

The role of Third Party Intermediaries in the Business Retail Market for Water 2020 BMG Report



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& CCW**

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1. Overview

1.1 Ofwat

Ofwat is the economic regulator of the water and wastewater sectors in England and Wales. Ofwat works with a broad range of stakeholders including the UK Government, the Welsh Assembly Government, water companies, consumer organisations and other regulators.¹

1.2 CCW

CCW is the statutory consumer organisation which represents the interests of water and sewerage customers (including non-household customers) in England and Wales.² CCW has two main roles:

1. Ensures that customers get the advice and support they need when they have complaints or enquiries about their water and/or sewerage service provider.
2. Helps to develop water industry policy and secures the best outcomes for all water consumers – present and future.

1.3 The water business retail market

The business retail market for water is a competitive market that opened in April 2017.³ It allows business customers to choose who supplies the ‘downstream’ services related to their water and sewerage services and operates in a way comparable to other open utility markets such as telecoms, electricity and gas. Retailers buy wholesale services, i.e. the physical supply of water and removal of wastewater, and compete for customers on services such as billing, water meter reading and customer services. There are approximately 1.2 million business customers in England and Wales eligible to choose their retailer.

By introducing retail competition, the overall aim was to give customers choice and more competitive price and service offerings including more choice with respect to billing and tariff options. The opening of the market means that (like many other utility markets) eligible organisations will be free to either switch retail suppliers or negotiate a better deal with their existing retail supplier. Eligible business customers also have the option to become their own retailer and ‘self-supply’ their own sites with retail services.

¹ For further details see www.ofwat.gov.uk.

² For further details see www.ccwater.org.uk.

³ For more information on the competitive market, please visit: www.ofwat.gov.uk/regulated-companies/markets/business-retail-market/open-for-business/

1.4 Third Party Intermediaries

Third Party Intermediaries (TPIs)⁴ facilitate market operation by bringing retailers and customers together. They may operate in more than one market, for example constructing and selling utility bundles such as gas, electricity and water service offerings. As such, they have a particular role in the business retail market and their activity and behaviour have the potential to directly facilitate customer engagement and activity as well as affect levels of trust and confidence in the sector.⁵

TPIs operate under a variety of different business models and with varying degrees of independence from retailers. This includes switching and price comparison websites, brokers, consultants and water efficiency advice providers who interact with businesses and organisations in the market. TPIs can offer a range of advice and service to assist with a range of outcomes including water procurement, efficiency and management. Some TPIs also work on behalf of water and wastewater retailers.⁶

1.5 Objectives

In October 2019, Ofwat and CCW commissioned BMG Research to conduct research in order to gain insight into the role of TPIs in the business retail market for water. The research was delivered in conjunction with research into the experiences of customers in the non-household market.⁷

Given their interaction with both retailers and customers, TPIs offer a unique perspective as to how the business retail market operates and the experiences and needs of customers. With this in mind, the research sought to explore the following:

- The format and scale of a TPI's involvement in the business retail market.
- The form of business model used by a TPI including the range of services offered, type of end customer principally targeted and whether other utilities are also offered.
- Examining how TPIs operating in the market interact with retailers and end customers.
- Explore their views about how well the market works for the customers they work on behalf of.
- Establishing if and where barriers to a TPI's entry or involvement in the business retail market can arise, including problems or issues with being active in the business retail market and being able to create viable propositions for end customers.

The research outputs will feed into two key areas:

1. An evidence base for future policy development and delivery, helping Ofwat and other industry participants (e.g. the market operator (MOSL) and CCW) to judge where further action may be needed to enable the business retail market to deliver improved outcomes for customers.

⁴ The abbreviation 'TPI' will be used for the remainder of the report.

⁵ Readers should note that this report relates exclusively to the activities of TPIs operating in the business retail market for water and not the domestic household market.

⁶ Just one participant who took part in the research said they worked exclusively on behalf of a single retailer. However, given this is a qualitative study, this figure should not be taken as representative of the industry more widely.

⁷ This research was split into separate quantitative and qualitative phases. The qualitative report can be accessed [here](#). The quantitative report can be accessed [here](#). This report will occasionally cross-reference findings from this research where relevant.

- The results will contribute towards Ofwat’s third annual ‘State of the Market’ report, which will review the market for the year 2019/20.

1.6 Methodology

The research followed a qualitative approach. A total of 28 in-depth interviews were conducted with TPIs in February and March 2020. Interviews typically lasted between 20 and 40 minutes in length and were conducted via telephone.

To qualify, research participants had to be a TPI operating in the water business retail market in England and Wales. To ensure a broad range of perspectives, efforts were made to ensure that individuals from a range of TPI ‘categories’ were recruited to take part. A breakdown of the interviewed participants is provided below:

TPI category	Description	Interviews conducted
Broker (price focus)	Brokerage focusing on price-based switching.	6
Brokerage, consultancy and/or water management services	Brokerage services but with full range of additional services that could include services such as efficiency advice, metering, data validation and analysis, leakage support, reporting tools, account and billing management and administration.	19
Comparison website	Websites allowing organisations to compare prices including accesses to tendering and water procurement platforms.	3
Total	All combined	28

Services offered	Interviews conducted
Water only	5
Water and other utilities (i.e. gas, electricity, telecoms)	23
Total	28

Interviews were semi-structured and followed a ‘discussion guide’ designed by the research team.⁸ The report is structured around the following headings, which closely mirror the main themes covered in the discussion guide:

- 1. Business models and practices:** An overview of how each TPI operates within the market, including the different products and services they offer to customers, their approach to generating new business, their client base, and general perceptions of the market since deregulation.
- 2. Comparison to other utility markets:** Discussion of how, in the view of participants, the business retail market for water compares against other utility markets.
- 3. Experiences with retailers:** This encompasses participants’ views and experiences as they relate to working with water retailers. This includes experiences they have encountered around assisting customers to switch retailer, and experiences and perceptions as they relate to billing and customer service.
- 4. Experiences with customers:** Covering views and experiences as they relate to interacting with customers and prospective customers in the market. This includes their perceptions of both facilitators and barriers that encourage or prevent organisations from engaging with the market.
- 5. Conduct of TPIs:** Examining participants’ views about what works well or not so well regarding TPIs’ roles and functioning within the business retail market, in addition to perceptions towards the voluntary code of conduct and regulation of the sector.

Readers should note that the semi-structured interviews rely on the use of open-ended questions, which means at times the discussion diverged from the areas included in the discussion guide. This was encouraged as it provided the interviewer with the opportunity to explore emerging issues that might not necessarily have been anticipated during the discussion guide design phase.

In order to give additional context and present the research findings in the words of interview participants, anonymised quotations are provided throughout the report. All example quotations are accompanied by the participants’ TPI category.⁹ In accordance with MRS guidelines, no information revealing either the organisation or the individual personal details of those who took part in the research have been provided.¹⁰

⁸ Ofwat and CCW provided input when creating the discussion guides during the research design phase. The full discussion guide is included in the appendix to this report.

⁹ Participants fall into one of three categories. See page 6 above.

¹⁰ This has occasionally resulted in certain parts of the verbatim quotations being redacted.

1.7 Analysis

Each interview was audio recorded and transcribed in full. Analysis followed a grounded theory approach which reported against the key areas of interest that have emerged ‘organically’ through the research.¹¹ To achieve this, responses to questions were analysed against a thematic framework using interview transcripts. The key themes and topics arising from the interviews were identified through the topic guide and an initial review using a thematic grid. Researchers analysed each row, representing the responses of an individual participant, by extracting relevant data from the interview and drawing out themes and conclusions (see grid illustration below).

Participant ID	How would you describe the service you offer your customers?	What is your experience of working with retailers in the business retail water market?
Participant A	Summary of response from Participant A. <i>“Verbatim quotation where relevant.”</i>	Summary of response from Participant A. <i>“Verbatim quotation where relevant.”</i>
Participant B	Summary of response from Participant B. <i>“Verbatim quotation where relevant.”</i>	Summary of response from Participant B. <i>“Verbatim quotation where relevant.”</i>

1.8 The interpretation of qualitative research and data

When interpreting the qualitative research findings, it is important to note that they are not based on quantitative statistical evidence. Thus, findings cannot be taken as representative of the views and experiences of TPIs more broadly.

However, whilst findings cannot be seen to be representative of wider populations, there is often quite remarkable homogeneity in the views and opinions expressed by participants during in-depth interviews. Differences will always emerge, but the findings can be viewed as indicative of opinions that will likely exist more widely. Whilst findings are not based on quantitative statistical evidence, they do go some way in terms of helping us understand how experiences influence the views and experiences of TPIs operating in the business retail market for water.

It should also be borne in mind that, generally speaking, positive views tend to be more submerged and therefore less likely to be raised by participants during in-depth interviews, whilst any negative views are more likely to be voiced. This report should be read with these notes of caution in mind.

¹¹ More information on grounded theory can be accessed at:
https://www.researchgate.net/publication/287400872_Qualitative_Research_Method_Grounded_Theory

2. Key findings

- TPIs, in developing propositions attractive to customers, have moved towards consultancy services such as account management, efficiency and billing support, rather than a narrower focus on switching suppliers based mainly on price. This is in part because TPIs report that:
 - Many customers are simply not motivated by the relatively low level of price savings available;
 - Some customers actively seek services or value beyond price; and
 - Some customers are seeking TPIs' help in getting the basics right such as accurate and timely billing.
- Cross-selling is important for lead generation and engaging customers - most TPIs interviewed also work in other markets. They typically draw on existing and established client relationships in other markets – typically gas, electricity and/or telecoms – to broaden their offers to water customers.
- Clear motivators for customer engagement with the market and TPIs are customers' desires to achieve price savings, and to find better customer service and bill management.
- TPIs cited difficulties with accurate billing as a major issue, including as a barrier to customer engagement. Reflecting both their customers' experiences and their own experiences in dealing with retailers on behalf of customers, TPIs noted billing issues included: inaccurate bills, an over-reliance on estimated meter readings, bills being overly complex, irregular billing intervals, missing bills, and prolonged periods for retailers to address billing issues.
- Other barriers to customer engagement included a perception that available price savings were limited or insufficient, time pressures and delays, complexity and lack of knowledge, and a perception about unknown risks.
- Concerning TPI commercial and working relationships with retailers:
 - The majority of participants said they worked with most retailers or at least a broad 'sub-set' of retailers. Those who worked with more limited sets said that they tended to do so because of the risk to their reputation by recommending a retailer seen as unreliable, either as a result of their experiences working for them or because they had heard they were unreliable from others operating in the market.
 - Generally, participants felt that they were able to get the information they needed to provide quotes to end customers, with some retailers being easier to work with than others. Some highlighted that the process could be slow and lacked the standardisation seen in other markets.
 - Participants tended to state that their experiences with retailers were "mixed" at best. Some recounted positive experiences with certain retailers, particularly for some of the smaller, newer retailers who are keen to grow their customer base, and thus keener to engage with TPIs. Some TPIs also highlighted that some retailers could be better in terms of billing and customer service.
- Most participants, generally speaking, felt that TPIs operating in the water market act with integrity and in ways which help customers engage better with the market. Nevertheless, some raised concerns about 'cold calling' practices, telephone sales and the transparency of the fees and payment structure.

3. Executive summary

Business models and practices

- Participants reported working within the business retail market for water for varying lengths of time. Many of those who worked in other sectors said they had only been involved in water related services since deregulation in April 2017. Others, meanwhile, had been in the market for much longer.
- Many participants indicated a preference towards consultancy services rather than purely ‘transactional’ switching and re-negotiation. The focus on broader consultancy services - such as supporting their clients with billing, data accuracy, and water efficiency - tended to be principally driven by the perception that only relatively small savings could be made with respect to price-based switching.
- The nature of business model operated by each TPI tended to dictate the type and length of relationships that TPIs would have with their clients. For those in the broker and price comparison categories, the nature of their contact with their clients meant communications did tend to be less frequent and shorter in duration. For those offering a broader range of services to their clients, interactions with clients tended to last longer and involve more frequent contact to facilitate support and consultancy.
- Most participants said their organisations had a range of clients across a wide variety of sectors. Some did say that, whilst they were open to working with any business or organisation, they had built up strong portfolios in particular sectors - though this was typically by accident rather than by design.
- Generally speaking, whilst sector was less important, participants said they preferred to work with clients who operated on more than one site and/or had higher levels of water spend.
- Cross-selling was frequently cited as an approach to lead generation. Participants explained that they would draw on existing and established client relationships in other markets - typically gas, electricity and/or telecoms - to broaden their offer into the business retail market for water.
- Other methods for new business generation included word of mouth referrals, online advertising, email and social media campaigns.
- When prompted by the interviewer, some participants also said they used cold calling as a means of generating new business, though some did not directly use the term “cold call”, and some emphasised this was a secondary approach.
- There was a range of ways that participants reported monetising their services. For brokers and price comparison websites, this was typically charging the retailers a set fee for arranging a switch, meaning no additional costs were passed on directly to their clients. For TPIs more focused on consultancy and water management, this typically involved set fees or charging their clients on the basis of a percentage share of savings.
- The vast majority of participants said they worked with most retailers or at least a broad ‘sub-set’ of retailers. Those who worked with more limited sets said they tended to do so because of the risk to their reputation by recommending retailers seen as unreliable through experience or because they had heard them to be unreliable from others operating in the market. Whilst there are no reasons to suggest participants were underplaying the extent to which they had specific relationships with

retailers, some did say they were aware that others in the market did operate with financial relationships that involved recommending specific retailers.

Comparisons to other utility markets

- Many reported that the savings which could be made in the business retail market for water were relatively marginal when compared to other utilities. Whilst the size of the savings that participants reported customers could generally expect to see did vary, the reported savings for the average customer typically ranged between 2% and 5%.
- Many compared the situation in England to the savings that could be made in the Scottish market. The general consensus was that, because the business retail market for water in Scotland had been open for longer, there was much greater scope to achieve savings for clients in the Scottish market relative to those in England.
- Other comparisons to other utility sectors also tended to be negative. These included: comparatively poor data; frustration at wholesalers having a 'monopoly' over metering; regions having their own charging structures leading to complexity for multi-site clients; poorer customer service and retailer expertise; retailers being less willing to accommodate TPIs; and the relative complexity of water bills.

Experiences with retailers

- Participants tended to state that their experiences with retailers were "mixed" at best. Some did recount positive experiences with certain retailers, though it was clear that the difference in experiences in terms of billing and customer service from retailer to retailer could be quite extreme.
- The most prominent issues raised with regards to retailers related to inaccurate and inconsistent billing. It is important to stress just how prominent this issue was, with participants often circling back to the issue at various points.
- TPIs' concerns around billing tended to relate to one of four issues: over-reliance on estimated data leading to inaccuracies; bills being overly complex leading to confusion and overcharging; customers being billed at irregular times or failing to receive bills when they expected; and lengthy periods of time before issues are addressed.
- Participants also cited concerns about poor customer service and poor and declining levels of expertise among those working for retailers. Importantly, as well as causing them to have to spend more time than necessary dealing with issues, poor service also resulted in some TPIs choosing not to deal with particular retailers where they had experienced significant problems, given that delays and problems had a tendency to reflect negatively on them (particularly in cases where they had arranged for a client to switch to the retailer in question).
- Generally, participants felt that they were able to get the information they needed from retailers to provide quotes, although some complained that the process was slow and laborious.

Experiences with customers

- Participants said that customers expect better prices, improved customer service, and accurate billing when engaging with the business retail market for water.
- Those providing consultancy and water management services often discussed this as the main driver of their customers using their services, which was often more important than price.
- All participants said they used Letters of Authority (LoA) when acting on behalf of customers. Some said they used either Level 1 or Level 2 LoAs depending on the nature of service they were providing for customers, whilst some others said they only operated with Level 1 LoA.¹²
- Participants provided varying levels of transparency to their clients with respect to fees and commission being charged. Some participants said they were completely transparent about their fees, whilst others said that they would provide more limited information and disclose additional details only if requested to do so.
- Participants tended to say businesses were motivated to switch as a result of “push” factors related to poor experiences with regards to billing or customer service. Rather than being drawn to a new supplier due to a better offer, many were instead “pushed” to do so because of issues they had experienced with their current retailer.
- Where they saw barriers to customer engagement with the market, participants tended to see these falling into one of four categories: limited savings; time pressures and delays; complexity and lack of knowledge; and fear of unknown risks.
- Some suggested that barriers related to time pressures, complexity, and lack of knowledge, tended to be compounded by customer perceptions of relatively low savings.

Conduct of TPIs

- Participants had mixed views about the general conduct of TPIs operating in the water market, although it is fair to say that most participants felt that the behaviour of TPIs within the business retail market for water was of a relatively good standard.
- Some participants raised concerns about certain practices. Concerns included a notion that certain TPIs lacked transparency around fees and commission, in addition to problems caused by the excessive use of telephone sign ups and cold calling. However, as many participants freely acknowledged, the concerns raised were typically anecdotal accounts akin to hearsay. For this reason, it was usually hard to get any sense about the scale and prevalence of these issues within the market, so this finding should be interpreted with a high degree of caution.
- Most TPIs said they were aware of the voluntary code of conduct, though some only said so after being prompted. Others were unaware, although some said this was because others in their business took responsibility for compliance issues.

¹² Level 1 is the basic level, allowing only limited access to information such as that related to current bills, invoices and payments terms and meter readings. Level 2 gives greater authority, with everything included at Level 1, plus the ability to act on the client’s authority to agree transfers to new suppliers, or to agree changes to arrangements with current suppliers.

- Participants were divided as to whether more regulation was necessary. There were divergent views as to whether limited regulation was a positive or negative for the industry. Some felt that the market operated well already and that the behaviour of most TPIs delivered a good customer experience, so additional regulation was simply not required. By contrast, others felt that the voluntary nature of codes of conduct, and the lack of other regulation more generally, left the system open to abuse, with risks that some businesses are left unaware about the fees or commission they were being charged, or others sign up to new contracts without being fully aware of the details.

4. Research findings

4.1 Business models and practices

Participants had worked within the business retail market for water for varying lengths of time

Many of those who worked in other sectors said they had only been involved in the business retail market for water since deregulation. Others, meanwhile, had been in the market for much longer.

Only since the initial deregulation of water. I think like a lot of TPIs, we took an interest and just saw what was going on, and so I think it's about two people, three people we've ever done it for. So, it's really basically as another service that we could offer to our existing clients.

(Brokerage, consultancy and/or water management services)

We've been looking at it from as soon as it was deregulated, but we've only done a few deals. There are no savings there.

(Broker - price focus)

So, yes, we've been in the market before deregulation, originally more giving advice to businesses on where we think the market's going to go.

(Brokerage, consultancy and/or water management services)

Many indicated a preference towards consultancy services rather than purely 'transactional' switching and re-negotiation

Whilst participants offered a variety of business models and services, in commercial terms there was often a preference towards consultancy services such as account management, efficiency and billing support, rather than a more narrow focus on switching suppliers based primarily on price-based considerations.¹³ Whilst we are unable to provide estimates as to the share of TPIs in each category, it would appear that TPIs offering a broader range of services are more prevalent in the market more generally.¹⁴

Some participants did say their focus was more simply on price-based switching. These tended to be businesses that we would classify as either brokers or price comparison websites. That being said, some participants in these categories did report using partners to help deliver additional consultancy-based services for their clients.

Meanwhile, the focus on other consultancy services - such as supporting their clients with billing, data accuracy, and water efficiency - tended to be principally driven by their experience that only relatively small savings that could be made by focusing on price-based switching.¹⁵

¹³ This was particularly the case for those participants that offered both price comparison and/or brokerage in addition to other consultancy services.

¹⁴ This was to some degree a product of the composition of the interviewed sample. However, this was not by design. Our wider contact database had considerably more TPIs that were offering water management and consultancy services, with fewer offering purely 'transactional' services focused on price comparison and switching.

¹⁵ This was a theme often referenced by participants at various points during the interview and is touched upon at numerous points in this report. A more detailed discussion can be found on page 23.

It's all about savings and efficiencies. It's not about price against price, because the price differentials are not great in the English market, we find.

(Brokerage, consultancy and/or water management services)

If you look at the energy market and the water market in Scotland, you typically get maybe 20% to 30% discount on a lot of deals, which is a big incentive for business owners to switch. If you look at the English market, you're looking at 5% to 12% on the water side. That can be problematic.

(Comparison website)

We have to point out that there may be a small amount of saving in the switch, but it's what you gain in terms of customer experience, whether they've already experienced poor retailer interaction from the existing provider. I focus on seeing what other areas of savings we can make.

(Brokerage, consultancy and/or water management services)

It is worth noting that, whilst it is undoubtedly the case that many TPIs felt the savings that could be made were negligible, there is also a commercial incentive for those offering other services to emphasise the advantages that these can bring over a purely price orientated approach. This is likely to encourage some TPIs to focus their business models more on other services, which in turn encourages even less focus on the savings that can be made.

The nature of their business model tended to dictate the type and length of relationships that participants would have with their clients

Unsurprisingly, the nature of the particular business model tended to dictate the nature and length of the relationship that TPIs would have with their clients. For those in the broker and price comparison categories, the nature of their contact with their clients meant communications did tend to be less frequent.

Shorter-lived relationships were more oriented towards those services providing smaller revenues such as switching, whereas those providing alternative services, typically viewed as more lucrative, require more long-term arrangements. That said, most still said that they aimed to foster longer-term relationships with their clients, even when the main periods of contact were focused around times when contracts were about to lapse and switching or re-negotiation was again possible. Meanwhile, for those offering a broader range of services to their clients, interactions with clients tended to last longer and involve more frequent contact to facilitate support and consultancy.

We notify them generally with a newsletter, on a quarterly basis. If there's something specific to the product that they're taking from us, then we'll communicate relative around that product. But what we don't do is just leave it for 3 years and then call them when their contract's up again. That's not what we do.

(Broker - price focus)

We don't have any arrangements with any clients where it is just a tender exercise and we leave them to it. As part of our service as a business, any contracts which we put in place or which are placed through our business, we will then offer ongoing utility query management and any other services they require until the end of that contract.

(Brokerage, consultancy and/or water management services)

Well, we provide a continual service, because we do things like bill checking, as I say, and budget management, managing installation, new installations, managing.

(Brokerage, consultancy and/or water management services)

Most said their organisations had a range of clients across a wide variety of sectors

Most participants said their client base was not sector-specific, stating that they would work and looked to work with a wide range of businesses and organisations across multiple sectors. Some did say that whilst they were open to working with any business or organisation, they had built up strong portfolios in particular sectors, such as the public sector or manufacturing, though this was typically by accident rather than by design.

It's anybody and everybody to be honest. It's a bit like fishing, you never know what's going to come in the net.

(Comparison website)

A whole range. Traditionally, local councils, local authorities, schools, SMEs, retail chains, quite a lot of the high street. We do quite a lot through Crown Commercial Service, we do a lot through that and provide water services off the back of that to a lot of local councils, public authority kind of stuff.

(Brokerage, consultancy and/or water management services)

I've dealt with the public sector, councils, with the NHS, but also big industry, engineering, food and drink, paper mills. It's a great variety of customers.

(Broker - price focus)

Participants generally preferred working with multi-site clients or those who had higher levels of water expenditure

Whilst business sector was generally viewed as less important, some did say they would prefer to work with multi-site clients or those who spent at least a certain amount on water due to greater scope for savings and service offerings.

Customers, as I say, we go after high-energy, high gas users predominantly, but we do get a lot of smaller customers that make up that volume. They're the ones we seem to get into a lot easier for water, because it is quite a slick transaction for water.

(Brokerage, consultancy and/or water management services)

It's a broad mix of clients, but you're looking at probably £10,000 spend a year on water and wastewater is ideal, although I do work on lesser ones. That's the lower end of it.

(Brokerage, consultancy and/or water management services)

I do prefer to deal with customers who have a certain level of spend on their water bill where I have a higher certainty that there is going to be an amount that will cover my shared savings basis with them and that they will receive an adequate saving through the work I do. It's usually anything over £10,000, preferably over £25,000, a year spent on water charges.

(Broker - price focus)

The bigger customers are more inclined to want to switch. If they have the appreciation that they can switch, there's more of a sense of the greater your spend, the greater number of locations you have, the more opportunity there is to see an overall improvement in your pricing.

(Comparison website)

Cross-selling was frequently cited as an approach to lead generation

A range of approaches to marketing and lead generation were discussed. Among those who worked in other markets – a majority of those interviewed – cross-selling emerged as a particularly prominent avenue of new business generation. Participants explained that they would draw on existing and established client relationships in other existing markets – typically gas, electricity and/or telecoms – to broaden their offer into the business retail market for water.

We've already got the letter of authority for the gas and electric. So, we can get their information, we can see their 12-month bills. We can see what we can save them quite quickly, and it can be all scripted over the telephone. So, a customer can agree to a contract and have the contract out to them within the afternoon, and it's done.

(Broker - price focus)

A lot of the clients that we've switched have been existing clients because we've got a well-established, large database. So, we've looked at those and obviously done internal marketing to those clients so that they're aware of this service.

(Brokerage, consultancy and/or water management services)

In water, it's probably word of mouth and cross-selling. Where we'll have a customer for electricity, we would try and cross-sell them to have other utilities, like gas and water. It's mainly through existing customers.

(Brokerage, consultancy and/or water management services)

Indeed, some participants said that they themselves, or other TPIs who they were aware of, had used the opening of the market in April 2017 as an opportunity to use water as an avenue of generating new clients.

'Did you know that the water market has deregulated?' Obviously, then using that as a starting point to try and then sell other services from that, so by covering water, then we made sure that we had already basically raised that with any clients who might have received correspondence from other consultants.

(Brokerage, consultancy and/or water management services)

Other methods for new business generation included word of mouth referrals, online advertising, email and social media campaigns

Others said they relied on word of mouth and referrals, whilst others used more direct approaches including online advertising campaigns and email campaigns.

Our website brings in a lot of enquiries. We ran quite well on a number of searches. We're on the Crown Commercial Service framework for bureau services, so that strengthens our online presence. A lot of non-public sector clients will look at the Crown Commercial Service framework as a benchmark for suppliers to go to, because they've already been vetted by CCS. So, we get a few enquiries from the back of that. It's generally word of mouth and referrals.

(Broker - price focus)

LinkedIn is a very important market strategy for us. It's exactly the space that we want to be engaging with, energy managers, utility managers, and finance directors. That's primarily where we gain all of our business and increase our business exposure.

(Brokerage, consultancy and/or water management services)

It's mostly driven through Google or email campaigns. If you look at first-time customers, it's generally just Google listings.

(Brokerage, consultancy and/or water management services)

Some participants also said they used cold calling as a means of generating new business

When prompted by the interviewer, some participants also said they used cold calling as a means of generating new business, though some did not directly use the term “cold call”, or emphasised this was a secondary approach.¹⁶

Obviously, a lot of it is repeat business because they're with us and have been with us for a long time but there is obviously the new sales element that is cold calling out to customers, marketing out to customers and fielding those enquiries, so it's a bit of a mix.

(Brokerage, consultancy and/or water management services)

If I go directly to a customer, then it will be purely on the basis of saving water charges through bill validation and identify overspend, errors, but also benchmark them to establish whether they're using water efficiently. That would be the first entry just to get me through the door.

We do have some new direct sales of water, but predominantly it's a cross sale.

(Brokerage, consultancy and/or water management services)

A small number of participants explicitly noted that they do not use cold calling, even using their practice here as a point of differentiation from their competitors within their marketing and branding.

We very much work on an affinity scheme basis. We work with membership organisations, we don't do any cold-calling.

¹⁶ In the qualitative research with SMEs, many participants reported receiving regular cold calls, although most said that calls were more regular with respect to other utilities when compared to water. See section 4.7 of [Non-Household Customer Insight: SME Interviews BMG Final Report 2020](#).

(Brokerage, consultancy and/or water management services)

There was a range of ways that participants reported monetising their services

For brokers and price comparison websites, this was typically charging the retailers a set fee for arranging a switch, meaning no additional costs were placed directly on their clients. For consultancy and water management businesses, this typically involved set fees or charging their client based on a percentage share of savings.¹⁷

No, it's all free [to the client] ... the winning supplier, pays us a fee.

(Comparison website)

It's dependent on the client, any way a customer wants to work I'll go with, I do fee sharing, or a mixture of the two, there's no real set pattern, but preferably with the shared saving.

(Brokerage, consultancy and/or water management services)

The vast majority of participants said they worked with most retailers or at least a broad 'sub-set' of retailers

In principle, as a way of generating the best price for customers, many TPIs try to work with a wide range of retailers. However, it is important to stress that, in practice, participants tended to work only with a limited set of retailers due to problems they had encountered with respect to customer service, billing, and data validation.¹⁸ This was often due to the reputational impact and risk involved in recommending a retailer they viewed as unreliable. Some indicated that, even if they had not heard anything negative about the retailer specifically, they were reluctant to work with retailers they had never worked with before as they had too many negative experiences elsewhere. Other participants also said that working with the same retailers had the advantage of allowing them to build strong relationships with them which, in turn, enabled them to pass on better offers to their clients.

No, it's best price. We will never take an incentive, we're not interested in that. It's always making it a level marketplace, so we have no vested interest in where it goes ... There are a lot of brokers that will take any incentive there is and to go with a particular supplier.

(Brokerage, consultancy and/or water management services)

Unless we've had a bad experience with a supplier, say, and had multiple impacts where they've provided poor service, and obviously then we will choose not to offer them to our clients because that reflects badly on us if then our clients have a bad experience, we don't have any preference as to retailers we work with.

(Brokerage, consultancy and/or water management services)

Our strategy is to try and work with a limited number at the outset, in order to build up experience of them, their positives and negatives, and not spread ourselves too thin because we understand that a

¹⁷ A discussion of concerns around transparency related to commission and fees is outlined on page 38.

¹⁸ Issues around customer service, billing, and data accuracy were all prominent themes explored in more detail in section 4.3.

supplier needs to get something out of the relationship as well. And it helps if we can develop relationships with contacts in the industry and build on that.

(Broker - price focus)

Whilst there are no reasons to suggest participants were underplaying the extent to which they had specific relationships with retailers, some did say they were aware of TPis operating in the market with financial relationships that involved recommending specific retailers.¹⁹

¹⁹ Just one participant said they worked exclusively on behalf of one retailer.

Case Study - Broker (price focus)

Explaining that their focus was on switching customers on to improved deals, the participant summarised their service offering as follows:

So, when customers use us, we take their requirements out to market and run a tender, analyse that, and then feed it back for the customer, guide them towards a decision.

In terms of generating new business, they explained that a combination of social media advertisements and referrals were their main avenues:

Old-fashioned means, really [their approach to lead generation]. We have lists of customers that we approach. We promote ourselves through social media. We've produced market reports which we publish. We go for referrals, all of the usual good stuff, really.

The participant explained that for most of their customers, price tended to be the biggest motivator:

Price is usually a big factor, if not the main factor, but it is the overall package, as well as what does the contract look like, as well as the price.

Whilst their focus was on price comparison, the participant explained that they did offer other services by working alongside a partner:

It's primarily that [price comparison], but we do some work on energy efficiency through a partner. We offer online data analysis through a portal that we're a re-seller for. So, new meter installations, old meters coming out, we help customers with energy budgets, forecasting, bill checking.

The participants described the market as 'sleepy', with some retailers not having properly adapted to deregulation:

Sleepy ... traditional players really hadn't got the hang of competition at all in terms of the attitude of the people towards providing a service [referring to energy market]. So, I think the water industry is a little like that.

The participant said the inconsistency in the way pricing was conveyed by retailers sometimes made comparisons difficult:

The quality of data isn't as good, and the variety of the ways that offers are packaged makes doing what we expected to do a bit more difficult. So, we've had to adapt to the slight, well, fuzziness, as I'd see it, of the availability and accuracy of data.

The participant observed that price savings were not where they perhaps should be due to the market still being immature and this meant brokers from other markets moving into water sometimes had heightened expectations about the margins available:

I think a lot of people who'd been used to making good income streams out of energy had got the exaggerated expectation that there would be comparable sums of money to make out of water.

Case Study - Brokerage, consultancy and/or water management services

The participant described their business as offering an end-to-end service encompassing a variety of different aspects:

We offer a broad range of services. It's data-logging hardware and install, then data collection and software to interrogate data, energy efficiency consultancy ... It's just that whole end-to-end service, energy, data and analytics across all utilities.

As a TPI who worked in other energy markets before working in the water market, the participant said cross-selling was their main source of new business within the water business retail market:

In water, it's probably word of mouth and cross-selling. Where we'll have a customer for electricity, we would try and cross-sell them to have other utilities, like gas and water. It's mainly through existing customers.

The participant made clear that their offer was much more than about finding the best price:

No, there's definitely more to it than price ... Value-added services will be stuff like utility bill validation and then free access to our online analytics platform. It's a bit of software, they get a login and they can view all of their consumption data, run thousands of different reports over that, get scheduled alerts when consumption is outside of prescribed limits. Then we offer a more managed service on top of that where some of our in-house analysts will do a whole portfolio review of consumption and make recommendations on how they can reduce overall consumption and save money. It's all about the insight and the actionable insight you can get from looking at the data.

The participant explained that billing issues were prevalent in the market and this acted as a way of generating leads:

Billing is probably the biggest opportunity for us in the water market, because that's where we find customers hit us the most, 'I've had this water bill and I don't understand it.' That's the door-opener for us to start working with them. The fact that there are so many billing areas in the water market is actually a good lead generation tool for us. Especially the way that suppliers keep switching up the way they're going to bill things, there's no set standard practice.

Explaining that sometimes overestimates were as a result of inaccurate data and were sometimes not intentional, the participant felt that the voluntary code of conduct went a long way towards ensuring good industry conduct:

There have been quite well-publicised examples of that, overestimating annual energy consumptions to get better contracts with suppliers. That has happened, but there are codes of conduct that have been put out into the market that TPIs should be voluntarily signing up to, which goes quite a long way in mitigating that stuff. Equally, it might not be as intentional as it seems. It could be off the back of not having accurate enough data to make those procurement decisions or being misinformed or provided the wrong thing.

4.2 Comparisons to other utilities

Most said that the savings which could be made were relatively marginal when compared to other utilities

Participants were asked about how the business retail market for water compared to utility markets, with those participants working in multiple markets asked to reflect directly on their experiences. By far and away the most prominent theme that emerged was that the savings that could be made in the water market were much more marginal relative to other utilities. Whilst the size of the savings that participants reported customers could generally expect to see did vary, the reported savings for the average prospective customer typically ranged between 2% and 5%.

That's a bit of a catch 22. Being absolutely honest with you, you can spend a lot of time being a busy fool in this game. You're quoting like crazy but your actual conversion rate is a lot lower. When you look at that a lot of it just boils down to the insufficient saving again. With so many small high street places maybe having a bill of £1,000 or less, if you're not really saving them three figures, for the sake of argument, then a lot of people are just not going to be incentivised to switch at the end of the day.

(Comparison website)

So, customers might be expecting a 30, 40% saving on their water, but in real terms, in terms of cash leaving their pocket, it's probably only going to be 3%.

(Brokerage, consultancy and/or water management services)

There was like a big announcement that you are now entitled to switch and move providers, but unfortunately when we actually go to market the savings that we're having to present are fairly negligible, and really would not justify the big hoo-ha, if you like, around the big deregulation of the English water market.

(Brokerage, consultancy and/or water management services)

Many compared the situation in England to the savings that could be made in the Scottish market

On a related note, participants frequently compared the market in England to that in Scotland.²⁰ The general consensus was that because the business retail market for water had been open for longer in Scotland, there was much greater scope to achieve greater savings for clients. Accordingly, most felt that the English market required more time to mature.

The English market's a handful of years behind the Scottish market. As it keeps growing, you would assume that there would be more competition, prices would be better and there would be the opportunity to go out and make some significant savings for customers.

(Brokerage, consultancy and/or water management services)

We do a lot of business in Scotland, and we find savings of anywhere up to 25% on what they've been paying before. We hope England will follow suit and in a couple of years, be similar.

(Brokerage, consultancy and/or water management services)

²⁰ The competitive market for water and sewerage services in Scotland was opened in April 2008. For further details please see for example:

[https://www.watercommission.co.uk/UserFiles/Documents/WICSHouseofCommonsPaper\(C\).pdf](https://www.watercommission.co.uk/UserFiles/Documents/WICSHouseofCommonsPaper(C).pdf)

In the English market the margins are far tighter at the moment, so it's a bit like going back in time in the Scottish market. The biggest problem with the English market is insufficient discount for people to switch. That's not always the case, but that's the biggest bugbear probably. A lot of people I think shop around but are then disappointed at what they can save at the moment.

(Comparison website)

In addition to the limited savings, other comparisons to other utility sectors also tended to be negative

When comparing the water market to their experiences with other utilities, most TPIs participating in the survey drew negative comparisons or conclusions. These included: comparatively poor data; frustration at wholesalers having a 'monopoly' over metering; regions having their own charging structures leading to complexity for multi-site clients; poorer customer service and retailer expertise; retailers being less willing to accommodate TPIs; and the relative complexity of water bills. In terms of impact on TPIs and the market more generally, these issues meant TPIs found it harder to operate in the market due to additional risks and delays.²¹

In electricity there's always been this principle that the end customer can own their metering and choose their own metering and data agents who are independent of their supplier ... That principle isn't really there as much in water, because the wholesalers tend to be the ones who own the meter and there isn't this accepted idea that end customers can provide and manage and appoint their own agents to provide these kinds of service.

(Brokerage, consultancy and/or water management services)

They [brokers working in other utility markets prior to entering the water market] didn't understand that each region can have its own charging structure and to be aware of the variants of those tariffs and how they are applied to a customer. If there's a customer query on a tariff, the way that those queries are dealt with, and resolutions, are not the same through the whole of England and Wales. They really found it very difficult to comprehend why there's such a lot of regionality in England and Wales, when it is the same utility being sold no matter where you are.

(Broker - price focus)

70% is through TPIs [in the electricity market], whereas in the water market there doesn't seem to be the enthusiasm to work with TPIs, from our position. They're [retailers] not as agile. Their pricing takes a long time, and their software doesn't seem to be quite as slick as some of the gas and power suppliers.

(Brokerage, consultancy and/or water management services)

²¹ However, it is arguable that some TPIs are likely to benefit commercially from some of the issues as they create a greater market for their services.

4.3 Experiences with retailers

Experiences with retailers tended to be “mixed” at best

Reflecting on their experiences of working with retailers in the business retail water market, most TPis / brokers participating in the research said their experience was "mixed" at best, with many reporting poor experiences.

Mixed bag. Some are very good. Some, who should be, are absolutely abysmal.

(Brokerage, consultancy and/or water management services)

Mixed, I think. Some of them are hard work, and back to what I said earlier, some of them really haven't got the hang of it at all, are really not geared up towards retaining or winning business, I don't think. Others are considerably more switched on, really. So, a mixed bag.

(Broker - price focus)

A couple of participants also reflected that, as the size of the retailer increased, they generally tended to have a poorer experience.

The general trend I find is that the bigger the retailer, I think we have to look at associated retailers, the worse the level of customer service and speed of resolution to billing errors there are.

(Broker - price focus)

Some did recount positive experiences with certain retailers

Whilst participants tended to discuss various problems they had experienced with certain retailers, some did recount positive experiences. Again, reflecting what was discussed on page 19, it was clear that good experiences with respect to certain retailers had meant many now relied on a narrower sub-set where levels of customer service and data accuracy were noticeably better.

We've had very good reception and interest from some of the smaller, newer retailers who are keen to grow their customer base, because they're coming into the market new and are commercially-minded, thinking about how they can grow a business, they're more open to new and disruptive methodologies.

(Comparison website)

For every retailer that we work with, we have a dedicated account manager within that business, who will handle our portfolio. Our experience of working with those retailers largely is based on our experience of working with that account manager, how proactive they are and how reachable they are, a lot of times. Then, it tends to be that whenever we place a contract with a retailer, they will then assign us a dedicated billing contact as well, who will then handle any ongoing query management. Again, our experiences of that are wildly different from supplier to supplier, because some have handled it well.

(Brokerage, consultancy and/or water management services)

There were widespread issues and frustrations with billing

The most prominent issue discussed when recounting their experiences in dealing with retailers related to inaccurate and inconsistent billing. A concern for the vast majority of participants, it is important to stress

just how prominent this issue was, with participants often circling back to the issue at various points during their interview.

What is criminal in the industry is the fact that people can't get their billing right. That's got worse, in all honesty, since the market's opened. We've found the levels of billing have been really, really dreadful.

(Brokerage, consultancy and/or water management services)

I wouldn't say many water companies know what they are doing, and their billing systems aren't particularly great. The ones that invoice customers a year in advance, based on all their estimates and things like that.

(Brokerage, consultancy and/or water management services)

Highlighting the scale of the issue, one TPI described how a water retailer had approached them in the last year to ask them to verify whether or not they were billing customers incorrectly, with concerning results.

They're [the retailer] sending us about 200 audits a week. It's 200 customers a week. They're asking us to audit the bills and see if they overcharged. Of the first lot, 130 customers, 30 there were no savings, leaving 100 customers with refunds of £1.3 million. That's refunds of £1.3 million. These are not giant customers. They're not £1 million spend customers. These are like £20-30,000 a year, £35-40,000 a year. They're not massive bills. You can see the state of play now.

(Brokerage, consultancy and/or water management services)

This had both positive and negative consequences for TPIs. In some instances, some TPIs typified the effects as positive, as the issues experienced acted as a trigger for which customers would reach out to them to use their services, or where they may be able to offer additional services to existing clients. However, in other instances, billing issues simply caused delays and frustration, and could also reflect negatively on the TPIs if issues continued to go unresolved for long periods.

Concerns around billing tended to relate to one of four issues

Participants recounted a range of issues and problems around data accuracy and billing. Examining the responses, four key issues can be identified:

1. **Over-reliance on estimated meter readings lead to inaccuracies:**

That's a common problem with the industry, that water meters aren't read particularly regularly. It's just not good, if you want to go to the trouble of supplying your own manual reads, your own personal customer reads and putting those in and being billed to those reads, different companies will be good at that, others will be rubbish at it.

(Brokerage, consultancy and/or water management services)

There are a number of market issues to do with estimated volumes and number of meter reads that are available to us.

(Broker - price focus)

2. Bills are overly complex leading to confusion and overcharging:

Billing is shocking. It doesn't take an expert to look at a number of water bills from different companies to see how confusing they are universally. And I am a professional. I'm looking at bills from utility suppliers on a daily basis, and they're extremely opaque. The suppliers may pay lip service to the consumer, but in reality, they confound consumers and are not transparent, and I think the bills are probably one of the most obvious examples of that.

(Broker - price focus)

Of those that have switched, there's a big issue with consolidated billing, where the format is so complex. Whilst it's good to give customers a much clearer picture of their business in terms of its water use, the reality is that the bills are so difficult to manipulate in spreadsheets that it doesn't give them a better picture. They would be better off going back to per-site bills, and extracting that data into their own methods of analysing the spends.

(Comparison website)

3. Customers were being billed at irregular times or failing to receive bills when they expected:

Many customers simply don't get the bills when they expect to, leading to confusion. Some then get a letter demanding payment out of the blue, despite never receiving any previous correspondence.

(Brokerage, consultancy and/or water management services)

4. Once billing issues are identified, it can take a long time for issues to be addressed:

We've got some transfers that we made on 1st April 2017, 3 years ago and we're still trying to rectify the billing now, 3 years later.

(Brokerage, consultancy and/or water management services)

I've heard turnaround times of 45 days to 3 months before they're able to even get a response....when you talk about being able to provide a better service then it becomes apparent that, if you're waiting for a very simple query to be resolved, then it can make it an easy sell for the water.

(Brokerage, consultancy and/or water management services)

These issues aside, as referenced at various points above, it was also the case that some problems had the effect of creating demand for the services of TPIs in terms of consultancy and account management. So, in some respects, these issues offered various opportunities for TPIs to provide additional support and value-add in terms of the services they could offer clients.

Billing is quite often an issue. We probably deal with it with various clients every week. We take all that pain away and sort it out for them. We've got one that's been going on for a year now, we're trying to sort it out. You get others that are sorted very quickly, it just depends on what the problem is and who the supplier is.

(Brokerage, consultancy and/or water management services)

Some participants also stressed that some new entrants needed to “back it up” by delivering necessary requirements around billing and account management after attracting new business based on price-based offers to customers.

An opportunity for them to gain more clients, more national clients as well, being able to service these big group accounts. They've got to back it up with the billing, they can't expect to give a good price and then don't do anything after they've signed the contract, because at renewal, they'll lose it.

(Broker - price focus)

I believe that they've [a retailer] massively stepped back from a sales point of view. I think they've come to realise that it is a threat to them now, simply because they have struggled with billing and service levels on the accounts that they've got. So, from a reputation damage point of view, they've probably not done themselves any favours.

(Brokerage, consultancy and/or water management services)

Participants also cited concerns about poor customer service and declining levels of expertise among those working for retailers

Alongside billing issues, participants also cited negative experiences related to poor customer service from retailers. Participants often reported poor levels of customer service when trying to rectify billing issues, with participants complaining of poor communication and prolonged periods before issues were eventually sorted. Relatedly, some participants also said problems with customer service were further exacerbated by declining levels of expertise among those working at retailers, meaning more complex problems continued to go unresolved.

The complaints departments are exactly the same, they're call centre staff with no water industry knowledge. All of the expertise knowledge has gone. They've retreated into the wholesaler or left the water industry, the ones that used to be in there, and the delays to simple matters now are staggering, it's taking three-four times longer than it used to.

(Brokerage, consultancy and/or water management services)

As a consequence of that, what's also happened is that we've now got 37 water retail companies, and they've all split off. They're new businesses, essentially. They're recruiting new people. Those new people don't know a lot about the water industry. It's a perfect storm.

(Brokerage, consultancy and/or water management services)

Lack of expertise in the market, which is culminating in customers receiving incorrect bills, either overcharging or undercharging, and confidence in the market coupled with poor customer service, because the water retailers have little knowledge of what they're dealing with, and this is basically what's affecting the market.

(Brokerage, consultancy and/or water management services)

Participants felt that some retailers see the switching market as an opportunity, whilst others see it as a threat

Asked whether they felt retailers generally saw the switching market as a threat or an opportunity, participants tended to think that it was a mixed picture with some embracing the market and others being more reluctant to do so.

I think you'd split them down the middle, again. I think the ones who haven't quite figured it out see it as an unwelcome threat, and the ones who are a bit more switched on see it as an opportunity.

(Broker - price focus)

It probably depends. I suppose that the worry is, it ends up like the energy industry, where, similar to the insurance industry as well, there's no loyalty anymore.

(Brokerage, consultancy and/or water management services)

I think they see it as an opportunity but whether they're acting on it as an opportunity is a different question. It is an opportunity to take business and you look at some of the retailers and they've done a great job of doing that. You look at others and while they see it as an opportunity and make all the right noises and we want to do this, that and the other and grow this, that, they're not really that bothered about it. There are some that are haemorrhaging business like crazy.

(Brokerage, consultancy and/or water management services)

It strikes me that some of them have got people at the customer-facing end of the business who've had quite long careers as monopoly providers, and haven't quite got the hang of the idea that to deal with people who have a choice whether to use you or not, you have to be a bit more flexible.

(Broker - price focus)

Generally, participants felt that they were able to get the information they needed from retailers to provide quotes, although some complained of the process being slow and laborious

Compared to the quality of data and billing, participants generally felt retailers provided them with the necessary information to provide quotes to prospective and current clients - where they had portals that allowed them access to near-instantaneous quotes. However, as tended to be the case with most of the issues, participants tended to have mixed experiences dependent on the retailer in question.

Most of the time they're pretty good. Provided you've got the right LoA and you've got good relationships.

(Brokerage, consultancy and/or water management services)

In terms of the quoting side of it, most of them have got pretty good portals. It's all instantly priced, or within a couple of minutes, and then I can fire back prices. I know other brokers don't do it that way and some of them have to wait days to get responses, but from an online point of view, a customer who is shopping online kind of expects to almost get an instant if not very quick price back.

(Comparison website)

It's average. Sometimes you will get all the information. Sometimes there's stuff that you would like to see explicit but it's not. It's not obvious, so trying to compare apples with apples, as you do across the charge schedule, sometimes is difficult because different suppliers' price in different ways, or exhibit their cost schedules in different ways. So, I'd say average.

(Brokerage, consultancy and/or water management services)

A common frustration related to obtaining information to provide quotes to customers was that the process could often be slow and drawn out. Others also stated that it could be complex to compare one retailer to the next due to retailers presenting information in different ways.

The bids that come back are generally fine, I don't really have any problems with the bidding process, but we do give the retailers four weeks to bid because we find that if we try and reduce the period then they might struggle, dependent on the complexity of the portfolio obviously.

(Brokerage, consultancy and/or water management services)

4.4 Experience with customers

Customers expect better prices, improved customer service, and accurate billing

Participants were asked what they felt customers typically wanted or expected from the business retail market for water. Examining responses, three motivations were key:

1. **Better prices** – An unsurprising expectation, but worth outlining nonetheless, is the desire for better prices. Often this was discussed in the context of unrealistic expectations, with many participants discussing how customers often hoped that greater savings – comparable to that of electricity or gas – could be made if they looked into switching or re-negotiating their deal. Others also emphasised the importance that prices quoted were accurate and fully transparent so as to avoid suspicion they are being “duped”.

I think they're expecting 10% to 20%. I don't know where they get this understanding from. If the retail margin is, on average, 7.5%, and we can only offer 2% saving on a switch, it's deflating for the customer to think what the retail market is going to deliver for them.

(Broker - price focus)

I think just more transparency as well. If you're an end user without a lot of knowledge of the water market, you could see certain retailers' offers and they would just give you a percentage off the default price. It's a little bit vague because they may not be on the default price, they may already be in contracts. So, that's not really a relevant figure.

(Broker - price focus)

Simplicity, 100%. They want access to a better rate, they want access to be able to switch and they want access to simplicity. They want to be able to compare like for like and know that they're not getting duped.

(Brokerage, consultancy and/or water management services)

2. **Improved customer service** – Participants discussed how customer service or “getting the basics right” was important to customers. This was particularly those customers who had experienced issues with retailers in the past.

I think for us at the moment from the conversations we have with our customers it's literally just getting the basics right. 'Will I get my queries answered on time? Will I get a bill on time and will it be accurate? Can I get a supplier that I can easily work with?'

(Brokerage, consultancy and/or water management services)

A couple of drivers. Number one is the price, generally. Number two, close behind that, is an improvement in billing or customer service, or both. A lot of them are cheesed-off with their existing suppliers.

(Comparison website)

3. **Accurate billing** – A consistent theme that tended to be discussed at various points during the interviews was that of billing.²² Most participants saw this as a widespread issue affecting their customers. Those providing consultancy and water management services often discussed this as the main driver of their customers using their services, often more important than price.

They expect to be billed clearly, accurately and on time. They expect innovation, better data, better meter reading. The meter reading across the retailers, some of the actions, poor is an understatement. Now, I know this is a big problem across everything, from SME markets, because of collecting payment.

(Comparison website)

Not because they were the best price, but because they could offer calendar monthly billing, which made it easier for their accruals team ... We've had customers approaching it from both angles, both from a service level and from a price issue.

(Brokerage, consultancy and/or water management services)

A variety of different offerings, probably through retailers, ability to appoint independent metering and data providers who can in turn provide them value-added services.

(Brokerage, consultancy and/or water management services)

For a multi-site organisation that has previously been spread across several water companies, and they transfer to a new retailer for that water area, then consolidated billing would be good. Group billing, that would be a nice feature to have.

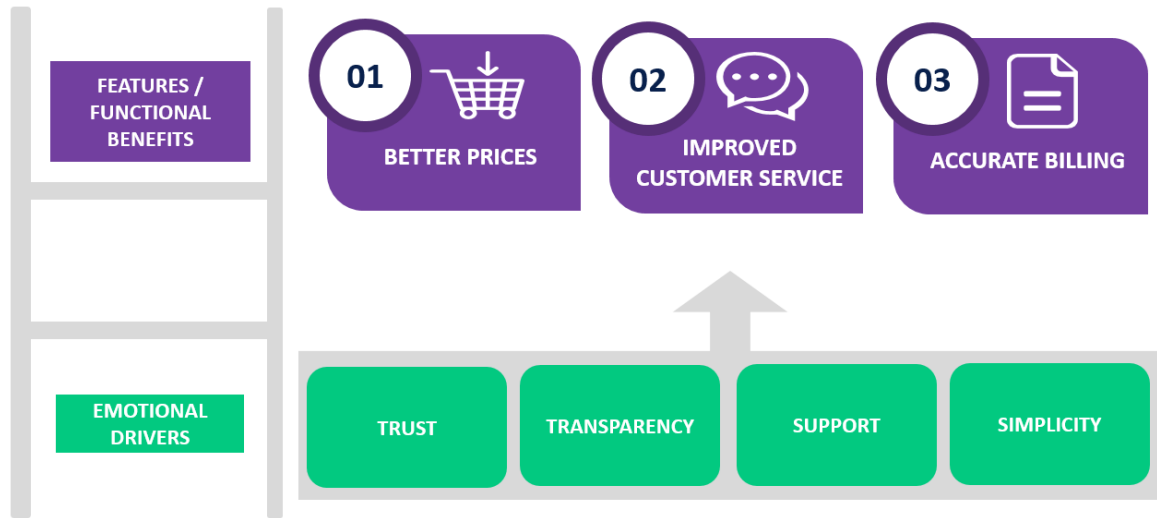
(Brokerage, consultancy and/or water management services)

In qualitative research, we sometimes employ a “laddering” approach to analysis. This approach is used to reveal the deeper meaning of products or services. Through exploring in detail responses about the features that TPIs said their clients were looking for in a product or service, their perceptions of the client’s underlying motivations can be revealed.²³ Using this approach - which organises responses on the basis of ‘top rung’ features and functional benefits above ‘bottom rung’ emotional drivers - we can see that the desire for better prices, improved customer service, and accurate billing were typically linked to the core desires for trust, transparency, support, and simplicity (see Figure 1, below).

²² For a more detailed discussion of issues encountered with billing, see pages 26-28.

²³ A laddering approach to analysis consists of laddering ‘up’ from the answer by examining responses for an underlying value, emotion, or motivation. For more information see: <http://www.dl.edi-info.ir/Laddering%20theory,%20method,%20analysis,%20and%20interpretation.pdf>

Figure 1: Features / functional benefits and emotional drivers using a laddering approach



All participants said they used Letters of Authority when acting for customers

All of the interviewed participants said they used Letters of Authority (LoA) when acting for participants. Some said they had a range of LoAs depending on the nature of service they were providing for customers, whilst others said they only operated with Level 1 LoA.²⁴ A small number also voiced frustrations with retailers in this regard due to slow LoA review process, or complained that sometimes retailers would ask for evidence of LoAs at multiple stages of an enquiry, despite them already having provided the LoA at an earlier point in the process.

Those will have different levels of authority depending on what the customer wants, obviously. Some people will only want us to do procurement and ongoing query management. For some people we have the ability to sign a contract on their behalf if they give us the go-ahead to do so, just to save them the effort of going to a printer and signing and scanning and what not.

(Brokerage, consultancy and/or water management services)

We only operate with Level 1 letters of authority, if that makes sense to you. Level 1 gives us the ability to quote but not to put them into a contract. We have to have express permission, either a DocuSign, a verbal, or an agreement relating to a specific quote that allow us to then operate on their behalf to fix a contract.

(Brokerage, consultancy and/or water management services)

Our letter of authority has mentioned water for quite a long time, even though we didn't generally do it.

(Brokerage, consultancy and/or water management services)

²⁴ “Level 1” authorisation mainly relates to the agent requesting and receiving information on behalf of the customer, as well as account termination. “Level 2” includes authorising the agent to agree a new supply contract on behalf of the customer. For a breakdown of the authorisations provided by Level 1 and Level 2 LoA, please see: https://www.ofwat.gov.uk/wp-content/uploads/2016/03/gud_pro20160519tpitemplate.pdf

A frustration would be the sales account manager will accept and review our Letter of Authority before sending out prices, as they should do, but then when we submit the contract, the Letter of Authority might not be applied to the accounts once the accounts have been set up. In which case, then, we will call up and we'll say, 'We've got this query,' and they'll say, 'I can't talk to you because we don't have a Letter of Authority for you,' even though we've submitted it at a previous stage.

(Brokerage, consultancy and/or water management services)

Participants provided varying levels transparency with respect to fees and commission charged to clients

Some participants said they were completely transparent about their fees, whilst others said that they would provide more limited information and disclose more details on request. One participant in the latter category, for example, suggested clients more often than not implicitly recognised that they are providing a service, so it is reasonable for them to expect commission to be added even if the exact amount is not necessarily disclosed. Whilst no participants felt they themselves were not transparent about their fees, some did say that they felt others in the industry were much more secretive than others.²⁵

We're just totally transparent. We tell our clients what we earn and where it is. We don't have a problem with it. Most of the industry would never want their clients to know. A lot of them as well will sit there, if you're doing a competitive tender, and slash the commission for a one year deal and then rake it up once they've got them.

(Brokerage, consultancy and/or water management services)

So, we try to be as honest and upfront and transparent as possible with contract lengths, with commissions. They all know we get paid a commission. We disclose that [that commission is added but not exact amount] to the customers and say we're commissioned by the water companies.

(Brokerage, consultancy and/or water management services)

In terms of tenders and things like that, one of the things where we really pride ourselves is being open for clients and we do it on energy as well. In terms of any fees or anything, everything is fully transparent. Whatever we get from the retailers is shown to clients, everything is all very transparent.

(Brokerage, consultancy and/or water management services)

So, if people want to know what we're including, we will tell them, but often they're happy not to ask the question and we're happy not to give the answer. Not because we're hiding it, it's just that people recognise that we provide a service, and therefore need to be paid for that service. But we like to feel that as we've got this long-term relationship with a client, they recognise that we're saving them more money than we're costing them.

(Brokerage, consultancy and/or water management services)

Facilitators of switching tended to be “push” factors

Participants were asked about factors they felt encouraged customers to switch / re-negotiate, or to take up other services the TPI might offer – i.e. what the ‘facilitators’ for switching / re-negotiation might be. In this

²⁵ See further discussion on page 38.

context, it is first worth outlining existing literature in this area which divides motivations into “push” factors and factors encouraging consumers to “jump”. Those who “jump” do so because they have typically encountered another offer which they perceive to be better value for the money or better aligned to their needs. Meanwhile, those who are “pushed” are customers who have had a negative experience or are dissatisfied and will go and look for alternatives that they may not have encountered before.²⁶

Various participants, typically those who provided consultancy services, said that the facilitators tended to be as a response to negative “push” factors. That is, customer dissatisfaction with their present retailer - often related to experiences around billing or customer service – was a major “push” factor.

Billing is probably the biggest opportunity for us in the water market, because that’s where we find customers hit us the most, ‘I’ve had this water bill and I don’t understand it.’ That’s the door-opener for us to start working with them. The fact that there are so many billing areas in the water market is actually a good lead generation tool for us.

(Brokerage, consultancy and/or water management services)

I think with the energy providers we work with, we’ve got a pretty good feel now for which ones provide a good level of customer service and accurate billing, and there’s less issues with. So, for energy, we know which providers will be cheaper, but actually this one’s a little more expensive but you’ll get a better experience.

(Brokerage, consultancy and/or water management services)

Whilst price was often a key motivation, there was recognition that this required customers to be proactive and more knowledgeable about the options available to them. However, due to frustrations about the limited savings typically available to customers, some felt this was too often only those larger businesses or those with relatively large annual water spends who were likely to be “switched on”.

It is virtually non-existent that someone will move because there’s a savings, because the savings are so small it’s barely worth the time and effort. We have to prove savings outside of the actual water. We have to prove savings in admin costs, we have to prove savings in customer service, time spent on the phone to call centres, etc. It can’t be, ‘There’s a physical saving on your water,’ because it’s just not there, it’s too tiny.

(Brokerage, consultancy and/or water management services)

The bigger customers are more inclined to want to switch. If they have the appreciation that they can switch, there’s more of a sense of the greater your spend, the greater number of locations you have, the more opportunity there is to see an overall improvement in your pricing.

(Comparison website)

Indeed, despite being asked about the drivers of switching and main facilitators, many TPIs / brokers were negative in their responses. Outside experiences of insignificant savings and poor billing, participants cited lack of a central facility for customers to be aware of what offers are available to them, as well as a lack of both awareness and advertising about the deregulation of the market.

To be honest with you, there’s not been a huge advertisement for switching ... I would say that customer appetite for switching hasn’t been a huge deal of engagement with it, just because the benefits are not

²⁶ For further discussion of “jumped” or “pushed” motivations for switching suppliers, see Sant R. (1997) ‘Did he jump or was he pushed?’ Marketing News. Vol 31. No. 10.

really there, other than the fact that you have a single point of contact to shout at about them failing to deliver accurate bills.

(Brokerage, consultancy and/or water management services)

Some of them [retailers] can't even get prices out of them for three weeks. There's no actual facility for customers to be aware of what is out there, and be able to talk or converse with someone who knows what they're talking about.

(Brokerage, consultancy and/or water management services)

Barriers to engagement with the market tended to fall into one of four categories

Asked about the barriers to customers' engagement with the market, TPIs' responses tended to fall into one of four categories:

- 1. Limited savings:** The extent to which there is 'disposition to alternatives' is commonly discussed as a key factor influencing the decision-making process in the customer conversion literature.²⁷ This was identified as a considerable barrier with respect to the business retail market for water. Reflecting a theme discussed at length at various points in this report, a perception that there was often little commercial incentive for businesses to switch due to limited savings on offer tended to be seen as the biggest barrier for SMEs engaging with the market.²⁸

Number one would just be price differential. If it's 5% they might say, 'It's not worth it.'

(Comparison website)

The savings which are available in Scotland are a lot more attractive than the savings which are available in England. Obviously, that's because it's a younger market and over time that will improve, but that's one obstacle. Another one would be the lack of actually understanding what the deregulation of the market means.

(Brokerage, consultancy and/or water management services)

- 2. Time pressures and delays:** Participants said that many businesses simply felt they did not have the necessary time or resource to look into switching or required 'prompting' to encourage them to consider their services.²⁹

Some simply will say that they don't have the time to engage with the market. It is just not a priority for them.

(Brokerage, consultancy and/or water management services)

²⁷ See discussion in Sant R. (1997) 'Did he jump or was he pushed?' Marketing News. Vol 31. No. 10.

²⁸ The qualitative findings from the non-household customer insight research suggest that, even at a more removed level among those who had done little research into the market, there was often a broader gut instinct that it would be difficult for real competition to be provided due the notion that water was coming from the same source. See section 4.3 of [Non-Household Customer Insight: SME Interviews BMG Final Report 2020](#) for full discussion.

²⁹ Time pressures were also identified as a key barrier in the non-household customer insight research. For discussion, see section 4.3 of [Non-Household Customer Insight: SME Interviews BMG Final Report 2020](#).

- 3. Complexity and lack of knowledge:** A common concern was the complexity of pricing and water billing, a problem made worse by the fact that customers tended to low levels of knowledge or interest in the market. Participants criticised the complex and inconsistent way pricing was presented to clients, meaning that their clients often found it difficult to compare like with like, or to understand bills over multiple sites.

It's such a loss nobody wants to deal with it. Nobody understands it. Unless they've got a team or somebody that can explain it to them, they just have no interest. It astounds me that people will always check their stationery bill, most of them haven't got a clue what their rates are. They're either very good or bad.

(Brokerage, consultancy and/or water management services)

The complexity of the charges just throws a lot of people. I've noticed a lot of people try and calculate something and come back and say, 'No, this doesn't save me any money,' but then when you show them and explain on a bill to them, 'Right, I didn't work that out properly.

(Comparison website)

- 4. Unknown risks:** It was also clear from responses that 'involvement' factors – encompassing inertia, risk and the upheaval of switching suppliers – acted as a further barrier to customer engagement.³⁰ Participants suggested that unknown risks meant clients were reluctant to engage with the market in case an ostensibly better deal resulted in problems with respect to billing and/or customer service later. Crucially, for TPIs, this was not something that was purely 'client-led'. Rather, some participants went as far as saying they would sometimes not recommend switching in cases where "everything is going well" even if they could achieve a better price.

Generally you could be moving to a supplier that doesn't work as well as the one you've got at the moment, so what we tend to say is if everything is going well you're probably better off sticking where you are at the moment until the market opens up a bit more.

(Brokerage, consultancy and/or water management services)

Because in water the out of contract rates, you're not really encouraged, or you don't need to be in a contract, because if you sit on out of contract rates, you're not being hugely penalised, you're only going to save a couple of percent by getting into a contract.

(Brokerage, consultancy and/or water management services)

We'll send them emails but they might not read them or they might not understand them and they might just delete them, so they might not actually be aware of the deregulation. Or they might not know what it means or they might say, 'I'm with this supplier now so I don't really feel the need to change. I'm used to this.'

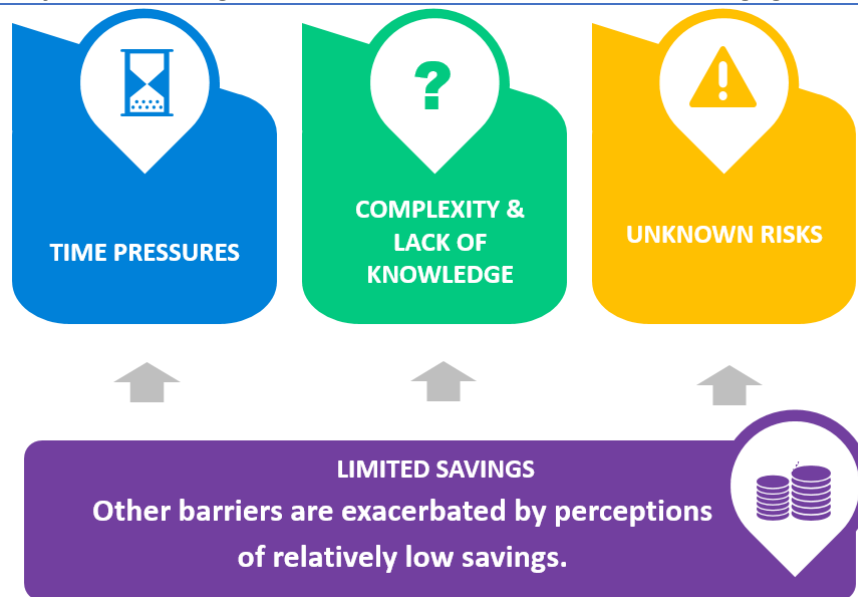
(Brokerage, consultancy and/or water management services)

³⁰ See discussion in Sant R. (1997) 'Did he jump or was he pushed?' Marketing News. Vol 31. No. 10.

Other barriers are exacerbated by experience of marginal savings

Importantly, a recurring theme was that, whilst there were various barriers in addition to price, many of the other problems were exacerbated by perceptions of relatively low savings. That is, a time poor business simply perceives that there is unlikely to be a benefit from spending time and effort engaging with the market, irrespective of other concerns around lack of interest, lack of knowledge, or lack of time, or indeed the unknown risks around billing and customer service.

Figure 2: Perceptions of limited savings exacerbated other barriers to market engagement



4.5 Conduct of TPIs

Participants had mixed views about the behaviour of TPIs

There were mixed views concerning the TPI/broker sector as a whole and outcomes for customers. It is fair to say that most participants, generally speaking, felt that the behaviour of TPIs within the business retail market for water acted with integrity and in ways which helped customers engage better with the market. Some used terms like the market being “okay”, whilst others cited positive behaviours “in many cases”. Others, meanwhile, stated that whilst they had heard “stories”, they did not have enough information to give an informed opinion concerning wider TPI conduct.

I think, generally, the service they [TPIs] offer to end customers is a positive one. Providing expertise and knowledge and understanding about the different energy markets is valuable for end customers, and helping them get the best deals for their utilities supply.

(Brokerage, consultancy and/or water management services)

Not all brokers are quite like us, but certainly in our case, and in many cases, they’re [customers] getting helpful advice from people who are familiar with the sectors and who interpret what the suppliers are saying.

(Broker - price focus)

It's difficult for me to comment too much. I'm not exposed, to a great degree, to that many other third parties in the market. We meet at panels and user groups and things like that. You hear stories about what's going on. Some good, some bad.

(Brokerage, consultancy and/or water management services)

A number of participants indicated that, whilst the conduct of some TPIs could be better in terms of delivering a more positive experience for end customers, overall conduct tended to be much better than behaviour in the comparable energy markets. One participant, for example, said that because the out of contract rates for water are much higher relative to those that exist for electricity and gas, there was less scope for TPIs to hide large margins that appear like savings when agreeing new deals for their clients.

I haven't actually found it [TPI conduct] to be an issue in the water market so far, it's been okay. I think I just haven't seen that same kind of cowboys jumping onboard trying to make a quick killing in the water market that I've seen in the energy market. So, I don't get a perception from customers that they're suspicious or have had their fingers burnt in the past.

(Comparison website)

So, there doesn't seem to be the same bad reputation amongst the customers of TPIs and brokers that there was in the energy market a few years ago, so it's nothing like that certainly.

(Comparison website)

Concerns were raised about certain practices

Whilst most TPIs were of the view that other TPIs generally exemplified relatively good conduct (as far as they could tell), where participants did see concerns, they tended to relate to three types of activity:

- 1. Lack of transparency:** A few participants said they had heard that some intermediaries were less than transparent with commission and fees. Typically, this would involve a lack of disclosure of commissions or fees, or encouraging clients to sign contracts for longer durations than they want to.

We know of one where one supplier has encouraged brokers to let their clients to go out of contract and they'll be charged 5p a unit extra and the supplier will split that with the broker. How is that in the client's interest? If we had regulation that wouldn't happen.

(Brokerage, consultancy and/or water management services)

Getting the commissions upfront, which some of the suppliers do provide, has got to stop. That just should not happen.

(Brokerage, consultancy and/or water management services)

Rogue selling, mis-selling, which means the clients sign the contracts for longer durations than they want to. Telling them the commission is one value but claiming another.

(Broker - price focus)

Plenty of brokers will go to extraordinary lengths not to answer that question [how they charge for their commercial activities], or will tell a few half-truths about, 'It's free.' All that good stuff ... I think the trouble is it's not strictly illegal, it's just sharp practice, really.

(Broker - price focus)

- 2. Telephone sign-ups:** Some participants raised concerns about telephone sign-ups due to customers not fully understanding pricing or relating contract agreements. This is a process where the TPI would confirm rates and contract terms via telephone without signing any paperwork.

Using a letter of authority and using what's called 'telephone sign-up', so getting the customer to agree over the phone, so script them, so confirm the rates, confirm the term, get the customer to confirm that they authorise to sign on behalf of the company and then getting the contract agreed.

(Brokerage, consultancy and/or water management services)

Persuading somebody on the other end of the phone that it's a great deal, and they should sign it there and then. So, I think that's extremely unpleasant. Whether it's illegal or not, I'm not sure. Difficult to regulate.

(Brokerage, consultancy and/or water management services)

- 3. Cold calling:** As discussed on page 18, participants complained that cold-calling (across utilities as a whole) had led to the industry being perceived as a “nuisance” industry or overly aggressive. Similarly, others referred to spam emails having a similar effect.

I don't really know much. I've been a little bit alarmed over the years at how it's become such an aggressive business. Talking again today, the parallel is PPI. 'Not another one, get off the flipping phone.'

(Broker - price focus)

I hesitate to call them 'spam' emails, but just sending out emails en masse ... a lot of TPIs purchase data, purchase people's emails and whatnot and just send out these shots.

(Brokerage, consultancy and/or water management services)

It is important to stress that these accounts should be treated with a degree of caution. As many participants freely acknowledged, the concerns raised were typically anecdotal accounts akin to hearsay. For this reason, it was usually hard to get any sense about the scale and prevalence of these issues within the market. We therefore should be extremely cautious about drawing too many conclusions from these accounts, and should certainly not conclude that these concerns suggest unscrupulous activity is widespread.

Most had heard of the principles for voluntary code of conduct

Participants were asked about their awareness of the principles for voluntary TPI codes of conduct for TPIs operating in the non-household market.³¹ Most had heard of the principles for code of conduct, though some only said so after being prompted. Others were unaware, although some said this was because others in their business took responsibility for compliance issues. More generally, there was a feeling that regulation was pretty limited, though many said their own internal governance systems helped to ensure transparency and high standards.

We don't consider ourselves bound by it. I'm aware of it, and I'm certainly confident that we're on the right side of it. I don't consider that we're regulated in any formal way.

(Broker - price focus)

I'm not aware of a code of conduct for the water market. There are a couple knocking about for gas and electricity, which we are members of.

(Broker - price focus)

We obviously know about the LoAs and things like that but we go by our own principles ... our own internal governance in terms of getting sign-offs on commissions or being completely transparent.

(Brokerage, consultancy and/or water management services)

I have a team of guys and girls who are absolutely, because they're completing all the transactions, particularly across the retail self-supply team, they are very, very aware of every regulation change, everything else.

(Brokerage, consultancy and/or water management services)

Participants were split as to whether more regulation was necessary

There were divergent views as to whether limited regulation was a positive or negative for the industry and the protection of customers. Some felt that the market operated well already and that most TPIs acted with integrity, so additional regulation was simply not required.

It's code of conduct that we agree with. If you approach it that it's there for the protection of the customer, and it's important that we have these, it becomes part of working practice. I don't see it as an issue.

(Brokerage, consultancy and/or water management services)

I don't believe any of our customers or potential customers need protecting from us.

(Broker - price focus)

Others, mostly those who felt no further regulation was necessary, turned their attention onto the retailers, believing this was where greater industry oversight was required. One participant, for example, said that TPIs often provided a vital function in holding them to account with respect to how they charged their customers.

The retailers need to be held to account to make sure any rules and regulations are enforced as well.

³¹ For more information on the principles for voluntary code of conduct, please see: <https://www.ofwat.gov.uk/wp-content/uploads/2017/02/Protecting-customers-in-the-business-market-principles-for-voluntary-TPI-codes-of-conduct.pdf>

(Brokerage, consultancy and/or water management services)

At the minute, they're [the retailers] giving a poor service, ripping customers off to the tune of millions of pounds a year, and they're not even taking the complaints through their own public complaints procedure. All this is happening right in front of the regulator. The regulator apparently appears powerless to deal with it. Rather than starting to mess around with Third Party Intermediaries and so-called broker protection, which is what they don't need, because there's nothing broken about the market. ... I have not heard one single complaint about TPI or broker ripping off a customer on a water deal.

(Brokerage, consultancy and/or water management services)

By contrast, others felt that the voluntary nature of the code of conduct, and the lack of other regulation more generally, left the system open to abuse. One participant, for instance, complained of a system that was too reliant on complaints meaning some smaller TPIs were not getting the scrutiny they deserve. Others referred back to issues of transparency, and said more needed to be done to stamp out unscrupulous practices.³²

Well, there isn't any [regulation]. Some of them have got a code of conduct, which is like, 'Be honest with your client.' The way the industry is structured make second-hand car dealers and bankers look like saints. You could open up a broker tomorrow with no experience, no nothing, if you can get the relationship with the suppliers, you can go out and sell. It's all commission-based rather than what's right for the client. Some of the commissions we see are disgraceful.

(Brokerage, consultancy and/or water management services)

The problem is the way that that regulation system works is based on complaints. Lots of small companies with lower levels of complaints aren't even getting looked at.

(Broker - price focus)

I think we as a business would be very much for far greater regulation on the TPI market, because in its current form, it is definitely open to abuse, and there's some very high-profile cases of that happening.

(Brokerage, consultancy and/or water management services)

There are a lot of clients who sign up to contractors they're not aware of and then they're tied in for 3 or 4 years then. I think we need to clamp down on it.

(Broker - price focus)

Asked what one thing they would change about the market, improving billing and data accuracy, and increasing the savings available to customers were the most common suggestions

As a final question, interviewers asked participants what one thing they would change about the business retail market for water. Several suggestions were made, but by far the most prominent were two issues already discussed at length and at various points in this report – solving issues related to billing and data, and increasing the marginal savings available to customers.

³² See further discussion on pages 38-39.

I think data, accuracy of data. Market performance comes back to data. Market performance charges come back to accuracy and good practice.

(Brokerage, consultancy and/or water management services)

I had a meeting with a water guru on Friday last week, he said that he reckoned about 70% of bills are incorrect, which is an incredible number, really. I believe that, basically, when they consolidated all the data, I think it was 1.3 million supplies, a lot of the code that relates to cost got transferred over wrong and it's caused a bit of a mess, in terms of how costs are being applied to accounts.

(Brokerage, consultancy and/or water management services)

A lot of the problems come down to the margin available to retailers. That causes a lot of the problems. Their cash-flow is so tight and it's so low, they've got to serve a lot of customers on very small income.

(Brokerage, consultancy and/or water management services)

It isn't worth the saving that they get. That's my feeling on it anyway, I don't know what other people have spoken to you about. I've heard all sorts in other parts of the country, I can't speak to that.

(Brokerage, consultancy and/or water management services)

Addressing the problem of marginal savings was acknowledged as a difficult issue to address due to the current way the wholesaler-retailer relationship works.

Because, essentially, it's all very well talking about switching water retailers, but you'll always have an element of regulation from the wholesaler's aspect. Because if you live in London, you will always have Thames Water as your wholesaler, and wholesale is where the sizeable chunk of a water invoice actually derives from. So, as long as there is a wholesaler and there's no incentive for a wholesaler to provide discounts to retailers.

(Brokerage, consultancy and/or water management services)

A wholesaler, effectively on an underlying basis, controls the market in that area. Unlike if you had a water market for the whole of the UK or England or wherever it would be and you could get a market rate, you can't do that. I know that's coming at it from a different angle from what you're thinking about, but I think that's the weakness in the way it's operated.

(Broker - price focus)

On a related note, one participant suggested that problems with issues such as billing and customer service often stemmed from the lack of margin available to retailers, as this led to fewer resources being available for addressing other issues.

That [margins available to retailers] then has a knock-on effect that they're so strict on debt, to the point that they don't care about anything else, as long as the bill gets paid. If they were given a bit more leeway, you'd hope that they would then use that opportunity to resolve some of these issues ... If people had a bit more room to play with, they could reinvest in inefficiencies, in optimising their

system, training their staff a bit more. I just don't think that anyone's got the time or the money to do it.

(Brokerage, consultancy and/or water management services)

Other suggestions for improving the market included improving the levels of customer service offered by retailers, and creating a standardised quoting mechanism.

Improved communication from the water supplier to us. We are the interface with the customer and, if we can't communicate clearly with the water supplier, then we cannot represent the customer well and we cannot inform the customer well.

(Broker - price focus)

I guess the transparency on the cost schedule. Yes, a standardised cost schedule. So, if you get it from Anglian, if you get it from South West, it reads the same. You understand. You can compare like-for-like.

(Brokerage, consultancy and/or water management services)

Appendix: Discussion Guide

Introduction and briefing (5 minutes)

- **Introductions:**
 - Moderator to introduce themselves and BMG Research (introduce as ‘on behalf’ of Ofwat and CCW).
 - Thank them for agreeing to take part in the discussion.
 - Emphasise the importance of the research. You are one of a select group of individuals or organisations identified to take part and we really value your time and input in this project.
 - This is a great opportunity to have your views heard and an opportunity to help Ofwat to identify and, where relevant, address any issues in the sector.

- **Overview of the research:** We are conducting a research project on behalf of Ofwat and CCW which seeks to understand more about the business retail market from the perspective of Third Party Intermediaries (TPIs) – how they operate in and have experienced the water business retail market. This includes your views on how you engage with your customers and retailers, your views as to the enablers, and barriers, to entry or involvement in the business retail market, and your sense of customers’ wants and needs from the market.

- **Copy of report:** We will send you a copy of the report as a thank you for taking part. As well as ensuring your views are heard, we believe the report will be a valuable source of information for your organisation.

- **Length:** The interview should take approximately 30 minutes to complete.

- **Confidentiality:** All information you provide will be treated confidentially. We will not identify any individuals or disclose the personal details of those who take part. I am independent: I do not work for Ofwat or CCW. Your responses will be treated in the strictest confidence as observed by standards determined by the Market Research Society.
 - Views stated are not attributable to individuals and the more open and honest you can be the better.
 - Quotes from the discussions may be used in the research report as a way of bringing the findings to life. Individuals or organisation names, including other organisations outside your own, will not be identified in any publicly released reporting. This is in line with the Market Research Society Code of Conduct.
 - There are no right or wrong answers: it’s just your views or opinions that count.

- **[IF PARTICIPANT QUERIES PROVIDE CLARIFICATION]** – We will also not report in detail individual practices that you tell us are commercially sensitive. Rather, we will set out more general practices without any individuals or organisations being identified.

- **Recording:** we would like to audio-record the discussion for the purposes of accurately capturing all the information you share with us. The audio will be used for analysis purposes only and will not be shared with anyone outside of BMG research.

Provide an opportunity for participant to ask any questions.

Seek permission to audio-record. Switch microphone on. Once switched on, confirm that the audio-recorder is on for the benefit of the tape.

Prior to interview

- Prior to interview, interviewer to briefly browse website (if available).
- **Interviewer to check unconfirmed BMG classification prior to the interview:** Switching and comparison websites; Utility brokers; Companies offering support to customers to switch; Brokers working independently; or Brokers working for a retailer.

Background (5 minutes)

- **Can you start by telling me a little more about your role at [insert organisation name] and how long you have been in this role?**

Interviewer to explore spontaneous responses. If necessary, prompt on:

- How long has [insert organisation name] been working with business customers in the water business retail market?
- What types of services do you offer in the water retail market?
- Does your organisation work in other sectors of the utility market (e.g. electricity, gas)?

Moderator to take note of whether participant meets the recruitment criteria - in addition to other information gained during the discussion, this will be required to complete the respondent validation section on the depth diary.

Note: if participant does not meet key criteria (i.e. no involvement in the business retail water market), thank and close as appropriate.

TPI Business Model (5-7 minutes)

- **How would you describe the service you offer your customers?**

Interviewer to explore spontaneous responses. If necessary, prompt on:

- How would you describe your main business model? (e.g. setting up tendering exercises, extending water offers to your existing client base, working with a particular retailer etc.)
 - Probe if necessary - what is your approach to marketing and lead generation? How do you typically market your products?

- Can you tell me a little more about your business model in terms of how you charge your clients and how this is structured in terms of the services you offer (i.e. fees, % share of savings)?
- Do you tend to work with particular types of business (i.e. size, sector, multi-site clients, single-site clients), or is it a very broad mix?
- Are your offers to customers primarily around being able to offer price discounts – either water only or across a utility bundle, or offering other services? How does this differ for TPI size, multi-site or use of water?
- Do you offer different types of services? If so, can you tell me a little more about this?
- If after providing a service to a customer, do you stay in contact? How do you find this process works in practice?
- *[If work in other sectors of the utility market]* How would you say the water market compares to your work in other sectors (i.e. electricity, gas)? How similar/different is your approach for water versus other utilities? Would you say some utility markets are more or less commercially attractive to you? Are some markets easier or more difficult to encourage when switching / re-negotiating?
- Have the services you offer or the way you operate changed since the water retail market opened for business in April 2017?

Engagement with retailers (5-7 minutes)

- **What is your experience of working with retailers in the business retail water market?**

Interviewer to explore spontaneous responses. If necessary, prompt on:

- Do you tend to work in principle across all retailers in the business retail market, or more with a particular retailer or group of retailers? How does this work in practice?
- How would you describe your experiences with retailers regarding a customer switching / re-negotiating? Have you experienced any particularly positive or negative issues?
- Generally speaking, do you think retailers tend to see the switching market as an opportunity for their business or a threat to their business?
- What is your experience of being able to secure or find necessary information from retailers and/or wholesalers so you can provide quotes/information to your customers?
- If mention billing issue: how common is this issue in terms of rough share of your customers?
- If mention data issue: how common is this issue in terms of rough share of your customers?
- Thinking about when you engage with retailers, either directly or on behalf of your customers, what do you think works well? What do you think could be improved/be done better?

Engagement with customers (5-7 minutes)

- **What's your sense of what customers want or expect from the business retail water market?**

Interviewer to explore spontaneous responses. If necessary, prompt on:

- Probe – for size /type of customer / multi-site or single site

- Probe – for expectations of price discounts, or other service offerings
- **What would you say are the reactions you experience or views you hear when discussing switching / re-negotiating with customers or acting on behalf of a customer?**

Interviewer to explore spontaneous responses. If necessary, prompt on:

- Are there particular benefits that you focus on to convince customers to consider your services? Do you use water-based relationships to explore making an energy deal? (and vice versa). Do you offer multi-utility bundling?
- What are the typical concerns a customer might raise when having an initial discussion with them about possibly switching / re-negotiating?
- What customer views or experiences about the market or retailers – positive or negative – have you encountered while:
 - marketing to customers?
 - acting on behalf of a customer (e.g. accuracy of billing, frequency of billing timeliness or frequency of meter reads, dealing with any legacy bills, or arranging billing for multi-sites)?
 - organising and achieving a switch to another retailer for a customer (e.g. accuracy or frequency of billing, timeliness of meter reads, dealing with any legacy bills, or arranging billing for multi-sites)?
- Are there any steps/procedures you go through so you can act on behalf of a customer? Do you use Letters of Authority (LoA)? Have you, customers or retailers expressed any views - positive or negative - about obtaining or granting a 'Letter of Authority' for a TPI to act on a customer's behalf?
- What is your approach to transparency – on contract terms, pricing and commission?
- [Ask to send marketing materials if available/willing]
- **What would you say are the biggest factors in the market that tend to help in terms of customers being interested in switching /-re-negotiating, or taking up other services you might offer?**

Interviewer to explore spontaneous responses. If necessary, prompt on:

- Probe potential factor - customer views / expectations about the market or retailers / customer views about what might be in it for them
- Probe potential factor - views that it's straightforward to switch retailer
- Probe potential factor - levels of knowledge – customers are well informed about the market
- Probe potential factor - perception that customer will make savings
- Probe potential factor - TPI interaction with retailers on behalf of the customer works well
- If helpful factors mentioned - has doing business in the retail market and encouraging customers to switch / re-negotiate got easier since you entered the water market?

- **What would you say are the biggest obstacle(s) / barrier(s) in the market in terms of customers being interested in switching / re-negotiating, or taking up other services you might offer?**

Interviewer to explore spontaneous responses. If necessary, prompt on:

- Probe potential barriers - customer views / expectations about the market or retailers / customer pessimism or optimism about what might be in it for them
- Probe potential barriers - hurdles encountered during the switching process e.g. in terms of practical / administrative difficulties when arranging the switch?
- Probe potential barriers - levels of knowledge – What, if anything, do customers tend to know about the switch market / changes brought about in April 2017 (has this changed over the course of the last two or three years?)
- Probe potential barriers - perception that savings are insufficient
- Probe potential barriers - contact generation
- Probe potential barriers - There are issues with TPI interaction with retailers(s) on behalf of the customer
- If barriers mentioned, have barriers changed or evolved since you entered the water market?

TPI activity, and closing thoughts (5-7 minutes)

- **What are your thoughts about the activities of TPIs in the water business market as a whole?**

Interviewer to explore spontaneous responses. If necessary, prompt on:

- Do you have thoughts or concerns about how TPI conduct/activity is generally perceived by customers? Do you think there are areas where TPI conduct/activity deserves praise?
- Are there any practices that you feel other TPIs might engage in that either damage or enhance the reputation of the sector (e.g. keeping customers fully informed, cold calling)?
- *Note: If respondent mentions regulation, it is fine to explore this topic further.*
- If there's one thing you could change about the business retail water market, what would it be?

Wrap Up (2 minutes)

- Moderator to check for any final closing comments
- Repeat assurances regarding confidentiality
- Thank and close

Appendix: Statement of Terms

Set out below are BMG Research's standard terms and conditions. These shall be considered to be in place unless:

- a) Our client sets out their own Terms and Conditions at proposal stage, and our submission of a proposal is considered to be acceptance of these or,
- b) We sign a contract prepared by the client which sets out the Terms and Conditions under which work will be undertaken.

Use and Transfer of Personal Data

The acceptance of this proposal will be taken as the client's authorisation to sub-contract the stated services to the named providers as outlined in this proposal.

Where the Client is Data Controller the Client shall ensure that legal grounds are established for collecting and processing the personal data for research purposes.

The Client shall comply at all times with BMG Research's data transmission protocol, or agree an alternative secure method of transmission compatible with the Client's capabilities.

Should any new Personal Data be collected and shared with the Client as part of the services provided (and for which BMG Research is joint Data Controller) the Client shall not use this Personal Data for purposes other than for which consent from the Data Subject has been provided.

Compliance with International Standards

BMG complies with the International Standard for Quality Management Systems requirements (ISO 9001:2015) and the International Standard for Market, opinion and social research service requirements (ISO 20252:2012) and The International Standard for Information Security Management (ISO 27001:2013).

Freedom of Information

BMG is willing to support the client in responding to all Freedom of Information requests. However we regard all information about individuals as personally sensitive and should not be disclosed. We also regard our methodology and all other aspects of this tender that are used to evaluate its merit as commercially sensitive. This is a competitive tender and is judged against a set of criteria to evaluate the way we have interpreted the specification and the approach we have put forward to meeting the objectives. If this was placed into the public domain and therefore open to our competitors it could put us at a material disadvantage in any future tendering process. Therefore such commercially sensitive information should not be disclosed, without permission, for a period of at least one year after the award of the tender.

Ethical practice

BMG promotes ethical practice in research: We conduct our work responsibly and in light of the legal and moral codes of society.

We have a responsibility to maintain high scientific standards in the methods employed in the collection and dissemination of data, in the impartial assessment and dissemination of findings and in the maintenance of standards commensurate with professional integrity.

We recognise we have a duty of care to all those undertaking and participating in research and strive to protect subjects from undue harm arising as a consequence of their participation in research. This

requires that subjects' participation should be as fully informed as possible and no group should be disadvantaged by routinely being excluded from consideration. All adequate steps shall be taken by both agency and client to ensure that the identity of each respondent participating in the research is protected.

Your acceptance of this proposal will be taken as agreement to abide by good practice in social research ethics.

Termination of contract

If commissioned based on the content of this proposal, the agency considers this to be your acceptance of our stated terms and conditions. Once commissioned, the agency reserves the right to levy a termination charge should the contract be cancelled by the client. All prices quoted are valid for ninety days from the date of this document. Included in the price quoted is a technical report detailing the methodology as delivered. This documentation would be made available to the client on request unless already detailed as part of the specified outputs.