Open for Business:

Lessons for the non-household retail water market in England based on customer experiences in Scotland

On behalf of CCWater

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Foreword

The Consumer Council for Water has previously conducted non-household customer research (e.g. Uncharted Waters, Exit Strategies, Testing the Waters) to help us prepare for the new retail water market in England in 2017.

So far, customers in England have only been able to tell us what a competitive water market should look like based on what they know of other sectors like energy.

To draw upon customers' actual experiences, we commissioned qualitative research of the Scottish market where non-household customers have been able to choose their water retailer in a competitive market since 2008.

Through focus group discussions and in-depth interviews, Scottish customers shared their experiences with us which revealed useful lessons for the development of the non-household retail market in England.

For example:

- Low customer awareness is the single biggest challenge to creating momentum in a new market.

- Customers expect different organisations (e.g. government, retailers) and channels (e.g. price comparisons websites) to help raise their awareness. Customers want information that helps them make price and service comparisons.

- Customers want to know that they have options other than switching, like negotiating a better deal with their current retailer. Customers want their incumbent retailers to demonstrate to them that their continued custom is valued.

- Poor perceptions of utility competition can be overcome with suitable customer protection initiatives from regulators.

- Engagement strategies must not exclude smaller non-household customers who are typically more insular than large commercial businesses.

Our new research, which we have called *'Open for Business'*, highlights many other lessons which will benefit regulators who are designing the market and help prospective retailers deliver services (e.g. billing, metering, customer relationships) that will meet the expectations of customers in a competitive retail market in England in 2017.

1 Executive Summary

1.1 Introduction

In 2008, the Scottish water market was opened to competition for non-household (NHH) customers who, regardless of water usage, could choose their preferred water and sewerage retail service provider. Currently, customers in Scotland have a choice of 16 licensed retailers[1] offering services associated with water supply and sewerage service such as billing administration, meter reading and customer service centres. Scottish Water remains the sole water and sewerage wholesaler and is responsible for the infrastructure, water supply and sewerage service to customers regardless of retailer.

The Scottish retail water market provides an ideal opportunity for Consumer Council for Water[2] (CCWater) to draw upon the experiences of NHH customers and to use the findings to influence the retail market which is opening in England in 2017.

Therefore, CCWater commissioned this research in Scotland to support its work:

- Formulating and providing evidence for policy development with Defra, Welsh Government, Ofwat and Market Operator Services Limited (MOSL);
- Influencing the timing, design and channels of communications to raise awareness of the market with NHH customers in England;
- Informing market arrangements from 2017 where customer experiences in Scotland give a steer on best practice, and;
- Responding to consultations, participating in workshops and conferences, and providing evidence to Select Committee Inquiries/All Party Parliamentary Water Group events.

1.2 Overview of methodology

This research comprised three breakfast events (covering 38 NHH customers from across Aberdeen, Glasgow and Edinburgh and the surrounding areas) and 17 individual in-depth interviews. The first location, Glasgow, was run as a pilot, to test the discussion guide and materials with respondents. The fieldwork took place in January and February 2016.

The sample[3] was designed to cover a wide cross section of NHH water customers including public and private sector; various sizes; water usage; single or multiple sites; and rural and urban locations. Participants were categorised according to whether or not they had switched to a new retailer or renegotiated their contract with their existing retailer.

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[1] According to Scotland on Tap website as of August 2016.

[2] Consumer Council for Water is the statutory consumer organisation representing customers of the water industry in England and Wales.

[3] When interpreting the findings, readers should bear in mind that qualitative research is employed when research objectives call for an exploratory and in-depth investigation of the complexities of attitudes and behaviour. However, due to the limited sample sizes, this research does not purport to represent the overall population in the same way as a statistically robust quantitative study would.

1.3 Key findings

1.3.1 Awareness of the Scottish Water market

Key findings of customer awareness and experience in the Scottish market:

- Awareness is the biggest barrier to engagement in the market. A minority of customers have been aware of the open market since 2008. In this sample, these were the largest businesses. Smaller NHH customers were mostly unaware before taking part in this research.

- Awareness is largely opportunity driven, filtering through business networks, contact by intermediaries such as brokers, or prompted by service problems or a site move.

- Simple awareness that the market exists does not necessarily lead to meaningful market engagement. Customers who are 'simply aware' have low awareness of the potential to renegotiate and of added value services. They also engage in broker-led switching without understanding the breadth of choice they actually have.

- Customers cannot recall any awareness campaigns. They expect communications about market opening from the government, the incumbent water companies and new retailers.

1.3.2 Engagement of customers with the market

This research found a spectrum of NHH customer engagement:

- Customers with *'no awareness/engagement'* found out about the market by taking part in this research.

- *'Passively engaged'* customers are aware of the market, and may have switched in response to contact from a broker. However, they did not consider their options such as renegotiating, and are not well informed about the choice of retailers or their contract terms. Passively engaged businesses that have not switched fall back on perceptions of poor experiences of other sectors and assume that participating in the market could be a hassle, which creates a barrier to switching.

- Customers who are *'actively engaged, but not fully informed'* are more in control, having sought out a better deal (pull factor), or been prompted to look due to a problem with their previous supplier (push factor). Although they have looked into their options, these are focussed on price and not service, and few are aware they can renegotiate as an alternative to switching.

- Customers who are *'actively engaged with a good understanding'* are negotiating contracts that deliver service benefits as well as price savings. These are typically large businesses which have been aware since market opening via dedicated brokers or in-house procurement. They are targeted by retailers and brokers.

1.3.3 Customer experiences and service along their market journey

- According to respondents, the market in Scotland most closely meets the needs of very large business customers with procurement skills. Switching experiences are smooth, and price savings are achieved. Few customers in this sample have benefited from added value services such as water efficiency advice.

- Lack of engagement is linked to relative satisfaction with the retailer. Most customers enjoy a problem-free service and feel their water bill is low compared to other operational costs (e.g. energy bills), so they are not motivated to engage with the market or switch retailer.

- A significant minority of the least engaged customers were dissatisfied with their service but were unaware of the market before this research, or knew so little that they felt powerless. Some perceive that the market still feels like a monopoly.

- Generally, customers who have switched are content with their decision. Switching is hassle-free (despite some perceptions otherwise) and customers do then benefit from price savings and for some, improved bill accuracy and frequency.

1.3.4 Learning about competition in water

- Customers who are aware of the market found out through a range of channels. Larger businesses are more likely to be targeted by retailers and brokers, or find out through business peers or trade conferences and communications.

- Smaller businesses are less likely to find out about the market from retailers or brokers, and more likely to hear from other businesses. Some smaller businesses have been targeted through a cold call by agents working locally for individual retailers.

- As well as learning about competition, some customers look for *'trust factors'* to reassure them about the market (e.g. knowledge of market regulation existence of a consumer body, wider promotion of the market via advertising, media commentary and information from their incumbent water provider).

1.3.5 Choosing a retailer

- The passively engaged are prompted to switch by a broker, and generally accept the supplier recommendation if price savings meet their expectations. Often customers felt that letting a broker help them was easier than trying to go it alone.

- The actively engaged who have sought out better deals report a lack of information, with low awareness of Scotland on Tap[4], and little water sector information on price comparison websites.

- Customers differentiate retailers based on price as available information focuses on price rather than retailers' customer service offerings or added value services.

[4] www.scotlandontap.gov.uk

- Larger businesses and those who switch due to poor service from the incumbent retailer aim to base their choice on value for money and customer service offering.
- Customers find it easy to request quotes from retailers via their websites. However, these are not in a standard format so are difficult to compare.
- Customers in this research felt that retailers had not communicated the benefits of customer service and added value services.

1.3.6 Customer set up and support at switching

- Customers report the switching process works smoothly. Brokers corroborate this finding and consider Scotland's Central Market Agency (CMA) superior to the equivalent system in the energy sector.
- However, passively engaged customers have negative perceptions of switching based on their experiences of other sectors, which is a barrier to market engagement.
- Passively engaged and partially informed customers are generally unaware they can renegotiate and in this sample there was little experience of renegotiation. However, the process worked well enough for the businesses that were informed enough to try it (i.e. they got better deals or exercised their right to switch when the deal was not good enough).
- It was not clear to customers in this research what counted as a retention deal and what did not. With hindsight, some customers thought they may have been offered retention deals, such as a discount for paperless billing, but at the time did not consider this a renegotiation. In fact, they felt like they were being unintentionally loyal because they did not understand if they were in a position to renegotiate.

1.3.7 Consumption management and meter readings

- Other than the largest businesses, there were few examples of customers receiving targeted and relevant advice about consumption management. Some larger customers say they will be asking for these services when they procure next.
- No customers in this sample reported being offered innovative services like smart metering. Interest may increase as the smart meter rollout happens in the energy sector.

1.3.8 Customer service and support

- The service experience provided by retailers to customers who had switched was good (e.g. bills arriving on time)
- When customers experienced supply or sewerage problems, there were low levels of identification with the retailer. Some customers said they were as likely to contact the wholesaler as the retailer.
- Awareness of water industry regulators and consumer organisations was low.

1.3.9 Receive and pay bills

- For the most part, billing is straightforward and the market in Scotland is performing well. Many in this sample have seen an improvement since switching in relation to more accurate/consistent or aggregated bills and a discount for direct debit and paperless bills.
- However, some customers still find their bills hard to understand; there is no evidence in this research that retailers have improved the comprehension of bills.

1.3.10 Customer account servicing

- Most respondents still expect to service their account by phone or email. Email and paper records are preferred where a record of contact is desired.
- Multiple site businesses have expectations of tools that will help them manage their accounts (e.g. isolated mentions of online portals for budgeting/forecasting).

1.3.11 Being a long term customer

- The marketplace in Scotland is relatively new and long term loyalties to retailers have yet to develop in this sample.
- However, actively engaged customers do not perceive retailers as seeking loyalty-driven relationships with them, as their focus is on price. There is a perception that customer service and added value services are overlooked.

1.3.12 Ability to leave current retailer

- As none of the actively engaged respondents in this research were looking to switch again, none raised any concerns about leaving their current retailer.
- Broker-led switching makes it easier for customers to switch from the default retailer, although some brokers say they have experienced administrative difficulties.
- Passively engaged customers who have previously switched with the help of a broker know little about their contract terms. Some could be vulnerable to poor sales practices.
- Some customers are in debt for reasons they feel are outside of their control (e.g. previously under-estimated meter readings, or back-dated charges for a site which was not on the retailer's records). These customers have been unable to leave their retailer until the debt is cleared.
- Customer concerns based on poor perceptions of other sectors like energy (e.g. getting locked into uncompetitive contracts) present a barrier to switching in the water market.

1.3.13 Barriers are being overcome via intermediaries

- Brokers are broadening market engagement in Scotland by approaching customers to ‘sell’ the price message, introduce retailers and act as a personal point of contact if something goes wrong.

- Broker activities are largely well received by customers, even engendering customer loyalty.

1.4 Recommendations for the English retail water market

1.4.1 Create meaningful awareness of the market in England

- Raising awareness should create a momentum so that NHH customers of all sizes find out about the market as soon as possible.

- Customers expect a wide range of organisations to play a part in raising their awareness (e.g. government, industry regulators, retailers, consumer body).

- Multiple channels and sources of information can drive the message to customers to help the market develop (e.g. wholesalers, retailers, industry bodies and intermediaries like brokers and price comparison websites).

- Engagement strategies are more challenging for insular and small businesses. There is a role for regulators and water industry bodies to stimulate communication via the media, trade bodies and business representative organisations.

- Customers who are switching without the help of a broker will benefit from independent sources of information (e.g. Scotland on Tap) on how to navigate the market, find and compare deals and choose the best one.

- Meaningful awareness can be created by sign-posting customers to a range of information and sources which highlight how the market works and what options they have (e.g. renegotiation, choice of retailers, differentiated price and customer service options).

1.4.2 Help customers to engage with the market and make the best business decisions

To help overcome barriers to market engagement, customers want accessible information which should:

- Help them make side-by-side comparisons (e.g. through the use of price comparison websites).

- Present supplier quotes in a standard format so they can compare deals.

- Provide evaluations of retailer performance and customer reviews to help engender customer trust factors.

- Help customers differentiate based on retailer customer service as well as price.

- Promote protections for customers (e.g. switching guarantee scheme; cooling off period, clear contract end dates and renewal terms, limitation on roll-overs) and provide sign-posting for additional support when it is needed.

- Promote transparent broker-led switching (e.g. clear contract terms and conditions).

- Help smaller businesses that have limited time and resource to find out about the market, navigate it, and choose the best deals.

1.4.3 Create positive experiences of switching and renegotiation

Well-informed and meaningfully engaged NHH customers of all sizes are more likely to have a positive market experience if they:

- Can avoid problems (real or perceived) that have caused poor experiences in other sectors (e.g. opaque or unfair contract terms, problematic switchover to a new retailer).

- Know how to navigate the market and feel comfortable overcoming inertia if they are unhappy with their price or customer service by switching or renegotiating.

- Understand that they have choice on customer service and added value services, as well as price.

- Understand that they have a choice to renegotiate (i.e. prices and services are not fixed) and feel that retailers have strategies to retain loyal customers by engendering trust factors and offering positive outcomes.

- Feel like active participants in the negotiation process and understand when they are being offered a retention deal so they do not feel accidentally loyal.

2 Introduction

2.1 Background to this research

Consumer Council for Water (CCWater) represents the views of household (HH) and non-household (NHH) customers in the water sector across England and Wales.

Water companies are regional monopolies that serve nearly every household and business. However, NHH customers using more than five million litres of water a year in England and 50 million a year in Wales can currently choose their retail service provider[5].

From April 2017, the retail market will open fully and all NHH customers in England will be able to choose their retailer[6] regardless of how much water they use.

Defra, Ofwat and Market Operator Services Limited (MOSL) form the programme group, Open Water. Open Water was set up to design the new market framework and deliver the market in England by April 2017.

In 2008, the Scottish water market was opened to competition for NHH customers. Regardless of their water usage, these customers could choose their preferred water and wastewater retailer. The first and default retailer was Business Stream, which was spun off from Scottish Water. Currently, customers in Scotland have a choice of 16 licensed retailers[7]. These retailers offer services like billing, account administration, meter reading, and customer service. Scottish Water remains the single water wholesaler and is responsible for the infrastructure and water supply and sewerage service to all customers in Scotland regardless of retailer.

CCWater has already been active in understanding and promoting the needs of NHH customers in a competitive market, not least by commissioning a number of customer and desk research projects to inform water industry stakeholders[8].

The Scottish retail water market provides an opportunity for CCWater to draw upon the experiences of NHH customers and to use the findings to influence the retail market design in England.

CCWater commissioned Blue Marble Research to undertake this research to support its work:

- Formulating and providing evidence for policy development with Defra, Welsh Government, Ofwat and Market Operator Services Limited (MOSL);
- Influencing the timing, design and channels of communications to raise awareness of the market with NHH customers in England;

[5] Retail services include billing administration, meter reading and operating contact centres. Wholesale services relate to the physical delivery of water and removal of sewage (wastewater).
[6] Retail service providers are referred to as 'retailers'. Customers sometimes refer to retailers as 'suppliers'.
[7] According to Scotland on Tap website as of August 2016.
[8] http://www.ccwater.org.uk/blog/category/reports/page/2/

- Informing market arrangements from 2017 where customer experiences in Scotland give a steer on best practice, and;
- Responding to consultations, participating in workshops and conferences, and providing evidence to Select Committee Inquiries/All Party Parliamentary Water Group events.

2.2 Research aims and objectives

2.2.1 The following business objectives were outlined for this research:

- To identify and explore the experience of NHH customers of the retail water market in Scotland
- To apply understanding and build learning into the developing model for the English retail water market

This was realised through the following specific research objectives:

2.2.2 For all NHH customers in Scotland:

- To understand the impact and exposure of communications from water retailers
- To explore the underlying reasons for customers engaging and/ or not engaging with the water market
- To understand the reasons why awareness has reached some customers but not others
- To explore the experience of customer contact/queries/complaints with licensed retailers
- To explore customer experiences of sales calls, including those from intermediaries like independent brokers or agents acting for retailers, exploring the potential concerns about the sales practices that they have encountered

2.2.3 For customers who are unaware of the market:

- To capture the response to having choice and how customers are likely to react to this new information
- To understand how businesses would/should like to hear about the open market – from retailers, from the wholesaler, or from other sources?

2.2.4 For customers who are aware of the market but who have not engaged by switching or renegotiating:

- To understand the reasons why these customers have chosen not to switch
- To explore what would trigger customers to consider switching and understand how they would explore the options available to them
- To understand how well informed customers are
- To understand whether or not customers feel they are benefitting from the market in any way and if so, in what ways

2.2.5 For customers who have engaged by switching or renegotiating:

- To understand when and how they found out that they could switch or renegotiate, assessing the effectiveness of communications and how they found out about different retailers and other information
- To explore the experience of switching and renegotiating, identifying what works well, not so well and satisfaction with contracts (e.g. terms and conditions, length of contract)
- To understand the reasons and benefits for renegotiating rather than switching
- To explore the level of awareness and potential benefits of retention strategies of retailers
- To understand the role of added value services and innovation in decision-making process to switch or renegotiate
- To explore the benefits of switching, including improved customer service and how it compares to the previous retailer

2.2.6 For those operating from multiple sites across the national borders of Scotland, England and or Wales:

- To understand the level of awareness of different market regimes across countries, exploring how this has or may affect them at a business level

2.2.7 Amongst brokers operating in the Scottish water market:

- To understand their experience of barriers and triggers to switching and/or renegotiating
- To explore their perceptions of awareness and engagement
- To explore their perceptions of how the open market is performing

2.3 Methodology

This research required a qualitative methodology, allowing time to capture the depth and breadth of responses of NHH customers who are both *'engaged'* and *'unengaged'* with the retail water market.

- *Engaged* refers to customers who have switched their NHH water contract; or renegotiated by agreeing new terms with their existing retailer; or those aware of the retail market but who have taken the conscious decision not to take action.

- *Unengaged* refers to customers who have not switched; or who have switched but were unaware of how the NHH retail market works.

This research also incorporated a small number of telephone interviews with brokers to explore how they perceive the evolution of the retail water market in Scotland.

This research comprised three discussion groups (covering 38 NHH customers from across Glasgow, Edinburgh, Aberdeen and the surrounding areas) and 17 individual in-depth interviews (55 respondents in total). The first location, Glasgow, was run as a pilot, to test the discussion guide and materials with respondents. The fieldwork took place in January and February 2016.

The discussion groups took the form of breakfast events comprising up to 15 respondents split into two smaller break-out groups.

Summary of methodology

- 17 x one hour depth interviews with engaged and unengaged NHH customers
- 3 x three hour breakfast events comprising of 2 x full groups (engaged / unengaged)
- Locations: Glasgow, Edinburgh, Aberdeen
- 55 respondents in total
- 4 x telephone broker interviews

The breakfast events provided a forum for customers to recall circumstances, events, influences and communications prompted by other participants. The depth interviews allowed detailed investigation of individual experiences along the customer journey. Interviews were conducted at the business premises of respondents, providing additional insight into the organisations. The depth approach also ensured that a proportion of the sample was located in rural locations, including large businesses, and it offered an alternative to participants unable to attend the breakfast events.

Two discussion guides were developed (see Appendix 7.2) for respondents with different levels of market engagement. Both guides covered the same topic areas but allowed the unengaged to discuss their experiences before they were informed of the market. The engaged break-out group started with perceptions of the retail market and triggers to switching. The discussion guide included a customer journey map reflecting Open Water's *Customer Interaction Framework*[9].

Stimulus materials were developed (see Appendix 7.3). The stimulus material was created in partnership with CCWater and comprised material from the Scotland on Tap[10] website and communication from Scottish retailers' websites.

2.4 Respondent profile and sample structure

This sample reflected the segmentation model, based on spend and sites, developed for CCWater's *'Uncharted Waters'* research[11] as shown in Table 1. *Uncharted Waters* identified that business size was not the definitive factor in terms of attitudes to market reform, but that bill spend and number of operational sites provided a more relevant segmentation of NHH customers.

Table 1: Proposed sample structure[12]

	Single site	**Multiple site**
High spend	15 participants	12 participants
	Micro x 7 (Spend > £2,500) Small x 2 (Spend > £2,500) Medium x 2 (Spend > £8,500) Large x 4 (Spend> £750,500)	Small x 4 (Spend £2,500-£4,000) Medium x 2 (Spend £2,500-£4,000) Large x 6 (Spend £7,000-£250,000)
Low spend	15 participants	12 participants
	Micro x 9 (Spend £100-600) Small x 4 (Spend £100-£600) Medium x 2 (Spend £400-£1,400)	Micro x 8 (Spend £400-£2,000) Small x 2 (Spend £400-£2,000) Medium x 2 (Spend £1,200-£2,000)

A preliminary review of administrative data was also conducted to inform the design of the sample framework. There are 322,555 private businesses operating in Scotland with around half registered for VAT or PAYE. Hence only 130,000 operate out of a business premises that is eligible to switch.

The sample was designed to cover a wide cross section of NHH water customers including public and private sector; various sizes; water usage; single or multiple sites; and rural and urban locations. Participants were categorised according to whether or not they had switched to a new retailer or renegotiated their contract with their existing retailer.

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[9] www.open-water.org.uk/media/1059/capturing-customer-expectations-of-the-competitive-retail-water-market.pdf

[10] www.scotlandontap.gov.uk

[11] www.ccwater.org.uk/blog/2014/06/19/uncharted-waters-non-household-customers-expectations-for-competition-in-the-water-industry

[12] Microbusinesses are organisations with 1-9 employees, small businesses have 10-49 employees, medium businesses have 50-249 employees, and large businesses have 250 or more employees.

Participants were recruited using a screening questionnaire (see Appendix 7.1) to meet the following quotas:

- All participants were responsible for choosing/paying utilities in their organisation (e.g. owners, directors of small companies, facilities managers in larger companies).
- The sample was split evenly between higher and lower spend businesses where the definition of high/low spend is relative to the size of business (see Table 2).
- The sample was weighted towards smaller businesses with single sites, reflecting the profile of Scottish businesses.
- Broad spread of sectors was included in line with existing segmentation model.
- For each breakfast event, the sample was drawn evenly from each quadrant in Table 1.
- 28 participants had switched retailer and/or renegotiated their water since 2008 (circa 40% of the sample, broadly reflecting market data).
    - 22 of those participants had switched to a retailer other than Business Stream.
    - Six had renegotiated price and/or service with Business Stream although only four were consciously aware that they had renegotiated.
- Two participants had premises outside of Scotland, and a further two had moved from England to Scotland.
- 14 participants operated in rural locations.

Table 2: Achieved sample structure (55 in total)

By business size	*Responses achieved*	*By usage/site profile*	*Responses achieved*
Micro (1-9 employees)	14	Low usage - single site	15
Small (10-49 employees)	24	Low usage - multi site	9
Medium (50-249 employees)	11	High usage - single site	16
Large (250+ employees)	6	High usage - multi site	15

2.5 Scottish and English markets in context

Scotland has only one wholesaler, Scottish Water. In England, at the time the market opens in April 2017, there will be 16 wholesalers[13].

Many of the English wholesalers are setting up their own NHH retail arms or partnering with another water company to do so. Some wholesalers are selling their customer books and exiting the retail market before it opens. Other retailers could be entirely new entrants, come from Scotland or from other sectors. There could be more retailers operating in England on day one than the 16 operating in Scotland eight years after market opening.

Scottish Water is wholly owned by the Scottish Government. State involvement in the Scottish water sector is further reinforced as domestic water bills are incorporated into council tax payments. In England, all water companies are private sector organisations and most HH and NHH customers pay their water charges directly to these companies.

Aberdeen was one of the three fieldwork locations. The city is experiencing recession owing to the dramatic fall in the price of oil. Whilst Aberdeen businesses are experiencing a period of financial stress and low business confidence, their heightened attention to cost control, including scrutiny of utility suppliers, provides a recessionary perspective.

2.6 Interpreting qualitative data

Qualitative research is used when research objectives call for an exploratory and in-depth investigation of the complexities of attitudes and behaviour, in this case, to understand in detail the experiences of NHH customers of the Scottish water market. Qualitative research results in a great deal of rich and detailed data about a relatively small number of individuals, which is in turn used to generate insights around customer needs and the policies and actions that can be designed to meet them.

Participants in this research were selected to represent a cross section of Scottish customers in terms of their size, sector and water spend. However, due to the limited sample sizes used in qualitative research, this research does not purport to represent the overall population in a statistically representative way.

Ultimately, recommendations are borne out of rigorous and robust analysis and interpretation of the qualitative evidence, making reference to the weight and strength of opinion observed across this sample where relevant, but without quantification.

[13] Nine water and sewerage companies are Anglian Water, Northumbrian Water, Severn Trent Water, South West Water, Southern Water, Thames Water, United Utilities, Wessex Water and Yorkshire Water; and seven water only companies are Affinity Water, Bristol Water, Cholderton Water, Portsmouth Water, South East Water, South Staffs Water and Sutton and East Surrey Water.

3 Awareness: How and when customers became of aware of the market and retailers

Summary

This chapter explores levels of awareness across respondents and how some NHH customers have become aware of the market while others have not:

- A minority of respondents were aware of the retail market since 2008. These were the largest businesses.
- Many smaller businesses did not know they could switch or renegotiate.
- There was no recollection of an awareness campaign.
- Customers did not recall any campaigns about market opening but would have expected communications from a variety of sources and channels (e.g. government, wholesaler and retailers).
- Brokers played an important role introducing some customers to the market.
- Within the context of this research, learning for the first time and many years later about the retail market led to perceptions of a lack of transparency and fairness in the market.

This chapter identifies a spectrum of market awareness:

- Customers who are unaware of the market are usually smaller businesses.
- Large organisations, often with broker support, have a good understanding of the market are actively engaging in it.
- Different levels of awareness mean that not all customers are benefiting from the market.

3.1 How did customers find out they could switch or renegotiate?

In this sample, many respondents did not actually know they could switch or renegotiate, particularly if they represented smaller businesses.

In the engaged sample[14], a minority of respondents were aware of market opening soon after 2008. These were usually larger businesses that were informed via industry bodies or at trade meetings (where new retailers may have been present), or via their energy broker.

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[14] *'Engaged'* refers to customers who have switched their NHH water contract; or renegotiated by agreeing new terms with their existing retailer; or those aware of the retail market but who have taken the conscious decision not to take action. *'Unengaged'* refers to customers who have not switched; or who have switched but were unaware of how the NHH water market works.

Other NHH customers became aware, often several years, after market opening. In one example, awareness was prompted by a new finance director bringing experience from a previous role. For others, awareness was triggered by a service problem, a move to new premises or contact from an agent acting on behalf of a retailer or an independent utility broker. For another, awareness had been prompted when Scottish Water referred the customer to Scotland on Tap.

Some customers were engaged yet still largely unaware of the retail market. In Aberdeen, several customers had been signed to a three year contract by the same retailer agent. Though happy that their bills reduced, their understanding of the market was patchy. Most were unsure about whether the agent was working for one retailer or the whole market. They did not know their contract terms, or that there were other retailers.

Some unengaged respondents were not consciously aware of the retail market but when asked questions in this research context, they remembered a sales call from a retailer or a logo on their bill. They then deduced that competition must exist in water.

Some customers found out about the competitive retail market for water for the first time participating in this research.

3.2 Recall of market opening and awareness of retailers

Customers do not recall specific media communications or awareness campaigns. Respondents said they would expect to hear about the market from the government, regulators or industry bodies, the incumbent water company, licensed retailers, trade and national media and via price comparison websites.

None of the NHH customers in this sample recognised retailer advertising when examples were shown to them (see Appendix 7.3). There was no clear view of the number or identity of the retail brands other than Business Stream. Customers only knew certain retailers due to introductions by brokers or agents. Respondents reported that it was difficult to find out about retailers on their own.

Prior to today, there's only one I've heard of.
Non-switcher, Edinburgh

Retailers were perceived to have been quiet about the market. This was surprising to respondents who would expect utility suppliers in other markets to be highly sales driven and visible. Some speculate that retailers are too small to fund advertising campaigns.

I'm surprised if there were other players out there they didn't make more of a splash. If there was a big target audience why not do more to get that business? Electricity and gas are constantly sending stuff through.
Switcher, Edinburgh

Some businesses with relationships with energy brokers did not recall being informed about the water market. However, others had received unsolicited calls from their brokers who asked about water.

I have noticed [cold callers] are talking about water more often than they used to. Conversation starts with gas/electricity when contract is coming up [for renewal] but then moves to water.
Switcher, Edinburgh

3.3 Why were some customers more aware than others?

Awareness of the market is largely opportunity driven rather than common knowledge:

- Large businesses with high spend are most likely to have been aware and active in the market from its earliest days. Information reached these customers via direct conversations (e.g. with brokers and account managers). Additionally, these organisations had job roles dedicated to managing utility and other costs.

- Smaller NHH customers became aware owing to specific triggers such as a service problem or an office move.

- Businesses across the size spectrum became aware of the market when targeted by brokers or retailer agents.

The majority of switchers in this sample had not actively set out to research and choose a retailer, but became aware in response to a recommendation from:

- A broker, who produced a shortlist of retailers or made a single recommendation;

- An agent acting on behalf of one of the retailers, who gave a single quote; or

- A colleague or business peer, who gave a single recommendation

Though these respondents were introduced to the market, not all of them fully understood the relationships between retailers and wholesaler or their own contract terms.

3.4 How do customers feel about learning late and will they now take action?

Those unaware of the retail market prior to this research were surprised and disappointed to hear that the market had been competitive since 2008, particularly those who were active in controlling their business costs. In a research context, their reaction was to perceive a lack of transparency and fairness in the market:

I was paying a lot of money…but I didn't think I could get out of that.
Non-switcher, Glasgow

At no point did [the default retailer] say we could go with these guys [other licensed retailers].
Non-switcher, Edinburgh

If you didn't know any better you're not going to go looking. The consumer has a right to know.
Non-switcher, Edinburgh

However, these NHH customers were pragmatic and keen to engage after learning there was a competitive market. Those satisfied with their service wanted to know more, while those experiencing poor service from their current retailer were motivated to switch.

I would change out of principle even if it was to match [the price].
Non-switcher, Glasgow

Now that we do know there's a market out there, that's something that we would consider. To be honest this will be my priority when I go back to work.
Non-switcher, Edinburgh

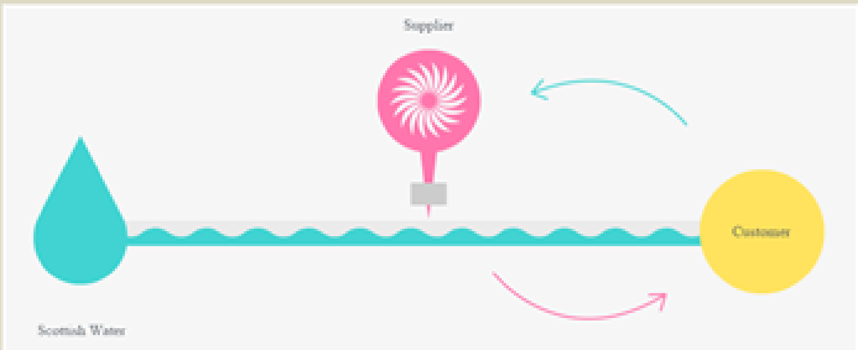
3.5 Importance of awareness of how the market works (when to contact wholesaler and retailers)

To stimulate discussion, respondents were shown the market explanation from the Scotland on Tap website as shown in Figure 1.

Figure 1: Extract from Scotland on Tap website

Since 2008, Scotland has offered non-household customers choice in their water supplier.

The network of water and sewerage pipes in Scotland is wholly owned by **Scottish Water**. It acts as the wholesaler in the market, selling water and sewerage services to the water companies, known as suppliers. Having bought their wholesale services (water and waste water services) from Scottish Water, the suppliers then provide the customer service, billing and meter readings plus other value-adding offerings – such as water efficiency services – and sell them to customers.



Except amongst a minority of the largest businesses, customers generally did not find the market intuitive. They lack awareness of the relationship between retailers and wholesaler, specifically who is who and what they do. Customers are aware they should call the number on the bill if they need to contact the water company, though they would not necessarily know whether it was the retailer or the wholesaler they were talking to.

Business Stream owns the pipe and the water.
I would guess they are wholesaling to other suppliers.
Switcher, Edinburgh

It's changed because of Scottish Water and Business Stream; they are both the same company. One is the legal stuff and Business Stream is a trading entity.
Non-switcher, Glasgow

From a conversation between respondents within a group at a breakfast event:

*-Are they [*retailer*] responsible for drainage?*
-No, but they charge you for it. So we are paying them for something they have no control of…?
-So if your drains are blocked, phone Scottish Water?
-I would call the environmental health and they'll call Scottish Water
*-I would not phone [*retailer*].*

Some customers thought it was advantageous to choose a retailer with larger customers as this was an indicator of bulk buying power and ability to offer better deals.

The way I describe it in laymen terms; Scottish Water does own all the water, the other companies are allowed to buy the water and sell it to you.
Switcher, Edinburgh

I think Business Stream is the sales and marketing arm of Scottish Water.
Switcher, Edinburgh

Furthermore, awareness of the regulators and consumer organisations was low. Some respondents mentioned the England and Wales regulator, Ofwat, but not the Water Industry Commission for Scotland (WICS). No customers in this sample mentioned the Scottish Public Services Ombudsman (SPSO).

There isn't a regulator for water – not for prices
Switcher, Aberdeen

For many of those who were aware of the market, they had limited awareness of the roles of wholesaler and retailer, were unfamiliar with retailer brands and had no awareness of the protections offered by regulators. These are all trust factors that have the potential to increase market confidence and engagement.

3.6 Multi-site businesses across England and Scotland

This sample included two respondents with premises both in Scotland and England. Both customers were small with low engagement in the market. One was based in Glasgow with a London office. The other was moving from England to Scotland and so was only temporarily multi-site. These examples were not sufficient to provide a clear picture of whether multi-site businesses with premises in England have a different perspective or expectation of competition in England.

3.7 Lessons for the English market

- Low levels of awareness of the market and knowledge of how it works could slow customer engagement and erode trust in the market and its regulators.

- Relying on retailers to communicate the market changes could see them focus on customers with the highest commercial potential. Other industry bodies and business representative organisations are likely to play an important role in stimulating market awareness and interest amongst smaller NHH customers.

- Engagement strategies are more challenging for insular and small businesses. There is a role for regulators and water industry bodies to stimulate communication via the media, trade bodies and business representative organisations.

4 Engagement: How customers participate in the market

Summary

This chapter explores how respondents have engaged by participating in the Scottish market either by switching, renegotiating or consciously decided not to do either.

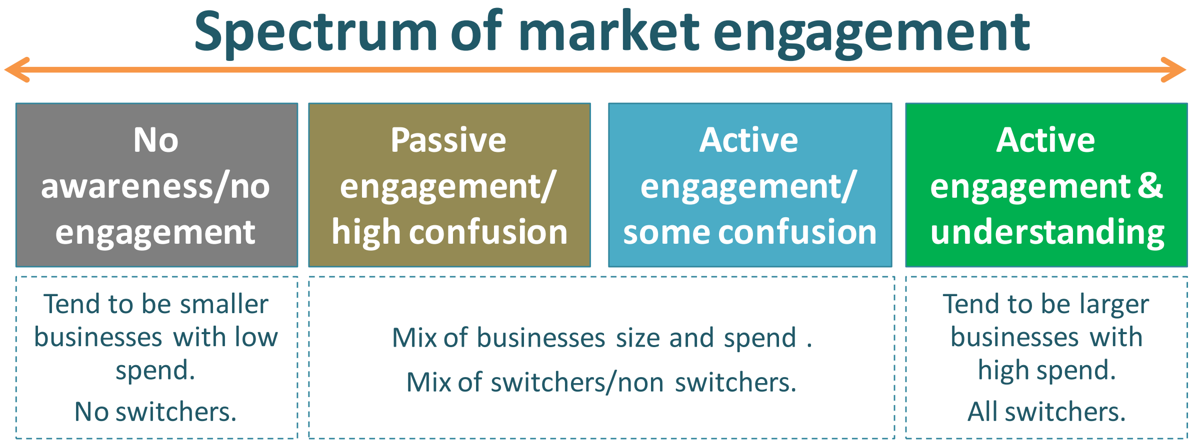
- Simple awareness of the market does not necessarily lead to meaningful customer engagement (i.e. informed decision making).
- Meaningful engagement requires accessible information across multiple channels so that customers can easily discriminate across suppliers by price and service.
- Some customers are introduced to market through unsolicited sales calls from brokers. These approaches are generally welcomed by the customers who are targeted as they otherwise would have been unaware of the market and price savings.
- Some customers targeted by brokers remain passively engaged, and switch without exploring their options (i.e. investigating other retailers and prices), unaware that they could renegotiate instead of switch, and when asked about the contracts they were on, uncertain of the terms and conditions. There are very few examples of renegotiations amongst customers.
- NHH customers without procurement expertise are not finding the market easy to navigate or engage with.
- There are very few examples of retailers actively retaining customers in this sample.
- Brokers echo the themes from customer interviews. Without a drive to increase awareness, market momentum has been slow.
- Brokers see their role is to broaden market engagement by helping customers overcome their inertia.

4.1 Spectrum of awareness, engagement and understanding of the market

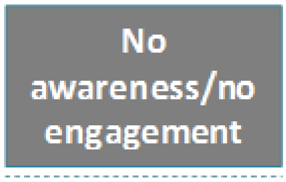
Figure 2 illustrates how respondents break down into four typologies[15] along a spectrum of awareness, engagement and understanding.

[15] Because a range of businesses were purposely sampled according to their switching/non switching behaviours, conclusions cannot be drawn about the relative or actual size of each typology within Scottish businesses as a whole.

Figure 2: Spectrum of market engagement

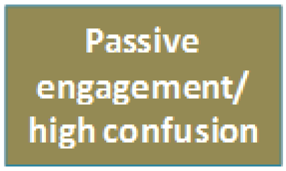


4.1.1 No awareness, no engagement



This typology mainly comprised customers with lower water usage and costs. The fundamental misconception amongst this group is that the market remains a monopoly. Almost all were aware of Business Stream but assumed this was a trading name of Scottish Water. Customers in this group were unaware that they were on a contract which they could renegotiate or leave.

4.1.2 Passive engagement, high confusion



This typology was aware of the retail market, and comprised smaller customers with lower spend up to larger multi-site businesses. This typology includes switchers and non-switchers, but no businesses that had knowingly renegotiated.

This group are subconsciously aware that they have a choice of retailer. They have had a sales call from an agent or a broker but have not registered what this means and hence their understanding of the market is vague. They tend to be satisfied with the status quo as they enjoy a problem-free service and perceive their water costs to be relatively low.

The *'passive switchers'* in this typology have switched on impulse, following an unsolicited call from a retailer or broker. While this group are aware they can switch retailer, they are unsure how the water market works, have poor awareness of other retailers and they do not know their contract terms.

4.1.3 Active engagement, some confusion

The third typology have better awareness that there is a water market, retailers to choose from and that Business Stream is separate from Scottish Water. Many have switched, intend to switch or have decided not to. However, there remains confusion about how the market works, specifically the responsibilities of the wholesaler and retailers. These customers have engaged in the market for a variety of reasons:

- The respondent’s role is to manage business costs, usually where the water spend is high relative to the size of the business.

- They have experienced problems (push factors), such as a high bill, that drove them to learn more about the market.

- The respondent’s business became a water customer since the market opened. They have correctly assumed that they needed to seek out a water retailer, as they did for energy.

4.1.4 Active engagement, clear understanding

Active engagement & understanding

This typology had the clearest understanding of the market and how it works, accurately describing the relationship between retailers and the wholesaler. Businesses in this category had switched or renegotiated. These were almost exclusively larger businesses with higher spend and multiple sites (e.g. timber merchant, food service retailer, procurement manager for public sector, sports stadium). The smallest actively engaged customer was a commercial property owner and landlord with good knowledge of water infrastructure.

4.2 Sales market: usefulness of sales calls

This research shows many examples where cold calls have triggered customers’ awareness and engagement with the retail water market, although often passively. Where customers were led solely by a sales approach and promise of a lower bill, they did not engage fully with market by further research of retailers or renegotiating with their existing provider.

Despite these calls being useful to some businesses, there is widespread irritation with the sheer number of unsolicited sales calls relating to utilities in general.

4.3 Experiences of sales practices

There were no overt complaints about sales practices from the customers in this research. However, with low awareness and understanding of how the market works, some customers could be vulnerable to poor sales practices. Passively engaged customers, having switched with the help of a broker, often had little or no understanding of what they had signed in their contract.

I didn’t examine the contract. Only look at it when something goes wrong.
Switcher, Aberdeen

Some members of the switching group in Aberdeen had all been signed up to a three year contract by an agent working for a retailer. All were sold to on the basis of 40% savings while in reality their bills had been reduced by approximately 10%.

He sold it to me as I’ll get 40% off the water bill – I thought I’m in!
At that kind of promise you don’t bother to look at the competition.
Switcher, Aberdeen

4.4 Why do some customers switch rather than renegotiate?

There were 28 switchers out of the 55 respondents[16]. For the main part, NHH customers were switching without considering that renegotiating with their retailer was an option. Customers switched from their existing retailer for a number of reasons:

- A broker triggered the switch which diverted the customer from the opportunity to directly renegotiate terms with their existing retailer.

- Some customers thought that their existing retailer would offer no price flexibility, therefore the only option was to switch.

- The existing retailer had not sought to retain custom by renegotiating with customers who called to switch. In one case a business had tried to renegotiate, but was not offered any discount so had then switched.

- Customer inertia: there were few examples of customers proactively asking their current retailer for a better deal.

4.5 Why do some customers renegotiate rather than switch?

In this sample, just four out of the 55 respondents had consciously tried to renegotiate on behalf of their business[17]. These NHH customers renegotiated because:

- Retailer retention: A high usage customer was approached by their incumbent retailer. Now better informed, they intended to shop around the market next time.

- Push factor of price: The bill had increased recently so the customer sought a meeting with their retailer (a large, multi-site user) to find price savings. They took the opportunity to raise service issues with the retailer.

- Business-led attempt to renegotiate once aware of the market opening. One customer did not get the discount they wanted so they switched for a better offer from another retailer. Another was left with the incorrect impression that prices were fixed after trying unsuccessfully to renegotiate.

Two more respondents could be classified as having renegotiated. These customers described having been offered a discount for paperless billing by their incumbent retailer. Yet, they had not self-identified as renegotiators on the recruitment questionnaire.

The lower number of renegotiators than might have been expected may reflect the fact that customers do not consider it a renegotiation if they did not drive the deal-making process.

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[16] This was set as a sample quota to ensure the research could explore the experience of switching. It does not reflect the proportion of businesses that have switched in Scotland.

[17] A 2010 report from the Water Industry Commission for Scotland stated that 45,000 Scottish NHH customers had by that time renegotiated terms. (www.watercommission.co.uk/UserFiles/Documents/Competition%20report%20-%20final.pdf)

4.6 Why do some actively engaged customers decide not to switch or renegotiate?

There were a small number of larger businesses that were actively engaged, understood retailer/wholesaler relationships and yet had chosen not to switch or renegotiate. These NHH customers were generally satisfied with their retailer and had some form of account management. There are isolated examples of businesses that decided not to switch after being offered added value services such as water efficiency advice.

Other customers were aware that they could choose their water retailer but the information they needed to become properly informed was not easily accessible, creating a barrier to their switching:

- Retailers are not well known or do not have a high enough profile.
- Retailers have no presence on price comparison websites.
- One smaller business who had systematically reviewed the options found the process of requesting and evaluating quotations time consuming and ultimately confusing.
- Some customers have a heightened wariness of poor sales practices associated with the energy sector, particularly contract small print and roll-over contracts.

In some cases where there was a difficult or protracted customer service issue, customers thought they would be blocked from switching. For example, customers who are in debt and had to subsequently enter into payment plans to cover unexpectedly high bills (e.g. due to a leak or discovery of a premises that is the customer's responsibility but was previously unregistered, i.e. a gap site).

For customers who have not switched but who are aware they can (albeit with limited market understanding), a barrier to switching is a perception that there could be hassle related to billing or even the supply (i.e. the water will come from a different source).

4.7 Are retailers attempting to retain custom?

In this sample, there were isolated examples of respondents being offered deals to stay with their retailer at the point of switching.

I've always been with Business Stream, every time I want to leave, they say, we'll put the prices down.
Non-switcher, Aberdeen

However, other examples suggest that customers have not experienced retention strategies when looking to switch.

[The retailer] seems to be giving you the impression that the prices are fixed and they've got to charge a set amount, a bit like council tax rates.
Non-switcher, Aberdeen

They were like, no, we can't do anything even though you are a charity, it doesn't make any difference to us. So I went to [another retailer].
Switcher, Glasgow

No [the retailer] didn't try to keep us when we left. I don't think they would be that bothered that we were going to leave.
Switcher, Aberdeen

4.8 Are retailers helping customers to engage with the market?

High usage and high value businesses tended to be targeted by some retailers. However, retailers were less likely to contact smaller NHH customers, who in this sample were more likely to have been approached by local brokers. Customers who had engaged with a retailer via a broker felt this was easier than if they had tried to engage themselves.

When shown logos of retailers participating in the market (see Appendix 7.3), individual perceptions varied widely and there were few shared experiences of retailers except for Business Stream. Customers' low awareness limited how much they mentioned market and retailer '*trust factors*' that might have been expected (e.g. quality of service or price perceptions). However, some broad themes emerged, each hinting at a *trust factor*:

- Aware versus not aware: Generally, there was only widespread familiarity with the default retailer *(trust factor: reassurance of familiarity).*
- English versus Scottish retailers: while not always obvious, brands known to be based in Scotland were seen to benefit from local knowledge *(trust factor: local knowledge).*
- Established versus new entrants: companies known to be part of established brands in the utility industry were perceived to have greater expertise *(trust factor: expertise).*

Customers made several other observations during the retailer logo exercise:

- Customers, especially those were aware of retailers going out of business in the past, were concerned about unfamiliar retailers' size and stability.
- Without being able to apply the usual mental shortcuts that brand familiarity enables, businesses were concerned about the time and effort required to evaluate retailers.
- As the majority had no awareness of Scotland on Tap, or other comparison websites to help them scan the options, potential customers simply did not know where to begin to search for retailers.
- Some customers were surprised at the number of retailers and perceived this to indicate that the retail margins must be attractive. This did not reassure them that the market was leading to lower prices for customers.

4.9 Broker views on how the water market has evolved

The sample comprised four telephone interviews lasting between 45-75 minutes. Brokers who operated in Scotland were recruited via the Utilities Intermediaries Association or by following up when a specific broker was named by a respondent.

Two of the brokers were offering brokerage for water alongside other services such as energy, telecoms and insurance, though there was no evidence of bundled utility billing being offered in this small sample.

The consistent view was that the Scottish market has been a slow burn, but momentum has been building in recent years, with new entrants bringing better choices and real price savings for customers. Brokers indicated that they were seeing a positive change in the service experience and corporate attitude from Business Stream. The switching process and the Central Market Agency (CMA), which facilitates customer switching, handles retailer data and price settlements behind the scenes, was seen as offering a superior experience than the equivalent does in the energy sector.

The open market has only gathered momentum in the last few years.
Broker

A milestone was when they started to get the tech right.
Broker

Brokers saw themselves helping to drive customers' awareness and engagement.

Brokers are needed to keep activity and momentum within the market.
Broker

4.10 Brokers' perceptions of triggers and barriers to engagement

Brokers said that price saving was the most important trigger for their clients to act, particularly when water is a significant business cost. They also saw their role and customer relationships as key to overcoming barriers that they have observed, like:

- Low awareness of an open market for water.
- Inertia: For many businesses water bills are not a priority cost, and there are no problems with their water service.
- Energy takes precedence because there are greater savings to be made.
- Customer unfamiliarity with retailers they recommend hence there is a trust deficit.
- There is very little to offer in terms of added value services to the customer.
- Customers concerned about the switching process (e.g. where to start, concerns about hassle related to billing or the water supply).
- Wariness due to poor dealings in the energy market.

4.11 Lessons for the English market

Meaningful awareness is far more than simply knowing that the market exists. To drive engagement beyond the largest, highest usage market segment, communications need to overcome:

- Lower levels of engagement associated with water bills, which are generally more affordable than energy bills.

- Barriers to switching (often driven by poor experiences in other markets) such as the fear of hassle and perception that there is a risk to the physical water supply.

Customers who are switching without the help of a broker will benefit from independent advice on how to navigate the market (e.g. Scotland on Tap) and decide on the best deals. Ideally this advice would show side-by-side comparisons rather than signposting to individual retailer websites.

To understand and measure levels of renegotiating, it will be necessary to define what constitutes a renegotiated contract and ensure customers feel like they a driver in the negotiation process. Retention discounts may bring prices down, but will not drive customer service innovation or raise awareness of added value services.

5 Experience: Customer journey and levels of service for those who are engaged

Summary

This chapter looks at Scottish customers' experiences and expectations and what the implications might be for the customer journey in England:

- Choice is not straightforward for businesses that are considering a switch. There is low awareness of licensed retailers or how their service differs, online comparison tools are unknown and quotes are hard to compare.
- Barriers to switching such as the perceived hassle and possible supply interruption are not borne out in reality. The switching process is working well in Scotland but there is a need for more reassurances (e.g. switching service guarantee) to help overcome negative perceptions generated by poor experiences in other markets.
- Switchers are frequently unaware of their contract terms, which could make them vulnerable to poor sales practices.
- Whilst better billing services are a positive aspect of the market for most, added value services such as consumption management, water efficiency, billing options are only experienced by the largest customers.
- The market is price driven to the exclusion of service differentiation.
- Retailer behaviours suggest little interest in customer retention and loyalty.
- Brokers applaud the switching regime and find the process in the water market better than the energy market.

5.1 Experience of the market and benefits of switching

Most of the engaged respondents were positive about competition in water. Switching experiences are smooth, and brokers often manage the process. Customers and brokers reported that price savings were being achieved.

However, negotiation of specific added value service was uncommon. Only one customer had done so and another was about to review their contract and wanted efficiency advice.

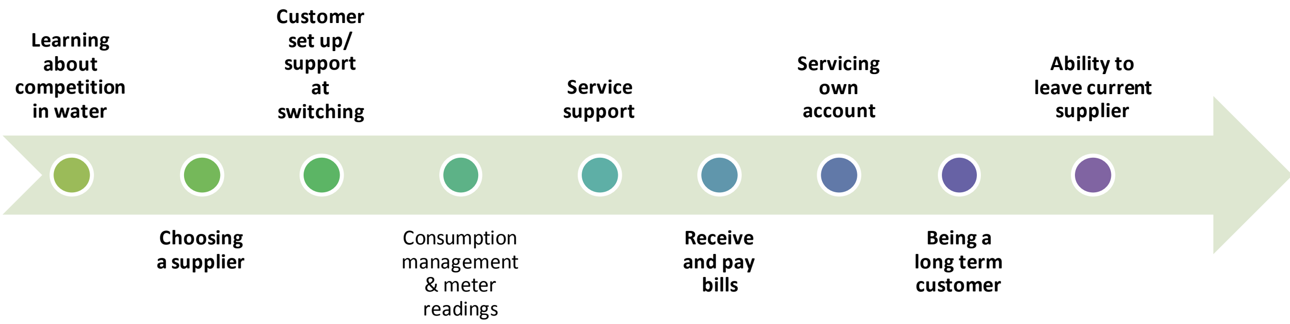
The retail market most closely meets the needs of very large business customers in this sample who procure water as they do other goods and services.

Smaller and less aware businesses were relatively satisfied with their current retailer. Most customers enjoy a problem-free service and a relatively low water bill (compared to other operational costs like energy bills). Therefore, these respondents lacked motivation to engage in the market or switch retailer.

A minority of the least engaged customers voiced negativity about their current service but with limited knowledge of the retail market they felt powerless when things go wrong. Some customers perceived that the market still felt like a monopoly.

This chapter looks at Scottish customers' experiences and expectations and what the implications might be for the customer journey in England. Open Water's Customer Interaction Framework[18] was used to identify customer journey milestones as shown in Figure 3.

Figure 3: The customer journey



5.2 Learning about competition in water

These initial stages are covered in Chapters 3 and 4.

5.3 Choosing a retailer

Some NHH customers took a systematic process to choosing a retailer. These were:

- Two of the highest water users (complex, multi-site) using formal procurement processes to source prospective retailers. Another six relied on brokers who created a short list of prospective retailers.
- One business new to the market was directed by Scottish Water to the Scotland on Tap website which was a helpful starting point to choosing a retailer.

Where businesses had tried to make choices, the common starting point was to use Google, USwitch or similar websites. Only two respondents out of 55 were aware of Scotland on Tap. No customers reported that their web searching led them to Scotland on Tap. The lack of presence of water retailers on any price comparison websites is a barrier to engagement.

We had to go out of our way to find other companies. It wasn't easy, it wasn't something that's aggressively marketed which is what I found quite surprising.
Non-switcher, Edinburgh

I'd go to the internet for information if that was what I was intending to do, but it does take a long time and that's a barrier… I really don't have the time.
Non-switcher, Edinburgh

[18] www.open-water.org.uk/media/1059/capturing-customer-expectations-of-the-competitive-retail-water-market.pdf

Retailer quotes are not in a standardised format so it is difficult for customers to make simple price comparisons. Figure 4 shows the spread sheet that a respondent created to make sense of the quotes she had received.

Figure 4: Respondent's spread sheet with four quotations

WATER SERVICES				
meter based annual charge	382.50	144.30	340.00	361.25
volumetric charge	723.78	199.47	82.55	114.60
WASTE WATER				
meter based annual charge	400.50	109.89	356.00	378.25
volumetric charge	1233.00	131.67	173.05	194.69
PROPERTY DRAINAGE CHARGES				
rateable value charges	701.01	705.23	623.01	739.97
ROADS DRAINAGE CHARGE	450.16	452.84	400.14	475.10
CONTRACT LENGTH	36 months	36 months	24 months	36 months
BASED ON	1000m3	150m3	150m3	150m3
meter size 25mm				
TOTAL ANNUAL	3890.95	1743.40	1974.75	2263.86

She felt she was making a random choice and in the end chose the cheapest price in a field of unfamiliar retailers. For most customers, price is the only consideration when switching retailers.

However, the largest businesses and customers who switch due to poor service base their choice on value for money and customer service:

For us [public sector] it's not just price, it's other key elements. We only work with companies committed to the living wage, putting money back into the local market. Some companies have stepped away from us and said they can't do that, we've lost good contracts, but we would rather invest in companies that invest in people.
Switcher, Edinburgh

Respondents were shown a selection of retailer communication samples (e.g. press advertisements, leaflets and website screen grabs) as shown in Figure 5 to glean the types of messages that drew their attention. Retailer advertisements did not necessarily help customers make a confident assessment of their options.

Figure 5: Example communications stimulus used in this research

The following observations arise from the advertisement exercise:

- Respondents did not recognise any of the advertising materials shown.
- The majority said that price messages would be the most eye-catching.
- Client testimonials get mixed reactions and are treated with caution.
- Guaranteeing a 10% reduction had more credibility than offering ‘up to 20% savings’.
- Bold colours and visuals (e.g. pipework and buildings) are viewed positively.

5.4 Customer set up and support at switching

The switching process is usually hassle-free and businesses are positive about the seamless experience. This is particularly the case for those using brokers who say they just had to sign on the dotted line.

The switching process was smooth, easy and efficient.
Switcher, Aberdeen

This research has indicated that the switching process works well and that concerns about switching, a key barrier to market engagement, are not borne out in reality.

However, many customers had little understanding of the contract terms they had signed, particularly those who dealt with a broker or retail agent. This suggests some customers may not get the switching support they need and could be vulnerable to poor sales practices.

In isolated cases, the process of switching had highlighted billing issues related to the outgoing retailer. For instance, where customers had received several estimated bills before a switch and suddenly received a large catch-up bill at the point of switching. In such cases, customers felt that the process had been too quick and the full implications had not been explained to them.

I didn't look at anyone else. It was all done over the phone. I'd be more intelligent next time. We've had a few problems with the supplier; they don't seem to read meters or anything: our bills have consistently been £300-£400, but a [new] bill came through for £1,600. I phoned them up and found out they hadn't read the meter and this was a catch up.
Switcher, Edinburgh

In switching bank accounts there is an element of a guarantee that everything will run smoothly but I have no confidence that utility companies are that well organised.
Switcher, Glasgow

5.5 Consumption management and meter readings

Other than the largest businesses, there were few examples of customers receiving useful advice on consumption management.

It's about waste as well. For example [the retailer] stopping drips on plumbed in water-coolers, a saving of 17%.
Switcher, Edinburgh

Some smaller businesses that want help reducing consumption to save money say they are not being served well.

I didn't think before about how much water was costing. Now I'm a wee bit more aware of it I'd like to speak to someone about how to save a bit of money. They aren't interested in that.
Switcher, Edinburgh

Only one customer mentioned smart meter-type technology. However, the importance of smart meters might increase as they become more widespread in the energy sector.

The transition to a retail market seemed to shine a light on issues relating to meters and consumption history for both switchers and non-switchers in this sample:

- Inaccessible meters are difficult for customers to monitor and sometimes impossible for the meter reader to find.

They [the retailer] don't know where my meter is!
Non-switcher, Edinburgh

- Multiple businesses sharing a single water meter. One respondent said that 115 other businesses shared his meter.

- Inability of customers to determine whether a neighbour's water was being charged through their meter.

- Gap sites, which are revealed when retailers take on new customers and find unregistered or incorrectly registered premises. Customers can then become responsible for high backdated bills and cannot switch until debts are paid off.

- Erratic and infrequent meter reading.
- Estimated bills, which create accounting problems.

5.6 Customer service and support

The general view amongst NHH customers who had switched was that the service experience had been good with their new retailer and the bill arrived on time. Over half of the non-switchers in this sample were satisfied with their retailer though there were few specific examples of exceptionally good service delivery.

However, some were dissatisfied with their customer service. Criticisms related to poor communication in response to problems, incorrect bills, and even high-handed dealings with retailers. Where customers are aware of their choices in the market, these problems could be push factors that see them switching to other retailers.

I'm convinced we're paying for other businesses. This is what I'm saying but they won't come out. I said come and put a meter in but they said I'd be worse off. I'm trying to sort the problem but I'm hitting a stone wall.
Non-switcher, Glasgow

It couldn't get any worse than [retailer], basically anything would have been an improvement. There was a period of time we weren't getting any invoices at all and then all of a sudden we got a back dated invoice.
Switcher, Aberdeen

Some customers find it hard to see how a retailer between them and the wholesaler improves customer service. There are various reasons for this:

- The market is perceived to be cost-driven. Some customers think that new retailers have to drive down price to win business at the expense of customer service.
- Many customers associate 'service' with the physical supply of water and therefore would expect to be 'served' by the wholesaler rather than retailers.
- Customers do not necessarily associate their first port of call with a retailer. Others, especially large businesses, have existing relationships with Scottish Water and would automatically call the wholesaler in the case of an emergency.
- Customers believe that the layer of retailers could lead to confusion or neglect of service responsibilities.

Companies can't differentiate themselves on customer service, it's just all about cost, it's a bottom line cost.
Switcher, Glasgow

You have to phone [the retailer] and they palm you off 'Oh we'll have to ask Scottish Water to come out.'
Non-switcher, Glasgow

Awareness of water industry regulators and consumer organisations was low.

5.7 Receive and pay bills

For the most part, the billing process is very straightforward and this reflects another area where the market in Scotland appears to be performing well. Many customers in this sample have seen an improvement since switching in relation to more accurate/consistent or aggregated bills or a discount for direct debit and paperless bills. There were isolated mentions of online billing portals.

Another big thing is I now have consistency of billing - invaluable.
Switcher, Glasgow

However, retailers have not helped some respondents to understand their bills.

I've got a degree in engineering and so
I should be able to understand an invoice!
Switcher, Aberdeen

5.8 Customer account servicing

For most businesses, there is little experience or expectation of servicing their account other than by phone or email. Paper records remain important and some prefer email contact with their retailer because this gives a record of the contact.

It's set up and we just get an invoice through the post,
I'm not sure about being able to go online.
Switcher, Glasgow

Customers in this sample had few problems in routine account servicing (e.g. changing account information, getting an update about a supply issue.

Larger, more complex businesses with multiple sites have greater expectations of managing their accounts and would welcome tools to do this (e.g. online portal for budgeting/forecasting).

5.9 Being a long term customer

Experiencing the benefits of being a long term customer was not something that respondents raised spontaneously. The marketplace in Scotland is relatively new and hence respondents did not describe their supplier retailer relationships in terms of longevity, repeat custom or loyalty.

Many NHH customers feel they have been 'accidentally' or 'unintentionally' loyal because they were unaware that they can switch or renegotiate. Additionally, those who have engaged with the market so far have limited experiences of retailers showing interest in building loyalty (e.g. declining to quote or focussing their communications wholly on price rather than service quality or added value).

I wouldn't have thought we would get anything because it would cost them
money to do that. They will be gambling on me not to change.
Non-switcher, Glasgow

Customers expressed loyalty to brokers where they had positive broker relationships. Larger businesses that had personal contact with Scottish Water saw that relationship as more relevant to them than their retailer relationship.

5.10 Ability to leave the current retailer

The actual experience of leaving the default retailer has been easy from the customer perspective, although some brokers say they have experienced difficulties with the administration.

Because of the relatively young age of the Scottish market, customers in this sample have yet to journey further and switch a second time.

Most respondents are unclear about their contract terms, specifically the length of the contract, when it renews, and whether there are penalties or specific timescales for renewing to avoid rolling over to a less competitive default tariff.

Customers who have felt unable to leave their retailer are those in debt and may have entered into payment plans to cover unexpectedly high bills.

Customer expectations that it could be difficult to leave a retailer are a barrier to switching. Fears about being locked into uncompetitive contracts come from poor experiences in the energy sector.

Some businesses choose not to engage but take a 'better the devil you know' approach. There are low expectations that retailers will take the initiative to inform customers of beneficial offers or contracts.

They should be phoning you and saying 'There's a new offer'. If they don't do that, left unchecked you end up paying more than you should do.
Non-switcher, Glasgow

We got a quotation from another company and although they were slightly cheaper, they were binding us into a long term contract. It was marginally cheaper but we were concerned that if they started putting up prices we would already be in that contract and wouldn't be able to get out
Non-switcher, Edinburgh

5.11 Brokers' perspective on market performance

The broker interviews highlighted some consistent themes in terms of where the market in Scotland is performing well. The efficiency and technical success of the CMA and the usually problem-free switching process are positive aspects.

[Energy retailers'] IT systems are a mess… in comparison water is really well run.
Broker

Billing services are generally smooth. Brokers see their clients paying less for their water. Brokers also mention market innovation in terms of better billing services and sophisticated data-driven sales approaches.

Brokers see areas for improvement:

- Building awareness of the market through marketing support from retailers.
- Supplier rationalisation: They feel the market can only sustain so many retailers.
- More accurate/frequent meter reading to avoid estimating bills.
- Vacant and gap sites: There are devastating consequences to customers who become liable for charges at unregistered properties when system databases are updated.
- Transparency: Smaller retailers particularly were perceived as being opaque in their provision of contract information.

5.12 Lessons for the English market

- Customers want help and signposting to make decisions and could look to price comparison websites, or an equivalent of Scotland on Tap, instead of just retailer websites.
- Customers could benefit from a standardised format used by retailers for providing quotations so they can compare offerings.
- When evaluating choices, price is a key factor but other trust factors such as retailer familiarity and its perceived local knowledge could increase customer confidence.
- Customers will need reassurances to allay fears about switching (e.g. switching guarantee; Key Facts documents; cooling off period, how debt is managed).
- Customers could be reassured by messages that explain that the physical water supply and sewerage service will continue to be provided safely and reliably by the same wholesaler as before.
- Meter-related services present opportunities to increase satisfaction (e.g. accurate, consistent and timely bills) and offer added value services (e.g. facilitating water monitoring and efficiency leading to price savings).
- Only the very largest businesses may recognise the value of smart meters for water. However, this may change as the prevalence and usefulness of smart meters increases in the energy sector.
- Customers will require clear communication about who to contact as the first point of call as some may be inclined to contact the wholesaler in many cases.
- Retailers' marketing activity should not oversell price benefits at the expense of customer service and added value services which could attract and retain customers.
- Customers will need clear information about how they can access routine account services, sort out problems or escalate issues if retailers are not resolving them.
- More sophisticated online portals where businesses can see their bills and patterns of usage could be added value services that attract customers.

- Bills, whether by post or online, are a touch-point for communicating market information and reassuring customers that there is robust market regulation and consumer protection.

- Customers will benefit from protection that ensures clear communications from retailers about contract details (e.g. penalty clauses or roll-overs, contract end dates).

- Retailers should develop relationships through good customer service (e.g. high quality retail operations, contact centres) which lead to customer loyalty as wholesalers have done previously and brokers are aiming to do now.

- Brokers who are involved in the retail market may become an important source of market intelligence about customer behaviour.

6 Conclusions

6.1 Learning from customer experience in the Scottish water market

Many NHH customers benefit from having choice and making price savings if they are 'actively engaged' in the market. Active engagement is greatest amongst large business customers who are able to negotiate contracts that deliver price savings and service benefits. Smaller businesses that have switched have also been able to reduce their bills and are benefitting from problem-free service.

Larger businesses are more likely to have been aware of the market before it opened, having heard via business networking, or having been targeted by brokers and retailers. Smaller businesses are also targeted by brokers, but are less likely to have become aware of the market through retailer targeting, or via business networks.

For some businesses, market engagement is opportunity driven, triggered by a service problem (push factor) which prompts them to consider other supplier options. For others, an approach from a retailer or broker (pull factor) encourages them to switch.

Some customers are 'passively engaged' in the market, that is they have switched in response to a sales approach and did not fully consider their options. They are satisfied to have made a saving on their bill but have little awareness of other retailers.

There are few examples of the market offering or delivering benefits over and above price savings (e.g. water efficiency, customer services and innovative added value services).

The switching process itself works smoothly, with brokers corroborating this finding with their positive experiences of switching many hundreds of customers. There is evidence to suggest that there have been improvements in billing services that are more accurate, frequent and in some cases, tailored.

Customers who are still unaware of the retail market have yet to benefit from the market. Creating awareness is particularly important for customers who are dissatisfied with the service they are getting from their supplier.

Some customer segments have emerged as being potentially vulnerable following the transition to market:

- **Customers who switch but do not understand their contract:** Often smaller businesses that receive an unsolicited call or visit to their premises by a broker or an agent. Attracted to the financial savings, they know little about the contract they have signed and could be at risk of poor sales practices.

- **Customers who receive an unexpectedly high bill following their decision to switch:** The bill may be due to the identification of a gap site which was previously unbilled or a catch up after under-estimated meter readings. These businesses may not be able to pay the bill in full, and are subsequently blocked from switching.

- **Customers who are new to the market and unaware of how it operates:** Businesses moving into new premises may not receive information from the landlord or the wholesaler or retailer.

6.2 Recommendations for the English retail water market

6.2.1 Create meaningful awareness of the market in England

- Raising awareness should create a momentum so that NHH customers of all sizes find out about the market as soon as possible.

- Customers expect a wide range of organisations to play a part in raising their awareness (e.g. government, industry regulators, retailers, consumer body).

- Multiple channels and sources of information can drive the message to customers to help the market develop (e.g. wholesalers, retailers, industry bodies and intermediaries like brokers and price comparison websites).

- Engagement strategies are more challenging for insular and small businesses. There is a role for regulators and water industry bodies to stimulate communication via the media, trade bodies and business representative organisations.

- Customers who are switching without the help of a broker will benefit from independent sources of information (e.g. Scotland on Tap) on how to navigate the market and find the best deals and decide on the best deals.

- Meaningful awareness can be created by sign-posting customers to a range of information and sources which highlight how the market works and what options they have (e.g. renegotiation, choice of retailers, differentiated price and customer service options).

6.2.2 Help customers to engage with the market and make the best business decisions

To help overcome barriers to market engagement, customers want accessible information which should:

- Help them make side-by-side comparisons (e.g. through the use of price comparison websites).

- Present supplier quotes in a standard format so they can compare deals.

- Provide evaluations of retailer performance and customer reviews to help engender customer trust factors.

- Help customers differentiate based on retailer customer service as well as price.

- Promote protections for customers (e.g. switching guarantee scheme; cooling off period, clear contract end dates and renewal terms, limitation on roll-overs) and provide sign-posting for additional support when it is needed.

- Promote transparent broker-led switching (e.g. clear contract terms and conditions).

- Help smaller businesses that have limited time and resource to find out about the market, navigate it, and find the best deals.

6.2.3 Create positive experiences of switching and renegotiation

Well-informed and meaningfully engaged NHH customers of all sizes are more likely to have a positive market experience if they:

- Can avoid problems (real or perceived) that have caused poor experiences in other sectors like energy (e.g. opaque or unfair contract terms, problematic switchover to a new retailer).

- Know how to navigate the market and feel comfortable overcoming inertia if they are unhappy with their price or customer service by switching or renegotiating.

- Understand that they have choice on customer service and added value services, as well as price.

- Understand that they have a choice to renegotiate (i.e. prices and services are not fixed) and feel that retailers have strategies to retain loyal customers by engendering trust factors and offering positive outcomes.

- Feel like active participants in the negotiation process and understand when they are being offered a retention deal so they do not feel accidentally loyal.

7 Appendices

7.1 Recruitment screener

Date of session			Time of session		Session No	
Email/Post Confirm	Date		Time		Initials	
Pre-checked	Date		Time		Initials	
Confirmed	Date		Time		Initials	

RESPONDENT'S DETAILS (PLEASE COMPLETE IN BLOCK CAPITALS)

Title: Mr / Mrs / Miss / Ms / Other:

First name:

Surname:

EMAIL ADDRESS:

Mobile Number:

Business Address: ______________________

____

____

____

Town/City: ______________________

Postcode:

Telephone Number (Mobile):

Telephone Number (Work):

INTERVIEWERS DECLARATION

This interview was conducted in accordance with the Market Research Code of Conduct. The respondent is not a relative or friend of mine.

Face to Face	1
Telephone	2
Street	3
Door to Door	4
Online	5

Interviewer's name:

____

Interviewer's signature:

____

Date: ______________________

RECRUITMENT QUESTIONNAIRE

Introduction: *Good morning/afternoon my name is [insert name] and I am calling from Cherry Picked Research, an independent market research company working on behalf of Consumer Council for Water - or CCWater for short.*

CCWater is an organisation that looks after the interests of domestic and business customers of the water industry in England and Wales. However, this research is specifically looking at the experiences of non household customers in Scotland in relation to the retail water market. CCWater will use this research to inform the government and the industry regulators who are developing the water market in England and Wales.

Note to recruiters:

- *Please recruit to the breakfast events first to achieve a good spread of organisations. However, we envisage those located more rurally will be best suited to a f2f depth interview*
- *All respondents must be responsible for choosing utility providers and/or the payment of utilities in their organisation, including water.*
- *As part of this research we also wish to talk to water brokers, so if there is any mention of a broker please try and capture their details and send to project manager.*

For breakfast events*: we would like to invite you to a breakfast event attended by other senior decision makers from a range of organisations in the area. The event will take place at [insert relevant location and date] from 8am – 10am. Breakfast will be provided. The event will involve round table discussions for local businesses to share experiences of utility – and specifically water – services. This will be facilitated by a market researcher. As it is a market research exercise, your opinions will be treated in confidence.*

Recruiter, please confirm the following details

- *Practical details: when, where, parking, breakfast, no need to prepare*
- *Incentive of £90*

For depth interviews: *we would like to arrange a time for one of our researchers to interview you at your own offices/premises to make it as easy as possible for you. This interview will take no longer than 1 hour and will involve an open conversation about your experiences of water industry competition in Scotland. We will email you a short briefing document beforehand by way of preparation for the interview. This is a market research exercise so your opinions will be treated in confidence.*

Recruiter, please confirm the following details

- *Practical details: when, where, no need to prepare who will be interviewing them*
- *Incentive of £60*

I would also like to reassure you that this study is genuine market research and NO attempt will be made to sell you anything.

Q1. Do you or any members of your family or close friends work in any of the following occupations, either now or in the past?

	YES	**NO**	**YES**	**NO**
	Respondent		**Family/Friends**	
Advertising	1	1	1	1
Market Research	2	2	2	2
Journalism	3	3	3	3
Any Water company	4	4	4	4
Any connections to the water industry	5	5	5	5

IF YES TO ANY OF THE ABOVE CLOSE INTERVIEW OR CONTACT THE OFFICE FOR CLARIFICATION

Q2. Have you ever participated in a market research project – either a discussion group, interview, or online task?

Yes	Go to Q2a and Q2b
No	Go to Q3

Q2a. What was this about?

IF ON A SIMILAR SUBJECT AS THIS PROJECT, PLEASE CONTACT THE OFFICE. POTENTIAL TO RELAX THIS CRITERIA SO PLEASE CONTINUE INTERVIEW AND KEEP AS A RESERVE / BACK-UP

Q2b. How long ago was the project?

PLEASE EXCLUDE ANYONE WHO HAS TAKEN PART IN PAST RESEARCH WITHIN THE LAST 6 MONTHS - POTENTIAL TO RELAX THIS CRITERIA SO PLEASE CONTINUE INTERVIEW AND KEEP AS A RESERVE / BACK-UP

Q3. Are you personally responsible for making decisions in your organisation concerning the choice of utility providers, including water?

Yes	1
No	2 – Ask to speak to relevant person

ALL TO BE THE KEY DECISION MAKER (MUST CODE 1). IF NOT ASK TO SPEAK TO THE RELEVANT PERSON

Q4. What's your job role within the business? [WRITE IN]

I now need to ask you a number of questions about your organisation to ensure we include a broad range of organisations in this research.

Q5. Can I confirm which of the following broad industry categories your organisation falls into?

Manufacturing & agriculture	1
Construction & transport	2
Financial/professional services/ IT /admin/ retail	3
Tourism/food/leisure/entertainment	4
Education, health, residential care etc.	5
Other… Please specify	6

ACROSS SAMPLE PLEASE AIM FOR A SPREAD OF BUSINESS INDUSTRY / CATEGORY

Q6. Is your organisation a public, private or not for profit organisation?

Private sector	1

Public sector	#
Not for profit	#

 # ACROSS THE SAMPLE A MINIMUM OF 6 NON-PROFIT / PUBLIC SECTOR ORGANISATIONS E.G. STATE SCHOOL, HOSPITAL, PRISON, CHARITY, UNIVERSITY etc.

Q7. Would you describe your organisation as being based in…? [READ OUT]?

City centre/central business district (Edinburgh, Glasgow, Aberdeen)	1
Outskirts of the city	2
Rural	@

@ MINIMUM OF 15 TO OPERATE IN RURAL SETTINGS – LIKELY TO BE INVITED TO TAKE PART IN DEPTH INTERVIEW

Q8. Does your business share its water supply with a separate building used as a private residence e.g. a flat over a shop / office?

Yes	#
No	2

 # MINIMUM OF 5 BUSINESSES IN MIXED USE PREMISES I.E. WHO SHARE WATER SUPPLY WITH PRIVATE RESIDENCE E.G. FLAT OR LIVING QUARTERS ABOVE THE SHOP/PUB.

Q9a. And how many employees are there in your company?

1 – 9 employees	1	Qualifies as MICRO size
10 – 49 employees	2	Qualifies as SMALL size
50 – 249 employees	3	Qualifies as MEDIUM size
250+ employees	4	Qualifies as LARGE size
Sole Trader	5	Qualifies as MICRO sole trader #

 # QUOTA: MAXIMUM OF 5 X MICRO SOLE TRADERS (NO MINIMUM)

NB SOLE TRADERS MUST HAVE BUSINESS PREMISES AND PAY FOR WATER SERVICES AS <u>NON DOMESTIC</u> CUSTOMER

PLEASE REFER TO RECRUITMENT GRID BELOW FOR NUMBERS REQUIRED

Q9b. How many sites does your business have?

Single site	1	Go to Q10
Multiple site	2	Go to Q11

For SINGLE SITE respondents

Q10. How much does your organisation spend **annually** on water?

WRITE IN APPROX SPEND	£
Micro size: spend > £2,500	Qualifies as single site HIGH SPEND
Small size: spend > £2,500	
Medium size: spend > £2,500	
Large size: spend £50- £250,000	
Micro size: spend <£2,500	Qualifies as single site LOW SPEND
Small size: spend <£2,500	
Medium size: spend £1,000-£2,500	

PLEASE REFER TO RECRUITMENT GRID BELOW FOR NUMBERS REQUIRED

For MULTIPLE SITE respondents

Q11. Where do you have sites?

Elsewhere in Scotland	1
Elsewhere in England/Wales	2
Outside of the UK	#

OF THE 24 MULTIPLE SITE USERS: MINIMUM OF 5 TO HAVE SITES IN ENGLAND AND/OR WALES- AS WELL AS SCOTLAND. INTERNATIONAL SITE DOES NOT QUALIFY AS MULTIPLE SITE / AS PART OF SPEND

 # CLOSE INTERVIEW IF ALL OTHER SITES ARE OUTSIDE OF THE UK

Q11a. How much does your organisation spend **annually** on water across all sites?

WRITE IN APPROX SPEND	£
Small size: spend >£2,500	Qualifies as multiple site HIGH SPEND
Medium size: spend >£2,500	
Large size: spend £50,000-£250,000	
Micro size: spend <£2,500	Qualifies as multiple site LOW SPEND
Small size: spend <£2,500	
Medium size: spend £1000-£2,500	

PLEASE REFER TO RECRUITMENT GRID BELOW FOR NUMBERS REQUIRED

Q12. Who is your organisation's water retail service provider? By that I mean the company who provides the frontline customer service and sends out bills.

Kelda	1
Aimera	2
NWG business	3
Castle Water	4
Source for Business	5

Anglia Water Business (formerly Osprey Water)	6
Water 2 Business	7
Seven Trent Services	8
Cobalt Water	9
Business Stream	10
Veolia	11
Thames Water Commercial services	12
United Utilities	13
Commercial water solutions	14
Clear Business Water	15
Real Water Edinburgh Ltd	16
Blue Business Water Ltd	17
Ondeo Industrial Solutions	18
Everflow Ltd	19
Scottish Water	20 See note below
Don't know/not sure	21 [Maximum of 10 in sample]
Other… please state	22

NB: If say 'Scottish Water', explain that Scottish Water is no longer responsible for e.g. sending bills and providing frontline customer service and that it will be another company that sends the bills. If respondent unable to provide alternative company name e.g. from looking at their bill, recruit as a 'don't know'

PLEASE AIM FOR A MIX OF PROVIDERS ACROSS THE SAMPLE WITH A GOOD MIX IN THE BREAKFAST EVENTS NB NO MORE THAN 4 'DON'T KNOWS IN ANY BREAKFAST EVENT

Q13. Since 2008, have you switched retail providers and/or renegotiated your water contract with your existing provider?

Yes – switched	@ Go to Q14
Yes – renegotiated contract with existing provider	@ Go to Q14
No	Go to Q15

@ PLEASE RECRUIT a minimum of 20 respondents WHO HAVE SWITCHED AND/OR RENEGOTIATED NB: this should include a minimum of 6 IN EACH BREAKFAST EVENT.

Q14. Thinking about your experiences of switching and/or renegotiating water contracts, which of the following retail service providers have you:

a) been a customer of, and

b) not been a customer but have had dealings with in relation to considering an alternative retail water supplier (e.g. phone calls, visits)?

Supplier	Q14A customer of	Q14B had dealings with
Kelda	1	1
Aimera	2	2
NWG business	3	3
Castle Water	4	4
Source for Business	5	5
Anglian Water Business (Formerly Osprey Water)	**6**	**6**
Water 2 Business	7	7
Seven Trent Services	8	8
Cobalt water	9	9
Business Stream	10	10
Veolia	11	11

Thames Water Commercial services	12	12
United Utilities	13	13
Commercial water solutions	14	14
Clear Business Water	15	15
Real Water Edinburgh Ltd	16	16
Blue Business Water Ltd	17	17
Ondeo Industrial Solutions	18	18
Everflow Ltd	19	19
Other…please state		

MINIMUM OF 8 RESPONDENTS TO HAVE BEEN A CUSTOMER OF A SUPPLIER OTHER THAN BUSINESS STREAM

Q15. Before you participate in the research, we would like to email you a short briefing document to read through – can we please send this to you via your preferred email address?

Yes	1 clearly record email address
No	2 CLOSE

Q16. Finally, we would like to send you a follow up email a week or two after the breakfast event/interview but need to have your permission to do so now (as part of data protection). Would you be willing to be re-contacted via one email to respond to 3 or 4 follow up questions specifically in relation to this research?

Yes	1
No	2

TO COMPLY WITH THE DATA PROTECTION ACT

<u>RECRUITMENT GRID: PER EVENT (15 recruits)</u>

	Single site	Multiple site
High spend	4 participants	3 participants
	Micro x 1-2 (Spend > £2,500) Small x 1-2 (Spend > £2,500) Medium x 1-2 (Spend > £2,500)	Small x 1-2 (Spend >£2,500) Medium x 1-2 (Spend >£2,500)
Low spend	4 participants	4 participants
	Micro x 1-2 (Spend <£2,500) Small x 1-2 (Spend <£2,500) Medium x 1-2 (Spend £1,000 - £2,500)	Micro x 2 (Spend <£2,000) Small x 1- (Spend <£2,000) Medium x 1 (Spend £1,000-£2,000)

FOR EACH BREAKFAST EVENT:

- OVER RECRUIT BY 3 (I.E. RECRUIT 15 FOR 12)
- AIM FOR A GOOD MIX OF SITE AND SPEND TYPE WITHIN EACH EVENT

FOR THE DEPTHS (18 in total)

	Single site	Multiple site
High spend	5 participants	8 participants
	Large x 4 (Spend £50,000-£250,000) Plus 1 x Micro (Spend > £2,500)	Large x 6 (Spend >£50,000-£250,000) Plus 2 from Small (Spend >£2,500) Medium (Spend >£2,500)

Low spend	3 participants	2 participants
	3 from: Micro (Spend <£2,500) Small (Spend <£2,500) Medium (Spend £1,000 - £2,500)	2 from: Micro (Spend <£2,000) Small (Spend <£2,000) Medium (Spend £1,000-£2,000)

TOTAL SAMPLE

	Single site	Multiple site
High spend	15 participants	12 participants
	Micro x 7 (Spend > £2,500) Small x 2 (Spend > £2,500) Medium x 2 (Spend > £2,500) Large x 4 (Spend £50,000-£250,000)	Small x 4 (Spend >£2,500) Medium x 2 (Spend >£2,500) Large x 6 (Spend >£50,000-£250,000)
Low spend	15 participants	12 participants
	Micro x 9 (Spend <£2,500) Small x 4 (Spend <£2,500) Medium x 2 (Spend £1,000 - £2,500)	Micro x 8 (Spend <£2,000) Small x 2 (Spend <£2,000) Medium x 2 (Spend £1,000-£2,000)

CLASSIFICATION

CHECKLIST: PLEASE ENSURE YOU HAVE DONE ALL OF THE FOLLOWING BEFORE CLOSING **Have you?** (please circle once completed)		METHOD OF SENDING INVITATION PLEASE RECORD IN FULL	
Re-confirmed time and date of EVENT / INTERVIEW	1	By Post	1
GIVEN venue details & directions?	2	By Hand	2
Given your telephone number?	3	Email	3
Reconfirmed incentive amount?	4	Text	4
Recorded mobile number & email address?	5	Fax	5
Explained POST-INTERVIEW TASK?	6	Other	6

7.2 Discussion guide

NB: the NHH customer group discussion guide is shown. Separate discussions guides were adapted and used for the depth and broker interviews.

7.2.1 CCWater Market Reform: Breakfast Event Discussion guide (2 hours)

Project objective: to provide CCWater with research evidence on the experience of non-household customers of the water market in Scotland and identify where this learning is relevant for the English water market.

Throughout the session, moderator to listen out for market perceptions, engagement and drivers/barriers to switching/renegotiating with their water supplier.

At the start of the session, all respondents gather as a group for the initial introductions. The group will then be divided into two smaller groups (of 6-8) for the majority of discussion before reconvening once again for a summary discussion.

The group will be divided (and has been recruited) accordingly:

- *Group 1: ENGAGED – those who have either switched their water supplier (i.e. retail service supplier)or renegotiated their contract in the last 8 years (i.e. since the introduction of the open market)*
- *Group 2: DISENGAGED – those who have not switched or negotiated with their water supplier (retail service supplier) in the last 8 years (since the introduction of the open market) – and who may be largely unaware of their choice to do so*

At arrival, all to be given name badges, colour coded with assigned team.

Introduction, breakfast and ice-breaker (30 mins) (8-8.30am)

Upon arrival, moderator *to ask respondents to help themselves to breakfast whilst meeting and greeting the other attendees.*

- *Ice breaker task: talk to as many people as possible and in doing so try and find the individuals who work within the youngest, the oldest, the smallest and the largest organisations*

Moderator to introduce themselves and Blue Marble Research explaining in greater detail the role and purpose of the research and today's session. Client introductions.

- Purpose of research: on behalf of CCWater, a water industry body representing customers in England and Wales. The Scottish and English water markets work differently at the moment – this research will enable CCWater to understand in detail the experiences of business customers in Scotland – and will enable them to inform government and regulators about how the English market should evolve. *[NB to moderator: do not get drawn into conversation about how the markets are different…explain that we will be discussing this in more detail as part of the group]*
- Reassurances and housekeeping: venue, taping, confidentiality
- Explain client observation

RESPONDENTS ASSIGNED TO BREAKOUT GROUPS

SECTION 1: ***For both groups to discuss***
Context – general engagement, knowledge and understanding (15 min) (8.30-8.45)

Objective: To understand the participants and their water use; to capture spontaneous understanding & associations of water and waste services; and perceptions of how the Scottish water market works

Work around the group, asking each respondent in turn to summarise their organisation and role in relation to water services:

- Tell me about you, your organisation, and the role you have there
  - How does responsibility for matters regarding water services work (e.g. bill paying, operational issues)?
  - How important are water and sewerage services to your organisation? What do you use water for? *NB: Moderator to note differences relating to size, number of sites, location, industry*
  - Who is your water supplier?
  - Has your organisation always been with them? Why / why not? *Moderator to gain a sense of engagement / activity for each respondent*

As a group

- How does the water market work for businesses in Scotland?

Moderator note: do not hurry at this point. Let everyone speak. Probe if necessary… ***and listen for language around supplier, service provider and retailer***

- If you were describing it to someone who knew nothing about water and waste water services for businesses in Scotland, what would you say? Give me the idiot's guide!

- And how does this compare to other utilities you purchase? *Moderator to listen out for awareness around ability to choose and switch.* How is the water market similar and different to other utility services such as energy? *Moderator note: keep it brief – and comments on energy should be focused on how this compares with water*

- What changes, if any, have you experienced in relation to water and waste water services in the last 6 or 7 years? Probe fully:
    - Think about the services you receive?
    - How you deal with suppliers?
    - Pricing and tariffs?
    - **How you receive bills e.g. consolidating the bill**
    - **Quality of bills / Ebilling?**
    - **Meter readings – frequency and accuracy**
        - ***Moderator to check who is / isn't on a meter***
    - **The advice or support you receive? How you manage water consumption**

SECTION 2
Group 1 ENGAGED main discussion (70 mins)

What they know about the water market in detail (10 mins) **[8.45-8.55am]**
Objective: to explore in detail current awareness and engagement with the water market, exploring recalled examples of communication

You've already talked a little about how the water market works in Scotland – and now I'd like to hear more.

Moderator: if there is any ambiguity in what respondents know/don't know about the market opening, ask the following:

- Which of you have been doing similar roles (i.e. responsibility for water in an organisation) for over 8 years? (establish who in the group)
- Can we summarise the significant changes in buying water services that you have experienced in the last 10 years? ***Moderator note whether comments relate to wholesale or retail services*. *If necessary, probe what changes have you seen, has the process of buying water changed for you?***
- And for those of you more recent to managing/procuring water services, what have been your experiences of changes in the market?

Moderator read out: in 2008, the retail side of the water market was opened to competition in Scotland for businesses. Scottish Water is solely responsible for the infrastructure – the capture, cleaning, distributing of water and then removing the waste. It does not now provide retail services to businesses, in other words billing services, customer service call centres, meter readings and added value services such as water management advice etc. Other companies, referred to as 'water suppliers' now offer retail services, and businesses in Scotland can choose their retail water supplier – in a very similar way to the energy market. ***Show stimulus A***

- *Check understanding:* we want to understand how people have learned about these changes…**when** did you first hear about changes to the way the water market is structured? (Go around the room…probe, are you hearing this for the first time today, is it recent news or have you been aware for a long time?)
- **How did you first hear** about changes to the water market for businesses in Scotland?
    - What did you hear / see? Where and when?
    - Who/where from? Media (general and/or trade press), government, Scottish Water, other water suppliers, colleagues, energy/water broker, friends, family?
    - What was the impact of knowing you could choose supplier? How did you respond?
        - What did you think? Positive, negative and neutral thoughts?
        - What did you actually do? Did it make you do anything, investigate further?
        - Did it prompt you to switch / renegotiate your water contract? Why / why not?
        - Was it clear where you could find out more? Where was that?
- Out of everything you heard what was most interesting to you and your organisation?
    - *Probe on:* price/rates/tariffs, add on services, new companies/brands
    - Did you receive any specific recommendations from any person or company (probe on broker involvement etc.)
- Do you recall seeing any advertising or communications from water suppliers either at the time of hearing about the market opening, or have you seen anything since?
    - For all mentions: can you describe it to me… what was it telling you… via what channel? When was this? What did you think of it? What was good / not so good about it?
    - So from all the 'noise' that you may or may not have picked up about the way the water market works for businesses, can we sum up the headlines?
        - What are the main messages that you have gleaned?
        - What did the industry want you to hear?

The switching experience (30 mins) **[8.55-9.25am]**
Objective: to identify the experiences when switching/renegotiating with water supplier

Work around the group, asking each respondent in turn to summarise their experiences of switching/renegotiating contracts:

- When did you last switch / renegotiate contracts with a water supplier
    - Why did you decide to switch / renegotiate water suppliers?

- Who were you with before? Who did you switch to / renegotiate with?
- **Did you decide to switch but then actually renegotiated with your current supplier**? Why did you decide to switch vs renegotiate?
- **For each, double check where they are on the journey; e.g.**
    - **Aware and informed but made an engaged decision not to switch/renegotiate**
    - **Made an informed decision to switch or renegotiate**
    - **Switched/renegotiated but with hindsight weren't as informed as they would like?**

As a group:

- What were the key factors you considered when deciding to review your water contract?
    - *Moderator to use a flipchart to capture key words*
    - *Explore whether there was a hierarchy i.e.* is one consideration always more important than another? Please explain…

Moderator to listen for and probe around mention of sites, location, size of organisation:

- Did size of organisation play a role in the decision? If so, how?
- Did location play a role in the decision – is it different for organisations based in rural settings vs city locations?
- Did the location of sites (if multiple sites) make a difference? If have one site in Scotland and other sites elsewhere what impact does that have on the decision?
- NB if multiple sites: are you aware of the different market regimes in England and Wales?

- What did you find straightforward or difficult about the process of reviewing/ renegotiating/ switching supplier?
    - Finding advice or information?
    - Comparing the market?
    - Understanding possible benefits
    - Understanding possible drawbacks
- Did you find the information/advice you needed? Colleagues, brokers, suppliers, internet etc.?
    - ***Moderator to specifically listen out for and probe use of third party intermediaries e.g. broker, Scotland on Tap***
    - ***For any using brokers, probe role broker plays. Does it advise on whole market for a fee or does it recommend one supplier and take a commission on savings?***
    - **What experiences, if any, have you had with using Scotland on Tap – positive and negative?**
    - What sort of information were you looking for? Price, deals, tariffs, service, brands?
    - **What information or communications did you see / hear that made a difference on your decision making process? Expand who, what, where you heard / saw this**
- How would you describe the dealings you had with your current and new water supplier when switching / renegotiating?

- Did you receive any sales calls or visits from your old or new supplier? What happened? What impact did it have on your decision to stay/switch/ negotiate? [Learn]
  - How did you communicate with your current and new supplier throughout? What information or offers did you receive? [Choose and buy]
  - What information and/or support did you receive during the time you switched/renegotiated – status updates, agree site visits? [Customer set up]
  - **Did you feel the supplier was listening? *Especially for those who renegotiated***
  - **How long did it take for you to switch / renegotiate? How did you feel about this timescale?**
- Did your current supplier try and keep you / offer you an incentive not to switch?
  - If so, what did they do to try and keep you? Why did / didn't it work?

- Overall, sum up how you would describe the experience of switching / renegotiating?
  - What was good / not so good about it**? How satisfied are you with the outcome? Probe specifically for renegotiators: has the experience made you more likely to switch in future? Why is this?**
- And thinking about the contract you have either through switching or renegotiation:
  - Are you happy with the Ts and Cs?
  - How long is the contract term?
  - What happens at the end of the term?
  - How does it compare to any previous contract?

- How many water suppliers were available to choose from at the time?
  - *Allow for spontaneous reaction*
  - Who were the main players in the market? What names can you recall?
  - Do you have an impression of the leaders and followers?

Supplier logo stimulus: *on A5 cards, spread out names of licensed water suppliers.*

- Spontaneous response to cards…
- **Sorting exercise:** how would you group these suppliers? Which would you put together? Can we label the groups? What characteristics does each group have (probe reputation, price, established, new entrants etc)
  - ***NB: may be low awareness around new suppliers to the market and may not have been around when people switched / renegotiated***
- Which are the most familiar to you?
- How do you shortlist suppliers?

Show examples of existing communications material

Here are some examples of advertisements used by some of these retail water suppliers. Have a browse and then we'll talk about them

Do any of you recall seeing any of these? If so which? Which are new to you?

Now – considering just what you see now:

- Identify the words or visuals that have greatest relevance to you? Explain why.
- What is grabbing your attention? Expand.
- How well are these ads talking to you about how the market works and the benefits of this?
- Is this how brands and companies should be informing you?
    - Why / why not? If not, what should they – or others - be doing or saying to engage you? What should they be saying?
- Why do you think ads like these haven't had much of an impact on you before (if the case)?
    - If you had seen one or more of these, would it have made you think differently or do something differently? I.e. prompt you to switch / renegotiate your water contract? Why / why not?

Customer experience and journey to date (20 mins) **[9.25-9.45am]**
Objective: to explore in detail the ongoing (or business as usual) customer journey and service experience with their water supplier

- **Overall, what are the benefits of the market working in this way?**
- *Moderator to allow for spontaneous, unprompted mention of benefits first, noting them down on flipchart before moving on*

The market was opened to create four key benefits to customers: ***'Four customer benefits' stimulus*** *on A5 card .* ***ROTATE order shown*****.**

- Which is most important to you?

For each of the four, ask:

- Have you experienced this benefit? Give examples where possible
- Would you add anything to these 4 benefits? Is anything important missing?

- How has your relationship with your water suppliers changed? If at all…?
    - ***Moderator to capture this for those who have switched supplier vs renegotiated***
    - Is it better or worse than before? In what ways specifically?
    - **If any confusion, show brand logos to anchor conversation around retail suppliers (rather than Scottish Water, the wholesaler)**
    - **Have you ever been in the situation where your supplier couldn't help you and you needed Scottish Water to solve the problem?** ***Probe fully on any examples.*** **And how did you feel about this situation?**
- *Thinking specifically about your water service supplier (refer to brand logos). Do they help you to manage consumption:*
    - Probe: is this an element of service that has changed in recent years? Is it a factor when considering your water supplier
- *How do you receive service support:*

- What level of support do you get from your supplier – how do they support you? What do they do to help you? In what ways?
- **Have you needed support or help before? If so, for what and how did they help you? What happened…how did you contact your water supplier? How did they respond? How did you feel about how your query was dealt with?**
- Probe: is this an element of service that has changed in recent years? Is it a factor when considering your water supplier

- *How do you receive and pay bills:*
  - Tell me about how you receive your bills and pay your bills… What if you need to raise a concern about your bill then how does that work? **Is this something you've needed to do…what was the experience like?**
  - Probe: is this an element of service that has changed in recent years? Is it a factor when considering your water supplier
- *How do you service your own account:*
  - How do you amend account information, provide comments, make enquiries and raise complaints?
  - Probe: is this an element of service that has changed in recent years? Is it a factor when considering your water supplier
- *What benefits do you receive staying and growing with your supplier:*
  - Since being with your current supplier, have you ever received any discounts / rewards? If so, what? How did that make you feel?
  - **For those of you who renegotiated vs switched, have you or did you received any discount or reward?**
  - How do you receive information around renewal / offers / changes? Via what channel? How interesting is this to you?
  - ***Moderator to listen out for mention of cold calls / sales***
  - Probe: is this an element of service that has changed in recent years? Is it a factor when considering your water retail supplier
- *How easy or difficult is it to leave your supplier or revisit negotiated terms:*
  - How happy are you with your current supplier? Would there be anything that would make you switch / renegotiate again, if so, what?
  - Or at what point would you feel it necessary to switch / renegotiate again? I.e. better price, products, services elsewhere?

Summary – 10 minutes **[9.45-9.55am]**

Objective: to summarise discussion and capture any learning on how things could be done differently in England

Individual self completion exercise: *write a brief performance review of the Scottish water market, and what its performance objectives should be in the next 3 years…*

- Discuss individual assessments of the market as it is today
- How could it improve to ensure all businesses experience the 4 benefit areas?

- The English water market is about to go through a similar transition. What advice would you give those designing and regulating the market to ensure that the positive aspects in Scotland are achieved, and the negative aspects avoided?
    - In terms of how the market is structured and regulated
    - In terms of how organisations should be informed about this choice and the benefits involved?
- Finally, what advice would you give to CCWater who will be seeking to protect the interests of businesses like yours in England?

Group 2 DISENGAGED main discussion (70 mins)

Current relationship with water supplier (20 mins) **[8.45-9.05am]**
Objective: to understand current relationship with their businesses water supplier

Let's talk more about the water supplier your business is currently with…

- Describe the relationship you have with the company that you deal with in relation to water services? Probe fully: key words on **flip chart**
    - What services do you receive?
    - How much interaction do you have with them?
    - When do you have contact with them – and what about? Is it enough / too much?
    - How satisfied are you with the service you receive?
- **For each, double check where they are on the journey; e.g.**
    - **Aware that there is a retail market in Scotland**
    - **Aware and informed but made an engaged decision not to switch/renegotiate**
- Has your organisation ever switched or renegotiated its water contract?
    - Why / why not? Probe fully. *NB: Moderator to observe response to the question, and be aware that some respondents may be aware of competition in the retail market.*
    - ***Moderator to listen out for having to be on a water meter as a barrier***
- How has your relationship with your water supplier changed over the last 5-8 years? If at all…? Is it better or worse than before? In what ways specifically?
    - Do they help you to manage consumption: Probe: is this an element of service that has changed in recent years? **How often do they take metre readings and how accurate are they?**
    - How do you receive service support: What level of support do you get from your supplier – how do they support you? What do they do to help you? In what ways? Probe: is this an element of service that has changed in recent years?
    - Tell me about how you receive your bills and pay your bills… What if you need to raise a concern about your bill then how does that work? Probe: is this an element of service that has changed in recent years?
    - How do you service your own account e.g. amend account information, provide comments, make enquiries and raise complaints? Probe: is this an element of service that has changed in recent years?

- What benefits do you receive being a long term customer with your supplier: have you ever received any discounts / rewards / deals? If so, what? How did that make you feel? Probe: is this an element of service that has changed in recent years?
- How happy are you with your current supplier? Would there be anything that would make you want to leave them, if so, what? Probe: better price, products, services elsewhere? How easy or difficult is it to leave your supplier?

- Are you aware of any alternatives in terms of the service / product you receive from a water supplier…?
    - Have you heard or seen anything different to what you are currently receiving?

Knowledge and reactions to changes in the water market (30 mins) **[9.05-9.35am]**

Objective: to explore in detail current awareness (or lack of) and engagement (or lack of) with the water market, exploring recalled examples of communication

- Can I just check which of you have been doing similar roles (i.e. responsibility for water in an organisation) for over 8 years? (establish who in the group)
- Can we summarise what significant changes in buying water services, if any, you have experienced in the last 10 years?
- And for those of you more recent to managing/procuring water services, what, if any have been your experiences of changes in the market?

Moderator read out: in 2008, the retail side of the water market was opened to competition in Scotland for businesses. Scottish Water is solely responsible for the infrastructure – the capture, cleaning, distribution of water and then removing the waste. It does not provide the retail services to businesses, in other words billing services, customer service call centres, water management advice etc. Other companies now offer this, and businesses in Scotland can choose their retail water supplier – in a very similar way to the energy market. ***Show stimulus A***

- *Check understanding:* have you heard anything about these changes to the way the water market is structured? (*Go around the room…probe*: are you hearing this for the first time today, is it recent news or have you been aware for a long time?)
- How do you feel about what I have just told you?
    - *Allow for spontaneous reaction*
- Was anyone aware or did anyone have prior knowledge of this?
    - If so, what had you heard or seen about this before today? From whom.... government, water suppliers, brokers, advertising, news, colleagues, friends, family etc.
    - ***Moderator to specifically listen out for and probe use of third party intermediaries e.g. broker, Scotland on Tap***
    - Have you looked into switching/ renegotiating with current supplier at any point? Please elaborate. ***Probe on sources of information.***
    - **How aware were you of the options to switch suppliers or renegotiate with your current one?**

- To all: what do you think are the **benefits** of the market working in this way for businesses like yours?
- In what circumstances would you consider switching, or renegotiating, water supplier?
  - What would you hope to achieve by switching? Probe fully:
    - What % saving would make it worth switching?
    - What other benefits would you look for beyond price?
  - What would hold you back from switching? Probe fully. *Moderator to write down barriers on **flipchart***
    - What are the potential risks in switching?
    - What information or 'pull factors' would you need?

- Do you recall seeing any advertising or communications from retail water service suppliers?
  - For all mentions: can you describe it to me… what was it telling you… via what channel? When was this? What did you think of it? What was good / not so good about it?
  - So from all the 'noise' that you may or may not have picked up relating to water services for businesses, can we sum up the headlines?
    - What are the main messages that you have gleaned?
    - What did the industry want you to hear?

- How many water suppliers do you imagine are available to choose from?
  - *Allow for spontaneous reaction*
  - Who are the main players in the market? What names can you recall?
  - Do you have any impressions of them – such as who are leaders and followers?

***Supplier logo stimulus:** on A5 cards, spread out names of licensed water suppliers.*

- Spontaneous response to cards…
- **Sorting exercise:** how would you group these companies? Which would you put together? Can we label the groups? What characteristics does each group have (probe reputation, price, established, new entrants etc)
- Which are the most familiar to you?
- How would you shortlist suppliers?

- Many organisations have not switched to other suppliers. Why do you think this is? *Probe fully*
- How do you think people like you should be able to find out more about this or be told about this?
  - Who do you think should be talking to you? E.g. government, your industry trade body, the retail service suppliers? Other?
  - What should they be saying / talking about…. What would be most useful to you?
  - **Where do you currently go for information about things that could affect your business industry? Should it be there? Why / why not?**
  - How should they be reaching you? Where would you naturally see information about changes in utility industries?

    - **How could you have found out about this sooner?** Through what channels of communication

Overcoming barriers and service expectations

- Thinking about everything we have already discussed, summarise why you/your organisation has not switched or renegotiated your water contract since it became possible to do so?
    - *Moderator to refer to barriers already noted down on flipchart and expand*
    - What's got in your way? I.e. it's low priority, didn't know you could, happy with what you have got?
    - What's put you off, if anything? I.e. anything you've heard or experienced – thought it would be a hassle, switching time is too long etc.?
- How would you expect the process of switching / renegotiating to be like?
    - What should happen start to finish? What should not happen?

Stimulus: 4 stages to switching

- Is this what you expected? Is this process ok?
- Is there anything that you're uncertain about / puts you off?
- Now you've heard about the way in which the water market works for businesses… what would **motivate** you to switch / renegotiate?

*The market was opened to create four key benefits to customers: **'Four customer benefits' stimulus** on A5 card. **ROTATE order shown.***

- Which is most important to you?

For each of the four, ask:

- Have you experienced this benefit with your current supplier? Give examples where possible
- Would you add anything to these 4 benefits? Is anything important missing that would overcome the barriers to organisations switching?

Response to communications (10 mins) ***[9.35-9.45]***

Objective: to explore response to real communication examples and see which are most relevant

Show examples of existing communications material

Here are some examples of advertisements used by some of these retail water suppliers. Have a browse and then we'll talk about them

- **Have any of you seen any of these before? Which ones?**
- Identify the words or visuals that have greatest relevance to you? Explain why.
- What is grabbing your attention? Expand.
- Do you recall seeing anything like these? Expand.
- How well are these ads talking to you about how the market works and the benefits of this?

- Is this how brands and companies should be informing you?
    - Why / why not? If not, what should they – or others - be doing or saying to engage you? What should they be saying? **What works best for you?**
- Why do you think ads like these haven't had much of an impact on you before (if the case)?
    - If you had seen one or more of these, would it have made you think differently or do something differently? I.e. prompt you to switch / renegotiate your water contract? Why / why not?
    - **For those of you aware of being able to switch but not renegotiate, how could this be made more common knowledge?**

Summary – 10 minutes **[9.45-9.55am]**

Objective: to summarise discussion and capture any learning on how things could be done differently in England

Individual self completion exercise: *write a brief performance review of the Scottish water market, and what its performance objectives should be in the next 3 years…*

- Discuss individual assessments of the market as it is today
- How could it improve to ensure all businesses experience the 4 benefit areas?
- The English water market is about to go through a similar transition. What advice would you give those designing and regulating the market to ensure that the positive aspects in Scotland are achieved, and the negative aspects avoided?
    - In terms of how the market is structured and regulated
    - In terms of how organisations should be informed about this choice and the benefits involved?
- Finally, what advice would you give to CCWater who will be seeking to protect the interests of businesses like yours in England?

RESPONDENTS TO RECONVENE AS ONE GROUP

Feedback and Wrap Up (5 mins) **(9.55-10am)**

Objective: for the group to share recommendations on what should be done differently in England – specifically agreeing on key barriers and how those should be overcome

- As a business customer, what's your advice for making the market a success in England?
    - Please share your recommendations / performance objectives
    - *Group to compare and contrast with moderator drawing upon overlapping themes*

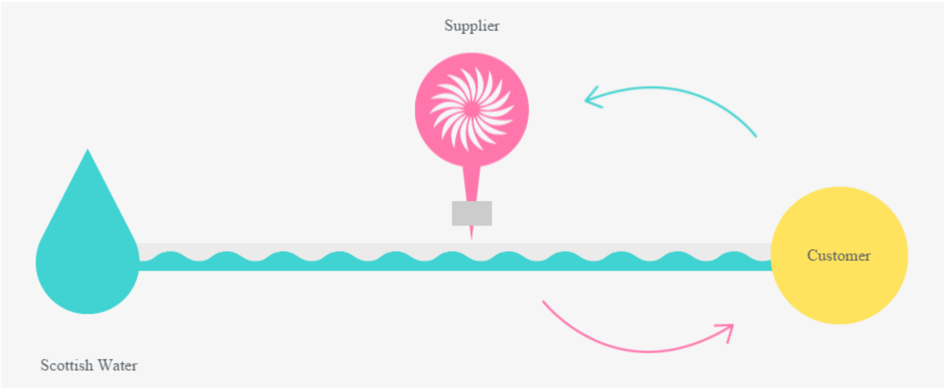
Moderator and clients to thank all respondents for their attendance and input.

7.3 Stimulus materials

Stimulus A

Since 2008, Scotland has offered non-household customers choice in their water supplier.

The network of water and sewerage pipes in Scotland is wholly owned by **Scottish Water**. It acts as the wholesaler in the market, selling water and sewerage services to the water companies, known as suppliers. Having bought their wholesale services (water and waste water services) from Scottish Water, the suppliers then provide the customer service, billing and meter readings plus other value-adding offerings – such as water efficiency services – and sell them to customers.



Stages of switching

Start thinking about switching

You already know who you want to switch to

You don't know who you want to switch to so you either….
- Contact water providers yourself
- Go onto the Scotland on Tap website and use their customer enquiry form to ask suppliers to contact you

You decide who you want to switch to

Contact new water provider to confirm you want to switch to them/contact existing supplier to renegotiate

Your new water supplier will handle the switch, including informing your previous provider. The switch will happen within a month

'Four customer benefits'

Examples of existing communications material

Provider logos

CASTLE WATER
VEOLIA WATER
water business
Thames Water Commercial Services
United Utilities Scotland
SEVERN TRENT
Kelda Water Services
everflow save money. save water. save lives.
bluewater
CLEAR BUSINESS WATER
Source for Business A South West Water Company
business stream A SCOTTISH WATER COMPANY
cobaltwater
suez environnement Ondeo IS
business love every drop anglianwater
NWG BUSINESS
aimera same water. better price. great service.

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