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## **Accenture UK Utility Debt Survey: Debt Implications for the Consumer**

David Hotson, Accenture

# The world is changing . . .



- Climate change
- Rising commodities/food prices
- Human capital shortages
- Growth of BRIC nations
- Urbanisation/growth of megacities
- Natural resources constraints

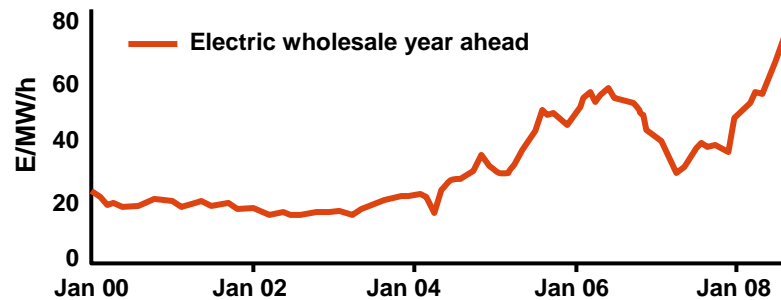
# ... these changes are resulting in several challenges which are impacting Utilities in the United Kingdom



## Trend

Rising power prices

UK electricity one year ahead wholesale prices 2000 – 2008



## Impact

Pressure on consumers

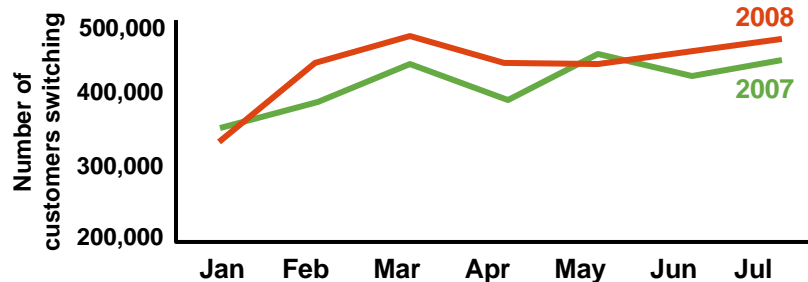
Environmental concerns

“World energy-related carbon dioxide emissions continue to increase steadily (in the *IEO2008* reference case) from 28.1 billion metric tons in 2005 to . . . 42.3 billion metric tons in 2030—an increase of 51 percent”

Consumers more interested in energy efficiency options

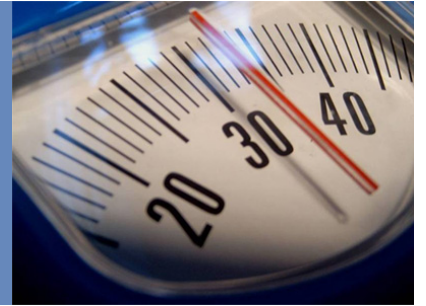
Increasing competition for customers

UK electricity customer fuel switching 2007 versus 2008



Importance of relationships with consumers

Source: Graphs from OFGEM report “Industry on Notice to Make Markets Work Better”, Quote from EIA “International Energy Outlook 2008”



# Pressure on consumers

# UK energy consumers are very concerned about high energy prices . . .



“The coast is now clear for a general price hike and energy bills can be expected to top £1,000 again – consumers are going to be in for a rough ride this year.”

– The Guardian, January 4, 2008

“Tesco said it had seen customers stocking up on home insulation.... sales of its energy saving lightbulbs have quadrupled. Homebase....sales of energy saving lightbulbs were up 60 percent year on year while B&Q has seen sales increase by 30 percent in the past three months.”

– The Observer, August 3, 2008

“For many people, the latest round of energy bill increases will be unmanageable.”

– The Observer, August 3, 2008

“Surging tariffs for gas and electricity sent (UK) inflation in September to 5.2 percent – its highest level since March 1992, and up from 4.7 percent the previous month”

– Financial Times, October 15, 2008

“The money people have left over to pay debts each month has fallen from an average of £80 to £20 over the last year mainly due to soaring utility bills.”

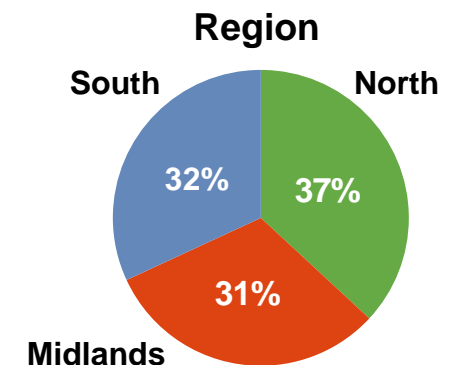
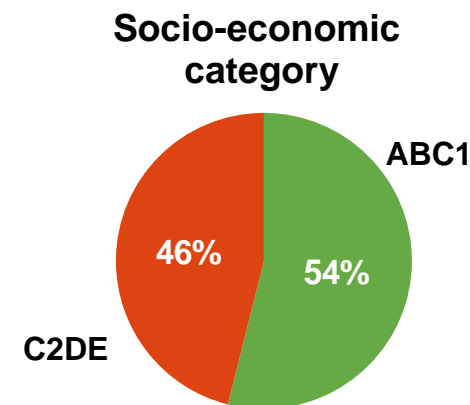
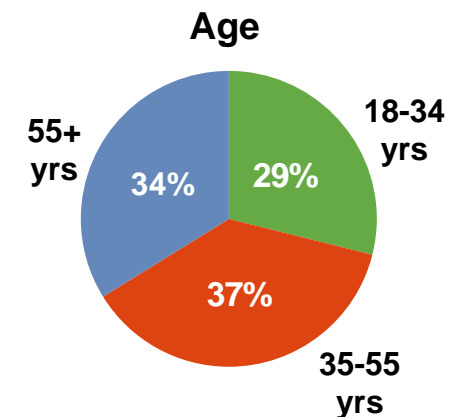
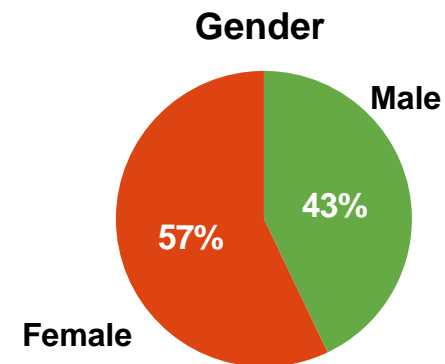
– Malcolm Hurlston, Consumer Credit Counselling Service

# The media view is corroborated by a recent Accenture UK Utility Debt Survey



## Accenture UK Utility Debt Survey

- Quantitative online survey carried out in the United Kingdom
- Fieldwork took place between August 20 and August 29
- 1001 interviews done online
- Respondents are representative of the UK population by age, region and socio-economic category
- Only respondents identified as dealing with the utility bills within their household were interviewed
- People paying their utility bills by direct debit were excluded



**ABC1** (well educated, managers, non manual workers, business owners)  
**C2DE** (less well educated, non manual workers, skilled and unskilled manual workers)

Source: Accenture UK Utility Debt Survey—September 2008

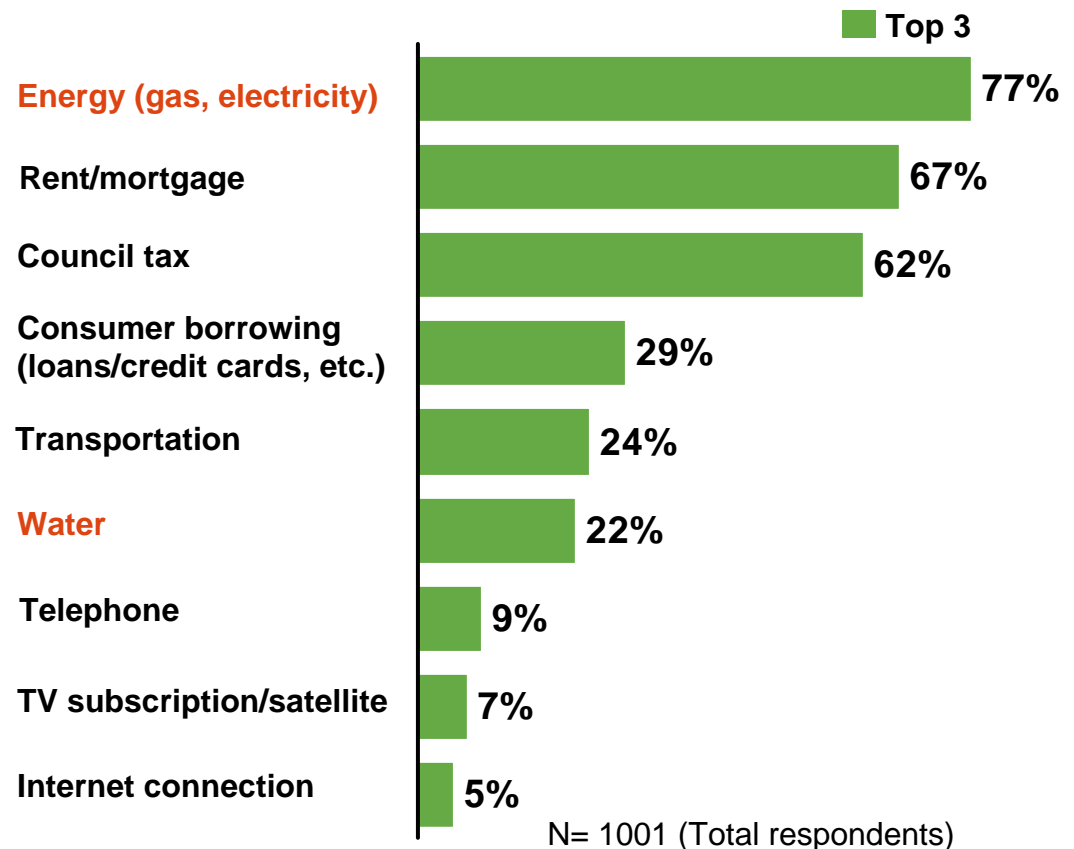
# UK consumers rank energy bills in their top three most expensive household outgoings



## Question:

Please rank the following household bills in order of amount from most expensive to least expensive

- Energy bills are in the top three of the most expensive household bills for 77 percent of consumers
- Water bills appear among the three most expensive bills for 22 percent of consumers



Source: Accenture UK Utility Debt Survey—September 2008

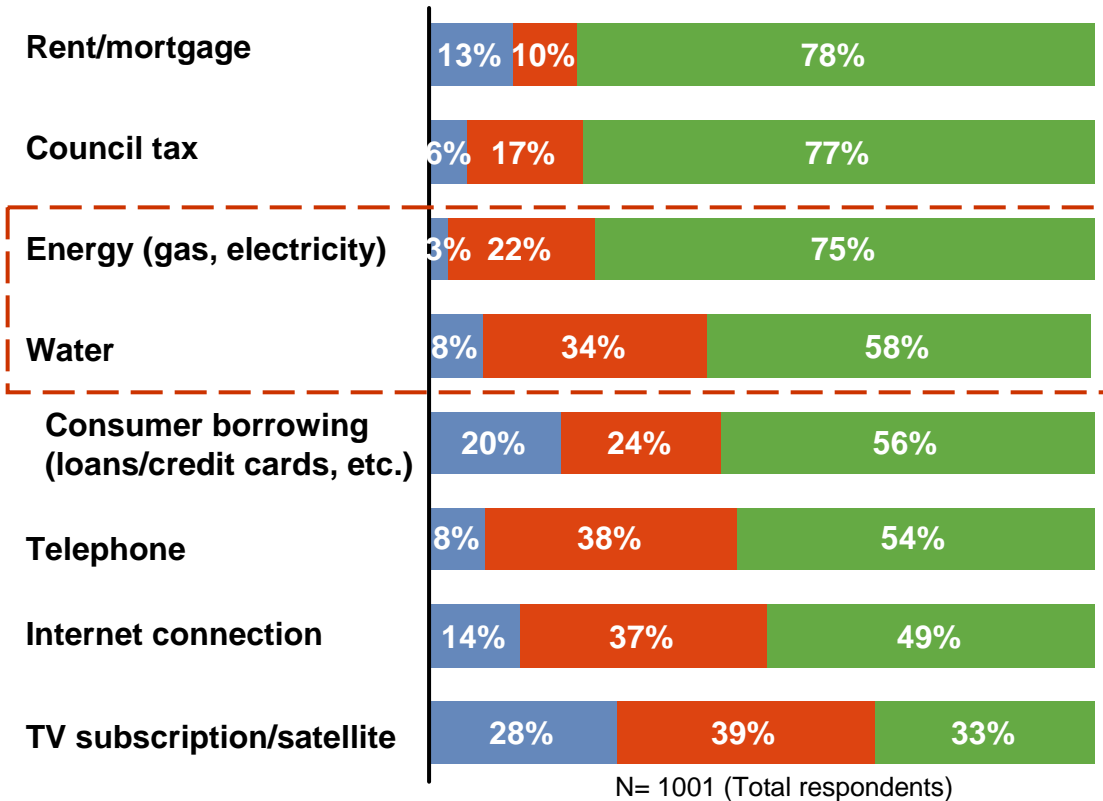
# Consumers will prioritise energy bills for payment but fewer consumers prioritise water bills



- Energy bills are in the top three of the priority bills for consumers to pay
- Water bills are less of a priority with only 58 percent of consumers seeing them as essential to pay on time

## Question:

What are the priority bills for your household i.e., bills for which there is a risk to your household if you delay the payment? Please indicate for each bill the level of priority within your household?



■ Low priority – can easily delay often    
 ■ Not urgent – can delay occasionally    
 ■ Essential – must pay in time

Source: Accenture UK Utility Debt Survey—September 2008

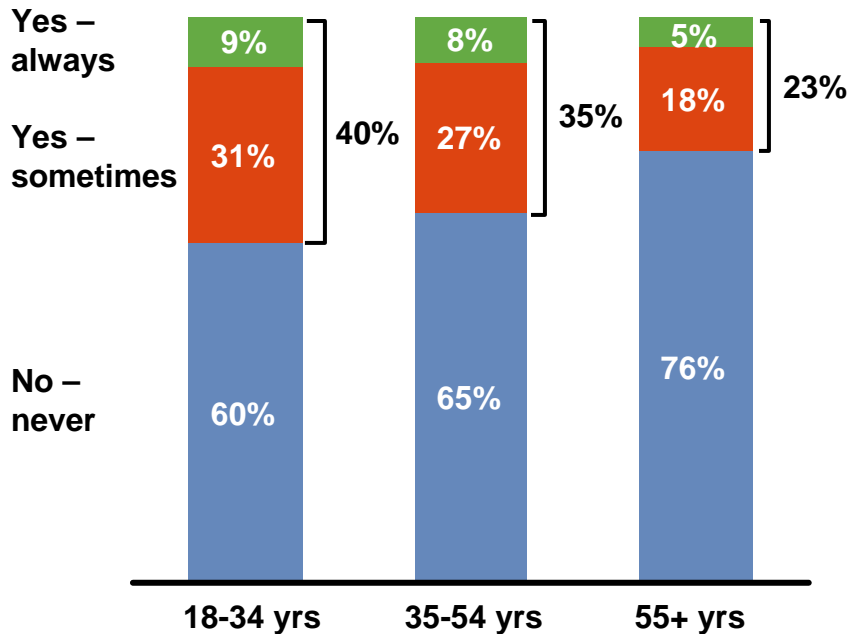
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Despite the expense, the vast majority of consumers did not delay bill payments over the past 12 months—but 38 percent expect to in the coming year



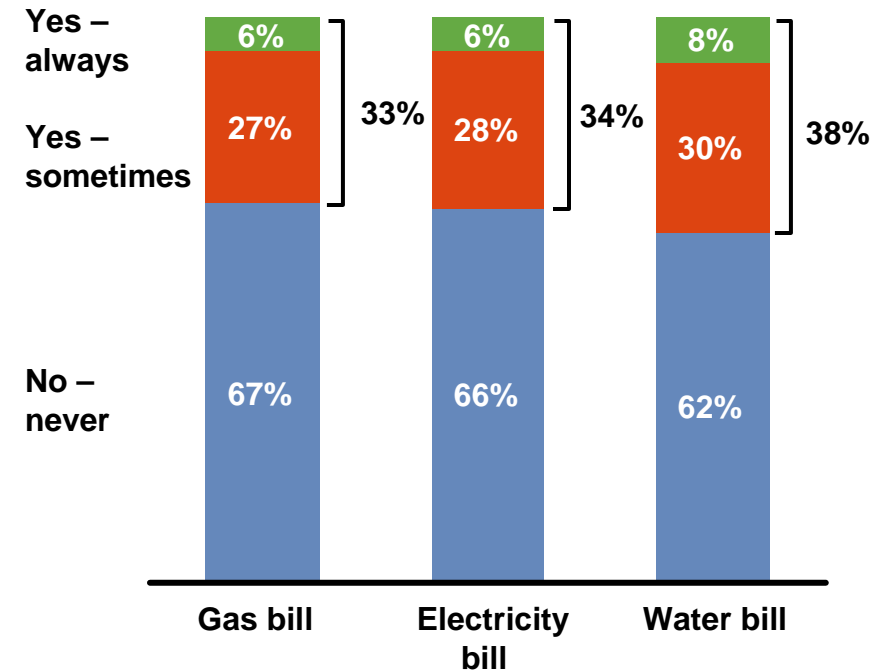
## Yesterday

Question: In the past 12 months did you delay the payments of any of your utility bills? For each kind of bill please say whether you always, sometimes or never delayed it in the last 12 months.



## Tomorrow

Question: Do you expect to be delaying any bills in the next 12 months?



N= 1001 (Total respondents)

Source: Accenture UK Utility Debt Survey—September 2008

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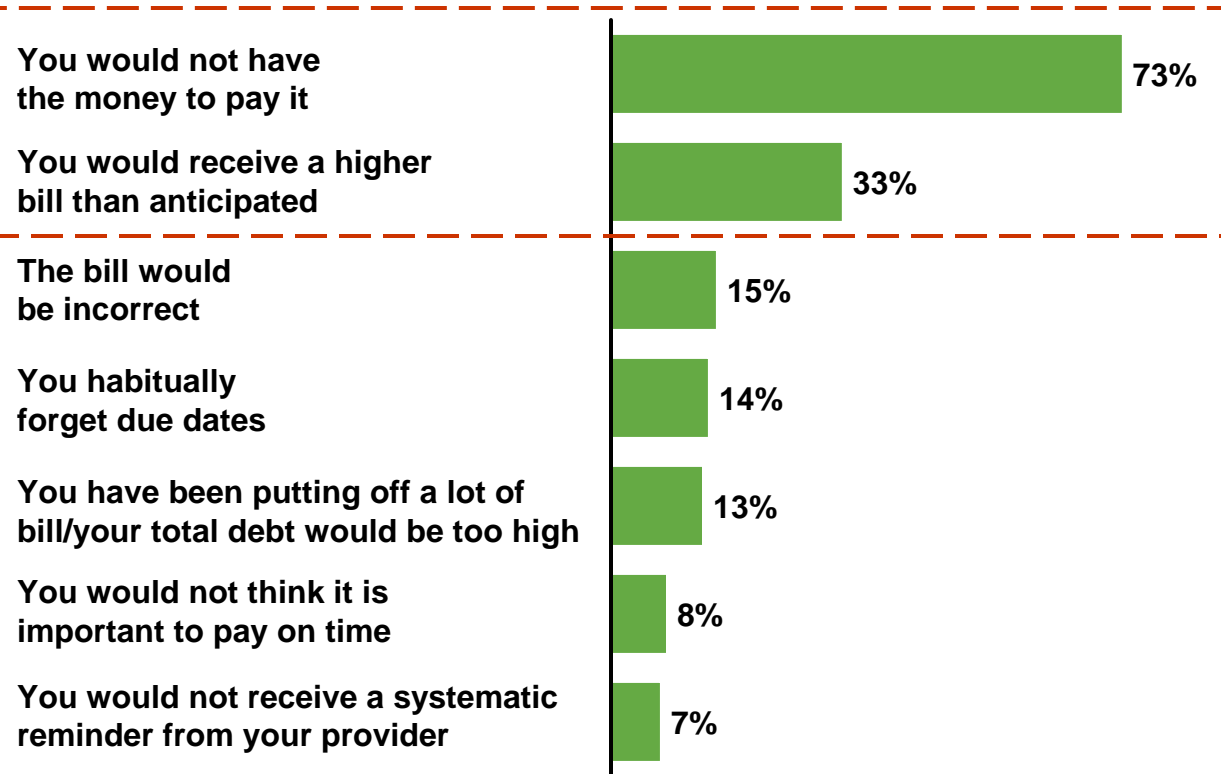
# The lack of money is cited as the primary reason for delaying energy bill payment over the next 12 months



- 73 percent of consumers are expecting to delay paying their bills due to lack of money to pay the bill over the next 12 months
- A significant percentage also expect to receive a much higher bill than anticipated (33 percent)

## Question:

In the next 12 months, what would be the main reason/s for putting off the payment of your utility bills? Please select up to three reasons



N= 476 (respondents who will always/sometimes delay their bills in the next 12 months)

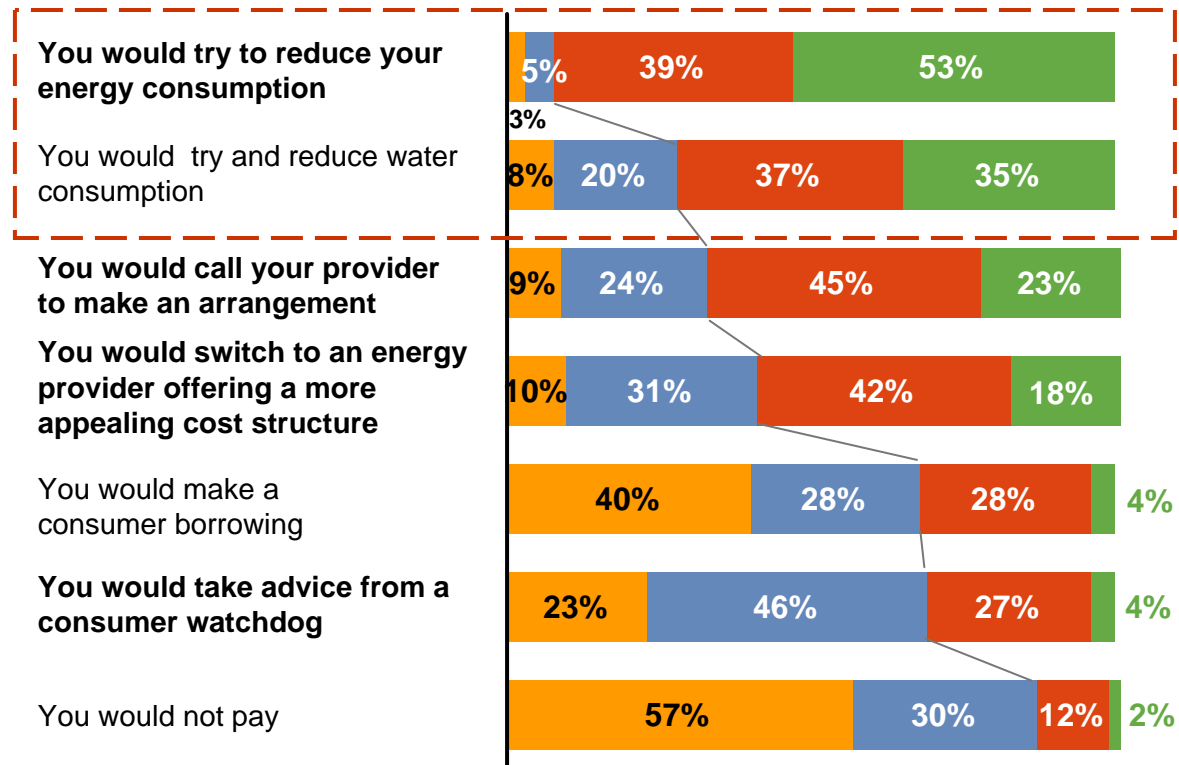
Source: Accenture UK Utility Debt Survey—September 2008

# Consumers intend to cut back energy and water consumption and will be asking utilities for help with payment of bills



- 53 percent of those who delayed paying bills in the last 12 months have made efforts to reduce energy consumption
- A significant number will also try to reduce water consumption
- Consumers often find energy consumption easier to reduce than water consumption

**Question:**  
**What actions would you plan in order to be able to pay your utility bills?**



N= 476 (respondents who will always/sometimes delay their bills in the next 12 months)

■ No, certainly not   
 ■ No, probably not   
 ■ Yes, probably   
 ■ Yes, certainly

Source: Accenture UK Utility Debt Survey—September 2008

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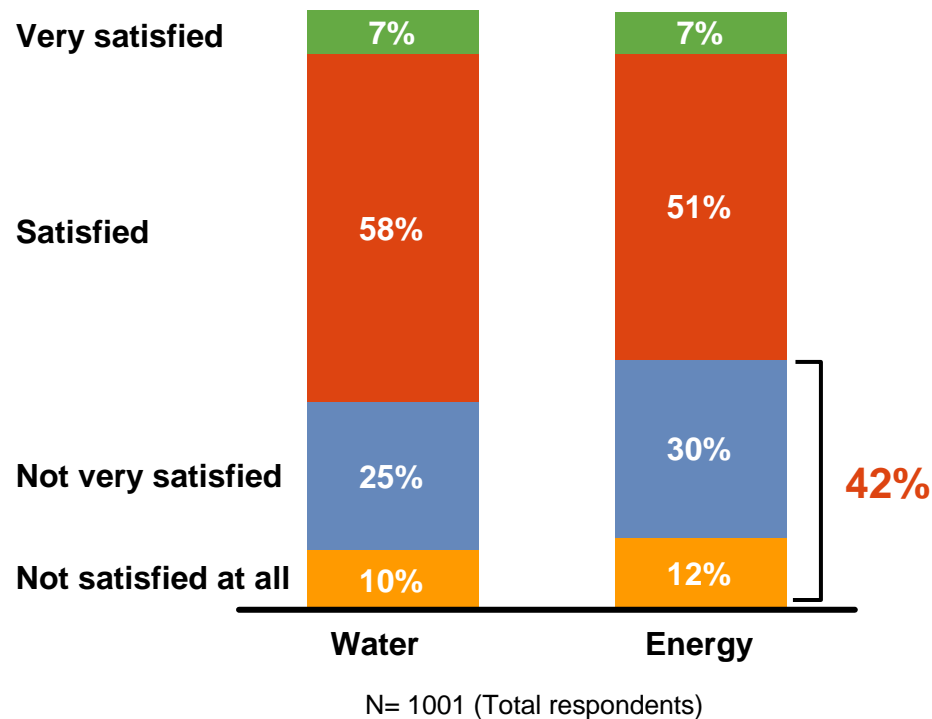
Consumers are more interested in energy efficiency options

# Utilities have an opportunity to help consumers achieve greater energy efficiency



## Question:

How satisfied are you with the way your providers help you manage your energy/water consumption?



- Most consumers are happy with the way energy providers support them in managing energy/water efficiency
- There is a significant percentage (42 percent) who want more help in dealing with energy efficiency for both energy and water

Source: Accenture UK Utility Debt Survey—September 2008

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# Consumers have a desire to learn about smart meters as a means to reduce household bills and cut their carbon footprint



- 65 percent of consumers want advice on reducing energy consumption
- 37 percent of consumers want smart meters
- Smart meters are particularly popular with the ABC1s (42 percent)
- Smart meters are attractive to the younger population: 18-34 year olds (47 percent)
- There is scope for greater investment and visibility of metering solutions

\*Percent might not sum due to rounding

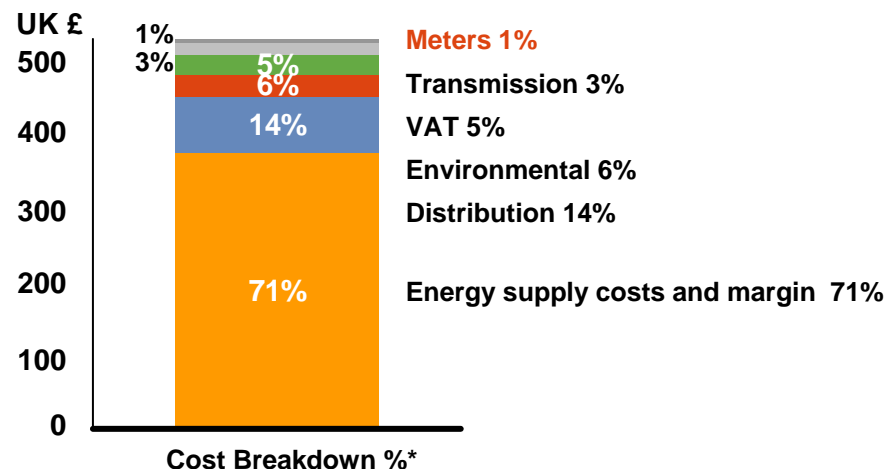
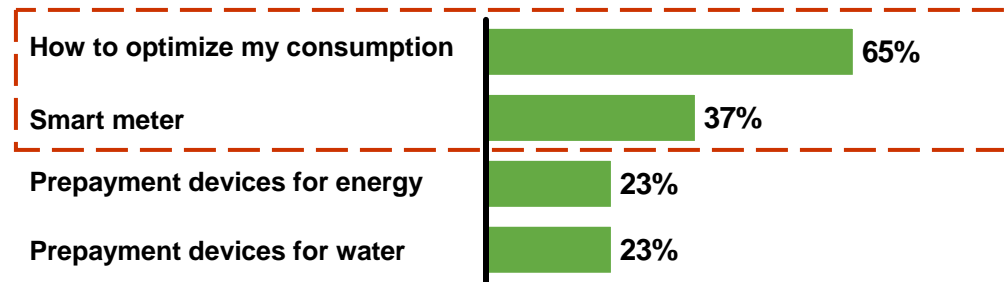
Sources: Accenture UK Utility Debt Survey–September 2008; OFGEM

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## Question:

What propositions would you like your utility providers to offer you? Multiple answers

### Breakdown of UK Domestic Energy Bill



N= 485 ( respondents who said they are not very/not satisfied at all with the way their provider helps them manage their energy/water consumption)



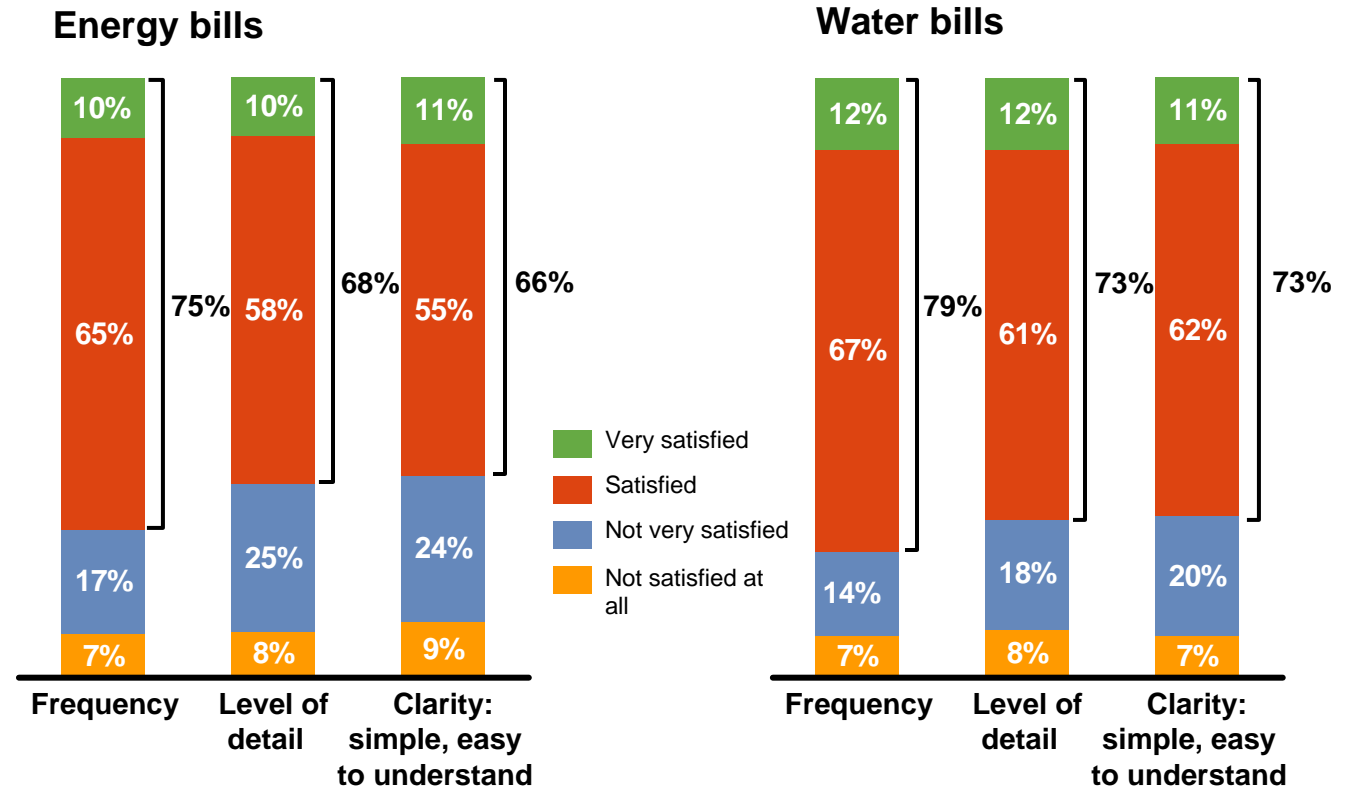
# Relationships with consumers

# Utilities are generally satisfying consumers with efforts to help them pay their bills



- The majority of people are satisfied with the help and information they receive from Utilities regarding paying their bills
- There are still a significant amount for energy and water bills who are not satisfied with the help they receive

**Question:**  
How satisfied are you with your utility bills regarding the following elements?



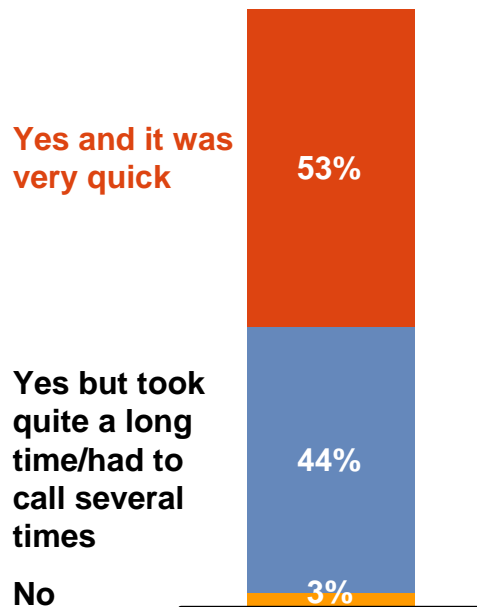
Source: Accenture UK Utility Debt Survey— September 2008

N= 1001 (Total respondents)

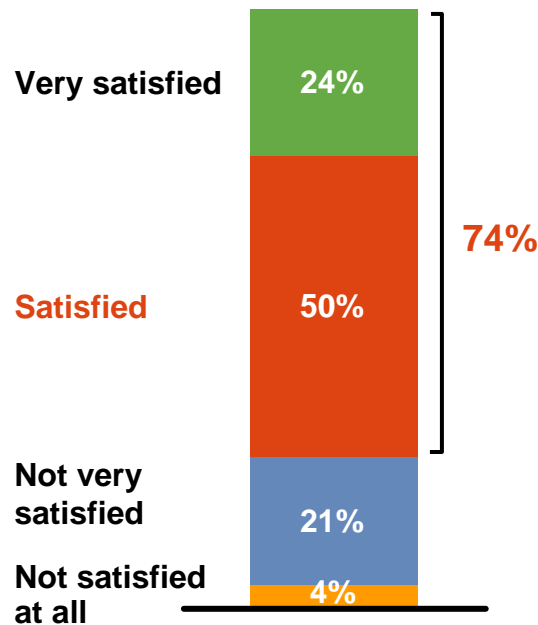
# Utilities' proposed payment responses/actions are effective in meeting consumer needs



**Question: If you have been calling your utility provider to make a paying arrangement, have you been able to reach the qualified person?**



**Question: And, have you been satisfied by the payment arrangement proposition?**



- 74 percent of those who have delayed some bills in the last 12 months and who called their provider for a payment arrangement are very/satisfied with their utility proposed payment arrangements
- 25 percent are not satisfied with the proposed arrangement

N= 234 (Respondents who always/ sometimes delayed their bill payments in the past 12 months and who called their provider to make an arrangement)

Source: Accenture UK Utility Debt Survey—September 2008

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**Times will remain tough. Better understanding of consumer concerns, clearer communications, and efficiency advice will help**



## **Key messages for Utilities from the consumer survey**

### **1. Better understanding of the consumer**

### **2. Better communications with the consumer**

### **3. Energy efficiency options including smart metering**

## **Utilities can offer...**

- Focus on account management
- Tailored and flexible pricing plans
- Incentives to remain with current provider
- Setting realistic and achievable targets for effective customer communication
- Personalised advice (based on analysis of accurate consumption trends)
- Portal services
- Target and differentiate their products and services
- New hardware sales: e.g., advanced boilers
- Selling excess CHP capacity to the grid
- Access to third party providers of fuel efficient solutions
- Real time metering and monitoring (smart solutions)



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