

# The impact of COVID-19 on microbusinesses

Longitudinal research – final report

November 2021

SORRY

WE ARE  
CLOSED

COVID-19

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A photograph of a power line tower against a sunset sky. The sky transitions from a deep purple at the top to a bright orange and red near the horizon. The tower is a tall, lattice-structured metal structure with several cross-arms and insulators. Power lines extend horizontally across the frame from the tower. In the foreground, there are dark silhouettes of hills and a tree. A semi-transparent light blue horizontal band is overlaid across the middle of the image, containing the text.

# Introduction and summary of key findings

## Background

- Microbusinesses (defined in this research as businesses with fewer than 10 full-time equivalent employees) play a central role in the UK economy, providing a wide range of products and services. According to government data, there were over 5.6 million microbusinesses in the UK in 2019 – accounting for 96% of all businesses, 33% of employment and 22% of business turnover.<sup>1</sup>
- The COVID-19 pandemic disrupted many facets of life in 2020 and 2021, with widespread effects on the economy, including microbusinesses. Business trading conditions have been impacted and uncertain trading conditions may continue for some time to come.
- The uncertain trading conditions in 2020 & 2021 have had great impact on some microbusinesses in particular – squeezing cash flows or forcing owners and decision-makers to make difficult decisions about how to resource the business.

## Who commissioned this research?

- Citizens Advice and Ofgem jointly commissioned this research to understand the impacts of the pandemic on microbusinesses in general and on their engagement in the energy market. We focused on businesses in those sectors that were most exposed to changes in trading conditions brought about by lockdowns and social distancing measures. In addition, we wanted to understand their broader perceptions of the energy market. This includes their interactions with energy suppliers and energy brokers, their experiences with credit balances and debt, and if they have accessed third party support.
- Citizens Advice, as the statutory consumer body for energy consumers in Great Britain, provides advice and advocacy services to small businesses, including microbusinesses. Ofgem has a duty to protect the interests of current and future domestic and non-domestic energy consumers.

<sup>1</sup> [Business statistics \(parliament.uk\)](https://www.parliament.uk/business/statistics)

## What research was commissioned?

- Qualitative research with microbusiness decision-makers was commissioned to understand how trading conditions and business decisions have been impacted by the COVID-19 pandemic.
- The research followed decision-makers over a 6-month period from January 2021 to June 2021. The research aimed to understand the ongoing impact of the pandemic on these businesses, so participants were interviewed three times over this time period. The research targeted businesses trading in hospitality, tourism, manufacturing, retail and entertainment as these sectors have been adversely impacted by social distancing measures.
- The research provides insights into the experiences of microbusinesses when managing their energy use, energy contracts, and energy bills, as well as their interactions with energy suppliers and energy brokers.
- The research has been used as an evidence stream to help Ofgem track developments in the market and to provide input into Citizens Advice advocacy work.<sup>2</sup>
- This report is a summary of the findings from each of the three waves of interviewing.

<sup>2</sup> [Microbusiness Strategic Review: Policy Consultation | Ofgem](#)

Qualitative research, including interviews such as those used in this longitudinal study, are used to provide a thorough understanding of the current consumer perspective on complex issues. It also allows for a more in-depth exploration of consumers' experiences and understanding of some topics. This provides insight into why participants have certain views.

It is important to note that this research is intended to be illustrative rather than statistically reliable. As such it does not permit conclusions to be drawn about the extent to which something is happening in the wider population of microbusinesses.

Throughout the report, verbatim comments have been included to illustrate particular viewpoints. It is important to remember that the views expressed do not always represent the views of all participants or all of the wider population of microbusinesses. In general, verbatim comments have been included to illustrate where there was a particular strength of feeling on specific topics.

To ensure anonymity, all participant names within this report are pseudonyms.



# Headline findings

1. Microbusiness consumers have been distracted by operational administration and the need to adapt to changing circumstances during the pandemic. As a result, they're **less engaged than ever on energy which poses risks of bill shock**.
2. While some microbusiness consumers have been thriving through the pandemic, and others are managing to survive, there is **a cohort which has been struggling**. This latter group can be expected to have **major issues with energy affordability** and some in the surviving but not thriving group **may also tip over into struggling with further price rises**.
3. There are risks associated with the **incorrect assumption** on the part of some that non-domestic consumers receive **similar protections to their domestic counterparts**.
4. It would appear that **energy suppliers haven't been particularly proactive** in communicating to microbusinesses during the pandemic, whether this be about support they can provide to those struggling to pay, advice on ways to improve energy efficiency/reducing bills, reminders about providing regular meter readings or considering smart meter installation in order to ensure accurate bills.
5. A minority had contacted their supplier, mainly due to having problems paying bills, and they reported largely negative experiences which left them **feeling unsupported**.

1

**Objective: Explore microbusinesses' experiences in relation to energy during the pandemic**

**Findings:** The pandemic has been the major factor shaping microbusinesses' fortunes over the last year, with microbusinesses divided into those which thrived, those which survived and those which struggled. Against this backdrop, energy was often a secondary concern.

2

**Objective: Explore microbusinesses' interactions with energy providers during the pandemic**

**Findings:** Relatively few microbusinesses reported anything other than "business as usual" contact with energy suppliers. However, many of those who had contacted their energy providers were left feeling unsupported.

3

**Objective: Explore microbusinesses' experiences with energy usage and management of energy bills during the pandemic**

**Findings:**

- A number of microbusiness customers reported finding pricing and billing complex and confusing (including meter readings, unit prices and bill amounts).
- Some also reported not seeing any effect on their bills from their attempts to reduce their usage or improve their energy efficiency.
- Paying by direct debit sometimes caused problems where a business had a credit balance and wanted access to cash for urgent pandemic-related business challenges. These businesses told us their supplier did not return their credit balances.



4

**Objective: Explore the support and assistance sought in relation to energy bills during the pandemic**

**Findings:**

- There was very little awareness of support offered by energy providers during the pandemic, such as bill holidays or bill reductions and few had proactively sought support.
- While the microbusinesses spoken to say they would seek external support in the event of problems and are confident they could do so effectively, few actually do so when there is problem - although only a small number of companies had experienced issues which they had been unable to resolve by themselves.

Aside from their experiences during the pandemic, we also sought to understand the microbusinesses' wider expectations and views about the energy sector.

5

**Objective: Identify where there is room for improvement in microbusinesses' experiences of the energy market**

**Findings:**

- Microbusinesses generally consider the domestic energy market to be more customer-friendly than the non-domestic energy market and many assume (incorrectly) that customer protections for microbusinesses are the same as for domestic customers.
- Many of the microbusinesses in our sample have had negative experiences of energy brokers, reporting large volumes of "pushy" or aggressive" sales calls, lack of understanding of specific needs and lack of after care.
- Underestimation of bills combined with a lack of meter readings is key driver of energy debt and new businesses are particularly at risk of accruing debt in this way.

GAME

DUTCH  
VEAL

NORFOLK  
POULTRY

PRIME  
ENGLISH  
LAMB

MATURED  
SCOTCH  
BEEF

GOURMET  
SELECTIONS

DELIVERY  
SERVICE

# Research objectives and methodology



**BOEREWORS  
BILTONG  
&  
S/A GOODIES**

DUTCH VEAL  
JUICY CHOPS  
KIDNEYS  
OSSO BUCCO  
SCHNITZELS in  
home baked breadcrumbs,  
or MATZO MEAL  
VARIOUS CUTS to ROAST  
GOULASH + Minced  
\*ALWAYS in Stock  
CALVES LIVER

SPECIAL BARBECUES  
Kebabs: HONEY CHICKEN  
MINTED LAMB. MARINATED STEAK  
CHARCOAL BEEF BURGERS  
MINT LAMB BURGERS  
BREASTS of chicken VARIOUS  
MINTED CHOPS  
CHUNKY LAMB  
LAMB STEAKS  
AWARD WINNING SAUSAGES  
LAMB SHANKS  
BUTTERFLY LEGS

ANNIES GOLD AWARD  
\*Legendary Steak + mushroom  
pies in a guinness stock.  
Bo peep pies (MINTED LAMB)  
Free range chunky chicken  
with leekes or mushrooms  
Minted cutlets in pastry  
Beef Wellington  
Honey marinated chicken  
or Duck in pastry

# Methodology: overview

Between January and June 2021, we followed the progress of 30 microbusinesses – conducting three waves of interviews.



## Wave 1

18th January – 1<sup>st</sup> February



## Wave 2

29<sup>th</sup> March – 9<sup>th</sup> April



## Wave 3

24<sup>th</sup> May – 21<sup>st</sup> June

In each wave of fieldwork, we asked participants to complete a short pre-task and conducted a 45-60-minute depth interview via video or telephone call.

**The overarching aim of the study was to understand the challenges that microbusinesses were facing as a result of COVID-19. Specifically, Ofgem and Citizens Advice wanted to explore microbusiness consumers' expectations of both the future of the pandemic and of their business. Ofgem and Citizens Advice were also looking to identify where microbusinesses felt they need more protection or support within the energy market.** In addition, the research explored the broader energy issues experienced by microbusinesses outside of the pandemic, as well as their interactions with energy suppliers.

The results in this report reflect the views of those microbusinesses included in this study. Given the qualitative nature of the research, the findings should not be considered representative of the full population of microbusinesses in Great Britain.



# Our sample of microbusinesses

Thirty microbusinesses (i.e. businesses with fewer than 10 full-time equivalent employees) were recruited from across Britain. The sample was weighted towards businesses from the sectors most negatively affected by the pandemic: hospitality, tourism, manufacturing, retail and entertainment. Twenty-six businesses completed all three waves, with 2 dropping out in Wave 2 and a further 2 in Wave 3, citing increased business pressures as pandemic-related restrictions had eased.

Wales



- Jasmine, curtain maker
- Anne, cycling and walking tours
- Andrew, wedding venue
- Leah, furniture maker
- Emily, hairdresser
- Bryan, card shop
- Kim, sweet shop

Scotland



- Matt, microbrewer/ bar
- Charles, gift shop
- Mo, butcher
- Daniel, food retail
- Mark, holiday park
- Catherine, restaurant
- Arthur, farmer

Missed Wave 3

England



- Richard, microbrewer
- Jay, theatre ticket agency
- Deb, fudge shop
- Oskar, pub
- Sharon, children's play centre
- Gemma, events / music venue
- Sam, independent cinema
- Bella, café
- Ali, music venue
- Lauren, media agency
- Vanessa, holiday accommodation
- Kate, funeral director
- Chloe, tea room
- Wilson, restaurant
- Simon, cycling holidays
- Grant, coffee shop

*\*N.B. we have changed respondents' names throughout the report.*

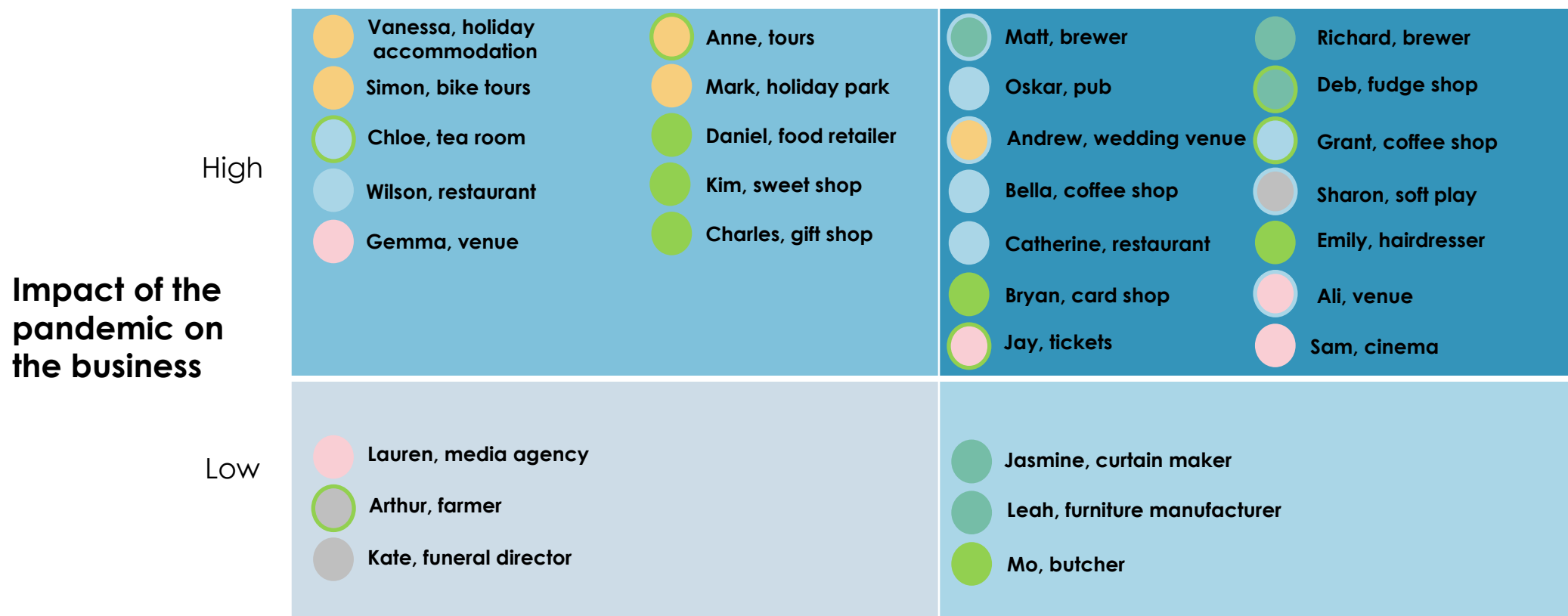
Missed Wave 2 and 3

**Sector key:** ■ Manufacturing ■ Travel / tourism ■ Retail ■ Arts / entertainment ■ Hospitality ■ Other □ Outline colour denotes secondary sector

# The profile of our microbusinesses

We recruited microbusinesses based on a range of criteria. The impact of the pandemic and the cost of energy to the business were key recruitment criteria. Below we have plotted where each microbusiness sits.\*

\*N.B. Although recruitment was based on self-reported data from respondents, we have reclassified some businesses based on moderator assessment after the first interview.



'Business spend on energy' refers to the level of spend (</> £2.5k) and priority of energy bill (high/low), the latter was based on both respondent self-reporting and moderator assessment of impact of spend.

**Sector key:**

<span style="display: inline-block; width: 15px; height: 15px; background-color: #2e8b57; margin-right: 5px;"></span> Manufacturing	<span style="display: inline-block; width: 15px; height: 15px; background-color: #ffcc00; margin-right: 5px;"></span> Travel / tourism	<span style="display: inline-block; width: 15px; height: 15px; background-color: #90ee90; margin-right: 5px;"></span> Retail	<span style="display: inline-block; width: 15px; height: 15px; background-color: #ffb6c1; margin-right: 5px;"></span> Arts / entertainment	<span style="display: inline-block; width: 15px; height: 15px; background-color: #add8e6; margin-right: 5px;"></span> Hospitality	<span style="display: inline-block; width: 15px; height: 15px; background-color: #a9a9a9; margin-right: 5px;"></span> Other
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Outline colour denotes secondary sector





## Experiences of the pandemic



**This section draws on findings from the three waves of interviews with the microbusinesses in this study and summarises their journeys during the pandemic.**

First, we look at the pressures they encountered as a result of the pandemic, and how they responded to these. We map out how different microbusinesses fared at different stages of the pandemic and show how general mood and business confidence swayed over time in different sectors.

We then zoom in on these businesses' experiences with the energy market during the pandemic. This includes the communication they have had with their energy suppliers about the impact of the pandemic on their business, and what happened when support was requested. This section also highlights changes in some microbusinesses' energy-using behaviours and in their engagement levels in the market.

## **Key findings**

- **The pandemic has undoubtedly been the major factor shaping microbusinesses' fortunes over the last year and energy was a lower order priority compared to dealing with the impacts of the pandemic on their business.**
- **Relatively few microbusinesses reported anything other than “business as usual” contact with energy suppliers.**
- **There was very little awareness of support offered by energy providers during the pandemic, such as bill holidays or bill reductions. Few had proactively sought support.**

# Business pressures

In all but a small minority of cases, microbusinesses were unequivocal that **it is the pandemic which has shaped their businesses' fortunes over the last 10 months**. For a small number, other factors (e.g. the death of the business owner) had had the most significant impact on the business in this period.

- In the worst cases, the pandemic has pushed microbusinesses to the brink of collapse. The pandemic has also had a significant emotional impact – often prompting deep-seated feelings of uncertainty and powerlessness.
- Even where the impact has been relatively moderate, the pandemic context has set the agenda and often forced significant changes to standard business practices.

## Common ways in which the pandemic affected businesses include:

### Forced inability to trade for an extended period of time

*"We've been closed since March [2020]."*

Sharon, children's play centre, England

### Loss of customer footfall even when business is open

*"[Footfall] was slow. People lost confidence to be in the high street."*

Kim, sweet shop, Wales

### Upsurge in demand after re-opening

*"Demand was enormous, but we took responsibility for avoiding Covid coming in and let fewer people in."*

Mark, holiday park, Scotland

### Challenges in adapting to social distancing measures

*"We've had to adapt our store and install screens, one-way stickers on the floor, signage and hand sanitiser."*

Bryan, card shop, Wales

### Attempts to diversify the business, positive & negative

*"We've had to reinvent ourselves; we've gone out and found different markets."*

Arthur, farmer, Scotland

### Benefitting from "buy local" consumer mindset

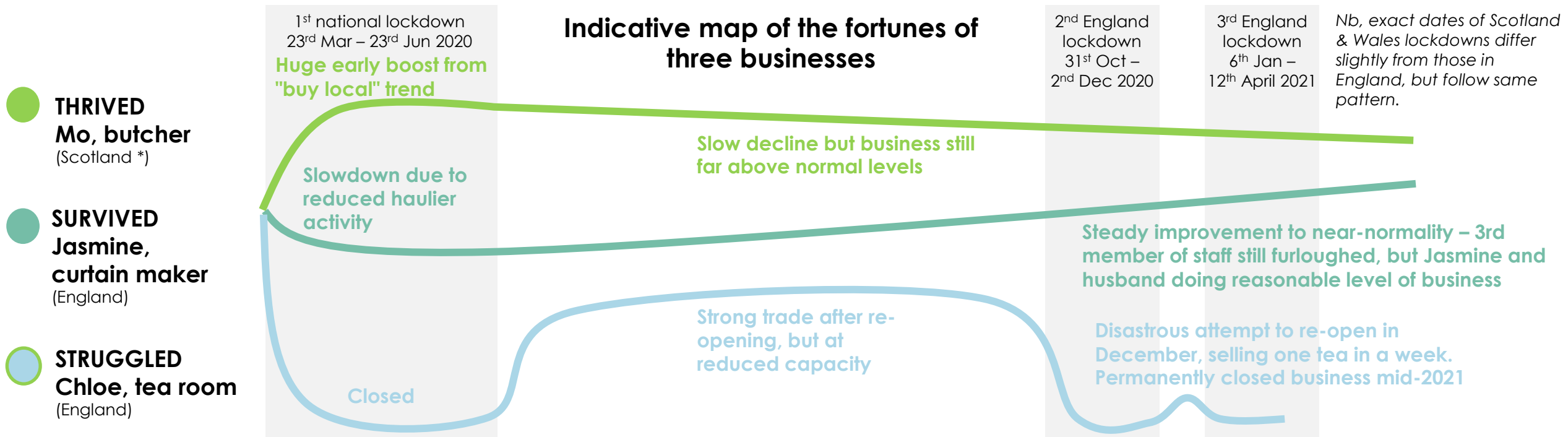
*"In the first lockdown, business went mad. We were selling out of fillet steak on a Monday!"*

Mo, butcher, Scotland

**Many businesses were forced to increase their focus on operational management and as a result had less capacity to think about everyday admin tasks such as managing their energy, paying less attention to bills, meter readings and contracts. For some, this led to increased bills or debt.**

# Business context: the timeline of the pandemic

Individual business journeys diverged hugely from the start of the pandemic, but across the sample, experiences generally fell into one of three categories: **microbusinesses which thrived, those which survived and those which struggled**.



## Lockdown 1: March / April 2020

- Common emotional experiences:
  - high stress
  - financial worry
  - concern about future of business
  - lack of headspace to think beyond immediate future
- As lockdown continued, some turned to long-overdue admin tasks to fill time.

## Since May 2020:

- Businesses in travel / tourism, hospitality, leisure, retail and arts and entertainment have generally struggled for significant portions of the last year.
  - Some businesses reported very strong summer trading in summer 2020 due to domestic tourism and pent-up demand.
- Microbusinesses in manufacturing and other sectors have returned to a near-normal / stable state

*\*The map is indicative of business fortunes based on what respondents told us – the lines do not correspond to actual financial performance.*

# Business sentiment: changes during the research

The longitudinal research design allowed us to understand how business sentiment and expectations have changed since the start of 2021.

	January 2021 (Full lockdown)	March-April 2021 (Lockdown easing, shops limited opening)	May-June 2021 (Most restrictions lifted)
<i>General mood</i>	<ul style="list-style-type: none"> <li>Christmas a very difficult period both personally and for business.</li> <li>Feelings of uncertainty and powerlessness (at the mercy of Government rule changes).</li> </ul>	<ul style="list-style-type: none"> <li>Daring to feel more hopeful for the summer ahead.</li> <li>Continued uncertainty about longer-term business/economic environment.</li> <li>Minority adapting to post-Brexit transition period challenges.</li> </ul>	<ul style="list-style-type: none"> <li>Business fortunes generally improved with re-opening.</li> <li>Dynamic business environment (e.g. business closures, changing footfall &amp; purchasing habits) creating opportunities for some and risks for others.</li> <li>Short-term optimism, but longer-term uncertainty remains.</li> </ul>
<i>Most affected sectors (e.g. travel &amp; tourism, entertainment, retail)</i>	<ul style="list-style-type: none"> <li>“Treading water”: not making plans. “Wait and see” approach.</li> <li>Worry and concern for months ahead.</li> <li>For minority of worst affected: next few months seen as “make or break”.</li> </ul>	<ul style="list-style-type: none"> <li>Used lockdown to invest in upgrading physical &amp; digital infrastructure &amp; marketing activities.</li> <li>Starting to plan for re-opening.</li> <li>Hospitality and tourism feeling bullish about summer with foreign holidays looking unlikely.</li> </ul>	<ul style="list-style-type: none"> <li>Continuing challenges adapting to ongoing/changing restrictions.</li> <li>Mixed experiences of re-opening.</li> <li>Staffing challenges particularly in hospitality.</li> </ul>
<i>Least affected sectors (e.g. manufacturing)</i>	<ul style="list-style-type: none"> <li>Relief that business is “surviving” – no major long-term planning for business but no huge concern either.</li> <li>Personal circumstances around the pandemic (esp. the mental health impact of lockdowns) often feel more pressing than business-specific issues.</li> </ul>	<ul style="list-style-type: none"> <li>Feeling relatively confident about business prospects and planning for medium- to long-term.</li> <li>Expect some bumps along the road (esp. in winter 2021-22) but operating relatively normally for time being.</li> </ul>	<ul style="list-style-type: none"> <li>Experiencing supply chain issues (uncertain whether pandemic or Brexit related).</li> <li>Enjoying “business as usual” circumstances.</li> <li>Continue to anticipate further pandemic-related challenges in medium- to long-term.</li> </ul>

# Energy: interactions with suppliers during the pandemic

We asked microbusinesses about their experiences of the energy market over the course of the pandemic, including if they had been contacted by their energy supplier, requested support, or changed their energy use.

**Relatively few microbusinesses reported anything other than "business as usual" contact with their energy suppliers during the pandemic.**

*"I haven't had any contact from them [energy supplier] during the pandemic besides the 'we're with you' standardised company email."*

Ali, music venue,  
England

- **Many microbusinesses reported having had no noteworthy contact with their energy suppliers since the start of the pandemic** – they might have received bills and "generic" communications from the supplier, otherwise had not been in contact.
  - As a result, views of energy suppliers among these businesses were typically neutral – few had expected any contact and described their relationship as continuing as normal.
  - When prompted, a minority said that they might have expected some form of pandemic-related communication from their provider – for example, to outline any support that they were offering. However, this was rarely a front-of-mind concern.
- **Few microbusinesses reported any interactions with suppliers specifically related to the pandemic.** Where contact had occurred, it was often in relation to attempts at negotiating bill amounts and experiences were largely negative. These included:
  - Asking for a bill reduction to reflect severely reduced trade and this being denied.
  - Requesting that standing charges be removed because premises weren't being used, but this not being granted.
  - Contacting the supplier to switch to a different deal mid-contract and discovering that they are unable to do so.
  - Seeking to renew their contract and being told this was not possible as their energy spend had been too low.
  - Seeking to get a smart meter installed – some had had success, others had not.

# Energy: pandemic-related support during the pandemic

**There was little awareness or take-up of support offered by energy providers.**

- **Few businesses could recall being offered any pandemic-related financial or non-financial support by their energy provider, such as a payment holiday or repayment plan.**
  - Some had a slight awareness of receiving letters or emails from their energy provider in relation to the pandemic. However, none could point to specific examples of this, or could recall paying them much attention.
- **In addition, few had proactively sought support from their energy provider.**
  - For low energy expenditure businesses, this related to the relatively low costs of energy bills in comparison with other business costs.
    - Some assumed that their energy provider would be willing to offer help but said that they did not need it – or, in the case of payment holidays, did not want it.
  - But even for high energy expenditure businesses, few had investigated any support that might be offered by their energy providers; this is because they regarded their costs as non-negotiable and did not expect suppliers to offer support.
- **As mentioned, a few did contact their supplier due to problems with bill paying but they reported largely negative experiences which left them feeling unsupported.**

*"I was disappointed...my broadband provider gave me something off, but my energy provider didn't."*

Kim, sweet shop, Wales

*"We contacted our energy company but asking for support was impossible. They just said we have to give regular meter readings. They haven't helped at all."*

Sharon, children's play centre, England



# Energy: changes in usage during the pandemic

## High energy spend microbusinesses

- **Behaviour changes to reduce energy expenditure seemed relatively common.** High usage businesses were more engaged, with some monitoring usage closely and taking advantage of the lockdown lull to review business practices and improve efficiency in order to save money and reduce environmental impact.
- **These behaviour changes were still dependent on individual business leaders' levels of knowledge, however** – with some unaware of what steps they could take to reduce their energy usage.

### ● Oskar, pub

Redesigned menu to be more energy-efficient. Removed modular oven and replaced with wood-fired oven, which can be used for all dishes. Wood-fired products also considered premium, so can increase prices.

### ● Richard, brewer

Has changed brewing process to reduce energy cost; has been able to shut down half of premises through changes.

- **Across the range of microbusinesses there was very limited consideration of switching suppliers or contract as a way to reduce energy costs** – most assume their energy contracts are inflexible and that contacting their supplier will be pointless.

## Low energy spend microbusinesses

- **Proactive attempts to modify energy usage were relatively rare.** This is particularly true where businesses have been temporarily closed, as business leaders assume there is no more scope for reducing energy expenditure.

### ● Wilson, restaurant \*

When his restaurant was shut, Wilson did not think there was anything he could do to reduce his energy spend.

*\* Wilson's premises are very small and the restaurant only opens when there is guaranteed trade, so energy usage is efficient compared with other hospitality venues in the sample. The premises also include accommodation, so some energy expenditure is allocated to living expenses rather than a business cost. For this reason, level of energy spend is 'low'.*

### ● Charles, gift shop

Switched all in-shop lighting to LEDs before COVID. Now very disengaged in energy issues as he assumes his bills are very low. When prompted, he was surprised by the cost of his standing charge.

# Energy: management of bills during the pandemic

## High energy spend microbusinesses

**Some high energy spend businesses reported keeping a closer eye on bills since the pandemic began.**

- Many now place greater importance on submitting a meter reading every month for billing accuracy.
- Several businesses had requested smart meters with the aim of monitoring energy usage more closely. Some of these did have one installed. Others did not receive one, either because they believe they were told their premises are unsuitable or because the supplier did not arrange installation even after they were asked several times.

**But others lacked understanding of their energy usage and costs, including the importance of providing up-to-date meter readings in order to receive accurate bills.**

- For example, a hairdresser who moved to a cheaper tariff did not see any benefit from this because she did not submit any meter readings afterwards – she complained to us that her bills remain high.

**Some also felt that they were not able to see any evidence of savings from reduced usage or cheaper tariffs, at a time when they were struggling with cashflow.**

## Low energy spend microbusinesses

- **We saw numerous examples of low engagement with energy bills.**
- **Some low energy spend businesses were very happy for suppliers to hold on to credit for now** – saying that knowing they were in credit provided one less issue to worry about in the current context. Given the larger sums involved, high energy spend microbusinesses were more often unwilling to have the money tied up elsewhere.

### ● Vanessa, holiday accommodation

Vanessa installed solar panels several years ago and greatly reduced her energy bills. She now doesn't even look at these and does not know how much energy she is using.

### ● Arthur, farmer

Arthur put a chill room on the back of his butcher shop in order to reduce energy consumption and since then hasn't paid attention to his bills. He pays a fixed direct debit each month and would be happy to build up a credit balance of up to £700. He currently has a credit balance of £165, but was not aware of this until he checked the paperwork to prepare for this research.





# Microbusinesses' experiences in the energy market: brokers, credit balances and debt



**As well as understanding microbusinesses' experiences during the pandemic, we wanted to understand their perceptions of the energy market.**

We begin by exploring their understanding of the differences between the domestic and business energy markets.

We then turn to their impressions of energy brokers. Here, we highlight some microbusinesses' complaints about sales calls from brokers, their experiences using a broker to find an energy deal, and whether their expectations around brokers' aftercare services were met.

Next, we present the microbusinesses' views on credit balances, revealing tensions that have arisen for some businesses as a result of using fixed direct debits.

Last, we look at how some microbusinesses unwittingly found themselves in debt to their energy supplier - generally as a result of their agreed direct debit amounts falling short of their actual energy usage.

## **Key findings**

- **Microbusinesses generally consider the domestic energy market more customer-friendly than the microbusiness energy market.**
- **Many microbusinesses assume (incorrectly) that customer protections for microbusinesses are the same as for domestic customers.**
- **While some microbusinesses valued brokers, on balance a lot of these microbusinesses have had negative experiences of energy brokers.**
- **Many microbusinesses pay energy bills by direct debit as a “default” payment rather than an active choice.**

## 1 Finding an energy deal is easier in the domestic energy market

- Due to the prominence of widespread advice, tips and information on third party domestic consumer websites, information for businesses was thought to be sparse in comparison.
- The availability of domestic Price Comparison Websites is said to make the process easier. Microbusinesses can find it difficult to get a clear overview of the market and viable options without significant effort.

## 2 The domestic energy market is more flexible

- Energy contracts for microbusinesses are typically seen as longer and more rigid, without the possibility of exiting early as in domestic contracts.

## 3 Customer service is better in the domestic energy market

- Customer-facing web portals and apps are thought to be generally better for domestic consumers than for businesses (although there are some exceptions).
- As a result, it is thought easier to submit meter readings, check bills and contact suppliers as a domestic energy consumer.

## 4 The domestic energy market places greater emphasis on environmental considerations

- Particularly environmentally conscious businesses had struggled to find renewable energy contracts – whereas they believed renewable energy tariffs were now nearly standard in the domestic energy market.
- Some also felt that suppliers were more forthcoming in helping domestic customers to reduce their energy use – e.g. by offering smart meters and by providing advice on how to be more energy efficient at home.

## 5 Customer protections are often assumed to be the same, even though this is not the case

- Almost all microbusinesses assume that there is a 'cooling off period' in which they could change their mind after signing up for a contract, but this is only the case in the domestic market.
- Many microbusinesses assumed that if they were to fall behind on their energy bill, they would have less protection from disconnection than a domestic energy consumer, although some thought they could not be cut off.

# Microbusinesses' impressions of energy brokers

## Sales calls from brokers

### Negative experiences

Calls from energy brokers are said to make up a very large proportion of all inbound calls (for both high energy expenditure and low energy expenditure businesses).

- Some say they receive 10-20 calls a day at times; for others, 3-4 a day is a normal volume.

**These energy sales calls are a “hassle” and “a constant bombardment”.**

- The frequency of the calls – and the “pushy” or “aggressive” tone of these – has given many microbusinesses the impression that microbusiness energy brokers are fundamentally different from brokers in other markets (such as insurance).

## Using a broker to find a deal

### Mixed experiences

A common complaint was that the brokers paid no attention to microbusinesses' needs and were very pushy.

- Limited attention was paid to specific circumstances or niche requirements – such as typical time of energy use or seasonal variation across the year.
- There was a lack of transparency, with very limited written communication and conversations exclusively conducted via telephone.

**Others believed that they had got a good deal via a broker, and had a high degree of personal trust in the broker they were dealing with** – either due to longstanding personal / professional relationships or due to a transparent manner.

## Aftercare

### Negative experiences

**High expectations of what the broker would do after finalising the deal – which did not match reality.** For example:

- Saying they received bills from two suppliers after switching via a broker, and broker unwilling / unable to help.
- Discovering that the contract was more expensive than they had been told (or imagined) – and being locked into a contract for 3 years with no opportunity to exit.

**Other expectations of brokers' aftercare had not yet been tested:**

- That brokers would have better access to suppliers to resolve complaints or service issues, in comparison to the microbusiness trying to do this themselves.
- That brokers would remind the microbusiness when their contract was nearing expiry.



# Credit balances

- **Many microbusinesses could not remember making an active choice to pay by direct debit, assuming instead that it was the 'default' payment option or a requirement of the contract.** Even where it was not an explicit choice, microbusinesses are usually comfortable with this payment method. Building a balance of credit on their energy account is seen as minimising the risk of missing payments and also reduces admin.
- **All our microbusinesses had a basic awareness and understanding of credit balances** in the energy sector.
- **The vast majority of our microbusinesses were neutral or positive towards credit balances.** However, some smaller microbusinesses (where bills are a proportionally larger cost) and struggling businesses were negative towards credit balances as they wanted access to their cash for urgent business challenges. A lack of supplier proactivity was the biggest concern:

## Tensions as a result of using fixed direct debits

Direct debit remains the same despite credit balance – customer has to specifically ask for it to be adjusted

Supplier retains credit balance – customer has to specifically ask for refund

Supplier refuses to return credit balance when asked – insists on reduction of direct debit instead

Supplier is slow to return credit balance after refund agreed

Supplier customer service is inefficient, with customer passed to multiple departments

## Impact on customer

Continues to accrue credit on account, tying up money until they request an adjustment

May not realise they have large amounts tied up in supplier's account, rather than available for own use

Less money accessible to pay other creditors, causing cashflow issues

Cannot use money until in own account, causing cashflow issues

Time spent addressing credit balance rather than running microbusiness

# Experiences with energy debt (1/2)

Under-estimation of bills combined with a lack of meter readings is a key driver of debt amongst microbusinesses.

- **Avoiding being in debt to suppliers is a priority, with many microbusinesses taking proactive steps to avoid this.** Over half the sample said they had never been in debt on their energy account.
  - Have smart meter so always pay correct amount
  - Submit regular meter readings
  - Immediate payment on receipt of bill
- **Some assume that they are never in debt because they pay by direct debit – but risk accruing debt if they are not also entering meter readings.** Reliance on estimated bills is a key driver of debt, but automated payment methods reduce engagement with actual energy usage.

*"I've never run up a debt on energy, I wouldn't let that happen to be honest".*

Daniel, food retailer, Scotland

*"... I pay everything on time. I can't deal with debt, I'm very risk averse and would never have a debt I wouldn't know about".*

Leah, furniture maker, Wales

## Experiences with energy debt (2/2)

New businesses may be at risk of accruing debt due to a combination of inaccurate estimates as they have no usage history and uncertain trade levels. This may be compounded if they don't read their meters due to distraction by business matters.

**A number of our microbusinesses had experienced some level of debt on their business energy account** due to suppliers underestimating their energy use at the start of a new contract. The typical customer journey is:



**This seems a particular risk for new businesses:** they may lack experience with handling business admin, may be too preoccupied with driving the microbusiness forward to enter meter readings and there are no previous readings to help inform estimates.

While some who had experienced energy debt felt fairly treated by their supplier, others were frustrated by a perceived lack of support in not accruing debt in the first place.

- Inaccurate estimates at start of contract.
- Failure to 'check in' to ensure estimates match usage.
- Lack of prompts to enter meter readings.
- Debt accruing over a long period with no notification from supplier.





## Accessing third-party support





**In this section we focus on how these microbusinesses would go about resolving a problem with their energy supplier.**

This includes:

- how they seek to access help,
- the barriers that are for them to do this.

## **Key findings:**

While the microbusiness decision-makers in this study say they would seek external support in the event of problems and are confident they could do so effectively, few actually do so when there is problem – although only a small number of companies had experienced issues which they had been unable to resolve by themselves.

# Seeking third-party support for energy problems

While microbusinesses say that they would seek external support in the event of problems and are confident they could do so effectively, few actually do so when there is a problem.



1

**Many businesses found it difficult to imagine ever experiencing energy problems – let alone any that would require third-party support.**

- Energy supply is of paramount importance – and few recall experiencing major outages or disruptions to this. While many have encountered retail-related issues, these are of secondary importance for many microbusinesses and have generally been easily resolved.

2

**If problems arise, businesses would usually seek to resolve these directly with their supplier in the first instance.**

- Self-confidence is often high – microbusiness owners deal with other companies regularly and believe they could handle this themselves.

3

**Many say they would seek external assistance if necessary after this, and are confident that they would be able to find appropriate resources to help.**

- An online web search was widely recognised as a first port-of-call.
- Beyond this, organisations named included the regulator (although some could not name Ofgem specifically), an ombudsman (which is assumed to exist), Citizens Advice, solicitors, the small business membership organisations, local MPs and banks, and energy brokers.

4

**However, very few businesses had actually sought third-party assistance in relation to a problem with an energy company.**

- Only one microbusiness had actually done this, securing help from a broker – only a few companies had experienced issues which they had been unable to resolve by themselves.

# Barriers to seeking external assistance for problems with energy companies

Optimism bias, "tunnel vision", a sense of impotence and an unwillingness to waste others' time prevent microbusinesses seeking external support at times of need.

## Optimism bias: Confidence in own abilities to handle issue

Many microbusinesses feel that they can handle any issues themselves. This sense of confidence seems to prevent them from considering support which may save them time and stress.

*"It never went external; I could do it all myself. It dragged on, but never got to the stage of legal disputes - it just took a long time to resolve and was a headache."*

Leah, furniture maker, Scotland

## Time poverty: Perception that issue is not important enough to spend time resolving

Some thought that their problem was not significant enough to require external support, despite being unhappy with the outcome.

*"We didn't seek advice, we muddled through. I didn't think it was worth the extra time and hassle, we just want to move on."*

Bella, café, England

## Tunnel vision: Lack of awareness of existence of available support 'in the moment'

Most could name resources they would turn to in a crisis. However, almost all who were dissatisfied with the outcome of their issue did not think to contact these at the time.

*"I didn't know who to turn to – perhaps [a small business membership organization]? It's not on our radar, but I assume there is an Ombudsman."*

Bella, café, England

## Sense of impotence: Perception that the balance of power lies with the large energy company

Some felt powerless in dealing with a large company and had a sense that they would never win, even with support.

*"I'm a newer company coming up against an older more well-established company that may know things that I don't. I suppose it left me feeling that maybe I was a bit stupid for not knowing."*

Lauren, media agency, England





# The future of energy



**While the core objective of this study was to understand the impact of the pandemic on microbusinesses, it also provided the opportunity to obtain feedback on issues relating to reducing greenhouse gas emissions by 2050.**

We explored:

- How prepared microbusinesses were to take on low carbon emission technologies that will support change to a low carbon energy system,
- Views on the adoption of smart meters (which are a key enabler for adoption of low carbon emission technologies).

**Key findings:**

- **Preparing for future changes in energy technologies is a low priority for most.** There is low awareness of the timescales of regulatory changes (e.g. for electric vehicles or low carbon heat) and few have made any preparations.
- **Most of the microbusinesses we spoke to are aware of the smart meter rollout, but understanding of the benefits is generally limited.** While the main benefit of smart meters is perceived as not having to take manual meter readings, fewer were aware of or interested in the ability to use smart meters to monitor usage.
- **Many of those with smart meters were generally positive about them.** Others wanted to have a smart meter installed, but some microbusinesses felt the perceived hassle of installation outweighs any benefit.

# Future energy technologies

Preparing for future changes to energy technologies is low on the priority list for most of our microbusinesses.

## Feedback about each type of technology

### Electric vehicles



### Low carbon heat



### Other energy efficiency technologies



#### Themes explored:

Awareness of likely future legislative changes	<b>High</b> Transition visible in everyday life and therefore familiar	<b>Low</b> Very limited, apart from among most environmentally aware	<b>Moderate</b> Mixed – depends on the technology
Awareness of benefits of new technology	<b>High</b> Some can see environmental benefits – but also major practical barriers to uptake	<b>Low</b> Limited awareness of environmental benefits	<b>Moderate</b> While benefits of insulation (for example) are understood, these are usually considered minor
Awareness of timescales of regulatory change	<b>Low</b> Vague awareness of change – but often considered voluntary	<b>Low</b> Very little sense that this change is coming	N/A
Preparation for legislative change	<b>Low</b> Not relevant to many microbusinesses. Where relevant, often low priority at the moment	<b>Low</b> Lack of awareness means most have not considered change	<b>Low</b> Low perceived benefit means many have not considered this
Perceived impact on microbusiness	<b>Low</b> Change not expected at all in short term	<b>High</b> Once explained, significant concern about upfront costs	<b>Low</b> Change not expected to be compulsory

# The benefits of smart meters

Most microbusinesses are aware of the smart meter rollout. However, understanding of the benefits of smart meters is generally limited.

**Many of our businesses were relatively positive about smart meters. A small number already have smart meters – others said that they wanted them. However, feelings were rarely very strong.**

## The removal of the need for manual meter readings is the main benefit for microbusinesses.

- This saves microbusinesses time and hassle, and frees them up to spend time on other aspects of their business. This also provides reassurance that their bills are correct.

*"I know that there is an element of meter readings being done remotely, or through Wi-Fi."*

Jay, ticketing agency, England

## The ability to monitor usage is less well known and less valued.

- While microbusinesses can see how a better understanding of usage might be beneficial at an abstract level, it feels like a marginal benefit and not worth the effort required – particularly for low energy usage businesses.
  - This is also true of microbusinesses with a smart meter already fitted.

## Other benefits are largely unknown – and not valued by microbusinesses.

- The wider benefits to the network and in tackling climate change are rarely understood by all but the most environmentally engaged business leaders.

*"We are tiny and energy is not a massive proportion of our total costs. If you are London Underground, you want data coming out of your ears."*

Richard, microbrewer, England



# Barriers to wider use of smart meters

For many, the perceived hassle of smart meter installation outweighs any benefit.

## Installation

### Time and effort to arrange for smart meter installation

*"The smart meter was supposed to be done but it never got done. Now [it's] just a case of being far too busy."*

Gemma, events venue, England

### Perceived cost of getting meter installed

*"If I don't have to pay for the installation, it is better for us and should save us money."*

Jay, ticketing agency, England

### Perceived hassle of getting meter installed (i.e. disruption)

● Deb, fudge shop

Tried to get it installed but was told that the shop location and difficulty of accessing basement prevented the supplier installing.

## Other

### Bad metering experiences in other sectors (e.g. water smart meter)

● Wilson, restaurant

Had water smart meter installed but it did not work properly – caused incorrect bills and was eventually removed by provider.

### Cynicism about providers' use of data

*"I'm a wee bit of a cynic."*

Charles, gift shop, Scotland

### Familiarity and ease of current system

● Daniel, food retail

Quite happy doing monthly meter readings by himself. Would consider if he wanted to reduce his own time in shop.

# Ideal energy company

Microbusinesses were asked what an ideal energy company would look like. The main areas for improvement identified were: fair and transparent prices, flexible account management and clear communication.

## Contract details

**Flexible:** shorter contract terms, or contracts which make it easier to switch before contract is completed.

**Simple:** limited number of easy-to-understand and distinct prices.

**Green:** often preferred if cost similar to alternatives – particularly for businesses who position themselves as environmentally friendly, and for business owners with strong environmental mindset (often in rural areas).

**Fair:** everyone offered same set of deals, with no penalties for loyalty.

**Competitive:** some want lowest possible cost, some would pay more for premium service – such as individual account manager or branch-based support.

## Paying bills and submitting meter readings

**Choice of channels:** most want digital tools to manage their accounts – with telephone helpline for easy troubleshooting (short waiting times are important).

**Automated meter readings:** freeing time for other tasks.

## Communications

**Straightforward:** clear communications which outline where customers stand. Written contact preferred as provides transparent record.

**Informed communications (for high energy usage businesses):** strong record-keeping meaning that staff are aware of business context in interactions. Some want individual account manager (esp. where have had problems).





# Conclusions



# Conclusions (1/2)

1

**The pandemic has undoubtedly been the major factor shaping microbusinesses' fortunes over the last year.**

Individual business journeys have been hugely divergent, however – with our microbusinesses' experiences typically falling into one of three categories: **microbusinesses which thrived, those which survived and those which struggled**. Against this backdrop, energy was often a secondary concern – even more so than it usually is.

2

**Relatively few microbusinesses reported anything other than “business as usual” contact with energy suppliers.**

However, the few who had contacted their energy providers (mainly in relation to negotiating bill amounts) were left feeling unsupported.

3

**There was very little awareness of support offered by energy providers during the pandemic, such as bill holidays or bill reductions. Few had proactively sought support.**

- High energy usage microbusiness typically managed their energy spend during this period through changing their behaviour to save energy, or by keeping a closer eye on bills, rather than switching suppliers or tariffs.
- **There is confusion and a lack of understanding about the link between meter readings, unit prices and bill amounts.** This means that microbusinesses often did not see savings from reduced usage or prices at a time when they were struggling with cashflow.

4

**Microbusinesses generally consider the domestic energy market more customer-friendly than the microbusiness energy market** – believing that the domestic market is characterised by better customer service, greater flexibility and it being easier to find good deals.

**Many microbusinesses assume (incorrectly) that customer protections for microbusinesses are the same as for domestic customers.**

5

We also explored several specific areas in relation to the energy market during the pandemic:

- **On balance, microbusinesses have had negative experiences of energy brokers.** The main problems include: large volume of “pushy” or “aggressive” sales calls; lack of understanding of specific needs of their individual businesses, and lack of after care.
- **Many microbusinesses pay energy bills by direct debit as a “default” payment rather than active choice.**
  - For the majority, this is not problematic, but a lack of supplier proactivity in returning credit balances caused problems for struggling businesses who needed cash for urgent pandemic-related challenges.
- **Underestimation of bills combined with a lack of meter readings is a key driver of energy debt.**
  - New businesses are particularly at risk of accruing debt. This is driven by inaccurate estimates due to an absence of usage history and uncertainty about trade levels, combined with a lack of meter readings due to being distracted by business matters when setting up a business.

6

**While microbusiness say they would seek external support in the event of problems and are confident they could do so effectively, few actually do so when there is problem - although only a few companies had experienced issues which they had been unable to resolve by themselves.**

- Barriers to seeking support include: confidence in own abilities to handle the issues; a perception that the issue is not important enough to seek external help; a lack of awareness of available support “in the moment”; and a sense of intimidation by large energy companies.

7

In terms of future developments in the energy sector:

- **Most microbusinesses are aware of the smart meter rollout, but understanding is generally limited.** The perceived hassle of installation is generally thought to outweigh any benefit.
- **Preparing for future changes to energy is a low priority for most.** There is low awareness of the timescales of regulatory changes (e.g. for electric vehicles or low carbon heat) and few have made any preparations.



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