

The missed opportunity

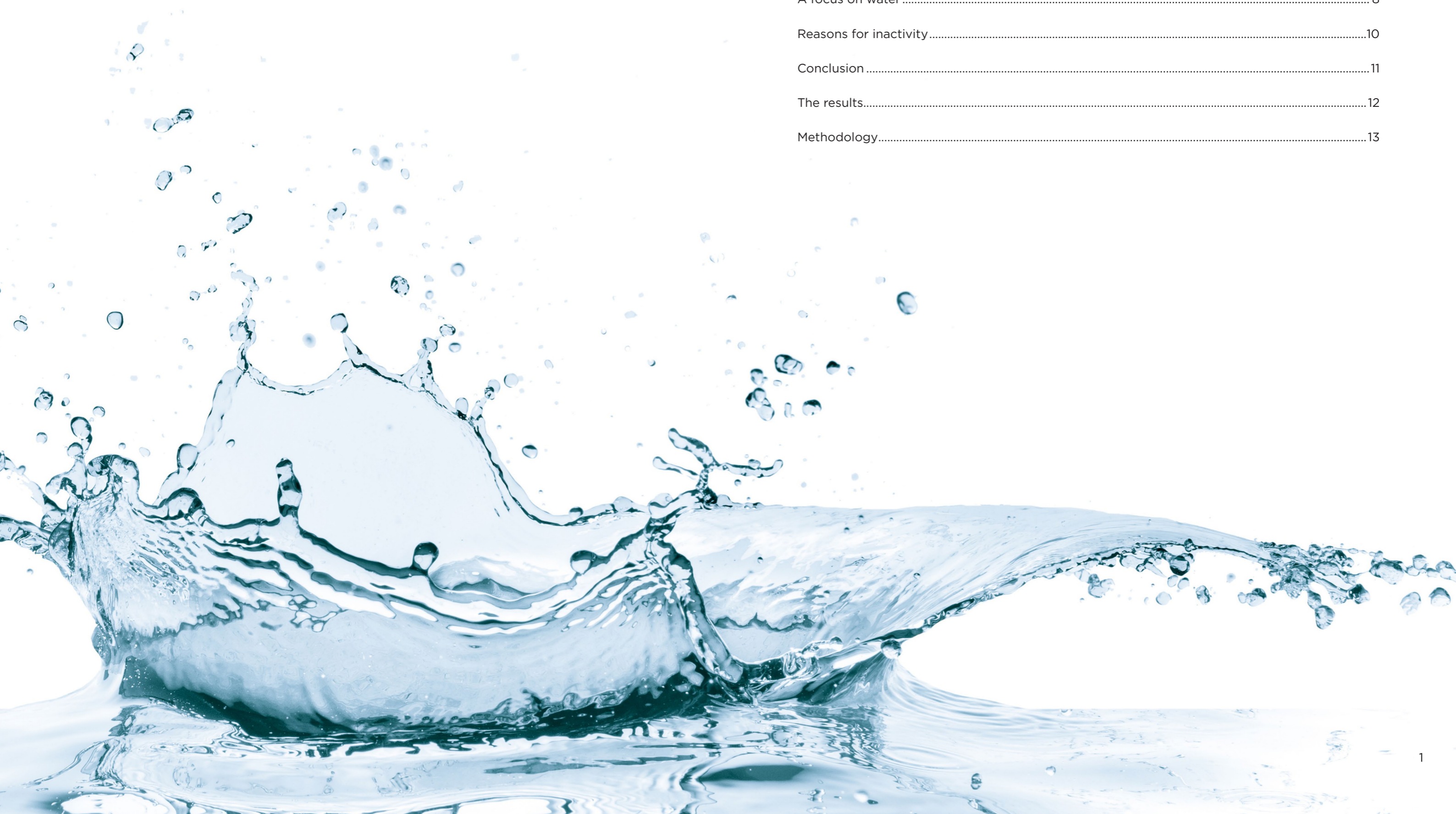
A report investigating how likely small businesses are to switch water suppliers in comparison to other services

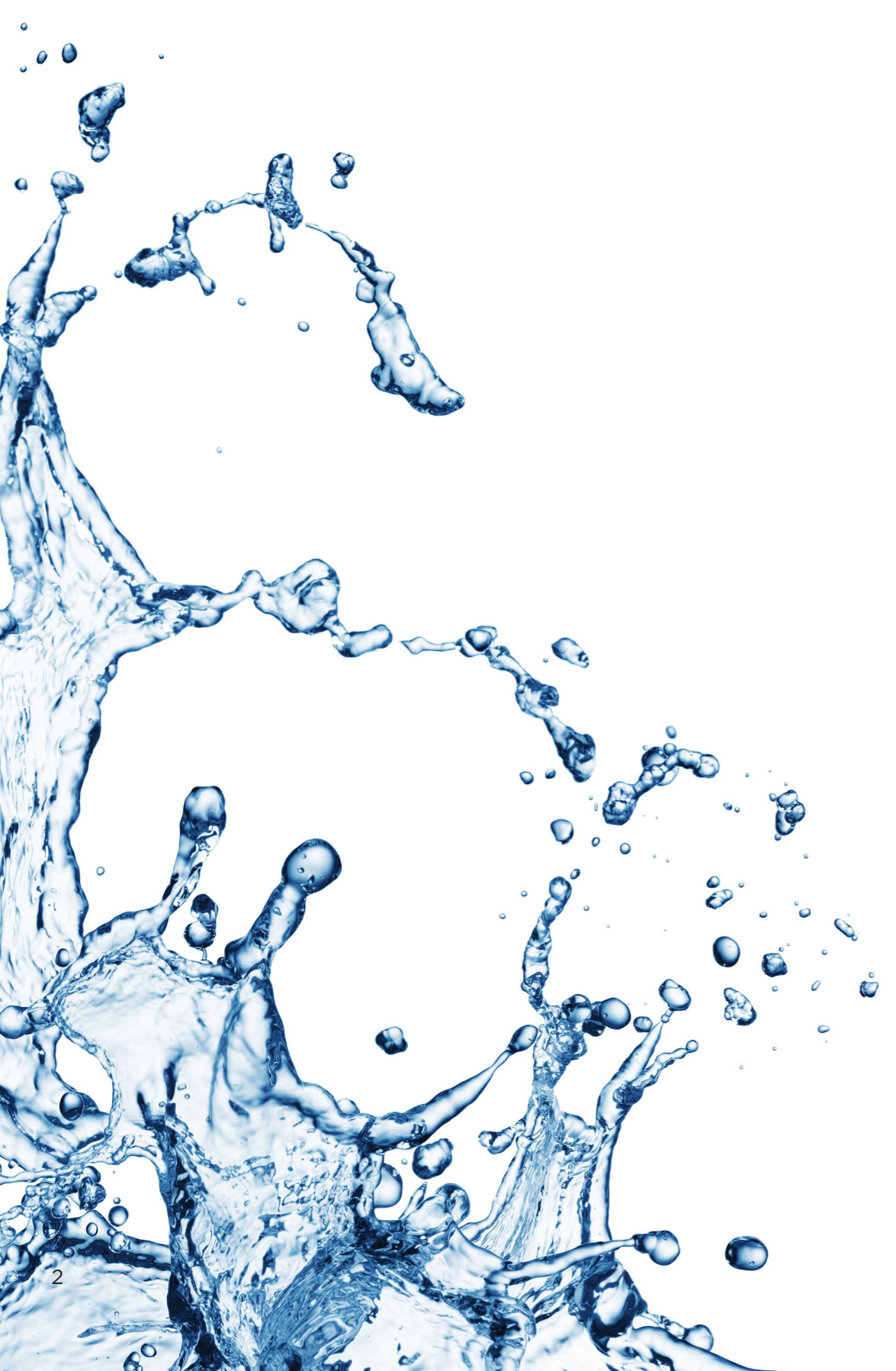


This report details the findings of a business survey carried out by SES Business Water in conjunction with YouGov. The survey focused on the attitudes of England's small businesses towards switching water suppliers, as well as other services.

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Introduction

Since April 2017, businesses and organisations in England have been able to switch their water supplier. Businesses, charities and public sector organisations no longer have to buy their retail water services from their regional water company. They are free to choose one retailer for their water and another for wastewater services if they prefer, or just one for both.

Figures released by market operator MOSL in February 2018 suggested that more than 100,000 supply points had switched water retailer in the first 10 months of the market. This represents 3.8% of the 2.7 million supply points in the market, but at a consumption level, the switching rate was 8.8%.

By switching, small businesses can expect to see a reduction in their water bills thanks to more competitive pricing – and those savings can be maximised by consolidating water and wastewater services, as well as services for multiple sites, if applicable.

Furthermore, having the power to switch gives businesses the chance to choose a company with a better customer service record than their current supplier. Businesses that act and switch to suppliers that make customer service a priority will also contribute to improving the marketplace for everyone in the longer term, as, over time, the increasingly competitive market is expected to push service levels up across the board.

The open water market also increases the visibility of this essential utility, raising awareness of the ways businesses consume water. This can improve water efficiency and support sustainability – in turn helping businesses to further cut costs, as well as helping the environment. Small businesses should also be able to gain access to new and improved products and added-value packages.

With all this in mind, SES Business Water carried out research among small businesses to find out if they are taking the opportunity to switch water suppliers, while also analysing which other services they have switched.

In conjunction with YouGov, SES Business Water interviewed small British businesses, across sectors including manufacturing, construction, retail, finance & accounting, hospitality & leisure, the legal sector, IT & telecoms, media, marketing & sales, medical health & services, education, transportation and real estate.

Executive summary

At the start of 2017, small businesses accounted for 99.3% of all private sector businesses, and 99.9% were small or medium-sized (SMEs)¹. Small businesses play a significant role in the country's economy, but it can be challenging for them to grow and prosper. Therefore, they need to be shrewd when it comes to their spending behaviour, especially in today's uncertain times.

Indeed, according to the latest Federation of Small Businesses (FSB) Small Business Index (SBI)², released in January 2018, three quarters of firms (73%) report a rise in operating costs compared to the same time last year. The figure is at a five-year high, and, among other factors, the increase is frequently attributed to utility costs (35%).

According to the FSB, 73% of firms have reported a rise in operating costs, including utility costs

As would be expected, the SES Business Water survey confirmed that an overwhelming majority of small businesses believe that it's important to be cost-conscious – but also highlighted there is potential for many to refocus their efforts to achieve significant savings, and gain better service.

The survey revealed that 98% of small businesses believe being cost-conscious is an important attribute for their type of organisation, and when it comes to business

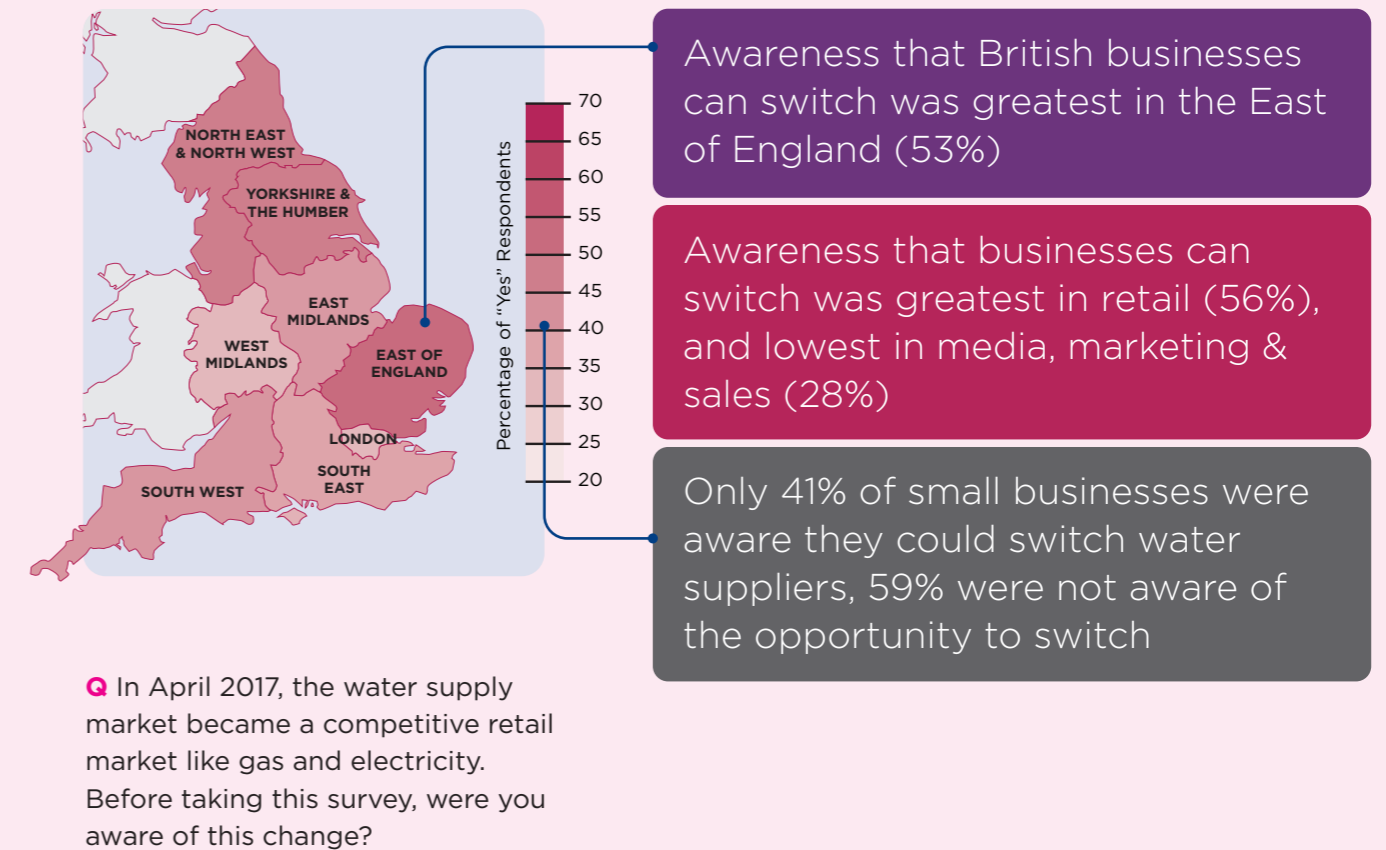
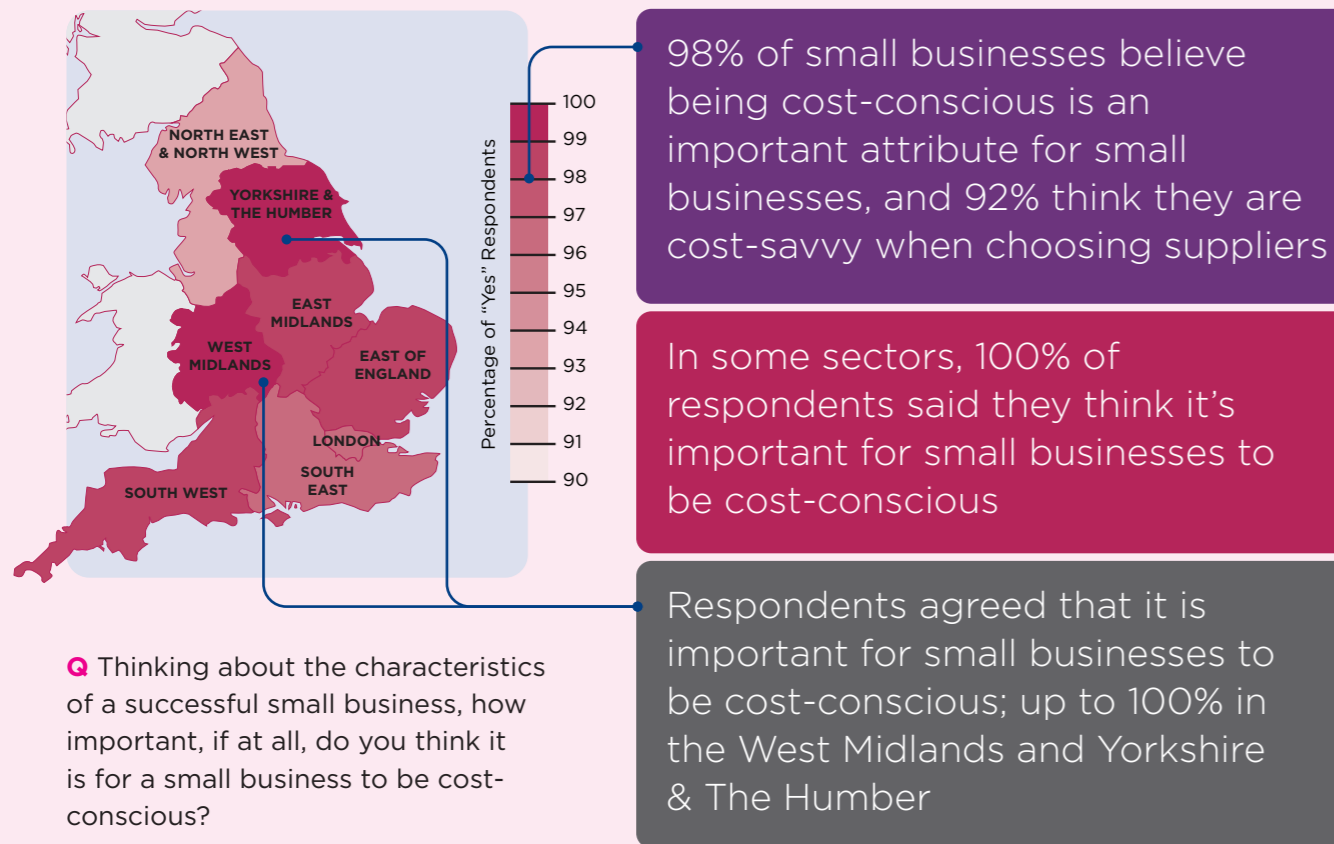
success, it was rated as a more important quality than being innovative or daring, which were rated as 89% and 66% respectively. This suggests small businesses will place importance on things like being careful with money, being mindful about their purchases, and always looking for the best deal on supplies such as stationery, cleaning, healthcare providers and utilities.

92% of small businesses believe they are cost-savvy when it comes to choosing their suppliers. However, many more could benefit from comparing what's on offer, with far fewer actually switching services and suppliers to save money in the last 12 months.

To put the benefits of switching into context, a study from AXA Business Insurance³ uncovered how small adjustments to running a business – including shopping

around – could add up to some big savings for the UK's SMEs. AXA Business Insurance calculated that some companies could save themselves up to £1,435 per year if they were to make some small changes, and that SME UK as a whole could be throwing away a massive £2 billion.

Importantly, 59% of small businesses taking part in the SES Business Water survey reported that they were unaware of English businesses' freedom to switch water supplier, and just 6% of those whose business has an office in England said their business had switched supplier since the market opened in April 2017.



1 From BEIS: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/663235/bpe_2017_statistical_release.pdf
 2 <http://fsb.org.uk/media-centre/press-releases/small-business-confidence-continues-to-fall-as-domestic-fears-weigh-on-outlook>
 3 <https://www.axa.co.uk/littlethings/little-things-of-interest/sme-throw-away-2bn/>

Switching activities

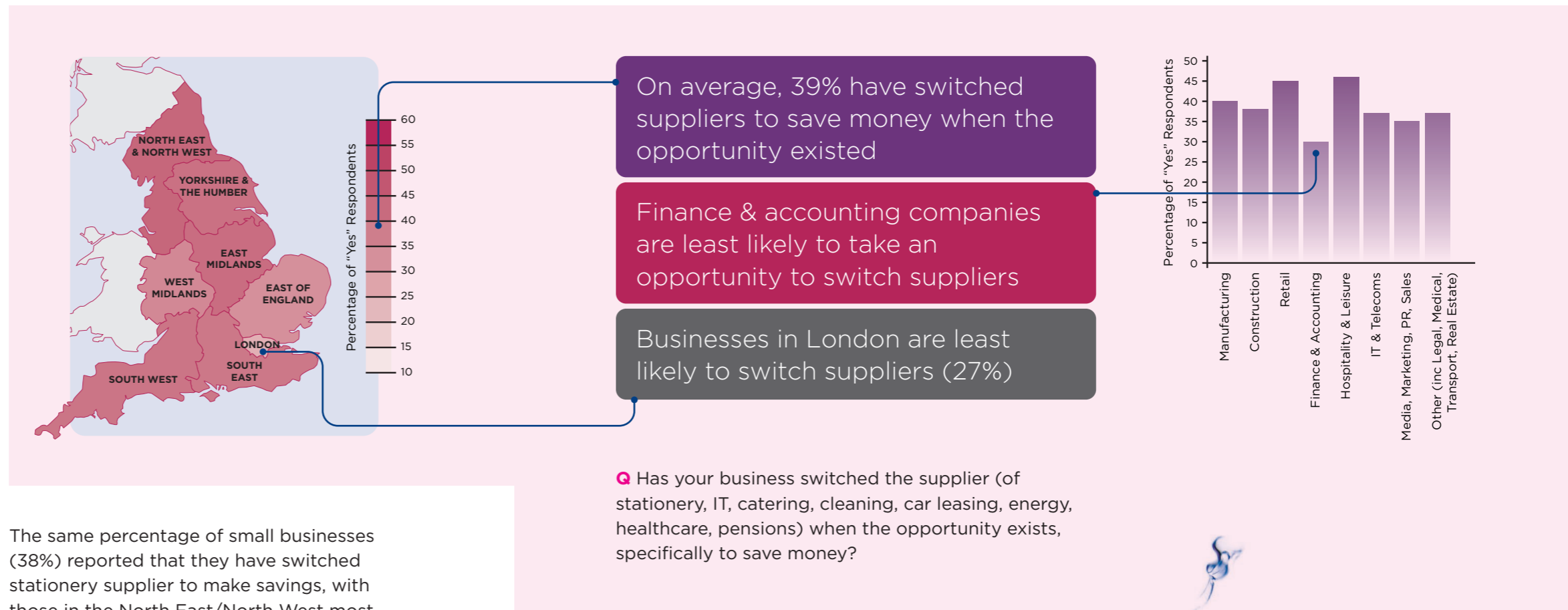
SES Business Water analysed small businesses' appetite for switching stationery, IT, catering, cleaning, car leasing, energy, healthcare and pension providers – as well as for switching water suppliers.

When looking at switching activities in the past year, the most frequently switched suppliers were still only switched by 38% of respondents – stationery suppliers and energy suppliers were both switched by 38% – meaning there are opportunities available to be more cost-savvy. Small businesses in the North East/North West are most likely to switch suppliers (46%), and those in London are least likely to switch (27%). Small legal and retail businesses are most likely to switch (46%), whereas those in finance & accounting are least likely to switch (30%).

Energy was one of the top services that small businesses have switched in the past year. This is understandable, considering the focus that energy costs have received in recent times. Savings can be significant; data suggests that, on average, those that switch their energy supplier save 30% – a saving of £399 on the average SME energy bill of £1,331³.

Over a third of small businesses (38%) had switched energy supplier in the past 12 months, with businesses in Yorkshire & the Humber being most likely to switch (55%). Those in London are least likely to switch (25%). Small businesses in manufacturing are most likely to switch energy provider (50%), and those in IT & telecoms are least likely to take this action (23%).

Small businesses are most likely to switch energy and stationery suppliers



The same percentage of small businesses (38%) reported that they have switched stationery supplier to make savings, with those in the North East/North West most likely to switch (46%), and those in London least likely (28%). Small businesses in the manufacturing sector are most likely to switch stationery suppliers (53%), and again, those in IT & telecoms are least likely to switch (25%). Data suggests that switching stationery suppliers can equate to a 20% saving for businesses with fewer than 10 employees⁴.

In terms of the services that small businesses are least likely to switch, only 10% had changed their catering company in the last year, and only 8% had changed healthcare providers – but these percentages are still higher than for switching water suppliers.

A focus on water

Although the English water market opened for businesses and organisations of all sizes in April 2017, just over half (59%) of small businesses aren't aware of this switching opportunity.

And, out of all the services included in the survey, small businesses are least likely to switch their water supplier. Only 6% of those whose business has an office in England said their business had switched supplier.

There are regional differences in awareness and switching activity. Small businesses in the East of England were most aware they could switch water supplier (53%), yet only 1% had actually switched. Small businesses in the North East/North West, East Midlands and South East whose business has an office in England were the most likely to switch (11%, 10% and 9% respectively), and awareness was also relatively high for businesses in these regions - 45% for the North East/

Out of all the services included in the survey, small businesses are least likely to switch water: only 6% of those with an office or site in England have switched

West and the East Midlands and 36% for the South East. The South East switching figures correspond to MOSL's figures on the market as a whole; it continues to see the highest level of switching activity taking place in this area (as of February 2018).

Awareness was lowest in the West Midlands and London (35%), and only 5% and 6% of small businesses in these areas who have an office in England have switched respectively. Interestingly, 93% of small businesses based in these areas think it's important to be innovative, and 70% and 74% (respectively) think it's important to be daring - yet their

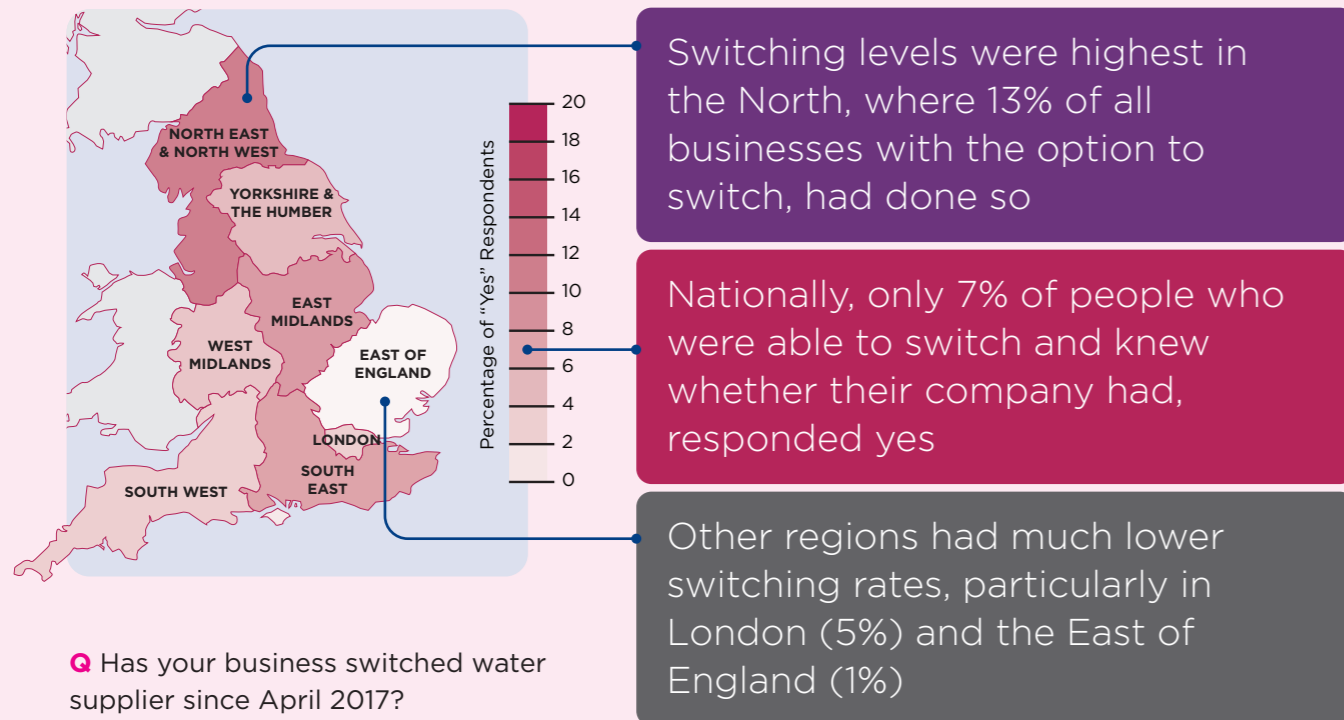
switching activities, which could save them money and offer an improved service, are generally low.

There is also a difference between sectors, with the highest levels of awareness being in the retail sector (56%) (perhaps because retail sites might have resource efficiency targets to meet), followed by hospitality & leisure and manufacturing (49%) (perhaps because both of these sectors are large consumers of water).

However, where sectors are concerned, awareness doesn't automatically mean that small businesses go on to switch water suppliers. For example, none of the small businesses surveyed that operate in the manufacturing sector with sites in England had taken the opportunity to switch, and in retail only 8% have switched. The sector most likely to switch is IT & telecoms (10%), yet awareness in the industry as a whole was lower than average at 33%. Interestingly, a higher than average percentage of small businesses in IT & telecoms say it's important for small businesses to be innovative (93%) and daring (74%) but, as noted earlier, they don't always have an appetite for switching all services. Conversely, while small businesses in IT & telecoms are most likely to switch water, they are least likely to switch energy.

The results suggest there isn't always a correlation between awareness and action - meaning there must be other reasons why small businesses are not switching water suppliers.

41% of small businesses are aware that businesses in England can switch water supplier



Reasons for inactivity

The most common reason cited by small businesses with an office in England for not switching water supplier was that they did not feel it was a priority for their business (31%).

31% of non-switching small businesses with an office in England said they don't see switching as a priority

On a regional level, those in the South West were most likely to see switching as a low priority (39%). In terms of sectors, manufacturing were the most likely to say it wasn't a priority (41%) – and indeed none of those surveyed had switched.

Non-switchers in manufacturing don't see switching water suppliers as a priority, and none of those surveyed had switched

Only a quarter of non-switchers (25%) stated that they didn't switch due to being happy with their current water supplier. In the West Midlands and London, this decreases to 16% and 15% respectively. Awareness about switching and actual switching rates are lowest in both these areas, so we could conclude that there might be an appetite for switching if awareness was higher.

15% of small businesses said they didn't have enough information about switching, and 9% said they are too busy with work, so don't have enough time to switch. Only 4% of small businesses said switching was too complicated.

This inactivity could mean that the UK's small businesses are missing out on a range of important benefits, including cost savings, efficiency and resource savings (thanks to easier account management), and better customer support.

Conclusion

While small businesses see themselves as cost-conscious, and place importance on this attribute – alongside also being innovative and daring – when it comes to switching suppliers of key products and services, particularly water suppliers, there isn't a high level of activity.

Small businesses are far more likely to switch energy or stationery supplier than their water supplier, even though switching water could provide a valuable reduction in cost. There isn't a high level of awareness about the ability to switch water suppliers (41%), which might be expected because the market in England is relatively new. Worryingly, around a third of the non-switching small businesses (31%) do not feel that switching water suppliers is a priority.

It's clear that more must be done to raise awareness of the water market among small businesses so they can actively engage in it. For small businesses across all regions and sectors, switching to a different water supplier could potentially deliver:

- Lower bills
- Better deals and cost savings through the consolidation of water and wastewater services and, if applicable, multi-site billing
- Efficiency savings
- Improved service levels, also delivering savings on time and resources
- Easy, online account management, saving time
- The opportunity to negotiate added-value packages
- Access to better products

We know that many small businesses are not yet aware of these benefits. SES Business Water is committed to improving market engagement by communicating with small businesses across the UK to explain how switching can help them achieve cost savings and access better products and improved customer service.

To find out how SES Business Water can help your business, please visit www.sesbusinesswater.co.uk

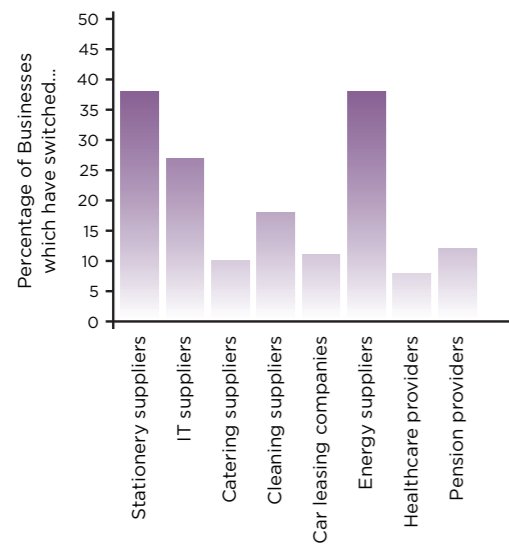
The results

How cost-savvy are the UK's small businesses?

- **98%** of respondents said it's important for small businesses to be cost-conscious
- **92%** of small businesses think they are cost-savvy when it comes to choosing suppliers

What do small businesses switch to save money?

SES Business Water asked small businesses what they have switched in the last year in order to save money.



So, are small businesses also switching water suppliers?

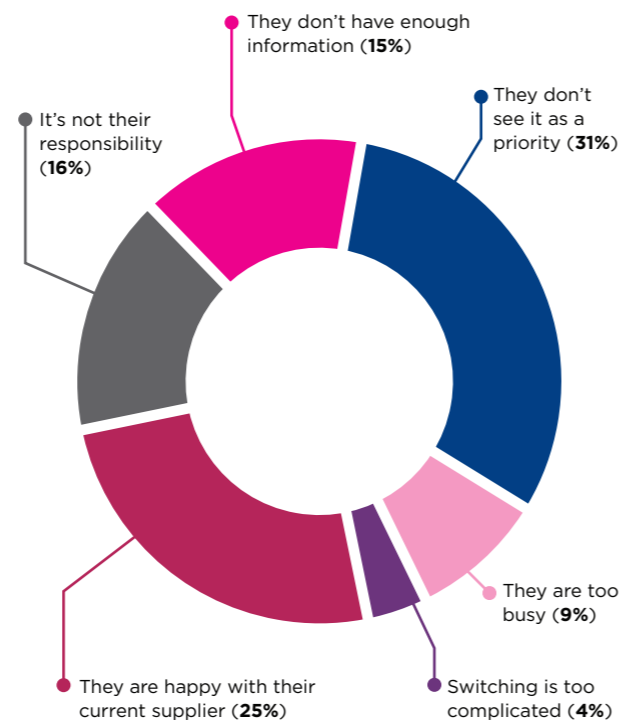
SES Business Water asked small businesses if they knew businesses in England could switch water suppliers.

- **41%** were aware they could switch, **59%** were not

Small businesses with an office in England were asked if they had switched water suppliers. Of those who were aware whether their business had switched or not:

- **93%** haven't switched water suppliers
- **7%** have switched water suppliers

The reasons small businesses cited for not switching water supplier were:



SES Business Water also asked small businesses about the other important attributes small businesses should have, including being innovative and daring.

- **89%** said it's important for small businesses to be innovative
- **66%** said it's important for small businesses to be daring

Methodology

The survey was conducted using an online interview administered to members of the YouGov panel of 800,000+ individuals who have agreed to take part in surveys. Emails were sent to panellists selected at random from the base sample. All figures, unless otherwise stated, are from YouGov. Total sample size was 757 adults. Fieldwork was undertaken between 13th November 2017-12th February 2018. The survey was carried out online. The figures have been weighted and are representative of British business size.



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