

Anglian Water 6A. EXPLORING AFFORDABILITY & VULNERABILITY SUPPORT INCREASE: FEEDBACK FROM THE LOVE EVERY DROP ONLINE COMMUNITY



Exploring affordability & vulnerability support increase

Feedback from the Love Every Drop online community

Prepared for Anglian Water

by incling 06.07.2018



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UNDERSTANDING AFFORDABILITY

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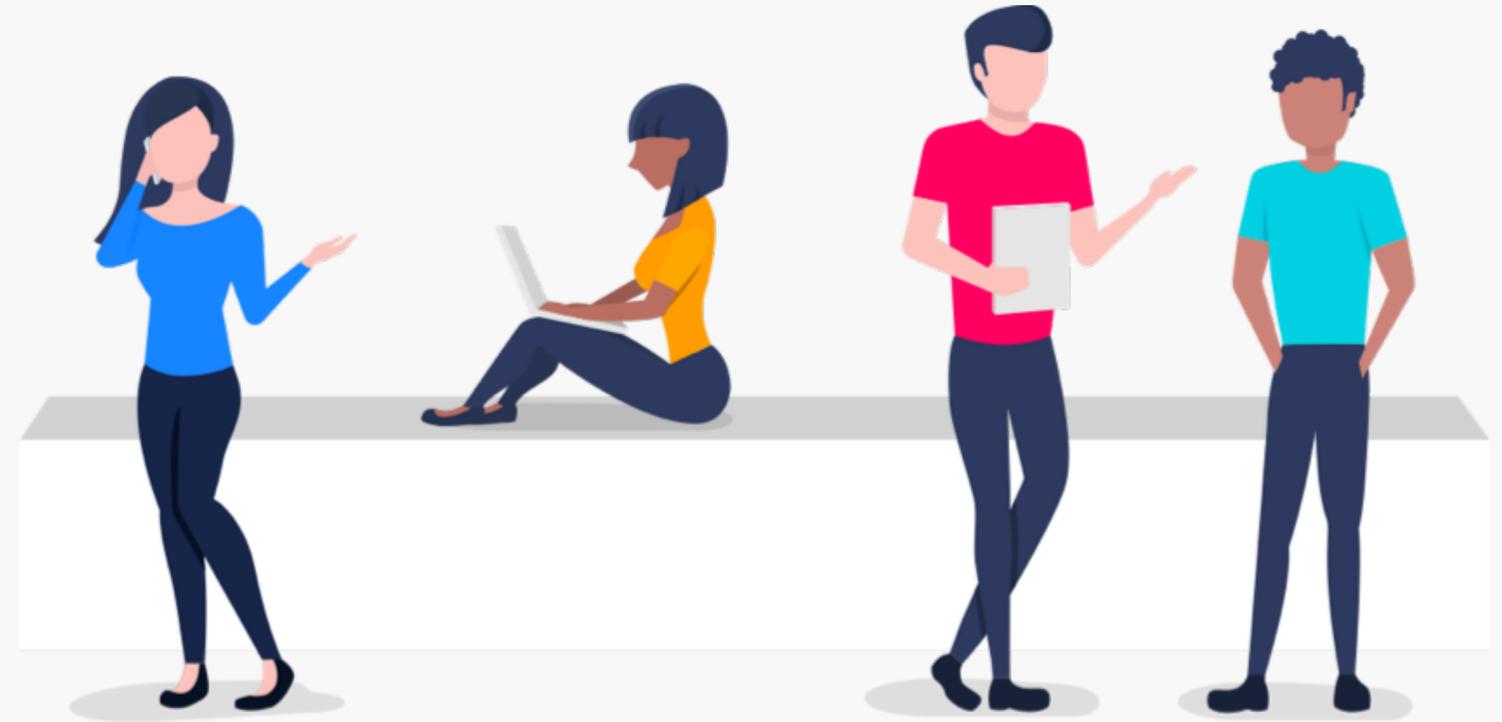
VULNERABILITY SUPPORT

In the context of affordability

04

SUMMARY

And recommendations





Overview of the engagement



THE OBJECTIVES

Anglian Water want to further their understanding of the drivers of affordability and the role water plays in the overall choices that customers make around prioritising spend.

There is also a need to understand levels of customer support for an increase in vulnerability investment, particularly in light of transparency of where money is coming from and the initiatives they already fund.



WHO WE SPOKE TO

The topic ran with 80 participants from Anglian Water's customer community:

- Spread of age and gender
- Representation from all 6 customer segments
- Geographical spread across the Anglian Water region



HOW WE DID IT

Over a two-week period, we explored:

1. Drivers and behaviours around affordability
2. Prioritisation of water and perceived risk impacts of non-payments
3. Emotional response and buy-in to current vulnerability investment and the different initiatives



Understanding affordability

Affordability drivers and behaviours

Affordability is about balancing NEED with WANT

Ultimately, the feeling of affordability is grounded in individual household's level of income and their desire and ability to lead the lifestyle they want. The feeling of whether necessary expenses feel affordable or not is impacted by many things, AW's role is one of many factors.

"Things that put pressure on my budget are food is getting more expensive and fuel keeps going up." **Eco Economiser**

NEED

THE OPTIMAL BALANCE

Affordability is when customers feel they have enough money to cover all necessary expenditures while having enough to also spend on the things they want and enjoy.

"The things that put pressure on my budget currently is our upcoming wedding as we're paying for it all from our own pockets." **Protective Provincial**

WANT

Increases in things they need to spend money on (bills, taxes, fuel, food etc) can tip the balance making it feel as if it is difficult to spend money on the things they want.



Increases in things they've wanted to spend on (i.e. a holiday, or wedding) can suddenly impact on the ability to cover their basic expenses. Although a personal decision, it still impacts on the feeling of life being affordable.



Affordability is not a static-state, it is a feeling that is subject to change

With good planning, life feels manageable. However, all it takes is one unexpected event or big-ticket item to suddenly put pressure on the budget.

BIG LIFE CHANGES

Changes in income, life-stage or health can impact heavily on the lifestyle customers can lead and what they need to prioritise.

Affordability is about a creating a lifestyle that fits within their means.

“The real killer blow is when through no fault of your own you suddenly find you have no income.” **Eco Economiser**

SEASONAL CHANGES

Holiday/festive periods with additional spend on gifting and entertaining put additional pressure on budgets.

Seasonal changes when bills increase due to higher fuel consumption, or year to year cost of living increases (i.e. food, energy, council tax) require customers to adjust their spend.

Affordability is about being able to balance the books when costs go up.

“Unpredictable weather leads to much higher use of gas and electricity than usual.” **Tech Savvy**

SITUATIONAL CHANGE

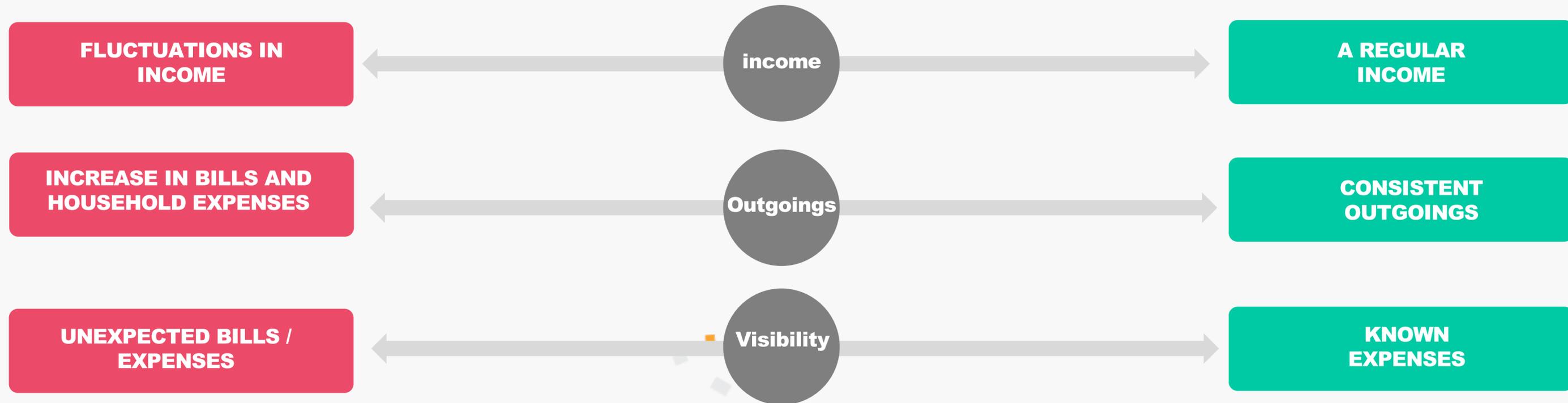
Unforeseen household expenditures are commonly mentioned as putting instant pressure on monthly budgets: vets, boiler break down, car break down.

Affordability is about finding the cash to deal with or fix a situation.

“The things that would cause a problem is car breakdown or unexpected veterinary bills.” **Comfortable and Caring**

The things that help drive affordability are around consistency and control

Bar getting a bonus or pay rise (!) consistency in income and outgoings is the biggest driver of maintaining an ongoing feeling of affordability. AW cannot control income, but can help customers feel like bills are consistent and create visibility in timing and amount.



The more unforeseen expenses or increase in expenses beyond their control negatively impacts on feelings of affordability

“Pressure is when unexpected expenditure happen like minor car accident or broken pipes or garden fence” Tech Savvy

“Having a consistent amount going out for utilities and other "fixed items". This makes it easier to know what is left over.” Tech Savvy

Consistency in income, regular and predictable outgoings and budgeted smaller expenses make life feel more affordable

When money is tight, customers use their own financial levers to keep costs down

Customers try and reduce the things they do have control over when there is a need to restore the balance.

GREATEST FLEXIBILITY AND OPTION TO REDUCE SPEND



Holidays
Entertainment & luxuries
Hobbies and interests
Savings

Insurance
Food & clothing
Gas, electric and water
Phone & broadband

Mortgage & rent
Council tax
Road tax / MOT

LESS FLEXIBILITY AND OPTION TO REDUCE SPEND

- ✓ Cut out spend on luxuries
- ✓ Rely more on credit cards to defer payments on things they want
- ✓ Cut back on holidays / scale back on savings or delay home improvements

- ✓ Shop around for deals and discounts
- ✓ Change suppliers at the end contracts
- ✓ Occasionally rely on credit cards to pay for their bill
- ✓ Try to use less energy/water and be more conscious of consumption – some ability to monitor usage and adapt behaviour

- ✓ Will try and pay in instalments where possible i.e. council tax
- ✓ Delay getting their car serviced or MOT

“It would be a case of foregoing the luxuries such as going out for meals, days out, clothes shopping etc.” **Comfortable and Caring**

“If I get unexpected bills the credit card is handy as you get extra time to pay.” **Comfortable and Caring**

“The utility bills, council tax etc, that are fixed and managed by direct debit, make it easier to deal with.” **Tech Savvy**

Ability to budget impacts heavily on being able to adapt to financial pressures

The reality is that only a minority are excellent planners, most customer feel they plan well but don't always build in enough to safeguard against all eventualities (e.g. an unexpected big bill).



HIGH ABILITY

- ✓ Very clear visibility of their monthly and yearly income and outgoings through detailed yearly/monthly planning
- ✓ A more likely to build in savings to ensure unforeseen problems can be paid for

"Knowing my expected bills and maintaining a spreadsheet with incoming and outgoing." **Tech Savvy**

LOW ABILITY

- ✓ Low understanding and planning of what they will need to spend money on every month or over the year
- ✓ Less likely to have savings that can be dipped into to pay unexpected or even regular yearly expenses such as car tax or insurance.

MORE PREVENTATIVE

Better prepared for unexpected or planned bills and changes throughout the year. Less need to rely on borrowing money to pay for things.

"I have been able to borrow from friends and reduced my spending on luxuries etc" **Family First**

MORE REACTIVE

The need to pay bill in full and on time suddenly put lots of pressure on their ability to find enough money. Need to rely on credit cards, take out loans, borrow money from friends.

As a result, large one-off bills often feel less affordable, when they are due

A majority of customers don't feel motivated to proactively save for all their various bills, moving towards a direct debit is the preferred payment mechanic that is used as a budgeting tool. The vast majority of customers sign up to regular direct debit payment for bills.

THE BIG BILL STING

A majority of customers feel that receiving quarterly or bi-annual bills are harder to manage financially and when received often create more pressure on them at the time.

- With most customers and most utilities there isn't a clear benefit to paying for their bills in lump sums.
- Paying large one-off payments is usually tied to a direct benefit to doing so i.e. the ability to save money if everything is paid at once (e.g. insurance)

DIRECT DEBIT DEFAULT

Therefore for bills, Move to direct debits puts less pressure on them to have to budget and save. Customers like the ability to create consistency in their monthly outgoings:

- Know exactly how much is going out each month
- Are able to plan accordingly for other expenditures (where there is more flexibility)
- Don't have to worry about it or think about it , it becomes second nature

"Insurance for that needs to be paid annually since monthly increases the cost." **Comfortable and Caring**

When a one off can help...

A large one off payment can make month to month budgeting easier, but requires the funds to pay in a lump sum! Being able to over pay more when funds are available can help increase the feeling of affordability over time for those who may not have consistent income.

"Council tax is a killer that's why I prefer to pay it yearly so it's not so much going at once every month "

Tech Savvy

"Direct debits are the BEST budgeting tool ever."
Tech Savvy

Affordability is also based on money available



Groups that have higher household outgoings or are on lower fixed incomes are most prone to feeling like the balance is heavily skewed towards paying for what they NEED to.

Vulnerable groups have less disposable income

With priorities around health and maintaining essentials, there isn't always much room in the event of unforeseen increases.

"I would much rather be able to go to work to earn my income but this is no longer possible, due to my injuries"
Tech Savvy



Families have greater need to maintain household expenditure

There is only so far they can reduce fuel and water consumption and cut down their weekly food bill.

"As a family of 6 it is very important that everything in our day to day life is organised"
Tech Savvy

Retired customer who are on a fixed pension income

Retired customers on a fixed pension have very little opportunity to increase income and therefore are more likely to proactively budget.

"Although we have small pensions they are fixed so we receive the same amount monthly. Direct debits can keep finances in check."
Comfortable and Caring

Water and affordability

Prioritising risk

Water is not a front of mind ‘driver of affordability’, but large one-off bills can make it feel expensive

Affordability around water is tied to the payment mechanic, where one offs tend to have a greater negative impact on feelings of affordability

IT'S LOW IN THE GRAND SCHEME

Water is at the lower end of the monthly cost spectrum. Compared to mortgage, cars, food, gas and electric.

NOT THE HIGHEST BILL

For most, compared to other energy bills it isn't as high as bills for gas and electricity, particularly for customers who may only have supply or sewerage from Anglian Water.

“I'm on a meter but not on mains sewage my bill is only around £20 every 3 months I doubt AW would chase me too much for a few months by which time my financial crisis would be over :)” **Protective Provincial**



BI-ANNUAL BILLS CAN COME AS A SURPRISE

Even for those who had paid them in the past, the bill is not front of mind and can catch people off guard and ultimately makes it feel less affordable in the moment of having to pay it.

“Oddly one of the worst for me is AW as I get a twice a year and the amount does come as a shock to the system even though I have the previous payments on record.”

Comfortable and Caring

Water is seen as a key utility that should be prioritised

Most group water with their other utilities where there is a general assumption that supply of the service is tied to paying for it.

HIGH RISK

LOW RISK



- Many place the home high up in importance as the basic need of a roof over their head and therefore would not jeopardise missing a payment
- Not paying back loans and credit cards is also seen as something fairly severe.

- Not paying council tax on time or failing to pay is commonly mentioned as something they actively would want to avoid due perceived negative impact it escalating.

- Gas, electric and water are often grouped together as a similar group of importance
- Broadband / subscriptions that are contract based are seen as having some financial impact

- More informed customers are aware that water specifically cannot be cut off and as a result would see it as something that could be de-prioritised

Impact: Substantial fines, negative impact on credit scores, ability to get a loan etc.

Impact: Loosing monthly payment privileges, fear of 'the taxman' and the impact of being 'black-listed'

Impact: Getting too far in arrears, or bank fines for not paying the direct debit, fines for cancelling a contract.
Overall there it is the assumption that being **cut off could happen** although after a substantial escalation process (particularly for gas, electricity and water)

Impact: getting too far in arrears, or bank fines for not paying the direct debit.

"Mortgage because I wouldn't want to get into arrears and the roof over my head is everything"
Protective Provincial

"Council Tax has to payed as the taxman is the least forgiving"
Tech Savvy

"Utilities must be paid, so some arrangement to pay monthly or weekly with your supplier, so you don't get cut off"
Eco Economiser

"I doubt water supply would be cut off completely immediately"
Family First

The risk-impact of not paying for Water feels lower than other utilities

This flexibility is seen in positive light and fundamental to the need for water to live!

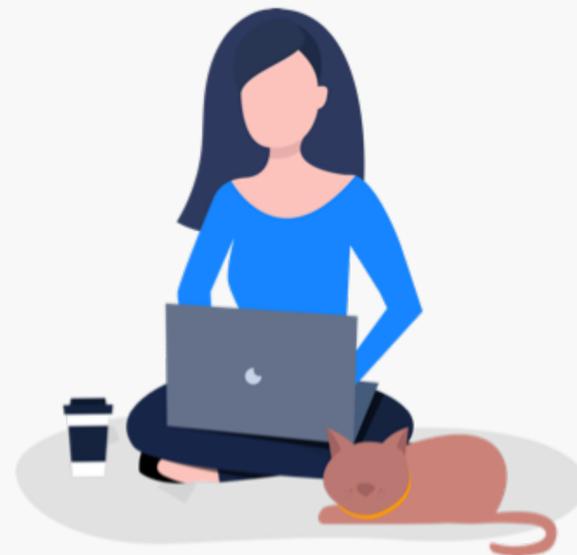
GAS / ENERGY / BROADBAND WILL BE HARSHER

There is an overall expectation that for most utilities, if payments were not made the supplier would eventually cut off supply of the service.

WATER = MORE FLEXIBLE

There is an expectation that AW would hold a fairly lenient stance if customers were not able to pay for their water by working with the customer to come to a solution that would work for the customer to catch up on payments. This is driven by:

- A perception of Anglian Water as a progressive company who value flexible and collaborative solutions (as an informed group of customers)
- But also a perceptions that there may be a much more drawn out processes for water companies (as a category) to follow up with customers



“I think that AW would be the most understanding with regards to people struggling with bill payments. I think they would ring up and send letters and that they would try to come to a way to help whilst I was under financial constraints. I do not see the other big providers being the same i.e. EON, British Gas etc”

Family First

“Water bill. We wont get cut off in a hurry, so I think there will be some wriggle room to get away with late payment.” **Family First**

“I think water companies have a very very long drawn out process before they are allowed to disconnect the supply.” **Protective Provincial**

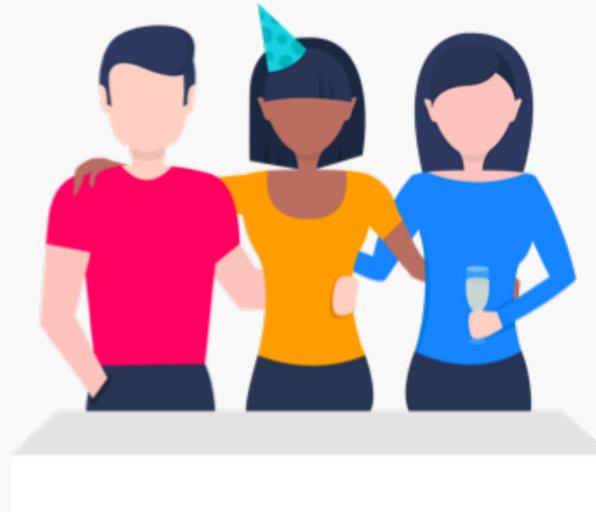
“I'm on a meter but not on mains sewage my bill is only around £20 every 3 months I doubt AW would chase me too much for a few months by which time my financial crisis would be over :)” **Protective Provincial**

But for most, this flexibility isn't a reason to not pay their water bill!

Most customers are not making an active consideration whether to pay or not pay for water month to month, some flexibility is valued but getting into heavy arrears isn't something that they would support

PRIDE IN MAINTAIN AND KEEPING UP WITH BILLS

Ultimately customer don't want to fall in arrears. Getting to that stage is not an intention, most work hard to cover their essential bills and take pride in doing so. The negative impact of having to catch up may be worse than tightening their belt (or putting a few extra things on an interest-free credit card)



"I realise that there wouldn't be much in the way of consequences if I failed to pay. All the other bill payers would pay a little bit extra. But my conscience wouldn't let me default when I knew I could afford to pay."
Comfortable and Caring

"Water and electricity would be next, neither of which are too expensive and could be put on the credit card if I had to by this point."
Family first

OPTING NOT TO PAY IT ISN'T A COMMON CHOICE

A minority expressed (in a hypothetical scenario) the notion of being able to use lenience with water to deprioritise paying their water bill.

"Correct me if I am wrong but I doubt water supply would be cut off completely immediately (I am not aware of the other utilities such as electric or gas giving you a limited / reduced service), thus my reasoning for placing water bill as the last priority with the intention of making catch up payments at a later date."
Family First

Vulnerability support

In the context of affordability

Customers are surprised by the variety and extent of the support initiatives

✓ THE VARIETY OF SUPPORT FEELS EXTENSIVE

Customers were unaware of the varying degrees of support, particularly around the notion that each one is designed around a specific support-need.

“My 1st reaction is I never realised there was more than 2 provisions in place in order to help people. I am actually pleased that there is one for all different types of situations to people who are most vulnerable” **Careful Budgeter**

✓ THE TOTAL NUMBER OF THOSE SUPPORTED

It feels like Anglian Water is having a substantial impact on these groups of customer, and particularly for those who are supportive of these initiative the total number feels like a positive impact.

“I was completely unaware of the various support schemes operated by AW to support vulnerable or needy customers. I am surprised at the total £23 cost per customer but also pleased that those in need of support are getting this” **Comfortable and Caring**





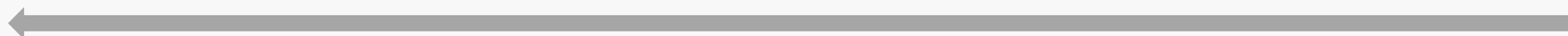
The total £23 non-eligible customer fund feels higher than anticipated

For some learning about the amount does not affect acceptance, but for a large majority it has swayed them to be more resistant to the notion of supporting others.

AGREEMENT & ACCEPTANCE

ANNOYANCE/FRUSTRATION

EXPLICIT DISAGREEMENT



SKEWS YOUNGER, TECH SAVVY

A MIXED MAJORITY

SKEWS PROTECTIVE PROVINCIAL

Feel that in the grand scheme of their yearly bill, £2 per month is not huge.
I more support of the notion that these initiative need to be in place to prevent even further debt escalation

Don't fundamentally reject the notion of vulnerable customers being supported, but do reject the amount they are having to fund, especially when they may feel that they themselves struggle with affordability

Most critical of any type of support – the assumption is that those who are being supported aren't always in 'genuine need' but may be 'playing the system'

"I am happy to pay £23pa for this part of my water bill. It is less than 50p a week. If these subsidies were not there, then there would be even more bad debts." **Tech Savvy**

"My first reaction is very annoyed. I understand these costs need to be spread but actually see these is frustrating as everyone struggles to pay things" **Tech Savvy**

"I'm shocked that £23 of my annual bill is not for my water or sewage but for that of other people. That's about 12% of my bill. That's outrageous and makes me very angry!! I'm particularly angry to find I'm paying for those who simply don't pay their bills." **Protective Provincial**

It is recovering **Bad Debt** that creates the strongest negative response

In the context of their own affordability, it doesn't seem fair given their own effort to maintain payment on their own bills.

X **'BAD-DEBTTERS' ARE THOSE WHO 'REFUSE TO PAY'**

- Customers express their own effort to maintain their own payments for bills and expenses and are therefore critical of having to then support other who are perceived to not have made the same effort.
- There is an assumption that those who fall into the 'Bad Debt' category are simply refusing to pay or may even not be in genuine need of benefits

"In principal I am fine with paying a little extra to support other customers, but only if AW can genuinely determine that they are in need and not just playing the system (ie. claiming benefits when they really don't need to)." **Tech Savvy**

"Theses people refuse to pay and then the customer has to pick the bill up for you to chase for payment. So through no fault of ours but fore simply being provided a service of water we are then subjected to foot the bill for others who refuse to pay." **Careful Budgeter**

X **AS A RESULT, THIS IS WHERE A MAJORITY DRAW THE LINE IN TERMS OF WHERE GOVERNMENT SHOULD STEP IN**

- Associated with the need to go through social benefit systems that are in place to support those who cannot pay their way, or take out a loan
- Doesn't feel like customer's responsibility to fun others' inability to pay bills, especially if they are already on support benefits (where the assumption is that these should cover a person's expenditures if they qualify)

'It is right for AW to identify people with problems, but they should be referred to the relevant authorities for collective assistance, as has been highlighted by recent government initiatives.' **Protective Provincial**

Some points of criticism touch upon the notion that perhaps too much is being asked of customers

THOSE WHO ARE CATEGORISED AS VULNERABLE OR SUPPORTING SOMEONE WHO IS

Those customers who already find it difficult to support their own family (due to living with someone with a disability for example) see it as slightly counterintuitive if they also are funding people who need support

“That's al very well for those receiving these subsidies but for those of us who are borderline and don't recieve anything in support I feel aggreived. As already borderline in my finances I am also paying for those who may be 'worse off'.”
Protective Provincial

RECOVERING DEBT FROM CUSTOMER RATHER THAN PROFITS

Relying on increasing customer bills instead of building in more funding by reducing AW's profits is one areas of regular criticism

“I find the bad debt fund concerning. Paying customers are in fact paying for recovering the money for non-payment, while AW continue to make profits.” **Tech Savvy**

TAXATION VIA PRIVATISATION

Older groups who are more resistant to companies taking on 'social support' aspects of society are most critical of the nature of 'indirect taxation' preferring a more centralised system.

“To some extent this is Government passing social care to private companies and indirect taxation. I would not be happy paying more.” **Comfortable and Caring**

Paying more to support vulnerable customers depends on where money is going

How much they are willing to spend will depend on the amount, but spontaneously a few extra pounds a year would be acceptable



THE INITIATIVES HELPING MORE PEOPLE

Increase around the flexibility in payments and the 3 concessionary tariffs feels like these are having the best impact and ultimately will help prevent further bad debt.

THE ADMINISTRATIVE EXTRAS

A necessary evil to implementing support for more people.
Likely to be less expensive than funding the other areas
There is an expectation for this to be about investing to make efficiencies (i.e. working with others).

SUPPORTING THE WRITING OFF OF CUSTOMER DEBT

Most commonly associated with being a step too far and an increase in financial support should not come from customers.

“I think we should help others where we can, if it stops an individual from falling into debt then I am happy to pay” **Tech Savvy**

“If customers just need flexible arrangements to pay their bills I don't have a problem with the cost of this being picked up by all customers.” **Careful Budgeter**

“This is the responsibility of the company not it's other customers.” **Protective Provincial**

Summary

And considerations

01

Affordability is not a static state: Knowing more about customers and their changes in lifestyle will help AW better understand their needs at any given time.

If there is a desire to improve customers' feeling of affordability towards water, capturing more data on their life stage and situation will help improve the types of payment options that should be recommended to them.

Regular Direct Debits are the ‘budgeting tool’ that a majority of customer opt for.

Setting up customers on a direct debit as default may be the best way to give a majority of customers a feeling of affordability over the year.

But, some customers who don't have consistent incomes may prefer the option to make large one off payment when they DO have the funds so being clear about this will adapt to everyone's needs.

Water isn't a spontaneous driver of affordability that customers express as putting stress on their budget.

But payment mechanics and timing can impact on whether or not a bill feels affordable, particular in the instance where a bi-annual bill is received but hasn't been budgeted for or falls during an expensive time of year (e.g. post Christmas!).

03

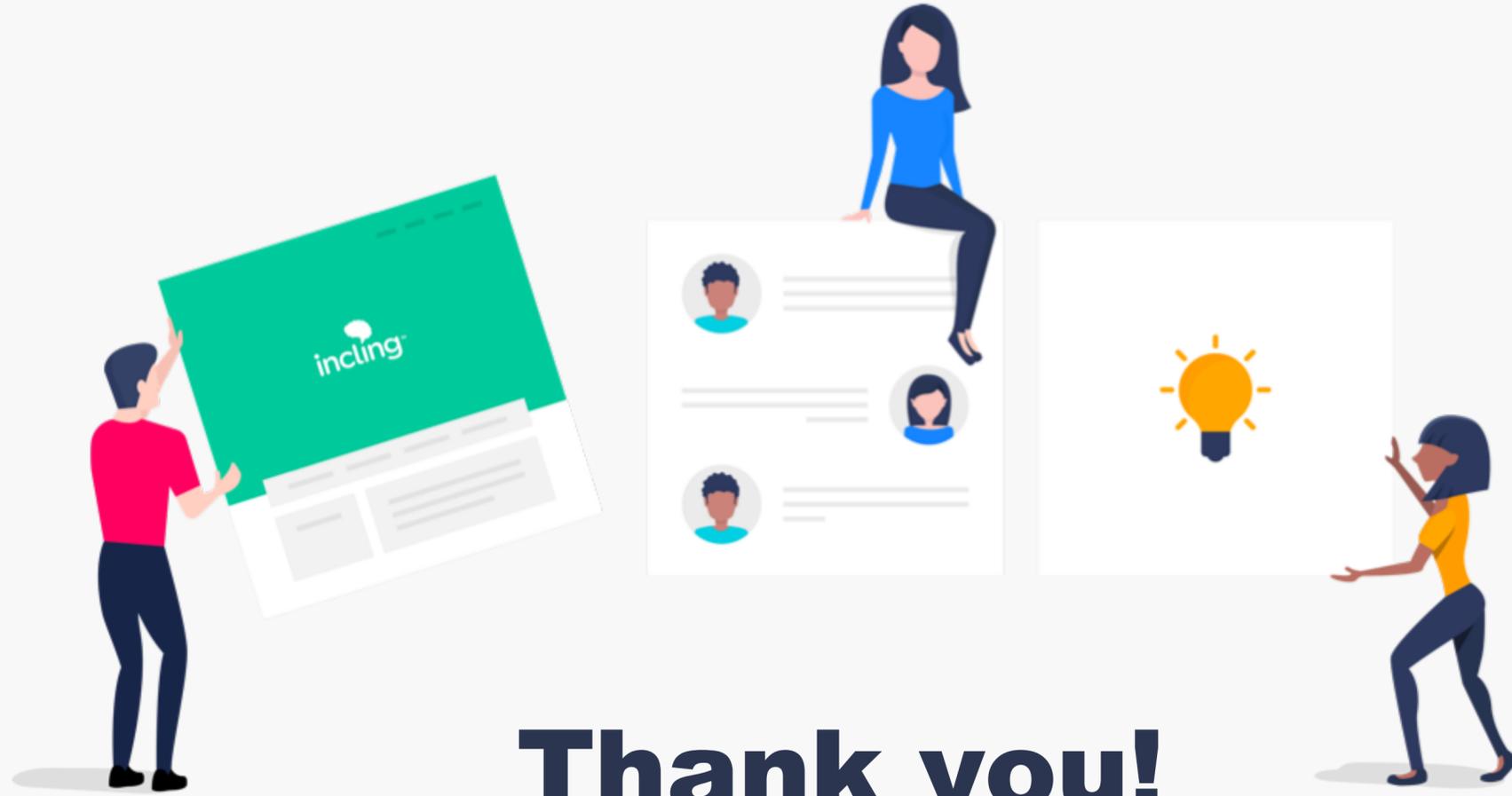
Customers want to pay their way. Not being cut off, isn't a reason not to pay the bill!

Leveraging flexibility options (that don't impact on how much customers will pay over the year) may help spread the cost in a way that prevents them from having to use credit cards or in severe cases not pay their bill at all.

In the context of affordability, paying off other customers' bad debt feels unfair.

There is a need to reassure customers where this bad debt is coming from and that those who are on the receiving end are genuinely in need of financial support.

Most would support a small increase in vulnerability support, as long as it is relatively small and isn't going toward recovering bad debt.



Thank you!

**Any questions? Just reach out to us on
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