



This way forward.

The Secrets of Better Billing



UK WATER

Foreword

For water companies, billing is a vital customer touchpoint. At their core, bills must be clear, correct and concise, and any issues rapidly resolved. This will help to drive satisfaction and reputation of the company amongst its customers.

But, with water customers often only billed once per year, and contact outside of this limited, the bill and associated communication are also a potential conduit to engage with customers about the issues they personally find important.

This report builds on our previous research on the subject of billing. It outlines the findings of a nationally-representative survey of 1,000 UK households looking at how consumers feel about the water bills they are presented with, the prevalence of good and bad practice and whether they feel there is additional help there for them should they need it.

We will also consider the innovative digitisation that must take place if the water industry is to answer the regulatory expectations set out for AMP 7 and beyond as Ofwat begins to lay out its emerging future strategy.



Andy Mack

Software Services Director, Echo Managed Services

Digital billing uptake lags behind


Conventional paper billing is still prominent in the UK water sector, with over half (55%) of customers receiving statements in this way. Digital billing via email (25%) and online supplier portals (20%) are still relatively low in comparison to other essential services sectors such as energy, where digitisation of billing is more commonplace.

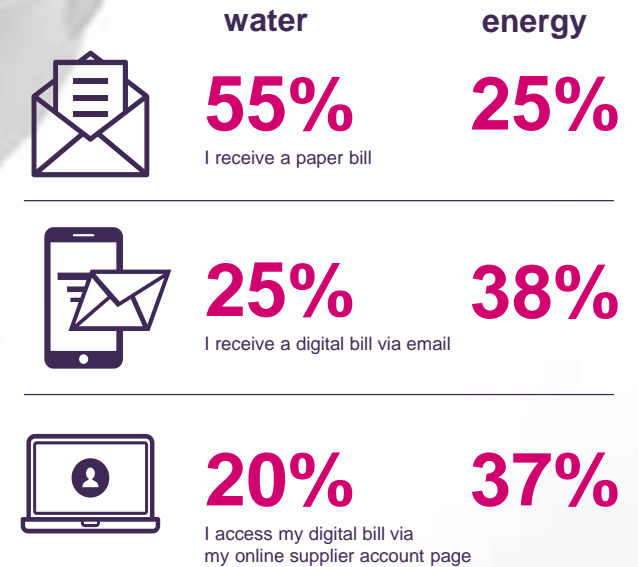
Incentives such as e-billing tariff reductions, together with higher engagement levels as a result of switching, may have driven more customers to choose e-billing in the energy sector. Water companies don't incentivise e-billing in the same way and, for many customers, the infrequency of contact with their supplier may mean it's not even on the radar.

Of course, some water customers may want to continue to receive a paper bill. Indeed, only a very small proportion of respondents believe their supplier is old-fashioned in how they handle billing; less than 5% of billpayers said they thought their supplier could offer more modern ways to handle bills.

What's clear is that a "one-size-fits-all" billing solution goes against the personalised service customers increasingly expect; customers should be able to receive their water bill in a way that suits them, according to their own choices and circumstances. However, there is a clear opportunity to further digitise the billing journey, so long as consumers are happy to make the change.

Water companies should ensure they have the right tools and solutions in place to support them to become more digitally enabled, and that the customer journey is well designed and thought out to suit different customer segments to provide the ease and convenience that e-billing sets out to achieve.

 Thinking of your water bill, which of the following statements is most accurate for you? (select one)



An important customer touchpoint

The nature of the water sector means that, unless issues arise, contact with customers can be infrequent. Indeed, as we'll see later, 82% of customers have had no need to contact their supplier in the past 12 months.

Current customer touchpoints such as bills are therefore important to connect with customers and convey relevant messaging in a simple, engaging way.

However, our results show that bill information isn't reaching many customers. Only 48% of customers told us they actually read their water bill thoroughly, with 12% saying they ignore it altogether. Maybe they have no interest, are too busy, find bills disengaging, or simply trust their supplier to get it right.

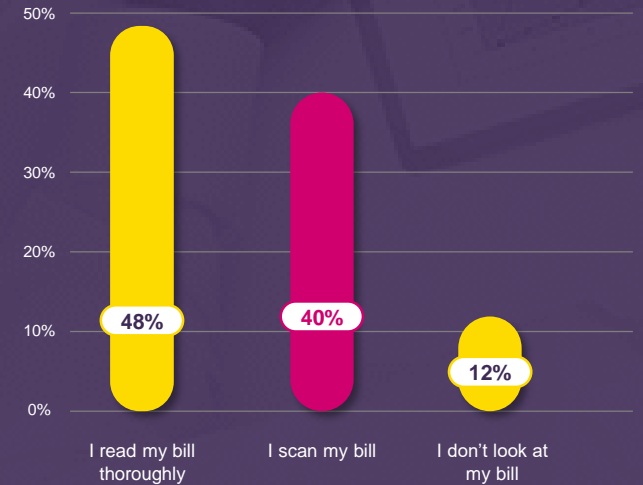
The findings also highlighted that those customers most likely to receive their bills via paper are also the ones that check their bills most thoroughly. This mirrors our previous research that found that online billing leads to many customers becoming more distant from the bills they receive – a case of "invisible bills."

Engaging consumers around bill design, format and content can help water companies to better understand how customers currently engage with bills and what would help make bills more clear and informative. Some great work is already being done on this across the sector, and it will be interesting to see the effect this has on engagement with water bills over time.

Clearly, there's unlikely to be one design that suits everybody, considering different degrees of personalisation to better meet individual needs could be a positive step forward. Investing in innovative billing software can open up new possibilities to do this in a cost-effective way.



Thinking of your water bill, which of the following statements is most accurate for you?(select one)



Bills are not universally understood

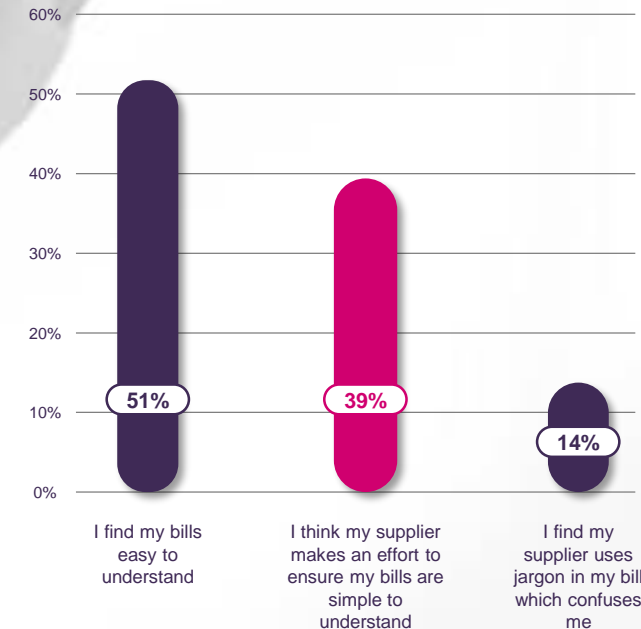
Bill clarity is an important element of good customer service, and billing continues to be a focus measurement area as the sector transitions from SIM to C-MeX (customer measure of experience). Customers should be able to fully understand their water bill so they are aware of how much they have to pay and when.

However, our findings highlight that only 51% of billpayers find their bills easy to understand, suggesting that the remainder find their bill confusing in some way – or perhaps do not understand it at all.

This may be due in part to the terminology used by water suppliers when communicating with customers - one in seven (14%) billpayers believe that their supplier uses confusing jargon in their bill. Concerningly for water companies, only 39% of customers think their supplier is trying to connect with them in a clear and simple way. This may negatively affect brand perception, with some customers potentially feeling alienated by their supplier.

It's important that bills, as with all aspects of customer service, are inclusive – which means a degree of tailoring to support those with specific needs. Providing easy ways to find out more if customers don't understand and clear-cut explanations and information on a well-designed and easy to navigate website can help, alongside signposting to a helpful and knowledgeable customer service team.

? When it comes to understanding your water bill, which of the following apply? (select all that apply)




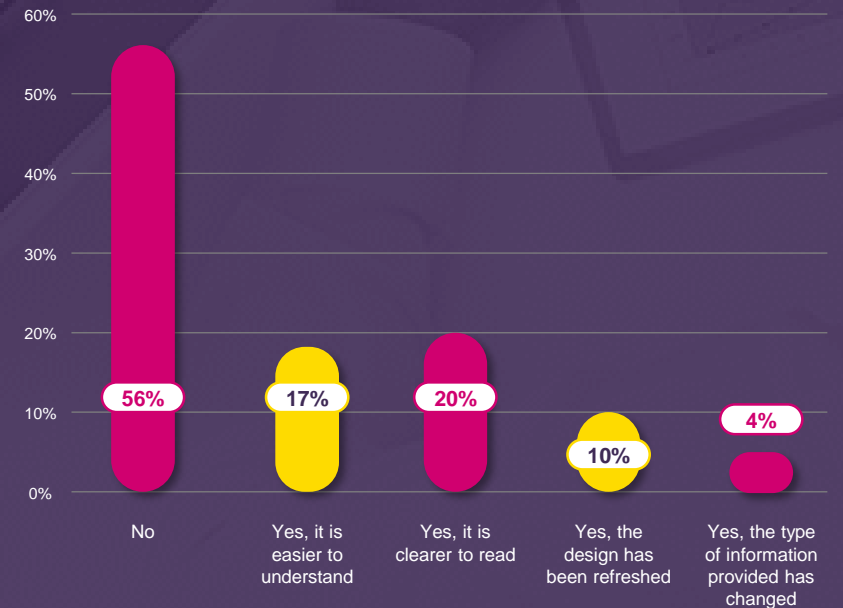
Changes can be impactful

Boosting bill clarity through design is something that many suppliers have focused on in recent times and our survey shows that, in some cases, this is having an impact. Although over half of billpayers haven't recalled a noticeable difference in their bills, a fifth do state that they feel it is clearer to read and 17% feel it is easier to understand.

Given that many water customers only receive a bill once per year, it's encouraging that the work done to date has already begun to deliver visible results. The results indicate that bill design can positively impact on understanding. But there is still room to do more in this respect.

Inclusivity is also a key consideration in terms of bill design. Bills are a key engagement point for all consumers including those with additional needs or who are in vulnerable circumstances. It's important that water companies consider all customers when designing bills and communications, taking care not to disadvantage customers with specific needs, for example those with colour vision deficiency or who are poor sighted.

 Have you noticed a change in the look and/or feel of your bill in the last 12 months? (select all that apply)




Billing frequency – more is more

Our figures highlight a range of views when it comes to how frequently water consumers wish to receive a bill statement. However, the majority of people (79%) lean towards more frequent statements than the current annual frequency for most customers.

Around a third of those surveyed (31%) told us that they would prefer to receive a bill statement on a quarterly basis, with 28% saying they would like to see a more frequent, lower statement every month. Only one in five people stated that annual billing was their preference.

Introducing more frequent statements would clearly have cost implications. However, tying this to e-bills could be one way to mitigate this. It could also bring additional benefits, with smaller bills being perceived as more affordable for those customers in financial hardship or difficult circumstances. Could this potentially drive more of these customers to make a payment rather than ignore their bill, and through this reduce debt levels?

As with many aspects of customer experience, customers have a mix of opinions when it comes to how frequently they receive their water bill statement. Offering frequency choice to customers can support water companies in meeting the varying preferences of different customers, ultimately driving a more personalised and tailored experience.

 Thinking about your water bill, how often would you prefer to receive a bill? (select one)



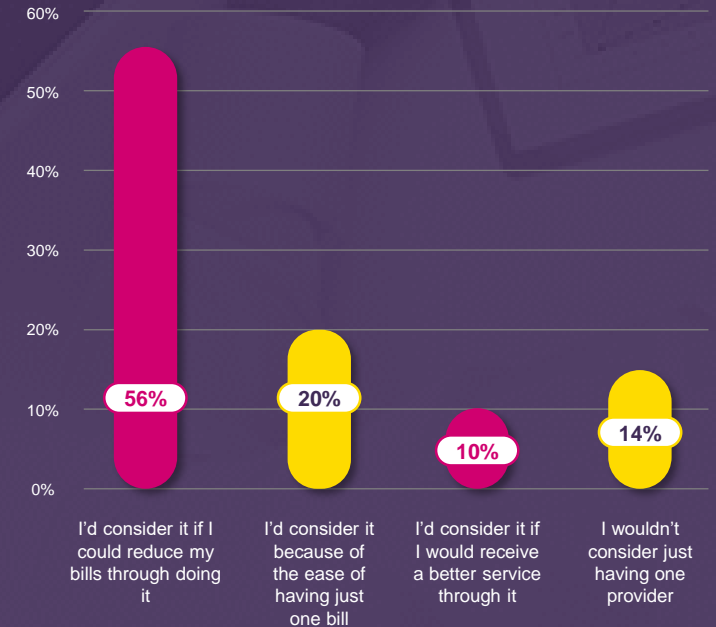
Multi-utility bills – customer perceptions

Many consumers would welcome having their everyday utilities – water, gas and electricity, provided by a single company and charged via a single bill. Only 14% of people in our survey said they wouldn't consider having just one supplier for these three essential services. Interestingly, consumer preference for a multi-utility supplier declines somewhat with age.

More than half (56%) of billpayers said they would consider a single supplier if it reduced their bills. This is up from 48% in 2016 when we asked the same question as part of our Retaining Customers in a World of Choice research. And, whilst multi-utility supply across water and energy is not currently a real-world scenario, who knows what the future might hold.

Only time will tell where the market is going – but it's clear that, at its core, any move would have to deliver on cheaper, simpler bills, efficient processes and great service to avoid driving customer dissatisfaction across the board. And, with 14% of consumers stating they would not consider consolidating water, electricity and gas under one provider despite the benefits that could be available, there will clearly continue to be space in any future open market for niche sector specialists.

? If it was possible for one company to bill you for your water, gas and electricity, what would your feelings towards this be? (select one)



AGE	18-24	25-34	35-44	45-54	55+
I would consider it	91%	96%	91%	85%	79%
I wouldn't consider	9%	4%	9%	15%	21%

A call for greater transparency

There is significant interest amongst billpayers to understand more about where their bill money goes, and how water companies spend it. Almost two-thirds (65%) of customers stated that they would be interested in seeing this information, with customers in younger age bands most interested.

Verbatim comments indicate general curiosity; the desire to better understand why bills are 'high'; concern over water conservation; and a mistrust of the sector and the companies that operate within it.

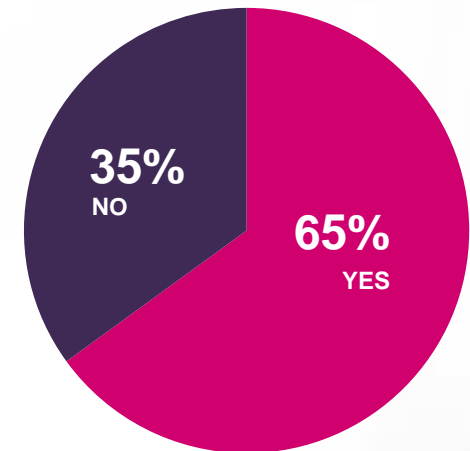
Concern for the future of our world is growing. Many consumers want suppliers to be more responsible and ethical. Water companies have an opportunity to move beyond being just an essential services provider – to become a pillar of the community that “does the right thing” and plays a key role in helping to solve environmental issues.

But, given that many consumers admit they don't read their bill - or simply scan it – there's a risk that this type of messaging won't be effectively conveyed via a bill. Water companies should therefore look to share this information with customers in different ways; engaging with the communities they serve and showing that they are more than a faceless organisation.

For those that didn't want to know how their bill money is spent (35%), key themes of apathy and time constraints emerged, highlighting once again how important it is that companies tailor the way they communicate with their customers.



Thinking about your water bill, are you interested in seeing information on your bill about where your money goes/how your supplier uses it? (select one)



AGE	18-24	25-34	35-44	45-54	55+
Interested	74%	75%	68%	64%	60%
Not Interested	26%	25%	32%	36%	40%

A call for greater transparency...

✓
 “I would be curious about how much is going towards things like bonuses, wages compared to things like the environment.”



✓
 “It would be interesting to see if the water company uses the money to prevent leaks and save water for dryer periods.”

✓
 “Because these companies are ripping off customers. Water went up 4.6% this year and then they had the audacity to ask for more money to send to foreign countries for their water.”

✗
 “I think the bill should just tell you how much you need to pay. If you want other information you can find it elsewhere.”

✗
 “I am not interested how the provider spends the money because it is not useful information for me, my bill will be not cheaper.”

✗
 “Would it make any difference if I objected to them wasting the cost of it?”

✓
 “I like to see what cost is going towards service improvements.”

✓
 “I think it would be great for building trust between the company and the customer.”

✓
 “Because there always seem to be problems with water, so I would like to know what they are doing about it and how my payment is used.”

✗
 “I have no information to compare it to how other suppliers are spending money, so it's of limited meaning.”

✗
 “I am only interested in the amount which I owe and trust utility companies to spend money wisely.”



Just another number

Ofwat’s emerging future strategy states that *“companies should have customers at their heart. This involves them, not Ofwat, owning the relationship with customers. It involves them taking an inclusive approach to understanding the different customers they serve, engaging directly and regularly with them, and ensuring that their decision-making is well-informed by customer priorities, interests and changing expectations.”*

However our survey makes it strikingly obvious that – as it stands – true customer engagement is lacking across the board. More than half of people think their supplier treats them as just another number; a disappointing finding.

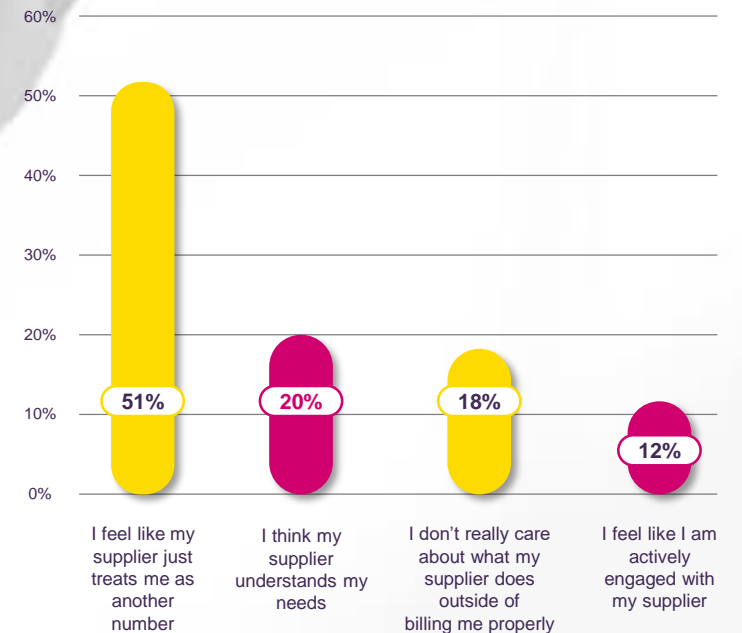
Moreover, only 12% of billpayers said they feel they are actively engaged with their supplier and just 20% think their supplier understands their needs.

This indicates just how far water companies have to go to truly engage customers. It also shows that there is a huge opportunity to create closer relationships with customers; using segmentation to drive more tailored services and experiences to better meet individual needs.

Of course, this needs robust software that can support water companies to deepen their customer understanding and empower the use of data and AI to better serve their needs. Too often, legacy software prevents companies from cost-effectively implementing real change that adds value to customers.

With customer expectations – and Ofwat requirements - continuing to grow, and technology opening up new opportunities, being more proactive around communication and customer engagement is crucial to build relationships and truly place customers at the heart.

? When it comes to your water bill, which of the following do you believe? (select all that apply)



Expectations around personalisation are low

In many sectors, personalised communication is something in which billpayers will be well-versed. Facebook, for example, uses artificial intelligence-driven technology to deliver tailored advertising. eCommerce brands, meanwhile, provide individual product recommendations, based on previous choices and an understanding of customers' potential future needs. It's something that is increasingly expected, but our research shows that personalisation is still lacking in the UK water sector. 48% of respondents said they believe that their bill is tailored to them.

However, deeper analysis of individual responses highlighted a limited understanding of what a tailored bill really is and could be. Many simply stated that their bill was bespoke because it was addressed to the right person or delivered to the correct address. This highlights low customer expectations and therefore provides an opportunity for water companies to surprise and delight their customers.

For example, matching messages to customer segments such as those in circumstances of vulnerability, or more likely to fall into debt; tailoring language and the level of information to suit different customers; and driving tailored behaviour change such as e-billing or consumption reduction.

? Thinking of your water bill, do you feel it is tailored to your needs? (select one)

NO 52%

YES 48%

"It gives all details relevant to me and my usage."

"It seems to be directed to me personally."

"I can see usage, unit charge and if actual readings were taken."

"I know the cost per month and how the water and sewage is proportioned."

"It explains the breakdown just for me of what I'm being charged for, and it tailors a monthly payment just for me. There's not much more they can really do is there?"



One in five make contact

Around one in five (18%) consumers we surveyed had the need to contact their water supplier about a water bill in the last year. The key reasons for this were around billing inaccuracies, wanting to understand a high bill, needing additional payment support and changing account details.

Water companies can look to reduce these unwanted contacts (from the consumer's perspective) through taking a more proactive approach to billing processes, for example by contacting a customer pre-bill if the bill amount looks unusually high or by taking steps to predict which consumers may struggle to pay their bills, and offering support before being asked.

Interestingly, the survey also highlighted that customers were far more likely to have contacted their energy provider than their water supplier regarding a bill – almost one third of those surveyed had had to contact their energy provider. This was due in the main to meter reading concerns and as a result of issues created by tariff complexity.

Should water suppliers make moves to introduce more tariff choice in the future - something that was a theme across some PR19 business plans - there are clear learnings from the energy market; ensure tariffs are clear, simple and transparent to reduce customer queries.

? In the last 12 months, have you had to contact your supplier about a water bill? (select one)



Billing - what's going wrong?

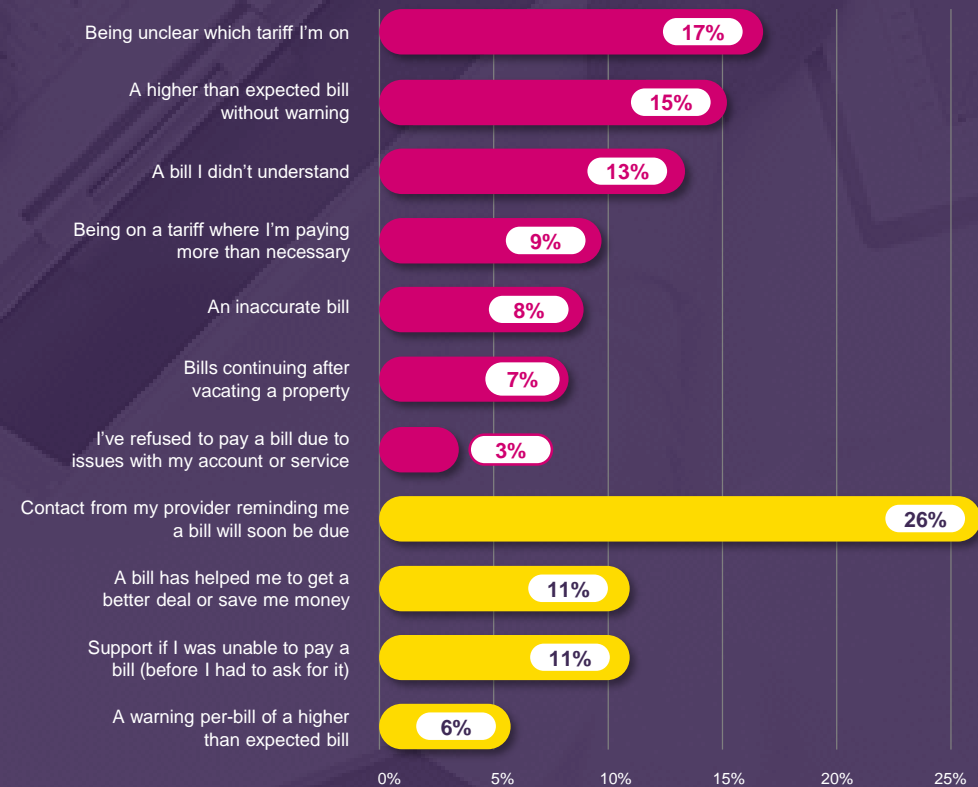
Almost 8% of people have received an inaccurate water bill: a worrying figure. Assuming that one person deals with the water bill in each household, this equates to around 2.5million households that have received an inaccurate bill in the past 12 months alone.

A similar number of customers have received a bill after vacating their property. Clearly notifying a water supplier is not something that's always front-of-mind when moving house. Suppliers could therefore do more to proactively communicate the importance of this.

One in seven survey respondents said they had received a higher-than-expected bill without warning. This is an area which is simple to fix with the right tools and technology. It's something that water companies should be taking full advantage of in order to meet Ofwat's emerging strategy – that “new techniques, technologies and business models are essential to increase productivity and meet strategic challenges in the most cost-effective way.”

Sophisticated software can help water companies to spot issues – such as significant changes in consumption and potential leaks. This means the supplier can be more proactive with its service; contacting the customer to investigate the problem, rather than automatically sending an incorrect bill.

? Thinking about your water bill, which of the following have you experienced in the last 12 months? (select all that apply)



How do suppliers respond to issues?

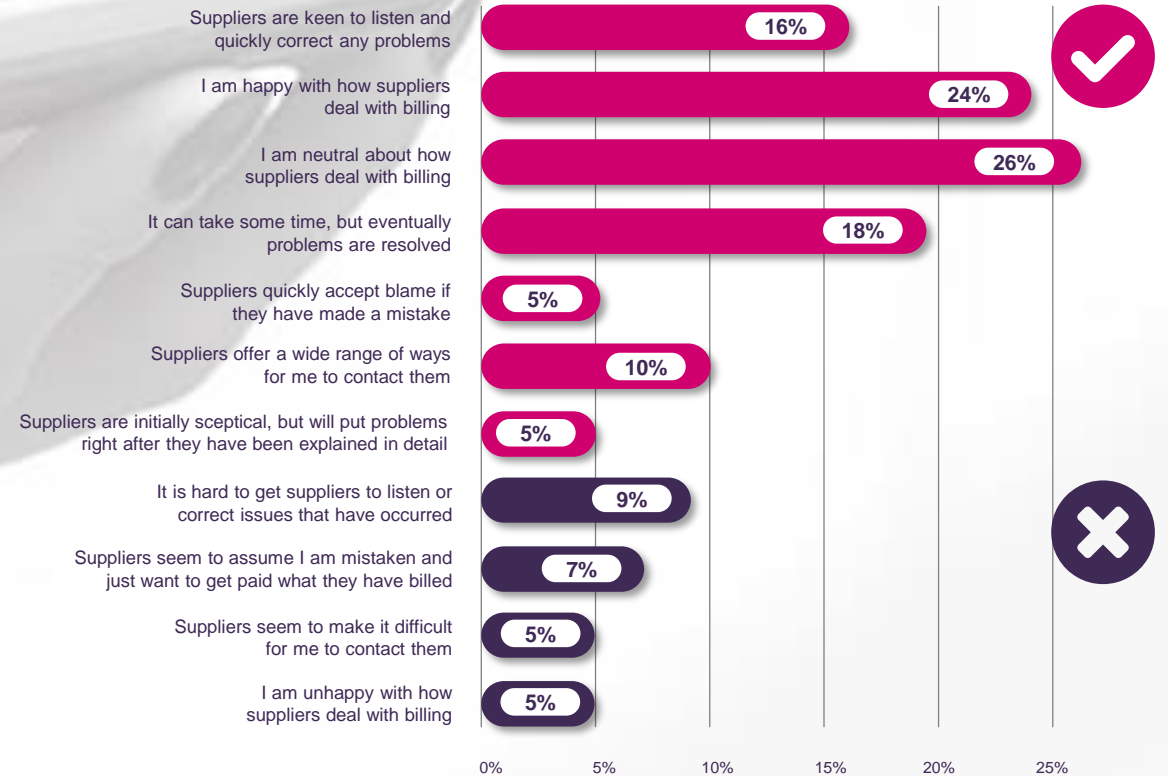
Getting it right first time is vitally important for the water sector. It's a key measure in C-MeX, and a driver for customer satisfaction. So, finding ways to reduce unwanted customer contact should be high on every water company's agenda.

However, our research has highlighted a range of negative experiences for customers when it comes to resolution of issues. Just 16% said that their provider was keen to listen and quickly correct any problems – with almost a third of customers neutral or unhappy about the way that their provider deals with billing issues.

26% of consumers we surveyed had a negative experience when facing an issue with their bill; 9% found it was hard to get their supplier to listen to them, 7% felt that their supplier didn't want to take responsibility for their error, and a further 10% were either unhappy with how their supplier deals with billing, or felt that their supplier made it difficult for them to get in touch.

Clearly, despite an increased focus on better service, consumers continue to face frustrations when contacting providers about water bills. Ensuring customer service teams are empowered and well-equipped to deal with billing concerns is crucial to ensure consumers can easily access the support and help they need. This includes making sure that employees are able to access a 'single view' of the customer in systems; with all the history and information they need at hand to be able to resolve the customer's problem and get it right first time.

? Thinking of your water bill, what is the typical response you get when issues arise with bills? (select all that apply)




An omni-channel approach to customer contact

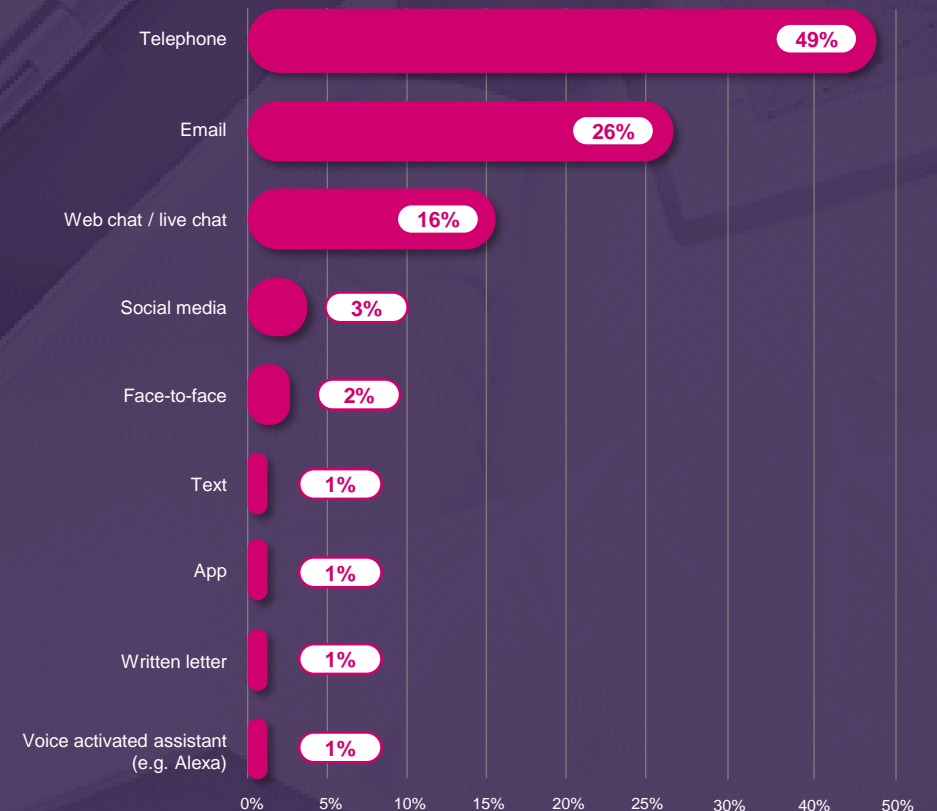
When it comes to water bill issues, telephone is the preferred contact channel for almost half (49%) of billpayers. This is followed by the convenience and cost-effective nature of email (26%) and online live chat services (16%).

The preference for direct human contact via telephone is perhaps not surprising, given that bills are related to an individual's finances and therefore can be an emotive subject. It's also often the case that these conversations are complex and so people prefer to explain issues to a real-life person, rather than their query disappearing into a perceived digital vacuum.

Clearly, the human touch is still a hugely valuable part of customer contact. But suppliers must not neglect the development of other communication methods; the figures highlighted here demonstrate the importance of a consistent omni-channel experience.

Moving forward, service delivered via digital channels will be under increased sector scrutiny, with C-MeX examining customer satisfaction in relation to contacts across multiple channels, including at least four digital channels. Water companies will no doubt be looking to ensure that customers receive a consistent and quality experience no matter the channel they choose.

 If you had an issue about your water bill, which method would you prefer to use to contact your supplier? (select all that apply)



Implications of billing issues

Households are currently unable to switch water supplier, and so billing dissatisfaction will not impact upon loyalty or supplier choice in the same way as it might for example in the energy market.

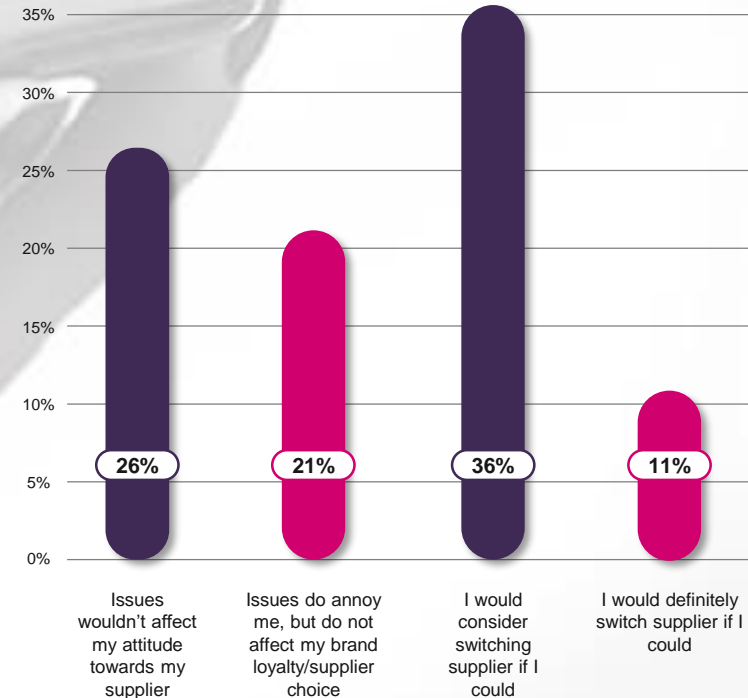
However, when asked whether they would consider switching following a billing issue if the option was on the table, 36% of billpayers stated they would consider doing so. A further 11% of customers said they would definitely switch supplier if they experienced billing issues.

Customers are understandably sensitive to billing issues. In fact, the latest Institute of Customer Service UK Customer Satisfaction Index highlighted billing as the number one customer satisfaction detractor in the water sector.

As it stands, it may be that many billing frustrations currently go unnoticed, with customers choosing not to raise their frustrations with their supplier. However, the new customer experience survey (as part of C-MeX) may change this, and uncover billing dissatisfaction which in turn could impact negatively on water company scores and rankings.



How would billing issues affect your relationship with your supplier? (select one)



Spotlight on affordability

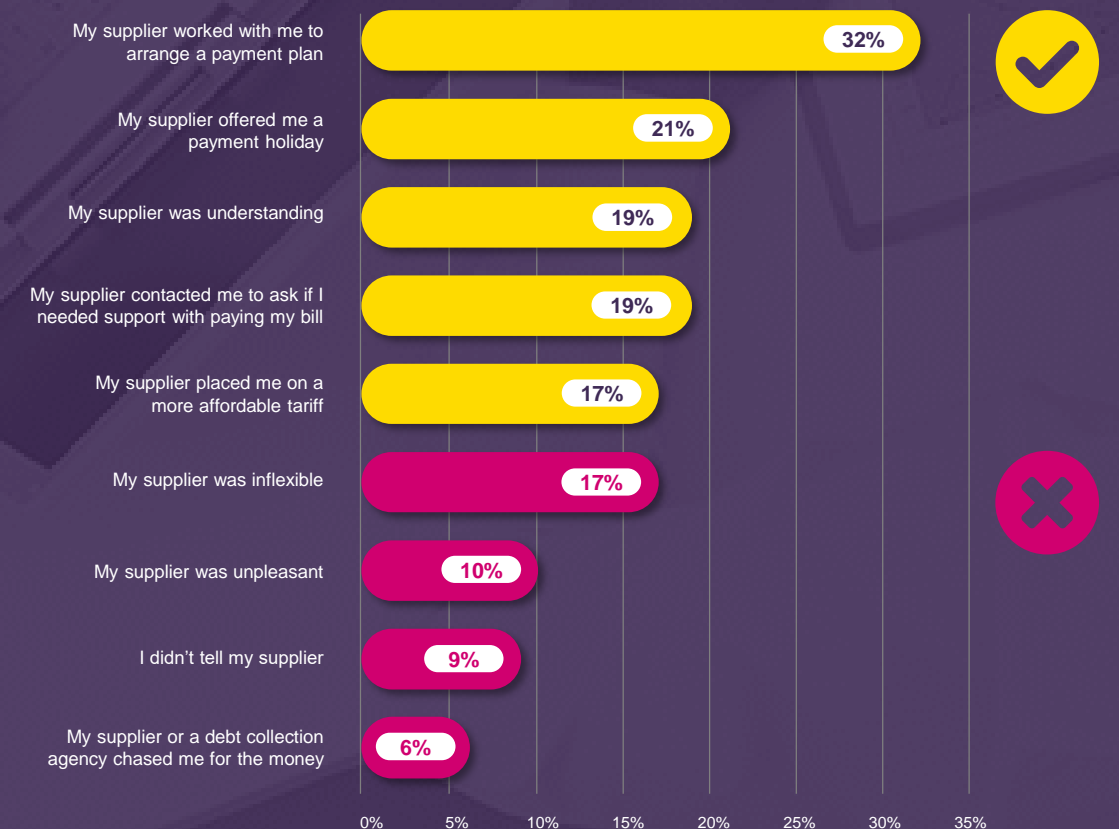
With water an essential service, Ofwat has understandably placed a strong focus on affordability across the sector. Currently, around three million UK water customers struggle to pay their bills – so there is a clear need to better support those struggling to pay their water bills.

Concerningly, our research found that currently this isn't always the case. Of those respondents who had not been able to pay their bill, only 19% said their supplier was understanding, with 10% even saying their provider was unpleasant. Many customers also highlighted that the provision of financial support – via structures such as a payment holiday or payment plan – were lacking.

The sector has an opportunity here to up its game and make a real difference to struggling customers. This relies on moving from a reactive to a more proactive approach, working harder to identify struggling customers before they fall into arrears and providing sensitive and proactive communication and help before customers themselves feel the need to make contact.

Investing in intelligent software that uses customer segmentation, and predictive technology to help identify these customers, could help water company teams to turn information into real insight; enabling them to better support customers and make a real difference to their lives.

? If you have ever been in a position where you haven't been able to afford a bill, what was your experience with your supplier? (select all that apply)



Reducing bills and water demand

The decision to base bills on metered consumption or an unmetered rateable value is a key element of control that most water customers have over their supply. Currently around half of the households in England and Wales are charged via a water meter, but there are controversial calls for this to become compulsory to help save water.

Our research highlighted a clear customer perception that metered bills offer a better deal. Two in five (40%) bill payers we surveyed said they believe this method of billing provides more value for money, in comparison to just 21% of people who think the same of a bill based on a rateable value.

Dual billing – by which customers can see their flat rate water bill vs. their actual metered usage – and pay for the lowest figure, has been outlined as a possibility by water companies for the future. Our research shows that there is a significant appetite for this, as many customers may remain reticent to have a water meter installed until it's been proven that it will save them money (and not based on an estimated calculation).

These findings are encouraging in terms of both bill affordability and the wider water conservation agenda, with new initiatives such as dual billing setting out to make a real difference.

? Thinking specifically about water usage and how it applies to your bills, which of the following do you believe? (select one)



What can the water sector learn from the SMART rollout

The energy market is in the midst of a smart meter transition, with Ofgem expecting suppliers to offer all properties a smart meter by 2020. The sector has to date fallen short of installation targets, casting doubt on both the demand and efficacy of the devices.

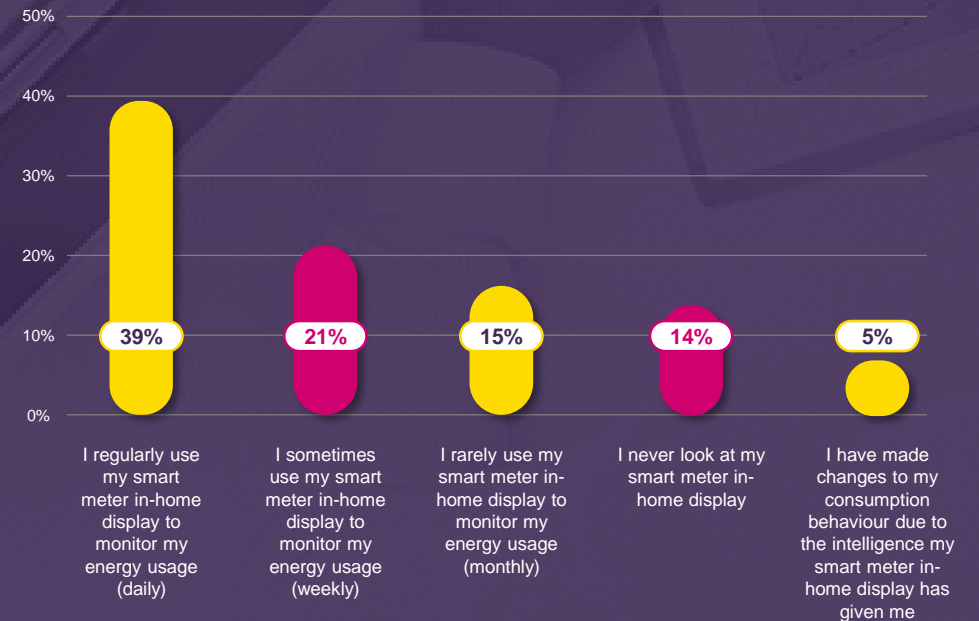
Our research highlights that, amongst those who already have an energy smart meter, more than one in 10 don't look at them and only 5% have used them to actually change their consumption behaviour. Is there therefore a missing link between the perceived benefits of smart meters and how consumers actually use them?

With water consumption per head in the UK one of the highest in Europe, water efficiency programmes are a current priority across the water sector. So, what can be learnt from the energy market smart meter rollout?

Are smart meters the answer to change water consumption behaviour? If so, it's clear that regular reminders and tailored communications are needed to ensure that customers both know how to use them and are aware of the benefits they can bring. This could help ensure the novelty of the device and its customer display don't quickly wear off.

Furthermore, it may be that there are alternative solutions to this challenge that are more likely to change behaviours. For example, an app that sends out frequent reminders and alerts could prove as effective, or a tiered consumption approach (where prices rise rapidly once a household's consumption increases above the average) which is common across the USA.

? Thinking about your energy supply, which of the below statements best reflects your situation?
(Please answer only if you have a smart meter installed).



Moving from apathy to delight

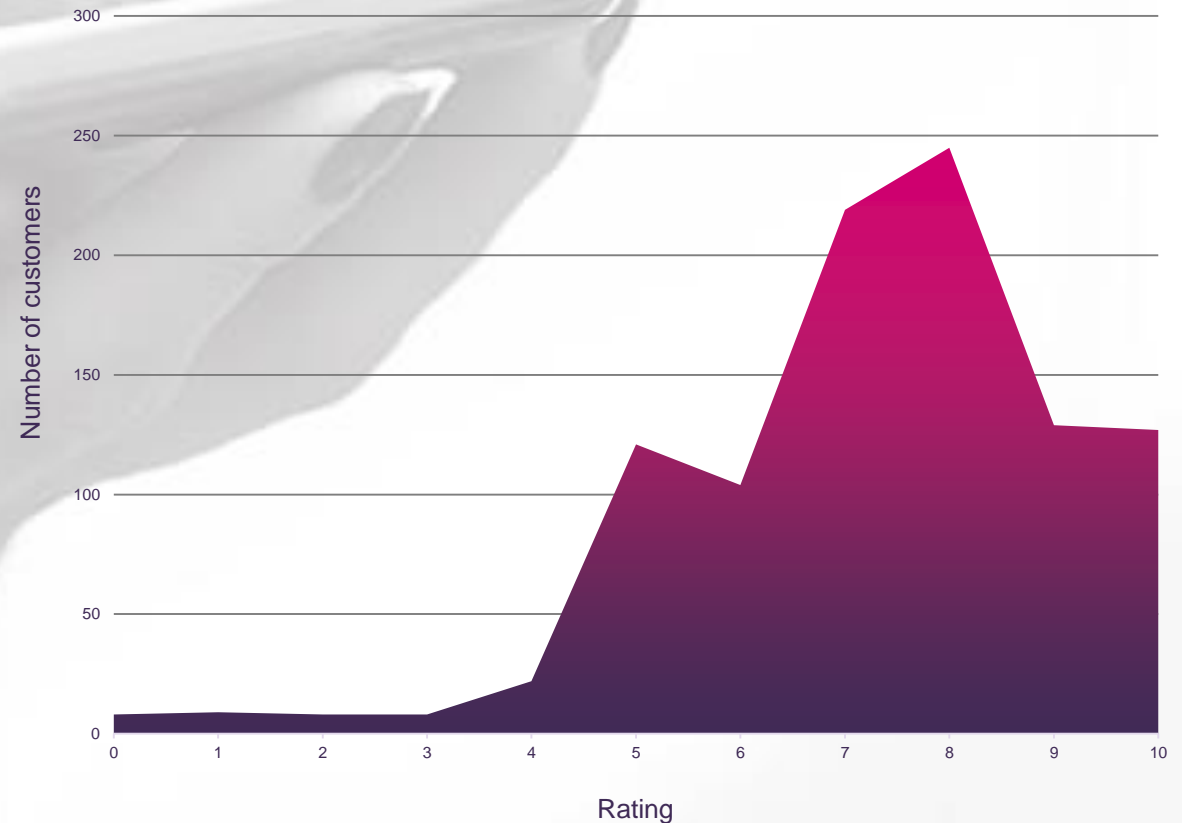
Survey respondents rated their water billing experiences as 7.5/10 on average. This highlights a largely passive relationship with water bills, billing processes and experience, with most bill payers scoring their experience between 5 to 8 out of 10.

There is clear scope for water companies to further improve the billing journey – striving to delight customers rather than settling for contentment.


As new technologies and forward-looking companies drive improvements across all aspects of customer service - including billing - those companies that choose not to invest may see their ratings continue to fall as consumers increasingly compare their water billing experiences against the very best service experiences they receive from other service providers.

With an NPS measure a likely element of C-MeX, it will be interesting to see both initial scores and also how they improve over time.


? Please rate your billing experiences with your current water supplier from 1 to 10? (select one)



Key takeaways




Take steps to become more digitally enabled. Offer your customers choice in how they receive and pay for their water bills.



Be more transparent. Many customers want to know more about where their money goes and how it is being spent.



More than a number. Tailored bills are a big customer engagement opportunity; educate your customers on the 'art of what's truly possible'.



Ensure your systems and people are ready for better billing. Empower your people to deliver great service that delights your customers.

Key takeaways

Be there for those who need support.

Water is an essential service, and this is a key part of a water company's service commitment.

Billing and customer satisfaction are connected.

Improving customer billing experiences will provide ROI through enhanced customer satisfaction and higher C-MeX scores.

Omni-channel customer service is a must.

Offer customers easy to use and convenient channels to reduce reliance on telephony and service costs.



This way forward.

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