

CONSUMER COUNCIL FOR



djs
research

A dynamic splash of water with bubbles and droplets, rendered in a realistic style, spanning the width of the slide above the blue text box.

'Exit Strategies'

**Research into non-household customers'
views on water companies exiting the
non-household retail market**

Research for the:

Consumer Council for Water

November 2014



Executive Summary

Executive Summary - Methodology



- The Consumer Council for Water (CCWater) commissioned DJS Research Ltd to conduct research with businesses¹ to understand their views about retail exit². The findings from this research will be used to inform CCWater's discussions with Defra about the protections customers require as the Regulations and policy on retail exit are developed.
- DJS Research conducted qualitative research with a range of different businesses across different sectors, business sizes and locations in England. In total, 107 businesses took part in 13 focus groups and 19 depth interviews to explore non-household customers' views on:
 - the pros and cons of having their account transferred to a new retailer;
 - the level of protection they expect both during and after the transfer, and from a new retail service provider;
 - the desired complaints process if things do not go to plan;
 - communications, including information required, from whom and when in the process; and
 - what a successful transfer process would look like.

¹For the purposes of this research we refer to non-household customers as businesses, although this includes all non-household customers including businesses, public sector, charities, schools etc.

²Retail exit is the process through which water companies can sell the retail element of their business to a related or unrelated retail company

Executive Summary - Key Findings 1



The research has identified four key insights into businesses attitudes and needs with regards to retail exit in the water and sewerage industry:

1. Whilst businesses are comfortable with the concept of increased competition introduced through market reform, they are **confused by the broad process of retail exit** and think it is generally **unfair** on them.
2. Key concerns are that retail exits will mean that business customers have no control over what will happen to their account, it will lead to **higher prices** and to customers being **unfairly locked into a contract** with a new retailer that they are unable to leave:
 - Customers would like to see **no tie-in for the first 12 months** after the transfer and **protections against price rises** during the same period to allow them the flexibility to explore alternatives at no detriment to their business
 - A **transition period** is recommended that **locks any disputed accounts to the current supplier until complaints are resolved** and allows businesses to maintain access to the current provider to **ensure-any new complaints and errors can be easily resolved**

Executive Summary - Key Findings 2

3. Since the broad process of retail exit is potentially confusing, businesses need to be drip-fed information over a 12-18 month period to ensure that they are **aware of the process** of account transfer, have the **information that is relevant** to them, and understand the **impact and benefits for them**. Businesses identified the ideal process as:
- Initial information should be a **broad introduction** from industry bodies such as CCWater, Ofwat or DEFRA, **outlining market reform and the benefits to them**
 - Communication about the exit process should **reassure customers** about their concerns – in particular **unfair treatment and risks to data protection, and link retail exit to the benefits of market reform**
 - Follow up communications from both the **existing water company retailer and the new retailer** with reassurance that the process will be **hassle free and seamless**
4. Given the choice, for many businesses, the preferred outcome would be for **their water company to not exit the retail market**. They believe this **leaves them with more control**, however many recognise that this is a risky option for the water company, since they would be likely to lose market share, as other non-household customers switch.
- However, the larger the business the more likely they are to **see the 'bigger picture'** around retail exit, that it is more likely to **create a competitive market with benefits to them as customers**



Background and Objectives

Context for the research



- Currently businesses in England that use more than 5,000 m³ of water a year, and businesses in Wales that use more than 50,000 m³ of water a year, can choose the company that provides the retail water services for their business
- The Water Act 2014 received Royal Assent in May 2014. This Act will introduce market reform to the water and sewerage industry in 2017, which will allow all businesses in England to choose which retailer provides their retail water and sewerage services
- Water companies will have a number of options available to them with regards to how they proceed in the market in 2017. One of these options includes the sale of business accounts to a separate retail company (either related or unrelated to themselves). This is a process known as **retail exit**, and is the subject of this report.

A note on terminology



- We use a number of key terms in this report. For clarity, these terms are defined as:
 - **Businesses:** used as short hand to refer to non-households, including but not limited to businesses, government bodies, third sector organisations, schools and hospitals.
 - **Retail services:** anything to do with customer services in the water and sewerage industry - meter reading, billing and handling customer queries and complaints, but not including water supply, sewerage service or the maintenance of pipes.
 - **Retailers:** are companies that have been granted a license by the water regulator, Ofwat, to provide retail services to non-household customers.

Objectives

Overarching objective

Understand **non-household customers' views** about retail exit to inform CCWater's discussions with Defra about the **protections that these customers require as the Regulations and policy on retail exit are developed.**

Specifically:

- 1 Consider non-household customers' views on the pros and cons of having their account transferred to a new retailer
- 2 Explore non-household customers' views on the level of protection they expect during the transfer period and from a new retailer
- 3 Find out non-household customers desired complaints process if things do not go to plan
- 4 Gather non-household customers' views on communications, including information required, from whom and when in the process
- 5 Ask what non-household customers think a successful transfer process would look like





Methodology



Sample & methodology



- 13 x 90mins focus groups (comprising a total of 88 respondents) across a range of regions, sectors and business types throughout October 2014




Location	Business size and sector	Number of respondents
Birmingham	Urban, medium commercial	9
Birmingham	Urban, small commercial	8
Leeds	Urban, small industrial	9
Liverpool	Urban, medium industrial	2
Wisbech	Rural, micro general	8
London	Urban, public & third sector (all sizes)	4
London	Urban, medium commercial	8
Yarm	Rural, small general	9
Southampton	Urban, public & third sector (all sizes)	5
Exeter	Rural, micro commercial	8
Exeter	Rural, public & third sector (all sizes)	8
Weston Super Mare	Rural, micro general	6
Manchester*	Urban, public & third sector (all sizes)	4

- NOTE – additional mini group added due to lower numbers at London public sector. Public sector groups are SME size.

Sample & methodology

- 16 x in-depth interviews with those responsible for managing utilities – including both day to day contacts and senior decision makers in larger businesses across a range of regions, sectors and business types throughout October 2014; three x teledepth interviews with medium sized businesses to supplement lower turnout at some focus groups

Business type	Sector	Number of sites
Large, commercial,	Building services and management	Multi site
Large, commercial	Business Services	Single site
Large Commercial	Software	Single site
Large, commercial	Building services and management	Multi-site
Large, commercial	Retail	Multi site
Large, commercial	Leisure Supplies	Multi site
Large industrial	Manufacturing	Multi site
Large, industrial	Manufacturing	Single site
Large, public sector	Education	Multi site

Business type	Sector	Number of sites
Large public sector	Local Government	Single site
Large, commercial	Architecture and landscaping	Multi site
Large, commercial	Corporate testing and inspection	Multi site
Large, industrial	Architecture and landscaping	Multi site
Large, industrial	Manufacturing	Multi site (England & Wales)
Large commercial	Retail	Multi site (England & Wales)
Large, commercial	Retail	Multi site (England & Wales)
Medium industrial	Medical Equipment	Multi site 
Medium industrial	Manufacturing	Single site 
Medium, industrial	Energy / Fuel	Multi-site 

- NB – many multi site companies are cross regional

A note on differences

- The research methodology has been designed in order to examine differences in attitudes between different types of businesses, specifically are there any differences:
 - *between rural and urban businesses?*
 - *by size of business?*
 - *by industry and sector?*
 - *between regions, or between non-household customers of different water companies?*
 - *between multi-site and single-site businesses?*
 - *between businesses who have sites in England only, and those who have sites in England and Wales?*
- Where they exist, differences between business sizes have been highlighted. Other differences were explored and were not found to impact on opinions.
- *Note: the total number of businesses explored in this research was 107. This is not a large sample and the differences are not statistically robust. However they illustrate the range of views across a diverse group of non-household customers. There are some observable differences between different non-household customer groups but the sub-samples are too small to be statistically robust*



Main Findings



4a

Market reform and retail exit

Whilst businesses are comfortable with the concept of increased competition introduced through market reform, they are confused by the broad process of retail exit and think it is generally unfair on them

Introduction to Market Reform

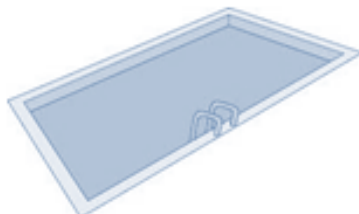
- In order to explore attitudes towards retail exit, respondents were first introduced to the current opportunities and forthcoming changes in the water and sewerage industry through market reform via information sheets sent out to read before the focus groups:

COMPETITION IN THE WATER AND SEWERAGE INDUSTRY

Since 2011, business customers using at least **5,000 cubic metres** of water a year, and that are supplied by a water company based in England, have been able to choose their **retail water services supplier**.

In Wales, business customers can switch retail water services supplier if they use at least 50,000 cubic metres of water a year (that's 20 Olympic swimming pools).

5,000 cubic meters of water is enough to fill 2 Olympic sized swimming pools



Who does this apply to?

In this document we refer to **businesses**. This includes all non-households such as:



Businesses



Schools



Hospitals



Charities



Government



Councils


Introduction to Market Reform

- Information sheets summarised the introduction of greater competition in the water and sewerage industry, explaining the implications and outlining what types of businesses will be affected by these changes:


COMPETITION IN THE WATER AND SEWERAGE INDUSTRY

In May 2014, the Water Act 2014 received Royal Assent. This allows **all businesses in England** to be able to choose who provides their water and sewerage retail services - meter reading, billing and customer services - from **April 2017**.


What does retail services include?



Customer queries and complaints




Billing



Water meter reading

Water supply licensees will have been granted a licence to provide retail services by Ofwat, the industry regulator.



- Businesses which choose to switch to a different provider of retail services will still get the same water supplied through the same pipes – it is their billing, meter reading and customer service that will change.*
- Some aspects of retail service may change, for example, businesses may be offered a single bill for all properties rather than multiple bills.*

2

Attitudes to Market Reform

- A brief discussion about attitudes to market reform provided a useful context for exploring subsequent attitudes towards retail exit
- Businesses are generally comfortable with the concept of market reform in the water and sewerage industry
 - Most relate to their experiences of other utilities such as gas and electricity
 - There is some indication that more savvy switchers of other utilities are more comfortable with market reform, whilst those who have had negative experiences of switching other utilities are more cautious about market reform in the water and sewerage industry
 - Some larger businesses, particularly multi-site / high use businesses, are already aware of the changes and some mention that they have already started to discuss the implications of the changes with their water companies

"I think it opens up the opportunity for competition amongst the water companies. I mean the pipes are there, it's the billing, meter reading and customer services that will change, not the actual water that's coming through the pipes. Exactly as we have with the gas and electricity. So it opens up the opportunity for you to choose who you use, and it will be more competitive, like in other utility markets."

- Medium commercial, London (Thames)



Attitudes to Market Reform

- Although views are mixed:
 - Some businesses are positive about the forthcoming changes, which they hope will have a positive impact on their business through cost savings and improved customer service
 - A small group are quite negative about market reform, (particularly medium or public sector) as they feel that water should not be a competitive industry, and they are frustrated about whether 'competition' actually results in savings – particularly given the time it takes to compare prices



"Competition can drive service down - when others undercut they have to save money"
 - Public sector South West (South West)

- Many businesses highlight concerns that market reform might introduce a 'middle man' which will create additional problems when trying to resolve faults / repairs

"If a meter reading is wrong for instance, you will ring up and get caught up in a whole loop of 'its nothing to do with us, we just rent the meter'"
 - Public sector, South West (South West)

"I think things could get worse... you've got to communicate between two companies"
 - Micro general East (Anglian)

- Some multi-region sites are frustrated that the forthcoming changes will not impact their Welsh sites, whilst others are not concerned about this

Introduction to Retail Exit

- Respondents were introduced to retail exit via information sheets sent out to read before the focus groups:

IMPLICATIONS OF THE WATER ACT 2014 : RETAIL EXITS



Retail exit means that from April 2017, subject to approval by the Secretary of State, water companies will be allowed to sell the non-household **retail part of their operation** to another company.

If your water company is different to your sewerage company, one of these companies could choose to sell on its business customer accounts to a new retail service provider, but the other company could continue to provide you with a retail service.

So there could be a very small minority of business customers who get one bill for water and sewerage services from two separate companies, there is a chance they could end up with two separate bills unless the new retailer comes to a billing arrangement with the existing retail service provider.

Introduction to Retail Exit



- The information presented at this stage was quite broad, and didn't outline the potential processes for retail exit
- However it drew out a number of concerns and points of clarity:
 - Many respondents assume that they will be able to choose which provider they would be transferred to at retail exit
 - Few respondents pick up on the information that their accounts will be sold to another retailer
 - Some respondents are concerned that this change would mean they will receive multiple bills in future



Overall attitude towards retail exit is that it seems unfair because they have no control over who their future retail service supplier is



Advantages of retail exit

- When first presented with the information non-household customers could not see any advantages of the broad concept of retail exit



Disadvantages of retail exit

- Staff at new retail companies may not be as competent or experienced as at current water companies
- Risk of data protection issues i.e. could customer data be lost/sold on without consent to a third party?
- Water companies might pick and choose which customers to sell and which retailers to sell them to
- Customers have no control over what happens to their account

Once retail exit is explained in more detail, many respondents raise concerns about the process

"They could be agency staff, they could be unqualified people or people who are paid per call. To some degree we are losing that skill or some degree of customer services, perhaps."

- Micro Commercial South West (South West)

"So we don't get a say in whether they are going to sell us to another company?"

- Micro East (Anglian)



"My main concern would be selling on data, information about your company, your usage. Does it comply with the Data Protection Act? You're out of control of your own security." - Medium industrial North West (United Utilities)

"Can they keep hold of their prime customers and get rid of the little ones?"

- Micro East (Anglian)

CASE STUDY: A business that has no strong views about retail exit as long as it does not impact on them



- RESPONDENT NAME: Jayne
- RESPONDENT JOB ROLE / TITLE: Support Services Manager
- BUSINESS BACKGROUND: 2 sites (both in the same region), 600 employees across both sites, Retail service distributing electrical goods and consumables
- REGION / WATER COMPANY: West Midlands, Severn Trent Water

- ATTITUDE TOWARDS RETAIL EXIT: This respondent is not particularly for or against retail exit. They are not particularly concerned that their business account may transfer to another retailer so long as they don't notice too much of a change or experience any major issues.

"Currently I'd say that I'm quite ambivalent about it. I wouldn't strongly agree or disagree that it's a good or bad thing because I don't sufficiently know about the implications of the split... Let sleeping dogs lie! I would only be concerned if it proved to be a less quiet sort of background service than it currently is. If they somehow didn't get their infrastructure right and it started causing me an issue and taking time out of my day."

CASE STUDY: A business that feels that retail exit is unfair because they have no control over possible changes to their account



- RESPONDENT NAME: Sean
- RESPONDENT JOB ROLE / TITLE: Head of Engineering
- BUSINESS BACKGROUND: Part of a wider company that has 13 sites around the UK, this site is based in the South West, 750-800 employees, food manufacturer
- REGION / WATER COMPANY: South West, South West Water

- ATTITUDE TOWARDS RETAIL EXIT: This respondent is concerned about retail exit because they don't think it's fair that they have no control over the changes to their account. They don't like the fact that their business account could be sold on without their permission and they won't have any say in it.

"My issue is that they can do it without your consent, because then you're talking about selling on data, selling on information about your company, your usage. In terms of the Data Protection Act, does that comply with it? You're out of control of your own sort of security. I don't necessarily think any of this is a good thing. If I'm being blunt, I'm not sure about any of it. I'm trying to understand what the advantages would be."

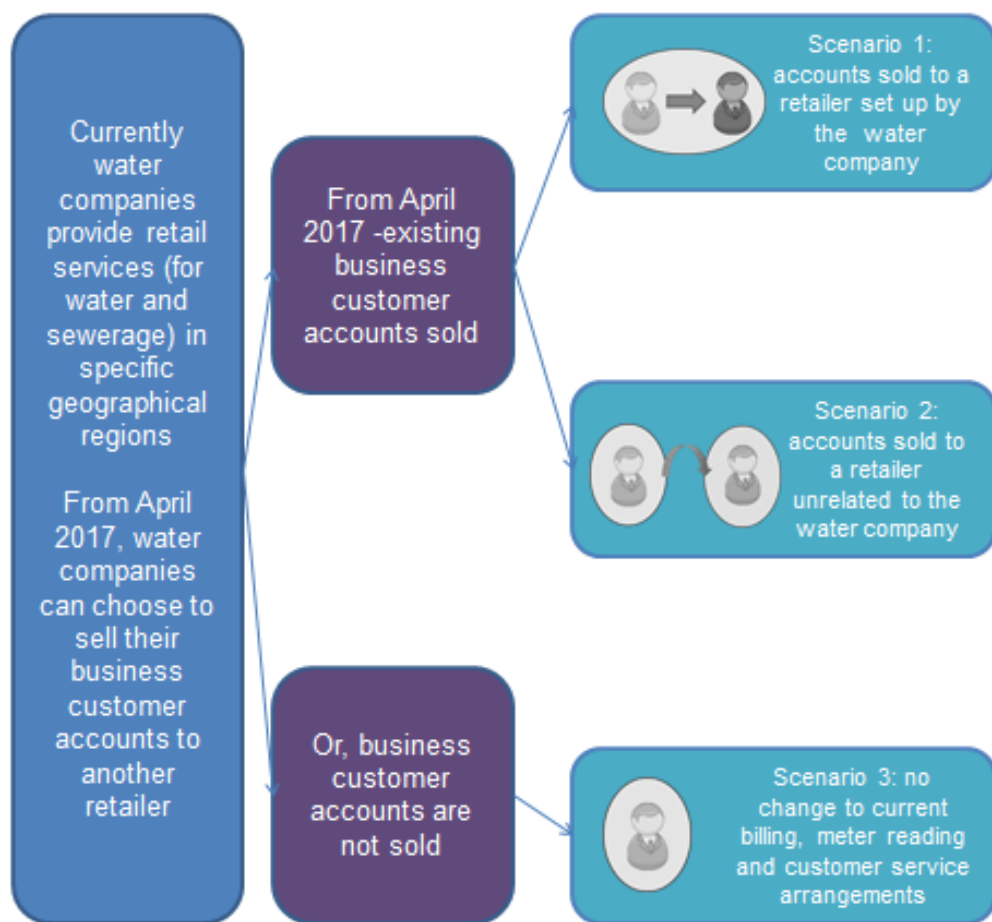


4b

Retail exit scenarios

Given the choice, the preferred outcome for many businesses would for their water company to not exit the retail market, which they believe leaves them with more control. However, many recognise that this is a risky option for the water company, since they would be likely to lose market share as other non-householders choose to switch retailer

Respondents were provided with more detail on potential exit routes. For simplicity exit routes were presented as three scenarios



The water company would need to have set up another company (a 'water supply licensee') if it wants to provide retail services to businesses in regions it doesn't currently cover. Although the company name may sound similar to the existing water or sewerage company, it will be separately operated. Real examples of this are 'Anglian Water Business Ltd' and 'United Utilities Water Sales Ltd'.

This would be a company that provides retail services to business customers. The company may be an established brand name you are familiar with e.g. if Richard Branson decided to set up a company he might call it Virgin Water, or could be newly set up and be an unfamiliar name, or could be a retail company set up by a water company from a different region (for example, your water company could sell its accounts to Thames Water Commercial Services). All new retail companies need a water supply licence from Ofwat, the water regulator.

The water company could choose to continue to provide retail services to business customers in its area who don't transfer away.

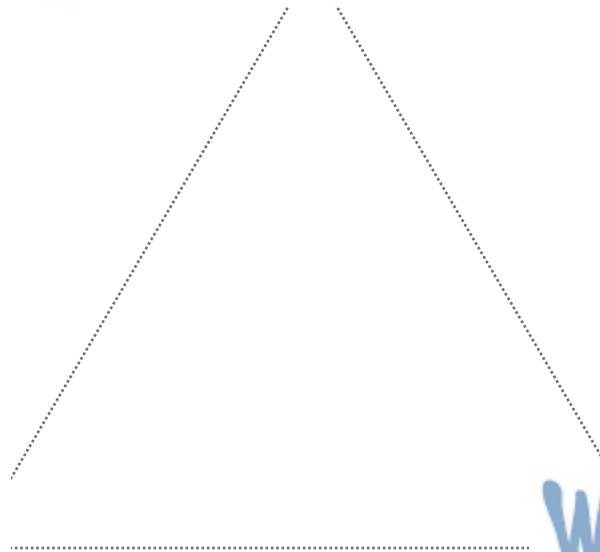
For all three scenarios, advantages and disadvantages generally fall into three categories – the customer, the business or the wider community



- Advantages and disadvantages tend to focus on the two key areas of the water company or the customer
 - A few specific points are more generic or related to the wider community / region



Water Company



Customers feel that service could go either way with scenario 1

Scenario 1: Sell on business customer accounts to a separate company that the water company has set up to provide retail services to business customers



Advantages to the customer

- ✓ The new retailer would need to be more accountable as they will be measured against competitors
- ✓ Focus investment on service instead of infrastructure
- ✓ Existing staff will already have relevant experience
- ✓ Familiarity
- ✓ Parent company has an incentive to ensure consistent service and take responsibility
- ✓ Continuation of service – data should be easy to transfer

Disadvantages to the customer

- ✗ The new retailer may focus on expansion and target new customers instead of service to existing customers
- ✗ No incentive to improve customer service because they have nothing to prove to existing customers
- ✗ New offices, systems etc. may add to the costs that could feed through to customer bills
- ✗ Confusion as the new retailer could sound similar but is not the same company

Customers feel that service could go either way with scenario 1

Scenario 1: Sell on business customer accounts to a separate company that the water company has set up to provide retail services to business customers



Advantages to the customer

"It's set up by a water company who knows what they are doing."
– SME Public sector North West (United Utilities)

"You should get a better service if they have got to compete."
– Medium Commercial Midlands (Severn Trent)

Disadvantages to the customer

"If it was to cost more that would be a con."
– SME Public sector North West (United Utilities)

"I think there is another negative as well I mean the other factor is a lack of expertise."
– SME Public sector South West (South West)

"If it is the same company but just Limited, there is no incentive for an increase in customer service or anything else if it is – even though it is listed as a separate company, it is still under the same envelope."
– Micro commercial South West (South West)

Customers feel that water companies can benefit from scenario 1, but there are some risks for them as well

Scenario 1: Sell on business customer accounts to a separate company that the water company has set up to provide retail services to business customers

Water Company

Advantages to the water company

- ✓ Company can increase its market share by competing in other regions
- ✓ Better profit if the separate retail company only focuses on retail (no overhead costs relating to water infrastructure)

"In my mind they are interested in this because they can obviously see that they can make profit, they are not doing it out of the interest of trying to improve the infrastructure of the water services in the UK."

– Large commercial retail (multi)

Disadvantages to the water company

- ✗ More appealing for corporate take over
- ✗ Risk losing market share if customers choose to switch to other retailers
- ✗ Risk companies becoming less focussed on their existing customers as they target customers in other regions

"Some customers might move out so it's possible that they might reduce their revenue." – Large industrial manufacturing (multi)

"There is potential for them to lose focus on their region"
– Large commercial retail (multi)

Ideally business customers would hope that scenario 1 could have positive effects on their region

Scenario 1: Sell on business customer accounts to a separate company that the water company has set up to provide retail services to business customers



Advantages to the region / community

- ✓ Potential to create local jobs due to expansion (assuming that call centres remain located within the region)
- ✓ Local business providing income to the region

"Potentially if it's a South West Water subsidiary company they could really run the market place and take over Norfolk and everything else, and you could locally create a lot of jobs; the potential is there for that. "

–SME Public sector South West (South West)

Disadvantages to the region / community

- ✗ Might choose to move the operation outside of the region or even overseas

"At the moment they are locally based. I would like to speak to English people. It can be very frustrating if you don't understand each other and you are repeating yourself over and over again. If you are a new business and you have got an emergency, you want someone to take charge and ownership of the problem and deal with it." – Small general North East (Northumbria)

Business customers feel that there are more disadvantages than advantages for them in scenario 2

Scenario 2: Sell on business customer accounts to an unrelated retail company



Advantages to the customer

- ✓ Familiar companies may bring reassurance
- ✓ Small companies (i.e. new to the market) may bring better ethics
- ✓ May create opportunities for co-operative companies that allow groups of customers to group together for a better deal
- ✓ May have better experience of customer service
- ✓ May be able to link their water retail service to other utilities accounts (if unrelated retailer is another utilities company)

Disadvantages to the customer

- ✗ Concerns about lost data / incorrect data
- ✗ Lack of experience in the water industry
- ✗ Fear of the unknown
- ✗ May have had past bad experiences with the company if they offer services in other industries
- ✗ Bills will look different
- ✗ Confusion about who is responsible for cost impact and who to contact for water issues such as flooding/ drought
- ✗ Current company can 'wash their hands' so no need to choose a retailer that is best for their customers
- ✗ Concern that accounts will be sold to different bidders – i.e. most profitable to one retailer, least profitable to another
- ✗ Other retail water companies might prioritise customers from their own region
- ✗ Will need a settling in period to allow retailers to adapt their systems to the data

Customers feel that there are more disadvantages than advantages in scenario 2 where their accounts are sold to an unrelated retail company



Advantages to the customer

"They could potentially bring fresh ideas into what is a very traditional style of utility. ... If they could bring cost savings in by automation it would be a good thing, if they could streamline by automation it would be a good thing."

– Large commercial retail (multi)

"They could bring out something that is very revolutionary in the market that has just never been tried."

*– Large commercial leisure
(multi)*

"I could have British Gas water, so could have British Gas, British Gas electric and British Gas water it would be a lot easier for me. Keeping track."

– Micro general South West (South West)

Customers feel that there are more disadvantages than advantages in scenario 2 where their accounts are sold to an unrelated retail company

Disadvantages to the customer

"One thing people will be nervous about is, you mentioned the water's the same coming out of the tap, but when people see a private supplier or it's changing, will it be the same? "
– Large public sector education (multi)

"I wouldn't know that they'd provide the same service it's sort of going into the unknown..."
– Large commercial architecture & landscaping (multi)

"You need to be reassured of how your information is passed across, if it is marketed separately. If stuff goes missing and they've put you on a new tariff, if they do something by accident you the have to fight to change back. They might fix the contract, they might make a mistake with it."
– Public sector SME, South (Southern)

"An unrelated company might be poor with their customer service and then it could generate more work for us to try and find someone we are happy with."
– Large commercial retail (multi)

"They're no experts on that..."
– Large public sector education (multi)

"A new company wouldn't necessarily have immediate access to records. The local knowledge may be lacking."
– Large public sector local gov. (single)

Although there are some disadvantages for the water company in scenario 2, the advantages are clear

Scenario 2: Sell on business customer accounts to an unrelated retail company

Water Company

Advantages to the water company

- ✓ Can choose the retail company that offers the best profit margin (possibly to detriment of customers)
- ✓ The new retailer is unrelated so no future concern – can 'wash their hands of it'

"The companies are just thinking of their shareholders and their profit margins. They're not thinking of the end user."
– Micro general East (Anglian)

Disadvantages to the water company

- ✗ Businesses lose the personal touch
- ✗ Potential for confusion about who to contact / adds a middle man in case of faults / leaks
- ✗ Operational company has no link to the new retailer and therefore no control over how they behave in future

"You're going to end up complaining to them and their complaints are going to go up and then really what power have they got? There's no link because they've only bought an account. "
– Large industrial manufacturing (single)

Customers can only see disadvantages for the wider region / community in scenario 2



Scenario 2: Sell on business customer accounts to an unrelated retail company



Advantages to the region / community

No advantages

Disadvantages to the region / community

- ✗ May not be a UK based company
- ✗ Likely to be from outside the region – loss of jobs

"So therefore the big concern is more unemployment, for the people who work for Anglian Water who are doing this job now."
– Micro general East (Anglian)

"We are going to end up with those foreign call centres as well because they will do that to be cheap. And foreign investors. Because at the moment we have got quite a lot in the electricity industry and they have done that."
– Public sector (SME sized) South West (South West)

Customers feel that they can benefit from scenario 3, where there is no change, but question why a water company would choose this option as it does not seem sustainable



Scenario 3: Not sell its retail services and continue to be the regional retailer for non-household customers



Customer



Water company



Community

- ✓ Familiarity
- ✓ Nothing changes so the bill will be consistent
- ✓ Hope to see better prices and services through competition without anything changing
- ✓ No risk of lost data etc.
- No disadvantages to the customer

- No advantages to the business
- ✗ Risk of losing customers who choose to switch retailer without the opportunity to expand the customer base outside the region

- ✓ Keeps some jobs in the region
- ✗ But likely to mean job cuts if the customer service team becomes smaller as non-household customers choose to switch to another retailer

Customers feel that they can benefit from scenario 3, where there is no change, but question why a water company would choose this option as it does not seem sustainable

Scenario 3: Not sell its retail services and continue to be the regional retailer for non-household customers



Customer

"Scenario three is overall what I would prefer just to keep things simple for my customers. So they only have one number to call and they know exactly what is going on."

– Large commercial retail (multi)

"If nothing changes we know what we are getting, we would still get the same bill, we still get to budget in the same way."

– SME Public sector South West (South West)



Water company

"They would be sitting ducks!"

– Large commercial North East (Yorkshire)

"I'd wonder why they weren't changing. I would sort of read that as they're not being competitive in the market; not able to compete with others and not taking new retail customers on."

– Large commercial business services (single)



Community

"The companies that don't offer national services could shrink significantly. They might have to lay off staff so you could lose contacts"

– Large commercial corporate testing (multi)

Scenario 3 - Not sell its retail services - was the most preferred option, although the larger the business, the more likely they are to prefer either scenarios 1 and 2



Scenario 3
60%



Scenario 1
26%



Scenario 2
14%

Note: although scenario 3 was the most preferred overall, this was driven by the higher number of SMEs vs larger businesses

- MICRO:
 - All prefer scenario 3 – keep things as they are
- SMALL
 - Majority prefer scenario 3, some prefer scenario 1 - sold to related retail company
- MEDIUM
 - Split between scenarios 1 and 3, only a few prefer scenario 2 - sold to an *unrelated* retail company
- PUBLIC SECTOR
 - Majority prefer scenario 3, some prefer scenario 1
- LARGE
 - Even split across all three scenarios depending on size and regional spread of sites

Those who are more positive about market reform are more comfortable with exit scenarios 1 (sold to related company) and 2 (sold to an unrelated company) than those who are less positive about market reform (1)



- Although they are still nervous about data protection and the risk of errors, those who feel that market reform would be a positive change for the water and sewerage industry, are more likely than those who are less positive to say that scenario 1 or 2 would be their preferred scenario

"Scenario one, because I think it will open it up to competition and it may do something to shake out South West Water's lethargy"

- Public sector (SME sized) South West (South West)



"I'd go with scenario one. Hopefully in time, when all the teething problems are sorted out, you've got an option. You as a customer have an option, you can opt in and out where you like for cost reasons."

- Small commercial Midlands (Severn Trent)

Those who are less positive about market reform tend to prefer scenario 3 for the stability and control it offers them



- Those who are less positive about market reform are most likely to prefer scenario 3 as it offers stability and allows businesses control about transferring their account

"Scenario three. Yes, stay put, I would just say that because I'd just err it with a bit or precaution I wouldn't 100% know if everything would run as smoothly as it was."
- Large commercial (multi site)

"Scenario three. I didn't think I had strong opinions, I didn't think it really bothered me, but it does. Yes I'd prefer to be left alone."
- Micro general South West (Wessex)

CASE STUDY: *A typical preference for scenario one - sold to related retail company post 2017*



- RESPONDENT NAME: Chris
- RESPONDENT JOB ROLE / TITLE: Land and Property Manager
- BUSINESS BACKGROUND: Local authority, single site, 280 employees
- REGION / WATER COMPANY: West Midlands, Welsh Water/Severn Trent

"In this scenario they have the backup of the mother company. They would probably bring in some expertise that they have in the parent company and they would have immediate access to historical records of the commercial premises that they were providing for.

Scenario one still gives you the benefit of the existing company, but with possibly some new radical ideas and some improved management systems that may provide us with a better experience but also possible cost savings."

CASE STUDY: A typical preference for scenario 2 - sold to an unrelated retail company post 2017



- RESPONDENT NAME: Paul and Lynn
- RESPONDENT JOB ROLE / TITLE: Group Procurement Manager and Purchase Ledger Supervisor
- BUSINESS BACKGROUND: Leisure suppliers 12 depots across England
- REGION / WATER COMPANY: National, dealing with multiple water companies

"I'm looking forward to 2017 when we can move all of our business into one provider and it will hopefully give us one single bill and bring everything together under one roof and make it much more simple to manage. At the moment it is a little bit old fashioned.

I think scenario 2 would be most interesting to see what new ways of thinking a new entrant to the market would bring. I would imagine the market at the moment is quite traditional and staid in its approach so having somebody new come in and innovating how the service and billing is delivered, it might actually bring back that sort of X factor."

CASE STUDY: *A typical preference for scenario 3 - not sell its retail services post 2017*



"If it ain't broke, don't fix it. Everything works fine at the moment but also if you don't like it, and it goes wrong, [with this option] you [would] have the option to go somewhere else."

- RESPONDENT NAME: Raj
- RESPONDENT JOB ROLE / TITLE: Business owner
- BUSINESS BACKGROUND: Micro business, retail
- REGION / WATER COMPANY: East Anglia, Anglian Water

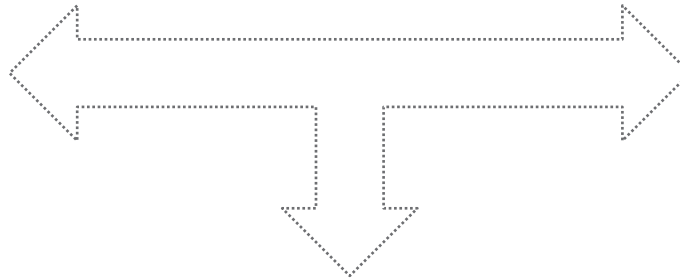


4c

Complaints and safeguarding

Key concerns are that retail exits will mean that non-household customers will have no control over what will happen to their account, it will lead to higher prices, and customers will be unfairly locked into a contract with a new retailer that they are unable to leave

Non-household customers have two key concerns – that prices will rise, and they will be forced into a contract with a new retailer which they cannot leave



Customers are **concerned about being entered into minimum contracts**. They would like to see **prices held** for at least a year with a '**cooling off period**' that allows them the freedom to switch away from the new retailer during the same period.

"I would think there's got to be some sort of, what they call them "Cooling periods" don't they, but there's got to be some sort of period whereby they can't just put all the prices up"

- Medium industrial, north west (United Utilities)

"When the changeover occurs and whichever scenario happens is it going to be on a contractual basis like gas and water? Right, so then we have automatically signed up with that company for a year, although we haven't had a choice."

- Medium industrial, north west (United Utilities)

Most customers would like to see good levels of service maintained or poor service improved. There are some specific suggestions for the service levels they would like to see following retail exit

"Guaranteed call answering within... 3 rings or 5 rings"

- Small industrial, North (Yorkshire)



"I would like reassurance that it would be a UK based service."

- Micro general East (Anglian)

"More up to date website. You could have self-service customer service."

- Medium commercial, South (Thames)



Businesses ideal service levels



"I think same day service for repairs for businesses."

- Small industrial, North (Yorkshire)



"No premium numbers. Anything that's an 03, 07 any of them cost you money."

- Small industrial, North (Yorkshire)

Premium
09
Numbers



"Update meters and put smart meters in, they should bill you properly, rather than estimating"

- Micro general East (Anglian)



Concerns fall into two groups: changes to contract terms and conditions and problems caused by errors



Changes in terms and conditions

- Introduction of new time limits for being cut off due to late payment
- Introduction of interest charges on late payments
- Changes to billing cycle which will particularly impact budgeting for small and micro businesses
- Price rises – especially a risk if prices become linked to shares
- Risk of an increase in estimated bills if meter reading is not sufficiently resourced
- Introduction of cancellation fees / long contracts when moving companies – particularly if these apply from initial date of transfer

Errors

- Concern that delays caused by the transition could cause an account to fall into arrears
- Concern about meter reading errors at transfer – particularly if it results in being double billed
- New systems or poorly trained staff could cause mistakes on bills
- Customer information could be lost or data protection could be infringed during account transfer
 - One or two respondents were specific about account information being sold, but many just had generic concerns about 'data protection'

Some assume that contract terms and conditions and pricing would need to be protected, and have concerns that these would change

*"Unless they were to come back to the table and renegotiate a contract that already existed, I would expect the existing contract terms to stand."
– Large commercial retail (multi)*

*"Are they going to say, 30 days we are going to charge 25 per cent interest on it, or you know it's not about cutting you off I think ... "
– SME Public sector South West (South West)*



Changes in terms and conditions

*"So maybe they will offer new tariffs and see over the first two years, we are going to match your current tariff, no matter what size business you are. They need to be upfront about it and use your real usage figures and make it easy for you the change over. In that scenario, it should be the easiest way to change over. If you are going to go to a new company, the transfer of information and tariff and the account should be very, well, relatively simple."
– Public sector SME, South (Southern)*

"If we were sold as an asset and then couldn't move for say 6 months we'd expect our terms and conditions to stay as we've been sold for at least 6 months. Then terms and conditions will be part of any negotiations thereafter. We don't expect someone to take someone's terms and conditions on indefinitely, but as long as we know they're going to change, and again we have the choice. "

– Large industrial manufacturing (multi)

Customers expect to be protected for a period of time that allows them to explore alternatives at their own convenience

- Prices need to be protected for a period that allows businesses sufficient time to explore alternatives – many are unclear how long these protections should remain in place, but some suggest for up to 12 months
- Payment plans for debts should be honoured by the new retail company
- Ideally businesses would like to see no minimum contracts (at all) to the new retail company after accounts are sold to give them the freedom to search for a new retailer

"There are people who have run up debts and are on payment plans or whatever it is they do... something just to make sure it was going to be a smooth transition is to say that if you have got a payment plan set up that they honour that."
 – Small general, North East (Northumbria)

"I would expect the current rules and regulations to be carried forward and bettered if possible."
 – Large public sector local gov. (single)

"I think obviously they can't tie you into any contract that you don't want to be with, so if you're with United Utilities today and they say 'We're selling you to Tescos tomorrow.' If you're one of these people that doesn't shop with Tescos, you've got to be able to opt out of that very quick and be told who the competitors are, who you can go to."
 – Medium industrial North West (United Utilities)



Errors that have an adverse effect on businesses are most likely to occur as a result of poor training or system errors during retail exit transfer

"We could end up with either billing errors or worse, we get switched off for some bizarre reason."
 – Large commercial leisure (multi)

"There could be a problem with bills-irregular bill reading, probably if that part of it fell down and we were given estimated bills."
 – Large public sector education (multi)

"We might get incorrect meter readings."
 – Micro commercial South West (South West)

"You could be billed twice."
 – SME Public sector North West (United Utilities)

"Customer's billing details could be lost in a black hole."
 – Micro commercial South West (South West)

"... the only really main problem there is they take the right money at the right time. ... direct debits on time... taking the right amount..."
 – Medium industrial energy/fuel (multi)

"They lose all your debt."
 – SME Public sector North West (United Utilities)



Errors

Businesses expect to see a series of processes in place to ensure that mistakes can be rectified and existing water companies remain involved

- Existing water companies must maintain a 'backup' of the customer database to refer back to in case of problems

"I would expect there to be an SLA of some description so that we knew there would be an agreed route. We will resolve your problem in 72 hours, 5 days, whatever it is depending on the severity of the issue and there is a hopefully some solution in the meantime to make sure that we carry on with supply." – Large commercial leisure (multi)

- Some respondents suggest that all businesses should have a meter, and take a 'cut-off' reading to be used for the transfer

"We would need an accurate bill and to take the right amount from the account. We don't like estimated bills in business because it can be several thousand pounds difference, so we like accurately read meters and money taken on the date that we agree" – Large commercial business services (single)

- Staff should be trained well, and in advance of the transfer, so they are ready

"You would like to think it would be a smooth transition and everybody would be briefed well in advance along with the staff and new staff if necessary. So that you know there would be a smooth continuation of your billing process and your meter reading accurately, so there wasn't a load of estimated bills went out and everybody starts overpaying or underpaying, etc." – Small general North West (Northumbria)



Views on the provision for complaint handling differ between existing complaints and complaints about the transfer, but businesses expect to see some safeguards



Original Water Company – sorts existing complaints



New retailer – sorts transfer complaints

Existing complaints should be directed at the original company until resolved, as they have more knowledge of the background to the complaint.

Some suggest that accounts with an outstanding complaint should not transfer until the complaint is resolved.

Most think that complaints about the transfer should be directed at the new retail company, but that the existing water company should remain available to provide support in dealing with the complaint if necessary.

Views on the provision for complaint handling differ between existing complaints and complaints about the transfer, but businesses expect to see some safeguards



Original Water Company – sorts existing complaints



"The transfer should be stopped until the complaint is dealt with."

– Small general North West (Northumbria)

"The original company hopefully would deal with the complaint. You've paid for their service as you made that complaint with that company, so they should be dealing with that. Hopefully they would know what they're talking about, if the complaint goes somewhere else it's probably going to someone who hasn't got a clue, so how could they possibly even deal with or answer the question?"

– Micro general South West (South West)

"If it's an existing complaint then I would obviously want that to be one of the things that is resolved before the final switch is made."

– Large commercial retail (multi)

Views on the provision for complaint handling differ between existing complaints and complaints about the transfer, but businesses expect to see some safeguards



New retailer – sorts transfer complaints

"I would expect the complaint to be dealt with by the new company. They've taken over my account so it's nothing to do with the other company."

- Large commercial architecture & landscaping (multi)

"I would expect for it to be dealt with by the new company in the same way it would have the old one"

- Public sector SME, South (Southern)

"In the first instance it would be the company that we are buying water from, whether that is Tesco Water or whoever. If we don't get satisfaction and resolution there then we would look to escalate it outside into the regulatory environment, something like Ofwat depending on the severity of the issue."

- Large commercial leisure (multi)

Debts should move to the new retailer - payment arrangements should be protected and should not be sold to debt collection agencies



New retailer

Most think that debts should transfer to the new retail company, who 'buys the good with the bad'. However they expect to see some safeguards for the customer including honouring payment plans and reassurance that debts will not be sold to debt collection companies

"When transferring, what I've always done previously is pay that debt off."
 – Large commercial business services (single)

"The debt should be cleared out before any movement."
 – Medium industrial energy/fuel (multi)

"If you were a business that was struggling would they then just sell you on to debt management agencies? There's quite a few things that might affect it."
 – Public sector SME, South (Southern)



4d

Process and Communication

Since the broad process of retail exit is confusing, businesses need to be drip-fed information over a 12-18 month period to ensure that they are aware of the process of account transfer, have the information that is relevant to them, and understand the impact and benefits for them

The 'ideal' process for retail exit will have little impact on businesses



Smooth

No change

Easy

Hassle Free

"I would just get my bill on the same day as usual, for the same amount as usual. It would get paid in the same way as usual. The only thing that will change is the logo on the bill!"
- Medium commercial, Midlands (Severn Trent)

Clear communication and processes are key to ensuring that the ideal transfer meets businesses needs

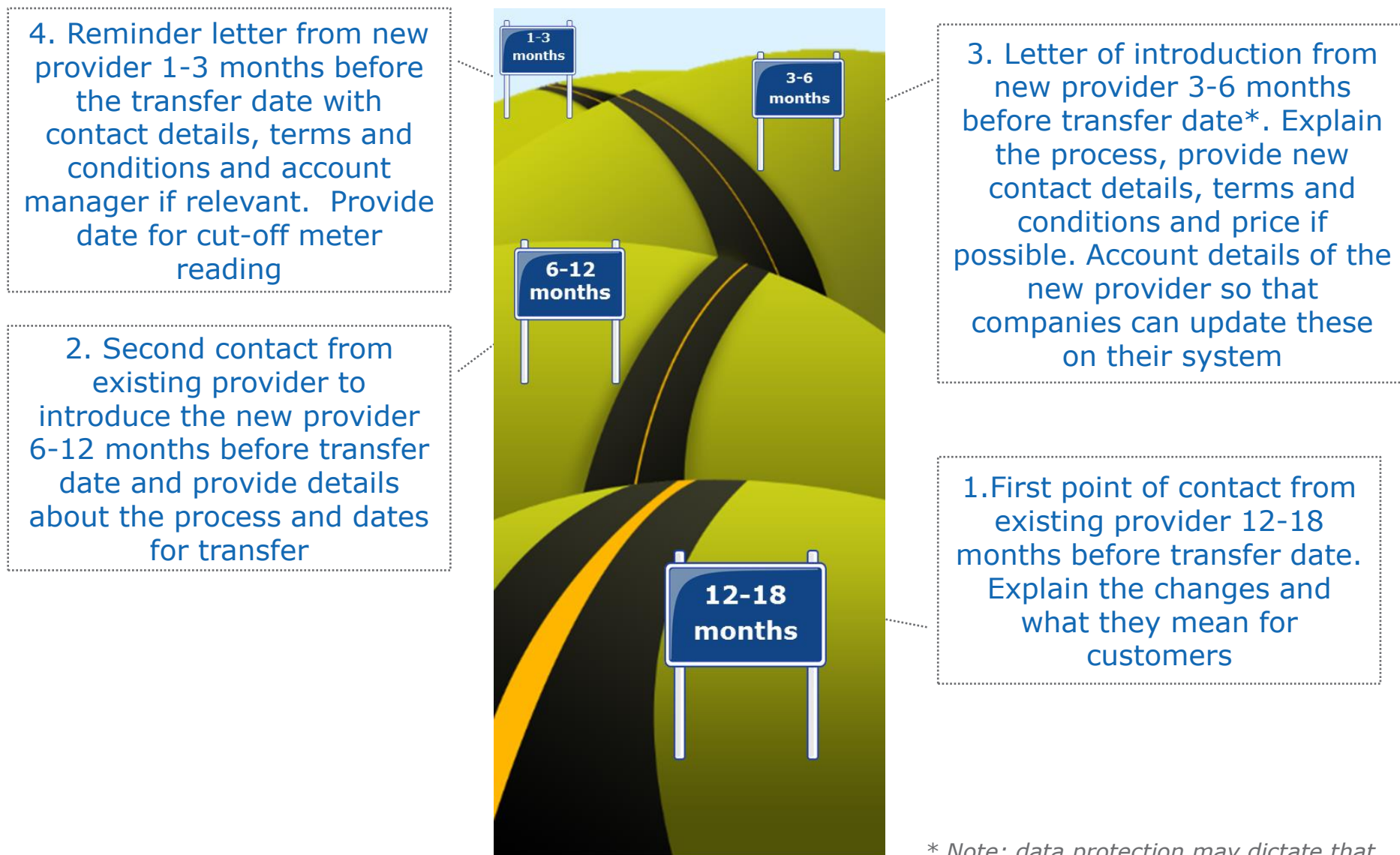
Some suggest that communication should start now to raise awareness of the changes that will occur as a result of market reform in 2017

- For some **the first step in communication about retail exit is to raise awareness of the changes brought about by market reform in England** to set the scene for any subsequent communication from water companies about retail exit
 - This is particularly the case for medium businesses and public sector who are unaware of the forthcoming changes and concerned / less positive about market reform
 - Additionally some small and micro businesses feel that awareness raising would prepare them for any subsequent communication from the water companies (outlined in more detail over the page) about retail exit
 - Larger businesses are more likely to be aware of the changes or less concerned, and so they are less likely to feel awareness raising is important



- To ensure that communication about market reform is unbiased many feel that this campaign should not be the responsibility of water companies, but should be driven by organisations such as DEFRA, Ofwat and CCWater
- Further communication about retail exit should come from the water companies and new retailers, preferably as written communication with the bills
 - Timing of communication could vary depending on the bill cycle of the business

Business customers outline a clear roadmap of communication around retail exit for a situation in which the business cannot explore the market in advance

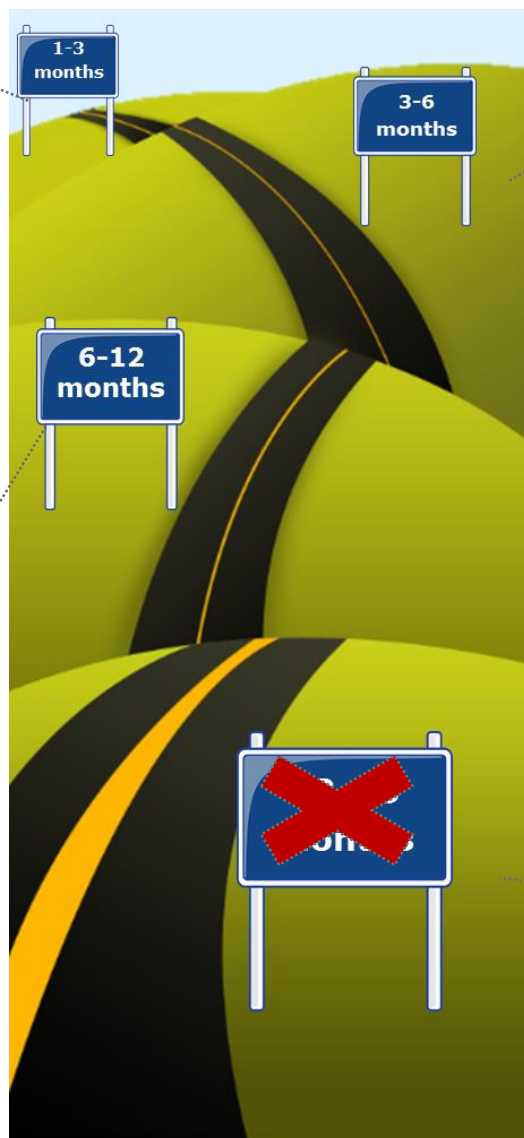


* Note: data protection may dictate that this information comes from the existing provider as a 'letter of introduction'

Business customers expect a slightly different communication process for an alternative situation in which the business can explore the market in advance (post April 2017)

3. Reminder letter from new provider 1-3 months before transfer date with contact details, terms and conditions and account manager if relevant. Provide date for cut-off meter reading

1. First point of contact 6-12 months before transfer date explains the decision to exit the market, introduces new company and the process / timeline for transfer. **Should also explain that customers have the option to transfer to an alternative provider, and indicate when the customer should transfer away to avoid their account being sold. If possible should also introduce competitors with their prices**



2. For those who do not transfer away, letter of introduction from new provider 3-6 months before transfer date. Explain the process, provide new contact details, terms and conditions and price if possible.

Expect to receive communication from Ofwat or CCWater with information about who is available to switch to

Introduction to changes 12-18 months before transfer date is not required, so first point of contact is later

Red text indicates highlights where there are differences specific to this alternative scenario

Some larger businesses have different expectations to SMEs and Micros with regards to communication about retail exit



SME & Micro

Large

- SMEs assume that the majority of communication will be written
- A few medium sized businesses say that a phone call or personal visit would be nice, but accept that they are not large enough to warrant this
- They are looking for communication that will reassure them that the process will be straightforward and hassle free
- Those who have had negative experiences of switching in other utilities want reassurance that lessons have been learnt

- Some large businesses (particularly those who are not high water users / water is not a priority) have expectations that are similar to SMEs
- Other large businesses, particularly those who are high water users or currently have an account manager, would like communication to be personal and come directly from their account manager
- They are looking for a minimum of a phone call from both the existing and the new account manager, but some would like a personal site visit



Conclusions and recommendations

Many businesses are generally positive about market reform in the water and sewerage industry but struggle with the broad idea of retail exit, which seems unfair to them

- Businesses are comfortable with the concept of market reform in the water and sewerage industry and many see it as a positive step
 - However, there is a small group of respondents who are relatively negative about market reform and would require clear communication about the benefits to their business to help them to feel more positive about it
- Retail exit causes some confusion – particularly when presented as a broad concept with a range of potential exit scenarios that may or may not affect their business
- Initially some respondents are not clear that their account can be sold, and when it is explained, this seems unfair, and they are concerned about the extra 'hassle' that they think this will introduce.
 - Many businesses (particularly smaller) are resistant to change and if they could choose, their preference for retail exit would be no change as it allows them to be in control. The larger business, the more likely they are to find exit to either a related or unrelated retail company appealing as they believe that they offer advantages of a more competitive market
 - The greatest concern that businesses have about retail exit is that they should not be adversely affected by price rises or be unfairly locked into a contract with a new retailer without any choice to move.

Businesses expect retail exit to be regulated to ensure that they are not unfairly affected as a result of the process



- To ensure a fair process, businesses expect to see a series of regulations and protections to ensure that customers are not treated unfairly in the process of retail exit, with existing regulations that govern water companies to remain in place.
- Businesses expect to have access to the old water company for a period of time to ensure that complaints (new and old) are fully resolved.
 - Existing problems should remain with the current water company – the ideal would be to 'lock' any disputed account to the existing company until it is resolved
 - If this is not possible then there should be a lengthy transition period (ideally a minimum of 12 months) to ensure that existing water companies don't just disappear or wash their hands of the dispute without opportunity to resolve it
- Debts should move to the new retail company, but businesses expect to see continuity of existing terms such as payment plans and interest
 - Reassurance that debts will not be 'sold' to debt collection agencies may be required
- With water being a low priority for many businesses they expect to see clear and straightforward communication that starts early (12-18 months before), and links to their billing cycle.
 - Due to difficulty understanding the process and implications of retail exit for their business, it is important communication about the specific retail exit scenario that a water company might choose is clear

We recommend clear communication and a regulated transition period to ensure that businesses feel well informed and fairly treated (1)

- ✓ Ensure the process meets the key needs of being smooth, easy and hassle free. Respondents would like to feel that no change has taken place.
- ✓ Early communication from the wider sector (i.e. Defra, Ofwat or CCWater) will introduce the concept of market reform and provide reassurance that this is positive for businesses
- ✓ Water companies and the wider industry will need to 'drip-feed' businesses with relevant information about the retail exit process that will affect them (rather than broad information about the process generally) , to ensure that they understand why this is happening, what the implications are for them and link retail exit to the benefits of market reform.
 - Reassurance that the process of retail exit will be regulated, hassle free and businesses will be treated fairly is required at all stages
- ✓ The key areas in which businesses would like to see safeguards are protections from price increases and no minimum contracts for new retailers. Businesses would like a period (possibly up to a year) during which they can choose to switch to another provider if they feel that they have not received the best deal in the retail exit process
- ✓ Businesses would like to see a transition period during which both existing companies and new companies are involved in dealing with errors / mistakes or on-going disputes to ensure that information is not lost and customers are not adversely affected

We recommend clear communication and a regulated transition period to ensure that businesses feel well informed and fairly treated (2)



- ✓ A 'drip feed' approach from the wider industry, existing and new retail companies to introduce retail exit, and present only the relevant information to businesses will avoid confusion and help them to become comfortable that the changes will be simple and hassle free:
1. Existing provider - 12-18 months before transfer date
 - Outlines changes and their implications for the customer.
 - *NOTE: In an alternative scenario in which businesses are able to explore the market in advance this is not required*
 2. Existing provider - 6-12 months before transfer date
 - Introduce the new retailer and provide details about the process and dates for transfer.
 - *NOTE: In an alternative scenario in which businesses are able to explore the market in advance this is not required they would also expect to receive some information from an independent organisation – Defra, Ofwat or CCWater with information about who is they could switch to.*
 3. Ideally new retailer (or sent by proxy from the existing provider) – 3-6 months before transfer date
 - Explain the process, provide new contact details, terms and conditions and price if possible. Additionally, account details of the new provider would be sent so that companies can update these on their system.
 4. Ideally new retailer (or sent by proxy from the existing provider) – 1-3 months before transfer date
 - Reminder letter with contact details, terms and conditions and account manager if relevant. This would also provide a date for the transfer cut-off meter reading.



6

Appendix: attitudes towards market reform.

Talking about market reform 'set the scene' before considering the issue of retail exit.

Most businesses recognise that market reform introduces greater competition in the water and sewerage industry, similar to the competition in the other utilities

"I think it opens up the opportunity for competition amongst the water companies. I mean the pipes are there, it's the billing, meter reading and customer services that will change, not the actual water that's coming through the pipes. Exactly as we have with the gas and electricity. So it opens up the opportunity for you to choose who you use, And it will be more competitive, like in other utility markets."

- Medium commercial, London (Thames)



"This is the same way that you get your power and telephones sold off to different suppliers"

- Public sector SME, South (Southern)

"It sounds like a similar way we do business with our other utilities"

- Medium Commercial, London (Thames)

Many are concerned that market reform will introduce a 'middle man' that has a negative impact and causes confusion about who to contact

- Although most respondents are clear that the water supplied will not change, some are confused about exactly where the split in responsibility lies:

"So at the moment Wessex Water are responsible for checking water quality, so will they still do that?"
 - Micro general, South West (Wessex)

"What services will they provide for us? Will it include maintenance and things like that?"
 - Medium commercial, London (Thames)

- Whilst the majority of respondents understand the difference between operational water supply and water retail, some assume that the process will introduce a middle man who will 'purchase' water from the operational suppliers (i.e. water companies) and then sell it on to their retail customers



"How can they sell it to us any cheaper. They've got to buy the water from the water company, so how can they sell it on to us cheaper when they've added all their own costs?"
 - Micro general (East (Anglia))

Opinions are split about whether customers should contact the retailer or water company in the case of leaks and faults



Some feel that going direct to the water company would be easier and more likely to get repairs and faults fixed quicker and more easily

"You'll ring them and you are direct to Yorkshire Water. If you ring 'Water Are Us' and then they forget to ring them, it's two days later before anything happens

- Small industrial, North East (Yorkshire)



Some feel that the retailer should 'earn their money' and that it is more straight forward for the customer if there is just one company for them to deal with

"The person that we go to, who's offering us the cheaper water. I want them to do the middle man stuff, because they are the middle man. I've got my supply from them, they can sort it"

- Small commercial Midlands (Severn Trent)

SMEs and public sector were largely unaware that these changes were coming, but many larger businesses were well informed



- Some larger and medium businesses (particularly those who operate across regions) were already aware of these forthcoming changes as a result of market reform, and had discussed the changes with their water company account managers
- Others large businesses were not fully aware of the changes but didn't feel too strongly about them, as it is some time until the forthcoming reform takes effect
- SMEs and public / third sector were generally unaware of the changes, and were surprised that this has not been publicised before the Water Act received Royal Assent in May 2014

"Why haven't we heard about this before? This says the Water Act was passed earlier this year, so I would have expected that we would have heard about this before"
- Medium industrial, north west (United Utilities)

Overall many businesses felt that the advantages of competition could outweigh the disadvantages



Advantages of market reform

- Competition can result in lower prices to avoid losing customers
- Competition can result in better service to avoid losing customers
- It introduces the element of choice for customers – puts them in control
- Allows businesses to use a single supplier across regions
- May allow businesses to use a single supplier for all utilities



Disadvantages of market reform

- Would expect to see cold calling (as with other utilities)
- Concerned that prices might rise to cover set up costs (i.e. new offices, new software systems)
- Concerned that undercutting drives down service - companies have to save the money somewhere
- Adds an extra layer in dealing with faults and complaints
- Companies are less accountable – may try to 'pass the buck' and say that is not their responsibility

Overall many felt that the advantages of competition could outweigh the disadvantages

Leads to lower prices

"It will open up a competitive market for sure. They seem to be able to at will fix whatever prices they want to fix"

- Small commercial Midlands (Severn Trent)

Leads to better customer service

"If I get a rubbish customer service I can say 'I am walking away'"

- Small general North West (Northumbria)



Use a single supplier

"For a business like ours, they could operate nationally rather than regionally, so we get them everywhere, which gives us more bargain power"

- Medium Commercial Midlands (Severn Trent)

Introduces choice

"The choice is where competition is. It satisfies the question of choice. It's up to you to decide which one you want to use, as with all other utilities"

- Medium Commercial, South East (Thames)

Bring all utilities under one supplier

"If I could get all services under the same supplier – water, electric, gas, maybe they could come and read all the meters at the same time?"

- Public Sector, South West (South West)

Some are more cynical about market reform and see the introduction of greater competition as a negative

Expect to see cold calling

"There will be business marketing calls up to this coming into force. The government should not allow that to happen – make it you that contacts them rather than ... because it will open the flood gates wouldn't it."
- Public sector North West (United Utilities)

Adds an extra layer in case of faults / complaints

"I think things could get worse... you've got to communicate between two companies"
- Micro general East (Anglian)

Undercutting drives down service

"Competition can drive service down - when others undercutting they have to save money"
- Public sector South West (South West)



Concern that prices may rise to cover costs of the 'middle man'

"There is going to be an extra cost involved. If the water company sell to them for £10, they are not going to say we'll sell it to you for £7"
- Public sector South West (South West)

Less accountability

"If a meter reading is wrong for instance, you will ring up and get caught up in a whole loop of 'it's nothing to do with us, we just rent the meter'"
- Public sector, South West (South West)

Attitudes towards market reform reflect the potential to save money vs take up more time

Small and micro businesses see a personal benefit in saving money on their water bill (it may be their own business). However they do not rarely compare prices or transfer providers for other utilities so **hope** that market reform will result in better prices and service from their existing providers, however they are concerned that this may not happen.



Public sector and medium sized businesses are more likely to be Finance Directors or Managers and deal with utilities as one of a number of tasks. They see the additional time taken to 'find the best deal' as having a negative impact on their job, and expect that the minimal savings will be negated by the extra time it takes.

Large business respondents are more likely to be Operations Directors or Managers with a key focus on utilities and spend a lot of their time dealing with providers. Cross regional businesses particularly hope that market reform will mean both cost and time savings by using a single supplier.

CASE STUDY: A typical medium business or public sector



- RESPONDENT NAME: Mike
- RESPONDENT JOB ROLE / TITLE: Finance Director
- BUSINESS BACKGROUND: industrial, single site business
- REGION / WATER COMPANY: North West (United Utilities)

- ATTITUDE TOWARDS MARKET REFORM: Feels that market reform will introduce more complication into his role. Sorting out utilities is not a key part of his role as a Finance Director, but it does take a lot of time, which he finds frustrating and complicated. He feels that the money saved from finding the 'best deal' is negated by the time it takes him to manage the process.

"I think the whole thing is ridiculous. I think the theory of competition is great, but in practice there are certain elements, certain types of business that it doesn't benefit anybody. I spend on average a week a year sorting out my electricity bill for the next year, and its crazy when it's the same electricity that comes through the wall. Here it's the same with the water, it's the same water, the same pipes, I don't see any difference."

CASE STUDY: A typical large multi-site business



- ATTITUDE TOWARDS MARKET REFORM: Feels that market reform is long overdue. As a finance business partner, utility management is part of his role and he is looking forward to the changes that market reform in the water and sewerage industry in England will bring. He see this as an opportunity for businesses and hopes that water companies will improve their service offering.
- RESPONDENT NAME: John
- RESPONDENT JOB ROLE / TITLE: Finance business partner
- BUSINESS BACKGROUND: commercial, multi site business
- REGION / WATER COMPANY: National, dealing with multiple water companies.

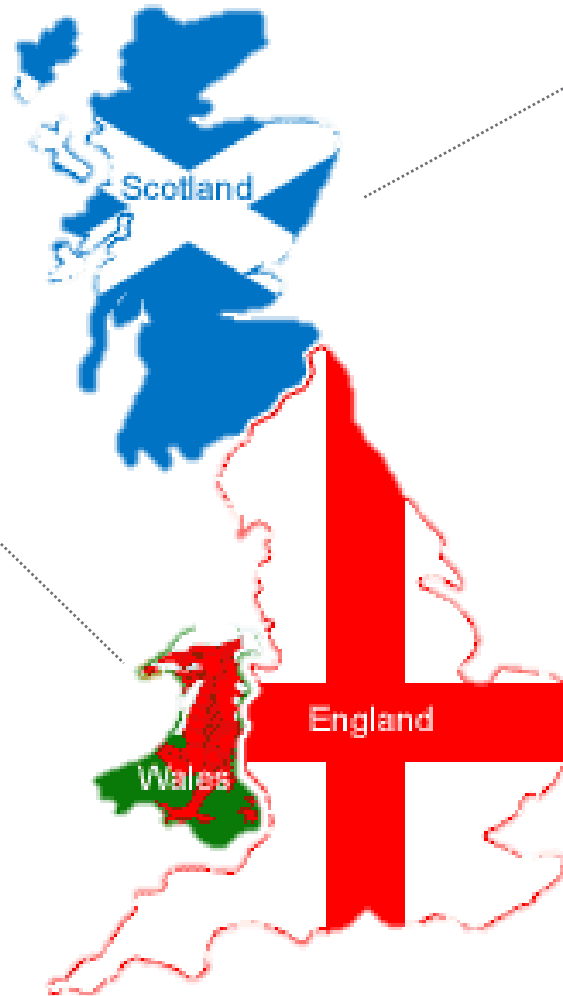
"It will be nice to see how the whole thing will work in practice... I'm really interested in this; I've been waiting for this to happen for fifteen years. I'm really happy about it. I think it's a terrific opportunity for businesses up and down the country."

Some companies that have sites in Wales are frustrated that the forthcoming market reform from April 2017 will not apply in Wales, however others are less concerned about this

Some businesses that have sites in Wales are frustrated that forthcoming market reform from April 2017 does not also apply to their sites in Wales.

Others are less frustrated – they would not necessarily bring all sites under one supplier so it doesn't matter if their Welsh sites are unaffected

"I didn't realise it wouldn't apply in Wales too. Our biggest sites are in Wales so that is frustrating."
 - Large industrial, (Multi site England and Wales)



Some businesses have experience of retail competition for all non-household customers in Scotland and have generally found the experience straight forward so hope that the same would happen in England.

"Well, there is even one instance in the last six months so we have been able to change supplier and that was in Scotland, because I know the laws are little bit more free up there in terms of who you have as a choice for a supplier. And it was relatively pain free to switch our invoicing, etc."
 - Large commercial and retail, (Multi site England and Wales)



NB: in Wales businesses that use more than 50,000 m³ of water a year can currently choose their retail water supplier. This threshold will remain in 2017 when competition in England is widened to include all businesses regardless of their water consumption

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