CONSUMER COUNCIL FOR Water
CYNGOR DEFNYDDWYR Dŵr

Testing the Waters

Highlights Report

Foreword

Every two years we survey business customers so we can track their views on many aspects of their water and sewerage services. This edition of the survey is significant because it's the first one since the water retail market opened in England in April 2017. The results of this survey present real challenges to all those involved in providing services to business customers – not only retailers.

Perception in England has fallen in a number of key areas, including care and trust of wholesalers. There are some positive results too, with the vast majority (87%) of those who switch being satisfied with their experience and fewer people saying that they wouldn't switch at all (15%).

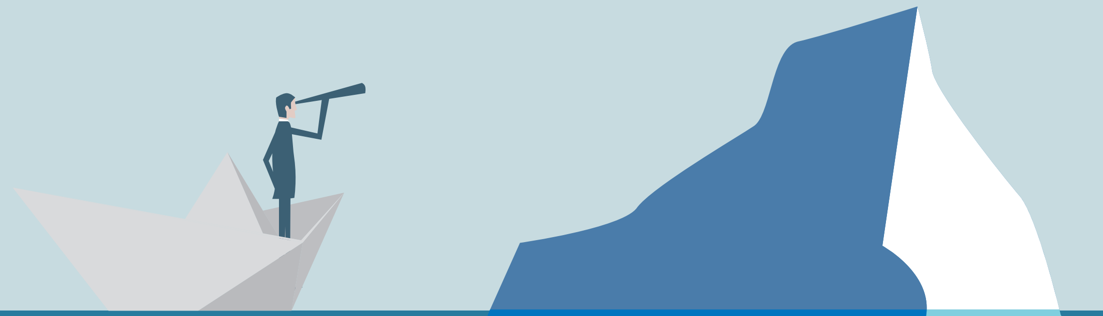
Customers in Wales are more satisfied than those in England. The differences in customer sentiment in Wales are revealing given that the opening of the retail market didn't affect the majority of Welsh business customers. Past surveys showed that there was generally a more positive view of water and sewerage services in Wales and the latest results reveal that in many areas this gap has widened; this is likely to be driven, at least in part, by the changes in sentiment in England due to the opening of the retail market.

And the survey shows that awareness of the water retail market has increased (now at 42%); however, this means that the majority of businesses still don't have the information that empowers them to take the plunge into the retail market. This is particularly an issue for smaller businesses, as awareness tends to increase with business size. Once aware of the market, there is no guarantee that businesses will explore their options – three-fifths of those aware have not done anything to engage in the market. For the market to be successful, awareness needs to be converted into a higher participation rate.

Many customers in England are unclear about who their retailer is and this confusion is not helpful, particularly when service failures happen as consumers don't know who to contact. But it's not just about raising awareness, as this survey reveals that the services retailers provide also need to improve, with satisfaction in key areas such as contact handling falling significantly in England since the last survey (down 10% to 54%).

We want all business customers to receive an excellent service and to benefit from the choices available to them, regardless of business size. We hope this survey helps focus efforts to improve in the areas that need it the most. In England an element of bedding-in for the new market is to be expected, however, as the market is now becoming more established we think it's time for retailers and wholesalers to up their game.

Dr Mike Keil
Head of Policy and Research



Introduction

To support businesses, charities and public sector organisations – collectively known at non-household (NHH) customers – we commission our Testing the Waters survey every two years. This explores experiences and perceptions of water and sewerage services and providers, including aspects of the water market as it applies in England and in Wales. The research was conducted between May and August 2018.

On 1 April 2017, there was a major change to the water industry. The water retail market in England opened to some 1.2 million NHHs.

At market opening, all NHHs in England were transferred to a default retail service provider, depending on who their regional monopoly water company was.

In Wales, things are largely unchanged. Only NHHs which use more than 50,000 cubic metres of water a year are potentially eligible to change their retail service provider.

In England and Wales, we looked at both wholesaler services (water and sewerage services) and retail services (meter reading, billing and customer service) to understand if splitting these services to different providers impacted customers' perceptions of them. And in short, it does.

The accompanying data report will tell you a lot of detail about what customers had to say. In this Highlights Report we get right to the key questions to help us understand the big picture of how NHHs felt about the water industry in general and retail competition specifically.

Securing the best outcomes for all water consumers – present and future

We make sure all current and future, household and business consumers:

✓ have affordable charges that they see as fair and value for money

✓ have a good service right first time; protection when things go wrong and an easy-to-access service for all

✓ have safe, reliable water and wastewater services that everyone can trust now, and in the long term

✓ know that CCWater is shaping the water sector by informing and engaging all consumers so their voices are acted upon by decision makers and the industry

Views on Suppliers & Services in England and Wales

88%

are satisfied with sewerage services, still in line with 87% in 2016 [1]

87%

87% are satisfied with their water services – a significant fall from 93% in 2016 [1]

70%

70% of customers are satisfied with their retail services

(i.e. billing, meter reading and customer service).

52% 2018

62% 2016

52% agree that their water company cares about the service they give to business customers - a significant fall from 62% in 2016. [2]

72%

Satisfaction with value for money of water and sewerage services is flat

66% 2016

55% 2018

Satisfaction with contact handling has fallen significantly from 66% in 2016 to 55% in 2018.

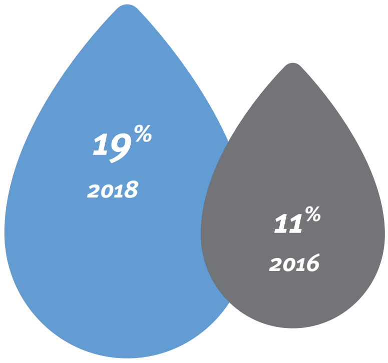
Levels of trust have fallen significantly since 2016, when 35% gave their service provider a high score of 9 or 10 out of 10 for trust. In 2018, 29% gave a score of 9 or 10.

2016

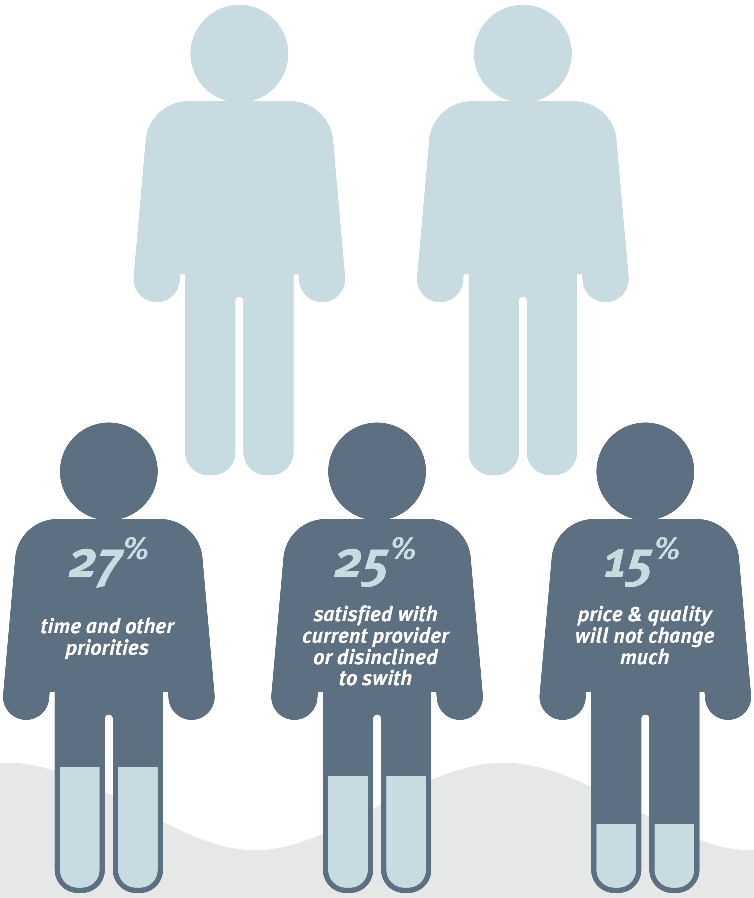
2018

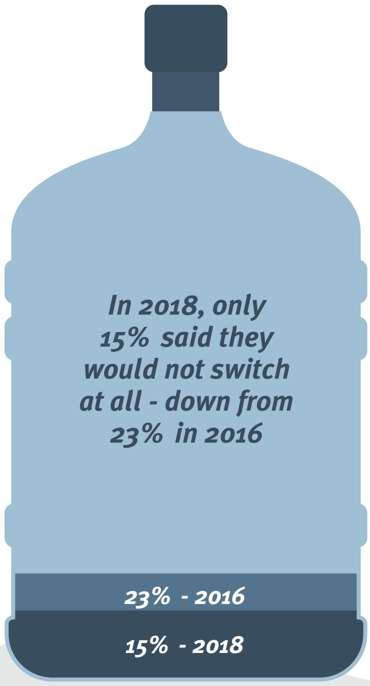
Views on the Retail Market

In England, expectations of bill savings from switching have fallen significantly. Nearly one in five (19%) would now switch for savings of 1-5% compared to 11% in 2016.



Positively for the retail market, nearly nine in ten were satisfied with the switching process. Of the few dissatisfied, nearly all felt the switch took too long.





Around three in five of those aware of the market had not actively engaged. The main reasons for this relate to time and other priorities (27%), feeling satisfied with current provider or disinclined to switch (25%) and a perception the price and quality on offer will not change much (15%).

1. The wording of this question changed in 2018 so changes in the findings should be interpreted with caution.

2. In 2018 this question was reframed for England to ask about whether their (wholesale) water service provider cared.

2. How do views in England and Wales compare?

The underlying theme running throughout the data is that customers in Wales are much more satisfied than those in England with many aspects of their water and sewerage services. At the time of this survey (April-August 2018), it was better to be a business customer in Wales, than in England.

In 2018 customers in Wales were still more satisfied with their service providers on average compared to England, as has been the case since 2014. However, the Wales vs England satisfaction gap has widened significantly across many measures including trust, care and likelihood to recommend. This coincides with the change in retail service provider in England, while there has been continuity of supplier and services in Wales. Strong local branding may also have helped keep satisfaction high in Wales, as we saw similar results in our household survey Water Matters (90% satisfaction with water and sewerage in Wales).

Key findings for England and Wales from 2018 are shown in Figure 1.

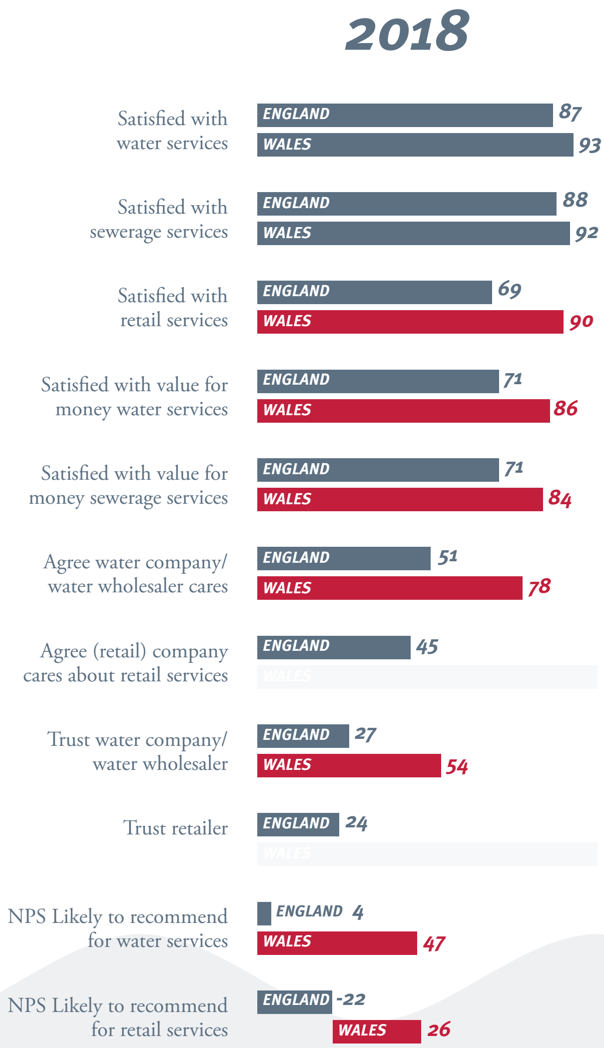


Figure 1. Figures in red are significantly different between England and Wales in 2018

3. Satisfaction with retailers and with retail services

The 2018 survey establishes, for the first time, a robust measure of satisfaction with retail service providers and services, distinct from water and sewerage services.

In customers' eyes, retailers are delivering a poorer service than wholesalers. In England and Wales, 70% are satisfied overall with retail services which includes the billing, metering and customer services their company provides, compared to 87%-88% satisfaction with water and sewerage services.

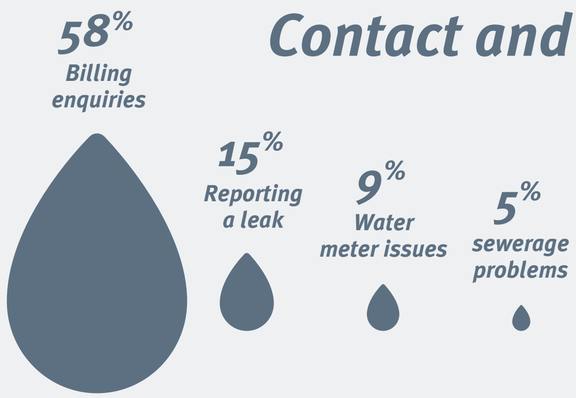
The gap in satisfaction between England and Wales (69% compared to 90% respectively), which grew compared to two years ago, suggests that experiences and perceptions of retail services has affected views in England. In Wales, where there has been continuity of retail service provider, satisfaction is much higher than in England, as are perceptions that the company providing retail services cares about these services.

Satisfaction with contact handling has fallen significantly from 66% in 2016 to 55% in 2018. Contact is driven by billing enquiries as shown below.

These perceptions have been reflected in the number of complaints we have received from businesses regarding their retailer. In the first year following market opening in England, complaints to CCWater more than tripled and have continued to increase in its second year. The root cause of most complaints are problems with bills and charges. These issues have grown from being the cause of just over half of business customer complaints to CCWater to around seven out of ten complaints.[4] This suggests there are still many unresolved grievances with the services that retailers are now directly responsible for.

Given the large scale change experienced by the sector in England in 2017, some degree of bedding in is to be expected. But retailers have now taken over as front-facing service providers from water companies and some have yet to get to grips with the service that customers expect. The next Testing the Waters survey will start in 2020; the challenge for retailers is to ensure that they have markedly improved the delivery of their services and engaged positively with their customers to improve their perceptions.

Contact and reasons for contact



Contact with wholesalers and retailer providers[5] has increased since 2016, particularly amongst larger businesses (from 28% in 2016 to 52% in 2019). By far the most contacts are about billing enquiries (58%), followed by reporting a leak (15%), issues with water meter (9%) and sewerage problems (5%). These reasons are similar to those for households, although the scale of contact around billing enquiries is much lower – 28% for billing enquiries, 17% to report a leak, 9% with sewerage problems and 7% moving house[6].

4. Link to CCWater's 2018-19 Q3 infographic on our website
5. in 2016 contact was measured before the retail/wholesale split
6. Water Matters 2017: https://www.ccwater.org.uk/wp-content/uploads/2018/07/Water-Matters-Household-customer-views-on-their-water-and-sewerage-services-2017.pdf

4. Satisfaction with wholesalers, and with water and sewerage services

Water and sewerage service providers have not changed since 2016 in either England or Wales, so there has been continuity in what is being provided and by which company.

This may help explain why satisfaction with the sewerage services provided by wholesalers in England is consistent with 2016[7](although satisfaction has increased in Wales). Satisfaction with value for money of water and sewerage services and Net Promoter Score for water wholesalers is also similar in England to what it was in 2016.

But there are three notable changes to views in England since 2016:

- Satisfaction with water services has fallen significantly. It's too early to understand if this is a meaningful change in perceptions, or if it is related to a change in the way this question was asked in 2018. The next survey in 2020 will clarify this.
- Trust in water wholesalers has fallen significantly.
- Perceptions that wholesalers care about the services they give has dropped significantly.

A gap seems to have emerged between perceptions of service delivery and perceptions of integrity of the companies, such as trust and care. In Wales the picture is quite different – views on services and integrity have improved.

Customers who are satisfied with their water services are more likely to have positive views of trust and care. So lower satisfaction with water services could help explain why views on integrity have fallen in England.

Examining the data for England also shows that customers who agree their water wholesaler cares, are significantly more likely to be satisfied across all wholesale and retail services. They are more likely to trust and recommend both their wholesaler and their retailer. The same is seen for customers who disagree their wholesaler cares, those who have low satisfaction across all wholesaler and retailer services and lower levels of trust and likelihood to recommend for both wholesalers and retailers.

So it's also possible that when it comes to care and trust, as with other measures, that businesses tend to make a joined-up assessment based on their views and overall experiences of both wholesalers and retailers. It's in the interests of both to ensure that they deliver services in a joined-up way to create an overall positive experience.

So how can wholesalers improve their trust score? Firstly, they can improve water services as this may be driving the fall in trust. Secondly, the data shows that perceptions of water wholesalers and retailers in the round are linked. That means a poor experience of a retailer or wholesaler could drag perceptions of the other down, especially where understanding of the respective roles is not clear. It underlines the importance of wholesalers and retailers working well together to help resolve issues.

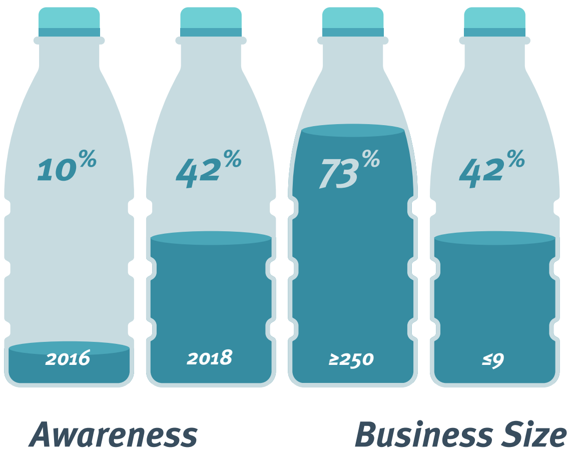
7. The way this question was asked changed in 2018; although there is a fall in satisfaction with water services in England, this could be attributed to the question. Satisfaction with sewerage services is flat from 2016 to 2018.

5. Retail market awareness

A healthy market relies on businesses understanding that a choice of retailer is available.

Efforts to inform customers around the time of market opening by water companies, the regulator Ofwat and CCWater, saw overall awareness in England climb sharply from 11% in 2016 to 43% in 2018. But more recent evidence suggests that awareness is stagnating; research from Ofwat[8] found 48% awareness in early 2018. CCWater's tracking survey of Small and Medium Enterprises (SME) awareness found that from July 2017 to February 2019, awareness was consistently around 40%.[9]

Brand awareness of retailers is low, with four out of ten business customers unable to correctly name their retailer, compared to one in ten for wholesalers. And there is a lot of confusion about who to contact to resolve a water supply issue, with 66% of customers in England saying they would contact their wholesaler, rather than their retailer. This echoes our recent *(2018) freeze/thaw research*, which also revealed confusion about who to contact in an emergency when left without water. About 35% did not know whether they had contacted their retailer or wholesaler to report a problem.



Awareness of the retail market in England and Wales has increased significantly from 10% in 2016 to 42% in 2018.

Awareness is still very closely related to business size in England with 73% of large businesses (≥250 employees) aware compared to 42% of market eligible microbusiness/ sole traders (≤9 employees).

The follow up interviews we did with some businesses showed how this confusion extends to a basic lack of understanding of respective wholesaler and retailer roles:

I know it was deregulated, as I understand it. But Castle, they just bill us now don't they? As far as I know they're just the billing agent for Thames Water I assume. Or are they actually a provider? I don't know. I never see Castle Water around anywhere.

- Small, Manufacturing, Thames region, Engaged

Customers' awareness of their retailer is significantly higher if they have made contact (with either the retailer or wholesaler) since market opening. Customers who have made contact are less likely to recommend or trust their retailer or wholesaler, or to feel they care about services. Where no contact has been made, customers had more positive views on trust, care and likelihood to recommend.

There is a risk that awareness of retailers is being driven by the necessity for customers to make contact, due to a need for information or a problem with services. In our satisfaction research across households and businesses, we consistently see that customers who make contact are less satisfied and vice versa.

The data suggests that retailers need to explore how they can create a positive perception of their brand and services, to increase awareness so that it does not take the negative scenario of a service problem for customers to become aware of their retailer.

8. https://www.ofwat.gov.uk/wp-content/uploads/2018/07/ORS-final-report-Non-household-customer-insight-survey.pdf

9. CCWater's tracking survey of SME awareness has run four times, with the February 2019 wave due for publication shortly. The survey excludes large businesses and includes some businesses which would be ineligible for the market so awareness might be expected to be lower than in the Testing the Waters research:

https://www.ccwater.org.uk/blog/2019/03/12/small-businesses-being-left-behind-by-water-market/

6. Engagement in the retail market

Although awareness has increased since 2016, the signs are that turning this into actual engagement – either switching, renegotiation or looking for information to find out more – is very challenging.

In England, three-fifths of those previously aware of the market have not engaged in any way. These customers are more likely to be satisfied with their water services and to think that water wholesalers care about services, but they don't have distinct views on their retailer or their services. They are less likely to have made contact, which suggests they are not experiencing any particular service problems.

They also tend to have a water bill which is less than 10% of their annual running costs and want higher bill savings (more than 11%) than those who have engaged in some way (less than 10%). Expectations of savings are a barrier to engagement and the development of the competitive retail market where realistically savings are likely to be less than 5% of the bill.

Around a fifth of those who knew about the market had actively engaged - 14% switching and 8% renegotiating. For the market to succeed, it will need to find ways of enticing more than one in five businesses to exercise their choices.

The remaining one in five have either looked for information but not yet switched, or looked for information and decided not to switch.

Another barrier to market engagement lies in poor experiences and perceptions of retailers and their services. We've previously discussed that satisfaction with retailers is consistently lower than for wholesalers. For more customers to engage and the market to develop, retail services and delivery of these must improve. We spoke in depth to several businesses that have switched supplier to understand their experiences, and in some cases they are experiencing a catalogue of problems with retail services.[10]

At this stage, with the retail market still relatively young, there is also a degree of pragmatism from some businesses. They are sticking with it and expect, or hope, that things will get better as retailers gain experience.[11]

We'll look at the experiences of different customers in the retail market in more depth in a future insight report. This will consider who have fared better or worse, and try to understand the reasons behind this.

Every single time I have to query it … sites we don't have they are charging us for … Sites we do have they are just not billing us, I keep asking for invoices and I'm just not getting them … And when you ring up you never speak to the same person. You're always on hold for 15 to 20 minutes trying to get through to someone … The accounts invoicing, and credit control side is, pardon the pun, falling down the drain, well and truly. It really is a major, major issue.

Large, Public administration and defence, Northumbria region, Switcher

There have been some teething problems, and my understanding is that they are industry wide, really around the billing and the systems that have to be used between obviously Northumbrian Water Ltd and Northumbrian Water Group, or basically the wholesale and retail arm. So yeah, there have been some teething problems, but I think we are getting to a point now where we are at the end of them, I would say, hopefully.

Large, Manufacturing, Northumbria region, Re-negotiator

7. In summary

Our findings from Testing the Waters show a divergence in views between England and Wales, which indicates that the changes in England have – for the moment – led to a fall in satisfaction across many measures. In contrast, satisfaction in Wales has increased in the vast majority of areas.

The opening of the market in England coincides with a decline of trust and perception of care for wholesalers in England. Views on wholesalers and retailers – whether good or bad – tend to be linked. This means it's in the interests of both to work together to deliver seamless services to customers.

Awareness increased around the time of market opening, but surveys since then show it has not continued to increase. This is disappointing as it can only constrain market development and limit opportunities for customers to benefit from the market. Overall, awareness is still low when taking into consideration that all customers in England should have been contacted by their retailer. Additionally, many customers are unable to recall the name of their retailer which is not helpful from a consumer perspective. Retailers need to explore opportunities to connect and make themselves visible to their customers.

Some retailers have had problems with billing and customer service that are reflected in customer perceptions and our complaints data. The retail market is now nearly two years old; whilst we would reasonably allow for some teething issues at the very start, we now expect to see real improvements in retailer performance to start closing the gap between perceptions in England and Wales, and between retailers and wholesalers. Retailers need to ensure they move towards improving customer confidence in the services they provide for the open market to work for everyone.

The findings of this report support CCWater's work to challenge retailers to up their game. Customers want to know more about what their retailers can offer them and how the market can benefit them. With only a fifth of those aware of the market engaging with competition, it is up to retailers to promote the benefits of choice. Customers want things to go right first time so they encounter fewer problems. However, when things do go wrong they want the process to work more smoothly and this means both wholesalers and retailers improving their performance.

The full data report can be found here

10. Testing the Waters qualitative report
11. Testing the Waters qualitative report