INSIGHTS

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Void properties **Managing occupier data and what it means for water companies**

UK water companies have hundreds of thousands of customers - in many cases it's millions. It is extremely tough to maintain accurate and up to date customer data in bases of this size but in a heavily regulated industry, these companies have many key areas of focus that they must improve on.

Managing void properties

Regulated by Ofwat, the water industry's suppliers share commonality across their challenges. One particular focus area is void properties. Although a good guide, reported Government figures are different to the levels of voids reported by water companies and through our work with many of them, we have seen the differences as well as how and why this occurs.

In some cases, one contributor can be the difference in definitions as void properties reported by water companies can include properties that are newly occupied. This is where the customer has not yet got in contact with their supplier so at this stage, the property has no named occupier to bill.

PR19 targets

Under the industry Price Review for 2019 (PR19), water companies were set targets to reduce the number of void properties on their books. As the UK water market is a geographical monopoly, suppliers vary in number of customers (from as few as 100k to as large as 15m) so a specific annual target is set by Ofwat for each company.
There is often a significant push by water companies in the latter part of the year to reach their targets which are in the form of a proportion of the properties they supply. This percentage target is a mandate by Ofwat that comes with financial penalties if it is not met.

Why gaps in customer data exist

Customer data plays a pivotal role in understanding who occupiers are. It is clear that not all void properties reported are actually empty but water companies alone cannot efficiently address this as managing and maintaining data is not their core business. Gaps, incorrectness and outdated information in occupier data are common across the industry and are driven by several contributing factors.

Given that water in the UK is a right, when people move into a new property they can immediately consume water without the need for contacting the supplier.

This means that the water company are not informed of a change to the account so the supply continues.
In some instances, customers may be moved out of properties incorrectly by third parties. This includes parties like letting agents who may be misinformed or pass on out of date information. These instances lead to false voids which create a misrepresentation of actual void numbers.

There are also cases of fraud where occupiers declare the property as empty in a bid to benefit from billing dispensations and tariffs but in fact still live there. We have seen examples where customers haven't contacted the water company but then complain when they are found and billed, despite occupying the property, using the supply and having a significant footprint there (e.g. mortgages, bank accounts, telephone supply).

A minimal customer footprint will also impact occupier data as it can take time for a customer's footprint at a property to build up, especially for recently moved in ones. Likewise, occupiers with thin credit profiles (e.g. no credit card, no mobile phone contract) can take time to build a data footprint at their property.

The status of a property can also drive change in occupier data. Poor reporting of demolished properties where they are not correctly recorded as well as converted properties where there are multiple occupants or dwellings at one supply point mean occupier data can be incorrect or in some cases, completely missing.

Water companies suffer financially



Incomplete billing and lost revenue due to gaps in known occupier data



Poor collections rates on customers identified and billed due to delays in moving customers into a property



Inaccurate occupier data leading to unpaid bills and increasing debt

Impacts on water companies

A property cannot be billed for its usage until the occupier is identified which drastically impacts the water company's revenue. It is crucial that the void base is managed closely and regularly so that void properties do not stack up and long lasting billing and collections issues do not become engrained.

For short term let properties, delays can mean that multiple customers may have moved in and out before an occupier is identified so there will be large periods where the occupier is still unknown.

Delays can also mean that when the occupier is finally billed, the charges could be significant which can lead to challenges with customer affordability, customer experience and debt recovery.

Some water companies choose to bill in the name of 'The Occupier' during the period of time at which the occupier is unknown – however, we know that over 80% of these bills go unpaid.

There is significant operational cost associated with managing the customer base, whether it is resolved in-house or passed externally. But no matter who conducts identification activities, accuracy is of absolute importance when identifying the occupier for billing. This is so that issues with debt collection do not occur later down the line.

Impacts on identifying vulnerable customers

Water companies are mandated to offer support to financially vulnerable people. This number is rapidly increasing due to COVID-19 as more customers go into financial difficulty. However, they are unable to offer this support when they do not know who occupies the property or know whether the occupier they have on record is financially vulnerable.

More automated techniques should be used to identify which occupiers are vulnerable as customers are not always forthcoming to request this directly from water companies, either through pride or lack of knowledge of eligibility.

Impacts on the customer experience

The time taken to identify the occupier of a property may lead to delays in customer billing that could result in excessively high bills.

This could mean that these customers get into difficulty as well as other outcomes including impacts to their credit rating.

The customer not contacting their water company directly means they are not always set up on the most appropriate payment schemes available such as Direct Debit or correct tariff options such as Single Person's Discount. But often with limited contact information available, the water company cannot always address a customer impacting issue, leaving customers on payment plans and tariffs that may not be the most suitable for them and their situation.

It's a difficult problem to solve

It can be extremely difficult to simply solve the problem of void properties and inaccurate occupier data as by the nature of the industry, it is an ever-moving customer base and therefore an ever-ongoing issue.

The volume of properties impacted can be very large in some companies (hundreds of thousands) and with 11% of the UK population moving home each year1, it never stays still for the water companies to investigate. However, in order to achieve Ofwat targets, voids must still be managed in a consistent and timely manner.

Also contributing to the challenge is an abundance of data. Not only can there be conflicting data sources, there are several datasets available making it difficult to select the most appropriate occupier name and ensure that the evidence is good enough to contact and bill them. As well as accuracy, the timing and reliability of data is key.

Traditional methods of occupier identification such as door knocking are not only expensive and time consuming to successfully execute but can be a potential waste if no one is home. Similar to attempting contact through postage. Much like unnamed or incorrectly named bills, this type of correspondence just gets binned with 51% of people less likely to open a piece of mail if it is addressed to 'The Occupier'2.

There can be significant manual effort required to process information relating to new occupiers to which most water companies do not have dedicated resource to expend. But due to the nature of the industry and how the service is supplied, the 'product' can be used without any contact from a customer.

This suggests that a potential delay and data issues are inevitable. Customers don't think to contact the supplier if there is nothing broken or wrong but by law, the water companies cannot just switch off supply so the problem begins and remains.

One way of identifying usage from a void property is to monitor consumption but not all properties are metered so water companies cannot always tell whether there is someone at the property using the service.

It is also very difficult to keep track of customers who move between properties in the same water company's remit. Although it is likely they get a new account at their new property, it is not easy for the supplier to work out that they are in fact already a customer at a different property in their base. It is even trickier for customers that move out of area as the water companies have no way of ever re-establishing contact with them to chase unpaid bills without third party expertise and support.

About Sagacity

Data makes the world go round. Every day, we generate it, use it, consume it, and demand it. At Sagacity, we are all about the intelligent use of data. We work with some of the country's leading brands to support them in making wise decisions powered by data. We help them transform their customer data into a structure they can use, enabling them to improve it, make sense of it, and drive value from it.

We have delivered consistent success and ROI for our clients through new customer acquisition, customer management, onboarding, and ongoing development, to ensure every consumer is treated like an individual.

Data can reveal the full picture and we join the dots. Get in touch to find out how we can help your business address its current challenges.