cite the single most important reason and their responses reinforce the price drivers of switching, with 68% prioritising cheaper prices. Eighteen percent cite better customer service (ref Question 48).

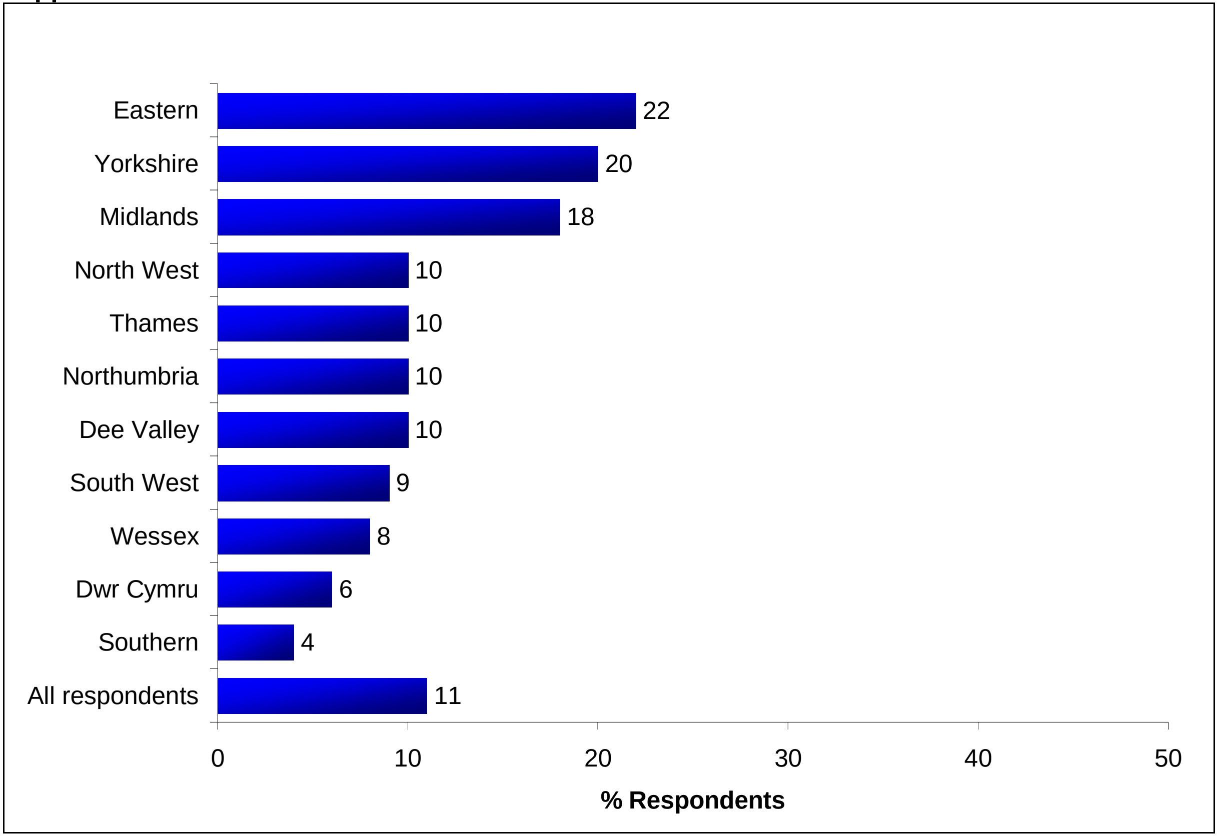
Figure 40: Q47: Reasons given for being likely to switch water and sewerage suppliers



Base: all those likely to switch water and sewerage supplier (859)

3.5.10 Table 12 in Appendix D shows the motivations to switch water and sewerage supplier by region. The rankings of key motivations to switch are similar in each area. However, amongst those who said they would be likely to switch water and sewerage supplier, the emphasis on seeking better customer service has the greatest variation (see Figure 41). SME customers in Eastern, Yorkshire and Midlands regions are much more motivated to switch to seek better customer services than in other regions; this may be driven by what has been identified as the key area of dissatisfaction with water services i.e. billing issues/incorrect meter reads. Very few customers of Dŵr Cymru Welsh Water and in the Southern region are motivated by this factor[9].

Figure 41: Q47: Water region variations in those motivated to switch water and sewerage suppliers to seek better customer service



Bases: All those quite likely or very likely to switch water and sewerage supplier:
All respondents (859), Eastern (73), Dŵr Cymru (95), Northumbria (87), Midlands (79), South West (99), Southern (70), Thames (81), North West (91), Wessex (72), Yorkshire (70), Dee Valley (42)

[9] As shown earlier, there were also large area variations in those perceiving that competition in the water and sewerage industry would lead to better service (see Figure 28).

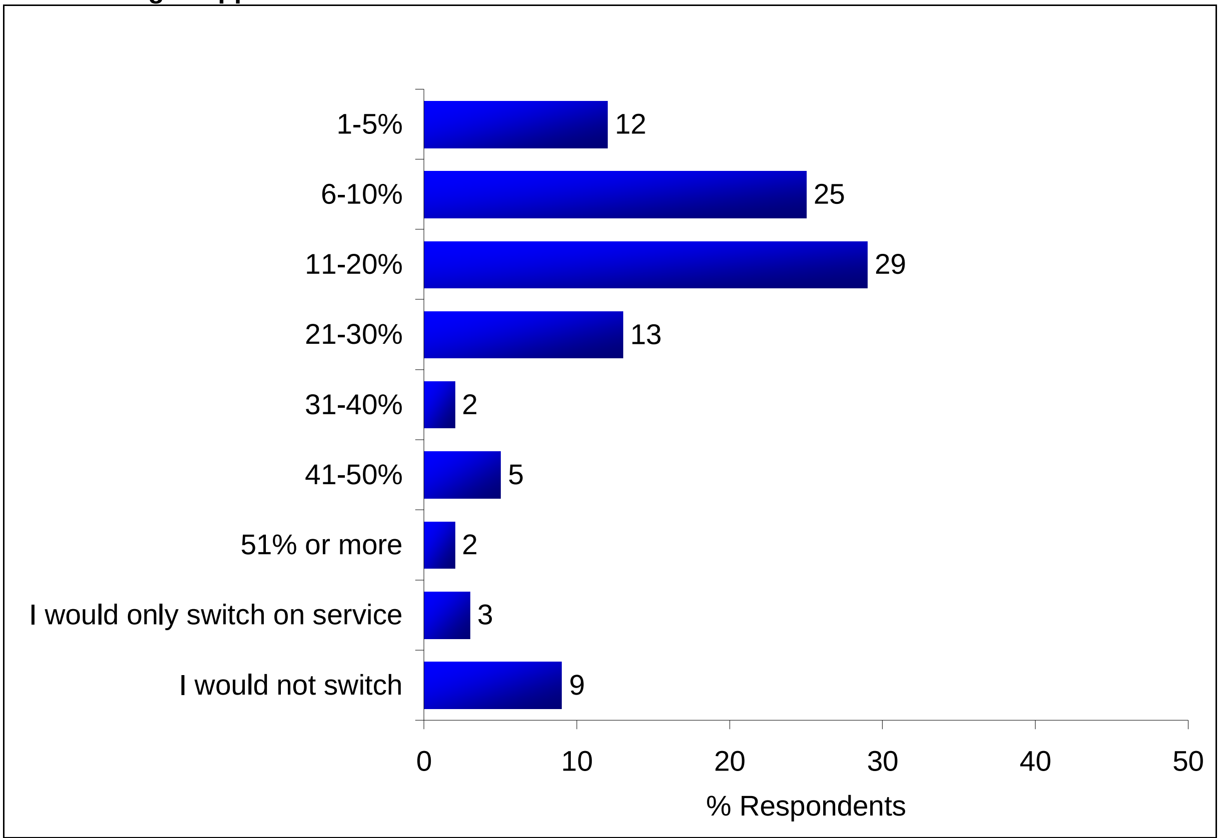
Level of Savings Needed to Encourage Switching

3.5.11 Figure 42 sets out the level of savings needed to encourage SMEs to switch supplier. The main points are that:

- 12% would change for savings of up to 5%
- 25% would change for a saving of 6% to 10%
- 29% would switch for a saving of between 11% and 20%
- 3% of respondents would not switch on the basis of price but would switch for a better service
- 9% said they would not switch.

3.5.12 It is interesting to note that only 9% state that they would not switch when asked about the level of savings that would be required to make them switch, compared to 20% who state that they would be unlikely to switch when simply asked their likelihood of doing so. This suggests that those who currently feel they would be unlikely to switch may reconsider if offered a high level of savings.

Figure 42: Q49: All respondents: level of saving needed to prompt businesses to switch water and sewerage supplier

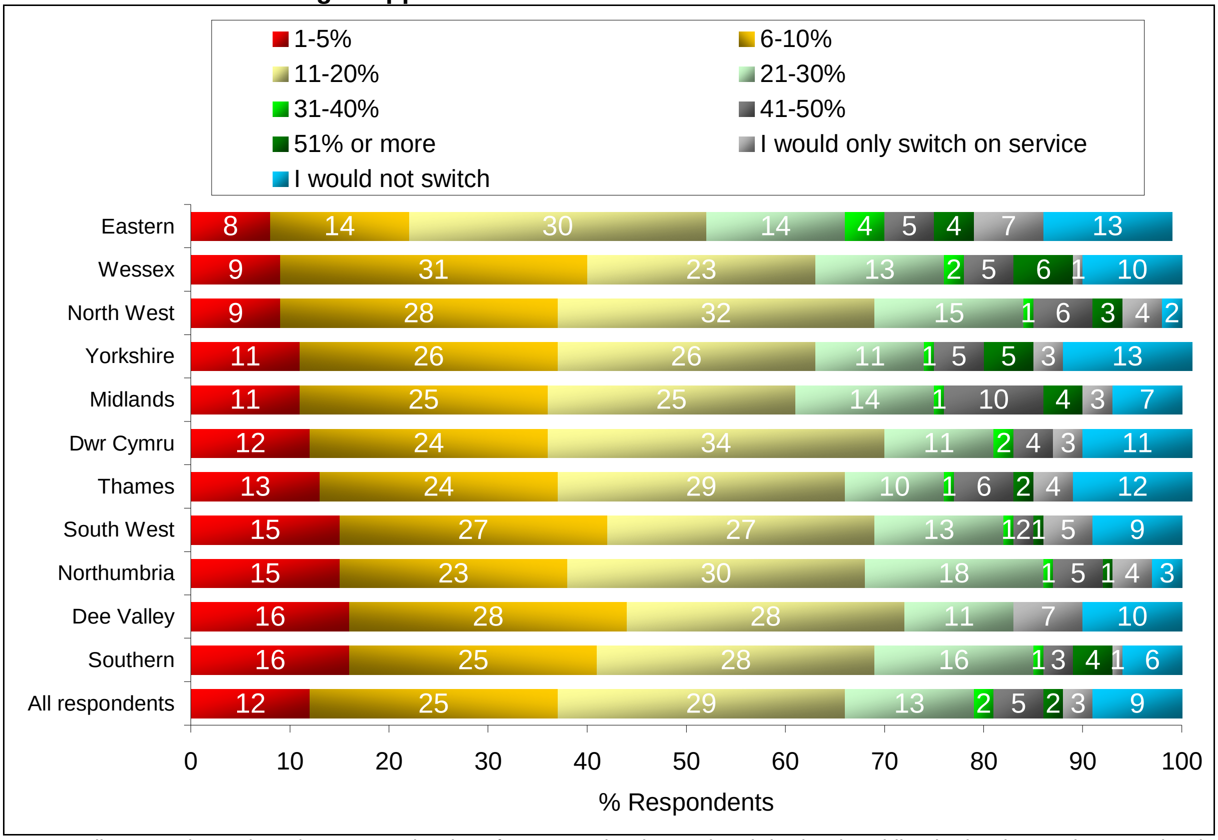


Base: All respondents (1515)

3.5.13 The variations by water region are shown in Figure 43. Although the data suggests that far fewer customers in the Eastern, Wessex and the North West regions would switch suppliers for a saving of up to 5% compared with customers in the Southern, Northumbria and South

West regions and Dee Valley Water, only the differences between customers in the Eastern and Southern regions are statistically significant. The other major bandings of cost savings needed to switch are fairly similar across the different regions.

Figure 43: Q49: Water region breakdown: level of saving needed to prompt businesses to switch water and sewerage supplier

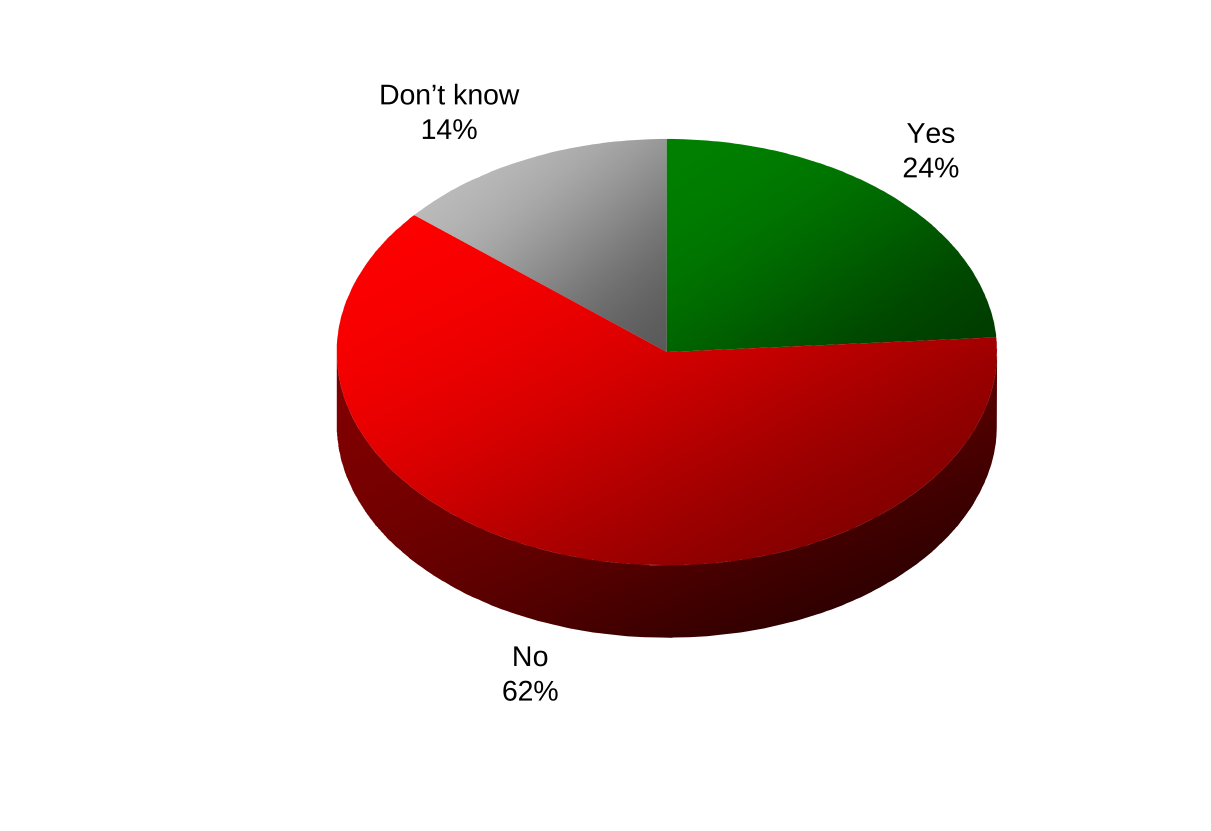


Bases: All respondents (1515), Eastern (154), Dŵr Cymru (155), Northumbria (142), Midlands (150), South West (150), Southern (141), Thames (140), North West (140), Wessex (141), Yorkshire (141), Dee Valley (61)

Reaction to Short Term Price Rises If These Were Needed to Help Establish Competition

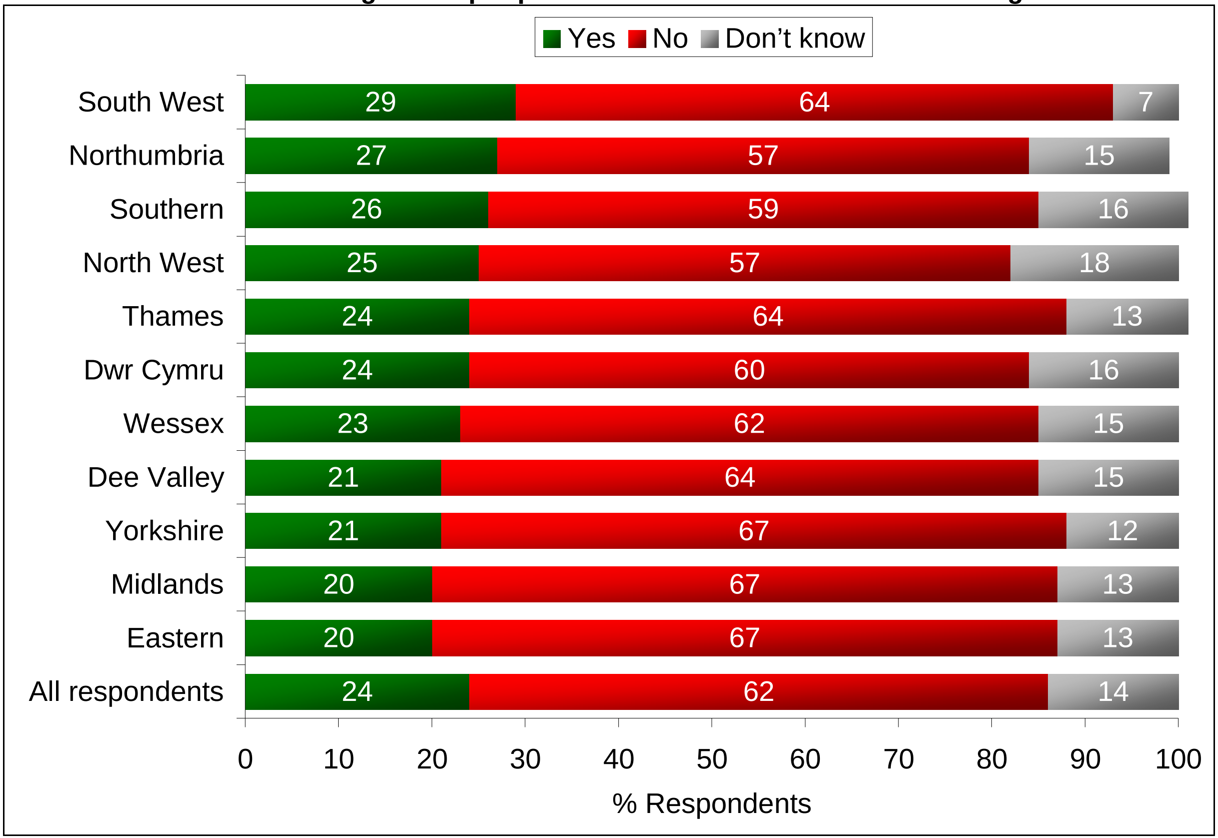
3.5.14 Almost two thirds of respondents (62%) would not support higher prices in the short term to meet the costs associated with a newly competitive market, even though this could lead to lower prices and/or better services in the longer term. There is little variation in the proportion who would not accept price increases on these terms across regions (see Figure 44 and Figure 45). The differences by region are not statistically significant.

Figure 44: Q50: All respondents: would businesses be prepared to pay higher prices in the short term in order to get cheaper prices and/or better services in the long term?



Base: All respondents (1515)

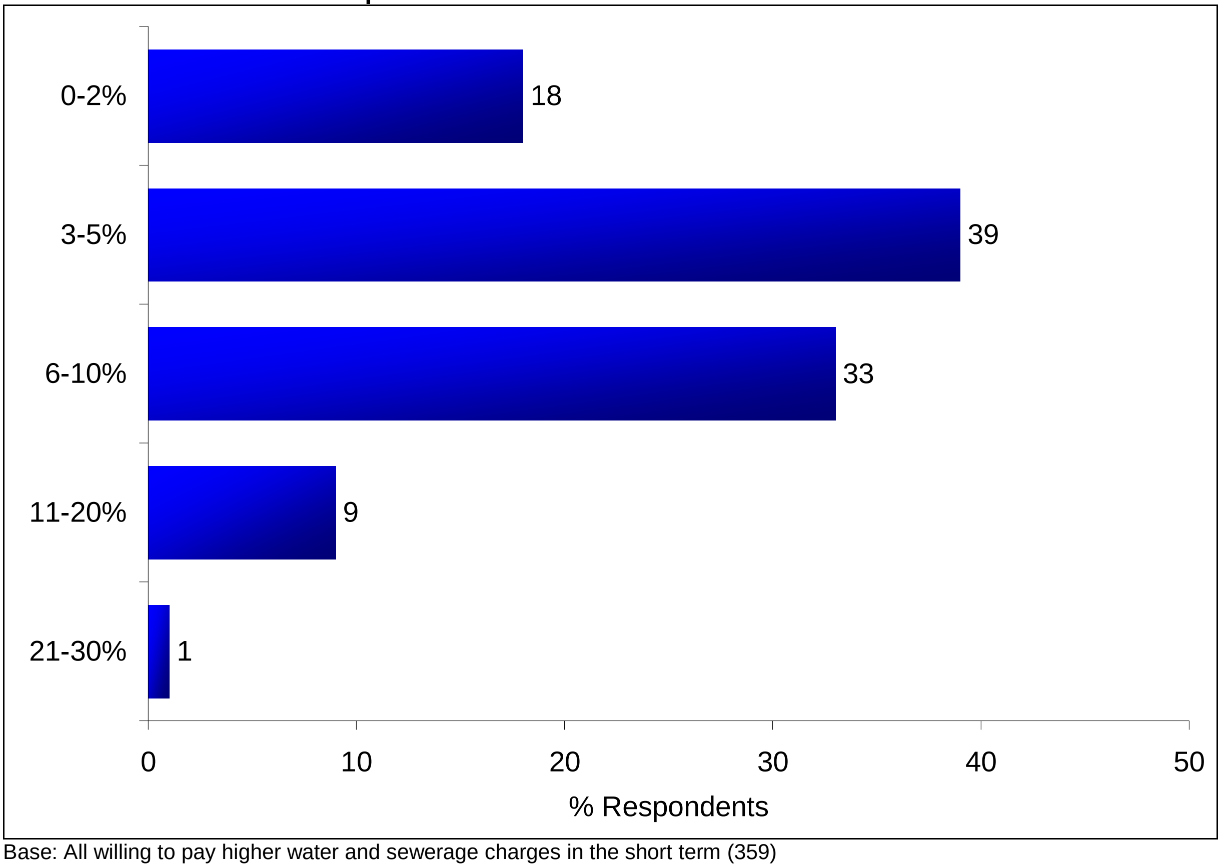
Figure 45: Q50: Water region breakdown: would businesses be prepared to pay higher prices in the short term in order to get cheaper prices and/or better services in the long term?



Bases: All respondents (1515), Eastern (154), Dŵr Cymru (155), Northumbria (142), Midlands (150), South West (150), Southern (141), Thames (140), North West (140), Wessex (141), Yorkshire (141), Dee Valley (61)

3.5.15 Among the 24% of respondents who would accept short term price rises, there is no strong agreement on the level of increase they would accept. Similar proportions of 39% would accept increases of between 3% and 5%, and 33% would accept an increase of between 6% and 10% (see Figure 46).

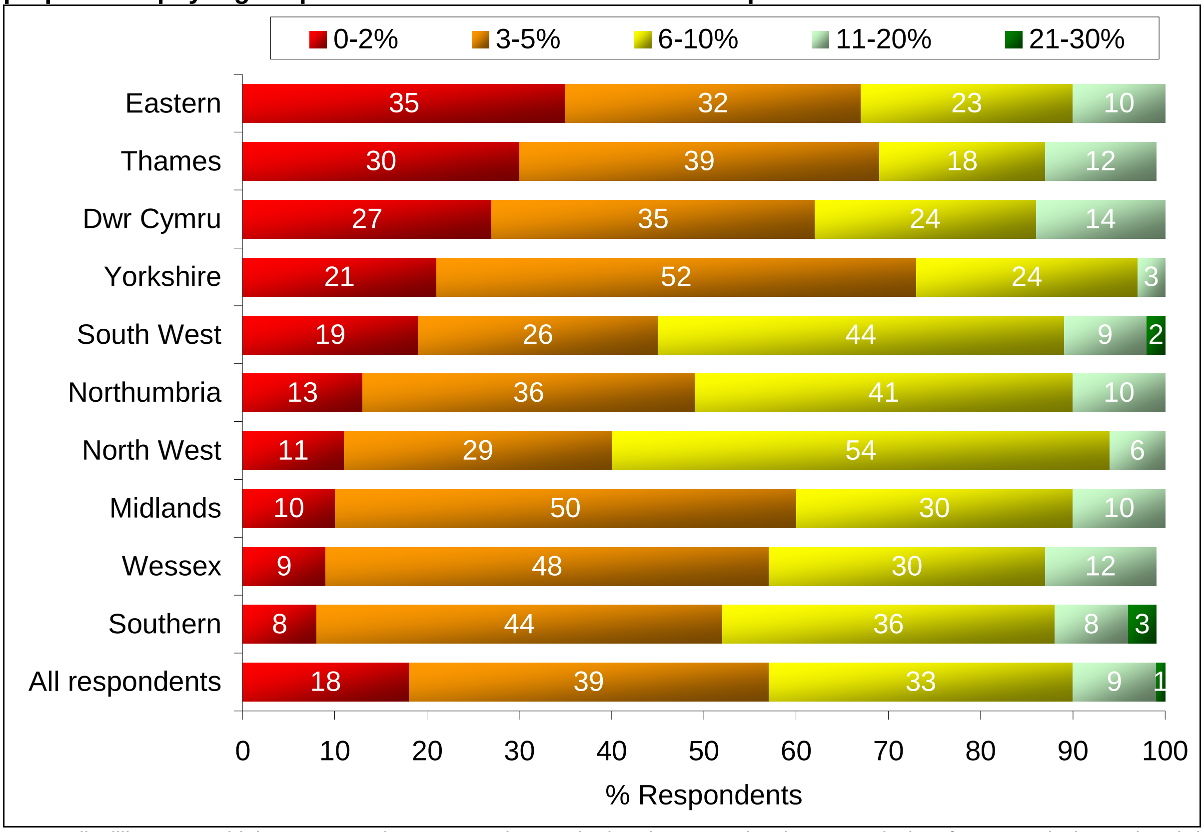
Figure 46: Q51: Level of extra charges that businesses who are prepared to pay higher prices in the short term would accept



Base: All willing to pay higher water and sewerage charges in the short term (359)

3.5.16 Although Figure 47 suggests some variations in the level of acceptable price increases between water and sewerage company regions, the small base sizes means they are not statistically significant.

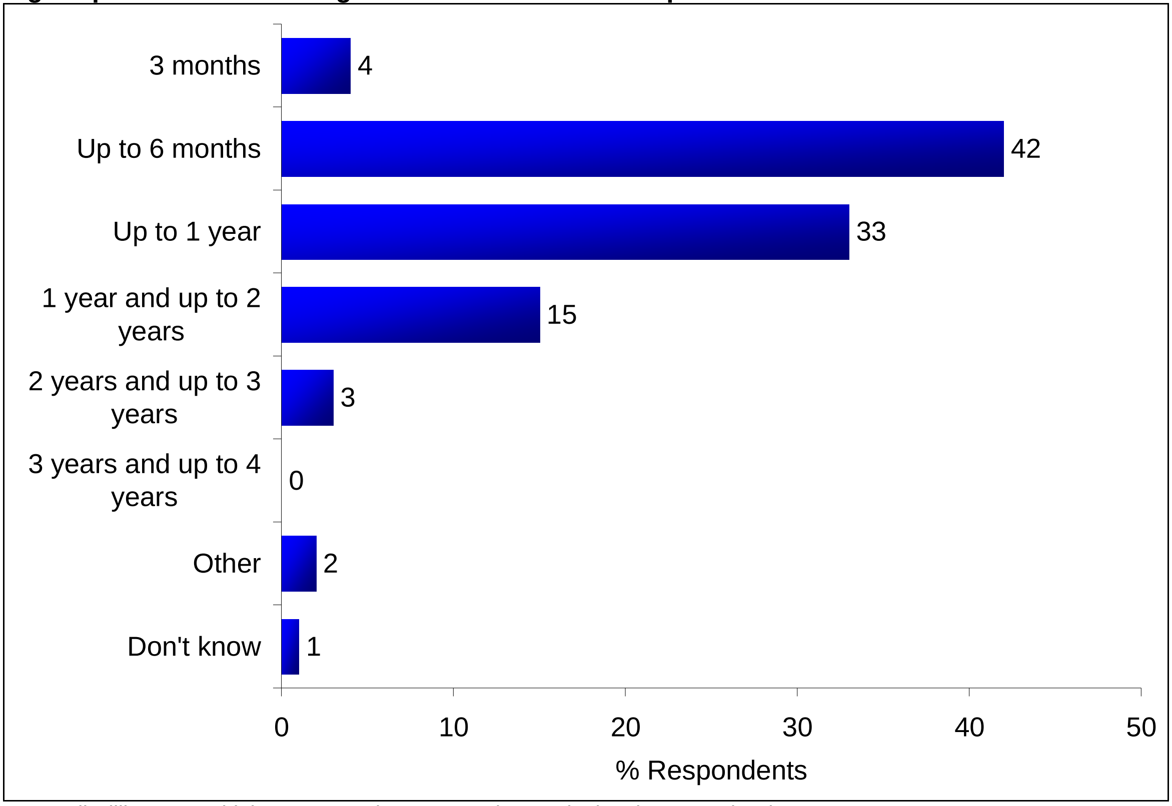
Figure 47: Q51: Water region breakdown: level of extra charges that businesses who are prepared to pay higher prices in the short term would accept



Base: All willing to pay higher water and sewerage charges in the short term (359), Eastern(31), Dŵr Cymru (37), Northumbria (39), Midlands (30), South West (43), Southern (36), Thames (33), North West (35), Wessex (33), Yorkshire (291), Dee Valley (13 **– base too low to show findings**)

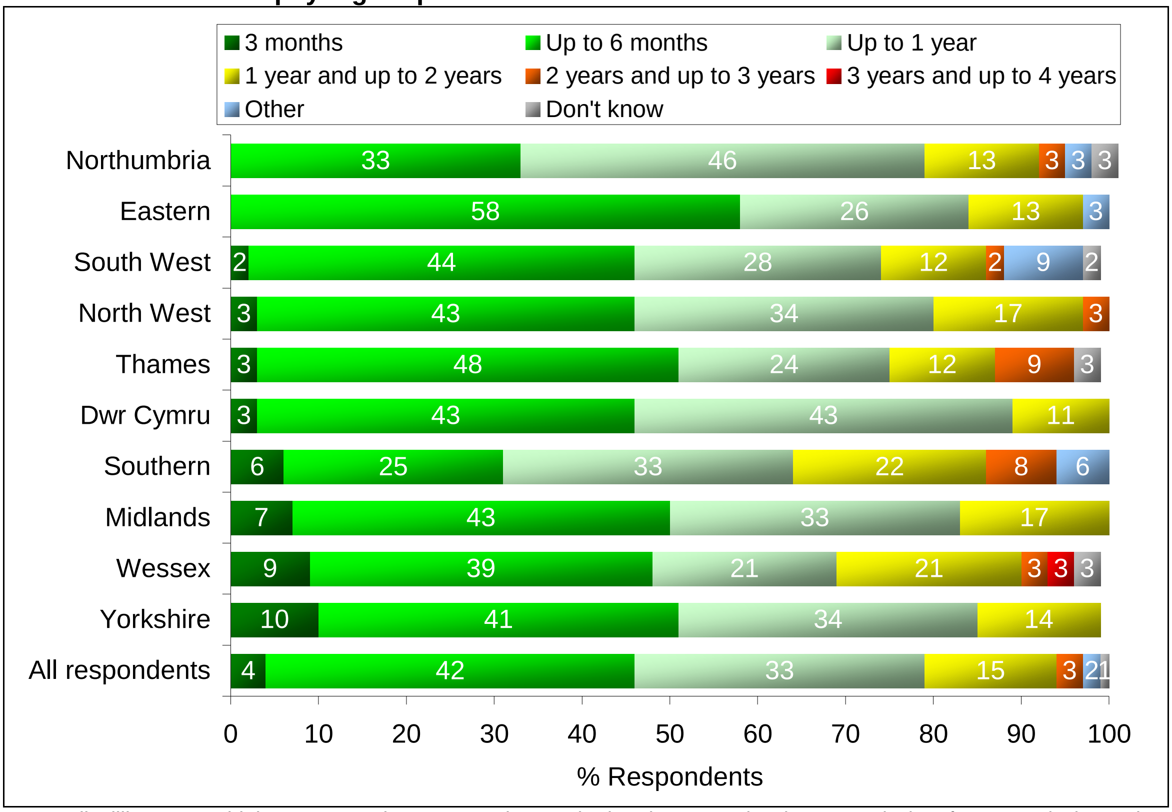
3.5.17 Most of those who would accept price increases would be prepared to pay more for up to 6 months before seeing the material benefits of competition (42%). A further 33% would pay higher prices for between 6 months and a year. Few would accept higher prices for more than 2 years (see Figure 48). The differences between regions are not statistically significant due to the small base sizes (see Figure 49).

Figure 48: Q52: Length of time those prepared to pay higher prices in the short term would pay higher prices before seeing material benefits of competition



Base: All willing to pay higher water and sewerage charges in the short term (359)

Figure 49: Q52 Water region breakdown: length of time those prepared to pay higher prices in the short term would pay higher prices



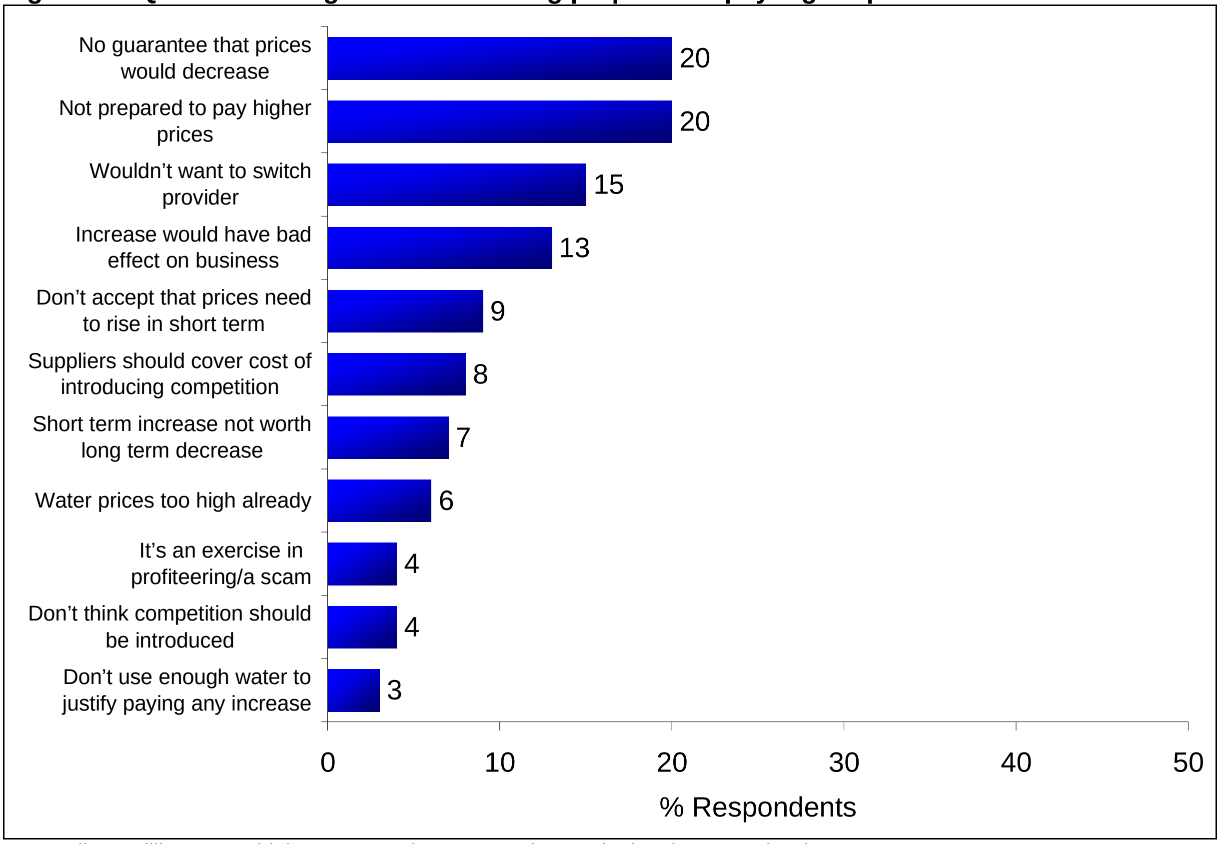
Base: All willing to pay higher water and sewerage charges in the short term (359), Eastern(31), Dŵr Cymru (37), Northumbria (39), Midlands (30), South West (43), Southern (36), Thames (33), North West (35), Wessex (33), Yorkshire (291), Dee Valley (13 **– base too low to show findings**)

3.5.18 The 62% of respondents who would not be prepared to pay higher prices to cover the costs associated with a newly competitive market give a number of reasons for not doing so. The main ones are:

- 20% would not pay higher prices in principle
- a further 20% believe there is no guarantee that prices would reduce again
- 15% would not want to switch supplier as they are happy with the status quo
- 13% feel the increase would have a bad effect on their business.

3.5.19 Figure 50 shows the full list of reasons.

Figure 50: Q53: Reasons given for not being prepared to pay higher prices in the short term



Base: All not willing to pay higher water and sewerage charges in the short term (946)

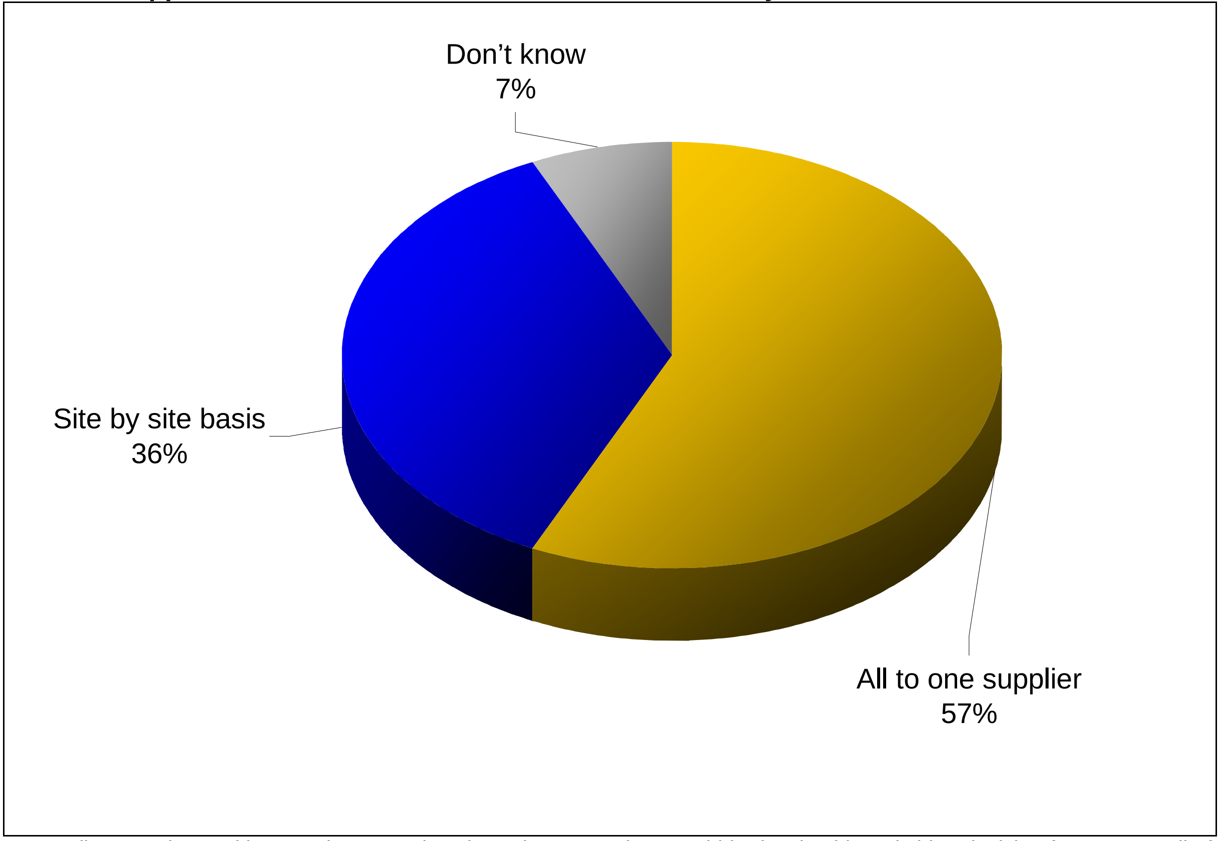
3.5.20 Please see Appendix D Table 13 for the breakdown by region of reasons given for not being prepared to pay higher prices in the short term. This shows quite a high level of consistency in the reasons cited between regions.

3.6 Attitude to Switching Among Businesses with More than One Site

Switching and Billing: General

3.6.1 Fifty seven percent of businesses would change all of their sites to the same water and sewerage supplier, whereas 36% would make the decision on a site by site basis (see Figure 51 – bases too low to show data for individual water and sewerage company regions).

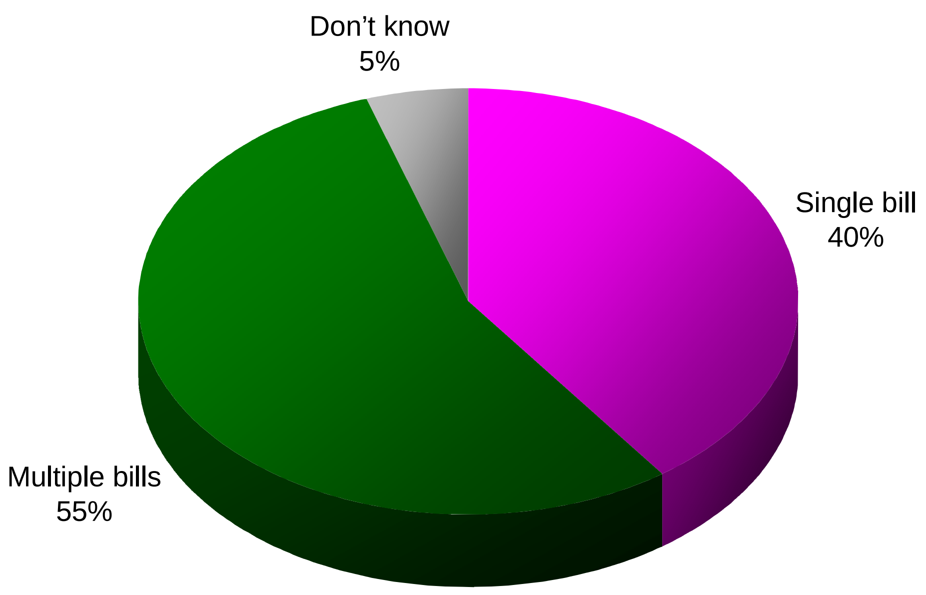
Figure 51: Q54: Businesses with more than one site: Would switching involve moving all sites to a new supplier, or would the decision be made on a site by site basis?



Base: All respondents with more than one site where the respondent would be involved in switching decision for some or all of these sites (286)

3.6.2 There is a fairly even split in opinion over whether SMEs would prefer one bill for all, or separate bills for each of their sites, if they switched all their sites to the same supplier (Figure 52 – bases too low to show data for individual water and sewerage company regions).

Figure 52: Q55: Businesses with more than one site: preferred billing method



Base: All respondents with more than one site where the respondent would be involved in switching decision for some or all of these sites (286)

Businesses with Sites in England and Wales

3.6.3 As competition in the water and sewerage industry may not be extended to SMEs in Wales, there may be particular implications for SMEs with sites in both England and Wales.

3.6.4 Thirty one businesses have sites in both England and Wales, with none having more than 5 in total:

- 2 sites: 35%
- 3 sites: 15%
- 4 sites: 4%
- 5 sites: 46%.

3.6.5 Among the 31 businesses that have sites in both England and Wales, 22 (71%) state that the absence of competition in Wales for SMEs would not stop them from switching their English sites.

3.6.6 These 22 were asked to give their reasons for why they would still switch. Five respondents chose not to answer this question, but the reasons given by the remaining 17 (some of whom gave more than one reason), are as follows:

- 11 could still make savings for their English sites
- 2 could still achieve improvements in services for their English sites
- 4 would make decisions on a site by site basis
- 1 say they are used to having multiple suppliers, so it would not make a massive difference to them
- 1 that their site in England is bigger
- 1 that it would result in less invoicing and management for them.

3.7 Not-for-Profit[10] Status of Dŵr Cymru Welsh Water

3.7.1 The 178 SMEs either based in, or with sites in, Dŵr Cymru Welsh Water's area, were asked a series of questions about the implications of Dŵr Cymru Welsh Water operating on a non profit making basis. The findings are:

- 75% do not know that Dŵr Cymru Welsh Water is a non profit making organisation

- when this was explained, 57% state that the not-for-profit status of the organisation does not make a difference to their views on the potential for competition, 38% state that it does make a difference and 6% do not know

- among the 38% who say that the status of Dŵr Cymru Welsh Water does make a difference to their views towards the potential for competition, there are two key reasons for this:

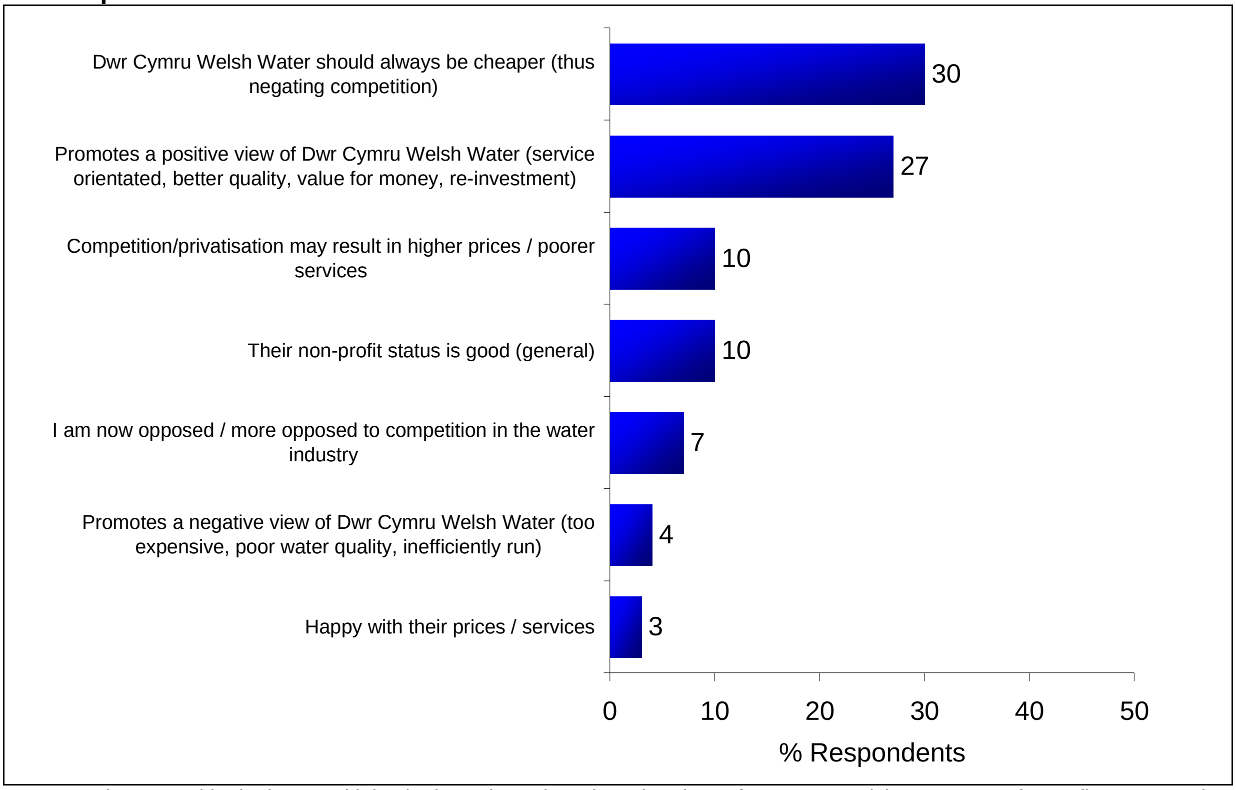
  - 30% feel that this should mean that Dŵr Cymru Welsh Water should always be cheaper than other water and sewerage companies where profits are used to pay dividends to shareholders. Being cheaper negates the main perceived benefit of introducing competition (access to cheaper prices)

  - 27% thinks it promotes a positive view of the company (e.g. service orientated, gives better quality generally, provides value for money and higher levels of re-investment).

3.7.2 The reasons given for changing views on competition are set out in Figure 53.

[10] In this research, Dŵr Cymru Welsh Water's business model is referred to as being 'not-for-profit'. This means that the company does not have any shareholders, and the profits made are re-invested in the business for the benefit of their customers and consumers.

Figure 53: Q63: Businesses with site(s) in Wales: reasons given for changing views on competition once respondents were made aware that Dŵr Cymru Welsh Water operates on a not for profit basis



Base: Businesses with single or multiple site in Wales, where knowing that Dŵr Cymru Welsh Water's not for profit status made a difference to views towards the potential for competition (67)

3.8 Summary Comparison of Views of English and Welsh SMEs

Introduction

3.8.1 This section provides a summary overview of key similarities and differences between English based and Welsh based SMEs concerning attitudes towards competition in the water and sewerage industry. SMEs with sites in both England and Wales have been excluded from the analysis in order to better assess specific national differences in perceptions.

Summary

3.8.2 Table 3 shows the scores achieved in the survey for England and Wales for the main indicators and where the scores on other questions differ. In most instances the differences are not statistically significant, so on balance there is little difference in the perceptions and attitudes of SMEs in each country. The main areas where there are significant differences are in the level of switching in the energy market and expectations about competition in the water and sewerage industry:

- 40% of respondents in Wales have never switched energy supplier, compared with 29% in England.
- 90% of respondents in Wales can see no new or improved services that would come about as a result of competition, compared with 81% in England.

3.8.3 This shows that if water and sewerage competition were to be introduced in Wales, fewer would feel they know what to expect. More, therefore, would need information about switching.

Table 3: Key Findings for English and Welsh SMEs

Question No	Topic	Wales	England	Statistically Significant ?
Attitudes Towards Current Water And Sewerage Suppliers				
Q21	Mean overall satisfaction with water supplier	4.20 Base: 144	4.16 Base: 1,334	No
Q25	Mean overall satisfaction with sewerage supplier	4.00 Base: 135	3.93 Base: 1,265	No
Q24	Mean value for money of water supplier	3.19 Base: 144	3.23 Base: 1,334	No
Q28	Mean value for money of sewerage supplier	3.21 Base: 135	3.26 Base: 1,217	No
Possible Response To Water and Sewerage Competition: Experience Of Switching Energy Suppliers				
Q32	Never switched energy supplier	40% Base: 144	29% Base: 1,334	Yes
Q34	If switched, main reason for switching: - price - better customer service	 95% 2% Base: 86	 91% 3% Base: 926	 No No
Q35	If switched, was it: - a good thing? - a bad thing?	 79% 7% Base: 86	 76% 8% Base: 926	 No No

Table 3 Continued: Key Findings for English and Welsh SMEs

Question No	Topic	Wales	England	Statistically Significant ?
Knowledge And Attitude Towards Competition In The Water and Sewerage Industry				
Q37	Not aware of competition in the industry	96% Base: 144	96% Base: 1,334	No
Q38	Mean agreement that principle of competition in the industry is a good thing	3.81 Base: 144	3.95 Base: 1,334	No
Q39	Reasons for being in favour of competition in principle: - cheaper prices - gives a choice - better service - gives power over supplier	 85% 24% 16% 13% Base: 96	 78% 31% 13% 10% Base: 919	 No No No No
Q41	Measures needed to ensure competition works for SMEs: - cap on prices - don't know - ongoing monitoring of performance - no interruptions in supply - guarantee of continued water quality	 33% 26% 13% 7% 13% Base: 144	 26% 24% 17% 12% 11% Base: 1,334	 No No No No No
Q42	New or improved services sought resulting from competition: - none - billing improvements - leakage detection - water efficiency advice - water audits - environmental improvements	 90% 0 1% 0 0 0 Base: 144	 81% 4% 3% 2% 1% 1% Base: 1,334	 Yes Yes Low base Low base Low base Low base
Q43	Key differences in how SMEs would like to be informed about competition: - letter from current supplier - radio	 13% 19% Base: 144	 21% 12% Base: 1,334	 Yes Yes
Q44	Key differences in notice required about introduction of competition: - 1 month before	 31% Base: 144	 24% Base: 1,334	 No
Switching Water Supplier				
Q45	Mean likelihood of switching water and/or sewerage supplier	3.51 Base: 140	3.59 Base: 1,247	No
Q46	Key differences in reasons for being unlikely to switch: - happy with current supplier - uncertain quality of new supplier - cost saving too small - fear of the unknown	 32% 19% 16% 16% Base: 31	 19% 9% 30% 8% Base: 272	 No No No No

Table 3 continued: Key Findings for English and Welsh SMEs

Question No	Topic	Wales	England	Statistically Significant ?
Q47	Main reasons for being likely to switch: - cheaper prices - better customer service	 97% 7% Base: 87	 96% 12% Base: 749	 No No
Q49	Level of saving required to prompt switching	similar	similar	No
Q50	Willing to pay higher prices in short term to cover costs of introducing competition, in order to get cheaper costs and/or better service in longer term	25% Base: 144	23% Base: 1,334	No
Q51	If willing to pay more, how much extra would SMEs pay in the short term: - 0 to 2%? - 3% to 5%? - 6% to 10%? - 11% to 20%?	 28% 33% 25% 14% Base: 36	 17% 38% 35% 9% Base: 313	 No No No No
Q52	If willing to pay more, how long would SMEs be prepared to pay before seeing material benefits of competition: - up to 6 months? - up to 1 year? - 1 to 2 years?	 44% 42% 11% Base: 36	 41% 33% 15% Base: 313	 No No No
Q54	Would SMEs switch all sites to one supplier or make the decision on a site by site basis? - all to one supplier - site by site basis - don't know	 48% 43% 10% Base: 21	 60% 34% 6% Base: 238	 No No No

3.9 Distinctive Attitudes in North West and South West of England

Summary

3.9.1 Table 4 gathers together key data for SME respondents in the North West and South West regions on their likely response to competition.

3.9.2 The South West and North West are distinctive in being the only water and sewerage company regions where the average customer is dissatisfied with the value for money of the water and sewerage service received (i.e. mean scores below 3 on a scale of 1 to 5). They both rank 10th or 11th out of 11 on perceived overall satisfaction and value for money.

3.9.3 These regions may well embrace competition most strongly as:

- they are above average in previous energy switching and so customers will have more of an idea of what changing a utility supplier involves
- the South West has the largest proportion of SME respondents who say that switching energy supplier has been good for their business and it is therefore likely that they would

expect the benefits of competition to be worthwhile. However, respondents in the North West don't rate the benefits of switching energy supplier as highly as those in the South West (North West ranked as 5th on this overall)

- these two regions (i.e. South West and North West) have the most respondents with larger water bills relative to energy charges

- North West is ranked as 1st and South West as 3rd in believing that the principle of competition is a good thing

- North West is 2nd and South West 4th in likelihood of switching.

Table 4: Key satisfaction and switching indicators for the North West and South West

Indicator	North West		South West		All Respondents
		Rank (out of 11)		Rank (out of 11)	
Mean overall satisfaction with water supplier	3.91	11th	3.97	10th	4.16
Mean overall satisfaction with sewerage supplier	3.68	11th	3.76	10th	3.94
Mean value for money of water supplier	2.88	10th	2.75	11th	3.24
Customers with water and sewerage bills which are more than equal to or half energy bills	36%	1st	37%	1st	23%
Mean value for money of sewerage supplier	2.79	11th	2.79	11th	3.26
Ever switched energy supplier	73%	4th	73%	4th	69%
Switching energy supplier was good for the business	75%	5th	85%	1st	76%
Mean agreement that the principle of competition in water industry is a good thing	4.19	1st	4.10	3rd	4.94
Mean likelihood of switching	3.87	2nd	3.78	4th	3.59

Bases: all respondents (1515), North West (140), South West (150)

4. CONCLUSIONS

- Respondents are satisfied with their current water and sewerage supply, although more muted on whether they get value for money.

- Most are used to competition in the energy market, so they should adapt to the same conditions in the water and sewerage market.

- However, a significant minority have never switched energy supplier, so may not be as prepared for competition in the water sector.

- Respondents are generally supportive of the principle of competition, with those who have switched energy supplier in the last 3 years – especially prolific switchers – and respondents with high bills, more likely to view competition in the water industry positively.

- There is evidence that SMEs would switch on price, just as they have in the energy sector, but as water bills are generally much lower, the financial savings are likely to be less, which may well constrain the level of switching that will occur.

- A key area of dissatisfaction with current water services is billing issues/inaccurate meter reads. Despite this, the evidence shows that customer service is unlikely to be a big driver for SMEs to change supplier.

- For SME competition to work, respondents would like reassurance that there would be a cap on prices and ongoing monitoring of performance.

- Many do not welcome the prospect of water and sewerage charges rising in the short term to enable lower prices and/or better service in the long term.

- The main sources of information about switching are expected to be the national press or a letter from a potential new supplier. There is little mention of official independent sources.

- There will need to be a lot of work to communicate competition in the market given low awareness and low expectations. This will need to:

  - raise awareness that it is happening

  - promote the actions needed to ensure competition works

  - raise expectations about the improvements SMEs should expect as a result of competition.

- The preferred time frame for raising awareness is 6 months ahead of the introduction of competition.

- The South West and North West of England are distinctive in being the only regions where the average customer is dissatisfied with the value for money of the water and sewerage service received. These regions may well embrace competition relatively strongly.

- Generally respondents from the Eastern, Wessex, Yorkshire and Northumbrian regions tend to be most positive about their suppliers and they are also least likely to switch.

- There is little difference in perceptions between SMEs in England where competition will be introduced and Wales where it may not be introduced at this stage.

- There would not seem to be a issue with multi-site SMEs that have sites in both England and Wales; if competition is not introduced in Wales, 71% think they would still switch suppliers in England, even if they cannot in Wales.

- Understanding Dŵr Cymru Welsh Water's business model[11] seems to create the impression that they would provide a cheaper and better quality of service than companies with a typical shareholder structure.

[11] The company does not have any shareholders, and the profits made are re-invested in the business for the benefit of their customers and consumers.

APPENDIX A

Findings of the Qualitative Stage

Small and Medium Business Customer Views on Competition

Report

February 2010

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CONTENTS

1. BACKGROUND, OBJECTIVES & METHODOLOGY

1.1 Background and context to the research

1.1.1 The Consumer Council for Water (CCWater) represents the interests of consumers in the water industry in England and in Wales, and aims to provide a strong voice for the consumers it represents. It wants consumers to get (and be able to recognise that they are getting) high standards and good value for money in water and sewerage services, comparing well with the best of other service sectors.

1.1.2 CCWater commissioned research to establish the attitudes of small and medium businesses (SMEs) towards the potential for competition in the water sector. Currently only large business customers using more then 50Ml of water a year are able to change their water supplier. They are able to choose from new suppliers coming into the water market which are licensed by Ofwat. These suppliers are called ‘licensees’.

1.1.3 In 2008 the Government commissioned Professor Martin Cave to carry out an independent review of competition and innovation in the water industry in England and Wales. The Cave Review made a number of recommendations about how competition could be developed in the water industry, including suggesting that the threshold at which business users are able to switch supplier be reduced from 50Ml to 5Ml a year.

1.1.4 In September 2009, the UK Government and Welsh Assembly Government consulted on the Cave Review recommendations and how they propose to take forward the development of competition. The consultation concluded that the intention is to lower the threshold in England only from 50Ml to 5Ml from April 2010. The UK Government said it would consider opening competition up to all business customers in the future following work by Ofwat and CCWater to evaluate the success of the competition regime. However, the Welsh Assembly Government is not currently minded to lower the threshold in Wales.

1.1.5 To inform the Governments’ future decisions, it is important for CCWater to provide evidence about what SMEs want and expect from the competition regime. This research aims to address these questions.

1.2 The Research Objectives

1.2.1 CCWater’s keys aims in commissioning this research are to:

- identify SME customers’ positive and negative views on competition
- provide greater legitimacy in representing all consumers
- provide a stronger evidence base on which to make policy decisions
- ensure that a competition regime develops that will meet SMEs expectations
- gauge SMEs concerns about competition and how these might be overcome.

1.3 Summary of the Methodology

1.3.1 Accent conducted five deliberative mini focus groups with two groups in Birmingham, two groups in semi-rural Buckinghamshire (i.e. Marlow) and one group in Cardiff.

1.4 Interpretations of Findings

1.4.1 The analysis presented within this report is based on the qualitative findings from the five focus groups and therefore offers an indication of the opinions of SMEs rather than statistically robust conclusions. A quantitative phase of research followed which provides robust research findings.

1.5 Focus Group Details

1.5.1 The dates, location and composition of these deliberative mini groups is summarised in the table below.

Table 1: Date, location and composition of the five deliberative mini-focus groups

Date	Group Location	Urban vs Rural	Size (By Consumption)	Business Type	Size (By Employees)	England/ Wales Sites	Number in group
2 Feb	Birmingham	Urban	Small	Mix	Mix	0	6
2 Feb	Birmingham	Urban	Medium	Mix	Mix	0	4
3 Feb	Marlow	Semi-rural	Small	Mix	Mix	0	8
3 Feb	Marlow	Semi-rural	Mix	Mix	Mix	0	6
8 Feb	Cardiff	Urban	Mix	Mix	Mix	2	6

1.5.2 Accent purchased sample of small and medium businesses (defined by number of employees) from Sample Answers. This excluded sole proprietors or SOHOs (i.e. businesses based at home). A recruitment questionnaire was then used to ensure that respondents were in scope for the groups. To be in scope the respondent had to be:

- the person responsible for paying the company's water bills or liaising with their energy and water suppliers
- not working in marketing, advertising, public relations, journalism, market research, the water sector or the energy sector
- not having participated in a focus group in the past 6 months, or in one on the subject of water or switching in the past two years
- from a business having fewer than 250 employees and, to be a "small" organisation, paying £5,000 or less for their water per annum and to be a "medium" organisation, paying between £5,000 and £20,000 per annum.

2. FINDINGS

2.1 Contact with Current Water and Sewerage Providers

Main Findings

2.1.1 Contact and engagement with water companies is minimal, unlike the more ongoing contact offered by other utility providers. Contact with water companies is typically only initiated when a problem arises.

Detailed Findings

2.1.2 Most respondents have very little contact with their water or sewerage supplier. More typically, having contact means that a problem has arisen that needs resolving. A perception prevails that with water companies 'no news is good news'.

> *"I wouldn't say we have a relationship with the water company."*
> (Female, Birmingham, Group 2)

> *"I have very few feelings at all, because I have very little contact with them. I don't need to have contact with them. You pay your bill, they give you water. That's it."*
> (Female, Marlow, Group 1)

2.2 The Perception of Water

Main Findings

2.2.1 Water is considered an essential product that, unlike the supply of energy, has a quality standard associated with it.

Detailed Findings

2.2.2 Water and energy provision are considered different products, as the former has a quality standard associated with it whilst energy does not – it is the same everywhere. The introduction of any change within the water industry needs to come with a guarantee that the water quality will not suffer as a result.

> *"I would imagine if there are more water companies they would maybe strive to produce a better quality of water and I think one thing that would certainly concern me is the quality of the water that I'm actually drinking."*
> (Female, Marlow, Group 1)

> *"There is no taste to electricity or gas. It's all the same product."*
> (Male, Birmingham, Group 2)

"It's more essential than the other two. You need it more."
(Male, Birmingham, Group 2)

2.2.3 That said, as the water quality is already highly regarded in these regions – and unlikely to change, irrespective of supplier – a new water package that offers added benefits, such as water filters and water softeners, has limited appeal.

2.3 Awareness of, and Attitudes Towards, Competition in the Water Industry

Main Findings

2.3.1 There is low awareness of the current availability of competition in the water industry. The overarching advantage with the introduction of competition relates to pricing, as it offers SMEs the ability to negotiate payment terms with water suppliers. The main disadvantage of introducing competition is that choice may lead to confusion over which water supplier to select.

Detailed Findings

2.3.2 Most respondents are unaware that competition currently exists in the water industry for large business users, although a few respondents have limited awareness that such competition exists.

"I understand it occurs in commercial or industrial organisations above a particular level of consumption. Big breweries, I think there is competition there."
(Male, Birmingham, Group 1)

2.3.3 The main cited advantage for introducing competition in the water industry is that it introduces competitive pricing, with associated billing transparency, so that customers can see what they are getting for their money. It also permits an understanding of the 'true cost of water', as other suppliers can offer price comparisons. With the advent of competition in the energy sector, most respondents switch their supplier(s) every few years, with a minority being annual switchers, basing their decision to change supplier solely on price, with seemingly little or no consideration of other aspects such as customer service.

"Yeah it's interesting that water is the only thing that we cannot change the price of. I mean I'm continually looking at prices ... of things .. electricity, gas etc, etc and I'm always comparing, but water's something that I suppose I just take the burn and pay it, you know, without really [comparing]. It would be great to have some choice."
(Female, Marlow, Group 2)

"If the water's going to be the same, it's going to come through the same pipeline, so there can't be that many options of the advantages to us by switching from one supplier to another; if the water's going to be the same, OK, and the only advantage is in the price, or maybe the bidding structure that we get."
(Male, Marlow, Group 1)

2.3.4 However, competition offers consumers choice, with the associated ability to switch provider for a better business offering. That is, it provides a contingency possibility should a problem arise. Choice gives consumers power and the ability, although it may not be taken up, to take business elsewhere should dissatisfaction with a current supplier prevail. Some respondents articulate feelings of 'powerlessness' at the moment, which is associated with not being able to change their supplier if the service fails to deliver.

> *"To be able to have the choice [would be good]. You have an issue with the water company, you can't get it resolved so, well OK, I will go to your competitor and see what they have got to say."*
> (Male, Birmingham, Group 1)
>
> *"It's only the threat, if you think you've got poor service, it's only the threat that you can change suppliers."*
> (Male, Marlow, Group 1)
>
> *"It would be nice to think you could change if you wanted to."*
> (Male, Birmingham, Group 1)

2.3.5 Some feel that competition would offer improved service delivery as providers are required to compete for business. An observation from some respondents is that as water companies are exempt from the normal rigours of business competition, this has encouraged them to adopt a laissez fair attitude to customer service and service delivery, which cannot be challenged by consumers due to a lack of competition.

> *"Unlike any other supplier, you would expect to be pro-active, coming along, telling you how you could save money maybe or discussing with you different elements of the supply or problems. You don't get anything like that and it's typical of where there is no competition. They don't have to make any effort."*
> (Female, Birmingham, Group 1)
>
> *"I thought perhaps [with competition] you would get a bit more added to your service, added extras, a better package, other benefits perhaps."*
> (Female, Birmingham, Group 2)
>
> *"Service improvement, and by that I meant that in competition [the service is] not just the technology but the way people treat you."*
> (Male, Birmingham, Group 2)

2.3.6 Furthermore, competition could offer improved administrative efficiency with the introduction of, for example, computerised online records and meter readings similar to those introduced by the energy industry. Competition may offer the introduction of more water efficiency measures and enhanced communications.

> *"Competition brings efficiency, less waste. We know they are running their business effectively. They are not overpaying the MD because he is in a monopoly position. There is competition out there and it will bring savings."*
> (Male, Birmingham, group 1)

2.3.7 For those respondents with more than one commercial site there is no one preferred way forward with respect to billing arrangements across their sites; they would determine whether to consolidate their billing or adopt a more fragmented approach by reviewing which option offers the financially more attractive proposition.

2.3.8 The disadvantages of competition include the confusion introduced in the market by offering choice, with businesses receiving numerous unsolicited ‘cold calls’ as a result of providers vying for customers.

> *“…you can go for the low price, but when you’ve got this, too many [providers] I think, for me, [it offers] too many choices.”*
> (Female, Marlow, group 1)

2.3.9 Respondents believe that competition in the energy sector has resulted in energy becoming commoditized and full of bad practice, with several respondents citing the need to be vigilant about the sales techniques used to entice them to sign contracts with less than advantageous terms. There are many examples cited of disreputable sales techniques and unfavourable contracts.

> *“[With water] if you have got a problem you can’t do anything about it. However you have got to be very astute when you are looking around for electricity, gas, all the other things, because you can get conned, people do. You have got to have your wits about you.”*
> (Female, Birmingham, Group 1)

2.3.10 Further disadvantages relate to issues of infrastructure responsibility, maintenance and accountability, as currently respondents are aware who they should call with problems, but with competition this may become more blurred. Some express concerns about the possibility of customer service deteriorating as costs go down and more services are outsourced overseas. A minority strive to emphasize that the water industry, unlike the energy industry, should be UK-owned. Finally, there are concerns that a fragmented industry may lead to a deterioration of water quality.

> *“I think we have lost control and I think on the water side of things it’s such am important commodity. …one of my long term concerns would be that if you fragment it all and then one takes over somebody else, somebody else takes over somebody else and then a foreign company takes over big chunks of it and they don’t have the same sort of [UK buy in].”*
> (Male, Birmingham, Group 2)

> *“We talked about the possibility that you get locked into contracts, that cartels could exist, there may be a lack of transparency about what is going on, and that we have got worries about infrastructure/accountability, shareholder pressure and maybe poor service that comes out of it, but that would be something you would find out about as you went on.”*
> (Male, Cardiff)

> *“If you split it up you can sometimes lose that expertise. So a small organisation, if there was competition, you may find that they may not be able to provide safe potable water consistently of the right quality and I am thinking about bacterium viruses for the different things.”*
> (Male, Birmingham, Group 2)

2.4 Specific Findings from the Cardiff Group

Main Findings

2.4.1 There is limited awareness of the ‘not for profit’ business model of Dŵr Cymru Welsh Water. When informed as to how this works (i.e. no shareholders) this is a catalyst for respondents once again to query the benefit of introducing competition into the water industry.

2.4.2 Respondents with sites in both England and Wales would not seek to differentiate their water provider by location.

Detailed Findings

2.4.3 Whilst respondents are aware that their water and sewerage is provided by Dŵr Cymru, there is little understanding of it’s ‘not for profit’ business model. Only one respondent is aware that its customers are its shareholders. When informed of this, some query what the benefits of introducing competition would be.

> *“In that case, is there any point in opening it up to competition if they are not for profit?”*
> (Male, Cardiff)

> *“The way I would look at it is that ‘how much are you really going to save’ and the answer is probably ‘not a lot’. … I don’t think we can get water a lot cheaper and even if you do get it cheaper today, tomorrow, next year isn’t necessarily going to be that much cheaper.”*
> (Male, Cardiff)

2.4.4 Respondents who have sites in both England and Wales will not seek to differentiate between these sites in terms of their geographical location as to them ‘a site, is a site is a site”. So if they are unable to switch in one location they would not do so in another.

2.5 Information Requirements

Main Findings

2.5.1 The introduction of competition in the water industry should be strongly advertised, primarily on the TV and radio between 3 and 12 months in advance of launch. Such advertising should not be funded through increased water bills for consumers.

Detailed Findings

2.5.2 There is interest in advertising to promote awareness of the introduction of competition in the water industry via television, the radio, newspapers, a telephone helpline or on the internet. This should be done between 3 and 12 months in advance of the introduction of competition to offer SMEs the opportunity to investigate this offering further.

> *“Not a huge amount [is required]. Just to raise awareness. A 10 second advert really.”*
> (Female, Birmingham, Group 1)

"[Advertise on] national press, local radio stations, TV, internet, everywhere where you could reach the audience."
(Male, Birmingham, Group 2)

"If you have got 12 months in advance to consider what is going on and options, things like that, it sets the marketplace ready."
(Female, Cardiff)

2.5.3 However, there is a query over who would fund any marketing programme and whether this would be met internally by perspective water companies or through higher water bills. The latter is not acceptable to these respondents.

"If you want to compete, you've got to make the savings elsewhere. Don't ask your consumer to pay."
(Male, Marlow, group 2)

2.6 Impact of Competition

Main Findings

2.6.1 Whilst all respondents hold the belief that competition in the water industry is in principle a good thing for businesses, fewer agree that its introduction would be beneficial in terms of offering them a substantive saving on their already modest bills. Therefore, more respondents feel that the effort of trying to find the 'best' supplier would be dwarfed by the eventual cost savings.

Detailed Findings

2.6.2 Whilst respondents generally believe in the concept of competition in the business arena, the main conclusion is that competition may not lead them to change water supplier, as the savings introduced may be fairly small – and making savings is seen as the main advantage of competition.

2.6.3 All respondents have some experience of switching energy suppliers, and with their considerably larger energy bills such switching behaviour can offer their company large savings. However, water is considered a fairly modest expenditure compared to energy costs. Energy bills can be between twice and 25 times higher than water bills, with an average of about 5 times the level of water bills. Therefore, whilst competition in the water industry may be seen as the natural way forward, it is perceived that the reality may be that it will introduce only relatively modest savings. With less potential savings there is correspondingly less reason for competition to benefit consumers.

"And the reason it doesn't come up on the radar is because by comparison to the other services it's such a small amount of money."
(Male, Marlow, group 2)

"I think from my point of view it's [water] value for money. I've got 200 children using water all day and I think it's maybe £1,000 a year. I don't think that's bad at all."
(Female, Marlow, Group 1)

"The way I would look at it is that how much are you really going to save [with competition] and the answer is probably not a lot."
(Male, Cardiff)

"There are two elements; one is the fact that I only pay the bill for my building, all of our other sites go back to the tenants, so my bill is minimal, it wouldn't make any difference if they knocked 10, 20, 30% off it because it isn't that big to begin with."
(Male, Cardiff)

2.6.4 That said, one Birmingham group and a Marlow group appear to remain more committed to the introduction of competition in the water industry. Their concern about not making it competitive stems from their unease over a 'monopoly' or a 'cartel' in the water industry. For them the introduction of formal competition in the water industry is a necessary business requirement, conferring on them the ability to have a choice and a corresponding awareness from providers' that this choice could be exercised.

"If you remember when it was nationalised [the energy industry], then look back and see the difference today, transparency for one thing, and the fact that you can negotiate, you couldn't before, that is the fundamental difference."
(Male, Birmingham, Group 1)

2.6.5 Within the other three groups the respondents are more circumspect about what competition would actually bring for them. For these latter groups, the possible time expenditure for potentially modest cost savings holds little interest.

"It all depends how it's going to work. If it's just about the price … rather than where it's coming from and its quality, I don't know what is the point!"
(Male, Birmingham, Group 2)

"So, initially, you've got to think it's got to be a good thing, but if you think it through, how can it be?"
(Female, Marlow, Group 1)

"No. It depends what your water bill is, really, doesn't it? I mean, ours is relatively small compared to our other energy bills. It's very small. Even a 50% [reduction] I don't think I would wear the hassle with it."
(Male, Marlow, Group 1)

"Yeah, I mean, if you're using £50,000 worth of water and you're talking 10% or 15% then you're talking, that's worth somebody putting a bit of effort in. If you're paying £1,000 or £2,000, then is it worth £200 or £300 in time to put the effort into changing?"
(Male, Marlow, Group 1)

"From my point of view I think that sometimes ignorance is bliss. The fact that there is no competition out there, hence you are on a rate that you budget for every year, and everyone is comfortable, everyone knows where it is coming from, who is responsible for it. Why change it."
(Male, Cardiff)

“I can’t see the point of going through this exercise nationally; the amount it is going to cost for a minimum benefit, when the people that would benefit can actually change already, those multi nationals or bigger users of water can change already. ”
(Male, Cardiff)

3. CONCLUSIONS AND RECOMMENDATIONS

Unlike with other utility providers, contact and engagement with water companies is minimal. Contact typically only occurs when a problem arises. A lack of contact implies that an acceptable service level is being maintained.

Water is viewed in a different way to other utilities. It is considered a more essential product and has associated quality issues that the provision of gas and electricity do not. This perception elevates water from energy provision and requires that standards are in place to ensure water delivery remains good quality should competition be introduced.

There is low awareness of the current level of competition in the water industry among larger companies. However, introducing competition to the water industry is perceived as the natural way forward as competition exists in all other business spheres. That said, water bills are typically much lower than bills for other utilities, and so there is an appreciation that any competition in the water industry will offer customers smaller financial savings, which dilutes the main perceived advantage of competition.

The overarching advantage with the introduction of competition relates to pricing, as it offers SMEs the ability to negotiate with water suppliers. The main disadvantage is that choice leads to confusion over which supplier to select.

There is limited awareness of the ‘not for profit’ business model of Dŵr Cymru Welsh Water and learning of it offers a catalyst for respondents once again to query the benefit of introducing competition into the water industry. Respondents with sites in both England and Wales would not seek to differentiate their water provider by location.

If competition does go ahead for SMEs, its introduction in the water industry should be heavily advertised, primarily on the TV and radio, between 3 and 12 months in advance of launch. Such advertising should not be funded through increased water bills for consumers.

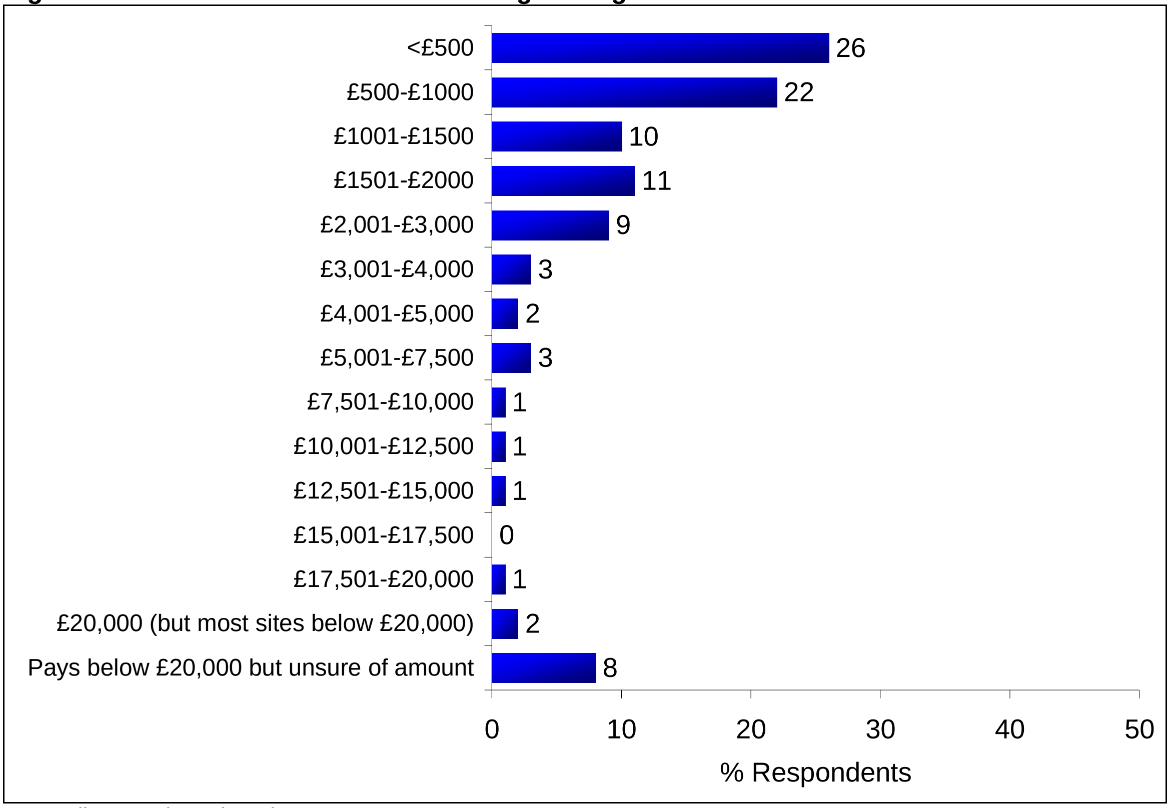
Whilst most respondents firmly hold onto the perception that competition in the water industry is a good business arrangement, fewer agree that its introduction would offer them a substantive saving on their already modest bills. Many feel that the effort of trying to find the ‘best’ supplier would be dwarfed by the eventual cost savings.

In summary, whilst there is some interest in introducing competition into the water industry – due to competition being a standard business offering, providing customers with preferential pricing and choice – it seems uncertain whether SMEs will actually take up the opportunity to switch suppliers. This is due to a current perception that their water supply is of good quality and an associated feeling that any cost savings would invariably be too modest to justify the time and expenditure required to execute it.

APPENDIX B

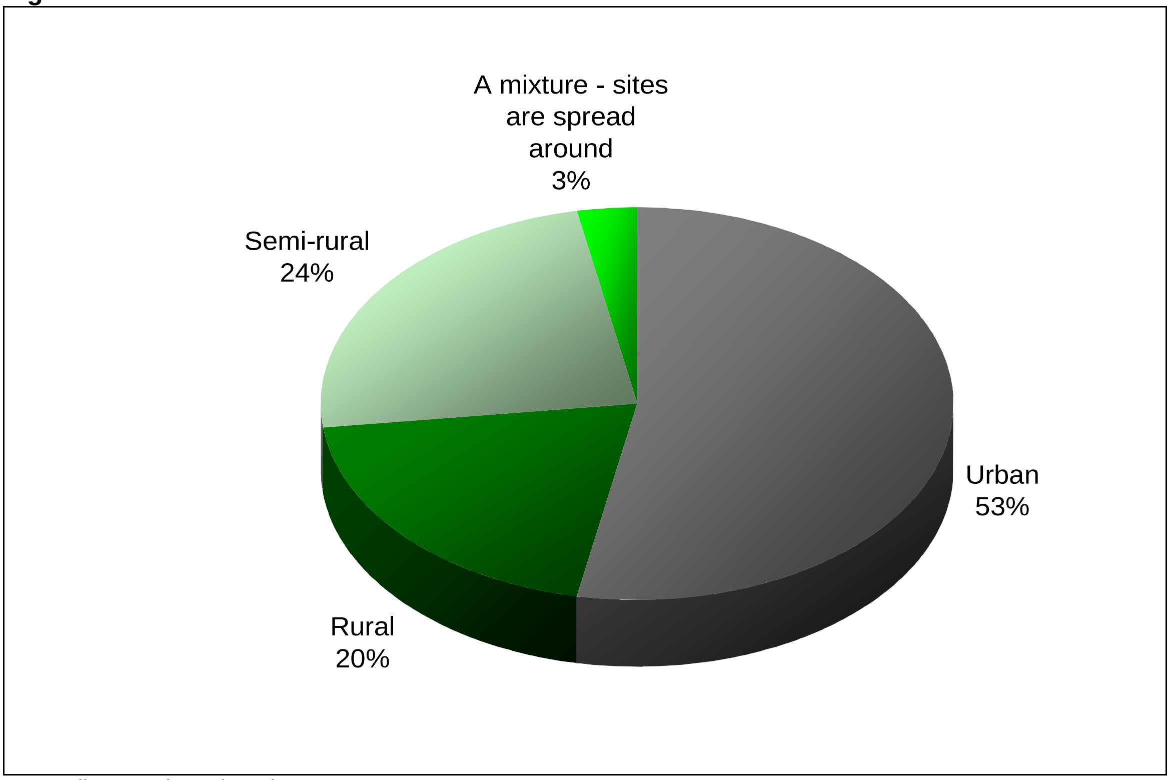
Characteristics of the Quantitative Sample Achieved

Figure 1 Size bands of water and sewerage charges in 2009



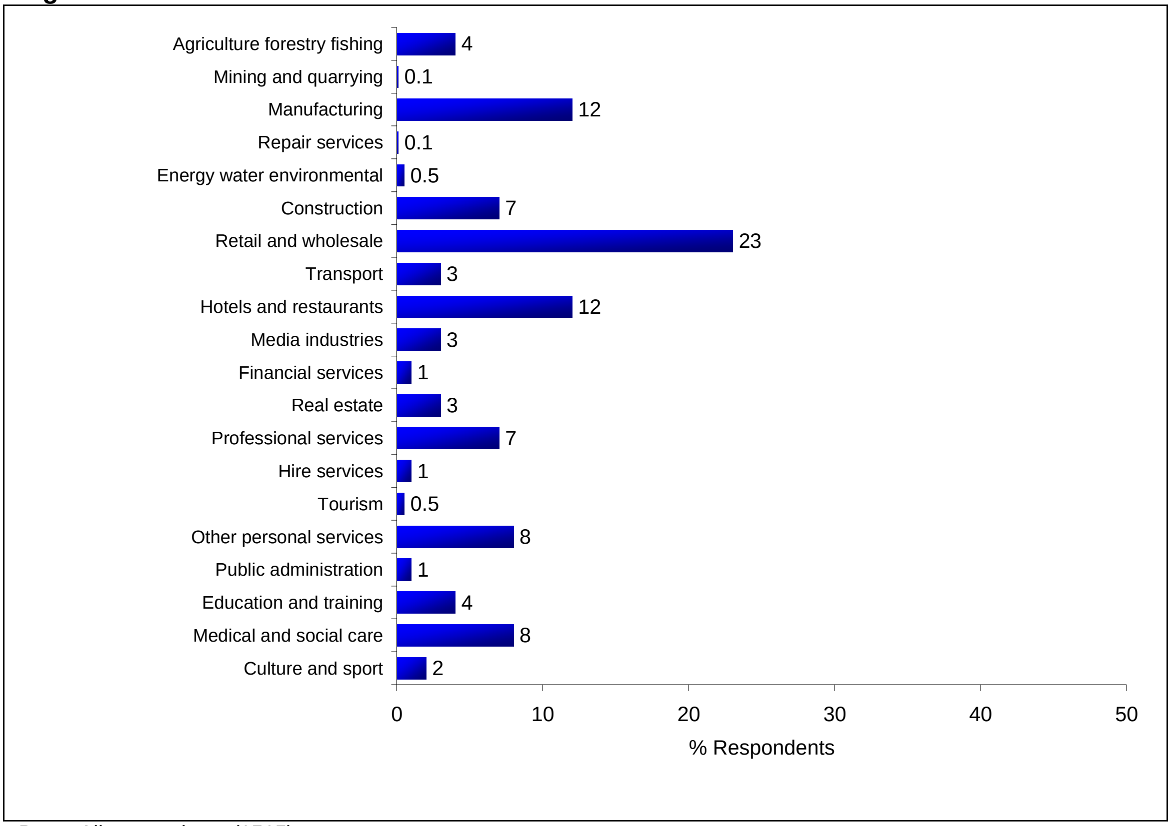
Base: All respondents (1515)

Figure 2: Rural and Urban Location



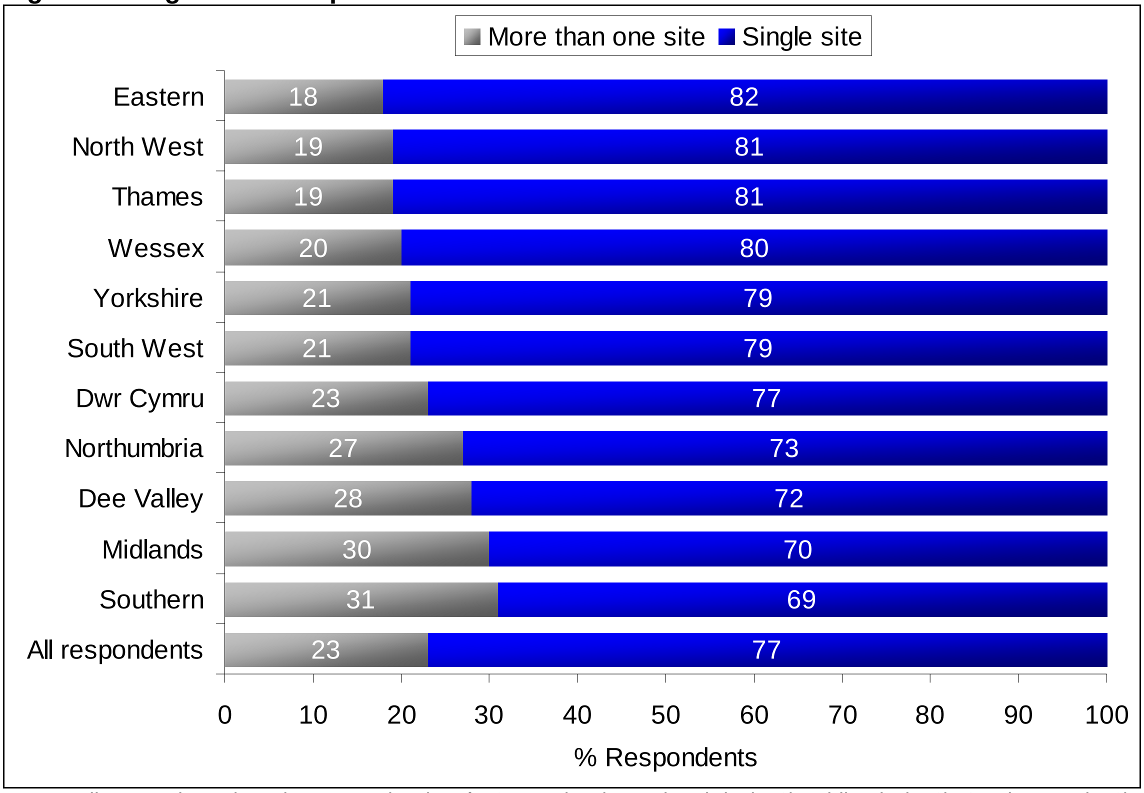
Base: All respondents (1515)

Figure 3: Business Sector



Base: All respondents (1515)

Figure 4: Single and multiple sites



Bases: All respondents (1515), Eastern (154), Dŵr Cymru (155), Northumbria (142), Midlands (150), South West (150), Southern (141), Thames (140), North West (140), Wessex (141), Yorkshire (141), Dee Valley (61)

APPENDIX C

Quantitative Questionnaire

2096que05 – Main
SME Customer Views on Competition

Interviewer no: | | | | | **Interviewer name:** |

Date: | | / | | **Time interview started:** | | : | |

1st Contact Introduction

Good morning/afternoon/evening. My name is ....… and I am calling from Accent. Please could I speak to the person responsible for paying your company's water bills or liaising with your energy and water suppliers?

IF RECEPTIONIST OR FIRST POINT ASKS WHY YOU WANT TO SPEAK TO THEM PLEASE SAY:

We are an independent market research company carrying out research for the Consumer Council for Water, who represents the interests of consumers in the water sector. They want to ensure that if competition is introduced into the small and medium business sector that it is done in a way which reflects the needs of businesses such as yours. It would consequently be very helpful to get the views of the person responsible for paying your company's water bills or liaising with your energy and water suppliers?

IF "NO" TRY AND PERSUADE ELSE THANK & CLOSE
IF "CALL BACK" PLEASE RECORD DATE AND TIME OF NEW APPOINTMENT BELOW, THANK AND CLOSE
IF "YES" PLEASE PROCEED TO SCREENING SECTION

SCREENING APPOINTMENT 1	**DATE**		**TIME**	
SCREENING APPOINTMENT 2	**DATE**		**TIME**	
SCREENING APPOINTMENT 3	**DATE**		**TIME**	

WHEN SPEAKING TO APPROPRIATE CONTACT CONTINUE WITH SCREENING

1st Contact Screening

Good morning/afternoon/evening. My name is .... and I am calling from Accent. We are an independent market research company carrying out research for the Consumer Council for Water, who represents the interests of consumers in the water sector. They want to ensure that if competition is introduced into the small and medium business sector that it is done in a way which reflects the needs of businesses such as yours.

This is a *bona fide* market research exercise. It is being conducted under the Market Research Society Code of Conduct which means that any answers you give will be treated in confidence. We would be very grateful if you could spare 5 minutes to answer a couple of questions to check that you are eligible to take part in this research?

No **TRY TO PERSUADE THROUGH OFFERING AN ALTERNATIVE TIME TO DO SO, ELSE THANK & CLOSE**
Yes, another time **RECORD IN APPOINTMENTS**
Yes, now **GO TO WASCTYPE**

2nd Contact Introduction (ie if referred to another contact at another/Head office)

Good morning/afternoon/evening. My name is ....… and I am calling from Accent. Please could I speak to …. **READ OUT CONTACT NAME GIVEN.**

IF RECEPTIONIST OR FIRST POINT ASKS WHY YOU WANT TO SPEAK TO THEM PLEASE SAY:

We are an independent market research company carrying out research for the Consumer Council for Water, who represents the interests of consumers in the water sector. They want to ensure that if competition is introduced into the small and medium business sector that it is done in a way which reflects the needs of businesses such as this. I spoke to one of … **READ OUT CONTACT NAME GIVEN** colleagues at another site and they said that I needed to speak to him/her.

IF "NO" TRY AND PERSUADE ELSE THANK & CLOSE
IF "CALL BACK" PLEASE RECORD DATE AND TIME OF NEW APPOINTMENT BELOW, THANK AND CLOSE
IF "YES" PLEASE PROCEED TO SCREENING SECTION

SCREENING APPOINTMENT 1	**DATE**		**TIME**	
SCREENING APPOINTMENT 2	**DATE**		**TIME**	
SCREENING APPOINTMENT 3	**DATE**		**TIME**	

WHEN SPEAKING TO APPROPRIATE CONTACT CONTINUE WITH SCREENING

2nd Contact Screening

Good morning/afternoon/evening. My name is .... and I am calling from Accent. We are an independent market research company carrying out research for the Consumer Council for Water, who represents the interests of consumers in the water sector. They want to ensure that if competition is introduced into the small and medium business sector that it is done in a way which reflects the needs of businesses such as yours.

This is a *bona fide* market research exercise. It is being conducted under the Market Research Society Code of Conduct which means that any answers you give will be treated in confidence. We would be very grateful if you could spare 5 minutes to answer a couple of questions to check that you are eligible to take part in this research?

No **TRY TO PERSUADE THROUGH OFFERING AN ALTERNATIVE TIME TO DO SO, ELSE THANK & CLOSE**
Yes, another time **RECORD IN APPOINTMENTS**
Yes, now **CONTINUE**

Section A: Screening – All Respondents

WASCTYPE: DO NOT ASK, RECORD FROM SAMPLE

Anglian Water
Dŵr Cymru Welsh Water
Northumbrian Water
Severn Trent Water
South West Water
Southern Water
Thames Water
United Utilities
Wessex Water
Yorkshire Water
Dee Valley

Q1. Do you, or any of your close family, work or have worked in the recent past in any of the following professions: marketing, advertising, public relations, journalism, market research, the water sector or the energy sector?

1 yes **THANK & CLOSE** 2 no

Q2. Does your business operate from more than one site?

Yes **GO TO Q7**
No **CONTINUE TO Q3**

Q3. Is your business based at your home or the home of another of the company's employees or does it have its own business premises?

1 at home **THANK & CLOSE**
2 own business premises
3 refused **THANK & CLOSE**

Q4. Does your business have more than 250 employees?

Yes **THANK & CLOSE**
No

Q5. Do you pay more than £2k a year for your water and sewerage charges?

Yes
No **GO TO INVITATION**

Q6. Do you pay more than £20k a year for your water and sewerage charges?

Yes **THANK & CLOSE**
No GO **TO INVITATION**

Section B: Multi Site Respondents Only (ie Q2=1), else go to invitation

Q7. Does each site make its own decisions about choice of utility suppliers?

Yes
No

Q8. Are you able to speak on behalf of one or all of these sites?

1. Yes one site only **GO TO Q9**
2. Yes, all sites **GO TO Q13**
3. No **GO TO Q14**

Q9. **ASK IF Q8 = 1 (YES ONE SITE ONLY) ELSE GO TO Q13** If switching water supplier was possible for small and medium businesses, would you be involved in making switching decisions for this site?

1. Yes
2. No **GO TO Q14**

Q10. **ASK IF Q9 = 1 (YES) ELSE GO TO Q14** Does your site have more than 250 employees?

1. Yes **THANK & CLOSE**

2. No

Q11. Do you pay more than £2k a year for your water and sewerage charges?

1. Yes
2. No **GO TO INVITATION**

Q12. Do you pay more than £20k a year for your water and sewerage charges?

1. Yes **THANK & CLOSE**
2. No GO **INVITATION**

Q13. **ASK IF Q8 = 2 (YES MORE THAN ONE SITE) ELSE GO TO Q14** If switching water supplier was possible for small and medium businesses, would you be involved in making switching decisions for these sites?

1. Yes some **GO TO Q15**
2. yes all **GO TO Q15**
3. No **GO TO Q14**

Q14. Please can I have the contact details of the person who would be responsible for making switching decisions **IF Q8 = 1 (YES ONE SITE ONLY) AND IF Q9 = 1 (YES) ADD** for these other sites (**INTERVIEWER NOTE: THIS WILL PROBABLY BE SOMEONE AT HEAD OFFICE**).

Name: ....

Tel No...

IF Q8 = 3 (NO) OR IF Q9 = 2(NO) OR IF Q13 = 2 (N0) THANK AND CLOSE AND CALL APPROPRIATE CONTACT

IF Q11 = (2) NO OR IF Q12 = 2 (NO) GO TO INVITATION AND WHEN INTERVIEW IS CONCLUDED CONTACT APPROPRIATE PERSON AT THE OTHER SITES

Q15. **ASK IF Q13 = 1 (YES) ELSE GO TO INVITATION** Do most of your sites have less than 250 employees at each one?

Yes
No **THANK & CLOSE**

Q16. And what are the approximate water bill sizes at each of your sites? **INTERVIEWER: THESE WILL VARY; PLEASE RECORD ALL BELOW AND IF MOST EXCEED £20K THANK AND CLOSE**

Site 1.. ....

Site 2.. ....

Site 3.. ....

Site 4.. ....

Site 5.. ....

IF MOST WATER BILL SIZES ABOVE EXCEED £20K THANK AND CLOSE, ELSE GO TO INVITATION

Q16b **ASK IF WASCTYPE = 4 (SEVERN TRENT) ELSE GO TO INVITATION.** Do you have sites in England only, Wales only or England and Wales?

1. England only
2. Wales only
3. England & Wales

Invitation

Thank you for answering those questions, you are in scope for this survey. Would you be able to spend a further 10 minutes, either now or at a more convenient time, giving me your views about potential competition for small and medium businesses in the water sector? As I mentioned, we are carrying out this research for The Consumer Council for Water and the views that you give will help inform the best way forward for competition for organisations such as yourself.

No **TRY TO PERSUADE THROUGH OFFERING AN ALTERNATIVE TIME TO DO SO, ELSE THANK & CLOSE**
Yes, another time **RECORD IN APPOINTMENTS**
Yes, now **GO TO Q17**

Section 3: Attitudes Towards Current Supplier

Q17. **ASK IF Q2 =1 BUT IF Q2 =2 AND WASCTYPE = 2 (IE DŴR CYMRU WELSH WATER IF THE SAMPLE PURCHASED COVERS ALLOF WALES THIS IS BEING CHECKED) GO TO Q19:** Does your company have any sites in Wales?

1 yes   2 no **GO TO Q21**

Q18. Is your Headquarters in England or in Wales?

1 England   2 Wales

Q19. **IF WASCTYPE = 2 (IE DŴR CYMRU WELSH WATER) AND IF Q2 =1 ASK; ELSE GO TO Q21:** Does your company have any sites in England?

1 yes   2 no **GO TO Q21**

Q20. Is your Headquarters in England or in Wales?

1 England   2 Wales

Q21. I want to talk about the water supplied to your business and your business sewerage services separately. Thinking firstly about the water supplied to your business, overall, taking everything into consideration, how satisfied are you with the water supply services your business receives **IF Q8 = 1 ADD** "at this site" **IF Q8= 2 ADD** ". As you are speaking on behalf of several sites please give your overall assessment". Please answer on a scale of 1 to 5 where 5 = very satisfied, 4 = quite satisfied, 3 = neither satisfied nor dissatisfied, 2 = quite dissatisfied and 1 = very dissatisfied.

5. very satisfied
4. quite satisfied
3. neither satisfied nor dissatisfied
2. quite dissatisfied
1. very dissatisfied

Q22. **ASK IF DISSATISFIED AT Q21 = 1 OR 2 ELSE GO TO Q23** As a business customer, what are the main causes of your dissatisfaction with your water supply service **IF Q8 = 1 ADD** "at this site" **IF Q8= 2 ADD** "at the sites you are speaking on behalf of?" **DO NOT PROMPT MULTICODE**

Always digging up the road
Billing issue – meter readings/incorrect charges
Poor customer service
Poor water taste
Issue with leak/burst water pipe
Poor water smell
Water discolouration issue
Interruption to supply/no water
Metering issue – faulty/replacement/installation
Other **SPECIFY**

Q23. **ASK IF SATISFIED AT Q21 = 4 OR 5 ELSE GO TO Q24** As a business customer, what are the main causes of your satisfaction with your water supply service **IF Q8 = 1 ADD** "at this site" **IF Q8= 2 ADD** "at the sites you are speaking on behalf of?" **DO NOT PROMPT MULTICODE**

Reliable supply/water is always there
Good pressure
No problems generally
No problems with aesthetics ie colour & smell
No problems with billing
Always clean water
Good customer service if there has been a problem
Never need to call them
Value for money
Other (specify)

Q24. And how do you feel about the value for money provided by your water services **IF Q8 = 1 ADD** "at this site" **IF Q8= 2 ADD** ". As you are speaking on behalf of several sites please give your overall assessment." Again please use a scale of 1 to 5 where 5 is very good value for money, 4 is quite good value for money, 3 is neither good nor poor value for money, 2 is poor value for money and 1 is very poor value for money.

5. very good value for money
4. quite good value for money
3. neither good nor poor value for money
2. poor value for money
1. very poor value for money

Q25. Now turning to the sewerage service your business receives, overall, taking everything into consideration, how satisfied are you with the sewerage services your business receives **IF Q8 = 1 ADD** "at this site" **IF Q8 = 2 ADD** ". As you are speaking on behalf of several sites please give your overall assessment"? Again, please answer on a scale of 1 to 5 where 5 = very satisfied and 1 = very dissatisfied. **IF RESPONDENT JUST SAYS "SATISFIED" PLEASE PROBE TO SEE IF THIS IS QUITE SATISFIED OR VERY SATISFIED; IF THEY SAY DIS SATISFIED, PLEASE PROBE TO SEE IF THIS IS QUITE DISSATISFIED OR VERY DISSATISFIED**

5. very satisfied
4. quite satisfied
3. neither satisfied nor dissatisfied
2. quite dissatisfied
1. very dissatisfied

Q26. **IF DISSATISFIED AT Q25 (IE = 1 OR 2) ASK, ELSE GO TO Q27:** As a business customer, what are the main causes of your dissatisfaction with sewerage services **IF Q8 = 1 ADD** "at this site" **IF Q8 = 2 ADD** "at the sites you are speaking on behalf of?" **DO NOT PROMPT MULTICODE**

Always digging up the road
Issue with leak/burst water pipe
Poor customer service
Billing issue/error
Price
Problem with internal flooding
Problem with external flooding
Smells from sewage works
Blocked sewage pipes
Other **SPECIFY**

Q27. **IF SATISFIED AT Q25 (IE = 4 OR 5) ASK, ELSE GO TO Q28:** As a business customer, what are the main causes of your satisfaction with sewerage services **IF Q8 = 1 ADD** "at this site" **IF Q8 = 2 ADD** "at the sites you are speaking on behalf of?" **DO NOT PROMPT MULTICODE**

No problems with billing
No problems generally
Reliable service/don't have to think about it
Good customer service if something does go wrong
Value for money
Other (specify)

Q28. And how do you feel about the value for money provided by your sewerage services **IF Q8 = 1 ADD** "at this site" **IF Q8 = 2 ADD** ". As you are speaking on behalf of several sites please give your overall assessment"? Again, please use a scale of 1 to 5 where 5 is very good value for money and 1 is very poor value for money. **IF RESPONDENT JUST SAYS "GOOD VALUE FOR MONEY" PLEASE PROBE TO SEE IF THIS IS QUITE GOOD OR VERY GOOD; IF THEY SAY POOR VALUE FOR MONEY, PLEASE PROBE TO SEE IF THIS IS JUST POOR OR VERY POOR VALUE FOR MONEY**

5. very good value for money
4. quite good value for money
3. neither good nor poor value for money
2. poor value for money
1. very poor value for money
9. don't know **DO NOT READ**

Q29. I'd like to ask about the water and sewerage together for a moment, are the energy charges for this business higher or lower than your water and sewerage charges?

1. higher
2. lower
3. about the same
4. unsure

Q30. **ASK IF Q29 = HIGHER ELSE GO TO Q31** Can you tell me roughly how many times larger your energy charges are compared with your water and sewerage charges? (eg are they twice as large, three times as large?)

INTERVIEWER ENTER FIGURE HERE;
PLEASE ENTER 99 FOR DON'T KNOW

Q31. **ASK IF Q29 = LOWER ELSE GO TO Q32** Can you tell me how roughly many times larger your water and sewerage charges are compared with your energy charges? (eg are they twice as large, three times as large?)

INTERVIEWER ENTER FIGURE HERE;
PLEASE ENTER 99 FOR DON'T KNOW

Q32. Has the business ever changed its energy supplier?

1 yes
2 no **GO TO Q37**
3 unsure **GO TO Q37**

Q33. How many times has the business changed energy supplier in the last 3 years?

1 once
2 twice
3 three times
4 more **PLEASE SPECIFY**
5 not switched in past 3 years
6 unsure

Q34. Thinking of the last time you changed your business energy supplier, what was the single most important reason for doing so? **DO NOT PROMPT SINGLE CODE**

Cheaper prices
Better customer service
Better/clearer/more transparent bills
Other **SPECIFY**
Don't know

Q35. Would you say that overall, switching your energy supplier was a good thing for your business, neither good nor bad, or a bad thing? **DO NOT PROMPT**

A good thing
Neither
A bad thing
Unsure/can't say

Q36. Why do you say that?

....

Section 4: Awareness of & Attitudes Towards Competition

Q37. What do you know about the availability of competition in the water and sewerage industry?

1 aware that larger businesses can choose their suppliers
2 not aware there is any competition/nothing
3 other **PLEASE SPECIFY**

Q38. The government is looking to introduce competition in the water industry to businesses of your size. The aim is to provide opportunities to improve the cost and quality of services provided to business consumers. It would not change the water that comes out of your taps. Water and sewerage would be treated to the same standards that it is now, and you will use the same pipes to get it to your business. Do you think that for your business, **the principle** of competition in the water industry would be a good thing, neither good nor bad, or a bad thing? Please tell me on a scale of 1 to 5, where 5 equals a very good thing, 4 equals quite a good thing, 3 equals neither a good nor a bad thing, 2 equals quite a bad thing and 1 equals a very bad thing.

5. a very good thing
4. quite a good thing
3. neither a good nor bad thing
2. quite a bad thing
1. a very bad thing

Q39. **IF Q38 = 4 OR 5 (GOOD THING) ASK, ELSE GO TO Q40:** Why do you think this would be a good thing for your business **in principle**? **DO NOT PROMPT MULTICODE**

Environmentally, eg could lead to more investment/fewer leaks
Gives us a choice
Natural way forward
Would give power over the supplier/incentive for them to give good service and/or price
Would lead to cheaper prices
Would lead to better service
Would lead to investments in technology (eg online billing/meter reading)
Would make suppliers more proactive
Would result in greater transparency in billing
Other **SPECIFY**

Q40. **IF Q38 = 1 OR 2 (BAD THING) ASK, ELSE GO TO Q41**: Why do you think this would be a bad thing for your business **in principle**? **DO NOT PROMPT MULTICODE**

Can’t see any benefits
Costs already (comparatively) low, so no need
Hasn’t worked in the energy sector
It will still come through the same pipes
It will still taste the same
Set up costs/cost of deregulation would lead to higher prices for customers
Too confusing
Why change something that’s working/no need
Would lead to lots of sales calls
Would lead to bad practice (eg disreputable salespeople/calls, unfavourable contracts etc)
Would lead to commoditisation of water and sewerage supplies
Would lead to higher prices
Would lead to poorer service
Would lead to poorer water quality
Other **PLEASE SPECIFY**

Q41. If competition was to be introduced, what key measures do you think would need to be put in place – either by the regulator or the suppliers themselves – to ensure it worked for small and medium businesses? **DO NOT PROMPT MULTICODE**

Cap on prices
Smooth transfer process
Clarity on who to call if there is a problem eg with the pipes
Guarantee of continued water quality
Maximum contract length of 1 year
No minimum contracts
Ongoing monitoring of performance
Would want to have better water quality/taste
Continuity of supply (ie no interruption to water supply)
Other **SPECIFY**

Q42. Are there any new or improved services you would like to see introduced as a result of competition in the water sector? **DO NOT PROMPT MULTICODE**
Water audits
Water efficiency advice/devices
Leakage detection
Online billing
Online/smart metering
Environmental products/services
Water filters/softeners
Other **SPECIFY**
no, none

Q43. How would you expect to find out about competition being introduced? **DO NOT PROMPT MULTICODE**

Industry journals/trade press
Internet
Letter from my supplier
Letter from a potential new supplier
Phone call from my current supplier
Phone call from a potential new supplier
Local press
National press
Radio
Television
Other **SPECIFY**

Q44. And how much notice would you like to be given before competition starts? **DO NOT PROMPT**

1 month before
2 months before
3 months before
6 months before
1 year before
2 years before
3 years before
Other **SPECIFY**

Section 4: Prices

Q45. You said earlier that you think competition would be (**IF Q38 = 4 OR 5 READ OUT** "a good thing"; **IF Q38 = 1 OR 2 READ OUT** "a bad thing"; **IF Q38 = 3 READ OUT** "neither a good nor a bad thing") for your business in principle. In reality though, how likely would you be to switch your water and/or sewerage company/ies if you were able to do so? Please answer on a scale of 1 to 5 where 5 is very likely, 4 is quite likely, 3 is neither likely nor unlikely, 2 is quite unlikely and 1 is very unlikely.

5. Very likely
4. Quite likely
3. Neither likely nor unlikely
2. Quite unlikely
1. Very unlikely
9. Don't know

Q46. **IF Q45 = 1 OR 2 (UNLIKELY) ASK, ELSE GO TO Q47:** Why would you be unlikely to do so? **DO NOT PROMPT MULTICODE**

Cost savings likely to be too small
Fear of the unknown
Too much effort/hassle
Too much effort for too little saving
Uncertain quality of new supplier
Poor experience of energy market
Other - **SPECIFY**

Q47. **IF Q45 = 4 OR 5 (LIKELY) ASK, ELSE GO TO Q49:** What would be your main reasons for deciding to change your supplier**? DO NOT PROMPT MULTICODE**

Cheaper prices
Better customer service
Better/clearer/more transparent bills
Other **SPECIFY**
Don't know

Q48. **ASK IF MORE THAN 1 TICKED AT Q47 ELSE GO TO Q49** You said that **LIST ALL TICKED AT Q47** were main reasons for deciding to change supplier. Which was the most important reason? **DO NOT PROMPT SINGLE CODE**

Cheaper prices
Better customer service
Better/clearer/more transparent bills
Other

Q49. What percentage level of saving on your water and sewerage charges would prompt your business to switch supplier?

1 I would not switch
2 Interviewer enter percentage saving required here [ ][ ]
3 I would not switch on price, only for service

Q50. One of the benefits of competition could be lower prices. However, prices may need to rise in the short term to cover the costs associated with a newly competitive market. Would you be prepared to pay higher prices in the short term in order to get cheaper prices and/or better services in the longer term?

Yes
No
Don't know

Q51. **ASK IF Q50 = YES ELSE GO TO Q54** As a percentage of your current charges, how much more would you be prepared to pay? **DO NOT PROMPT**

0-2%
3-5%
6-10%
1-20%
21-30%
More than 30%

Q52. And how long would you be prepared to pay this extra **(INSERT RESPONSE TO Q51)** on your current charges before your business saw the material benefits of competition? **DO NOT PROMPT**

Up to 6 months
Up to 1 year
1 year and up to 2 years
2 years and up to 3 years
3 years and up to 4 years
4 years and up to 5 years
Other **PLEASE SPECIFY**

Q53. **IF Q50 = NO ASK, ELSE GO TO Q54:** Why wouldn't you be prepared to? **DO NOT PROMPT**

....

Section 5: Welsh & English Site Questions

Q54. **ASK IF Q2 =1 AND IF Q9 = 1(YES) OR Q13 = 1 (SOME SITES) OR 2 (ALL SITES), ELSE GO TO Q61:** If you were to consider switching, do you think that you would switch all of your sites to the same supplier or would you make decisions on a site by site basis?

All to one supplier
Site by site basis
Don't know

Q55. If your business switched to the same supplier for some of its sites, would you want to receive just one bill for all these sites, or a separate bill for each?

Single bill
Multiple bills
Don't know

Q56. **ASK IF WASCTYPE = DŴR CYMRU WELSH WATER OR IF Q17 = YES (IE ENGLISH FIRM WITH WELSH BRANCHES) ELSE GO TOQ57. IF Q8 = 1 SAY** "is this site" **IF Q8 = 2 SAY** "Are any of your sites" **SAY TO ALL** "supplied by Dŵr Cymru Welsh Water?"

1 yes
2 no
3 unsure

Q57. **ASK ONLY IF Q16B = 3 (IE ENGLISH & WELSH SITES) OR Q17=YES OR Q19=YES, ELSE GO TO Q61:** If the Welsh market was **NOT** opened to competition, but the English market was, would knowing that you couldn't have one supplier for all your sites stop you switching any of the sites in England?

Yes
No
Don't know

Q58. **IF Q57 = YES ASK, ELSE GO TO Q60 :** Why? **DO NOT PROMPT MULTICODE**

1 Too much hassle to change for some sites but not others
2 Would want the same supplier for all sites
3 Other **SPECIFY**

Q59. **ASK IF Q58 = 2 ELSE GO TO Q61** what are the advantages of having the same supplier for all sites? **DO NOT PROMPT**

....

Q60. **IF Q57= NO ASK, ELSE GO TO Q61:** Why not? **DO NOT PROMPT MULTICODE**

Could still make savings for some sites
Could still improve services for some sites
Would assess on a site by site basis
Other **SPECIFY**

Q61. **IF WASCTYPE = 2 (IE DŴR CYMRU WELSH WATER) OR IF Q17 = YES (IE ENGLISH FIRMS WITH WELSH BRANCHES) ASK; ELSE GO TO** ERROR! REFERENCE SOURCE NOT FOUND.**:** Dŵr Cymru Welsh Water is a not for profit company which means that it has no shareholders. Any financial surpluses are retained for the benefit of Welsh Water's customers. Did you know that Dŵr Cymru Welsh Water has a not for profit status?

Yes
No

Q62. Does the not for profit status of Dwr Cymru Welsh Water make any difference to your views towards the potential for competition?

Yes
No
Don't know

Q63. **IF YES AT Q62 ASK, ELSE GO TO Q64:** Why?

Key Demographics

Q64. Would you describe the main location(s) of your business as urban, rural or semi-rural?
1 Urban
2 Rural
3 Semi-rural
4 a mixture – sites are spread around

Q65. What is the main activity of your business?

....

Q66. **ASK IF Q2 = 2 (ONE SITE) ELSE GO TO END STATEMENT**. Just to help us analyse the findings, please can you tell me which of the following bands your water and sewerage charges fell into last year?

<£500
£500-£1000
£1001-£1500
£1501-£2000
£2,001-£3,000
£3,001-£4,000
£4,001-£5,000
£5,001-£7,500
£7,501£10,000
£10,001-£12,500
£12,501-£15,000
£15,001-£17,500
£17,501-£20,000
Not stated/don't know **DO NOT READ OUT**

thank you for your help in this research

This research was conducted under the terms of the MRS code of conduct and is completely confidential. If you would like to confirm my credentials or those of Accent please call the MRS free on 0500 396999.

Please can I take a note of your name and where we can contact you for quality control purposes?

Respondent name: ....

Telephone: home:... work:..

Thank you

I confirm that this interview was conducted under the terms of the MRS code of conduct and is completely confidential

Interviewer's signature: ....

Time Interview completed: | | : | |

APPENDIX D

Quantitative Survey: Detailed Findings for Individual Water and Sewerage Company Regions

Table 5: Q23: Reasons for satisfaction with water services

Cause of satisfaction	All respondents	Dee Valley Water	Thames	Dŵr Cymru Welsh Water	South West	Midlands	Southern	Eastern	North West	Yorkshire	Northumbria	Wessex
	%	%	%	%	%	%	%	%	%	%	%	%
No problems generally	71	88	85	84	69	68	68	67	67	67	63	62
Reliable supply/water is always there	31	6	14	16	32	37	37	28	42	40	41	37
Always clean water	5		1	1	4	3	3	10	6	8	11	8
Good service if there is a problem	4		1	3	7	3	5	7	6	4	4	7
Value for money	4	2	1	1	3	4	5	9	3	4	7	2
Good pressure	2	2	2		3		1	4	2	3	6	2
No problems with billing	2				1	2	1	9		1	3	1
No problems with colour & smell	1						1	3	2	2	2	
Never need to call them	1		2					1	1		5	1
Other	1	2	1	1	2	1	1	1	1	1	2	
Bases	**1,207**	**49**	**105**	**128**	**112**	**113**	**107**	**129**	**102**	**120**	**123**	**119**

NB percentages may sum to more than 100% as respondents could give more than one answer to the question

Table 6: Q27: Reasons for being satisfied overall with sewerage services

Reasons for Satisfaction	All respondents	Dŵr Cymru Welsh Water	Thames	South West	Dee Valley Water	North West	Wessex	Northumbria	Yorkshire	Midlands	Southern	Eastern
	%	%	%	%	%	%	%	%	%	%	%	%
No problems generally	86	97	96	94	93	87	87	82	82	79	76	73
Reliable service/don't have to think about it	14	3	4	6	2	13	18	23	16	19	20	19
No problems with billing	2		1			1	2	3	2	2	4	6
Good customer service if something is wrong	2			1		2	3	4	1	4		7
Value for money	2			1	2	2		5	1	2	2	6
Other specify	1							1	1	1		2
Don't know / nothing to compare it to	1				5			2		1	2	
Have a cesspit - n/a	0								1		1	1
Infrastructure improved recently	0			1				1				
Bases	**987**	**108**	**92**	**82**	**41**	**85**	**103**	**92**	**101**	**99**	**89**	**95**

NB percentages may sum to more than 100% as respondents could give more than one answer to the question

Table 7: Reasons for thinking switching energy supplier was a good thing

Reasons	All Respondents	Dee Valley Water	Wessex	Yorkshire	Dŵr Cymru Welsh Water	Eastern	Midlands	Thames	Northumbria	South West	Southern	North West
	%	%	%	%	%	%	%	%	%	%	%	%
Reduced cost / Savings / Cheaper Bills	91	100	96	95	93	92	89	89	88	88	88	88
Quality of service/supply - no problems so far	3		3	1	8	3			3	4	5	5
Advantageous terms of the contract	2		3	1	1	1	2	2		1	2	4
Good customer service	2		1	3	1	1	1		1	3	2	4
Advocate of choice in the energy sector	2	4				1	4		3	3		3
New supplier's positive environmental policy	1			1		1				2		
Clearer, easier payment/billing procedures	1				1		1	3			4	3
Poor experience of a previous supplier	1			1		1		3	3	2		1
Change over from old supplier was hassle free	1			1							1	3
Benefits of bundling products										1	1	
Bases	**787**	**27**	**67**	**73**	**72**	**74**	**84**	**65**	**74**	**94**	**81**	**76**

NB percentages may sum to more than 100% as respondents could give more than one answer to the question

Table 8: Q39: Reasons given for perceiving that competition in the water and sewerage industry is a good thing for the business

Reason for thinking competition would be a good thing	All respondents	Dŵr Cymru Welsh Water	Dee Valley Water	South West	Eastern	Wessex	Southern	Thames	North West	Yorkshire	Northum bria	Midlands
	%	%	%	%	%	%	%	%	%	%	%	%
Would lead to cheaper prices	78	87	85	82	79	79	78	78	78	78	72	70
Gives us a choice	30	22	15	22	31	26	39	19	39	36	33	39
Would lead to better service	14	17	26	16	18	11	12	13	7	14	9	12
Would give power over the supplier on service and price	10	13	11	7	8	9	6	17	8	10	12	10
Would make suppliers more proactive	5	6	9	4	10	2	2	11	3	4	6	3
Introducing competition is always a good thing	3	5	6	4	4		3	5		1	4	2
No supplier monopoly	2	1		6		1		1	3	1	5	1
Natural way forward	1	1			3	3		3		1		
Greater transparency in billing	1	1			4	1			1	1	4	1
Environmental investment	0	1		1	1			2				
Would lead to investments in technology (eg online billing/meter reading)	0				2		1	1				
Bases	**1,044**	**104**	**47**	**121**	**107**	**90**	**93**	**95**	**108**	**77**	**105**	**97**

NB percentages may sum to more than 100% as respondents could give more than one answer to the question

Table 9: Q41: Measures needed to ensure that competition in the water and sewerage industry works for SMES

Measures to be put in place	All Respondents	Eastern	Dee Valley Water	Dŵr Cymru Welsh Water	South West	Midlands	Thames	North West	Northumbria	Yorkshire	Southern	Wessex
	%	%	%	%	%	%	%	%	%	%	%	%
Cap on prices	27	36	33	32	30	27	27	25	23	23	21	18
Don’t know	24	12	30	27	21	22	29	26	20	31	25	30
Ongoing monitoring of performance	17	24	18	12	13	15	14	21	16	21	18	17
Guarantee of continued water quality	11	19	7	13	9	9	11	9	13	9	9	9
Continuity of supply	11	12	5	7	8	11	9	11	14	16	13	14
Smooth transfer process	6	3	8	1	5	9	5	4	11	7	5	4
Maintaining standards	5	5	2	8	9	3	6	4	4	1	4	5
Clarity on who to call with a problem	4	6	5	5	5	2	4	3	6	1	6	1
Value for money	4	3	3	1	5	3	9	2	8	4	5	3
A level playing field	4	3	3	1	5	3	6	3	3	2	7	5
Need strong regulation	3		7	3	5	1	1	5		3	4	2
No opinion/no/nothing	3	6	2	1	2	5	1	3	6	1	5	4
Bases	**1,515**	**154**	**61**	**155**	**150**	**150**	**140**	**140**	**142**	**141**	**141**	**141**

NB percentages may sum to more than 100% as respondents could give more than one answer to the question

Table 10: Q43: How would respondents expect to find out about competition being introduced?

Media	All respondents	Dee Valley Water	North West	Southern	Northumbria	Thames	Wessex	Dŵr Cymru Welsh Water	Midlands	Yorkshire	South West	Eastern
	%	%	%	%	%	%	%	%	%	%	%	%
Letter from a potential new supplier	32	43	36	35	34	34	34	33	31	30	28	26
National press	32	41	34	26	39	36	33	36	26	21	33	37
Television	30	21	24	26	43	39	27	34	27	27	29	31
Internet	25	20	34	23	30	22	21	22	19	27	23	33
Letter from current supplier	20	21	16	21	31	11	22	14	17	26	19	19
Local press	19	11	17	14	30	15	17	21	11	23	24	17
Phone call from a potential new supplier	17	8	17	19	15	21	16	18	26	15	19	9
Radio	13	8	9	12	22	20	12	19	6	8	10	12
Industry journals/trade press	7	5	4	4	15	4	4	6	7	9	12	8
Phone call from my current supplier	6	5	4	7	9	7	6	3	7	11	2	7
From Central Government	3	2	4	4	5	2	6	1	3	1	3	1
Through advertising	2		3	4	2	1	1	1	3	6	3	2
Through email (source unspecified)	2	2	3	4		4	1	1		1	3	
Bases	**1,515**	**61**	**140**	**141**	**142**	**140**	**141**	**155**	**150**	**141**	**150**	**154**

NB percentages may sum to more than 100% as respondents could give more than one answer to the question

Table 11: Q46: Reasons given for being unlikely to switch water and sewerage suppliers. Note bases too low to show Northumbria, North West and Dee Valley Water

Reasons given	All respondents	Eastern	Dŵr Cymru Welsh Water	Northumbria	Midlands	South West	Southern	Thames	North West	Wessex	Yorkshire	Dee Valley Water
	%	%	%	%	%	%	%	%	%	%	%	%
Cost savings likely to be too small	28	29	15		23	38	34	34		26	29	
Too much effort/hassle	28	27	24		23	17	38	38		41	16	
Happy with current supplier	21	17	29		27	25	13	13		15	24	
Too much effort for too little saving	11	15	9		13		16	19		21	5	
Uncertain quality of new supplier	11	15	21		3	21		16		6	5	
Fear of the unknown	9	10	18		7	4	16	6		3	3	
Poor experience of energy market	7	2	12		3	13	13	6		6	5	
Opposed to competition	4		3		3	8	6	6		3	8	
Happy with current prices	2				7					3	8	
Don’t use a lot of water	2	2	6			4	3				3	
Can’t see a benefit to changing	2	5			7							
Unlikely to improve service	1						3	6				
Bases	**311**	**41**	**34**	**19**	**30**	**24**	**32**	**32**	**18**	**34**	**38**	**9**

NB percentages may sum to more than 100% as respondents could give more than one answer to the question

Table 12: Q47: Reasons given for being likely to switch water and sewerage suppliers

Reasons	All respondents	Dee Valley Water	Thames	Wessex	Eastern	Dŵr Cymru Welsh Water	South West	Southern	North West	Yorkshire	Midlands	Northumbria
	%	%	%	%	%	%	%	%	%	%	%	%
Cheaper prices	96	100	99	99	97	97	97	97	93	93	92	91
Better customer service	11	10	10	8	22	6	9	4	10	20	18	10
Better/clearer/more transparent bills	2	2		1	8	2	1	3	2	3		
Better service (general)	1			1	1		2					2
More product options / services	0				1	1						1
Better quality of water	0						2	1				
Dissatisfaction with current supplier	0		1						1		1	1
Assurance that service level would be maintained	0		1				2		1			
Ethical / environmental stance	0						1			1		
Assurance that companies are legitimate/trustworthy	0	2					1					
Bases	**859**	**42**	**81**	**72**	**73**	**95**	**99**	**70**	**91**	**70**	**79**	**87**

NB percentages may sum to more than 100% as respondents could give more than one answer to the question

Table 13: Q53: Reasons given for not being prepared to pay higher prices in the short term

Reasons	All respondents	Dee Valley Water	Thames	Dŵr Cymru Welsh Water	Wessex	Eastern	South West	Northumbria	Midlands	Southern	North West	Yorkshire
	%	%	%	%	%	%	%	%	%	%	%	%
Not prepared to pay higher prices	20	33	27	25	22	20	19	17	17	17	16	16
No guarantee that prices would decrease	20	15	25	17	24	23	15	15	19	18	23	19
Wouldn't want to switch provider	15	15	8	15	17	24	8	16	18	10	14	21
Increase would have bad effect on business	13	5	7	16	15	13	10	14	12	12	14	17
Don't accept that prices need to rise in short term	9	8	6	4	5	3	14	16	17	12	6	7
Suppliers should cover cost of introducing competition	8	15	9	1	7	7	8	10	7	7	9	7
Short term increase not worth long term decrease	7	5	13	6	5		8	1	3	17	10	8
Water prices too high already	6	8	10	4	2	6	9	4	9	2	10	3
Don't think competition should be introduced	4	5	7	6	5	2	7		5	5	3	4
It's an exercise in profiteering/a scam	4	3	7	6	7	2	7	4		4	8	1
Don't use enough water to justify paying any increase	3	5		2	2	5	4	2	1	7		4
Prefer to wait until prices drop	2		2	1	2	1	3	4	4	2	3	3
There needs to be a fixed price	1			3		2	2			2		
Don't know/not sure of benefits						4						
Bases	**946**	**39**	**89**	**93**	**87**	**103**	**96**	**81**	**100**	**83**	**80**	**95**

NB percentages may sum to more than 100% as respondents could give more than one answer to the question