



**This way forward.**

**Affordability and the water sector:**

**how water companies can support their**

**customers through these turbulent times**

# Foreword

UK households are in the grip of a perfect storm which is creating an unprecedented cost of living crisis. While the energy price cap and other initiatives have offered some relief, many of us are reassessing our spending habits to balance the books.

However, for a growing number of households, savvy spending is no longer enough. Even Martin Lewis, the money-saving expert, has admitted to being out of ideas to help those who are most under pressure to make ends meet.

Inevitably, this will increase the number of households struggling to pay their water bills which, in turn, is presenting new challenges for water companies in how to mitigate the impact of debt while providing the assistance their customers need.

This report, and the research behind it, seek to examine the extent of the problem both now and in the future. We'll use this report to add our narrative to guidance given by Ofwat to water companies to better support their customers as price rises impact their household finances.

As well as discussing industry best practice, Rachael Merrell, Customer Service Director at Echo Managed Services, will share insights into the affordability crisis and how water companies can best help their customers through the coming months and years.



**Rachael Merrell,**  
**Customer Service Director at Echo Managed Services**



# The ability to pay

Almost one in three people (32%) have struggled to pay a household bill over the last 12 months, with younger age groups being worst affected; 50%+ of 16-34 year olds reported challenges when it comes to making ends meet.

At the other end of the scale, because they're more likely to have paid off their mortgage and have a greater amount available in savings, those aged 55 to 64 are generally considered to be a more financially stable group. According to 2022 data from Global Web Index, over half of this group (52%) described themselves as "financially secure" with a further 13% saying they were "very financially secure".

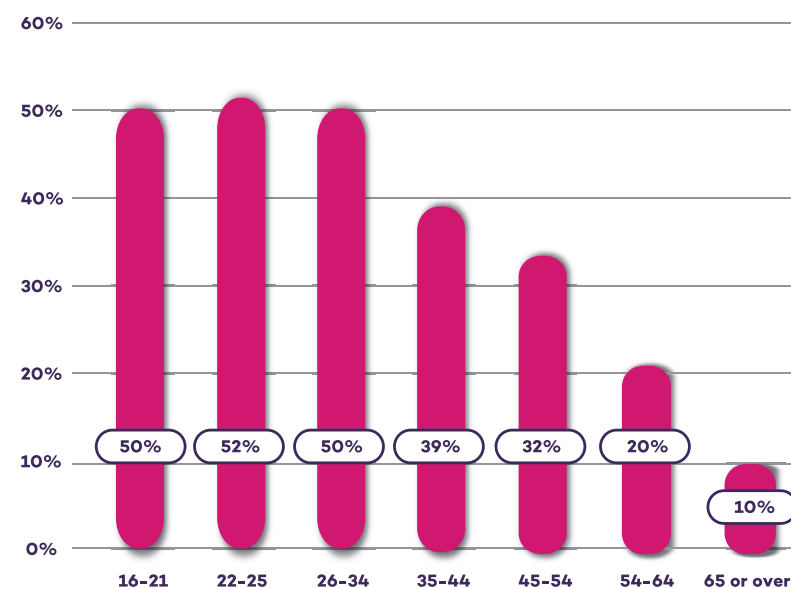
In stark contrast, just 8% of 25-34 year olds felt that they were "very financially secure" which could go some way to explaining why the older age group was 62% less likely to have had trouble paying household bills over the last 12 months.

However, one in six people (16%) across all demographics reported that their ability to pay bills had suffered during 2022. Even some higher earning households reported finding themselves struggling to pay bills with a tenth of people (11%) earning over £37,501 saying they had been affected.

**“For the younger age groups, budgeting and paying bills could be a new responsibility for many. Reaching out to them to offer advice or support as they take their first steps towards independent living and registering as a named bill payer could be the best time for water companies to establish that long-term relationship.”**

**Rachael Merrell, Customer Service Director at Echo Managed Services**

## ? Have you struggled to pay any household bills over the last 12 months?



# More choice in how to pay

“Our research shows that contract or agency workers are most likely to face problems paying their bills (64% and 50% respectively), while temporary, casual, or seasonal workers often struggle to coordinate unpredictable income streams with paying bills.

In some situations, annual or bi-annual billing just presents a further challenge for customers whose income fluctuates. Offering a variety of billing options could provide the additional flexibility they need. Monthly, bi-monthly, or quarterly billing could work for those who prefer to make smaller payments more often, while others might be more comfortable making a lump sum payment when they have funds available to cover usage when their income is stretched.”

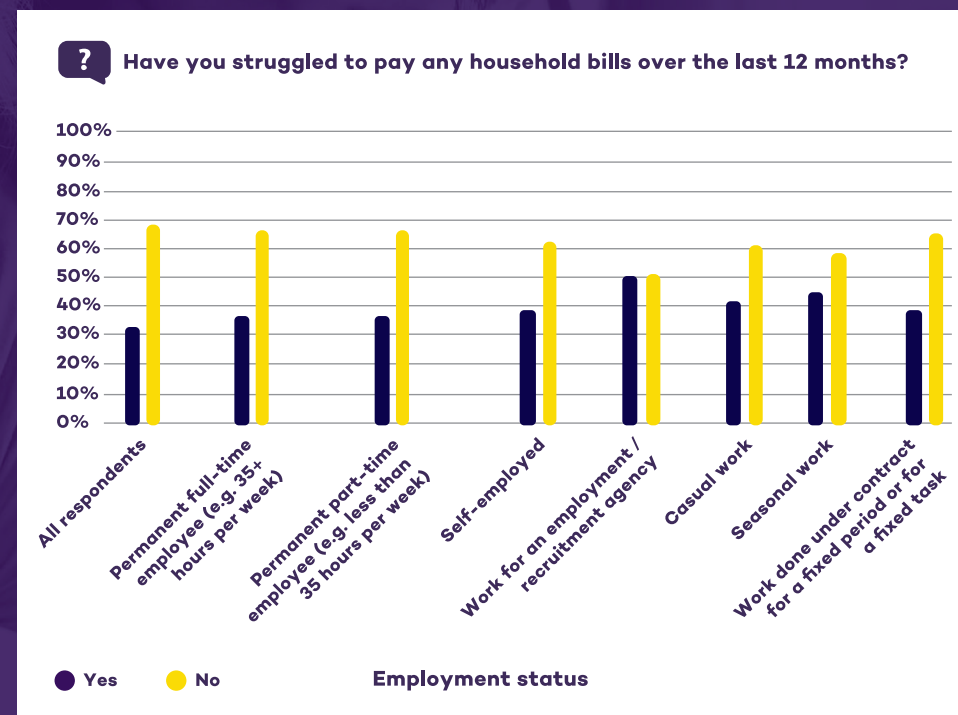
**Rachael Merrell,**  
Customer Service Director at Echo Managed Services

Making it as easy as possible for customers to make payments can also help those who have flexible or unpredictable working hours. It can be difficult to find the time for basic day-to-day admin like paying bills, so water companies should offer as many routes to payment as possible.

Simple online transactions can take place at any time of the day or night, while making payments over the phone gives the customer an opportunity to engage with their water company, asking questions or finding information to help them manage their payments more effectively. Setting up a direct debit takes convenience one step further for the customer by automating a regular payment, and it also helps to establish sound budgeting habits.

Ofwat’s methodology for PR24 encourages water companies to look to innovation to help improve the quality of customer service. To ensure they’re offering the level of service their customers take for granted from other suppliers or retailers, water companies should consider making greater use of technology.

CRM and billing software that puts the customer at the heart of the relationship can offer a more flexible approach to billing - tailored to the customer’s own preferences - and the right technology can also offer more ways to make payments and make it easier to access support for customers who are struggling to pay their bills.



# When something has to give

Naturally, income affects a customer's ability to pay their water bill, but the effect of the current cost of living crisis is being felt across the board. Over half of households (56%) earning less than £10k said that they're struggling to pay their bills, while one in five households with an income of £52k or more also reported the same experience.

As the situation continues to unfold, news reports show that some bill payers are having to make very difficult choices when it comes to money but, in an either or situation, which items or services are most likely to be sacrificed?

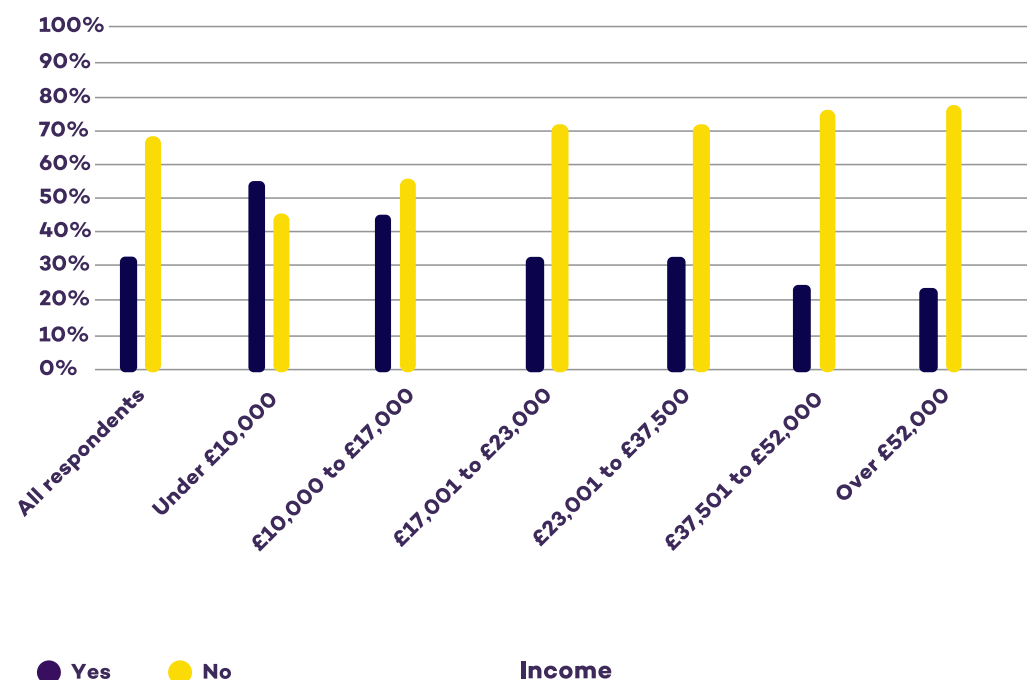
"Non-essentials" are usually the first costs to be cut when money is tight. Our research showed that spend on eating out, trips to the cinema, hobbies and streaming services were all likely to be carefully reconsidered.

**"While trimming these items from regular spend may not feel as dramatic as the 24% and 26% (respectively) of respondents who have had to reduce their weekly food budget or put the heating on less often, dropping non-essentials can still have a damaging effect on self-esteem and general wellbeing. If the decision impacts the ability to provide for loved ones – a tenth of people said they would have to limit spending on children's trips and new clothes – the emotional damage can be quite severe.**

**Water companies work hard to provide support for customers who may be struggling to pay their water bill, but more needs to be done to raise awareness of that support and how to apply for it. Information should be clearly signposted at every opportunity, and applying for support should be easy and convenient."**

**Rachael Merrell, Customer Service Director at Echo Managed Services**

## ? Have you struggled to pay any household bills over the last 12 months?



# Affordability and wellbeing

The impact of issues caused by affordability concerns isn't always visible. More than half of people (56%) said their mental health had been affected by day-to-day decisions resulting from the spiralling cost of living.

At 31%, anxiety and depression were most widely reported across most age groups. One in four said they had experienced sleepless nights, and 19% said that money worries had caused an increase in arguments at home.

While it would be unfair to suggest that only younger people struggle to manage their money, age and inexperience could be a factor in the fallout when something does happen. Our research showed that 22-25 year olds are a massive 720% more likely to argue over money issues than those aged 65 and over.

Customer experience has been in focus for Ofwat and the CCW (Consumer Council for Water) for some time, with both organisations encouraging water companies to develop their understanding of what they can do to support their customers.

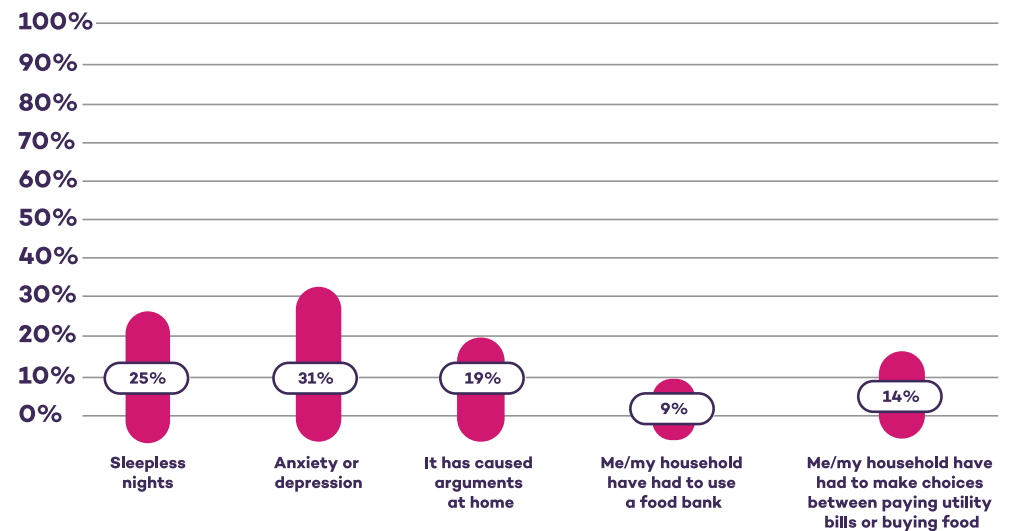
**“Making it as easy as possible for customers to find the information they need or to contact the right person to help them is essential. It’s also worth remembering that while self-serve channels offer convenience, some customers still prefer to speak to someone when they have a complex or financial enquiry. Well trained teams who can engage with customers and guide them to a satisfactory outcome can help to alleviate some of the stress they may be feeling.**

**The wellbeing of contact centre teams shouldn't be overlooked either. While they're supporting customers who are struggling financially, they may be experiencing similar issues themselves.**

**Initiatives like bonuses, loans, or subsidies on things like travel to and from work may offer tangible help, but the most valuable support isn't always financial. A feeling of stability at work - being in a place where they're valued, and their voice is heard - can provide some calm and reassurance during otherwise stressful times. Bolstering training for team managers in the skills to maintain good communications within their teams, managing conflict, or handling personal or confidential matters sensitively can make a big difference.”**

**Rachael Merrell, Customer Service Director at Echo Managed Services**

## Have you experienced any of the following issues because of your inability to pay regular household utility bills?



● All respondents

# Late payments and debt problems

Unlike many other essential services suppliers, water companies can't disconnect or withdraw service if a customer fails to pay their bills.

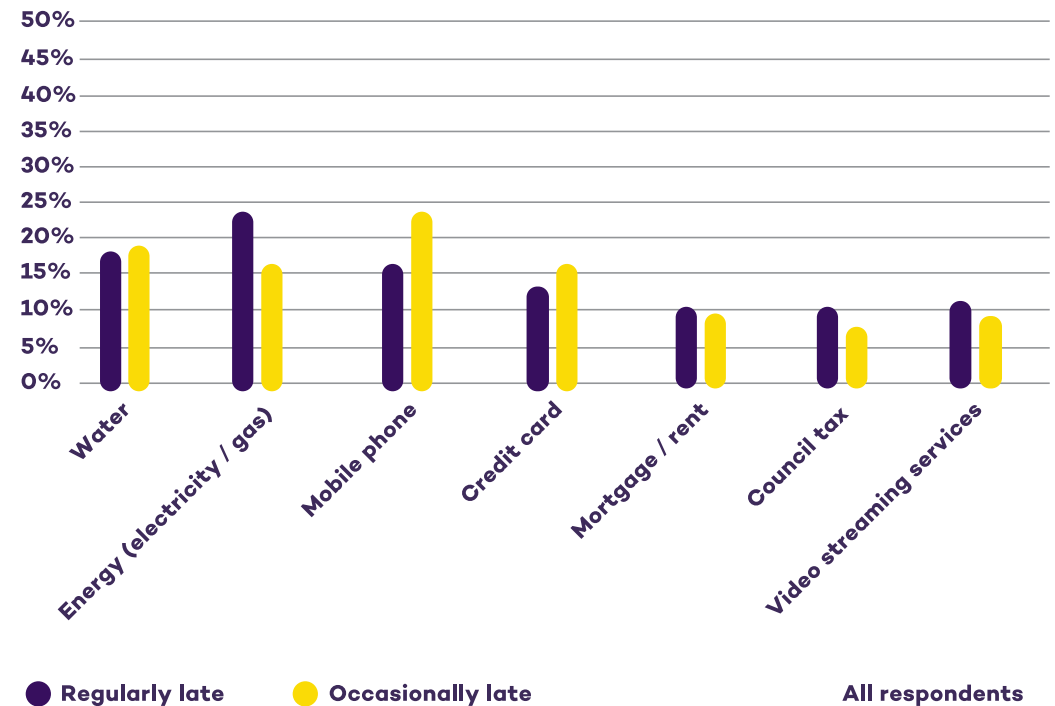
While this is the right thing to do, it does make tackling non-payment or outstanding debt more of a challenge.

While just 7% of households are affected by mortgage or rent arrears, our research shows that households are 200% more likely to face problems paying their water bills than their council tax, and a staggering 233% more than their mobile phone provider!

**“Understanding the customer and finding the most suitable ways to engage with them is key to developing a successful, long-term relationship which will allow conversations like this to take place. Interrogating customer data and becoming familiar with patterns of behaviour such as usage, preferred payment methods, and if or how often a customer actively engages with the company can prompt tailored actions to help drive this dialogue.”**

**Rachael Merrell, Customer Service Director at Echo Managed Services**

**? Which option best describes your household's recent history of payments with such companies? Problem payers.**



# Reasons for late payments



Reasons behind paying or not paying bills can differ greatly but, unsurprisingly, this research shows that the most common reason for late payment is because a bill payer's income was less than their outgoings (26%).

Almost one in six people said they have made a late payment because they didn't understand their bill, a quarter have failed to pay because the bill was higher than they expected, and just over a fifth said they had delayed payment because a bill was incorrect.

Finally, 16% said they'd missed a payment because they forgot!

Tackling billing and communications issues could address four of these five reasons:

- 1.** Ensuring bills are jargon-free and laid out clearly will help to make them less confusing or intimidating for customers.
- 2.** Encouraging regular meter readings (where possible) can help to improve billing accuracy which will give customers more trust in the payment that's being requested.
- 3.** Proactively contacting a customer when a higher than usual bill is predicted will help them to prepare for the bill, possibly seeking additional help from the water company if they need it.
- 4.** Reaching out to customers regularly gives water companies an opportunity to signpost billing and payment arrangements while keeping their records up to date. It also helps customers remember when a payment is due!

**“Effective, tailored communications can also help those whose income is lower than their outgoings to avoid missing a payment or falling into unexpected debt. Proactive payment reminders to let a customer know that a bill is on its way can help them to plan when money is tight, while a payment plan made up of smaller amounts can also help to ease the burden.**

**Encouraging a customer to make a regular – preferably automated – payment will help to keep the relationship on track. Payment plans are the most readily accepted form of structured payment agreement and, even when a bill payer's income is stretched, the habit remains in-tact and the relationship continues with understanding on both sides.”**

**Rachael Merrell, Customer Service Director at Echo Managed Services**

# Looking ahead

44% of people said that they expected their ability to pay bills to change over the next 12 months. Almost a quarter (24%) said their situation would worsen “slightly”, with a further 12% saying it would worsen “significantly”.

However, 11% believed things would improve “slightly” for them, with another 8% expecting that their ability to pay would improve “significantly”.

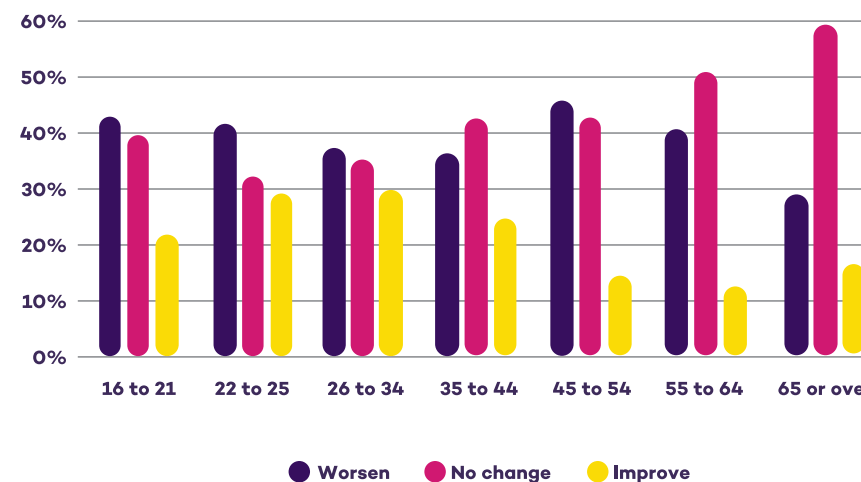
Given that news headlines and forecasts about the UK’s economy over the next few years can make quite difficult reading, could even this guarded optimism be, at least in part, attributed to customers becoming more comfortable asking for help?

**“All income groups showed a similar level of ‘struggling to pay’ responses which could indicate that customers who have never struggled to pay their bills or missed any payments in the past are finding themselves in unfamiliar territory.**

**Water companies should make every effort to ensure that customers are aware of the support that’s available to anyone who experiences any kind of change in their circumstances.”**

**Rachael Merrell, Customer Service Director at Echo Managed Services**

## Do you expect your ability to pay such bills to change over the next 12 months?



# How can we better support those in debt?

As struggling to manage finances becomes a reality for more and more households, water companies are witnessing an increase in the number of customers who are asking for support. They are also seeing a change in the profile of those who need help.

According to our research, a payment plan was the most common form of debt management offered over the last 12 months, with 37% of customers accepting one when offered. 26% received access to debt advice, and the same number either took a payment holiday or saw charges 'frozen' for an agreed period. One in five customers were moved to a different tariff to help reduce their bills, while 6% had a water meter installed.

**“Many households are seeing their outgoings spiral while their income fails to keep pace with new levels of spending. Regardless of your situation, being late making a payment or, even worse, missing one, can be an unsettling experience. No one likes to feel that they’re not in control of their household bills but there can still be some stigma around asking for help – even if it’s readily available.**

**“Support can be offered in a variety of different ways but there’s still a great deal of work to do to raise awareness. Making this information widely available means using every channel to deliver the message: clear signposting online, messaging on envelopes and, of course, skilled and knowledgeable contact centre teams.”**

**Rachael Merrell, Customer Service Director at Echo Managed Services**

**When getting into debt with a service provider or struggling to pay, have you been offered any of the following in the last 12 months?**

|  |            |
|--|------------|
| <b>A payment plan</b>  | <b>37%</b> |
| <b>A freeze on charges you need to pay / payment holiday</b>       | <b>26%</b> |
| <b>Access to debt advice</b>                                       | <b>26%</b> |
| <b>Affordable repayment options to clear your debt</b>             | <b>25%</b> |
| <b>An alternative tariff (e.g. one that may reduce your bills)</b> | <b>20%</b> |
| <b>Help with household financial budgeting</b>                     | <b>16%</b> |
| <b>Credit to give you more time to pay</b>                         | <b>16%</b> |
| <b>A water meter</b>   | <b>6%</b>  |

|  | Number of people offered the option | Number of people that accepted the option | Uptake in offers of support |
|--|-------------------------------------|---|-----------------------------|
| Payment plan                               | 37%                                 | 37%                                       | 100%                        |
| Freeze on charges / payment holiday        | 26%                                 | 22%                                       | 85%                         |
| Access to debt advice                      | 26%                                 | 17%                                       | 65%                         |
| Affordable repayment options to clear debt | 25%                                 | 17%                                       | 68%                         |
| Alternative tariff to reduce bills         | 20%                                 | 12%                                       | 60%                         |
| Help with household financial budgeting    | 16%                                 | 6%  | 38%                         |
| Credit to give you more time to pay        | 16%                                 | 7%  | 44%                         |
| Water meter                                | 6%                                  | 3%  | 50%                         |

# Understanding your customers

While the aim of this research is to provide insight into the impact of the current cost of living crisis on households across the UK, it has also highlighted other interesting factors which could help water companies better understand their customers.

The 22-25 age group, for example, is a massive 686% more likely to ask for help when it comes to paying bills – or to ask to be moved to a different tariff where possible – than customers aged 55+. They're more likely to describe their ability to pay bills as "improved" when support has been made available to them, to question a bill if they have any reservations about its accuracy, or to withhold payment if the service they receive isn't as expected.

By contrast, those aged 55-64 are 225% more likely than younger customers to opt for a water meter to help control usage and bills and are less keen on government intervention.

**“On average, it would appear that younger and more mature customers tackle managing their finances in different ways so water companies mustn't fall into the 'one-size-fits-all' trap. While we've found that many customers still prefer to speak to a person when they have a complex, personal, or financial issue to deal with, automation and digitalisation continues to transform many aspects of life.**

**It's essential that the water sector keeps pace with innovation and gives its customers choices - from frequency of billing, to making payments or how they communicate. Technology should empower customers to shape their relationship with their suppliers in the way that works best for them.”**

**Rachael Merrell, Customer Service Director at Echo Managed Services**



Forecasters predict that financial circumstances will continue to deteriorate for some over the coming months, if not years.

Continued investment in the training and development of contact centre teams is essential if they're to provide the quality of service and support customers need.

Along with a thorough understanding of their service, training in soft skills can be valuable to both the customer and the agent. Especially during difficult times, empathy and understanding on the part of the agent can help a customer to feel less uncomfortable when asking for help which, in turn, can reduce the pressure the agent may feel when trying to help.

It's also worth remembering that frontline agents could be experiencing the same problems that they are trying to guide customers through. Introducing or bolstering wellbeing and support packages for them can provide both tangible and psychological comfort when things are tough.



# Help is at hand

More than ever before, suppliers are realising that making it as easy as possible for the customer to communicate with them is key to establishing a successful, long-term relationship.

To help bring that aim to life, carefully managing customer data and making the fullest use of a variety of channels should be the cornerstone of every water company's customer experience strategy.

**“Targeted communications based on segmented customer data can help to develop relationships with customers - especially with those who are vulnerable, struggling, or anticipate a change in circumstances.**

**“We’ve found that some messages are more readily received and understood via certain channels but, when sensitive or complex matters are at hand, skilled frontline agents make a big difference to the customer experience.”**

**Rachael Merrell, Customer Service Director at Echo Managed Services**

Water companies should also endeavour to work together, alongside other service providers and agencies, to help ease the financial burden that some customers carry when household budgets are under pressure. Sharing information about vulnerabilities or payment agreements that might be available would ensure a background of consistent messaging rather than conflicting information which could confuse some customers.



# Help is at hand

**“Water companies should conduct further work to remove any stigma around customers asking for or accepting support to pay household bills as a priority, especially with the current economic outlook.**

**All service providers and agencies need to work closely together to coordinate their messages to provide comprehensive support, when and how it’s needed.”**

**Rachael Merrell, Customer Service Director at Echo Managed Services**

Sharing more information about vulnerabilities, or payment agreements that might be available, can help to level the financial landscape for a customer.

While feedback from respondents on why they didn’t contact their provider or access help is varied, it is clear that some people have had bad experiences in the past or their perceptions of how providers can help isn’t very positive.

There is more work to be done to improve this perception, showcasing options by letter, online, and other communications channels. Information should always be clear, non-technical and jargon-free.



# How can water companies tackle debt issues whilst supporting customers?

## Make better use of data

Data can be used proactively to predict payment issues. Combining internal and external data sources can give an indication of affordability risk, allowing water companies to take a more tailored approach to supporting a customer if necessary.

## Easy ways to pay

Companies should look to offer customers more options in how they pay their bill, making it as easy as possible for them. A payment plan made up of smaller amounts, proactive messages to let a customer know when a bill or payment is due, and “any day” direct debit payments can help customers budget over a longer period.

## Clear, proactive communication

All communications should use clear, simple, non-technical language. They should signpost how customers can contact their water provider using a channel that suits them.

## Community engagement

Working with third parties like community groups, agencies, and specialist debt charities can help to spread valuable messages. A customer who is struggling with affordability issues may be more likely to turn to one of these organisations so a joined-up approach could make a difference.

# Who do customer think needs to do more?

The government finds itself in an unusual situation as the finances of so many across the UK continue to be squeezed. While the energy price guarantee and the £400 energy bills support schemes have been welcomed, it's uncommon to see governments make such direct interventions into people's home lives.

To dig deeper into how customers really feel about the impact of the current crisis and the support that's being made available, our survey asked about the policies and service changes that could be considered to help ease the problems many are experiencing:

**65%**

would like to see better support from service providers, such as finding enhanced tariffs and more detailed information on ways to reduce water bills

**62%**

would like to see earlier warnings from service providers that their bills may be higher than usual

**60%**

would like to see further government grants to help people pay their utility bills

**60%**

would appreciate more understanding and empathy from providers about their current situation

As bills are predicted to rise further, we may see more pressure put on the government to provide additional financial support – at least to the most vulnerable.

More than half (55%) favour the introduction of “windfall taxes” to fund support for customers who are struggling to pay their utility bills, and almost a third (30%) suggest government loans would also go some way to alleviating consumer debt problems.

Ofwat has also urged water companies to do more to support customers who are currently struggling due to the rising cost of living.



**“At a time when households are struggling to balance their outgoings with their income, water companies should focus on making sure that the support that they can provide to their customers is easily understood and readily available. Targeted communications, clear signposting, and experienced frontline contact centre teams can all help to make the customer journey less stressful when times are hard.**

**Being able to look at income versus outgoings and planning how to ensure all commitments are met – with something leftover if possible – is an acquired skill. To ensure everyone can tackle at least the basics of financial management in their own home, it would be worth considering adding budgeting to the school curriculum which, our research showed, is a popular option across all age groups.**

**Water companies have been working with the schools in their communities for some time to educate the next generation on issues including consumption and conservation. Combining these two streams of learning could prepare them to drive initiatives to protect essential, valuable resources.”**

**Rachael Merrell, Customer Service Director at Echo Managed Services**

# Communication preferences are a matter of choice

Customer preferences differ greatly when it comes to how they want to communicate with their water supplier. Different messages land more effectively via some channels than others and, as mentioned previously, when it comes to discussing sensitive or complex matters, speaking to a skilled customer service agent over the phone is still the most favoured means of communication across all age groups.

Most people (68%), including the older age groups, said they prefer to receive advice and support via email, with more traditional postal communication sitting in second place (54%). While 'silver-surfers' are comfortable to receive digital communications, those aged 65 and over were 24% more likely to prefer postal communications than the national average, with those aged 55 to 64 being just 15% more likely. This trend could indicate that, as the current younger demographics move through the age brackets, postal communications will become less popular.

The telephone sits in third place with almost half of respondents (47%) happy to communicate with providers this way. Given that our previous research into [Generation Z](#) showed that 65% of this group preferred to manage interactions with essential service providers online, it was surprising to see that they are now the most likely (60%) to choose the telephone.

| How would you prefer service providers to contact you to offer advice and support on payments and budgeting? | All respondents |
|--|-----------------|
| Email  | 68%             |
| Post (alongside your bill for example)   | 54%             |
| Telephone  | 47%             |
| Messaging service (e.g. Text / WhatsApp)   | 39%             |
| Home visit   | 20%             |
| Video call   | 19%             |

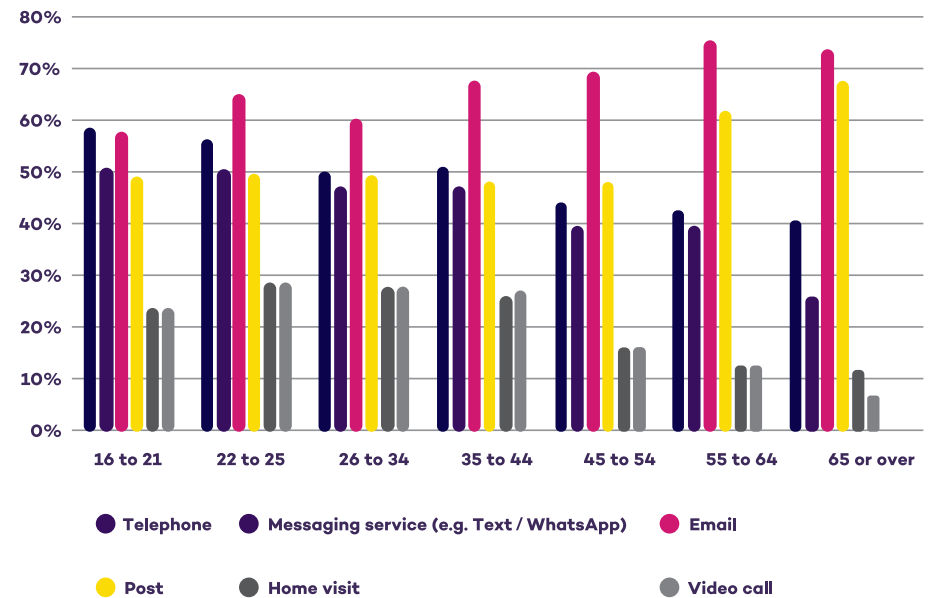
At 51%, text messaging and WhatsApp are also popular channels among younger billpayers aged 16 – 25, but there’s a massive 96% decrease in their popularity among those aged 65+. Possibly due to social distancing and working from home experiences over recent years, video calls and webinars have also gained ground among the more tech-confident younger groups with those aged 16-44 being happy to receive budgeting or payment support this way.

**“It’s not just about what’s said, but how the message is delivered. Communications with customers should always be clear and jargon-free, but the channel that’s used to deliver the message can have an impact on understanding.**

**It’s important that a variety of communication channels is offered by all service providers, but their popularity should be reviewed regularly to make sure channels – and other resources – are being put to their best use.”**

**Rachael Merrell, Customer Service Director at Echo Managed Services**

### ? What is your communication preference?



# Key takeaways from this report

Targeted communications based on demographic segmentation can prove more effective in developing relationships with customers generally, especially those who are vulnerable or struggling.



The research highlights the need for increased communications, directly with customers and via charities and agencies, to reiterate the key messages about available support and to encourage them to engage.



Increasing the accuracy of billing is key to reducing the number of people questioning their bills and refusing to pay as a result.

Investing in training and development for frontline teams is essential to provide the level and quality of service and support that customers need, especially at difficult times.



More work must be done to make the support provided by water companies visible and easy to apply for.

# Key takeaways from this report continued...



Water companies and agencies should work more closely together to provide comprehensive support in the communities they serve.

Most age groups feel their ability to pay water bills has improved since the start of 2022. This may be, in part, because water companies are making greater efforts to raise awareness of the support that's available to customers who are struggling, and making it easier to access that help when it's needed.

Giving customers more choice in how and when they pay their water bills can help customers manage their household finances more effectively, taking away some of the stress the current cost of living crisis is causing for so many.





**This way forward.**

**To discuss this report further or to find out more  
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