

Evidence Review of Retail Business Water Market

Synthesis of relevant research reports reflecting business customer views

Final 12th January 2023



1 Introduction

This synthesis was commissioned to inform the Strategic Panel in setting its priorities for improving the market; and CCW's 5-year review of the business retail market. A total of 22 reports, all focused on the perspective of business customers and mostly published since 2020, have been reviewed against 4 themes:

1. Experience of the market
2. Perceptions of the market
3. Causes of adverse impacts
4. Examples of best practice

As well as this report, a separate 'Evidence Register' details the relevant data from each report against these four themes.

2 Experience of the market

Awareness of the open market has been tracked since 2017 and has always been strongly linked to organisation size: the market is much more likely to be benefitting larger businesses (and larger water users). However, the most recent data indicates that awareness could be falling back. At a total level, awareness has plateaued since the 2020 pandemic year; and the disparity in awareness between the largest and smallest companies is narrowing – driven by a drop in awareness of larger businesses.

Exploration of awareness throws up some other observations: it is notably higher in some regions and specific sectors (e.g. accommodation and food). Awareness is also lower for businesses new to the market (i.e. who have only started to pay for business water since market opening). The reports do not provide clear explanations for any of these market differences.

Market activity (a broad definition from consideration to actually switching) has increased recently to 9.9% which is back to pre-pandemic levels. With similar patterns to awareness, activity varies by region, company size and recency of being a business water customer but again, there is no clear evidence on what is driving differences. Actual **switching and renegotiating** has increased slightly though this is a trend to watch as the uplift is not statistically significant.

The evidence is positive in terms of **ease of finding information and satisfaction with switching**, suggesting that once business customers engage, the process and outcomes are mainly good. Third party intermediaries (TPIs) are often smoothing the way. Supporting this, levels of complaints are falling with billing the primary issue – though complaints remain higher than when the market opened. Retailer contact satisfaction is generally good but around a third of contacts remain unresolved with dissatisfied customers and there are indications that some retailers provide higher service than others. Again, satisfaction can vary by region and retailer.

The review has highlighted areas of concern and questions summarised in the shaded boxes:

Concerns

- Awareness falling for large businesses
Recent customers significantly less aware than businesses operating pre 2017
- Activity significantly higher in some regions
- Contact with retailers leaves around a third dissatisfied
- Businesses most vulnerable to shocks (e.g. pandemic) were also less likely to have engaged in the market

Questions and gaps

- What accounts for higher engagement in some regions than others?
- How are smaller and new businesses likely to hear about the open market?
- Are financially vulnerable businesses particularly disadvantaged (unaware of support)?
- Who is communicating about retail choice?
- How easy is it for businesses to select a retailer on its service performance?
- Awareness is a problematic metric to evaluate market performance: it is self-reported and at a total level does not accommodate for the very different contexts determined by company size.



3 Perceptions of the market

There are many barriers to engage with the market from an unengaged business audience (with exceptions mainly for the largest companies who want to consolidate utilities or move away from an unsatisfactory retailer). This includes satisfaction with the current retailer (for around three quarters of businesses) but also perceptions that savings would be marginal and therefore not worth the effort. There are other perceived barriers including the complexity of switching - notably for multi-site businesses and those locked into a contract or experiencing billing issues.

The trigger to switch is most often associated with a broker making contact but second to this, propensity to switch strongly hinges on perceived cost savings. However, the evidence shows a mismatch between desired savings and the reality. In total, two thirds of businesses would be enticed to switch provider if they could make financial savings of 20%, reducing to 45% for savings of 10%. However TPIs report savings from switching for the 'average' prospective customer between 2-5%, a more marginal outcome relative to other utilities. Furthermore, a 5% reduction on an average annual bill for microbusinesses would have marginal value.

Business needs and expectations of the market centre on the basics: a good product for a good price with a good service; but confusion – especially among SMEs - about who delivers what (retailer and wholesaler) is apparent. Additional services and added benefits are not cutting through and water efficiency is rarely on the SME radar – indeed this has become a lower priority for businesses in recent years. Market competition has not delivered the water savings from water efficiency services the market expected and the evidence underlines the challenge for retailers to develop an added value proposition.

4

Areas causing adverse impacts – and best practice/desired change

The evidence review has identified where there is need for improvement:

- Building awareness of the market in segments and regions where awareness is poorest – and communicating the benefits of engaging. What is the market strategy to build awareness?
- Identifying why some regions / sectors achieve higher market engagement than others
- Improving billing service (as this is the biggest service disappointment) with improved transparency, simplicity and accuracy
- Identifying the root of market frictions at switching e.g. prohibitive penalties and automatic rollover (or improve customer understanding of what they are signing up for)
- Improvements around retailer service levels generally – and data specifically. Improving customer understanding of retailer/wholesaler responsibilities and who to contact; introducing smart meters.
- Fundamental issue for the market is low engagement with water bills and perceived cost benefits are very marginal. SMEs need a new proposition (a 2-5% cost incentive is not enough alone) – and what is the role of TPIs to create momentum?

There are very few examples of best practice to draw on in the body of literature reviewed. Developing a better understanding of good practice through qualitative research and case studies would be a good first step to developing a stronger market proposition for businesses generally, and to support existing work by MOSL on personas and market segmentation.

Finally, a recommendation to treat whole market survey data on awareness with caution: the weighting required to create a representative sample is masking differences by size of business – and potentially the different responses required to improve awareness and engagement.

Concerns

- Even with drought and increasing energy bills, water saving has not increased in priority: in 2022, 39% have engaged in some form of water saving activity. This is significantly lower than in 2020/21 (46%)

Questions and gaps

- Implication for communicating role of retailers vs. wholesalers to prevent frustration
- Responsibility for wholesalers to support retail market with e.g. effective retail interactions (plus role for incentivising water efficiency)



- 1. To inform CCW's 5-year review of the business retail market**
- 2. Inform the Strategic Panel of priorities for market improvement**

To understand business consumers' experiences by focusing on 4 themes:

- 1. Experience of the market*
- 2. Perceptions of the market*
- 3. Causes of adverse impacts*
- 4. Examples of best practice*



Through a desk review and synthesis of existing research, provide customer-oriented insights for market review and improvement strategies

Immersion into 6 'primary' reports

- Developing a 'code frame': an initial breakdown of customer experiences by each theme

Register of insight sources

- Total of 22 report documents
- Sample & method recorded
- Scan and search for relevance to the brief

Source evaluation

- Each report given an evidence rating based on robustness and relevance

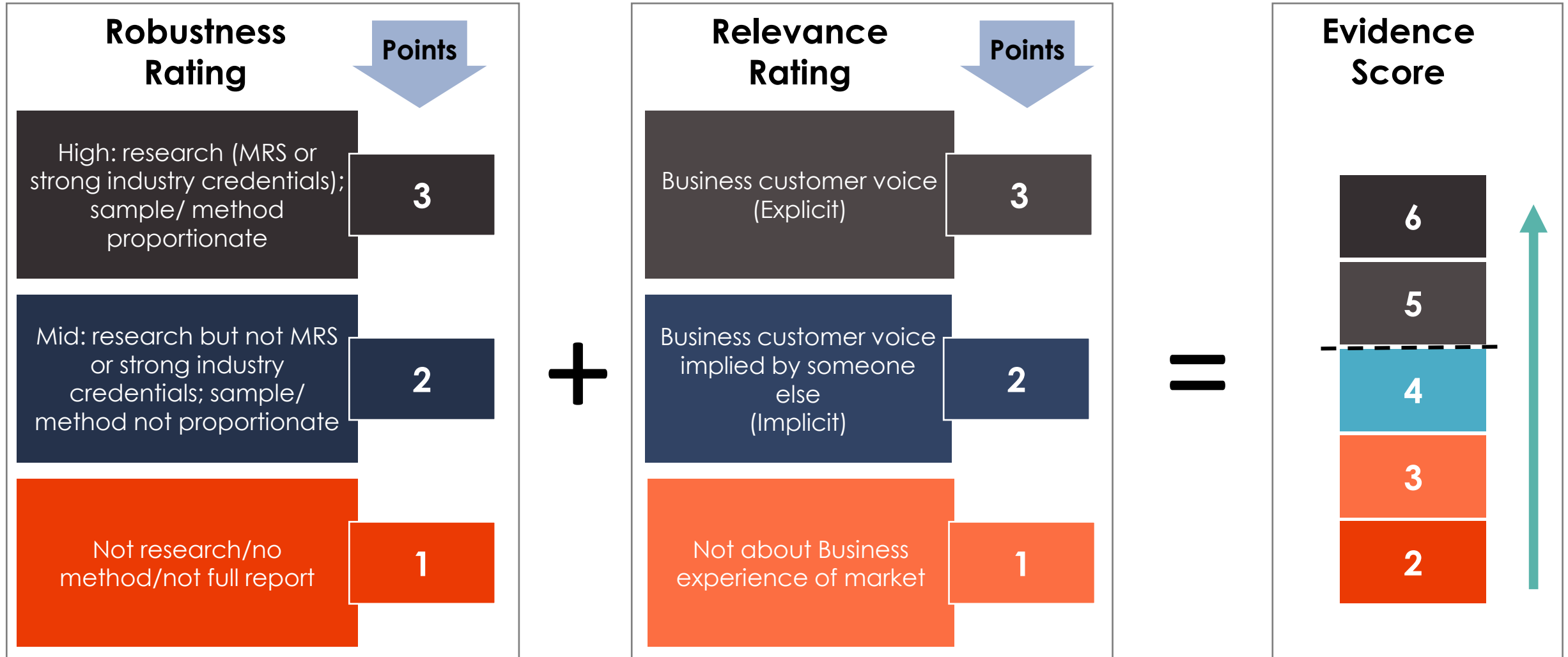
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Detailed scrutiny and analysis of insights

- Thematic

What is the evidence score?

The evidence score is the sum of the 'Robustness Rating' and the 'Relevance Rating' as detailed below. In the detailed analysis the priority was given to reports scoring 5 or 6.



Ref. number	Title	Date	Author / Client	Representing views of business customer	Post Covid (2020)	Evidence score rated 6
1	NHH Retailer Research	July 2018	DJS Research / Severn Trent			
2	Are you being served? Understanding SMEs' experiences of the non-domestic water market in Scotland	February 2022	Progressive Equity Research / Citizens Advice Scotland			
3	A Strategy for Enhancing Metering Technology	June 2022	Artesia / MOSL			
4a	Business Customer Insight Survey 2022	January 2022	Opinion Research Services / Ofwat CCW			
4b	Business Customer Insight Survey 2022	October 2022	Opinion Research Services / Ofwat CCW			
5	Business Customer Complaints	March 2022	CCW			
6	Testing the Waters 2020/21: Experience of business customers during Covid-19	July 2021	DJS / CCW			
7	Credit where it's due	October 2022	Yonder / CCW			
8	Five years open for business – taking stock	September 2022	Ofwat	Review		
9	Market Strategy Survey	February 2022	Central Market Agency (Scotland)			
10	Water: Focus Group - Running out of water within 20 years: What would incentivise YOU to reduce how much water your business uses?	October 2020	Accent / Major Energy Users' Council (MEUC)			
12	Non-Household SME Customer Insight Report 2020	June 2020	BMG Research / CCW Ofwat			
13	Non-household Customer Insight Survey 2020	July 2020	BMG Research / CCW Ofwat			
14	The role of Third Party Intermediaries in the Business Retail Market for Water	June 2020	BMG Research / CCW Ofwat			
15	Non-household customer water efficiency survey results	August 2021	RWG Water Efficiency Sub Group			
16	Small and medium-sized business awareness of the retail water market	February 2019	Populus / CCW			
17	SME customers' preferences for meter reading frequencies	August 2021	Yonder / CCW			
18	State of the market 2020-21	December 2021	Ofwat	Review		
20	Water Futures NHC Panel – Wave 1 – Introduction to your NHC customers	July 2022	BritainThinks / Southern Water			
21	Hampshire Water Resource Business Challenge	April 2021	Southern Water / Yonder			
22	WaterVoice Window 3	May-June 2020	Ipsos Mori / CCW			
23	Promoting water efficiency among Non-Household customers	August 2022	Blue Marble / WRE (Water Resources East)			
24	Testing the Waters 2022: Interim highlights report	2022	DJS / CCW			

Key to symbols in the report

- Begs further investigation
- Potential harm
- Positive/improvement

NB: 22 reports were reviewed. Reports 11 and 19 withdrawn as out of scope

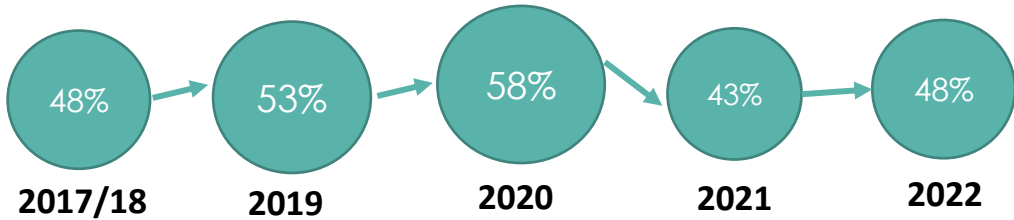
Experience of the market



Theme A: Awareness of market changes

Market awareness has been tracked since opening. Awareness of open market strongly linked to organisation size.

The proportion of customers who are **aware of market change** shows no significant rise last year. Awareness currently under half of businesses [4]. A drop since 2020. ?



Organisations **already operating prior to 2017**

significantly more likely to be aware of retail market. [4]

Pre 2017
59%

Recent starters
33%

Awareness significantly higher in **Anglian Water** region 77% aware. [4] ?

Awareness significantly associated with **higher water bills**. [4]

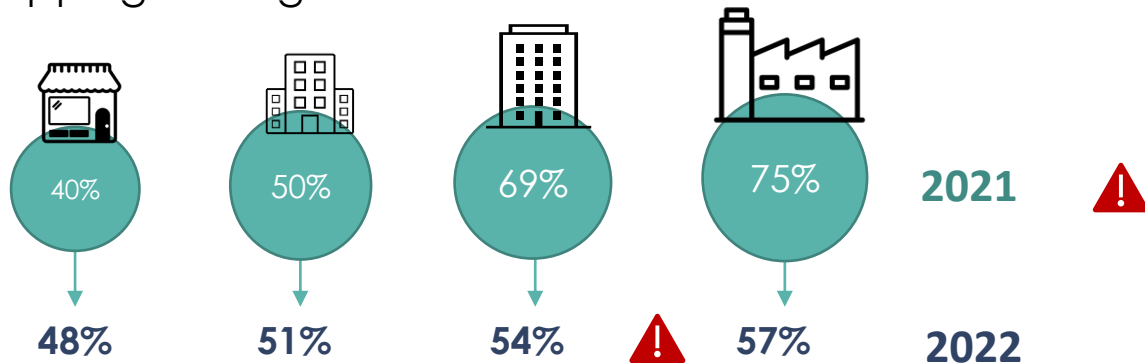
Awareness significantly higher in **accommodation & food** sector. 86% [4] ?

Most SME participants felt that they had a greater understanding of other utility markets relative to water. [12]

There are no additional statistically significant differences by sector type. [4b]

Awareness by organisation size in 2022 [4]

The disparity in awareness between largest and smallest businesses appears to be shrinking – but awareness dropping for larger businesses.



- Market awareness overall has plateaued post pandemic
- Assuming around 50% of businesses aware, is this on track 5 years after opening?
- Recent customers also disadvantaged: who is communicating about retail choice?
- Questions unanswered: there don't appear to be explanations for regional and sector successes

Report	Sample	Question	Year	Data
CCW OFWAT[4]	Quota-controlled telephone survey Base: 501 NHH	<i>PROMPTED</i> 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	2022 2021 2020 2019	48% 43% 58% 53%
Populus Small and medium-sized business awareness of the retail water market [16]	All eligible SMEs online Base: 528 NHH	<i>PROMPTED</i> Since April 2017, all businesses, charity and public sector organisations in England (operating from business premises) have been able to change the company providing their water and waste water retail services (as they are able to with energy), or negotiate a better deal with their existing service provider (e.g. move to a better price or bespoke service).Retail services include billing, meter reading and handling customer service queries, but do not include the physical supply of water or removal of sewage. Were you aware of this change to the water market prior to this survey?	2019	24%
DJS Testing the Waters [6]	All eligible SMEs, telephone Base: 795 NHH	<i>PROMPTED</i> Since April 2017, businesses, charities and public sector organisations in England have been able to change the company providing their retail services (as they are able to with energy), or negotiate a better deal with their existing service provider. Retailers provide bills, customer services and read any water meters at this site. Were you aware of this prior to this survey?	20-21	54%
Populus Small and medium-sized business awareness of the retail water market [16]	All eligible SMEs online Base: 528 NHH	<i>UNPROMPTED</i> Do you think it's possible or not possible to negotiate a better deal with the following existing service providers for your organisation?	2019	36%

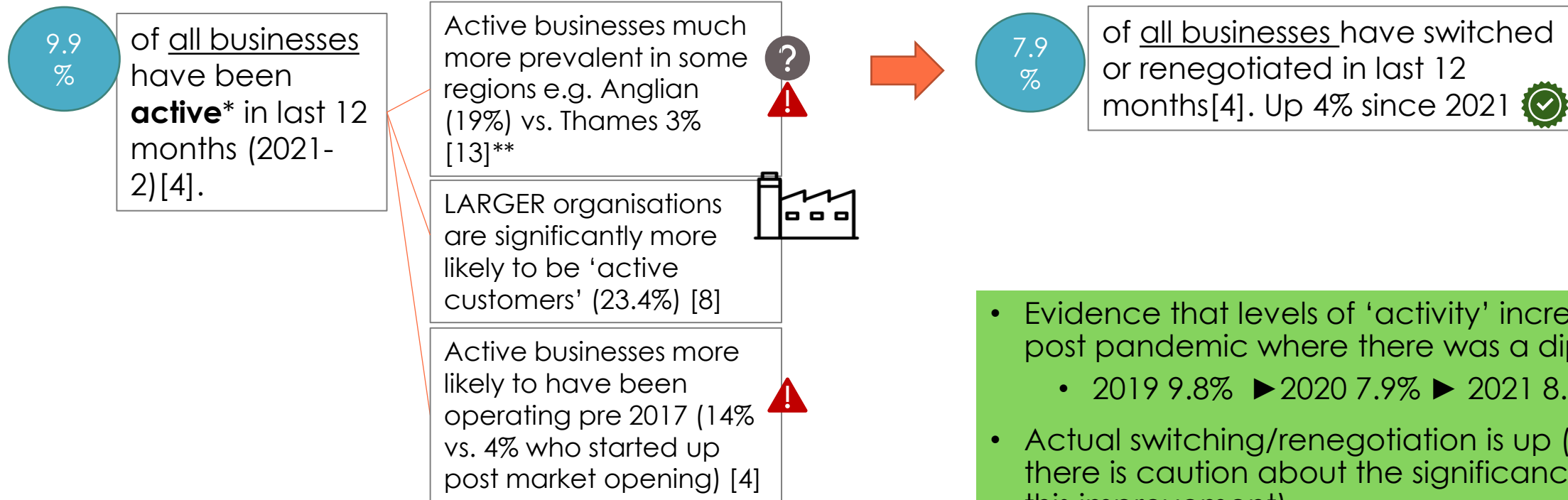
However, awareness data is not necessarily a good indicator of market performance

- It is self reported: we see very large discrepancies in the data esp. between online and telephone methods
- Total scores are distorted by the weighting applied to company size

In report [4]; the data is upweighted for the nano + micro organisations to 86% of the sample and down weighted for the large organisations to less than 1% (even though large businesses make up 50% of the retail revenue).

Experience of the market

Theme B: Experiences of switching and renegotiating



***Active** = 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.


**NB. Limited data for individual water companies

- Evidence that levels of 'activity' increasing post pandemic where there was a dip
 - 2019 9.8% ► 2020 7.9% ► 2021 8.5% [18]
- Actual switching/renegotiation is up (but there is caution about the significance of this improvement)
- Further investigation needed on what is driving higher market engagement in some regions
- Awareness is key: 35% of SMEs have "tried to find out more about choices and taking action" since learning about change [16]





Theme B: Experiences of switching and renegotiating

'The vast majority of participants who had switched or re-negotiated said the process of switching was easy, uneventful, and went ahead without issues. For those who used TPIs, the vast majority said they enjoyed the "hands off" experience.' [12]

60% Of switchers arranged via a broker or a consultant. [4a] 

- Those who found switching easy had largely used an intermediary to do so.
- Customers expect a Third Party Intermediary to do it for them to save time [6] 

Pre-Switch	Experience of switchers Switching Process	Post-Switch
Vast majority did not have any contact with their old retailer regarding a better deal before switching [4a]  	Most customers who switch (58%[6] vs. 98% [4a])* find the process easy and are satisfied with the time it took. Many noted that their new provider had been helpful and informative. 	The majority who switched felt benefits had met their expectation , overwhelmingly derived from lower bills and better service [4a]  


How are customers searching information? [4a] (*active & switchers)

- Price comparison website (27%)
- Consultant (19%)
- Broker (16%)
- Direct contact with another retailer (16%)
- **Only 4% said difficult to find information**

- Of those who do engage actively in the market, efforts are rewarded
- Clear role for brokers and TPIs who make it easy for their clients
- Once engaged, the switching process is largely positive

* see next slide

Greater negativity from the Scottish market about switching experience (2022) [2]:

-  36% found it easy to compare provider (a half of which used an intermediary) vs 64% for England [4a]
- Some customers reported a negative experience of using TPIs resulting in nuisance sales calls and harassment.

Report	Sample	Question & Report commentary.	Year	Data
CCW OFWAT [4a]	Telephone survey, Base: 700 NHH	Once you had chosen the retailer you wanted to switch to, how easy or difficult did you find the process of switching retailer? <ul style="list-style-type: none"> Very easy (91%) / Fairly easy (7%) / Neither easy nor difficult / Fairly difficult / Very difficult 	2021	98% Base: All switchers (35)
CCW OFWAT [4a]	Telephone survey, Base: 700 NHH	How satisfied or dissatisfied were you with the time it took for the switch to take place? <ul style="list-style-type: none"> Very satisfied (82%) / Fairly satisfied (15%) / Neither satisfied nor dissatisfied / Fairly dissatisfied / Very dissatisfied 	2021	97% Base: All switchers (34)
DJS Testing the Waters [6]	Telephone survey Base: 1,000 NHH	Overall, how satisfied or dissatisfied were you with the switching process ? <ul style="list-style-type: none"> Satisfied – 58% / Neither / Dissatisfied -22% / Don't know 	20-21	58% Base: 95 switchers

Another example of a large data differences – explained in part by small base sizes.

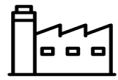
- Samples are both representative of the market but may have been different in composition / weighted differently
- Consideration for future research: to report by size of company rather than whole of market

Experience of the market

Theme C: Experience of Contact with retailers



29% customers had been in contact with a retailer in 2021. Large organisations and metered customers more likely to have had contact with their retailer [4a].



Most of those who **had not yet engaged** in the market said they could not recall contacting their retailer(s) in the past 12 months. [12]



51%

Bill enquiry was the overwhelmingly most common reason for contact [4a]



In most instances (69%) the enquiry had been resolved, however, 2021 data shows **31% of the issues remained unresolved.**[4a]



Satisfaction of Contact Experience

59% who had been in contact with a retailer stated that they were **satisfied** with this contact; however **32%** were **dissatisfied** [4a]



Small businesses (41%) and those in the Thames Water and United Utilities regions were less likely to be satisfied [4a]



Customers who have contacted their retailer are significantly less satisfied than those who haven't (49% vs. 75%) [6]



Among **switchers**, satisfaction with contact with **previous retailer** was significantly lower (23% vs. 61% overall). 69% were **dissatisfied**, including 53% who were very dissatisfied. [13]



- Contact with retailers holds both opportunity and challenge for retailers: a chance to fix things, but when problems go unresolved, reinforce dissatisfaction
- Low contact not necessarily a bad thing: can indicate greater satisfaction and fewer issues experienced.
- Satisfaction can vary by region and retailer: but can businesses select a retailer on its service performance?

Customers in Wales are more satisfied with their retail services than those in England (85% vs 68%) [6]

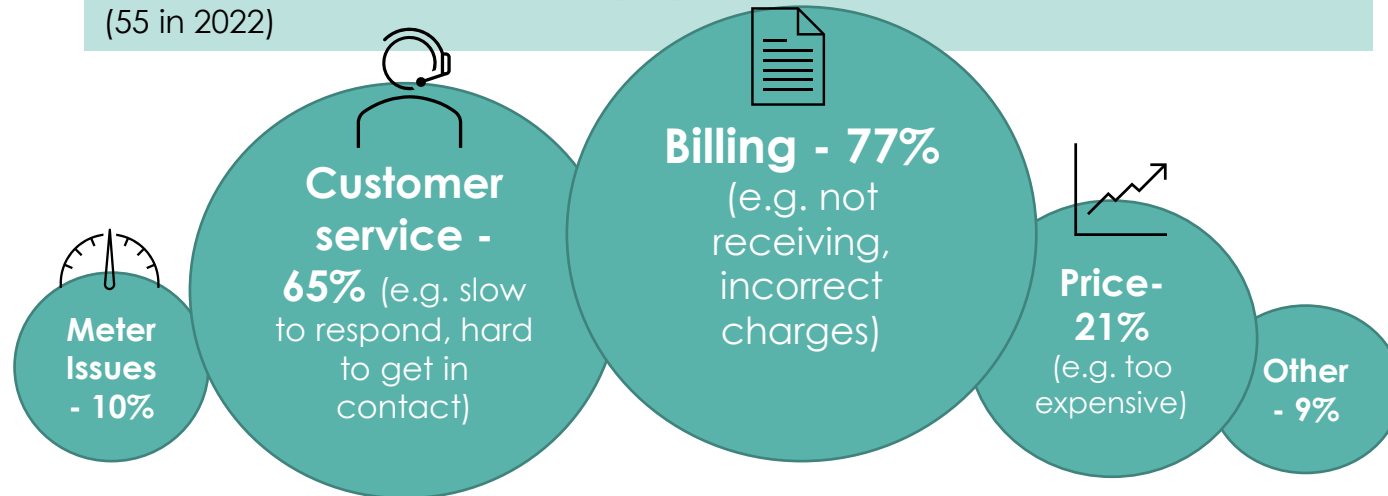



Overall, TPIs feel some retailers are easier to work with than others: there seems to be a lack of standardisation seen in other markets [14]




Theme E: Important issues / Source of Dissatisfaction

Most common reasons mentioned by customers who were dissatisfied with their retailer [4b] NB Small base: All dissatisfied customers (55 in 2022)



- Similar complaints regarding billing issues from Scottish market: inaccurate bills, bill management, long time to resolve [2] 
- TPIs: mixed experiences of customer service - more positive from the **newer retailers**. Poorer customer service and retailer expertise vs. other utility sectors, retailers less willing to accommodate TPIs [14].

- Billing issues account for the majority of dissatisfaction and complaints: inaccurate, too complex, irregular, estimated readings. [4b] [5] [14] [18]
- 20% increase in mentions of customer service [4b]. Related complaints also rose by a third. [5] Could be attributable to increased contact and/or retailers struggling to catch up with enquires as a result of the Covid pandemic? 
- Overall **fewer complaints** in 21/22 than previous year, marking the 3rd consecutive year that complaints have fallen.
- However, the rate is still three times higher than pre-market level of 2016-17. [5]
 - The majority related to billing and charging issues (72%), a 5% decrease from 21/20 (77%).
 - Administration (15%) took the 2nd largest category. Of these, issues around refund, incorrect account information, and failures to respond to customers rose by a third.

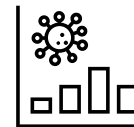
Complaint trends suggest retailers are steadily improving problem resolution, but still work to be done



Theme F: Impact of Covid

63%

63% of businesses ability to operate **affected by Covid** or experienced a reduction in revenue [18, 4a] and 61% stated Covid affected water consumption [18]



Despite the financial impact, only **7%** of business customers **had a problem paying their water bill** as a result of the pandemic. [18, 4a] **Micro business** were significantly more likely to report so. [4a]

7%

88%

Most customers (88%) had experienced **no issues with water billing** that they felt could be attributed to the pandemic [4a]

Businesses who have been **severely impacted** by Covid-19 are **less likely to be aware** of their ability to switch retailer or renegotiate than those who have been moderately or minimally impacted (46% cf. 55% moderate impact and 63% minimal impact). [6]



During Covid, issues centred on the difficulty of **getting hold of** the retailer, with long wait times on the phone, and other contacts (email etc.) going **unanswered for extended periods** [6]



- Direct impact of Covid on bills was not evident
- However, influence might be reflected elsewhere e.g. customer service, switch choice
- Businesses most vulnerable to shocks were also less likely to have engaged
- For businesses, where water & other utilities lower priority, even for customers aware of ability to switch, this is pushed back or forgotten especially during Covid-19.



2. Perceptions of the market



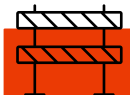
Most businesses, particularly SMEs are not considering switching. Conversely larger businesses are more likely to identify with the potential opportunity for them

77%

Three quarters of businesses are satisfied with their current retailer [4b, 8]. There is no significant differences between business sizes. [4b]

- Only 10% considered/tried/actually switched in the last 12 months [4b]

Notably, businesses with a **yearly bill over £2,000** are significantly **less likely to be satisfied** [4b]

Barriers to engage

Most satisfied with status quo: or not experienced a problem, no motivation to move [4a, 8, 12, 16, 18]

Benefits intangible: Perception savings would be marginal [12]

- Widely believed that better outcomes not possible among Scottish businesses [2]

Perceived market barriers: Water relatively low cost - doubt substantial financial savings are achievable by switching provider [10, 12, 14, 16, 18]

- SMEs believe costs of switching outweigh any benefits [7, 14]
- Market perceived as complex and difficult to engage (e.g. multi-site customers on several wholesaler tariffs, or those locked into contract) [10, 18]
- Lack time & effort to look for savings/switching [4a]
- Time poor – lack time to look for savings [4a, 14]
- Bound by current contract (larger) or ‘trapped’ by outstanding billing issues [12, 18]



Motivations to engage

Among larger users, switching often triggered by:

- The offer of better prices and utility consolidation [8, 12, 13]
- Dissatisfaction with current service provider [8, 13]
- Poor customer experience / billing issues [8, 12, 13]
- Retailer or broker getting in touch [4a, 12, 13]
- Incentives/cashback (non specific) [13]



In total, two thirds of businesses would be enticed to switch provider if they could make financial savings of 20%

67% **Lowering the cost** of bills is a key incentive for businesses to switch provider (esp. larger businesses) [4a, 13, 18]



- 45% would be encouraged to switch for a reduction of 10%
- A further 22% by a reduction of 11-20% [4a, 18]



They also expect service benefits from switching:

- Better customer service e.g. assigned a dedicated account manager and billing contact [14]
- Improved billing services/management, simplicity [14]
- Benefits for multi-site customers specifically e.g. bill consolidation across sites, consolidation to one wholesaler, price caps applied to customers rather than premises [14]
- More frequent, accurate meter readings, improved data availability etc. [1]
- Provision of water efficiency services [18]
 - High volume/high complexity users more likely to be in water efficient mindset – open to hearing new ideas, such as capturing rainwater, low flow toilets and among low volume low complexity water efficient taps, checking cisterns for leaks, etc. [23]
 - Some feel water efficiency practices will be hard to put into practice and those reliant on water will not be able to limit their water use [22]
- Leakage detection services [18]

- Customers expect clear account benefits to switch provider: financial savings, and for larger businesses service benefits where these resonate more strongly
- But are their perceptions of potential savings unrealistic?
 - NB: TPIs report savings from switching for the 'average' prospective customer between 2-5%, more marginal relative to other utilities [14]



Challenges to develop market perceptions beyond simply cost

- Even if open to reducing water use, there is a sense of **complacency / no sense of urgency**. Need to invigorate the market and demonstrate clearly how businesses can save more water [23]
- Despite access to additional services, it **may not be financially viable** for businesses to reduce usage and costs further because of the **investment required to access those services**
- Because of the relatively low cost of water, customers **expect investment in water efficiency tools to be proportionately low /** value of water efficiency is limited
- For some, investment in **water sustainability is not valued by investors** and so is not prioritised by business [10]



Evidence from this review explains in part why retailers have a hard sell to promote added value services – especially water efficiency.



- Even with drought and increasing energy bills, water saving has not increased in priority: in 2022, 39% have engaged in some form of water saving activity. This is **significantly lower** than in 2020/21 (46%) [24]

“Investing in water efficiency tools would amount to spending a lot to save a little in cost terms” [10]

“The message full stop is wrong really – everything on saving the planet is about renewable energy, carbon offsetting. You can't point to any famous person – Greta or George or David Attenborough – saying you've got to save water.” [10]



Water efficiency has become a lower priority for business customers in recent years

PRIORITIES



Reliable water supply and/or **no supply interruptions** (51%-55%) → fundamental to business customers [4a, 8]



Price is the second most important aspect (**41%-42%**) – simple, transparent and understandable [4a, 8, 10, 14]



Quality customer service (26%-23%) [4a, 8]

- Able to contact retailers quickly and easily as needed (esp. water critical businesses) [6]
- Retailer 'competition' expect to deliver time & water savings as well as service improvements [18]



Billing services (11%-15%) [4a, 8]

- Universal metering system between wholesalers to prevent replacement on switching provider [10]
- Clear opportunity for Smart meters to make life easier and improve access to water usage data, enabling customers to be billed only for what they use and to encourage them to engage in water usage [23]



Water efficiency (11%) [4a] needs a higher profile

- Seen a consistent decline from 25% in 2020 (3rd after price) to 11% in 2021 – least important [4a]

SECONDARY

Also expected by specific audiences:

- **Training** (high users) on how to reduce water usage [10]
- **Government to enforce water efficiency** (high users) cf. efficiency enforced on energy suppliers [10]
- **Reducing usage / increasing water efficiency targets**
 - NB given lowest priority among smaller customers
 - Larger customers are more interested, particularly in practical training to help reduce usage [15]
- **Code of conduct** to regulate TPI interactions, including fees, commission, cold calling etc. [14]

"There's a lack of control in this industry which says 'no, you can't do that...you need to make your systems adaptable to what is there', not other people being adaptable to what your system is." [10]

Overall, innovation in the market is felt to be low

- Market competition has not delivered the water savings from water efficiency services the market expected



Theme D: Perceptions of retailers and wholesalers

Larger businesses are more aware of the difference between wholesalers and retailers than SMEs but are frustrated by the added layer of complexity and lack of direct accountability to the wholesaler



Most SMEs don't know the difference between wholesalers and retailers [20, 6]

- 34 of 38 SMEs knew only a little, or nothing (qualitative)
- Complaints data suggests confusion, 26% of complaints in 2021 relates to wholesaler [5]
- Businesses significantly more likely to be satisfied with their water provider than their retail provider [6]

Overall, SMEs are passive in their desire to engage in the water industry [20]

- Perception the industry has the expertise to fulfil its role and as businesses don't need to engage / take more of an interest

"One deals with trade and waste i.e. Southern Water provide the water, while the retailer is more about the business. But I'm not sure what the big difference is. It's not something I've thought about." (SME)



Feedback from a few large businesses indicates the lack of direct relationship between wholesalers and business customers means:

- Wholesalers more focussed on reducing HH water use than businesses as there is no direct relationship with business customers
- While retailers are responsible for promoting water efficiency initiatives to businesses they do not benefit from doing so [10]

Sources of tension:

- Multi-site clients are frustrated at wholesaler monopoly – adds complexity to their bills [14]
- Cumbersome or ineffective interactions between Retailers and Wholesalers result in poor customer experience [8]

- Implication for communicating role of retailers vs. wholesalers to prevent frustration
- Responsibility for wholesalers to support retail market with e.g. effective retail interactions (plus role for incentivising water efficiency [23])



Theme E: Communication preferences

Businesses expect a multi-channel approach: online account information, emails, letters and text communication to be kept up-to-date by suppliers

Information needs

Businesses of all sizes want up-to-date, 'real-time' information with:

- Account status
- Financial terms:
 - Highlighting risks and benefits of advance payment at contract negotiation (small/micro businesses)
 - Explaining credit risks clearly (small/micro businesses)
- Regulatory communication (Larger businesses)
- Tools to reduce water usage

Channels expected

- Billing information is expected to be accessed online
- Letters or email indicate the information is distinct from billing but can be deprioritised if perceived as marketing or general information not specific to their business
- Text alerts can draw attention, if used judiciously

"I'd want a letter or an email direct, I'd want something very targeted, because I think it'd be very important." [7]

Go to channels...

- SMEs of all sizes will use the Internet to seek out information
- During the market reform, larger businesses were more likely to ask a utility broker or business colleague for information

"I think [my energy company] occasionally send me a text message if there's something important they want me to read, again I'd just go and have a quick skim" [7]

? Are these basic requirements being met by retailers – and wholesalers when appropriate?




A woman in a purple sweater is writing on a whiteboard. Another woman in a patterned jacket is looking at the whiteboard. The background shows a window with a view of buildings.

Areas causing adverse impacts – and best practice/desired change



Dominant themes: Poor awareness and engagement among smaller SMEs with benefits of switching intangible

Building awareness of the ability to switch and renegotiate – and communicating the benefits of doing so

- 
- Indications that awareness is declining (although this may be an anomaly in the latest (2021) data)
 - Disparities in awareness suggest certain business segments are being disadvantaged: because of their size, location or recency in the market
 - Around half of (mainly micro and small) businesses haven't realised they can choose retailer [6, 4a]



- What is the market strategy to build awareness? What are the touchpoints?

Identifying why some regions achieve higher market engagement than others

- Approximately half of those aware they can switch have declined to do so
- The number of 'active' businesses varies by region e.g. much lower in Thames Water region [13]




- Need to explore regional differences: what is driving higher engagement in some areas?



With billing and switching improvements, existing literature provides some needs and wishes from businesses (green boxes)

Billing improvements (incl. around historical billing issues)

- 
- Billing is the biggest service disappointment; complaints data suggests billing performance varies by retailer [4a, 8]
 - SMEs resent over-reliance on estimates, paying in advance, inaccurate and irregularly spaced bills [12]
 - Low awareness of payment options [7]


Identifying root of 'market frictions' at switching

- The number of complaints has increased since market opening [5]
"You cannot move contract if rates are cheaper elsewhere – they impose discount penalties if you terminate the contract early." [2]
"They roll you over on renewal without telling you, then hold you to another year". [2]
- Switching difficulties reported in Scottish market: *'it is difficult to ascertain whether customers being delayed or prevented from switching are examples of unfair treatment on the part of the provider, or stem from customers simply not understanding their responsibilities'.* [2]



Improved transparency, simplicity and accuracy for billing

- Ensuring easy access to retailer, particularly in relation to billing, using a choice of communications channels
- A dedicated helpline to seek financial guidance on how to save money on bills [22]
- Businesses desire upfront estimate of next 12 month water costs to plan effectively [22]



Can businesses / TPIs evaluate retailer service quality objectively?



New account/contract details needs to be more accurate

- Meter readings need to be correct at time of switch
- The closing of bills after switching needs to be more accurate



Literature indicates market improvements around retailer service levels generally – and data specifically. Business needs and wishes not directly expressed but some more anecdotal best practice examples.

Retailer service levels



- *'It was clear that the difference in experiences in terms of billing and customer service from retailer to retailer could be quite extreme' [12]*
- Specific (qualitative) reports do elicit some best practice examples
- SMEs would like clarity on who is responsible for helping to resolve incidents and who to contact [20]

Data improvements

- Current data quality from existing meters [8]
- Enhanced role for smart meters [3]



- **Best practice:** Business customers receiving frequent update emails during pandemic from retailer (signposting support for businesses that could not pay bills). Also informing early on its reduced support service [22]
- **Best practice** Southern Water's virtual customer consultation [21]
- **Best practice** Southern Water's communication of loss of water supply with 1-2 weeks advanced warning so customers can prepare [21]



Adverse Impacts; where does the market need improvement?

Fundamental issue for the market is low engagement. Business customers interested in incentives in principle – but the financial expectations are high.



Change the customer mindset: low cost of water, potential savings not motivating

"I pay a lot of attention to broadband bills, we've got a lot of employees. So if there's a big bill I tend to notice that and I look at the water, but the water is quite a low cost." Medium business [7]

- Business customers are time poor and struggle to prioritise engagement with water – particularly as it is low cost and reliable vs. other utilities. [20]
- Water bills account for less than 5% of total running costs for 90% of customers [8]
- Financial incentives are too elaborate or impractical to redeem as a business e.g. time of day, seasonal, geographic - particularly with the current data quality achievable from existing meters [10]
- *'It will be difficult to make businesses feel like it is worth their time to engage with comms'* [20]



Cost savings to incentivise water efficiency.

- Incentives (but need to be worthwhile to recover the cost of efficiency investments through water savings within 12-18 months, interested in seeing savings of at least 50% of the value of the monthly bill [15])

Re communications:

- Clarity and simplicity crucial to aid customer understanding



With 2-5% cost incentive [14], what is the proposition for smaller SMEs

- Role of TPIs in creating momentum?



Trading risks require clear information

- For customers: need clear signposting to info on what happens if can't pay; business closes temporarily; or is using less water (pandemic context) [22]



Example of business looking on Ofwat website but only found household related information [22]: what is the current provision for information from industry bodies?



Best practice examples

Individual experiences and best practice examples likely to come from qualitative research however there is very little existing qualitative research relating to the general market experience.



Experience of switching:

It seems a lot simpler than what we were doing. We were getting quarterly or half-yearly bills, and now it's smoothed out, just direct debits. We're paying less than we were. That's fine for us.
(Re-negotiated, Small, Wholesale/retail/motor trades)



Using TPis:

It was really easy, because they said, once I got the documentation to sign it, 'You don't need to do anything else.' So, I didn't. I sent it back to them and that was it.
(Switched, Medium, Manufacturing)



Propensity to switch again:

Yes, as a public body, we are tasked to make sure that we get value for money. It is something that I do have to consider regularly. I have to say, these companies do make my life a lot easier.
(Switched, Small, Arts, entertainment, recreation and other services)



Re-negotiation:

I spoke to them [the retailer directly] and we agreed a price and it just changed, nice and easy.
(Re-negotiated, Small, Wholesale/retail/motor trades)



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