

Getting through to business

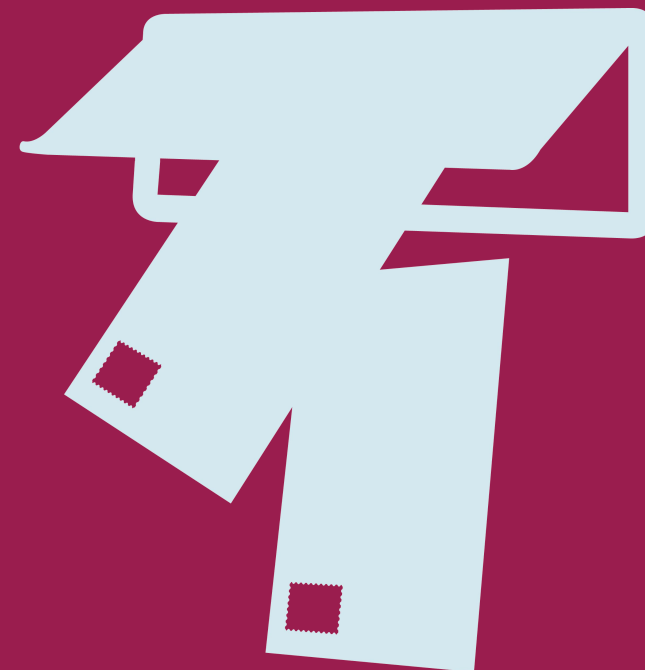
Communicating with microbusiness
energy consumers more effectively



**citizens
advice**

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Summary

The energy market is not working well enough for microbusinesses.

These businesses face challenges in understanding the market and engaging with their supplier. Communications from suppliers are one way to help microbusinesses engage - and become especially important where businesses are in debt and at risk of disconnection. This is an area where we see particular detriment for microbusinesses contacting our energy advice services¹.

This research explores how effective existing supplier practices are by focussing on how microbusinesses use and respond to the communication they receive. We identify key areas where improvements can be made to increase engagement.

We commissioned Collaborate Research to conduct qualitative interviews² with 40 people who made decisions about energy at microbusinesses. 10 of these were businesses who were struggling to pay and had a recent experience of being in debt.

The researchers discussed communications with the respondents and used examples of different communications to understand how these could be improved.

The findings provide an indicative insight of the consumer experience in this sector.

Findings and recommendations

What microbusinesses need from their supplier

The research suggests some key areas where improvements can be made to communications.



Provide more information on bills, such as annual usage data and tariff comparisons.



Improve communication around debt, with appropriate and clear steps on a way forward.



Provide more information about advice and support services, through effective signposting on communications.

Wider changes could improve outcomes

In isolation, changes to existing communications are unlikely to be transformative. Further steps should include:



Trials of different communication options, similar to those Ofgem has conducted with domestic consumers.



Improved information for microbusinesses of the benefits of **smart meters and providing access to smart meter data**.



Providing microbusinesses with **easier ways to compare deals** using current price and usage data.

Background

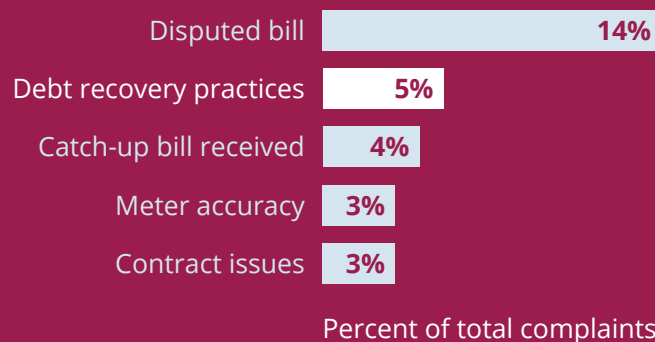
Microbusinesses are the smallest companies, with fewer than 10 employees and low energy usage.

Many are considered to be disengaged - often having limited communication with their existing energy supplier.

This can exacerbate problems if microbusinesses fall into debt. This is one of the most common energy issues microbusinesses contact us about. Often this only happens when they are already significantly behind on their bills. Earlier contact we mean they had more options.

Top 5 non-domestic complaints to our Consumer Service

Out of a total of 89 categories. April 2019 - March 2020



The energy regulator (Ofgem) has also identified low microbusiness engagement with the market. Its data shows a large minority of microbusinesses are paying more than they should for energy, as a result of being out of contract.

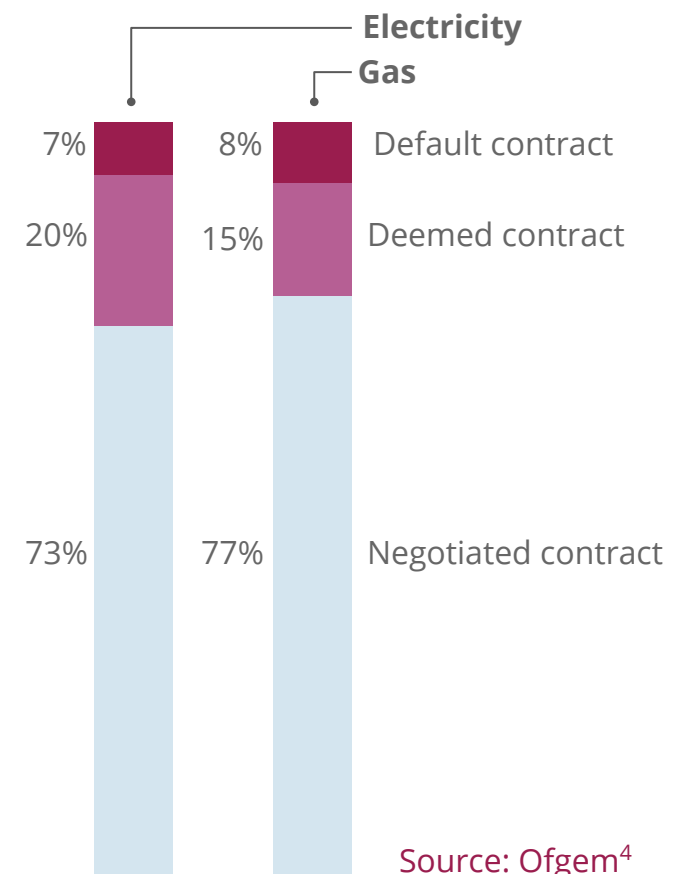
Ofgem has identified various explanations as to why these problems may occur.³ These include:

- Complexity of the market, combined with a lack of energy expertise
- Barriers to accessing consumption data, which prevents informed choices
- Lack of price transparency, which makes it difficult to compare prices
- Lack of dialogue between suppliers and customers

Requiring better communications from suppliers is one option by which policymakers may seek to overcome these issues. But there is little existing research on what actually works in communicating about energy with microbusinesses.

Around a quarter of micro-businesses have not actively chosen their contract

Percent of microbusinesses by contract type, for electricity and gas



Approach

We commissioned Collaborate Research to answer 3 questions:

- **How effective are current supplier communications at prompting microbusinesses to engage?**
- **What is potential for new prompts and information to increase engagement?**
- **How can communications be improved to increase engagement and promote action?**

The researchers interviewed a total of 40 people who make the decisions about energy in microbusinesses. 10 of these were businesses who were struggling to pay and had a recent experience of being in debt. Full details on recruiting the sample can be found in the full report².

The researchers presented the participants with example communications, based on existing communications in the energy sector, and assessed their responses.

We interviewed microbusinesses with a range of characteristics:

- Size: small and large, based on number of employees
- Contract type: default and negotiated
- Switching route: do and do not use brokers
- Smart meter: with or without a smart meter



This research builds on existing knowledge of the barriers to engagement for microbusinesses. Due to the scale and nature of the study, the findings provide an indicative insight of the consumer experience in this sector. Further work in the form of more research or trials would strengthen the findings.

Barriers to engagement

The research identified a range of barriers to engagement. Some are general features of the market, others are specific to certain decision points.

General barriers

Microbusiness consumers tend to consider energy to be a fairly invisible service. They think that:

- Tariffs are complex
- Switching suppliers can be risky and a hassle
- Comparing deals is time-consuming and the savings are uncertain

They tend to:

- Be unaware of their rights, or of impartial advice options
- Be wary of unsolicited broker contact
- Have limited recall of supplier communications

Specific barriers

For those not in a negotiated contract

- May be long-standing behaviour
- May not perceive price difference between in or out of contract rates

During contract renewal period

- May not expect a big price jump if they move to a rolling contract
- May be put off needing to find annual consumption data.

At risk of bill shock

- Direct debit means no need to view bill
- Not in habit of taking meter readings
- May not feel it's possible to improve energy efficiency

Experiencing problems with energy supply or service

- May not recognise the problem as a complaint
- Negligible awareness of third party advice or the option for redress

For those struggling to pay

- May be distracted or overwhelmed by the situation
- Generally not expecting a sympathetic response from the supplier

For those struggling to pay, there are different issues depending on their situation

Not aware

- Those paying by direct debit may not anticipate problems, and may overlook communications

Can't pay

- Those who can't see a solution to financial issues are not motivated to engage with communications

Won't pay

- Those deliberately not paying / paying late avoid engagement, so communications have little effect

Current use of communications

We asked microbusinesses about their awareness levels of supplier communications, and whether they used this information. We looked at whether having a smart meter or using a third party intermediary (TPIs) like a broker had an impact on engagement.

Low engagement and limited recall

Among those who are coping with their bills, there is low recollection of written communications from their supplier. And for most microbusinesses we spoke to, engagement with written communications was low.



"We're just getting our bill and that's it. Unless you have a problem you don't hear from them."

One factor is that microbusinesses tend to view energy arrangements as something they 'set and forget', rather than having ongoing engagement with. They place a higher priority on being able to contact their suppliers by phone, if and when that's required.



"I like to do everything on the phone. I like to talk to them."

Mixed experiences with smart meters

While some respondents were assured that their smart meter meant their bills would be accurate, some distrusted their accuracy. In one case, the consumer was asked to provide meter readings, even though they had a smart meter. Some said they could not easily access their smart meter to monitor usage.

There were also concerns about disruption to businesses from meter installation, distrust of the motives behind rollout, and doubt about the benefits.

Some like to use TPIs, but they can limit engagement

For some microbusinesses, having a broker get in touch can be an effective prompt at the end of a contract. A trusted broker can save the business time by finding the best deal, which increases the chance of them switching.

But, in another case, a broker missed the switchover dates. This means the business paying higher rolling contract rates until a new contract is arranged. Direct interaction with the supplier during contract negotiation could have prevented this.

In addition, unsolicited contact from TPIs can put off businesses engaging with the energy market in general, including with communications from the supplier.

Case Studies

These three case studies are real-life examples of how the customer journey can be made worse by poor communication from the supplier

Card and gift shop

Charlie, is the new director of the business. She describes herself as a novice. Charlie's first quarterly gas bill was much higher than expected and she struggled to pay it. She contacted the supplier.

They discussed energy efficiency measures but they did not offer her the option of a repayment plan, or signpost her to third party advice. Because she didn't feel she had any other option, she ended up taking out a high-cost loan to pay the gas bill.

Clothing repair shop

Prior to moving premises, Alex had experienced 3 years of issues trying to get the meter registered to the microbusiness and to receive regular bills.

Although they were paying via direct debit during this time, it turned out the payments were not covering usage. Alex ended up receiving a huge bill which he couldn't pay all at once.

Bakery

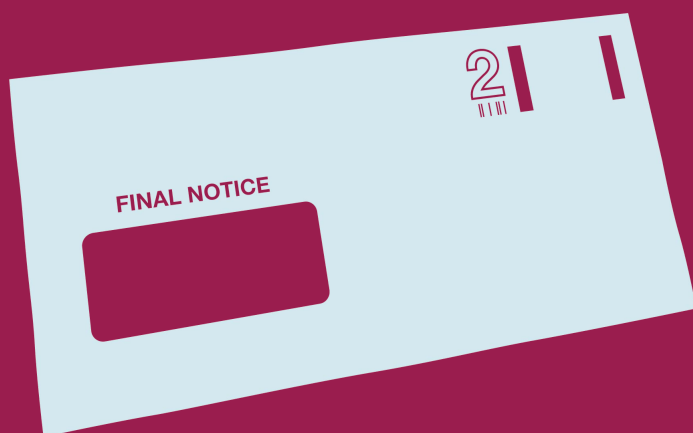
Jo recently bought another premises with a single supplier providing the gas and electricity. Bills were paid by direct debit. The supplier sent bailiffs in because the direct debit only covered one of the fuels.

Jo had to pay the arrears on the spot and an additional charge. She had not engaged with written communications from the supplier because of her assumption that everything was covered by the existing direct debit payment.

Testing example materials

We tested 12 different types of communication, in 4 different categories, to understand what could be improved.

Examples of these are shown on the following pages, along with key points from feedback. The full responses to each prompt are in the full research report².



Existing domestic engagement prompts

Tariff Comparison Rate*
Cheapest Tariff Messaging
Price Increase Notification

Prompts from Ofgem's domestic engagement trials**

End of Fixed Term Communications Trial⁵
Cheaper Market Offer Communication Trial⁶
Letter version
Email version

Arrears

Example arrears letters
First reminder
Second reminder
Notification of debt recovery intention

Third party advice and support prompts

Signposting Citizens Advice consumer service
Signposting the consumer service and the Energy Ombudsman
Citizens Advice 'Know your rights' insert

*From the 23 June 2017 Ofgem removed the requirement for energy suppliers to display the Tariff Comparison Rate

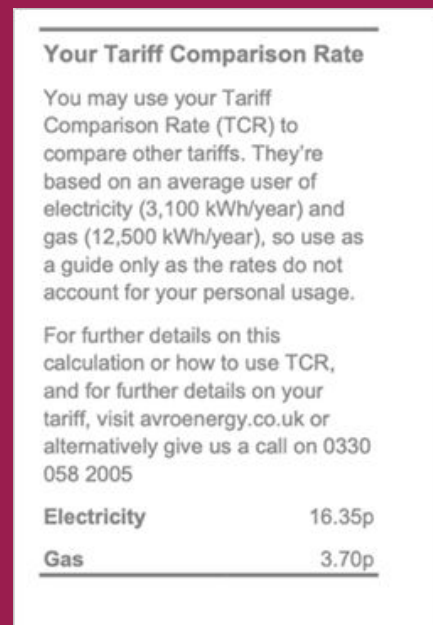
**A set of trials led by Ofgem between 2016 and 2019 to provide robust evidence on what works in increasing tariff switching among energy customers^{5,6}

Existing market engagement prompts

Example

Tariff comparison rate

TCR* shows the a cost that a typical consumer would pay on that tariff. It assumes an average amount of energy use and different types of charge and discount.



Your Tariff Comparison Rate

You may use your Tariff Comparison Rate (TCR) to compare other tariffs. They're based on an average user of electricity (3,100 kWh/year) and gas (12,500 kWh/year), so use as a guide only as the rates do not account for your personal usage.

For further details on this calculation or how to use TCR, and for further details on your tariff, visit avroenergy.co.uk or alternatively give us a call on 0330 058 2005

Electricity	16.35p
Gas	3.70p

- Heading doesn't grab attention and likely to get missed, especially if part of a bill

"It's not personal usage so what's the point?"

Key points

For existing market engagement prompts

- Headings need to be attention grabbing
- People strongly prefer having their own annual usage data in their bills
- Details about possible additional charges and changing payment methods put people off engaging

*From the 23 June 2017 Ofgem removed the requirement for energy suppliers to display the TCR

Existing market engagement prompts

Example

Cheaper market offer communication

You could save £200 by switching your energy tariff

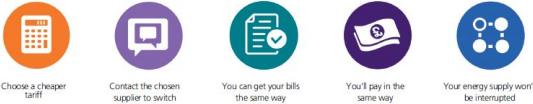
We're writing to you because you are on one of our more expensive energy tariffs. You could be paying less. Ofgem is Great Britain's independent energy regulator and works to protect energy consumers, like you. Ofgem has asked us to tell you that you could save money on your energy by switching to a different tariff with us or to a tariff with another supplier. To save you time, we've searched the energy market and found cheaper tariffs currently available to you.

Based on your estimated yearly energy use:

- If you stay on your current tariff you'd pay £609 over the next year.
- If you switch to the cheapest tariff below, you'd pay £409 over the next year.

That's a saving of £200 if you decide to switch to the cheapest tariff.

Switching your energy tariff is simple, reliable and hassle-free



How to switch

1. Look at the cheaper tariffs in your **personalised table**. It is for your property at [address]. The tariffs match how you pay for your energy, if you get paper bills or manage your accounts online.
2. If you choose one of these tariffs, contact the supplier using their contact details in the table and your chosen supplier will take it from there.

	Other supplier's cheaper tariff	Other supplier's cheaper tariff	Our cheaper tariff
Energy supplier	Outfox the Market	Enstroga	
Contact details	outfoxthemarket.co.uk	0115 857 2572 enstroga.co.uk	
Your estimated yearly saving	£200	£188	£61
Your estimated yearly bill	£409	£421	£547
Tariff name	Zapp! July Tariff Low	Dual One	
Tariff length	No end date	12 months	Until 31 August 2019

Source: [Energy Saving Trust](#)

Please turn over

- Icons convey the ease of switching
- Transparency appreciated
- Some felt prompted to take action
- However, some did not understand who was providing this or why

“It’s really good, it’s very honest of them. They’re being quite transparent”

Key points


For Ofgem trials market engagement materials

- Should show information about how much more expensive the off-contract rate is compared to a new fixed term deal
- People value transparency
- Some feel they would need the savings to be definite rather than possible

Arrears communications

Example

Debt reminder letter (domestic customer)



It's a much more convenient way to pay – give us a call or email

Don't worry if you've already paid – we must have sent this email before then – feel free to hit delete.

We need your meter readings!
Accurate reads mean accurate bills, and we think this makes for happy customers! If you don't already have Smart Meters, you need to send us your reads every month to keep your account up to date. **Text or call our metering line today on.**

Have you booked your Smart Meter appointment?
Remember, if you don't already have them you're entitled to fabulous, free Smart Meters! You can call us or visit us online to discover all the benefits and to confirm availability in your area today!

Do it online – it's quicker
Submit your reads and book a Smart Meter appointment online! Just login to My Account at

Thanks again for choosing , we hope to hear from you soon

Operations Director

• **We always make sure our Terms and Conditions are up-to-date**, and it's a great idea for you to keep up-to-date with them! Click this link to find out more

• **Sometimes we all need a little help:** The Priority Services Register is something every energy company provides, but we like to think you'll feel the difference. If your circumstances mean we can help you, let us know right away so we can make the right adjustments. For more information visit

Your payment is severely overdue

Customer number: #(Customer_Number)

Hello #(CustomerAddress_Forename),

As we haven't heard from you yet, and your payment of £#(Account_OverdueBalance) is now severely overdue, we'll be passing your account to a debt collection agency shortly.

They may visit you at home or take legal action against you, so it's important you call us to stop this from happening.

Pay Online
To bring your account up to date please pay £#(Account_OverdueBalance) using a credit or debit card by going online and using the link [#\(Link\)](#)

Pay over the phone
You can call us on #(Phone) between 8am – 8pm Monday to Friday and 9am – 5pm Saturday. Or call our 24 hour dedicated, automated payment line on #(Phone)

Is your direct debit set up correctly?

- The use of a sad face emoji was polarising and many found it inappropriate. They expect a more professional look and feel
- The tone of the initial communication is regarded as appropriate for a first reminder as it is not accusatory

“If you're panicking, and facing anxiety and stress, the last thing you want to do is search on a website”

Key points

For arrears communications

- Tone is important. If it's too harsh, for example on the consequences of not paying, it risks discouraging further engagement
- People welcome an invitation to contact the supplier to discuss options, for when they are struggling to pay
- Including information on meter readings and smart meters feels irrelevant

Communicating third-party advice and support

Example

Signposting on bills

In the domestic sector, suppliers are required to signpost to the Citizens Advice consumer service on energy bills⁷.

Get help with an energy problem

Contact Citizens Advice if you need help with an energy problem - for example with your bills or meters, or if you're struggling to pay for the energy you use.

They're the official source of free and independent energy advice and support.

Go to citizensadvice.org.uk/energy or call them on 0808 223 1133. Calls are free.

- People agreed it is important that signposting to impartial advice is provided, for those who need it
- However they are unlikely to notice this unless specifically looking for it
- People struggled to see how the service could be relevant to them

"It doesn't really attract me. I just look at what I need to and that's the money side of it."

Key points

For communicating about third-party advice and support

- Providing signposting to impartial advice is important for those who need it
- Currently it is difficult to notice this unless specifically looking for it
- People do not immediately understand the relevance of these services to them

How to improve communications

While few respondents had specific suggestions for improvements, feedback to the prompts indicated some areas where the communications can be improved.

Contract details understood and agreed

- Require suppliers to always provide a **written contract** and allow the customer to review it before signing

“I didn’t think anyone understands these tariffs, they’re not plain enough”

Useful bills that promote engagement

- Include **annual consumption data** in every bill
- Routinely remind customers to **provide meter readings**
- Include timely **market comparison prompts** in every bill
- **Routinely and prominently signpost** to Citizens Advice and the Energy Ombudsman

Preventing high out of contract rates

- Provide **more than one reminder**, ideally using different channels (e.g. letter and text)
- Make the **deadline for action** very clear and prominent
- Make the **price of a rolling contract tariff clear** and how this compares a new fixed term contract

Improving debt communications

- Include a prominent message in all arrears communication inviting consumers to **contact their supplier** to discuss options
- Provide **clear signposting to third party advice** that can help with business debt
- Use a range of communication channels which **signpost to third party support appropriately**

“Now you’re saying this to me, I know it makes sense. But I didn’t think we could set up a plan to pay

Good practice for designing prompts

The research identified good practice tips for improving engagement with microbusinesses. Following these tips will help suppliers, and third-parties, communicate with microbusinesses.

These findings align with other recent work in this area:

- Ofgem's market trials with domestic customers^{5,6}
- outputs from our **Citizens Advice Hack Day** on domestic communications
- the FCA's research on **current account prompts**.

- ✓ Keep it **short**. Include **key information upfront**
- ✓ Use **everyday language**. Limit jargon
- ✓ **Personalise** the message where possible, especially on costs
- ✓ Provide a strong **call to action**. Make it easy to act
- ✓ Get the **tone right**. For arrears, this means being serious, but not scary, and getting across that solutions are possible
- ✓ Ensure messages embedded in larger communications are positioned on the **top or left-side** of the page, where they are more prominent
- ✓ **Use design features**, like bolding, bullets, highlight colour, break out boxes) to catch the eye and encourage engagement
- ✓ **Use visual devices**, such as well-understood icons and simple graphs, to help convey key messages

Specific tips for advice and support services

- ✓ Get across that microbusinesses have specific rights in the energy sector
- ✓ **Raise awareness** of Citizens Advice and other support services (beyond just signposting)

Policy recommendations

The findings from the tests of existing domestic prompts and good practice recommendations show how supplier communications can be improved in a relatively low cost, straightforward way to enhance the microbusiness customer experience.

The recommendations can be prioritised into three areas.

What microbusinesses need



More price transparency

Bills should include information such as annual usage data and tariff comparisons.



Better communication around debt

Suppliers should provide appropriate, clear messaging around debt, with a supportive tone.



More awareness of advice and support services

This should be done through mandatory signposting to these services, such as Citizens Advice and Business Debtline.

The research suggests that better communications are not, on their own, likely to be transformational. Many people do not read or recall communications. This is supported by past experience of information remedies to improve outcomes. Ofgem should address the need wider improvements through its strategic microbusiness review³.

Wider sector requirements



Communications trials

Ofgem should extend its powers to trial engagement prompts to include microbusiness customers. This will enable iterative work on improving engagement and provide the opportunity to prove that interventions work.



Smart meters and data

Smart metering should offer easier access to consumption data and more accurate bills. Delivery of these benefits to microbusinesses should be improved.

Price comparison websites



Microbusinesses will be more likely to act on prompts to engage if there are easy ways to compare deals using readily available tariff and usage data. TPIs need to be able to provide quotes that are closer to the final cost.

References

1. Citizens Advice (2019) **Closing the Protection Gap**
2. Citizens Advice and Collaborate (2020) **Energy supplier communication with microbusinesses**
3. Ofgem (2019) **Strategic review of the microbusiness retail market**
4. Ofgem (2019) **State of the energy market**
5. Ofgem (2019) **End of fixed term communications trial**
6. Ofgem (2019) **Cheaper market offer communication trial**
7. Citizens Advice (2020) **Complaints signposting guide**
8. Citizens Advice (2019) **What we learned from our first hack day**
9. FCA (2018) **Designing effective current account prompts: research summary**

Further reading

- Citizens Advice and Collaborate (2020) **Energy supplier communication with microbusinesses** (full research report),
Citizens Advice (2020) **Supporting microbusiness consumers - good practice guide**
Citizens Advice (2019) **Closing the protection gap**
Citizens Advice (2019) **Response to Ofgem's strategic review of the microbusiness retail market**
Citizens Advice (2018) **Good practice guide - recovering energy debt from the smallest businesses**

Names used in this report are not real

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