

JANUARY 2017

SWITCHING

ON SMALL

BUSINESS

make it cheaper

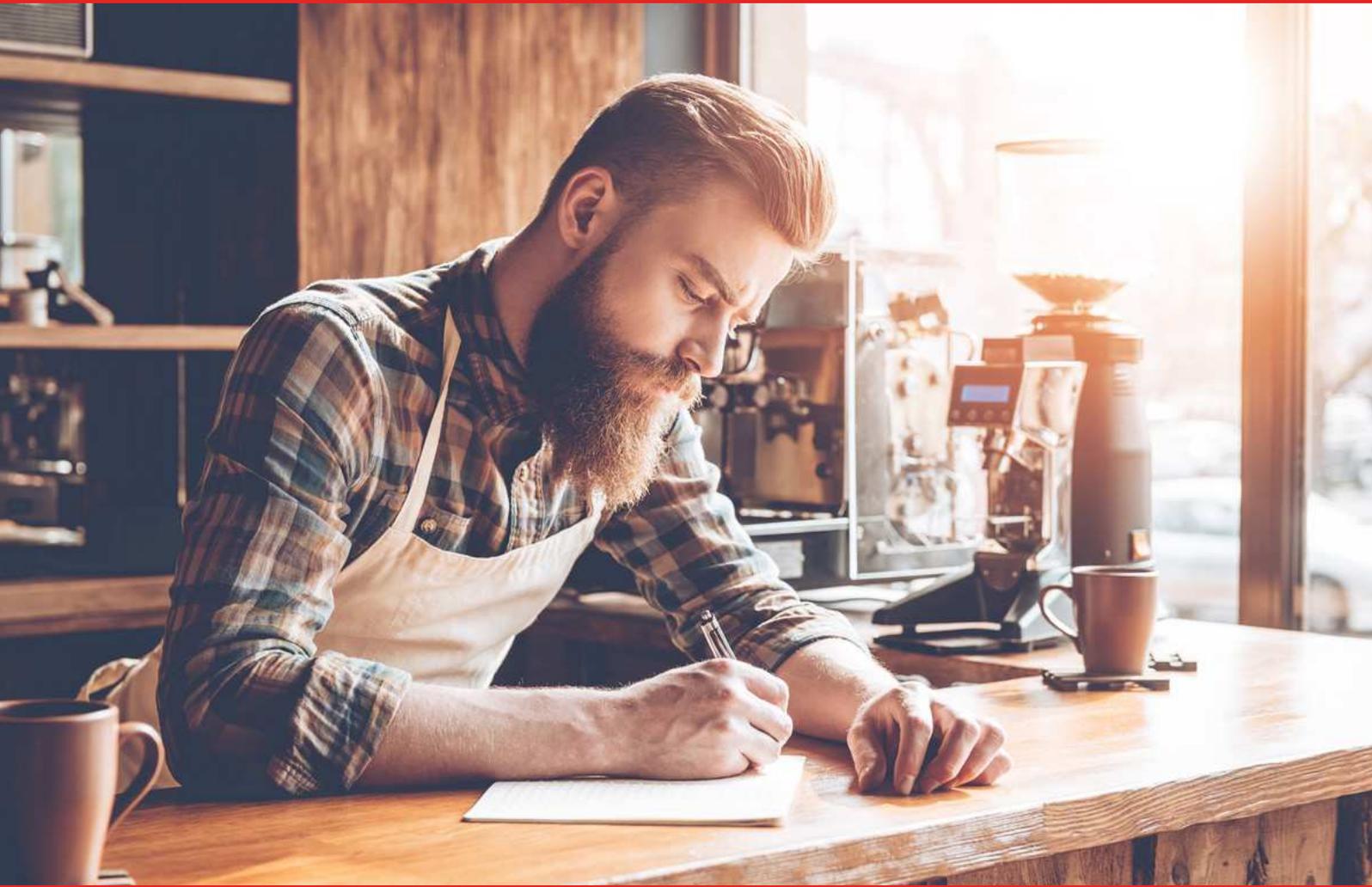


'SWITCHING ON SMALL BUSINESS' - JANUARY 2016

Make It Cheaper conducted research among 300 small business owners (SMEs) in November 2016, gathering qualitative and quantitative data through an online survey and two impartially-moderated focus groups. The purpose of the activity was to look into the reasons why so many people - particularly SMEs - are disengaged from the energy buying process and to test the hypothesis that more of them would switch if there was a service that they could trust to delegate their authority to. Respondents were from a broad range of business sectors with between 2-48 employees (average 14) and an age range of 31-66 (average 43).

Contents

Summary	4
Background	5
Attitudes towards switching	6
Tried and failed	10
What an LOA looks a like	15
Nudge remedies	16
Approval index	19
Conclusion	20
About us	21



- **SMES** are less likely to tackle business energy costs than many other overheads such as insurance, telecoms, rent and even their own household utilities.

- **MAIN REASONS FOR** disengagement are: distrust of suppliers and brokers (*often as a result of a previous experience*), too much hassle and lack of time.

- **AMONG REGULAR SWITCHERS,** having someone they trust to take care of the process for them is the number one driver for engagement in the market.

- **NINE OUT OF 10** expect their energy supplier to comply with requests for the account information needed to get a quote from another supplier and would also expect this information to be provided to a third party intermediary (TPI) if one is appointed to find out on their behalf.

- **EMPOWERING SMES** through a delegated authority service is a more popular route to wider market engagement than any of the government-proposed interventions.



According to figures from **Ofgem**, a third of SMEs have never switched their energy supplier. Of the two-thirds that have switched in the past five years, very few - around 16% - do so as often as is considered necessary to remain on competitive rates. **The Competition & Markets Authority (CMA)** - in its energy market investigation - concedes that **45% of SMEs** are stranded on expensive default tariffs through apathy and inertia.

	<i>Unweighted bases (all respondents)</i>	<i>Any Switching %</i>	<i>Never %</i>	<i>Once %</i>	<i>Twice %</i>	<i>Three times %</i>	<i>Four times %</i>	<i>More than four %</i>	<i>Don't know %</i>
All Businesses	1500	64	33	28	20	12	2	2	3
0 employees	245	60	39	27	17	14	2	1	*
1-4 employees	472	64	34	29	18	12	1	3	2
5-9 employees	336	68	28	30	24	9	2	2	4
10-49 employees	447	70	23	27	24	14	1	4	7

Number of times businesses have switched gas/electricity supplier in the last 5 years, by size and annual electricity/gas expenditure (all respondent). SOURCE : OFGEM

SMEs are less likely to tackle business energy costs than many other overheads such as insurance, telecoms, rent and even their own household utilities. Around half will end up just doing nothing and letting their energy contracts automatically renew.

The common reasons for this fall into 3 main categories: distrust, hassle and time constraints.



Distrust

1 "We opened a new café recently, I would say within 20 minutes of having our phone line active, phones were ringing every five, ten minutes, people bullying you, trying to get you to sign electricity contracts, gas electrics, utility contracts and quite often really threatening and aggressive phone calls and you just have to field them all and say no and they say, "You're breaking the law by not having a contract", and you say "No I'm not actually, I'm certainly not going to sign with you" and they just put the phone down. You'll get dozens of calls instantly and quite unpleasant as well."

2 "As soon as I made that initial enquiry, oh my God, it was as though everybody knew my name and telephone number. It was awful and I just don't want to do it again."

3 "My experience from home is that I've changed to cheaper supplier and about three months later, I get an email saying they're increasing their prices. You think what's the point in doing this? So it's made me even more jaundiced about actually trying it for work."



Hassle

1 "They will take my money but, because my name is not on that bill, they won't talk to me. That really frustrates me."

2 "I tried a few years ago, I gave up then and I haven't revisited it because it was a nightmare."

3 "I know what I'm paying, I know the score and I just kind of let it go because of the thought of actually opening that can of worms."

4 "I had a bad experience when I moved home in changing over and the thought of going there again with the business just is quite overwhelming. I'd rather not."

Lack of Time

1 "You listen to a lot of Vivaldi as well when you negotiate with these people! You can be on the phone for over an hour and I'm not exaggerating."

2 "If I spent 3½ hours doing what I'm paid to do instead, I could make the business significantly more than I would ever save by renegotiating my energy supply."

3 "Not being rude but I'm on the phone sometimes for half an hour and some people can't understand me and I can't understand them. It's so frustrating."



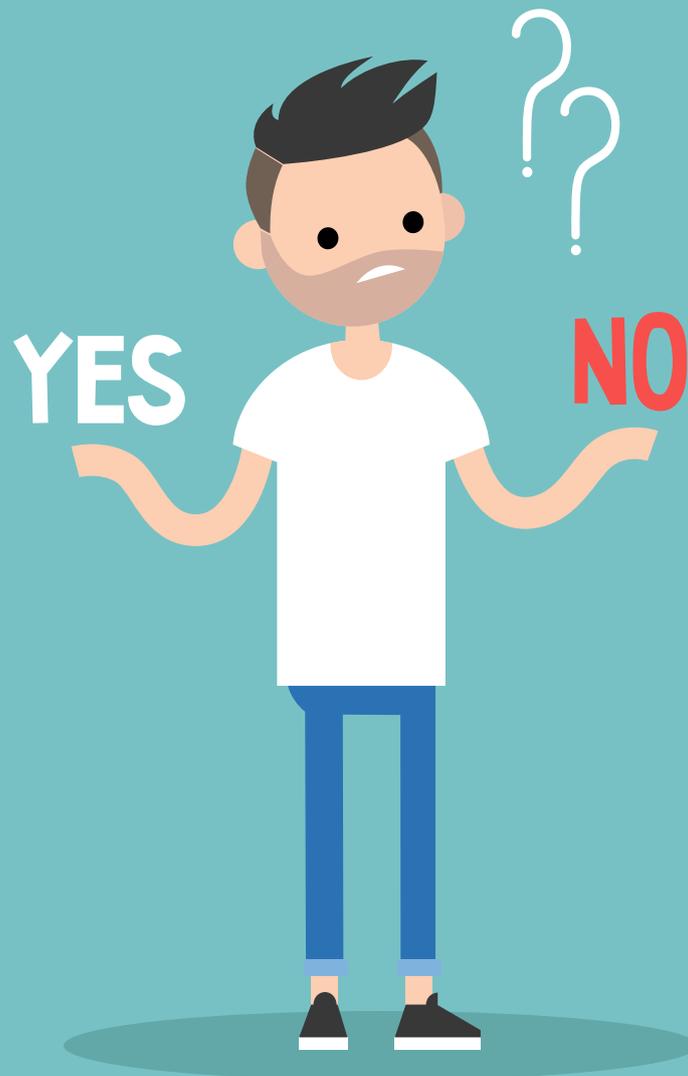
Non-switchers also gave their views on what would encourage them to take a more active role in their energy purchases. Trust, hassle and time all featured prominently again:

1 "I think if it was made easier for us, even if I could save a small amount, I would because every little helps but I think it's so hard at the moment."

2 "If you could stick it in a box then delegate it to someone to look into - and spend three days of their time to save 25%, great, but you can't do that."

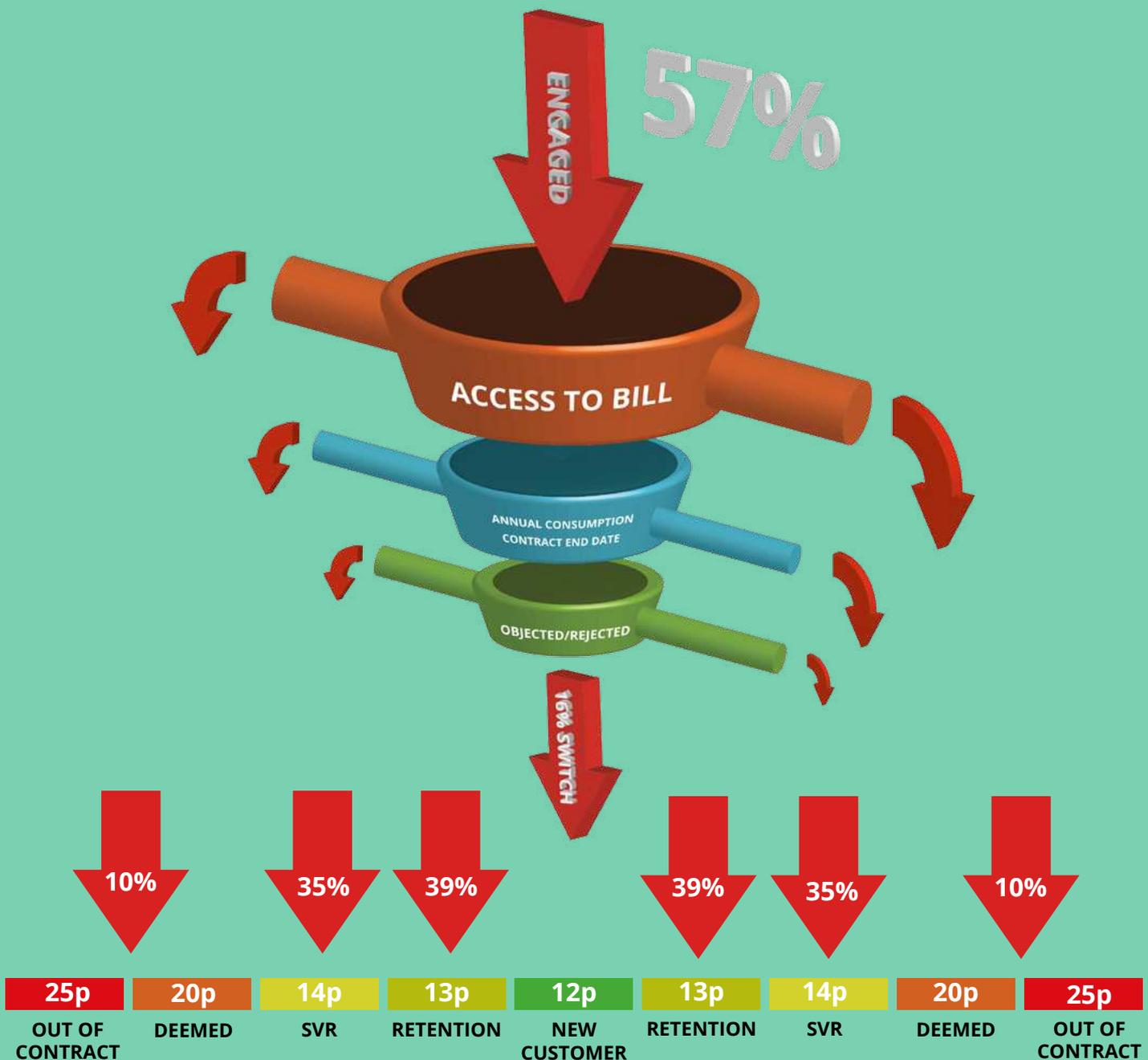
3 "I need to hear some more positive stories about it first, because what I actually hear are negative. I don't hear very good stories about renegotiating."

4 "If I have asked a third party to sort something out for me, then I would expect the third party to be fully involved and be able to deal with the whole switch."



A significant proportion of SMEs who do embark on a switching journey – subsequently give up – and the reasons for this were also explored. Haven Power published a report recently (*Switched Off – Why SMEs are not changing energy suppliers*) that found over a fifth of would-be SME switchers give up trying. Meanwhile Ofgem reports that around a third of SME switch requests are refused by the outgoing supplier. And bear in mind this is an average figure calculated across all suppliers. Data we’ve shared with Ofgem & the CMA for the past two years show the highest in the range to be >50% for the worst offender. These **‘Objections’** are often raised without grounds and as Citizen’s Advice points out “...we consider the current rate of objections prima facie evidence of the abuse, by some suppliers, of the current objections process”. Sadly a similar proportion of SMEs are also **‘Rejected’** by their potential new supplier for not providing them with the necessary information.

The TPI Funnel: Switching success rate for 2 million UK SME energy bill payers and typical electricity unit prices paid (in pence per Kilowatt Hours)



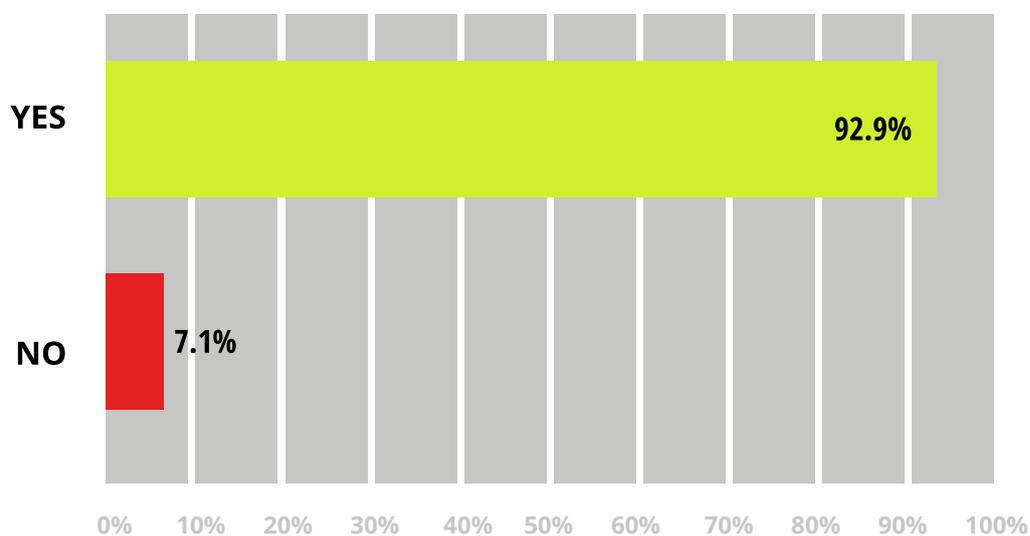
Typical SME electricity unit prices in p/KWh.

In our own experience, for every 100 customers that contact Make It Cheaper by phone only around 29 – on average – will successfully be transferred on to a cheaper contract. The ‘abandonment rate’ for our online SME customer journey is significantly higher with only around 6% - of those that begin the switching journey - successfully completing it. Many give up because they do not find the information about their contract and consumption readily accessible. Separate research by Experience Insight (Utility Week 25.11.16) lays the blame for this squarely at customers being unable - or unwilling - to provide current consumption/cost information. Unlike the customers who we speak to over the phone, we are less able to help online customers locate the relevant information. Either way, this situation leaves businesses blind to exploit their own data and make informed choices around their energy use.

Business energy customers can of course contact their supplier requesting the key information and the vast majority of SMEs responding to our online survey think that suppliers should be willing to provide this kind of information.

Q. If you do not have access to the account information you need to get a like-for-like quote from a potential new supplier, should your current supplier provide you with this information? (eg. Energy contract end date, annual consumption, tariff information)

Answered : 297



However most SMEs don't get that far. The Haven Power research also says that 4 in 10 SME energy customers fail to get their supplier to communicate with them. Alternatively they might find some of the relevant information on a bill - but half of the businesses we speak to don't have one to hand. A solution for this is to delegate their authority to a TPI - such as Make It Cheaper - to access, analyse and exploit this data on their behalf via a digital letter of authority (LoA).

** See page 15 for what a digital LOA looks like*

Indeed, the principle of an LoA proves to be very popular among regular switchers. 41% of our customers say they would have acted sooner had they felt confident in trusting someone to do it for them – the number one reason for earlier engagement in the market.

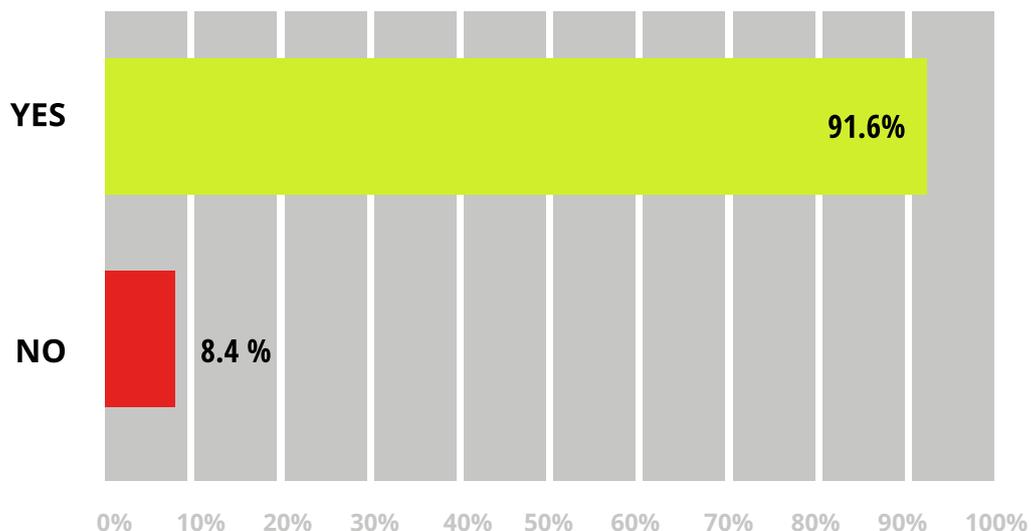
"We were absolutely sick of all the time wasted every year with calls about our business energy, so were happy to hand it over to someone else and leave us to get on with trying to run our business."

"(Make It Cheaper) takes away the hassle of doing it myself and now, when anyone calls, don't have to waste time speaking to them either."

And a similar proportion of SMEs 'expect' their energy suppliers to treat them fairly by complying with requests for information when they have authorised a TPI to find out on their behalf instead:

Q. *When switching providers, should a third party of your choosing - like Make it cheaper - be able to access this kind of information from your current supplier on your behalf? (eg. through an electronic Letter of Authority?)*

Answered : 299



Despite this overwhelming expectation from customers, energy suppliers are not actually obliged to respond to an LoA and, even when they do, this can be slow and inconsistent – with responses we receive currently sitting at 60% (rising to 80% only when different suppliers' individual LoA templates are used). And - within supplier organisations' internal departments - there are different ways of dealing with LoAs which means they will communicate with TPIs for some details of the switching process but not others. These flaws can make it very frustrating for all concerned and it is not surprising that many businesses abandon the switching process with a bitter taste in their mouth.



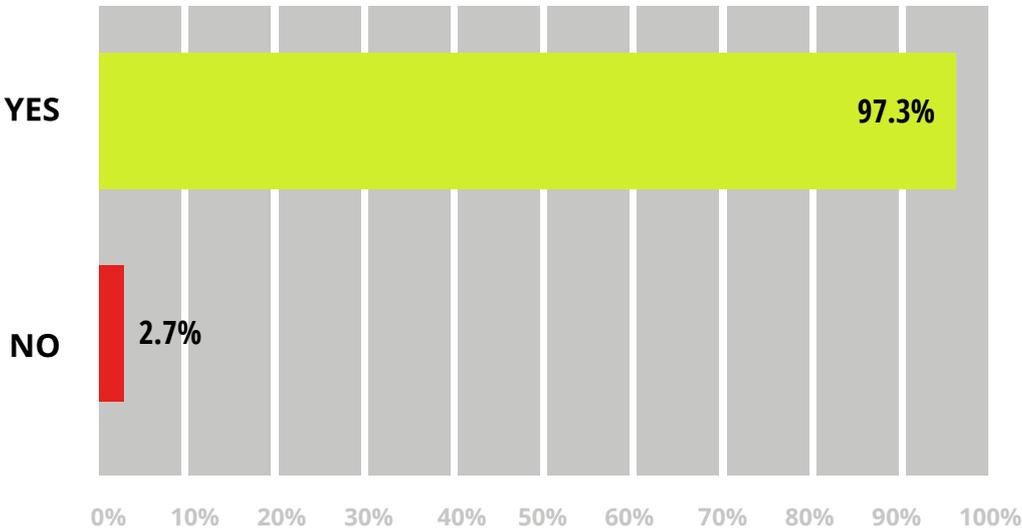
Here are some anecdotal examples of LoA treatment by SME energy suppliers:

1. Refused because of spelling differences (business name, customer name, address etc) often when the mistake is originated by the supplier themselves.
2. Address format different (usually where unit numbers involved).
3. Needed in their own template which they will send to customer via post.
4. Needed to be resent on headed paper.
5. Will only accept wet signature (despite EU law giving electronic signatures the same legal weight from 1.7.16)
6. Sent to wrong internal team at supplier.
7. Only valid for a year (even though a 2 year contract sold 4 months in advance)
8. Too much authority/not enough authority being asked for.
9. £10 admin cost to be covered by Make it Cheaper or customer.
10. 10 day SLA (when Contract ends in 7 days and the customer is with supplier who still automatically rolls).

An even higher proportion of SMEs expect suppliers to be on the front foot and keep any appointed TPIs informed throughout the switching process – eg when an Objection to a transfer request has been raised –as discussed earlier.

Q3. *If there's a problem with your switch - being undertaken on your behalf by a third party - should your supplier be required to automatically tell the third party about that problem within a reasonable timeframe?*

Answered : 298



In the current regime, Make It Cheaper spends an average of two hours per contract to resolve an Objection (1,200 hours per month, spread across around 600 Objected contracts). Given that this is through a well-oiled machine – with the benefit of experience, supplier relationships and precedent - it is likely that a customer trying to resolve the same issues themselves would take significantly longer... or, more likely, give up trying.



Four key facts about a letter of authority:

- 1 Allows us to talk about your energy supply with relevant parties.
- 2 It does not give us permission to change the details on your file without your consent.
- 3 It's not the same as giving us power of attorney. We will not make decisions on your behalf.
- 4 It does not authorise us to pass on your details or speak to other companies.



In the scope of the research, non-switching SMEs were asked to rank various suggestions made by the government to prompt market engagement, exploring some of the ‘nudge’ remedies recently put forward by the CMA for the energy and financial service sectors. Respondents scored these against ‘Do It For You’ - a new switching service that allows SMEs to delegate their authority so that all the shopping around and fixing new contracts, including renewals, is carried out on their behalf.



By far the most popular choice was *'Do It For You'*, which received an approval rating five-and-half times higher than that of the Database Remedy.

- **82%** - Do It For You: delegating authority to a trusted TPI to take care of renewals
- **46%** - MiData: accessing personal data-files required for switching various products
- **45%** - Referral Scheme: being redirected to alternative suppliers if application refused
- **44%** - Text Nudge: text messages and email reminders if better rates become available
- **15%** - Default Database: letters from competing suppliers after 3 years without switching



Do It For You

"It's an interesting prospect for someone to pick up a phone or email me and say "Listen, we've got all the data I need about this, I can do this for you in six weeks".

"I love the fact that they handle everything, and it's cheaper, because it's a nightmare to switch."

"Simplicity - because we've got bigger things to worry about within our business than doing the energy."

midata

MiData

"All I can see is people hacking in and abusing it!"

"Anything that goes and sits in a cloud somewhere makes me nervous when it comes to data."



Referral Scheme

"They could pass you onto 20 people who also might not want to give you a loan. So you've been fobbed-off to other people."

"If they won't lend to you, who is going to lend to you? And if you can't get a loan from your bank, should you be getting a loan?"



Text Nudge

"I can't get out of it so why are you telling me? There's no point, you're just winding me right up".

"Very often, all the lenders change at the same time so you could get 50 texts in one day so it could be quite invasive I think."



Default Database

"I can't see the benefit of it and I don't like it."

"I can imagine being completely bombarded with phone calls, emails and all sorts of stuff."

Feedback from 'Do It For You' customers (average annual saving = £1,150)

★★★★★ Sharleen Yorke

Time and money saving genius

Make It Cheaper save a lot of time in having to do all the research ourselves, and as well as saving us time we will also save money. The service is very quick and easy to use, with full support throughout the process. Plus when the new contract ends they will carry out the process again for you, genius!

★★★★★ Jean Joyce

Easy, simple and saves us a fortune!

We've dealt with Make It Cheaper for many years now and their service just keeps getting better, especially with their new automated 'Do It For You' service. Signing up to this allows Make It Cheaper to do all the negotiating for a new contract on your behalf and even do all the hard work in setting it up for you. This means little to no work come renewal time but still gives you the savings you're used to by always being on the right contract.

★★★★★ Kim Chong

The trustees business partner!

I'm foreigner who run a small business in Uk and of course have faced lots of problems especially dealing with business energy. This is because language barrier but with Make it cheaper especially Do It For you service, I save lots of time and trouble in energy deals. Now I just concentrate to my business and let the make it cheaper do their part! Best company and my trustees business partner.

It is widely recognised that small businesses don't engage in the energy market and, even those that do, often struggle. One of the main reasons for this is that the information about their contract and consumption is not readily accessible and they are unsure where to turn for help in finding it. This leaves businesses in a poor position to exploit their own data and make informed choices around their energy use. While the government's solution to this – MiData – is not being rolled out for SMEs, LoAs remain the best means of facilitating engagement in the energy market by allowing customers to delegate authority to a TPI to access and analyse their data. Reputable TPIs can play an important part in the energy sector and can save businesses money where they otherwise might not. If Ofgem were to move forward with a code of practice for TPIs and mandated suppliers to respond to LoAs in a timely and accurate manner, this would be a positive step to help small businesses reduce one of their major input costs. Indeed, Ofwat has gone so far as proposing a template LoA in advance of the water market opening up to English SMEs next April. And here is our suggestion for what a good LoA process looks like:

- 1. Digital ie no wet signatures or company letterhead required**
- 2. Standard Format ie works with every SME supplier**
- 3. Authority at Company-level, not meter level (For multi-site SMES)**
- 4. Agreed SLAs for response time and accuracy of information provided – Eg 24 hours for Estimated Annual Consumption, Content End Date, Tariff/Prices & reasons for Objection.**
- 5. Agreed LoA administration point of contact so suppliers can't claim that communication has been sent to the wrong person/department.**

PUTTING
A SMILE
ON THE FACES OF
BRITISH BUSINESSES

With 200 UK-based staff, Make It Cheaper saves businesses time and money by arranging contracts for energy, insurance & telecoms on their behalf. Regulated by the Financial Conduct Authority and partnered with the Federation of Small Businesses (www.FSBenergy.org.uk), we are the only utility broker trusted by comparison sites like Go Compare, MoneySupermarket and uSwitch to look after their business customers. Ranked #1 SME Broker in the UK by leading industry analysts - Cornwall – we have won numerous accolades including: three consecutive years on the Virgin Fast-Track 100 and one of the London Stock Exchange's Companies to Inspire Britain. At The Energy Live Consultancy Awards in June 2016, we were recognised as Britain's first new breed of 'Super Consultancy' – having already won the titles of 'Most Trusted', 'Best Customer Service' and 'Consumer Champion' in previous years. Our Net Promoter Score, based on 10,033 customer reviews in 2016, is +71 which puts us on a par with the like of John Lewis, Apple and Amazon.

SWITCHING
ON SMALL
BUSINESS

