Business Customer Insight Survey 2022

Final Report

By Opinion Research Services

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Business Customer Insight Survey 2022

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1. Executive Summary

1.1 Since April 2017, business customers across England (including charities and public sector organisations) have been able to choose who supplies their water and wastewater retail services[1]. As part of its regulatory role, the Water Services Regulation Authority (henceforth Ofwat) has been responsible for overseeing the introduction of competition across the water industry in England and Wales[2] and is responsible for ongoing monitoring of how the market is performing for customers. Additionally, the Consumer Council for Water (CCW) is an independent body representing the interests of water and wastewater customers in England and Wales.

1.2 Ofwat and CCW appointed Opinion Research Services (ORS) to undertake a representative telephone survey in 2022, aimed at gathering further insight from business customers about their experiences and views concerning the business retail water market. Where available, comparisons are made with results obtained in previous surveys. The following paragraphs highlight some key findings; however, readers are referred to the detailed graphics for more details.

1.3 Because this is a survey of a sample and not the entire population of businesses, all the results have a margin of error (the margin of error is a measure of uncertainty in a result). Compared to previous years, this survey had a reduced sample size of 500 businesses which means the margins of error tend to be larger than prior surveys. Due to this, comparisons that are not said to be 'significant' or 'statistically significant' should be interpreted with caution. Further explanation of margins of error and statistical significance are provided on page 14.

Overall Satisfaction

1.4 Customer satisfaction remains high, with over three quarters (77%) reporting that they were satisfied with their water and wastewater retailer. This is in line with the results found in previous years' surveys (73% in 2021, 78% in 2020, 80% in 2019 and 77% in 2018). One in ten (10%) customers were dissatisfied with their water and wastewater retailer.

1.5 When customers were asked why they were satisfied with their retailer, the most frequent responses were 'no real reason' (36%) followed by having experienced no/few problems (31%) and by a positive experience of customer services (25%).

1.6 As with previous years, the most frequent reason given by customers for being dissatisfied with their current clean water and wastewater retail services was billing issues (77%). This was followed by issues around customer service (65%) and price (21%).

1.7 Organisations in the United Utilities water region, as well as those in the business administration & support services sector were significantly less likely to be satisfied. This was also true for organisations with a yearly water bill over £2,000 and those organisations that have not switched or renegotiated in the last 12 months.

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[1] Responsibility for the physical supply of water and wastewater services remains with the regional water companies

[2] It is worth noting that in Wales, only non-household customers who use 50,000,000 litres (50Ml) of water or more a year can switch retail services.

1.8 Unlike previous years there isn't a significant relationship between organisation size and overall satisfaction. Indeed, the gap in satisfaction between large customers and the rest of the market that was observable in the 2021 survey has significantly declined.

Awareness of the market

1.9 Just under half (48%) of eligible business customers were aware, prior to taking part in the survey, that since April 2017 organisations have been able to change who supplies their clean water and their wastewater retail services, or potentially move to a better deal with their existing provider. This result is in line with the level of awareness observed in 2021 (43%), with the 5-percentage point difference not being statistically significant.

1.10 The relationship between awareness and organisation size appears to be less prominent compared to last years' survey. While larger customers still show the highest levels of awareness in their ability to switch provider of water and wastewater retail services or to renegotiate this is non-significant. Indeed, compared to last year there has been a significant decline in the level of awareness among both medium (69% in 2021 to 54% in 2022) and large organisations (75% in 2021 to 57% in 2022).

1.11 A new question was added in 2022, to test a theory that awareness of the market might be linked to whether the organisation was operating at the time of the opening of the non-household water market (on the basis that businesses that were eligible to switch in 2017 might have encountered publicity around the time of the market changes, for example). The results suggest that this is indeed a strong predictor of awareness: those organisations that were already operating prior to 2017 were significantly more likely to be aware of their ability to switch retailer (59% aware). Those who started operating more recently than 2017 were significantly less likely to be aware (33% aware).

Market Engagement

1.12 Based on the survey results, it can be estimated that 9.9% of all eligible business customers have been "active" in the market in the last 12 months. By "active" this includes those who have switched or renegotiated in the last 12 months, those currently in the process of switching/renegotiating, those who are actively considering switching or renegotiating, those who had tried to switch or renegotiate and failed, or those who had considered switching or renegotiating but decided not to. While this is the highest activity level observed in a survey to date it is, statistically speaking, in line with previous years' results (8.5% in 2021, 7.9% in 2020, 9.8% in 2019) with the difference since last year being non-significant.

1.13 Roughly one in twelve (7.9%) of all customers had switched or renegotiated at some point in the previous 12 months (specifically: 5.3% had switched and 3.0% had renegotiated). This is the highest level recorded and 4-percentage points higher than estimated by the 2021 survey, but this apparent increase is non-significant and therefore should be interpreted with caution.

1.14 Larger organisations are significantly more active in the market. Nearly a quarter (23.4%) of large organisations were active in the twelve months prior to being interviewed, compared with only a tenth (9.8%) of micro organisations, this reflects a similar pattern to that observed in previous years i.e. of greater market activity among larger organisations.

1.15 Similarly, the levels of activity and switching are significantly higher among organisations that were already operating at the time of the non-household market opening in 2017 (14% active compared to 4.1% active for organisations that started operating after 2017).

What is important for customers?

1.16 When asked about what is most important to them as a customer, over half (55%) mentioned a reliable water supply and/or no supply interruptions. Around two fifths mentioned price (42%), while others mentioned customer service (23%), billing services (15%) and water efficiency (7%).

1.17 These were also the five most widely identified factors in both 2021 and 2020. It is worth noting that over the last two years, the proportion of customers identifying price as important has increased (rising from 29% in 2020 to 42% in 2022), while the proportion mentioning water efficiency has decreased over the same period (from 25% in 2020 to 7% in 2022).

2. Project Overview

Background

The Commission

2.1 Since April 2017, business customers across England (including charities and public sector organisations) have been able to choose who supplies their water and wastewater retail services[3]. Customers in Wales who use 50,000,000 litres (50Ml) of water or more a year are also able to switch retail services. These retail services include billing, water meter reading and customer services.

2.2 The overall aim of introducing competition was to save customers time, water and money as well as to improve the quality of customer service. The opening of the market means that (like many other utility markets) eligible business customers are free to either switch suppliers or negotiate a better deal with their existing retailer. In addition, customers also have the option to become their own retailer and 'self-supply' their own sites with retail services.

2.3 As part of its regulatory role, Ofwat has been responsible for overseeing the introduction of competition across the water industry in England and Wales and is responsible for ongoing monitoring of how the market is performing for customers.

2.4 In April 2022, Ofwat appointed Opinion Research Services (ORS) to undertake research with a sample of eligible business customers[4]. The research was commissioned and funded as a collaborative research project between Ofwat and the Consumer Council for Water (CCW). The objective for the research is to gain further insight from business customers about their experiences and views concerning the business retail water market, including their awareness of the market, the extent to which they have engaged with the market, their satisfaction with the market, and the things that are most important to them as water customers.

2.5 Due to particular challenges gaining participation from businesses in recent surveys (related to the impacts of Covid on businesses, as well as difficulties reaching the individual responsible for making decisions about the water supplier/paying bills due to working from home etc.) a decision was taken to undertake a more focused survey for 2022, with a shorter questionnaire based on key metrics and a reduced overall sample size. These changes were helpful in improving survey participation, and the survey was completed on time and on budget.

2.6 The research consisted of a quota-controlled telephone survey which interviewed 501 businesses between 25th April 2022 and 5th July 2022.

2.7 Where appropriate, results from 2022 have been compared against those obtained in previous years in which a similar survey was carried out. Please note that some questions may have fewer previous years' results available for comparison than others; this is due to changes that have been made to the survey's content over time. Comparisons with previous years' results that are not said to be statistically significant should be interpreted with caution as the difference may be due to random sampling variation rather

[3] This follows the model set by the electricity, telecoms and gas industries which separate the customer supply and infrastructure elements of the business from billing, customer service and meter readings (retail services).
[4] By eligible, we mean those customers who would be eligible to switch supplier for clean and/or wastewater services

than an actual change in the market. Further explanation into statistical significance is provided on page 14.

The Survey of Eligible Business Customers

2.8 The aim of the survey was to gather views from a representative sample of all types and sizes of businesses, charities and public sector organisations across England to reflect different wholesale regions (including eligible high-water users in Wales) and to investigate their awareness of, and experiences interacting with the market.

2.9 The survey included questions on the following topics:

- Awareness of changes in the market
- Overall satisfaction
- Behaviour in the market
- The most important factors for water customers

2.10 A stratified sample was designed to ensure that differences between organisations of different sizes and in different sectors, and differences between water company regions could be measured[5]. Quota controls[6] were then used to ensure the sample achieved an appropriate number of responses from different sub-groups and 501 full interviews were achieved overall.

2.11 A copy of the questionnaire has been included as an annexe to this report.

The Sample

2.12 The sample comprised registered businesses, charities and public-sector organisations based wholly or mainly in England. It was purchased from a commercial source of business contacts. Additional contacts were sourced from Dŵr Cymru, who provided a list of all eligible organisations in Wales (using 50 Ml or more per year).

Organisation Eligibility

2.13 Not all businesses, charities and public-sector organisations are eligible to switch water and/or wastewater retail services in the business retail water market. The organisation must operate from a business premises and not use a household water supply (i.e. those who run a business from their own home are not eligible). Furthermore, some organisations that rent their business premises will do so with the utility services provided by the landlord, so they are not responsible for who supplies their water and/or wastewater retail services (along with other utilities) and are not able to choose the retailer[7].

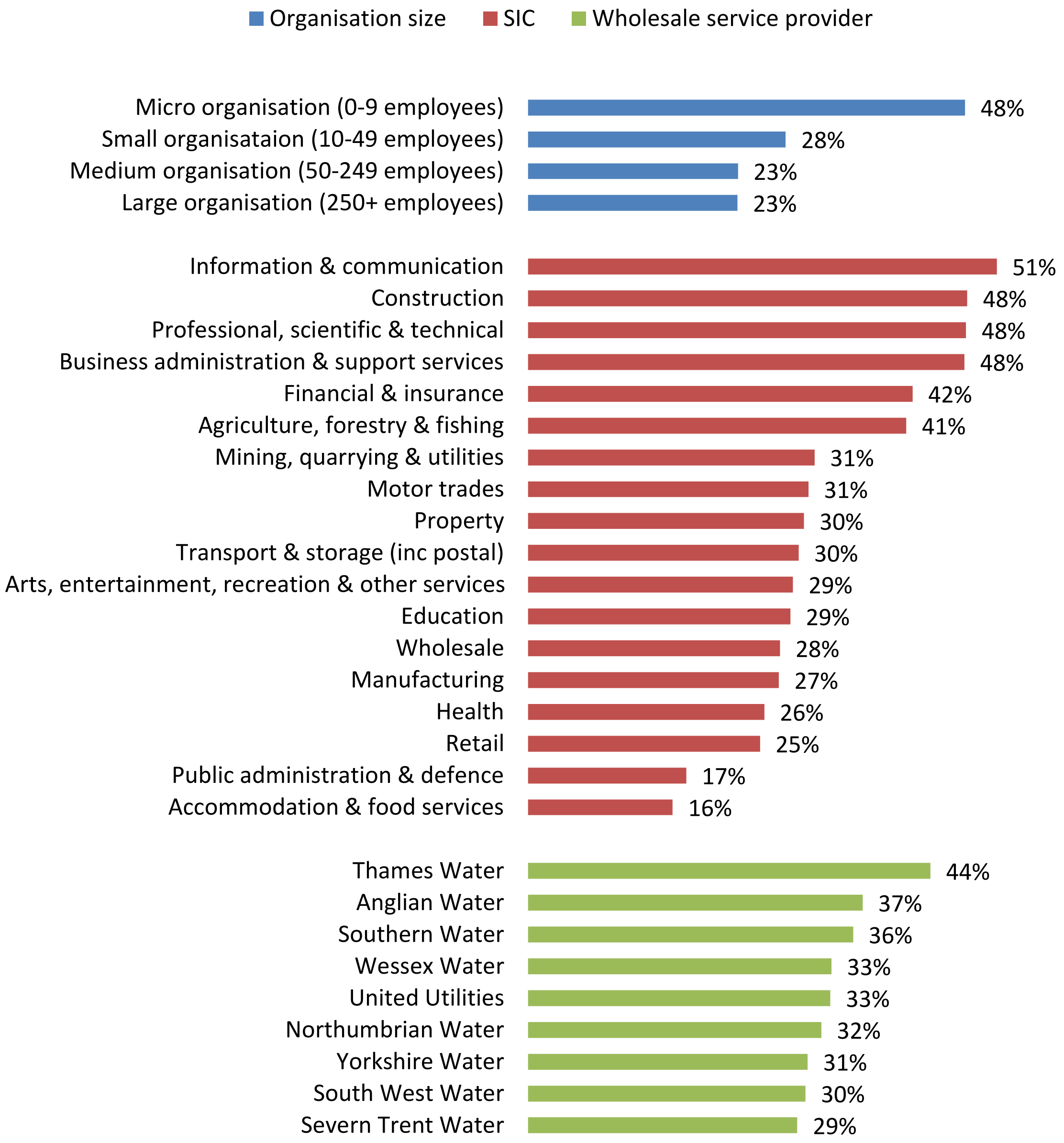
[5] Stratified sampling involves first dividing the eligible population (in this case, the population of business customers who are eligible to switch their water and waste water retailer) into various groups, or strata, based on common characteristics. In this case, a disproportionate stratified sampling approach was used to intentionally over- and underrepresent certain groups relative to their incidence in the population; this is standard research industry practice and is done to better enable comparisons to be made between different sub-groups (in this case, for example, comparisons between different organisation size bands). The sampling approach is taken into account at the final weighting stage to give each case a proportionate influence on the results.
[6] A means to control the numbers of people interviewed from within a particular group.
[7] For more information on which non-household customers are eligible for the market see Ofwat's website

2.14 Customers in Wales will only be able to switch if they use 50 Ml of water a year at their property. These eligible Welsh customers were identified with help from Dŵr Cymru for inclusion in the research. The survey is therefore representative of all eligible business customers in England and Wales.

2.15 During Ofwat's Customer Awareness Survey, conducted in 2016, an estimate of the eligible non-household population was created using screening questions to assess eligibility. This exercise excluded around a third (34%) of all successful contacts overall, but the proportion varied substantially by business size, type and region (see Figure 1).

2.16 It is important to note that the figures quoted in this section from 2016 are based on unadjusted (i.e. unweighted) data. However, when the eligibility was applied to the final achieved sample, it was weighted in order for it to appropriately reflect the differences by size, sector and region.

Figure 1: Ineligibility of organisations in the contact sample (unadjusted)[8]



2.17 Almost half (48%) of all micro organisations included in the purchased contact sample in 2016 were not eligible (partly due to many being home based and not having a dedicated premises or retail supply point), but approaching a quarter (23%) of medium and large organisations were also not eligible (mainly as services were provided by the landlord).

2.18 The proportion of ineligible organisations in the sample in 2016 was also higher in the Thames Water region (44%), due to 42% of small organisations, 40% of medium organisations and 38% of large organisations being ineligible in this region. This is partly due to the type of organisations in the area, though possibly also due to the prevalence of serviced offices in and around Greater London.

[8] 'SIC' stands for 'Standard Industrial Classification' – detailed 'SIC codes' are assigned to businesses to describe the primary activity of the company and are frequently aggregated into 'broad industrial groups' as shown in the Figure above.

Weighting

2.19 The number of eligible organisations varies considerably by region, size and sector. To better enable comparisons to be drawn, smaller regions were therefore oversampled; in this sense the sample deliberately did not match the population. Small (10-49 employees), medium (50-249 employees) and large (250+ employees) organisations were also oversampled in order to draw more meaningful comparisons between organisations of different sizes. Businesses with fewer than 10 employees (often termed 'microbusinesses') were split into two categories, with the very smallest (i.e. 'nano') businesses with 0 to 4 employees weighted separately from those slightly larger microbusinesses with 5 to 9 employees.

2.20 In line with standard research industry practice, any differences between the achieved sample and the overall population were corrected by statistical weighting. The data was weighted by Business Size, Water Region and SIC Broad Industrial Groups. This process ensures that the overall results are representative of all eligible organisations across the whole of England and Wales, taking into account the difference in eligible population in Wales.

2.21 In a minor change from previous years, the influence of the SIC Broad Industrial Groups category on the survey weights has intentionally been limited to a certain extent, relative to previous surveys. The motivation for this change was that weighting by SIC resulted in some relatively large and small weights within subgroup results; in particular, this effect has been exacerbated by the smaller-than-usual sample size of 501 in 2022 (with correspondingly smaller subgroup sample sizes). Limiting the influence of SIC on the weights of certain individual cases (in the large organisation subgroup) helped address this issue, while having little impact on the overall results.

2.22 Full details of the profile characteristics (unweighted and weighted) of participating organisations are shown in the table below. Any value denoted by a * represents a percentage which is less than 1%.

Table 1: Response profile to the survey, compared with the eligible business population

Characteristic	Unweighted Count	Unweighted Valid %	Weighted Valid %	Population %
BY SIZE OF ORGANISATION				
Nano (0 to 4 employees)	63	13	75	76
Micro (5 to 9 employees)	55	11	11	11
Small (10 to 49 employees)	157	31	12	11
Medium (50 to 249 employees)	143	29	2	2
Large (250+ employees)	83	17	*	*
Total valid responses	**501**	**100**	**100**	**100**
BY WATER REGION				
Anglian Water	53	11	8	11
Northumbrian Water	40	8	3	3
Southern Water	48	10	15	16
Severn Trent Water	78	16	17	3
South West Water	43	9	5	10
Thames Water	65	13	34	33
United Utilities	62	12	9	12
Wessex Water	52	10	3	3
Yorkshire Water	50	10	7	8
Dŵr Cymru Welsh Water	10	2	*	*
Total valid responses	**501**	**100**	**100**	**100**
BY SIC BROAD INDUSTRIAL GROUP				
Agriculture, forestry & fishing (A)	24	5	6	3
Mining, quarrying & utilities (B,D and E)	6	1	*	*
Manufacturing (C)	63	13	1	6
Construction (F)	35	7	8	11
Motor trades (Part G)	6	1	10	3
Retail (Part G)	52	10	16	5
Wholesale (Part G)	17	3	2	10
Transport & storage (inc postal) (H)	9	2	8	6
Accommodation & food services (I)	49	10	5	8
Information & communication (J)	27	5	3	6
Financial & insurance (K)	4	1	1	2
Property (L)	25	5	7	4
Professional, scientific & technical (M)	40	8	16	14
Business administration & support services (N)	39	8	5	7
Public administration & defence (O)	2	*	*	*
Education (P)	25	5	1	2
Health (Q)	29	6	2	5
Arts, entertainment, recreation & other services (R,S,T and U)	49	10	11	7
Total valid responses	**501**	**100**	**100**	**100**

Interpretation of the Data

2.23 It should be remembered that a sample, and not the entire population of organisations has been interviewed. Because of this, all results covered in the report have a margin of error. This refers to how much a result is likely to vary from sample to sample. As explained previously, this year's survey reduced the sample size from 700 to 500 businesses which means the margin of error for this year's results is larger than in previous years. Partly because of this, there are fewer results that can be described as statistically significant in this year's survey compared to prior years.

2.24 Where differences between surveys or demographic groups have been highlighted as significant there is at least a 90% probability that the difference is not due to random sampling variation. If we were to redo the research 100 times with 100 similar sized samples, we would expect the same difference to be observed in at least 90 of those 100 samples. In effect, differences highlighted as significant are more likely to reflect actual differences in the population and not be a product of random sampling variation.

2.25 When comparing results between demographic sub-groups, results which are significantly different are highlighted in the text. Where the text refers to non-significant findings these differences will be mentioned explicitly. Differences that are not said to be 'significant' or 'statistically significant' should be interpreted with more caution. In line with industry best practice, significance testing was applied using effective sample sizes, to take into account the weighting effects.

2.26 Results based on small sample sizes (for example, results for small demographic sub-groups, and/or for questions that have been routed to only be asked of a small number of customers) may need to be interpreted with some caution.

2.27 Please note that where percentages do not sum to 100, this may be due to rounding, the exclusion of 'don't know' categories, or multiple answers.

2.28 In some cases, figures of 2% or below have been excluded from graphs.

2.29 Graphics are used extensively in this report to make it as user friendly as possible. The pie charts and other graphics show the proportions (in percentages) of organisations making relevant responses, and, where appropriate, they indicate positive responses in green and negative responses in red.

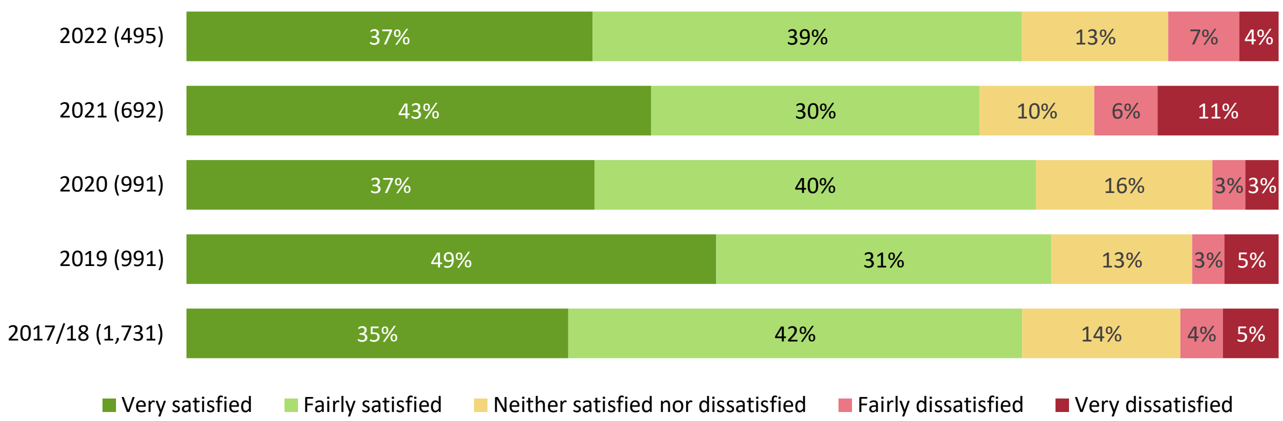
3. Survey Findings

Overall Satisfaction

3.1 All customers were asked how satisfied or dissatisfied they are with their current clean water and wastewater retailer(s). Just over three quarters (77%) were satisfied with their current retailer, with a tenth (10%) saying they were dissatisfied.

3.2 Levels of satisfaction are broadly in-line with previous years (73% in 2021, 78% in 2020, 80% in 2019 and 77% in 18) with the comparison with 2021 being non-significant.

Figure 2: Overall, how satisfied or dissatisfied are you with your current water and wastewater retailer(s)? Year-on-year comparisons



3.3 While satisfaction with overall service remains high, Figure 3 over the page shows how levels of satisfaction with water and wastewater retailers varied by sub-group (subgroups that are significantly higher than the overall result are highlighted in green; those significantly lower are highlighted in red).

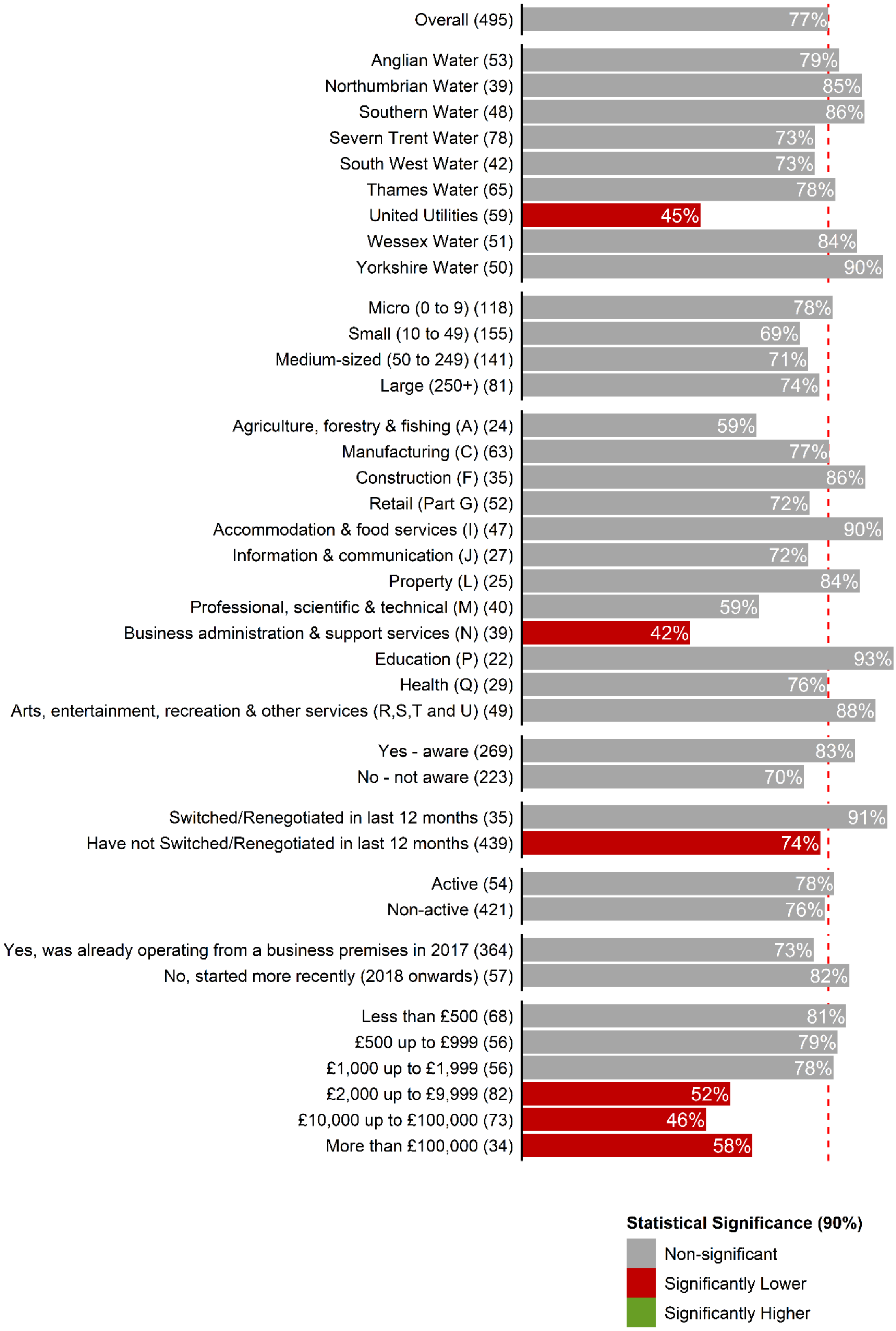
3.4 Some groups were significantly less likely to be satisfied relative to the overall result. Customers in the United Utilities water region were significantly less likely to be satisfied. In terms of sector, fewer than half of customers in the business administration and support sector were satisfied. This is significantly lower than the overall result.

3.5 Customers that haven't switched or renegotiated in the last 12 months are significantly less likely to be satisfied with their clean water and wastewater retailer while over 90% of those that switched or renegotiated were satisfied.

3.6 Figure 3 also illustrates a strong relationship between the size of an organisation's yearly water bill and the level of satisfaction with their water retailer. Those organisations with a yearly water bill over £2,000 are significantly less likely to be satisfied.

3.7 Unlike previous years there isn't a significant relationship between organisation size and overall satisfaction. Indeed, the gap in satisfaction between large customers and the rest of the market that was observable in the 2021 survey has significantly declined.

Figure 3: Overall, how satisfied or dissatisfied are you with your current clean water and wastewater retailer(s)? Sub-group analysis

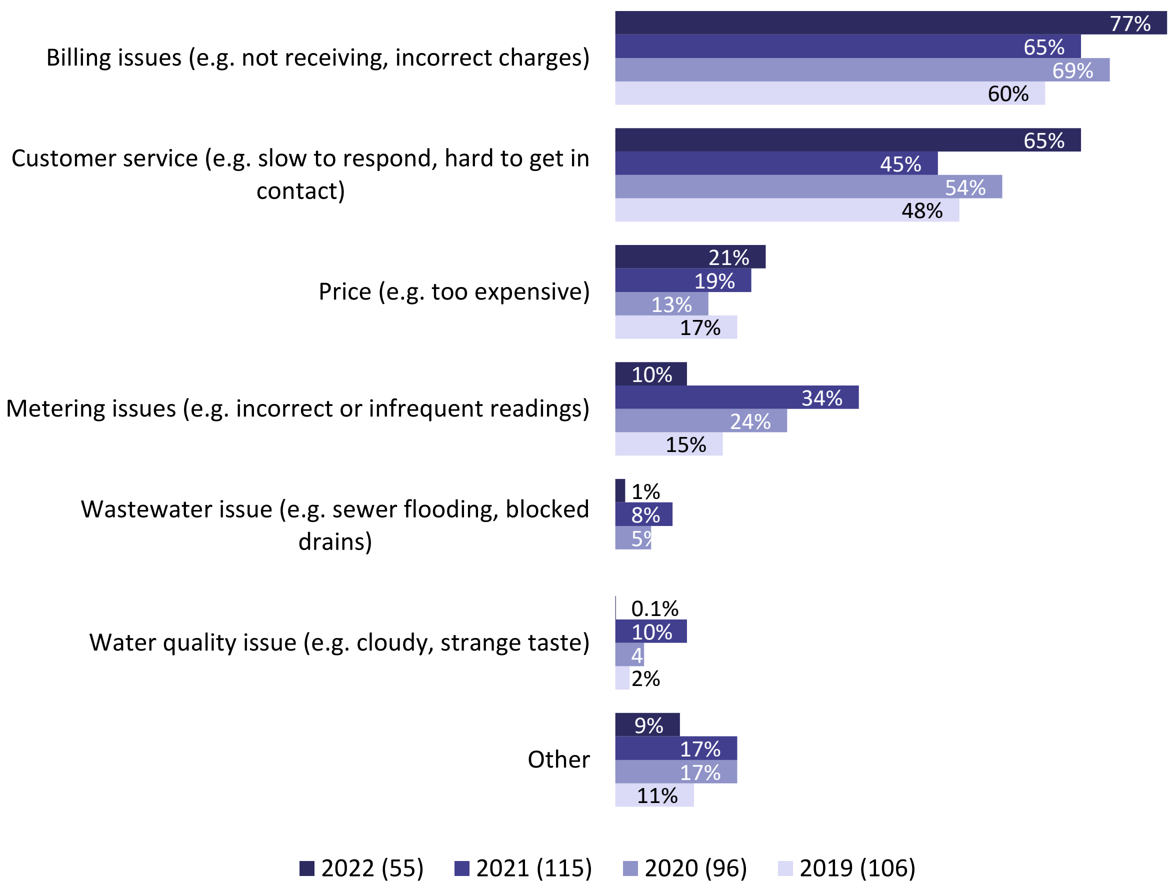


Base: All customers (number of customers shown in brackets). Red dotted line indicates the overall market result.

3.8 When those who were dissatisfied with their current clean water and wastewater retailer were asked to explain the reasons why, customers were most likely to mention billing issues, such as not receiving bills, or being charged incorrectly (mentioned by 77% of dissatisfied customers – equivalent to around 8% of customers across the whole sample); followed by issues with customer service (65%) and with price (21%).

3.9 Due to the small numbers of respondents that answered this question, there are no statistically significant changes between 2021 and 2022. However, it is worth noting the increase in the number of dissatisfied customers mentioning customer service as a reason for their dissatisfaction. One might speculate as to whether this could be attributable to increased customer contact and/or retailers struggling to catch up with enquires as a result of the Covid pandemic.

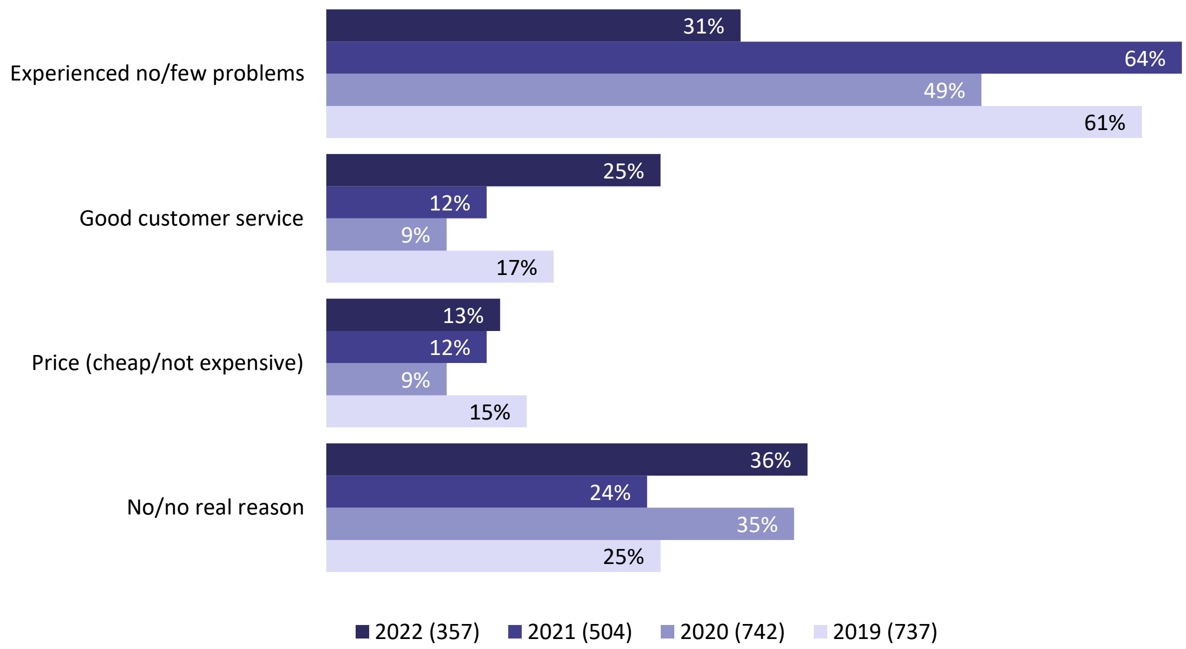
Figure 4: Why were you dissatisfied? 2022, 2021, 2020 and 2019



Base: All dissatisfied customers (numbers shown in brackets)

3.10 Over a third (36%) of satisfied customers said that they had 'no real reason' for being satisfied with their retailer. Elsewhere, the most frequent reason given for satisfaction was not experiencing any/many problems (31%), although this has seen a significant decrease since in 2021. On the other hand, the percentage of those that were satisfied who mentioned good customer service has nearly doubled since 2021 increasing from 12% to 25%, however, this increase is non-significant.

Figure 5: Comparison with previous surveys (top reasons only): Are there any particular reasons you are satisfied? What are they? 2022, 2021, 2020 and 2019



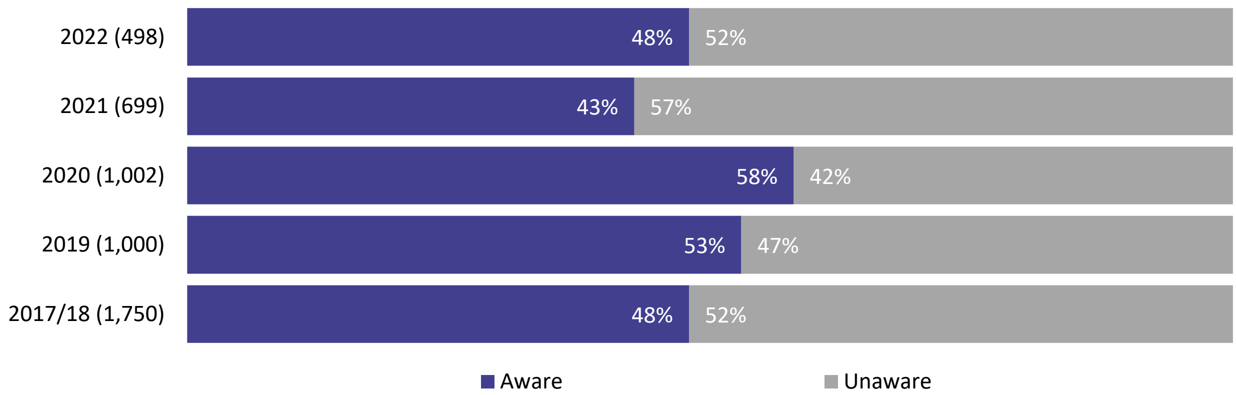
Base: All satisfied customers (numbers shown in brackets)

Awareness of market

3.11 One of the key questions in the business customer survey seeks to establish whether customers are aware of the market changes that occurred in 2017 i.e. which allow organisations to choose their retailer for clean and wastewater and/or to negotiate a better deal with their existing retailer.

3.12 Just under half of business customers were aware of the changes to the non-household water market (48%). While this is 5 percentage points higher than in 2021 (when 43% were aware), this increase is non-significant.

Figure 6: Since April 2017, organisations have been able to change who supplies their clean water and wastewater or potentially move to a better deal with their existing retailer. Prior to this survey were you aware of this? Year-on-year comparisons



Base: All Respondents (number of respondents shown in brackets)

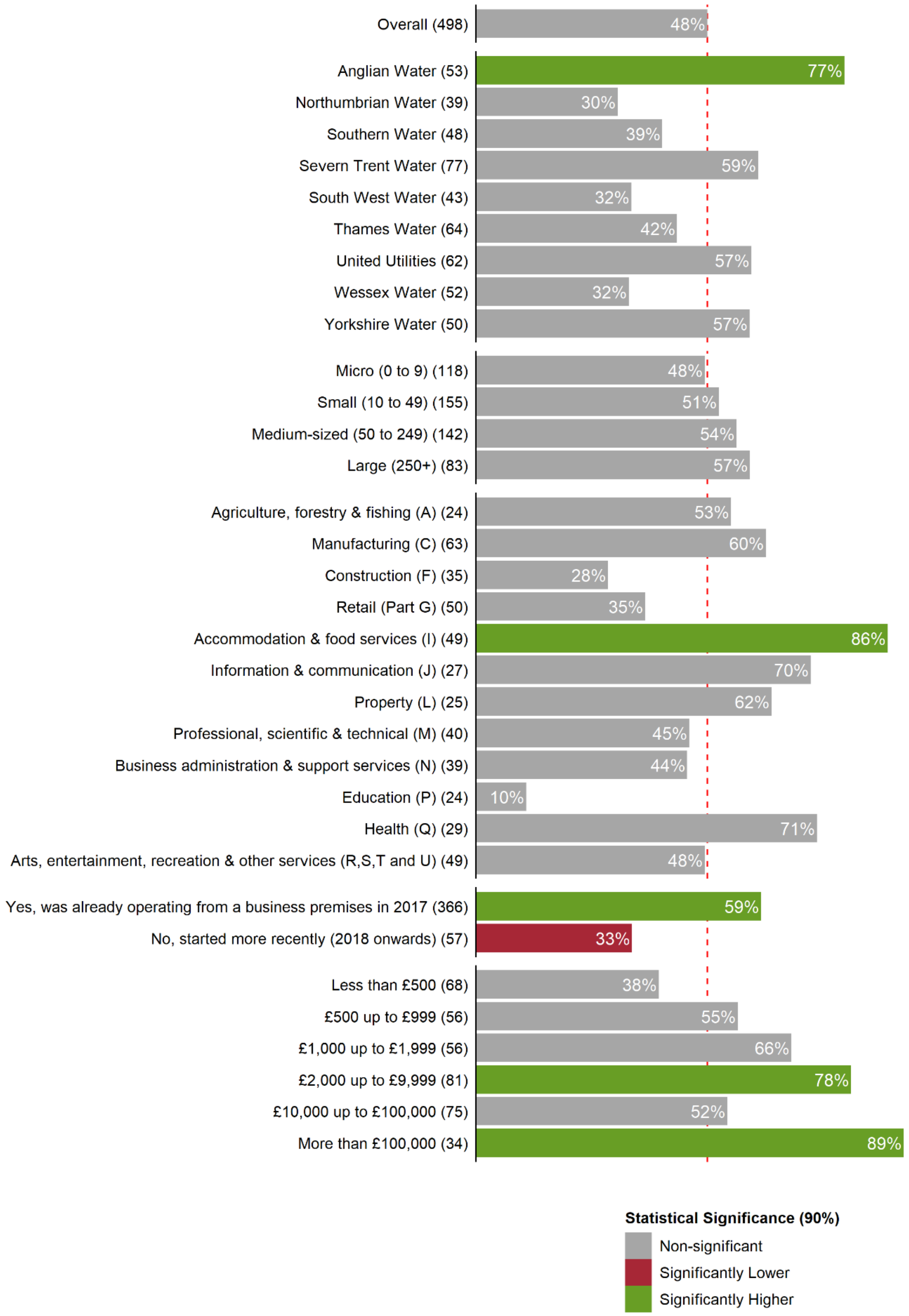
3.13 The figure overleaf (Figure 7) shows how levels of awareness differ by sub-group, with differences that are significantly higher than the overall result highlighted in green, and ones significantly lower highlighted in red.

3.14 The results suggest that awareness is significantly higher than the average in the Anglian Water region with over three quarters of organisations aware (77%). In terms of business sector, the level of awareness is significantly higher among companies in the accommodation & food services sector.

3.15 The size of an organisation's yearly water bill is also significantly associated with the level of awareness. Organisations with higher water bills are generally more aware of their ability to switch water providers (organisations with water bills between £10,000 and £100,000 display a slightly anomalous result and are the exception to this trend).

3.16 Companies that were already operating when the changes to the business customer water market were introduced in 2017 display significantly higher levels of awareness when compared to companies that started operating after 2017 (59% aware as opposed to 33% aware).

Figure 7: Since April 2017, organisations have been able to change who supplies their clean water and wastewater or potentially move to a better deal with their existing retailer. Prior to this survey were you aware of this? Sub-group analysis



Base: All customers (number of customers is shown in brackets). Red dotted line indicates the overall market result.

Impact of organisation size

3.17 The figure below shows the differences in awareness by organisation size between 2022 and the previous three years' surveys. Organisation size is defined by the number of employees within the organisation, as follows:

Micro: Up to 9 employees

Small: 10 to 49 employees

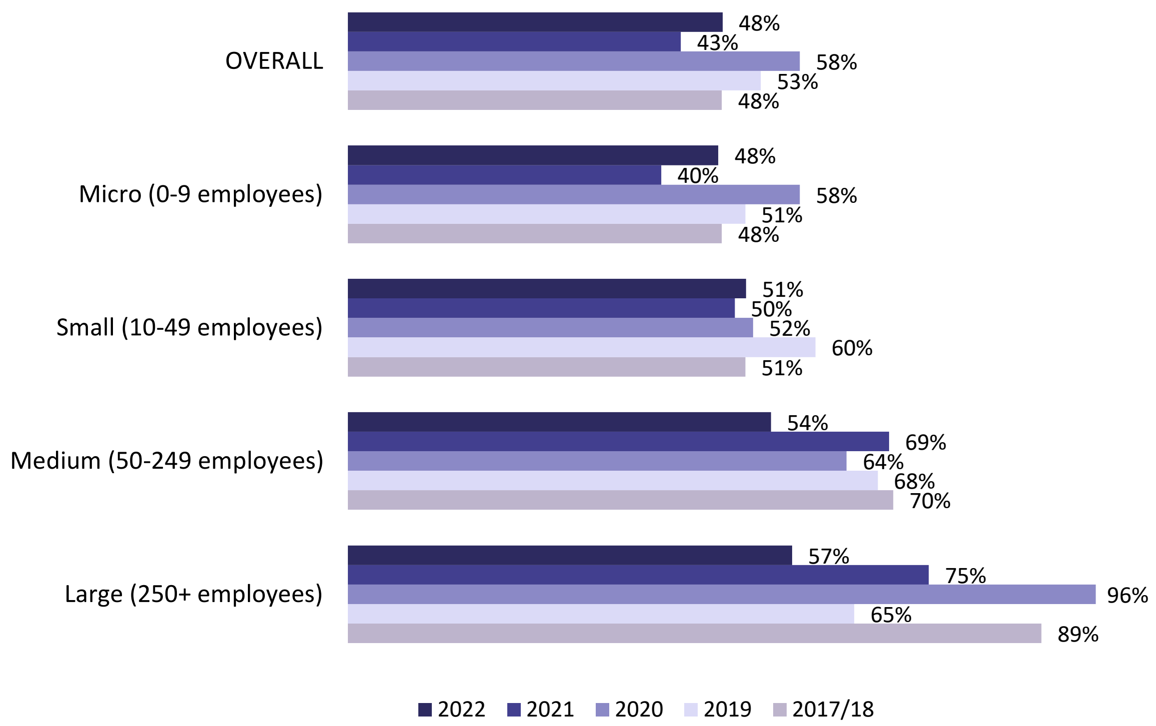
Medium: 50 to 249 employees

Large: 250 employees or more

3.18 As shown in Figure 8, a relationship between organisation size and awareness of their ability to switch water retailer has been observed in previous surveys. The 2022 results show some difference in the level of awareness by organisation size (ranging from micro sized organisations with 48% awareness to large sized organisations with 57% awareness). Large organisations have the highest observed level of awareness but compared to the rest of the market this difference is not statistically significant.

3.19 Figure 8 shows the relationship between size and awareness is less prominent in this survey than compared to prior surveys. This is primarily driven by significantly lower levels of awareness among medium and large sized organisations compared to 2021.

Figure 8: By Size of Organisation: Since April 2017, organisations have been able to change who supplies their clean water and wastewater or potentially move to a better deal with their existing retailer. Prior to this survey were you aware of this?



Base: All customers

Impact of operating before 2017

3.20 As was highlighted in Figure 7, whether or not an organisation had been operating when the water market opened in 2017 was one of the strongest predictors of whether they were aware of their ability to switch water retailer: with those who were operating by 2017 being significantly more likely to be aware than the market average (59% aware), and those who began operating after 2017 being significantly less aware (33% aware).

3.21 This relationship is likely explained by the higher levels of publicity surrounding the opening of the water market prior to 2017 that newer customers haven't been exposed to. One implication of this is that – unless publicity is increased – we *might* expect the level of awareness about the ability to switch water retailer to decrease over time, i.e. as the percentage of customers in the market that were formed after 2017 grows due to new businesses being formed.

3.22 One complication to this, however, is that operating before or after 2017 is strongly associated with the size of the organisation. As Table 2 shows, over 90% of medium and large sized organisations were operating at the time of the opening of the non-household water retail market in 2017 while fewer than two thirds of nano and micro sized organisations were doing so.

Table 2: The non-household water retail market opened in 2017.... Was this organisation already operating in 2017, or has this started more recently? By organisation size.

Organisation size	Yes, was already operating in 2017
Nano (0 to 4) (57)	62%
Micro (5-9 employees) (41)	65%
Small (10-49 employees) (113)	87%
Medium (50-249 employees) (132)	93%
Large (250+ employees) (82)	91%
All eligible customers (425)	**65%**

3.23 Therefore, to better separate the effect of organisation size and operating before or after 2017 on awareness, a logistic regression model was used[9]. This enables us to isolate the effect of operating before or after 2017 on awareness by holding the effects of organisation size, SIC industrial group, and water region constant.

3.24 To summarise: the results of this analysis demonstrate that there is a clear and statistically significant link between whether businesses were operating before or after 2017 and their levels of market awareness. Moreover, this link holds true irrespective of the influence of other business characteristics such as organisation size[10].

[9] A logistic regression model measures the relationship between one or more independent variables and a binary outcome variable (in this case: 1 = aware, 0 = unaware). Regression models are used to 'hold constant' control variables to better isolate the effect of a particular variable of interest.

[10] As shown in Table 3 overleaf, with a p-value (i.e. significance value) of 0.001, the effect of having started operating from a business premises after 2017 is highly statistically significant. The coefficient of -1.1 indicates it has a strong negative effect on awareness even when controlling for size, region, and SIC.

Table 3: Logistic regression showing the effect of starting operating after 2017 on being aware about the water market being open

Organisation size	Coefficient	Standard Error	P-value
Intercept	0.90	0.60	0.135
No, started more recently	-1.10	0.33	0.001
Control variables: *Size, Region, SIC*			
Pseudo R^2: *0.11*			
Number of observations: *423*			

3.25 In summary, larger businesses continue to show higher levels of awareness than smaller ones, though the relationship between awareness and size is less pronounced compared with previous years' results and non-significant. A newer finding (explored for the first time in this year's survey) is the relationship between awareness and the date at which a company was founded and/or became eligible to switch: with those businesses that were operating in 2017 (and therefore eligible to switch at the point at which the market opened) displaying significantly higher levels of market awareness than more recently formed organisations.

Market Engagement

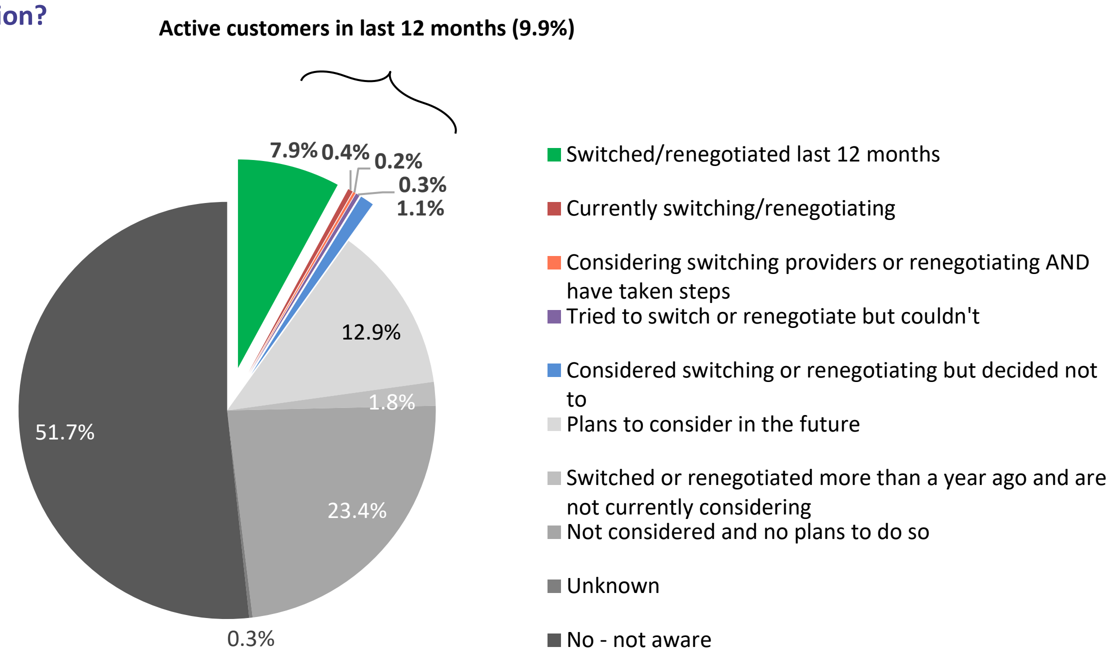
3.26 A summary of market engagement is provided in Figure 9. For the purposes of the analysis, those who have switched or renegotiated, those who are currently in the process of switching/renegotiating, those who are actively considering switching, those who had tried to switch but could not, and those who considered switching but decided not, **all at some point in the last 12 months**, have all been grouped into a category of 'active customers'.

3.27 Across all organisations, including those who were not aware that they were able to switch retailers prior to the survey, 9.9% of customers can be classed as 'active'. Around one in twelve (7.9%) had switched or renegotiated at some point in the previous 12 months (specifically: 5.3% had switched and 3.0% had renegotiated)[11]. Less than 1% (0.2%) said they were considering switching/renegotiating and had already taken steps to do so, while a similar proportion (0.3%) had tried to switch/renegotiate but unsuccessfully. A few customers (0.4%) were waiting for a new deal to start. A slightly larger proportion (1.1%) had considered switching/renegotiating but had ultimately decided not to go ahead.

3.28 Around a quarter of customers (23.4%) had not considered switching or renegotiating and were not planning to (despite being aware of the changes introduced to the non-household water retail market), while smaller proportions were planning to consider it in the future (12.9%) or had already done so more than 12 months previously and had no current plans to do so again (1.8%). The remaining customers (over half) were either unaware of the market changes (51.7%) or could not give any clear indication of which scenario applied most closely to their organisation (0.3%).

[11] Due to some respondents who both switched *and* renegotiated, the sum of the percent who switched and the percent who renegotiated does not equal the percent who switched and renegotiated.

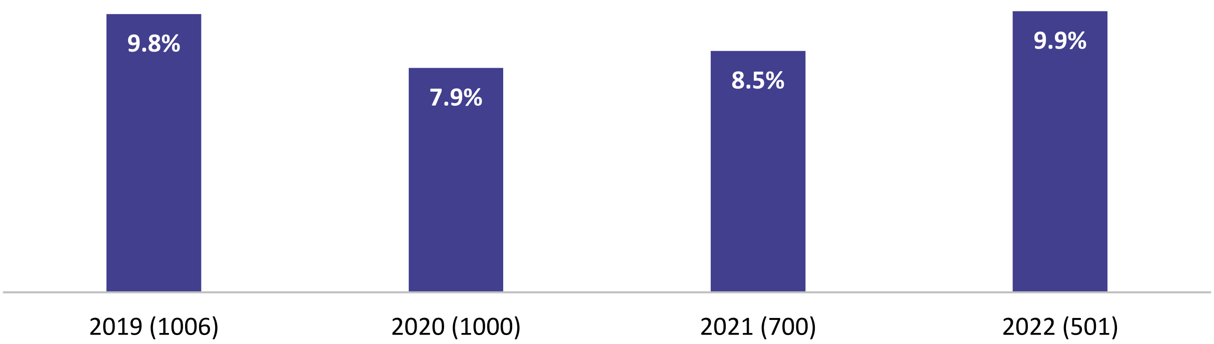
Figure 9: Thinking about the last 12 months, which of the following scenarios best applies to your organisation?



Base: All customers (501)

3.29 Figure 10 shows that the level of activity in the market is at its highest measured level, rising over a percentage point since 2021 (from 8.5% to 9.9%). However, this change is non-significant and may be a product of sampling variation rather than an actual rise in the level of activity and should therefore be interpreted with caution.

Figure 10: Percentage of customers active in the market



Base: All customers (Number of responses in brackets)

Impact of organisation size

3.30 Table 4 shows the percentage of 'active customers' by each organisation size band (as defined by the number of employees). As with previous surveys, organisation size and activity in the water market appear associated. In particular, there is a significantly higher proportion of 'active customers' among large organisations (23.4%) in relation to the overall market average (9.9%).

3.31 As the table also shows, large organisations are significantly more likely to renegotiate than smaller organisations while levels of switching retailer are similar, with non-significant differences across size bands. This may be due to the increased bargaining power large organisations (who are more likely to be larger water users) have in relation to the retailer. Supporting this is the fact that over a quarter (27%) of organisations with a yearly water bill over £100,000 renegotiated with their retailer in the last 12 months, significantly higher than average levels of renegotiating.

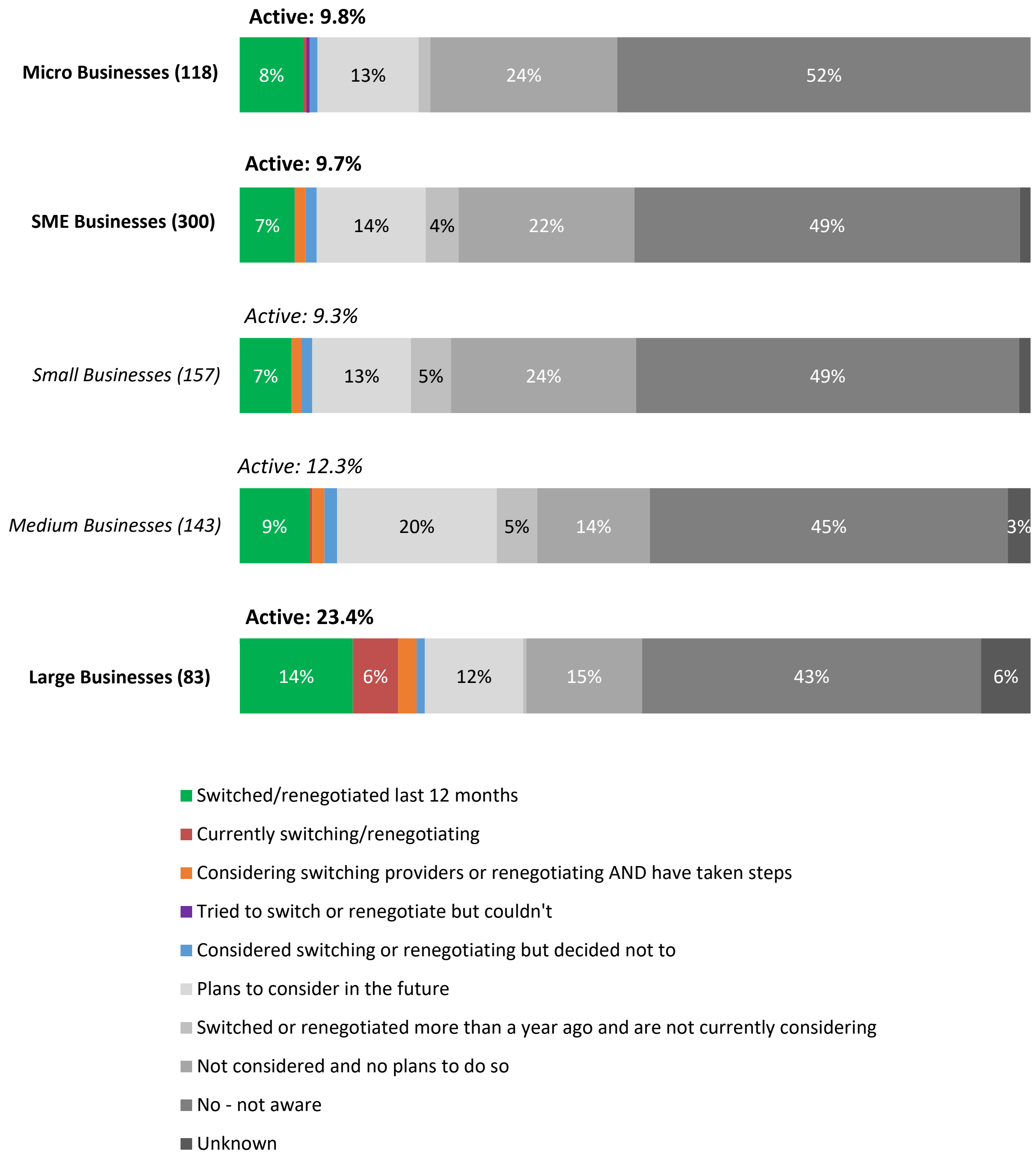
Table 4: Proportions of eligible customers who switched / renegotiated / were active in last 12 months, broken down by organisation size (base numbers in brackets)

Organisation size	Switched in the last 12 months	Renegotiated in the last 12 months	Switched or renegotiated in the last 12 months	TOTAL ACTIVE
Micro businesses (0-9 employees) (118)	**5.6%**	**2.8%**	**8.1%**	**9.8%**
SME customers (10-249 employees) (300)	**3.7%**	**3.7%**	**7.0%**	**9.7%**
Small only (10-49 employees) (157)	3.6%	3.5%	6.6%	9.3%
Medium only (50-249 employees) (143)	4.4%	4.6%	8.8%	12.3%
Large customers (250+ employees) (83)	**2.9%**	**13.2%***	**14.3%**	**23.4%***
All eligible customers (501)	**5.3%**	**3.0%**	**7.9%**	**9.9%**

Statistically significant results are denoted by the * symbol. Green text indicates results are significantly higher while red text indicates result is significantly lower.

3.32 Figure 11 provides a more detailed summary of market engagement by size of organisation and further illustrates the higher level of market activity among larger customers. This includes higher percentages of those who have switched/renegotiated in the last 12 months (14.3%); those who are currently in the process of switching/renegotiating (5.7%); and those who are considering switching providers or renegotiating and have taken steps (2.3%).

Figure 11: By organisation size: Which of the following scenarios best applies to your organisation?



Base: All customers (Base sizes in brackets)

Impact of operating before 2017

3.33 Another factor associated with the levels of switching, renegotiating, and market activity is whether an organisation was already operating in 2017. As Table 5 shows, organisations that were operating after 2017 having significantly higher levels of activity (14% compared to 4%) and switching or renegotiating (12% compared to 3%)

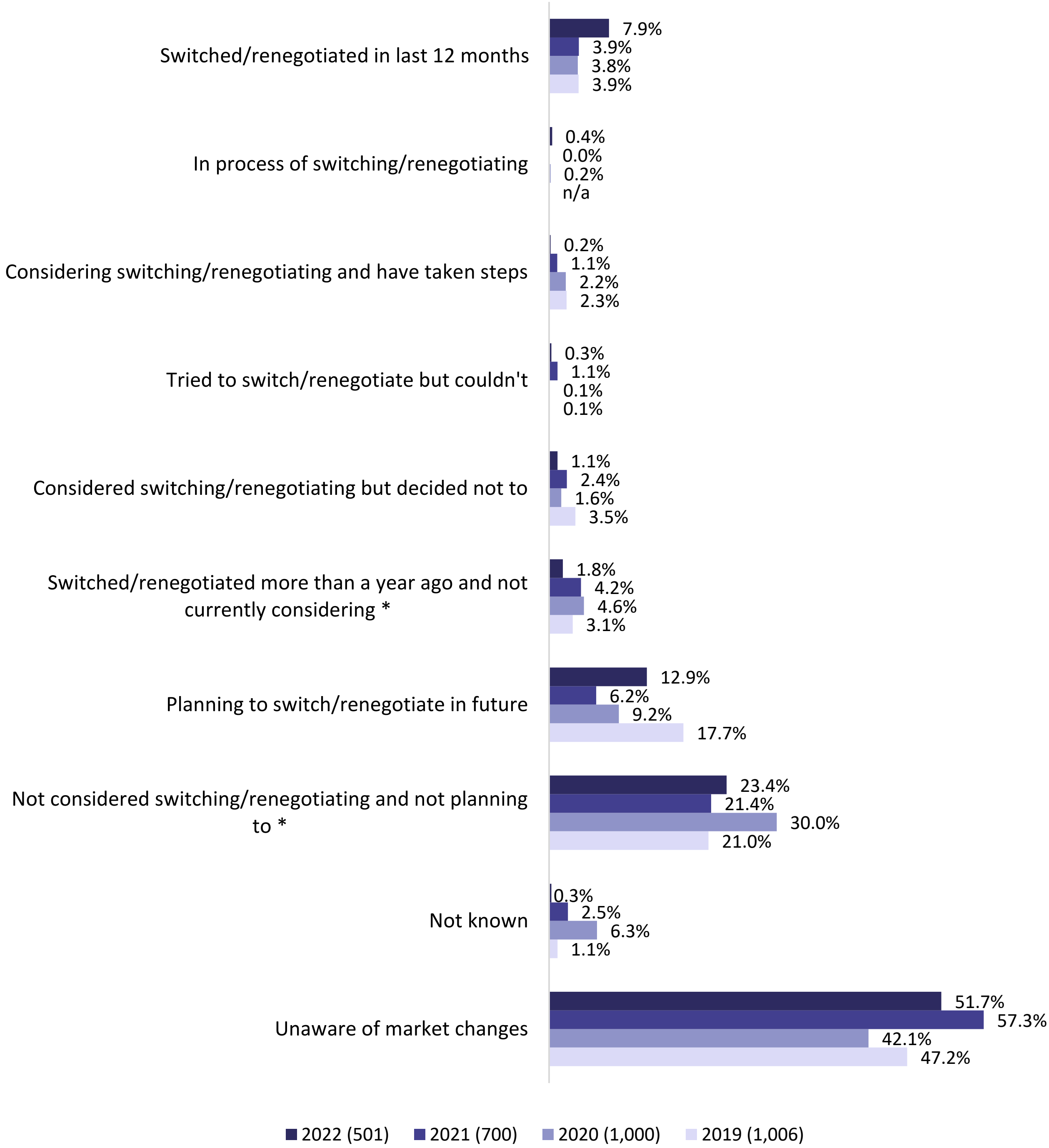
Table 5: Proportions of eligible customers who switched / renegotiated / were active in last 12 months, broken down by whether an organisation was operating before or after 2017 (base numbers in brackets)

Operating before/after 2017	Switched in the last 12 months	Renegotiated in the last 12 months	Switched or renegotiated in the last 12 months	TOTAL ACTIVE
Yes, was already operating in 2017 (367)	8.8%	3.0%	**11.7%***	**14.0%***
No, started more recently (2018 onwards) (58)	**0%***	3.5%	**3.5%***	**4.1%***
All eligible customers (501)	**5.3%**	**3.0%**	**7.9%**	**9.9%**

Statistically significant results are denoted by the * symbol. Green text indicates results are significantly higher while red text indicates result is significantly lower.

3.34 Figure 12 shows that the proportions of customers who have switched/renegotiated in the last 12 months (7.9%) and those who are planning to switch/renegotiate in the future (12.9%) are at their highest measured level (however this change is non-significant and so should be interpreted with some caution).

Figure 12: Comparisons with previous two surveys: Which of the following scenarios best applies to your organisation*?



Base: All customers (number shown in brackets)

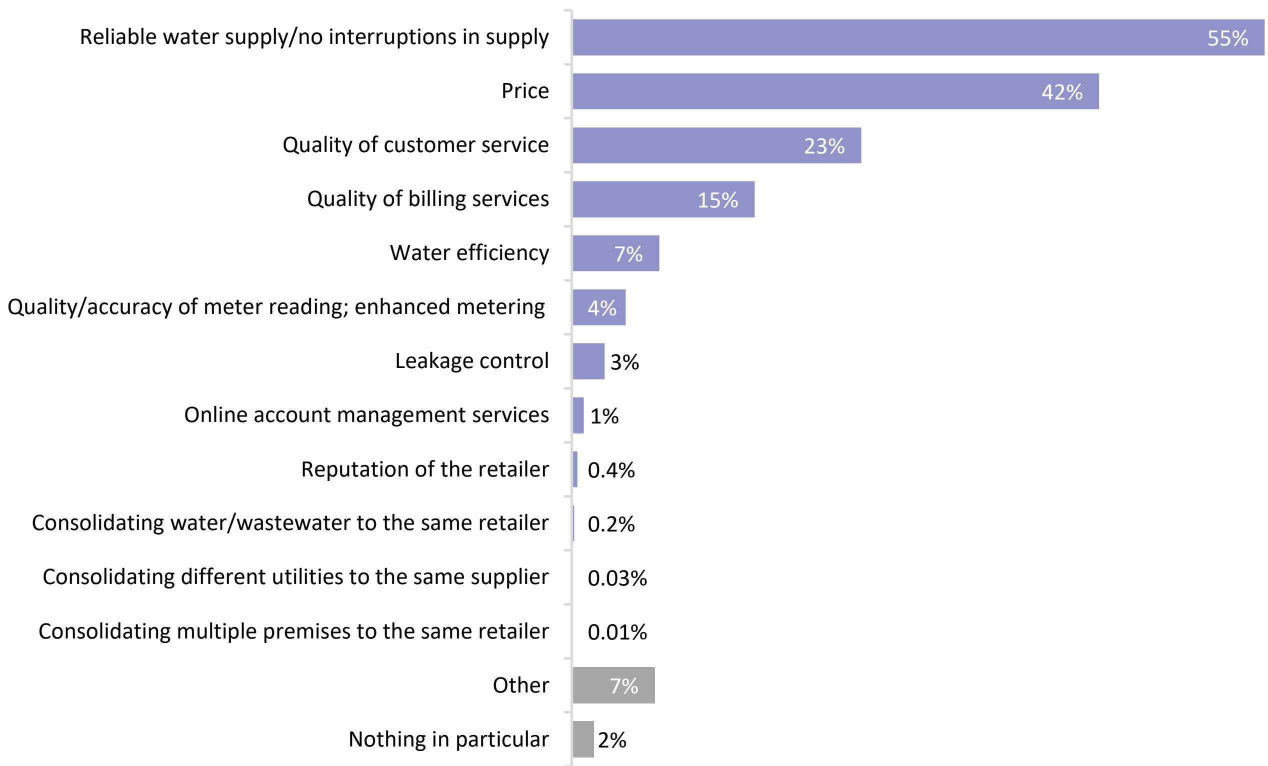
* 2019 results may need to be interpreted with caution (particularly for categories with an asterisk) due to some slight issues with comparability: for these categories in 2019, switching/renegotiating and failed attempts to switch refer to an organisation's status since market opening (i.e . since 2017) rather than the last 12 months (and organisations who had switched longer ago were not asked about any changes to their status) therefore results are not directly comparable.

Most important factors for water customers

3.35 A final, concluding question about the factors that are most important to water customers, was asked of all of the survey respondents. Over half (55%) mentioned a reliable water supply and/or no supply interruptions while around two fifths (42%) mentioned price.

3.36 The quality of customer service was among the most important aspects to just under a quarter of customers (23%), while the quality of billing services was mentioned by over a tenth (15%), and water efficiency by less than a tenth (7%). A full summary of the factors that are most important to customers is provided in Figure 13.

Figure 13: Overall, and taking everything into account, what is most important to you as a water customer?

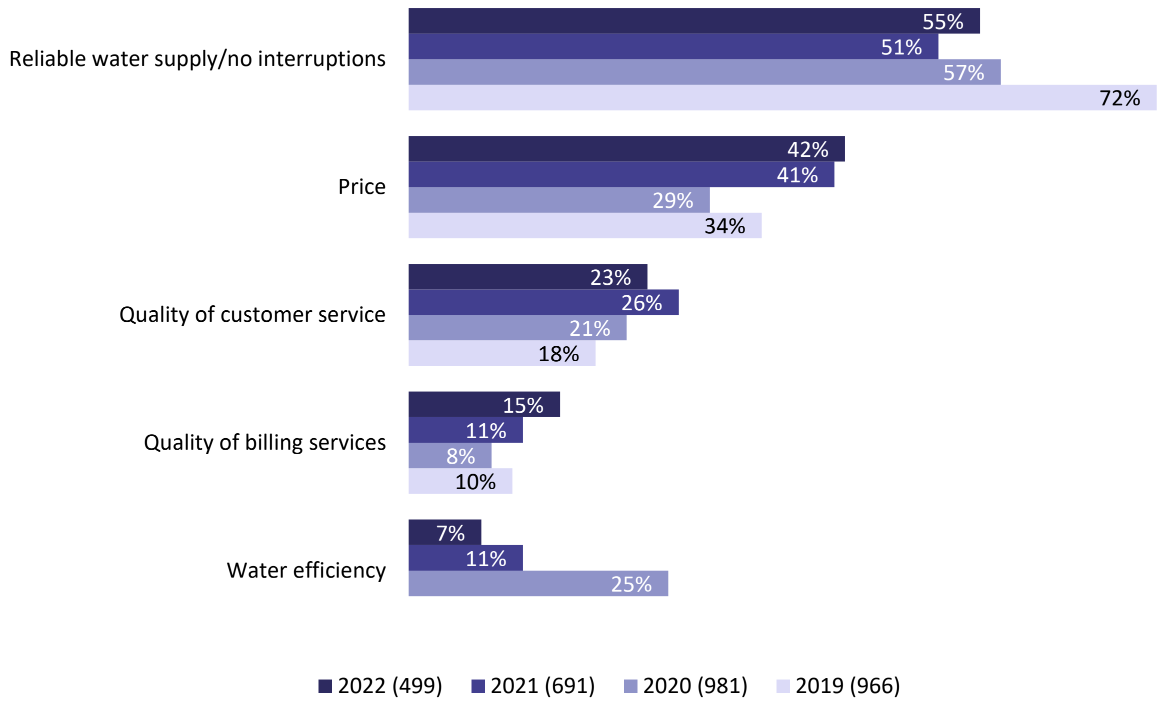


Base: All customers (499)

3.37 When this question was asked in both the 2021 and 2020 surveys, the same five issues (i.e. reliability of supply, price, quality of customer service, quality of billing, and water efficiency) were most widely identified by customers[12]. However, water efficiency has seen a consistent decline in the proportion of customers mentioning it as being important – a fall from 25% in 2020 to 7% in 2022. Moreover, the proportion of customers mentioning price as being important to them has increased from 29% to 42% since 2020. One might speculate that these changes might be linked to the Covid pandemic and the associated impact on finances, perhaps leading to a sharpened customer focus on the 'basics' (e.g. price and a good level of service).

[12] The first four of these were also top issues in 2019, while "water efficiency" was not included as a discrete option before 2020 (results should therefore be interpreted with slight caution due to slight changes in the list of response options provided over time).

Figure 14: Comparison with 2021, 2020 and 2019 (top reasons only): Overall, and taking everything into account, what is most important to you as a water customer?



Base: All customers (number shown in brackets)

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Appendix: Questionnaire

Screening questions

S1 (ask all)
Is this business run from a business premises or from somewhere else, e.g. a home residence or a mobile business? *Interviewer to ensure that the business is not run from someone's home*

Business premises	1
No fixed business premises (e.g. van/home residence)	2

S2 (Ask if S1 = 2 [no fixed business premises])
Just to clarify, so your organisation DOESN'T have ANY OTHER main premises?

No other main business premises – go to display 1 and terminate interview	1
There are other main business premises other than my/someone else's home	2
Refused	

If business does not operate from a business premises - Interviewer: **"***I'm sorry we only need to speak to organisations that do not operate mainly from home. Thank you for your time anyway and sorry to have disturbed you."*
Terminate the call

S3 (ask all)
Can I check whether your organisation is responsible for making decisions about and paying for water utilities, or whether someone other than the organisation, such as the landlord or management company, is responsible for this? *Probe and code one only*

Organisation makes its own decisions about utilities	1
Decisions about utilities are made by a third party, e.g. landlord – capture details of third party if possible, then go to display 2 and terminate interview	2
Refused	

If decisions made by a third party - Interviewer:" I'm sorry we only need to speak to organisations that are able to make their own decisions regarding water utilities. Thank you for your time anyway and sorry to have disturbed you".
Terminate the call

S6 (ask all)
Does your organisation have more than one site?

Yes	1
No	2

S11 (ask all)
What is your organisation's FULL postcode [IF S6=1: at that site where you are based]?
(if S7 =>1) Interviewer: " This should be the postcode of the organisation's premises where the respondent (decision maker) primarily works."
Interviewer in necessary: "This will enable your responses to be mapped to the current water region but your organisation's postcode will NOT be included in the data that is passed to Ofwat."
Interviewer:"The postcode you enter below will be checked against a list of valid entries and a display will appear if the code given is invalid."
Freetext - Record word for word
Refused

S12 (ASK if S6=1 and postcode NOT in Scotland)
Does your organisation have any premises in Scotland?

Yes	1
No	2
Don't know	
Refused	

S13 (Ask if postcode is in Scotland or Wales and if S6=1)
Does your organisation have any premises in England?

Yes	1
No - Thank and close	2

If S10=yes or S11=yes
Interviewer: Please answer all questions in this survey focusing only on your experience in England and (if applicable) high water consumption sites in Wales. By a high consumption site in Wales, we are referring to sites which consume over 50 megalitres of water a year. – equivalent to 50,000 cubic metres
WRONGAREA
[NB High usage organisations in Wales will be flagged to prevent them being flagged as Out of Area] Interviewer: Unfortunately, I can only interview people whose organisation is based in England or organisations in Wales consuming over 50,000 cubic metres of water a year. Our system shows that your organisation does not fit this profile so I am unable to continue. Thank you for your time anyway and sorry to have disturbed you.
If necessary: Due to policy differences throughout the UK, most of the issues covered in this survey are only relevant to organisations in England and a very small proportion of organisations in Wales – for more information see www.ofwat.gov.uk/regulated-companies/markets/business-retail-market

Terminate the interview

Survey questions

Section A – Awareness

A1 (ask all)
Since April 2017, organisations have been able to change the company providing their water and waste water retail services – that is the company or companies that provide customer services, meter reading and billing - or potentially move to a better deal with their existing retailer. Prior to this survey were you aware of this? *Interviewer, if necessary: water and waste water retailers are not responsible for the supply of and quality of the water received or for removing and processing wastewater. If necessary: 'Organisations' include businesses, charities and public sector organisations*

Yes – aware	1
No – not aware	2
Refused	

Section B - Satisfaction

Interviewer: I'd like to ask about your current water and wastewater retailer(s) – that is the company or companies that provide customer services, meter reading and billing. They are not responsible for the supply of and quality of the water you receive or for removing and processing wastewater.

B1 (ask all)
***Overall*, how satisfied or dissatisfied are you with your current water and waste water retailer(s).**

Very satisfied	1
Fairly satisfied	2
Neither satisfied nor dissatisfied	3
Fairly dissatisfied	4
Very dissatisfied	5
Don't know	97
Refused	98

B2 (ASK if B1 = 4|5)
Why are you dissatisfied?
Interviewer: if respondent says water quality or wastewater issue – probe for 'anything else?' Code all that apply

Water quality issue (e.g. cloudy water/strange taste)	1
Waste water issue (e.g. sewer flooding/blocked drains; issues with repair to sewerage infrastructure).	2
Price (e.g. too expensive)	3
Customer service (e.g. slow to respond to issues, hard to get in contact with etc.)	4
Billing issues (e.g. not receiving bills, incorrect charges)	5
Metering issues (e.g. incorrect or infrequent readings)	6
Other (please specify)	7
Don't know	
Refused	

B3 (Ask if B1 = 1|2)
Are there any particular reasons why you are satisfied? What are they? *Probe and code all that apply*

No/no real reason	1
Price (cheap/not expensive)	2
Good customer service	3
Experienced no/few problems	4
Positive experience with billing (e.g. accurate, timely)	5
Positive experience with metering (e.g. frequent/accurate readings)	6
Other (specify)	7
Don't know	

Refused

Section C - Behaviour in the market

C1 (ask, if aware, A1=1)
Has your organisation switched provider for water and waste water retail services in the last 12 months?
If the organisation definitely has no retailer (i.e. because it has a licence from Ofwat to self-supply its own water services, end the interview and record the outcome as "Self-supply/Org has no water retailer" - however this should be very rare/only affect a tiny proportion of organisations.

Yes	1
No	2
Don't know	
Refused	

C2 *(ask, if C1=1)*
Just to double check, did your organisation actively <u>choose to switch</u> retailer? *IF NO, CHECK: Can I confirm then that your organisation was moved to another water and waste water retailer automatically, without your organisation having taken a decision to move?*

Yes – actively chose to switch retailers	1

If NO, move back to C1 and recode as No.
If necessary: if the switch was made automatically then you are still with the retailer that your former water company transferred, you to

C4 (ASK if A1=1)
Since April 2017 it is now also possible for organisations to renegotiate their contract with their existing retailer. Renegotiation might include securing incentives like a lower prices, additional services or one-off offers like cashback.

If not switched (C1 = N, don't know, refused): **Have you renegotiated your contract with your existing retailer in the last 12 months?**

If switched (C1=Yes): ***As well as having switched, have you managed to successfully renegotiate a new deal or a new contract with your existing retailer in the last 12 months****? Probe and code one only*

Yes	1
No [treat as not having reneg]	2
Don't know [treat as not having reneg]	
Refused	

Section D – Switching (not asked in 2022)
Section E – Renegotiating (not asked in 2022)

Section F - Aware non-switchers and non-renegotiators

F1 (ASK if aware AND <u>not</u> switched/not successfully renegotiated in the last 12 months i.e. A1=1, C1=no, don't know, refused and C3=no, don't know, refused)

Thinking about the last 12 months, which of the following scenarios best applies to your organisation? *Interviewer: Read out options. Respondents in the process of switching or moving to a new deal should be coded 1 but only if they have actually instigated a switch/change. Code one only*

You have agreed a switch to a new retailer or negotiated a new deal with your existing provider, but are waiting for this to start	1
You are considering switching or renegotiating with your existing provider AND have taken steps to search for and compare different providers	2
You tried to switch or renegotiate but found you couldn't	3
You considered switching or renegotiating but decided not to	4
You have switched or renegotiated more than a year ago and are not currently considering switching or renegotiating	5
You have not considered switching or renegotiating but plan to do so in the future	6
You have not considered switching or renegotiating and have no plans to do so	7
Don't know	
Refused	

Section J – Summing up

J1 (ask all)

Overall, and taking everything into account, what is important to you as a water customer? *Interview: DO NOT READ OUT. Code all that apply*

Reliable water supply/no interruptions in supply	1
Price	2
Online account management services	3
Quality of customer service	4
Quality of billing services	5
Quality or accuracy of meter reading / enhanced metering services	6
Consolidating water and wastewater services to the same retailer to get one bill?	7
[if S6=1] Consolidating multiple premises with different retailers to the same retailer to get all water/wastewater charges on one bill	8
Consolidating different utilities (including water) to the same supplier to get things on one bill and only deal with one supplier	9
Water efficiency	10
Leakage control	11
Reputation of the retailer	12
Other (specify)	13
Nothing in particular	14
Don't know	
Refused	

Section K: Organisation demographics

K1NEW (ask all)
As I mentioned earlier, the non-household water retail market opened in 2017.... Was this organisation already operating from a business premises in 2017, or has this started more recently (if nec: 2018 onwards)? If necessary: We mean ANY business premises, it doesn't necessarily need to be your current premises. By "a business premises", we mean non-residential / not a household premises.
Only if necessary: We're interested to find out if your business would have been eligible to participate in the market at around the point the changes were introduced. By eligible to participate in the market, we mean eligible to switch water retailer or renegotiate a better deal with an existing one.

Yes, was already operating from a business premises in 2017
No, started more recently (2018 onwards)
Don't know
Refused

K2NEW (ask if K!NEW= No, started more recently)
Do you know the year in which your organisation started trading from a business premises?
2018
2019
2020
2021
2022
Don't know
Refused

K3 (ask all)
Can you tell me approximately how much your organisation pays for your water and waste water services per year, [if S6=1: across all premises]?
Interviewer: Record the relevant band if a figure is given spontaneously, otherwise prompt with bands

Less than £500	1
£500 up to £999	2
£1,000 up to £1,999	3
£2,000 up to £9,999	4
£10,000 up to £100,000	5
More than £100,000	6
Don't know	
Refused	

K4 (ask all)
Approximately what proportion of your organisation's annual running costs go on water and waste water bills?
Interviewer: Prompt for clarification only.

0-5%	1
6-10%	2
11%+	3
Don't know	

Refused

K6 (ask all)
Including yourself, how many people work for your organisation [IF S6=1: across all of your premises in the UK]?
Interviewer, if necessary: Please include both full time and part time staff and temporary or subcontract/casual staff who consider this their main place of work. If necessary: This is only your organisation and excludes any other organisations that may operate on the same site.
Interviewer: If don't know prompt with a range
1 (0 employees)
2–4
5–9
10–19
20–49
50–99
100–249
250+
Don't know
Refused