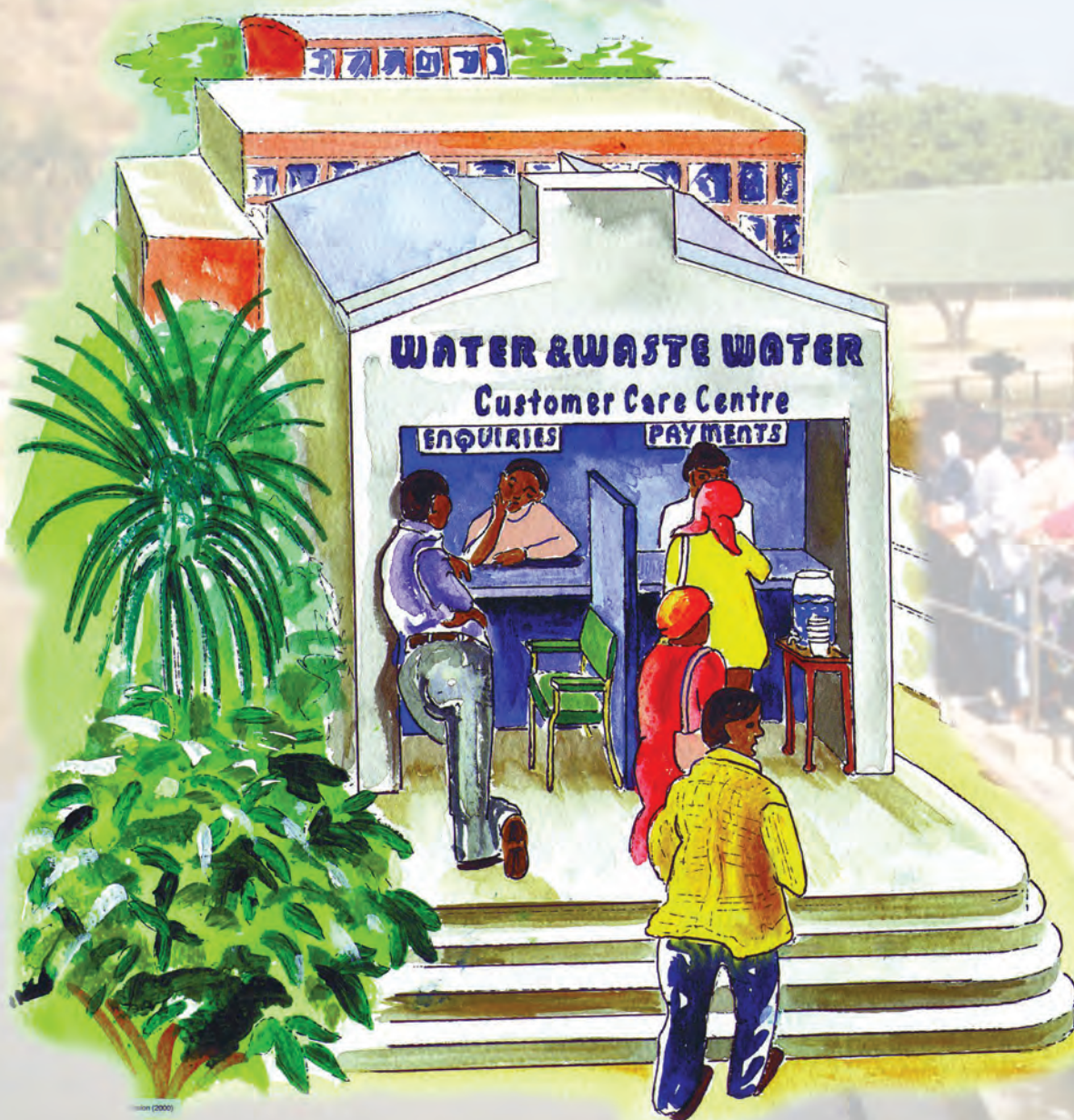


# An Introduction to the Concepts of Customer Relations Management for Water Services Institutions

J Naidoo and T Mosdell



Water Research  
Commission

**AN INTRODUCTION TO THE CONCEPTS  
OF CUSTOMER RELATIONS MANAGEMENT  
FOR WATER SERVICES INSTITUTIONS**

**Report to the Water Research Commission**

**By**

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**Umgeni Water and  
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**WRC TT227/04**

**MARCH 2004**

Obtainable from:

**Water Research Commission  
Private Bag X03  
Gezina  
0031**

The publication of this report emanates from a project entitled: Preparation of a  
guideline for water services issues  
(Project No 1207)

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**ISBN 1-77005-147-3**

Printed in the Republic of South Africa

## PREFACE

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Palmer Development Group was commissioned by the Water Research Commission to undertake a study aimed at developing an introduction to the concepts of customer relations management for water services institutions. (Project K5/1207/0/1).

## ACKNOWLEDGEMENTS

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The project team is indebted to the steering committee for their valuable input in assisting to meet the objectives of the project, and sincerely acknowledges their contribution. The support and finance provided for the project by the Water Research Commission is acknowledged and appreciated.

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## LIST OF ACRONYMS

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|       |   |
|-------|---|
| CCS   | Customer Care Section                                     |
| CRM   | Customer Relationship Management                          |
| DPLG  | Department of Provincial and Local Government             |
| DWAF  | Department of Water Affairs and Forestry                  |
| GIS   | Geographical Information System                           |
| IDP   | Integrated Development Plan                               |
| MCC   | Mysore City Corporation                                   |
| NWSC  | National Water and Sewerage Corporation                   |
| OFWAT | Office of Water Services (United Kingdom)                 |
| PDG   | Palmer Development Group                                  |
| SWOT  | Strengths, Weaknesses, Opportunities and Threats          |
| UWSA  | Urban Water and Sewerage Authorities                      |
| VIP   | Ventilated Improved Pit                                   |
| WELL  | Water and Environmental Health at London and Loughborough |
| WRC   | Water Research Commission                                 |
| WSA   | Water Services Authority                                  |
| WSDP  | Water Service Development Plans                           |
| WSI   | Water Services Institutions                               |
| WSP   | Water Services Provider                                   |

## EXECUTIVE SUMMARY

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### Background and Motivation for Conducting the Research

It is commonly known that a large percentage of South Africans are without access to an adequate supply of water and sanitation services. Access statistics have received considerable interest in recent years, however there has been little attention given to the quality of services actually provided by water services providers. This includes, amongst others:

- ❑ The extent to which services meet customer needs in relation to what they can afford
- ❑ The extent to which these services are functional throughout the year
- ❑ The ease with which the customer can pay their bills
- ❑ The response time of the service provider to complaints

The concept of “customer service” has received little attention in South Africa, perhaps related to the historic situation where the water supply and sanitation services were provided on a monopolistic “take it or live it” basis, provision is strongly associated with the application of good business principles. This implies a services orientation, with a primary focus on the customer. It also implies a mutually beneficial relationship between customer and service provider where the customer must fulfil their responsibility to pay for the service.

While there is increasing recognition of the conceptual importance of customer service, there are only a few services providers, which are putting this into practice. One reason for this is that there is insufficient understanding of what customer service involves. This is partly related to the lack of capacity to run services properly in the transitional period when coverage has to be increased rapidly in a situation of resource scarcity and partly it relates to lack of information on the topic.

The results of this study are aimed at improving the understanding of what customer service involves through providing information both in written form and through interaction with management of water services providers at workshops. Emphasis is placed on good business practice, drawing as much as possible from private sector marketing techniques which are grounded upon principles of good communication.

However, it is recognised that there is much more to customer service than just marketing; the product also has to be good. But, while the issues associated with providing a good product, in a technical sense, will be briefly addressed, the emphasis has been on the softer elements of customer service.

## Objectives of the Project

The main objective of this study was to assist water services providers in South Africa to improve their customer services capacity. This in turn, leads to the indirect aim of improving water supply and sanitation services to all South Africans. In order to achieve this overall aim, the objectives of this study were:

- ❑ To communicate the findings relating to customer services (based on local and international findings) through a guideline and workshops for water services providers in South Africa
- ❑ To undertake two case studies of water services providers in South Africa who are currently providing the best customer service locally
- ❑ To assess international best practice with regard to customer service by water services providers

The following research products were identified:

- ❑ Four regional workshops in the main centres of South Africa targeting manager in water services provider organisations
- ❑ A guideline on customer service targeting water services providers, primarily those in the small to middle sized municipal categories

## Major Results and Conclusions

The term customer service refers to an end-to-end series of activities by which a business deals with its customers. In such a process, all of the various interactions when one deals with customers are interrelated parts of the whole experience - not discrete, unrelated transactions. Good service is about getting all parts of the process right. Therefore, like any chain, the service is only as strong as its weakest link.

One of the key reasons that customer relations management ought to be given prominence in water services institution's business plans is that, satisfied customers become increasingly loyal to the utility. This customer loyalty typically creates a 'ripple effect' in the utility's revenue collection. Customer satisfaction manifests itself in the following ways:

- ❑ Willingness-to-pay for services, leading to increased revenues for the utility
- ❑ Increased business dealings with the utility - customers may be more inclined to apply for additional services, or increase their consumption of existing services
- ❑ Word-of-mouth recommendations attract potential new customers, thereby increasing revenue

Three countries were studied as part of a Water and Environmental Health at London and Loughborough project to investigate customer relations management in the developing world. It was found that whilst customer bases were growing, organisational capacity to deal with this growth had not kept pace. This resulted in two significant problems namely, high levels of unaccounted-for-water and a large build-up of arrears. Some of the common findings of this study were that the utility should:

- ❑ Understand customer experiences, perceptions and preferences for service levels, payment options, and willingness-to-pay
- ❑ Hold regular consultation meetings with stakeholder representatives to agree on a phased programme for tariff increases
- ❑ Respond faster to consumer complaints and to feed this back to the consumer
- ❑ Ensure that it becomes easier to pay bills by broadening payment options
- ❑ Introduce incentives for early payment and penalties for late payment
- ❑ As part of a metering program, promote water conservation as a mechanism for reducing bills
- ❑ Explore through consumer surveys and focus groups the preferred service, management and payment options for low-income communities
- ❑ Develop responsive, effective and regular communication with low-income communities
- ❑ Introduce a strategy for regularising illegal connections that is widely publicised and incentive driven

In South Africa, the need to practice good customer service is primarily driven by legislation. The Constitution deals with the issue of local government and defines the objectives of this tier of government as follows:

- ❑ To provide democratic and accountable government for local communities
- ❑ To ensure the provision of services to communities in a sustainable manner
- ❑ To promote social and economic development
- ❑ To promote a safe and healthy environment
- ❑ To encourage the involvement of communities and community organisations in the matters of local government

The eight Batho Pele principles aimed at transforming public sector service delivery add further pressure the utilities to ensure that they reorient themselves in the customer's favour.

The Water Services Act stipulates that "every water services authority has a duty to all consumers or potential consumers in its area of jurisdiction to progressively ensure efficient, affordable, economic and sustainable access to water services"

The Municipal Systems Act is dedicated to the issue of performance management and forces local authorities to establish a performance management system that is, inter alia, in line with the priorities, objectives, indicators and targets contained in its integrated development plan (IDP). Furthermore, the Act states that a municipality must:

- ❑ Promote a culture of performance management among its political structures, political office bearers and councillors and in its administration
- ❑ Administer its affairs in an economical, effective, efficient and accountable manner

Customer relationship management (CRM) can be described as a business strategy used to learn more about the behaviour patterns of customers in order to develop stronger relationships. It is also a strategy to communicate the organisation's activities and values to the customer. In a genuinely competitive commercial market private service providers cannot afford to ignore the needs and wishes of their customers if they want to stay in business because dissatisfied customers can choose to take their business elsewhere. Knowing what the customer wants and providing it quicker, better and

cheaper than your competitors, is essential to business success. As competitive companies worldwide soon discover, 'the customer comes first' is not an empty slogan but a fundamental business principle.

In order to understand the client base that are meant to be the primary beneficiaries of good customer service in the water sector, the WSA or WSP will need to identify a range of information that will be needed in order to develop a profile of customers in each service area. This profile will need to include, among other things, the following:

- ❑ Enumeration
- ❑ Stratification
- ❑ Mapping
- ❑ Level of services
- ❑ Consumption patterns
- ❑ Customer needs
- ❑ Managing with incomplete customer information

Once customer service is identified as a critical success factor in terms of the appropriate functioning local authorities, it is important to begin to formalise and codify the concept. One way of doing this is via the production of a Services Charter. Such a charter would have two distinct, but related components. On the one hand, there would need to be a process component, which would inform the way in which the Charter is developed. On the other hand, the content of the Charter itself would form the formalised, codified detail of the Charter. Both these dimensions are important.

In implementing the above principles, senior managers should see their responsibilities as including the need to inspire and lead their subordinated and colleagues in the quest for client centred excellence. A philosophy based on these principles will simply not take hold unless it is seen to be embraced and championed by the leaders of the institution. Senior managers can demonstrate their commitment to institutionalising CRM by:

- ❑ Spearheading CRM campaigns by regularly attending launch events, training sessions and reviews, and getting involved in and encouraging company-wide debate about CRM issues
- ❑ Demonstrating visible commitment through regular direct contact with a cross-section of customers

- ❑ Pro-active monitoring of customer satisfaction
- ❑ Taking a personal interest in customer complaints and the subsequent recovery efforts
- ❑ Experiencing the treatment received by customers, in order to appreciate the problems the customers face in the service delivery process
- ❑ Setting an example, perhaps by communicating and acting upon personal standards and the codes of behaviour
- ❑ Providing regular feedback to the staff about the progress of the CRM programme
- ❑ Encouraging and accepting feedback from customers, suppliers and staff about the progress of the CRM programme

Effective communication lies at the cornerstone of any successful customer service strategy. Care needs to be taken to ensure that adequate systems are in place to facilitate this communication. Communication in this context has multiple dimensions including:

- ❑ Ensuring that customers have a voice - Adequate feedback mechanisms need to be implemented to allow customers to offer feedback on their experience of services received.
- ❑ Response systems - It is not sufficient to simply listen to customer feedback, it is important to be able to respond to this feedback in the most constructive, positive manner. This means developing systems to handle customer complaints and queries.

Good customer management in the water sector revolves around a number of inter-related administrative elements, which if properly defined and managed would improve overall customer satisfaction. Apart from management commitment to instilling a customer service orientation, and buy in from different line functions, it is important that the institution develop systems and processes to adequately support CRM. These systems need to be flexible and should be driven by the needs of those staff members and departments who work directly with customers.

## 1 INTRODUCTION AND CONTEXT

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South African water service providers are faced with a number of key challenges to ensure that they are able to delivery quality levels of service on a financially sustainable basis. The unevenness of the South African economy, with vast disparities in what customers can afford to pay according to their socio-economic circumstances and the often water-stressed environment makes water services delivery particularly difficult in this country. This is compounded by the fact that the capacity of local authority service providers to meet these challenges is also extremely uneven, with some water service providers meeting world-class standards in terms of service delivery, whilst others have virtually no capacity at all.

A distinction needs to be made between the notion of water services as an economic resource where water is seen as a 'product' to be traded, and water services as a social service where access to water is seen in a broader context of social upliftment, primary health and as a basic human right. This raises critical issues around terminology and definition. This report consistently uses the phrase 'customer service' which can be seen to imply a narrow view of water services as an economic service. This is not the case, and even in contexts where communities access free water services, the term 'customer' is used. 'Customer', in this broad sense can also be read to mean both individual customers and community consumers of services.

Apart from the need to develop technical expertise in order to effectively delivery municipal services to a wide range of customer groupings, the long-term sustainability of this service delivery is contingent on ensuring that adequate revenues are collected for the services rendered. It is recognised that certain customer groupings are not able to pay for the full cost of services that they receive, and this issue is currently being addressed by policy measures such as the free-basic water project. Notwithstanding this, there is still a serious problem of non-payment among customer groupings that can and ought to be paying for services received. While a number of economic, social and historical factors may explain this, it is thought that much of the problem can be attributed to a lack of clear communication and understanding between the service provider and the customer.

It is estimated that approximately ten percent of urban and thirty nine percent of rural households do not have access to twenty five litres of potable water per person per day from a minimum standard of a communal standpipe within 200m of their household. Twenty six percent of urban and seventy six percent of rural households do not have access to a minimum standard of a ventilated improved pit (VIP) latrine for sanitation (Tomlinson, 2001: 14). However, these numbers are based largely on the type and location of the services in relation to the dwelling in which the user of the service (the customer to the water services provider) resides. These access statistics have received considerable attention but there is little information on the quality of the service which the customer receives from the service provider. This includes, for example, the extent to which the service meets the customer needs in relation to what they can afford, the extent to which the service is functional throughout the year, the ease with which the customer can pay their bills and the response time of the service provider to complaints.

In fact, the concept of 'customer service' has received little attention in South Africa, perhaps in relation to the historic situation where water supply and sanitation services were provided on a monopolistic 'take it or leave it' basis, particularly in the case of poorer customers. It is now recognised increasingly that successful water services provision is strongly associated with the application of good business principles. This implies a service orientation, with a primary focus on the customer. It also implies a mutually beneficial relationship between the customer and service provider where the customer must fulfil their responsibility to pay for the service.

While there is increasing recognition of the conceptual importance of customer service, there are only a few water services providers, which are putting this into practice. One reason for this is that there is insufficient understanding of what customer services involves. This is partly related to the lack of capacity to run services properly in this transitional period when coverage has to be increased rapidly in situation of resource scarcity. And partly it relates to a lack of information on the topic.

## 2 PURPOSE OF THIS DOCUMENT

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The purpose of producing this report is to introduce water services authorities and providers to the concepts and practices associated with customer relations management.

This document is aimed at smaller Water Services Authorities (WSAs) and/or Water Services Providers (WSPs) currently serving the residential customer market and who currently do not have highly developed customer management functions. It is hoped that this document will assist these institutions in understanding the legislative and policy context in which they operate from a customer management point of view, while at the same time assisting them to develop a customer management programme to suit their own particular needs and challenges. It should be noted that while the focus of this report is on customer service in the water sector, many of the principles are generic and could be applied to other service areas.

The report begins by setting out the rationale for developing and strengthening a customer service function. A review of the literature builds a compelling case for developing this capability. A number of developing world case-studies is presented, illustrating the experiences of Uganda, India and Tanzania.

Moving towards the South African context, an analysis of the legislative requirements as far as they impact on customer service issues is undertaken, illustrating the legislative and policy drivers of a customer-centred approach to service delivery. The role of the local authority as service provider within the South African institutional contest is explored.

The report sets out the basic elements and management systems and structures that would typically underpin a customer relations management (CRM) programme. The centrality of solid customer information, including demographics, stratification and needs analysis is explored and unpacked. The notion of a services or customer charter as a mechanism for formalising customer rights and obligations is introduced and a sample service charter outline is presented. The document also highlights the concept of the value proposition as a mechanism for incentivising customer behaviour, showing the value-added nature of improved customer service and the need to communicate this added value effectively to the customer. The document also investigates the financial aspects of customer service, focusing on how financial systems and mechanisms can be enhanced to improve customer service, and ultimately the effectiveness and efficiency of the service provider. The report concludes with a discussion on ways of taking these concepts further and makes the point that the next step in the process should be the drafting of a set of generic customer services guidelines to support water services institutions to develop this important capability.

## 2.1 Why is Customer Service Important? - A Review of the Literature

This report aims to improve the understanding of what customer service involves through providing information and experiences from other contexts. Emphasis is placed on good business practice and draws from best practice marketing techniques, which are grounded upon principles of good communication.

### 2.1.1 What is Customer Service?

The term customer service refers to an end-to-end series of activities by which a business deals with its customers. In such a process, all of the various interactions when one deals with customers are interrelated parts of the whole experience - not discrete, unrelated transactions. Good service is about getting all parts of the process right. Therefore, like any chain, the service is only as strong as its weakest link (Byrne, 2002: 4).

Related to customer service is the notion of customer satisfaction. Customer satisfaction can be seen as a person's feelings of pleasure or disappointment resulting from comparing a product's performance (or outcome) in relation to his or her expectations (Kotler, 1997: 40).

### 2.1.2 Customer Service - The Bottom Line

Research and case study experiences have shown that there are important business benefits achieved by providing customers with high quality service (Byrne, 2002, Harvard Business Review 1993, Olivier, 1998). These benefits include:

- ❑ Increased customer retention rates
- ❑ Attracting new customers through positive word of mouth
- ❑ Reduced costs of running the business
- ❑ Reduced marketing costs
- ❑ Stronger position in the competitive market place
- ❑ Ability to differentiate service as a competitive advantage
- ❑ Increased staff and job satisfaction
- ❑ Increased profits (Byrne, 2002, 6).

In the municipal services realm, these benefits are related, although somewhat different. The emphasis in this context is on the relationship between customer service and the customer's willingness to pay for services provided. The bottom-line, however, remains the same - namely the link between good service and increased revenue and surpluses.

### 2.1.3 Customer Service and Municipal Services

The literature suggests that there are a number of important reasons why water services institutions ought to integrate customer relations into their broader business strategy (Coats and Sansom, 2001, Naver and Slater, 1994, Cook 1994). These reasons include:

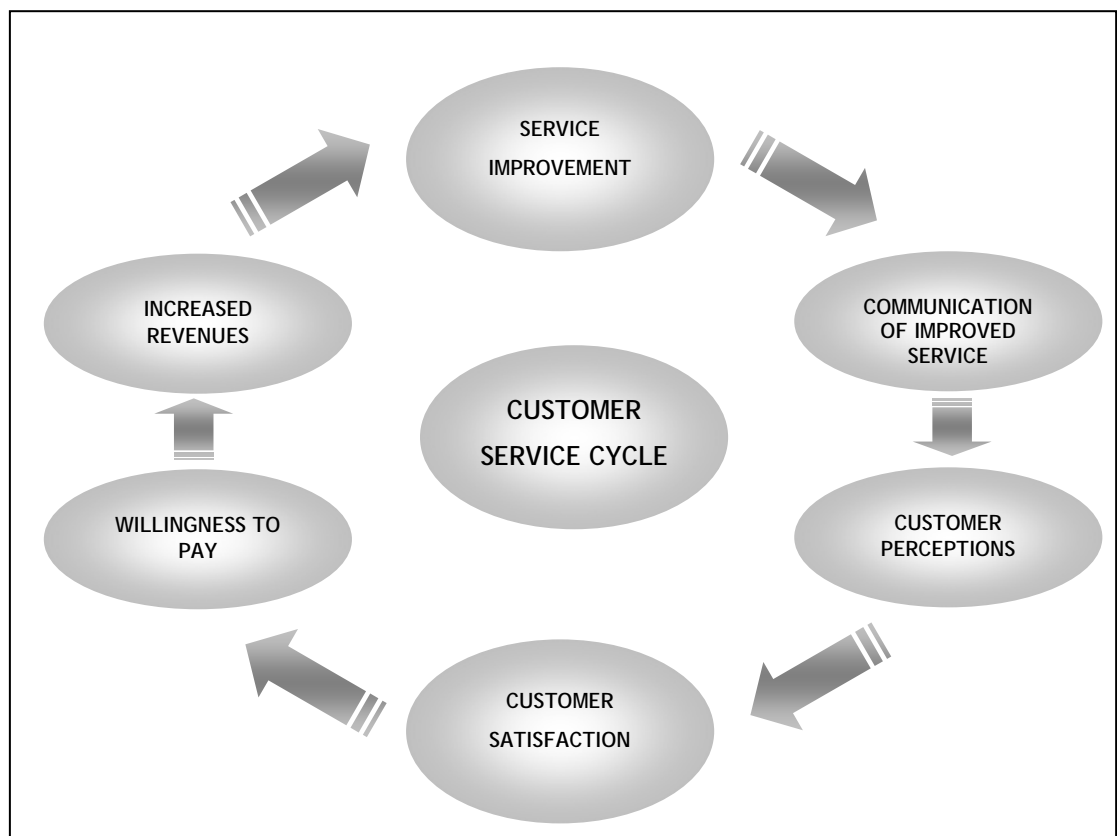
- ❑ To increase customer satisfaction,
  - ❑ To improve profitability, to allow for expansion of service coverage,
  - ❑ To improve the corporate image in the eyes of the customers,
  - ❑ To minimise customer's sensitivity to prices of water and sanitation services,
  - ❑ To maximise the number of customers who will 'sell' the organisation through word-of-mouth communication,
  - ❑ To develop internal customer/supplier relations,
  - ❑ To enhance its reputation as a good employer,
  - ❑ To ensure products and services are delivered 'right first time',
  - ❑ To improve staff morale,
  - ❑ To increase productivity,
  - ❑ To reduce costs,
  - ❑ To encourage employee participation,
  - ❑ To bring about continuous improvements to the operation of the company.
- (Cook, 1994: 14)

Perhaps one of the key reasons that customer relations management ought to be given prominence in water services institution's business plans is that satisfied customers become increasingly loyal to the utility. This customer loyalty typically creates a 'ripple effect' in the utility's revenue collection. Customer satisfaction manifests itself in the following ways:

- ❑ Willingness-to-pay for services, leading to increased revenues for the utility,

- ❑ Increased business dealings with the utility - customers may be more inclined to apply for additional services, or increase their consumption of existing services,
- ❑ Word-of-mouth recommendations attract potential new customers, thereby increasing revenue. (Coates and Samson, 2001: 8).

The issue of customer service can thus be seen as a virtuous circle where good communication leads to happy customers which translates into increased revenue. The following figure illustrates the relationship between customer service, customer satisfaction, willingness to pay, and financial sustainability.



**Figure 1 - The Customer Satisfaction/Revenue Cycle**

In some cases this circle is broken. For example, lack of communication can lead to serious problems.

#### 2.1.4 Customer Service and Municipal Services in South Africa

In too many instances, customers do not fully understand the full range of inputs that go into providing municipal services. For example, during a focus group session with a group of customers from the low income Wesbank area in Cape Town, one resident remarked:

*Why do we have to pay for water? The Lord gave it to us and now we have to pay for it. (Markinor, 2000: 15)*

In other instances, customers do not receive proper billing information. Many customers receive incorrect bills or are not invoiced at all. The information presented on bills is also not always clear, particularly to those communities characterised by lower levels of education. In Wesbank, focus group participants felt that, when compared to other areas they were paying too much and were billed too frequently. They were under the impression that they were paying for other areas' services as well:

*I know why we have to pay so much. We're paying for Khayelitsha's water because they don't want to pay. It's unfair. (Markinor, 2000: 15)*

In some cases, the simple act of paying a bill becomes part of the problem. Often customers have to travel relatively long distances in order to settle their accounts, paying relatively high transport costs. In some cases paypoints have become crime hot spots. A Wesbank resident noted that:

*When people go out to buy their electricity there by the robots on the way to Eersterivier, a lot of them get robbed. Most of the young men that are unemployed don't bother to go look for work, so they rob the people there. (Markinor, 2000: 22)*

In some instances, the level of service that customers receive from their complaints and queries leaves a lot to be desired. In Macassar in Cape Town, for example, a resident speaking at a focus group workshop had this experience:

*I went to the rent office, they told me I have to pay R60 to switch on the water. I pay the money and get my pink slip, and three days later they still hadn't come to switch the water on. Friday afternoon when the office closed, I thought that it's week-end, I might get visitors, so I went to switch on the water myself. I switched it on myself. I paid my money - I deserve to have water. (Markinor, 2000: 27)*

Clearly, these anecdotes indicate that the issue of customer relations and customer service is an important factor in understanding customer behaviour. It is also clear that the issue is a complex one with many facets including communication problems, billing issues, poor service ethics, and physical location issues.

### 3 INTERNATIONAL EXPERIENCE

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A recent WELL (Water and Environmental Health at London and Loughborough) project conducted two case studies on customer relations management in the developing world (Coats and Sansom, 2001). These studies were done in Kampala, Uganda and Mysore in India. Some of the key findings of these case studies are summarised below. In addition to these case studies the Unit used Tanzania as an additional case study as part of a project to develop draft customer services for the water industry in that country.

#### 3.1 Kampala - Uganda

##### 3.1.1 Background

The National Water and Sewerage Corporation (NWSC) is responsible for providing water and sewerage services to the main urban centres in Uganda. The Corporation is a semi-autonomous government organisation. Kampala, with a population of almost 1.2 million is the largest urban area serviced by the Corporation. In addition to Kampala, the NWSC services 11 other urban areas, bringing to 2 million, the number of people served by the Corporation.

##### 3.1.2 The Problem

The Corporation's client base has grown substantially as its sphere of influence grew geographically. However, the entity has not built organisational capacity at the same rate. This resulted in two significant problems namely, high levels of unaccounted-for-water and a large build-up of arrears.

Unaccounted-for-water comprises both physical and commercial losses. Physical losses are usually driven by technical and financial factors related to the lack of maintenance and upgrading of physical infrastructure. Commercial losses, which in the case of the NWSC amounted to some 27% of water delivered to the reticulation network, are largely influenced by managerial shortcomings. The WELL study identified the following reasons for these commercial losses:

- ❑ Losses due to poor meter coverage
- ❑ Collusion between interface staff and customers
- ❑ Inaccurate meter readings by meter readers
- ❑ Delays in detecting faulty meters
- ❑ Tampering of meters by customers

- ❑ Inaccurate bills
- ❑ Illegal connections and reconnections
- ❑ An incomplete database
- ❑ Non existent or late billing

In addition to unaccounted-for-water, the NWSC experienced a large build-up of arrears - reaching US\$ 24 million in 1997. This build-up was attributed to the following:

- ❑ Non-payment and payment delays by government departments
- ❑ Collusion between interface staff and customers,
- ❑ Non-delivery of water bills,
- ❑ Delays in the delivery of water bills,
- ❑ Inability to pay for accumulated bills on the part of customers,
- ❑ Unwillingness to pay - driven by poor customer relations,
- ❑ Inaccuracies in bills, resulting in non-payment, even for genuine water consumed.

The NWSC held a corporate workshop in 1997 where the participants identified poor customer relations as one of the major causes of poor corporate performance. In 1998, after a change in top management a situation analysis revealed the following:

- ❑ High unaccounted for water in the range of 60%,
- ❑ Low collection efficiency of approximately 70%,
- ❑ Only 3 of the 12 urban areas were able to break even - high levels of cross-subsidisation,
- ❑ Accounts receivable running at the equivalent of 14 months billing,
- ❑ Poor customer relations resulting in low willingness-to-pay.

### 3.1.3 Addressing the Problem

In 1999 a Customer Care Section (CCS) was formed in Kampala with the following as its key objectives:

- ❑ To develop a recognition of the centrality of the customer in NWSC operations,
- ❑ To recognise the importance of handling customers with utmost care,
- ❑ To address customer complaints speedily - within a week of filing,
- ❑ To communicate to customers NWSC procedures, policies and tariffs,

- ❑ To reconcile customer information with the database through field visits, thereby reducing billing errors,
- ❑ To get to know and understand customers in an attempt to understand water losses and enhance revenue collection,
- ❑ To reduce the number of suppressed accounts,
- ❑ To improve the accuracy of billing.

From an organisational structure point of view, a Customer Accounts Manager, accountable to the Commercial Director, was appointed, along with a Deputy. Customer Care Officers were also established in charge of new connections, general complaints, data logging and routing, response evaluation, investigations and reconnections.

A complaint management system was established. In order to manage customer complaints effectively, the CCS began by identifying departments/sections that ought to collaborate to improve this function - these include the CCS itself, zonal operational offices, operations and maintenance section, the Geographical Information System (GIS) section, meter repairs section, new connection section, surveying and mapping, billing section, meter reading section, the filing section and the audit section.

The following measures were then taken including:

- ❑ Customer care training workshops and seminars
- ❑ The publication of fliers providing customers with information on:
  - The processes and costs involved in providing water services
  - The water tariff
  - Different ways of paying water bills
  - Measures to save water to reduce bills
  - The duties of the NWSC
  - The responsibilities of the customer
  - Communication channels and help lines
  - The ABC of accessing NWSC services
- ❑ Tasking the Customer Accounts Section with responding to customer queries
- ❑ Identifying an officer in the CCS to follow-up and evaluate the efficacy of responses
- ❑ The introduction of the 'Custima' billing system aimed at providing good management information

- ❑ Implementing customer satisfaction surveys

### 3.1.4 Results

As a result of the mechanisms and measures mentioned above, the number of complaints being registered is on a steadily declining curve. The number of outstanding, or pending complaints has declined dramatically. While it is still too early to measure the impacts of this on levels of payment and a reduction in unaccounted-for-water trends, indications are that these initiatives are in fact beginning to bear fruit. The challenge facing NWSC is to ensure that the focus on customer relations stays at the core of the business philosophy, and permanently influences and drives organisational culture in the Corporation.

## 3.2 Mysore - India

### 3.2.1 Background

Mysore has an estimated population of 900 000 and is serviced by the Cauvery River for its water needs. The Mysore City Corporation (MCC) is responsible for water and sanitation services. The average per capita supply for the developed areas is 105l/d and about half that for slum areas. A sewage treatment plant has a capacity of 4MI/d with most sewage flowing untreated to the natural valleys. There are approximately 94 000 connections, 5 000 standpipes, and 20 000 illegal connections. The population in the area is expected to grow significantly. Plans to accommodate this growth are in place and work is underway to augment the water supply by 50MI/d and the sewerage treatment by 157MI/d.

### 3.2.2 The Problem

The billing collection efficiency is 70% with debtors sitting at 738 days. An operating ratio (operating costs/operating revenues) of 1.49 indicates that the MCC is not even meeting its operating and maintenance costs from water revenues. This raises serious concerns about the MCC's ability to embark on the capital expansion projects identified above.

In terms of unaccounted-for-water, physical losses stand at 27% through leaks. This is considered to be a conservative figure given that bulk flow meters are not currently installed. In addition to leaks, there are an estimated 20 000 illegal connections, representing a significant strain on potential revenues.

Staffing levels are low, with just 20% of the budget spent on staffing. The average in India is 30-35%. This represents 6 staff per 1 000 connections.

Water supply is unevenly distributed with some customers having access to supply for as little as half an hour per day. Others enjoy 24 hour coverage. While there are 14 service stations around the city where customers can pay bills and lodge complaints, there is no mechanism to give feedback to clients who complain.

### 3.2.3 Addressing the Problem

On the basis of a customer survey and a SWOT (strengths weaknesses, opportunities and threats) analysis conducted by WELL, a Customer Relations Management (CRM) programme has been mooted encompassing the following activities:

- ❑ Regular customer surveys to understand customer experiences, perceptions and preferences for service levels, payment options, willingness-to-pay
- ❑ Publicise how the MCC is improving services and the links between this and the need to increase tariffs
- ❑ Hold consultation meetings with stakeholder representatives to agree on a phased programme for tariff increases
- ❑ Respond faster to customer complaints and to feed this back to the customer
- ❑ Ensure that it becomes easier to pay bills by broadening payment options
- ❑ Introduce incentives for early payment and penalties for late payment
- ❑ As part of a metering program, promote water conservation as a mechanism for reducing bills
- ❑ Explore through customer surveys and focus groups the preferred service, management and payment options for low-income communities
- ❑ Develop responsive, effective and regular communication with low-income communities
- ❑ Undertake a survey of all residential and commercial pipe connections to improve the customer database and locate illegal/non paying connections
- ❑ Introduce a strategy for regularising illegal connections that is widely publicised and incentive driven

### 3.2.4 Results

This program is yet to be implemented and will require the recruitment and retention of managerial, customer service and operation and maintenance staff to achieve the objectives. Communication channels between departments and the Customer Services Unit will need to be established and maintained. The WELL study concludes that in Mysore's case improved customer relations management can make a large contribution to service improvements, but it needs to be part of an overall institutional development programme that addresses aspects such as: organisational structure, financial and management autonomy, management development and human resource development systems, and financial resources.

## 3.3 Tanzania Urban Water and Sewerage Authorities (UWSA)

### 3.3.1 Background

Tanzania has a population of 30 million of whom 25 million live in towns or cities. Water supply reaches about 85% of the urban population although this service is often erratic and of a poor standard.

The urban water sector in Tanzania is undergoing a process of decentralisation involving a shift away from organisational structures such as the district water engineer to the urban water and sewerage authorities (UWSAs). Consequently, the role of the Ministry of Water has shifted from one of service provider, to one of policy regulator and funding conduit.

### 3.3.2 The Problem

The burden of service delivery has shifted to the UWSAs whose role it is now to ensure continuous supply, and to ensure that vulnerable sections of society are not marginalised. This implies reaching new, hitherto unserved, customers. It is also the responsibility of the UWSAs to improve existing service delivery while ensuring efficient revenue collection, an appropriate tariff regime, and accurate metering and measurement.

Some of the problems that the UWSAs face at the moment include:

- ❑ Interruption of supply
- ❑ Non-payment of bills
- ❑ Water losses running at over 40%
- ❑ Insufficient funds to expand current services

- ❑ Inadequate metering and information
- ❑ The urban poor sector is generally considered to be financially non-viable

### 3.3.3 Addressing the Problem

In February 2000, a group of senior managers participated in a two-week training course. The managers were all from the UWSAs. The object of the course was to enable the participating managers to become familiar with key issues and concepts concerned with improved customer services and demand responsiveness of water utilities so that they could subsequently introduce customer service initiatives. One of the key outputs of the exercise was to get the managers to actually develop a draft guide for customer services in Tanzanian UWSAs. It was felt that by using this exercise, the new knowledge gleaned from the course would be contextualised to the Tanzanian situation, making the ideas and concepts of customer service more relevant and meaningful.

The guideline produced covered the following broad themes, focusing on practical implementation:

- ❑ Defining and understanding concepts such as customer service and customer relations management
- ❑ Why improved customer service is important
- ❑ How to improve customer service
- ❑ Knowing and understanding your customers
- ❑ Strategies for marketing different technical and management options
- ❑ Working with stakeholders through partnerships and collaboration
- ❑ Customer consultation and negotiations
- ❑ Communicating UWSA services

### 3.3.4 Results

While it is too early to see the fruits of the course and guideline, the managers viewed this as an extremely valuable exercise, making the following observations:

- ❑ The course has a clearly defined and tangible product - the draft guide,
- ❑ The participants have ownership of the guide and are therefore more likely to use it,

- ❑ The Ministry and the UWSAs have a draft document that can contribute to the organisational and human resource development of the authorities,
- ❑ The managing directors who were not present can clearly see what their employees are capable of in relation to customer service initiative and enthusiasm for the concepts, and)
- ❑ The concepts can be presented to a wider audience (Coates and Sansom 2001b:1)

### 3.4 England and Wales

Much has been written about the regulatory system in England and Wales as this is the most comprehensive example of a system to regulate private sector operators. For the purpose of this report what is relevant is the way customer service is dealt with and this is covered briefly below.

It may be assumed that private companies recognise the benefits of good customer relations, as described in Section 2.1.2. However, in England and Wales systems are set up to ensure that this happens. Although this applies to private companies the approach is not without relevance to situations where service provision is in public hands.

OFWAT, the economic regulator for the water industry in Wales and England, appoints the chairmen and members of the ten regional Customer Service Committees (CSCs). They have statutory duties to identify concerns and represent the views of customers and investigate customers' complaints. Therefore the customer relations of each water company is monitored by specific CSCs. The link between the CSCs and the regulator means that the customer interest has a significant and continuous presence in his work and they work closely together. Further, OFWAT regularly consults the CSCs for their views on policy matters affecting the interests of customers (OFWAT, 2002, 1).

### 3.5 Australia

Australia has a well-developed system of corporatised water service providers and a regulatory arrangement to ensure they perform. Yarra Valley Water is one of three providers serving Melbourne and is used as an example in this report mainly as it has a well developed customer charter which has a strong customer focus (Yarra Valley Water, 2002, 4). The Yarra Valley Water customer charter is included as Appendix A.

### 3.6 Lessons for South Africa

The literature from the case studies outlined above covers a number of themes that have relevance to the South African context. In summary, the following broad issues are addressed:

- ❑ Reducing water losses and unaccounted for water through improved management systems and information,
- ❑ Improved collection efficiencies including billing, collection rates and processes etc,
- ❑ Developing a better understanding of customers and their ability and willingness-to-pay for services received,
- ❑ Developing institutional and internal staff capacity to deal with customer relations management and related issues,
- ❑ Addressing issues of public good, particularly in terms of ensuring that the vulnerable and marginalised sections of the community are serviced.

In summary, the case studies examined raise a number of issues that can be organised along two broad themes:

- ❑ On the one hand, many of the issues raised and interventions advanced have a distinct customer focus where the emphasis of interventions is on improving the quality of services to customers. This focus is based on the assumption that services are currently available and that the customer/provider interface can be improved to enhance the delivery of the service in terms of service quality and collection efficiency.
- ❑ On the other hand, some of the case studies raise the issue of public good. This issue generally has a pro-poor focus and concentrates on improving access to services for the vulnerable and marginalised sections of the consumer community. This focus is based on the premise that services should be extended as widely as possible and that at least a basic level of services should be made available to marginalised sectors of society regardless of their ability to pay for the full cost of these services. Inherent in this approach is the assumption that, by extending services to as wide a constituency as possible, the general good of society will be advanced.

Water Services Providers and Authorities can benefit from both these approaches. In many areas, particularly in the urban context, water services are fairly well established and could benefit by a customer focus aimed at improving the quality of service delivery. At the same time South Africa has huge disparities in income and many potential customers do not have access to an adequate level of water services.

At this level, a public good approach is appropriate. It needs to be stressed that these two approaches are not necessarily mutually exclusive. It is possible and indeed desirable for both aspects to be addressed simultaneously.

In practical terms the way the public good element is dealt with through a financial framework which includes the provision of subsidies for providing services to the poor (see Section 4.1.5 on free basic services). In theory this implies that the state is paying for the service on behalf of poor consumers. If the subsidy is applied properly it then means that the water services provider can deal with customers in a common way, whether they are poor or rich. However, this is not easy to do in practice as the fact that poorer consumers are not required to pay does change the relationship between service provider and customer, as discussed later in this report. (See section 5.3.1 on the value proposition, for example).

## 4 THE SOUTH AFRICAN CONTEXT

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### 4.1 Legislative and Policy Requirements

#### 4.1.1 The Constitution

Chapter 7 of the Constitution deals with the issue of local government and defines the objectives of this tier of government as follows:

- ❑ To provide democratic and accountable government for local communities
- ❑ To ensure the provision of services to communities in a sustainable manner
- ❑ To promote social and economic development
- ❑ To promote a safe and healthy environment
- ❑ To encourage the involvement of communities and community organisations in the matters of local government

All of these objectives have a bearing on the question of customer services in the local municipality context. The objectives raise the important point that local authorities as service providers are accountable to the communities they serve. The importance of responsible, sustainable service provision is also emphasised. The reference to a safe and healthy environment is also important as the provision of services/or lack thereof is directly linked to primary health care. Finally, the objectives stress the importance of interaction between the local authority and the community.

#### 4.1.2 The *Batho Pele* Principles

The White Paper on Transforming Public Sector Delivery, known as *Batho Pele*, published in 1997, focuses on how services should be delivered to people. It contains an approach that attempts to apply pressure on systems, procedures, attitudes and behaviour with the public service, and reorient them in the customer's favour. This involves creating a framework for the delivery of public services which treats citizens more like customers and enables the citizens to hold public servants to account for the service they receive. *Batho Pele* is based on eight principles. These are:

- ❑ Consulting citizens about the level and quality of the public services they receive and, where possible, consulting them on the services that are offered
- ❑ Determining service standards together with citizens, so that they know the level and quality of services that they can expect
- ❑ Creating access for all citizens to the services to which they are entitled;
- ❑ Treating citizens with courtesy and consideration
- ❑ Giving citizens full, accurate information about the public services they are entitled to receive
- ❑ Ensuring openness and transparency by telling citizens how national and provincial departments are run, how much they cost and who is in charge
- ❑ Providing for redress, in the form of an apology, full explanation and speedy remedy, where the promised standard of service is not delivered
- ❑ Providing services economically and efficiently, to give citizens the best possible value for money

The 1994 White Paper expresses a similar sentiment when it states that “policy must be premised on the rights of all people to determine their own future”.

#### 4.1.3 Water Services Act

In terms of the Water Services Act of 1997, there are a number of legal requirements that relate to the question of customer service in the water sector. Some of these are sketched briefly below:

Chapter 3 of the Act clearly states that:

*Every water services authority has a duty to all consumers or potential consumers in its area of jurisdiction to progressively ensure efficient, affordable, economic and sustainable access to water services.*

Legally speaking, this clause sets the scene for the local authorities' obligations in terms of its service relationship with customers. There are, however, limitations to these obligations with the Act indicating that this duty is subject to:

- ❑ The availability of resources
- ❑ The need for an equitable allocation of resources to all consumers and potential consumers within the authority's area of jurisdiction
- ❑ The need to regulate access to water services in an equitable way
- ❑ The duty of consumers to pay reasonable charges, which must be in accordance with any prescribed norms and standards for tariffs for water services
- ❑ The duty to conserve water resources
- ❑ The nature, topography, zoning and situation of the land in question
- ❑ The right of the relevant water services authority to limit or discontinue the provision of water services if there is a failure to comply with reasonable conditions set for the provision of such services.

These provisions, apart from setting out some of the issues that may lead to limitation on the water services authority's obligations under certain circumstances, also set out, albeit in a very broad, undefined way, some of the obligations of customers in their service relationship with water service providers. Despite these provisions the Act is clear in setting out the basic obligation of the water services authority:

- ❑ A water services authority may not unreasonably refuse or fail to give access to water services to a consumer or potential consumer in its area of jurisdiction,
- ❑ In emergency situations a water services authority must take reasonable steps to provide basic water supply and basic sanitation services to any person within its areas of jurisdiction and may do so at the cost of that authority
- ❑ A water services authority may impose reasonable limitations on the use of water services

Chapter 2 of the Act refers to the issue of standards and tariffs. This section of the Act empowers the Minister to prescribe national standards relating to, inter alia:

- ❑ The provision of water services,
- ❑ The quality of water extracted from or discharged into any water services or water resource system,
- ❑ The effective and sustainable use of water resources for water services,

- ❑ The nature, operation, sustainability, operational efficiency and economic viability of water services,
- ❑ Requirements for persons who install and operate water service works, and
- ❑ The construction and functioning of water services works and consumer installations.

Clearly, these legislative powers granted to the Minister have the potential to impact heavily on the activities of water services providers as most of the provisions relate to the core functions of the water services provider. In prescribing these standards, the Minister must however consider:

- ❑ The need for everyone to have a reasonable quality of life,
- ❑ The need for equitable access to water services,
- ❑ The operational efficiency and economic viability of water services,
- ❑ Any norms and standards set by other governmental authorities,
- ❑ Any guidelines recommended by official standard-setting institutions,
- ❑ Any impact which the water services might have on the environment, and
- ❑ The obligations of the National Government as custodian of water resources.

This framework offered in the legislation to guide the minister in the draft of standards is important and should also guide water services providers in terms of guiding their service provision activities.

#### 4.1.4 Municipal Systems Act

The Municipal Systems Act which sets out the rights and duties of local authorities stresses the importance of good quality performance on the part of these authorities in their general functioning, but also in the delivery of services.

Chapter 6 of the Act is dedicated to the issue of performance management. Here the Act forces local authorities to establish a performance management system that is, *inter alia*, in line with the priorities, objectives, indicators and targets contained in its integrated development plan (IDP). Furthermore, the Act states that a municipality must:

- ❑ Promote a culture of performance management among its political structures, political office bearers and councillors and in its administration, and
- ❑ Administer its affairs in an economical, effective, efficient and accountable manner.

The Act sets out the core components of the performance management system which include:

- ❑ Set appropriate key performance indicators as a yardstick for measuring performance, including outcomes and impact, with regard to the municipality's development priorities and objectives set out in its IDP,
- ❑ Set measurable performance targets with regard to each of those development priorities and objectives,
- ❑ Measure and review performance at least annually,
- ❑ Take steps to improve performance with regard to those development priorities and objectives where performance targets are not met,
- ❑ Establish a process of regular reporting to the council, other political structures, municipal staff, other organs of state, and the public.

#### **4.1.5 Free Basic Water and Sanitation Policy**

The government of South Africa has made a commitment to free basic services. This has been put into action in February 2001 when the Minister of Water Affairs and Forestry announced that the government would provide a basic supply of safe water to households free of charge. The policy has been rolled out and is now widely applied in South Africa.

'Free basic services' implies the inclusion of free basic sanitation but, while this is being considered by DWAF, a policy in this regard has not been rolled out yet. This means that, in many cases where waterborne sanitation is used, the poor are still required to pay for the service at rates sufficient to cover costs. This creates a particular set of customer relations problems.

#### **4.1.6 Impact of Free Basic Services on Customer Management is Discussed Further in Section 5.4. The National Water Act**

Although the National Water Act deals primarily with issues related to water resources, One of the issues that the legislation deals with related to the issue of customer services is the establishment of national information systems. The objectives of these systems are as follows:

- ❑ To store and provide data and information for the protection, sustainable use and management of water resources,
- ❑ To provide information for the development and implementation of the national water resource strategy, and

- ❑ To provide information to water management institutions, water users and the public for: research and development, public and environmental impact assessments, public safety and disaster management, and the status of water resources.

The Act is very explicit on the duty of the state to make this information available to the public. The legislation states that a water management institution must, at its own expense, make data at its disposal available to the public in an appropriate manner in respect of information regarding:

- ❑ flood danger,
- ❑ droughts or the threat thereof,
- ❑ failed waterworks and any danger that may be associated,
- ❑ risks posed by any dam,
- ❑ risk posed by the quality of any water to life, health or property,
- ❑ any matter connected with water or water resources, which the public needs to know.

Clearly then, in terms of these provisions, the onus is very much on the local authority and/or service provider to ensure that this type of information is adequately collected in the first instance, and secondly, that this information is communicated effectively to the customers and other public in its area of operation.

## **4.2 The Institutional Context: The Authority's/Service Provider's Role**

### **4.2.1 Type of Customers**

South Africa, in common with other developing world countries has a wide variety of settlement conditions with specific customer characteristics. These are discussed in more detail in the following section but it is notable here that the characteristics of settlements and the customers to be served within them require the establishment of particular relationships.

### **4.2.2 The Water Services Authority**

The Municipal Structures Amendment Act confirms that metropolitan municipalities (category A) and district municipalities (category C) are responsible for potable water systems and domestic sewage and wastewater. In terms of the Water Services Act, this implies the water services authority function.

However, the Municipal Structures Amendment Act also makes provision for local municipalities (category B) to be authorised to perform the water services authority function. In fact, in September 2002 the Minister of Provincial and Local Government promulgated the authorisation of a large proportion of the local municipalities in the country to become water services authorities. Therefore the current situation is that some areas have local municipalities as their water services authority and some have district municipalities.

It is notable that where a district municipality is the water services authority it can appoint the local municipality to be the water services provider for all or part of the local municipality's area of jurisdiction. This has implications for customer relations as the local municipality will be responsible for delivering services and would typically have a customer charter to define its relations with customers in its supply area.

With completion of demarcation and the finalisation of powers and functions, the transitional phase of local government transformation is coming to an end. Municipalities are now faced with the challenge of maximising their developmental role and ensuring that services are delivered to customers effectively.

The role of the water services authority has been defined by DWAF as follows:

#### ENSURE ACCESS

This includes:

- ☐ Policy development
- ☐ Tariff determination
- ☐ Financial planning and management
- ☐ Infrastructure development
- ☐ Health and hygiene promotion
- ☐ Water conservation and demand management
- ☐ Performance management and monitoring
- ☐ Information sharing and communication with stakeholders

#### MAKE BYLAWS

This includes:

- ☐ Making bylaws
- ☐ Developing regulatory capacity

#### PREPARE A WATER SERVICES DEVELOPMENT PLAN

This includes:

- ❑ Information management relating to the WSDP
- ❑ WSDP planning
- ❑ Monitoring WSDP implementation
- ❑ WSDP reporting to council and DWAF

#### WSP INSTITUTIONAL ARRANGEMENTS

This includes:

- ❑ WSP Institutional Arrangements Decision Making
- ❑ Support to WSP Establishment
- ❑ Record Keeping
- ❑ WSP Contractual Management
- ❑ Monitoring WSPs for Compliance
- ❑ Transfer of Water Services Schemes

### 4.2.3 The Water Services Development Plan

Water services development planning facilitates planning for both socio-economic development as well as planning towards implementing and achieving transformation where municipalities are able to address their water services delivery challenges (DWAF, 2001: 6).

Every water services authority has a duty to all customers or potential customers in its operational area to ensure efficient, affordable, economical and sustainable access to water services. This needs to be reflected in the local authority's planning process and ought to be reflected in the water services development plan.

One of the main aims of a water services development plan is to ensure that customers' requirements are addressed and that customers understand what they can expect from the water services authority in terms of water services. The plan has the effect of a contract between the authority and the public. By having such a plan, the public can call the water services authority to account for their actions against the commitments made in the plan.

#### 4.2.4 The Water Services Provider

The water services provider is responsible for the actual delivery of the service. This includes the day to day operation and maintenance, raising revenue from consumers and, in some cases, raising capital. The services provider has a direct responsibility to the consumer for provide the service, within the regulatory framework established by the water services authority.

The nature of services the water services provider offers is dependent to a large extent on the customer profile and type of WSP. Examples of WSP types are:

- ❑ The municipality which is also the WSA.
- ❑ Another municipality which is not the WSA
- ❑ A water board acting as retailer
- ❑ A private company
- ❑ A community based organisation

The range of situations can be defined by a large coporatised entity serving a metropolitan area (Joburg Water for example) and a community based organisation serving a small village in a rural area. The relationships between WSA, WSP and customer will differ across this range, as described later in this report.

#### 4.2.5 Nature of the Relationship Between Water Services Authority, Provider and Customer

The relationships discussed below are illustrated graphically in the following figure.

##### *Relationship of WSA to Citizens*

The WSA has a statutory responsibility to citizens to ensure that services are provided properly. This relationship between WSA and citizens is defined through bylaws and through the rights citizens retain under the constitution with regard to access to councillors. Further, in its regulatory role the WSA must communicate with citizens to assess their level of satisfaction with the service they obtain.

If the WSA is also the WSP then the relationship between citizen and customer is blurred and generally will be dealt with through a single communication channel. In this situation the requirement for a customer charter falls away, although some municipalities may choose to have one to amplify their commitment to customers.

### *Relationship of WSA to WSP*

This relationship is defined by agreement, which agreement must conform to the bylaws. This agreement is codified into a contract between the WSA and the WSP.

The agreement will be specifically tailored to the type of customers to be served, the service level to be provided and financial responsibilities of the WSP. It should be specific about the quality of service to be provided to customers. The agreement may be quite complex in the case of large concessions such as that with Nelspruit. Or they may be quite simple in the case of community based organisations.

These agreements are discussed further in 5.5.3

### *Relationship between WSP and Customer*

This relationship is the central theme of this report as it relates to the type of service the customer receives from the services provider. It should be defined through a customer/consumer charter but there are very few of these in place in South Africa at present.

This relationship is dealt with in considerable detail in later sections but a few key points need to be made here:

- ❑ As mentioned above, if the WSA is also the WSP the customer charter is, to some extent, replaced by the bylaws. The municipality may choose to have a customer charter to amplify its commitment to customer service has been mentioned.
- ❑ Based on the definition of a WSP the WSP should receive payments from customers for the services it provides. The application of a free basic services policy influences this in a specific way as discussed later in this report.
- ❑ The relationship is influenced by the service level, the customer profile and the capacity of the WSP. For example, communal services such as public standpipes require a particular type of relationship and the way communication takes place with between rural customers served by a community based WSP will be very different to that with a large high capacity WSP in a metro area serving high income residential, commercial and industrial customers.
- ❑ Where the WSP enters into a particular, special relationship with a particular customer with special needs - such as a golf course, hospital or large factory, a unique service level agreement (SLA) should be drafted to spell out the nature of the relationship in terms of service levels, any special undertakings, and remedial action in the event of breach.

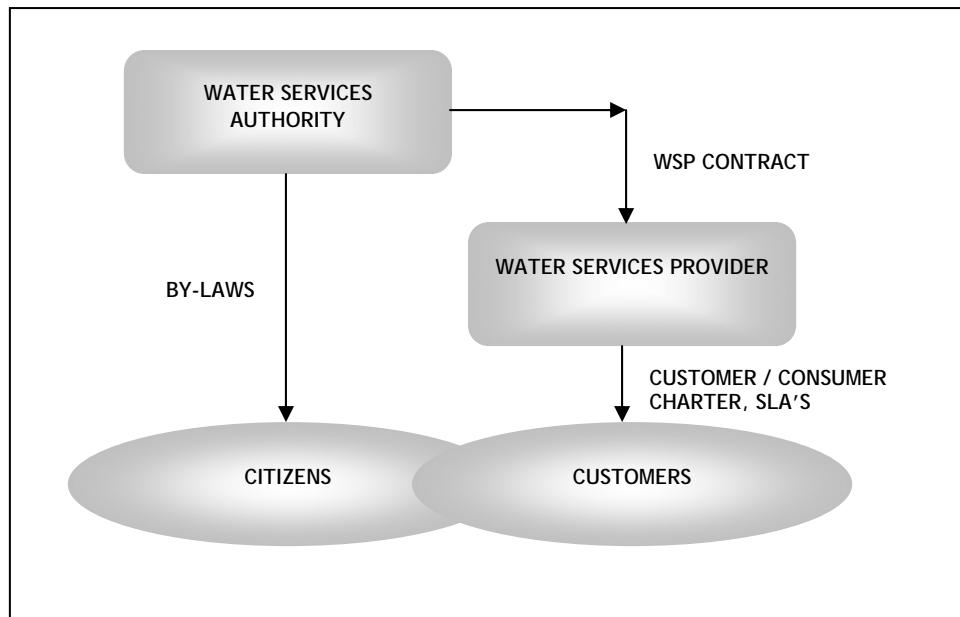


Figure 2 - The Relationship Between Authority, Provider, Citizen and Customer

### 4.3 Linkages to Other Services

Water services are often 'packaged' with other services including electricity and rates, particularly in terms of consolidated billing. This has implications for the customer service interface in that in order for the billing system to work optimally, it is be important to ensure that good customer service management is extended to include these related service areas.

Apart from increased billing convenience, the package of services concept has an important developmental role to play, as it makes far more sense from a poverty alleviation point of view to explore the entire package of services together, as this gives a clearer picture of the entire services bill that customers are facing.

### 4.4 Current Initiatives

While various Water Services Authorities and Providers are beginning to include aspects of CRM in their operations, these activities have not yet been fully mainstreamed into their programmes in an integrated way. However, a number of Water Services Authorities and Providers are beginning to develop CRM strategies and programmes. Some of these are more developed and comprehensive than others. It is beyond the scope of this report to undertake a thorough analysis of the role out of CRM in different centres. However, a number of examples are presented here to serve as an illustration of CRM development in South Africa.

### *Ethekwini*

Ethekwini Municipality has for example developed elements of a CRM programme. The municipality has brought out a number of resources aimed at making tariff and billing information more accessible to their customers. These resources come in a variety of forms ranging from flyers to online resources (Ethekwini Municipality, 2002).

### *Johannesburg Water*

As mentioned elsewhere in this report, Johannesburg Water has developed a Customer Charter which covers customer interface issues, complaints, billing, metering, interruptions, quality, and system failures (Johannesburg Water, 2002).

### *Queenstown*

In a recent study (PDG, 2003) the impact of customer relations on the success of the public-private partnership in Queenstown has been investigated. While the private contractor is not directly responsible for customer relations they have supported the establishment of a customer charter. Further, a new arrangement for communicating with customers via ward councillors has been set up over the last two years and has substantially improved the way customers experience the service and, indirectly, the viability of the water services arrangements.

## **5 ELEMENTS OF A CUSTOMER RELATIONS MANAGEMENT PROGRAMME**

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### **5.1 Customer Relationship Management**

Customer relationship management (CRM) can be described as a business strategy used to learn more about the behaviour patterns of customers in order to develop stronger relationships. It is also a strategy to communicate the organisation's activities and values to the customer. CRM is at the heart of the Batho Pele principles outlined in the government's White Paper on Transforming Public Service Delivery, and raised earlier in this report:

In a genuinely competitive commercial market private organisations cannot afford to ignore the needs and wishes of their customers if they want to stay in business because dissatisfied customers can choose to take their business elsewhere. Knowing what the customer wants and providing it quicker, better and cheaper than your competitors, is essential to business success. As competitive companies worldwide soon discover, 'the customer comes first' is not an empty slogan but a fundamental business principle.

By contrast citizens, as the 'customers' of public services, cannot choose to take their business elsewhere. For example, any South African who wants a passport has no alternative but to apply to the Department of Home Affairs. Many public services are not paid for directly by individual 'customers' and national and provincial departments which fail to satisfy their 'customers' do not go out of business. Moreover, many public services, such as revenue collection or the imposition of law and order are not 'services' but are regulatory in function. They are accepted as safeguards of a civilized society in which the vulnerable are protected and all citizens have equal opportunity for economic and social development.

The concept of the citizen as a 'customer' may therefore seem inappropriate at first sight. 'Customer' is nevertheless a useful term in the context of improving service delivery because it embraces certain principles, which are fundamental to public service delivery as they are to the provision of services for commercial gain. To treat citizens as 'customers' implies:

- ❑ Listening to their views and taking account of them in making decisions about what services should be provided
- ❑ Treating them with consideration and respect
- ❑ Making sure that the promised level and quality of service is always of the highest standard
- ❑ Responding swiftly and sympathetically when standards of service fall below the promised standard (DPSA, 1997)

In the context of water services, CRM is a process of making it easier for the customer to do business with the WSP. It is essentially what builds loyalty and long-term financial sustainability. It leads to reduced operational costs by helping plan and design services, which are in line with the needs of its different customers. An example where lack of communication due to a poor CRM could lead to a case where supply demand for water services is misaligned. For example, a bulk water supplier could spend its capital investment on water demand management infrastructure in anticipation for an increase in demand for water by its best customer, the municipality. The same municipality could simultaneously get active on water saving campaigns with the end user causing the bulk supplier to suffer problems of cost

recovery. CRM leads to increased satisfaction, improved understanding and retention of customers. The elements of a successful CRM are outlined in the following sections.

## 5.2 The Customer Value Chain

An important tool in the customer relations management tool-kit is the customer value chain. This chain can be said to comprise four key links including; to *know* the customer, to *target* the right customers, to *sell* to the right customers, and to adequately *service* the right customers.

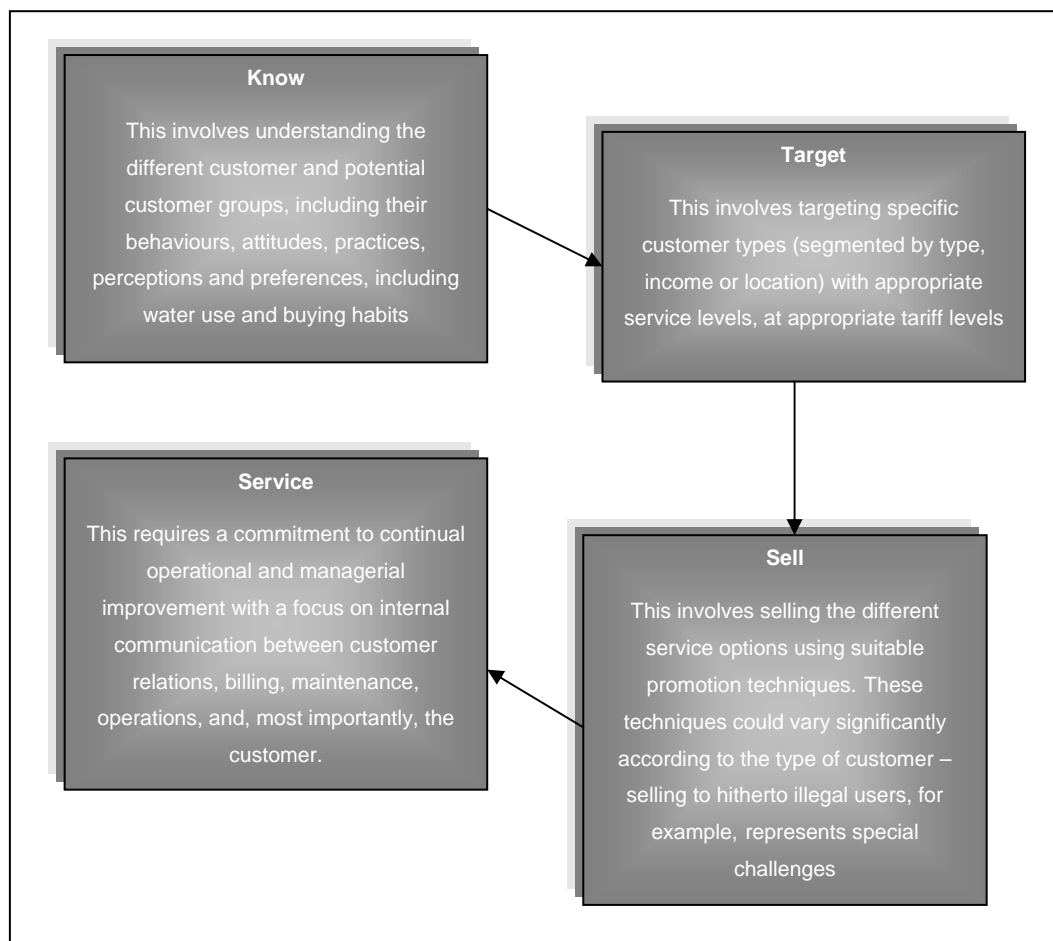


Figure 3 - The Customer Value Chain (Derived from Kotler, 1997: 44 and Coates and Sansom, 2001: 12)

## 5.3 Understanding the Customer

In order to understand the client base that are meant to be the primary beneficiaries of good customer service in the water sector, the WSA or WSP will need to identify a range of information that will be needed in order to develop a profile of customers in

each service area. This profile will need to include, among other things, the following:

- ❑ The value proposition
- ❑ Enumeration,
- ❑ Stratification
- ❑ Mapping
- ❑ Level of services
- ❑ Consumption patterns
- ❑ Customer needs
- ❑ Managing with incomplete customer information

Each of these profile items are outlined in more detail below.

### 5.3.1 The Value Proposition

This section refers to the value that customers perceive themselves to be getting from their service provider - in this case, the water services provider. There is a direct relationship between customer satisfaction and the perceived value that they derive from the transaction, transactions, or relationship. Customer delivered value is the difference between total customer value and total customer cost (Kotler, 1997, 38-40), where:

- ❑ Total customer value refers to the bundle of benefits customers expect from a given product or service.
- ❑ Total customer cost refers to the bundle of costs customers expect to incur in evaluating, obtaining and using the product or service.

Customers derive increased satisfaction as 'customer delivered value' increases.

Generally speaking, customer satisfaction represents the customers feelings of satisfaction vs outrage resulting from comparing a products perceived performance (or outcome) in relation to his/her expectations. In other words, customer satisfaction is a function of perceived performance and expectations. The following figure illustrates the perceived value and cost determinants of customer delivered value. From the figure that it is clear that perceived value is not simply a function of the product value and the price one pays for it, but is rather comprised of a complex mesh of values and costs, all of which have a bearing on the ultimate perceived value.

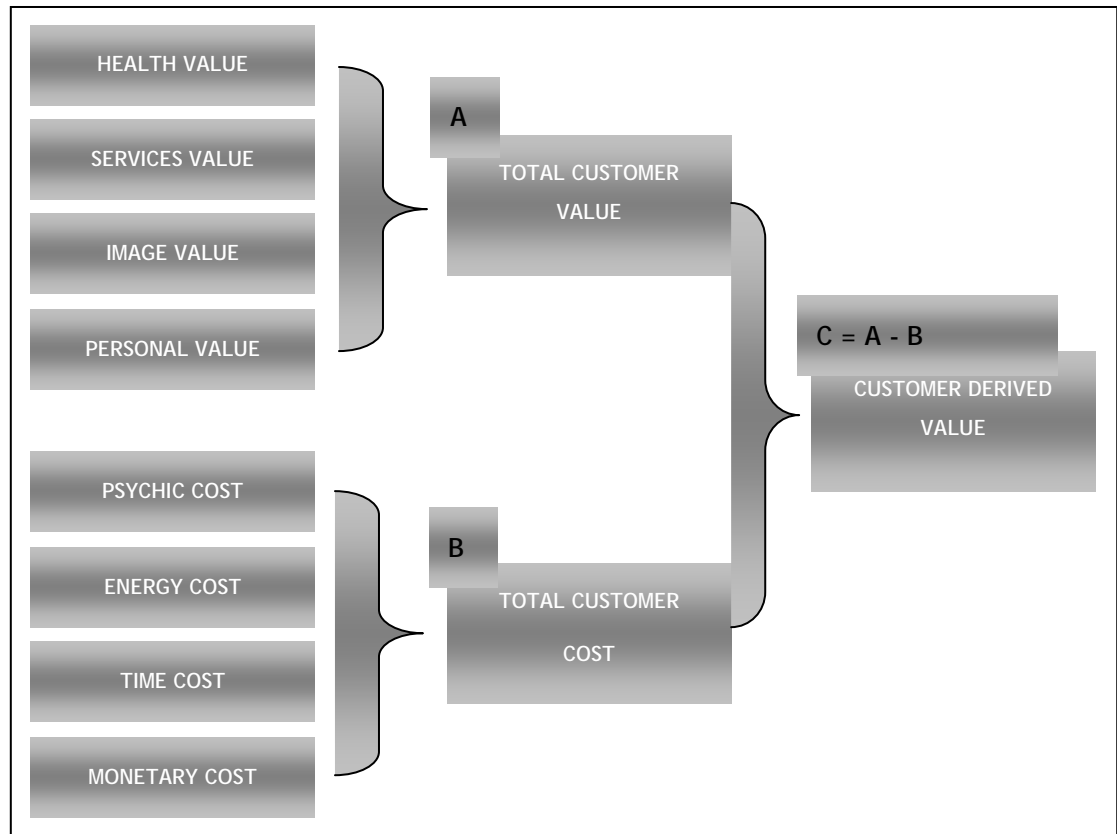


Figure 4 - Determinants of Customer Delivered Value (Kotler, 1997: 39)

An example of how the value proposition works with water supply follows.

Assume a household has no service and is getting water from a river where the water quality is poor. The household is faced with a time cost and energy cost related to the time and effort required to carry water, and a psychic cost, possibly due to the sense of resentment teenage girls may feel about collecting water. However, the household incurs these costs primarily due to the health value, even though this may be limited. There may also be some personal value as water is used for personal washing which is necessary to maintain social status.

If a public standpipe service is provided the value to the household increases substantially from a health, image and personal point of view. If it is a well-run service there is also value in getting a good service. On the cost side the energy, time and psychic<sup>1</sup> costs all reduce substantially but the household may have to incur a monetary cost. The extent to which they are happy to incur this cost depends on how they perceive the new value proposition. This can be measured through willingness to pay studies which are described later in this section.

If, on the other hand there is no charge for the service the monetary cost vanishes and there is a very positive customer delivered value. This may move in the negative direction if the quality of service declines both because the service value decreases while the psychic cost may increase.

### 5.3.2 Enumeration

At the most basic level the primary building block in developing a profile of customers is to understand how many customer units need to be serviced (i.e. identifying and evaluating the market size). A distinction needs to be made between existing customers, and potential customers. In many ways, customer service relates as much to dealing with future customers as it does to liaising and interacting with current customers.

In dealing with future customers, the market opportunity can be evaluated using 4 criteria (i.e. measurability, accessibility, sustainability and compatibility). Measurability refers to the degree of information on the particular customer type that exists or that can be obtained. Accessibility refers to evaluating the degree to which a WSP can effectively focus its services and marketing efforts on the chosen customer types. Sustainability refers to evaluating the degree to which the customer types are profitable enough to be worth considering in order to offer a different type of service. Compatibility refers to evaluating the degree to which the WSPs capacity match the present and expected competitive and technological state of the industry.

Guidelines issued by the Department of Water Affairs and Forestry aimed at supporting Water Services Authorities in the preparation of their Water Service Development Plans (WSDP) go some way towards developing a reporting system to capture this customer profile and makes the point that customer's experience of the delivery of water services is not restricted to what level of service they receive, but includes the quality of service rendered. If customers are satisfied with the quality of service, they are more likely to be prepared to pay for the services they receive.

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<sup>1</sup> Psychic cost refers to the intuitive or perceived cost of a product or service.

On the water supply side, quality of service includes: water quality, water pressure, service continuity, complaint response time, meter coverage, billing and access to pay points. On the sanitation side, quality of service is primarily about response times to complaints. (DWAF, 2001: 68).

Certain of these requirements have been built into the requirements for information to be provided as part of the WSDP process. For water supply these include:

- ❑ Total number of customers
- ❑ Number of customers experiencing greater than 7 days interruption in supply per year
- ❑ Number of customers receiving flow rate of less than 10 litres per minute
- ❑ Water quality: no chlorination
- ❑ Water quality: chlorinated
- ❑ Water quality: full treatment

### 5.3.3 Stratification

Different customer types experience the provision of services differently and are faced with different sets of customer management issues. It is therefore important to stratify customers into customer types that make sense and reflect their experiences as a group. Industrial or commercial water customers, for example, are faced with vastly different issues to say a rural settlement currently enjoying only basic levels of service.

In order to give substance to the notion of customer service management, it is important to understand what we mean by the word customer in the water service provision context. A municipality can be a customer to a water utility providing bulk supply, and can at the same time be a WSP of retailed water to customers who are essentially the end users or customers of water. While recognising various levels of customers in the water services industry, this guideline focuses primarily on the residential end users of the service.

Some WSPs may need to service more than just a single customer type because of the need to make effective use of their available capacity and due to the demographic conditions in their area of infrastructure. To do so they will have to appeal to several customer types (i.e. urban, rural, residential & non residential customers) either simultaneously or at different points in time. In many cases, the service will be differ according to service level which in turn may be linked to affordability and willingness to pay.

The table below illustrates a typical range of customer types, typical service levels that may apply to that customer type, and issues typically associated with the customer type as serviced by a WSP.

**Table 1 - Customer Type, Service Level and Issues**

| CUSTOMER TYPE                 | SERVICE LEVEL   | ISSUES   |
|-------------------------------|---|--|
| Urban<br>Residential Formal   | <input type="checkbox"/> Household reticulation<br><input type="checkbox"/> Waterborne sanitation   | Remaining uncertainty over functions of C (district) and B (local) municipalities.<br>Unevenness of capacity given the recent demarcation changes. |
| Urban<br>Residential Informal | <input type="checkbox"/> Communal standpipes<br><input type="checkbox"/> Prepaid metres<br><input type="checkbox"/> Yard connections<br><input type="checkbox"/> Waterborne sanitation<br><input type="checkbox"/> VIP sanitation | Supply, installation and maintenance.<br>Affordability.<br>Vandalism.  |
| Urban<br>Industrial           | <input type="checkbox"/> Bulk potable water<br><input type="checkbox"/> Bulk recycled water   | Water scarcity and the opportunity for recycled water in South Africa.   |
| Urban<br>Commercial           | <input type="checkbox"/> Reticulation<br><input type="checkbox"/> Waterborne sanitation   |  |
| Rural<br>Residential          | <input type="checkbox"/> Communal standpipes<br><input type="checkbox"/> Prepaid metres<br><input type="checkbox"/> Yard connections<br><input type="checkbox"/> VIP sanitation   | Affordability and willingness to pay due to non-implementation of the free basic water policy.<br>Lack of capacity                                 |

### 5.3.4 Mapping

Understanding who your customers are and organising them by customer category is one thing, but it is as important to know where one's customers are located. The spatial distribution of customers is an important factor in customer service. The ability to provide services, the cost of providing these services, and the ability to communicate with customers, are all issues that are driven, in at least part, by the geographical location of customers.

Spatial mapping combined with the effective use of information technology through Geographical Information Systems (GIS) can be an extremely powerful tool as it assists authorities and providers to explore the relationship between variables. For example, public health indicators can be overlaid on water and sanitation coverage data in order to explore the relationship between the two.

### 5.3.5 Level of Service

Customers, depending on various circumstances, including income levels, geographical location and local policy, are likely to enjoy a range of different service levels. Just as the customer service dynamics may vary from location to location, so too will they vary according to different service levels. In other words, customer service issues are likely to be different for a customer enjoying only the most basic service to those who enjoy a comprehensive, full level of service. This is not to suggest that those customers who find themselves at the lower end of the services spectrum should not enjoy appropriate customer management, but that the type of interaction with customers at different service levels will necessarily vary.

The appropriate definition of basic service levels typically differs according to settlement type. For example, while waterborne sewered sanitation systems may be an appropriate minimum standard in high density settlements in the urban core, this level of service is not necessarily to realise the health benefits in less densely settled rural areas. In addition, because of low density, waterborne sewage may be prohibiting expensive.

Urban areas have been divided into two categories according to density. Rural areas are divided into higher density areas like villages and lower density areas like scattered settlements and farms. Definitions of different settlement types are given in the table below.

**Table 2 - Settlement types**

| URBAN  |   | RURAL   |  |   |
|--|---|---|--|---|
| URBAN CORE   | DENSE SETTLEMENTS<br>(URBAN PERIPHERY)  | VILLAGES  | SCATTERED SETTLEMENTS  | FARMS   |
| Typically densities of >15 households per hectare, often higher in the urban centers. May have multi-story developments. | Large settlement size (over 5 000 people). Densities generally above 10 households per hectare. Generally no business district. | Settlement size in range of 500 to 5000 people. Densities within settlements typically >2 households per hectare. | Households in small groups. Density below 2 households per hectare often much less. Little commercial activity | Low density (below 1 household per hectare). Associated with commercial farming activity. |

Based on the settlement types, an appropriate definition of a “basic” level of service for water services is given in the tables below. It should be noted that the actual service level could be greater than that indicated in the table depending on factors such as affordability.

**Table 3 - Service Levels Based on Settlement Type**

| SERVICE  | BASIC DEFINITION                     | COMMENT   |
|--|--------------------------------------|---|
| <b>WATER</b>   |                                      |   |
| Urban core   | Yard tank or yard tap                | Higher than the RDP definition which is a safe water source within 200m.  |
| Dense settlements, villages, scattered settlements and farms | Communal standpipe within 200m       | RDP definition which is a safe water source within 200m.<br><br>Note that in some cases this level of service might not work or be practically achievable in the short term. In these cases point source supplies or water or springs may be appropriate. |
| <b>SANITATION</b>  |                                      |   |
| Urban core   | VIP, intermediate or full waterborne | Depends on density and housing type   |
| Dense settlements  | VIP                                  | Waterborne very costly  |
| Villages, scattered settlements and farms                    | VIP or other latrine                 | VIP may be too costly   |

### 5.3.6 Consumption Patterns

It is important for any WSP to understand the consumption trends of their water services customers. This is essential for planning purposes to ensure that there is adequate supply to meet expected demand. Alternatively, if there are serious supply constraints, then this consumption data is important to track the effectiveness of water demand control measures. This information can also enhance communication between the provider/authority and the customer, particularly if one of the objectives is to reduce consumption in water stressed areas. In most cases WSAs and WSPs can gather and compile this consumption information through good metering systems and through well-managed treasury billing systems.

There are also new options for linking customer services usage information, and billing to geographic information systems (The SWIFT system, for example).

### 5.3.7 Customer Needs

A key component of customer service management is understanding the needs of the customer. Too often in the past has planning for water services occurred without fully understanding the needs of the service beneficiaries themselves. Mechanisms need to be established and implemented that allow for the free flow of customer communication to the water authority/provider. These mechanisms ought to be ongoing as these needs may well change over time. A number of needs analysis tools

and techniques can be used in order to gather this information including:

- ❑ Customer surveys
- ❑ Focus group sessions
- ❑ Call centre feedback
- ❑ Customer complaints analysis
- ❑ Community meetings
- ❑ Web based feedback mechanisms

### 5.3.8 Willingness to Pay

#### 5.3.8.1 *South African Context*

Payment for a service is a key element of the relationship between services provider and customer. In this regard, the willingness of the customer to pay for the service is a key element of the value proposition, which is discussed in Section 5.3.1.

Clearly if customers are not required to pay, in terms of a free basic services policy, the issue of willingness to pay for the particular service at a basic level of use falls away. However, it remains important where the issue of higher service levels are considered. This is a key issue in the following contexts:

- ❑ In rural areas a basic water supply service level is often defined as communal standpipe but there is a demand for higher services levels (yard connections), which needs to be assessed.
- ❑ In many areas on the urban periphery a basic sanitation service is often defined as a VIP but there is a demand for a higher level of service, i.e. waterborne sanitation. Therefore customers need to pay for this and willingness to pay needs to be assessed.

Overall, it remains important for customer relations to address willingness to pay and therefore this is dealt with in some detail in the following sections.

#### 5.3.8.2 *The Importance of Assessing Willingness to Pay*

Management guidelines for the water services sector produced by PDG on behalf of the Water Research Commission (WRC) point out that in virtually all urban areas of South Africa there is currently a backlog of services provision, and decisions need to be made about how and when to provide the necessary services (PDG, 1998: 3-20). New households are also being formed and these need to be catered for. It is important that

services are provided in such a manner that the service provider remains financially viable, and the willingness of customers to pay for services is therefore of crucial importance. As noted by Rogerson (1997), one of the key reasons for the failure of water projects in developing countries is lack of understanding of the demand for the service. Assumptions are made about the percentages of household income that customers will be willing to pay for water, but these are seldom empirically verified. Incorrect assumptions can have undesirable consequences. Firstly, households may not make (full) use of the services provided and continue to use alternative sources because the payment is regarded as too high. This can have adverse consequences in terms of both public and private health and safety. It may also result in under utilised infrastructure and therefore financial difficulties for the service provider. Secondly, households may be unwilling to pay for what they regard as an inferior service when they would be willing to pay more for greater convenience – for example they may be willing to pay for yard connections but not communal standpipes. Thirdly, if it is possible, households may make full use of the service but be unwilling to pay for it because they regard the payments as unfair. Fourthly, customers may be unwilling to pay if payment is regarded as unnecessary because there are no social, legal or technical sanctions to non-payment (PDG 1997).

#### ***5.3.8.3 Factors Affecting Willingness to Pay***

A distinction needs to be drawn between “need” and “demand”. In essence, a “need” or “felt need” reflects what people would like to have. “Demand”, or “effective demand” reflects what they are actually willing to pay for. The difference arises due to the problem of limited resources: households are not able to meet all their needs and must make decisions on how to allocate their resources to best advantage. There are many factors that affect a household’s willingness to pay for a service; some of the most important of these are given below, as discussed in Evans (1992).

- ❑ *Level of service* – the lowest (and cheapest) level of service is not always the most marketable; for example, customers may be prepared to pay for yard taps but not communal standpipes.
- ❑ *Standard of service* – if the service is unreliable people will not be willing to pay.

- ❑ *Perceived benefits* - people will be willing to pay only if the perceived benefits are worth the cost. Agencies and communities may not have the same perceptions regarding benefits, for example health benefits. There may also be important differences within communities, particularly where some stand to gain more than others from a particular service. An understanding of customer perceptions is crucial to the successful running of water supply and sanitation services.
- ❑ *Relationship to production* - customers may be willing to pay more if the service provided can be used for revenue-generating activities such as gardening and livestock-watering.
- ❑ *Level of income* - if the charge is beyond the means of the customers they will not be able to pay;
- ❑ *Price* - people will not be willing to pay for a service if the price is regarded as too high, particularly if an alternative is available. The price must be seen in relation to the cost of other services, such as electricity, schooling or health care, as well as levels of income. A balance needs to be struck between covering the costs of running the service and what people are willing to pay.
- ❑ *Opportunity cost of time* - the more time that is saved in collecting water and the greater the perceived value of this time, the greater will be the willingness to pay;
- ❑ *Other or existing sources* - where existing sources are considered acceptable it is unlikely that customers will be willing to pay for a new service.
- ❑ *Reputation of service agency* - that is, the credibility of the service provider, and its ability to deliver and be seen to be doing so.
- ❑ *Transparency of financial management* - this is closely linked to the reputation of an agency and is ultimately a matter of trust. Information on how the service is priced and how customers' contributions are used should be easily accessible.
- ❑ *Community cohesion* - factional conflicts within the local community may lead to a lack of co-operation from some sectors of the community.
- ❑ *Policy environment* - if people perceive that other communities are not paying for services they will be reluctant to pay; thus the policy adopted needs to be clearly formulated and communicated and consistently implemented.

- ❑ *Perception of ownership and responsibility* - people may be unwilling to pay for a service if they believe that the system belongs to an external body, such as the government. Non-acceptance of ownership and responsibility can be symptomatic of problems with the implementation of the project, inadequate consultation, or dissatisfaction with the level and type of service.
- ❑ *Institutional framework* - willingness to pay may be influenced by the perceived legitimacy and openness of the institution(s) responsible for service provision.
- ❑ *Socio-cultural factors* - such as beliefs in relation to natural and basic resources, spiritual beliefs associated with water sources, and perceptions of water quality (what constitutes good water) may influence willingness to pay.

#### **5.3.8.4 Measuring Willingness to Pay**

There are two basic methods of estimating willingness to pay: the indirect and the direct.

##### **The Indirect Method**

The first indirect method involves an analysis of what other customers in similar situations are paying (Evans, 1992; Rogerson, 1996). The advantages of this method are that information is drawn from actual practice and is readily available. The major disadvantage, however, relates to the fact that no two communities are exactly alike, and differences (for instance in income, perceptions and available alternatives) make it potentially misleading to draw comparisons. Furthermore, the approach is essentially “top down”: decisions are being made for the community on the amounts that they will be “willing” to pay, rather than their being asked.

A second indirect approach is the use of proxy measures, such as the use of case studies of water-vending to provide indicators of willingness to pay. These studies can provide important indicators on the value which people give to water and the upper limits of their willingness to pay in term of both total amounts spent and unit costs. Where vending occurs within the community to be served this information can be of particular value. It needs to be borne in mind, however, that where alternative sources exist the poorest households may make no or only very limited use of water-vendors. Their willingness to pay will therefore not be adequately captured by water-vending studies. In addition, poor households may purchase less water from vendors than the amount regarded as the necessary for a minimum acceptable standard of health; for these households vending studies provide an indication of willingness to pay in terms of amounts spent rather than unit costs.

### The Direct Method

This method is sometimes referred to as the “contingent valuation” method (Evans, 1992; Rogerson, 1996). Until the late 1980s it was generally regarded as unreliable, but with improved methodology it is now at the “cutting edge” of international research on willingness to pay (Rogerson, 1996). Essentially “contingent valuation” consists of a household survey in which interviewers pose questions in the context of a hypothetical market. It involves asking customers what they would be prepared to pay in the future for improved services. The problem with this is that often answers to direct questions are misleading because the hypothetical questions are not taken seriously, or there are perceived advantages to giving false answers. The method is thus vulnerable to bias in three basic areas:

- ❑ *Hypothetical bias* - which refers to problems the customer may have in conceptualising the questions of the interviewer.
- ❑ *Strategic bias* - the respondent may think he/she can influence the provision of services in his/her favour by not answering the questions truthfully.
- ❑ *Compliance bias* - the respondent may give answers which are influenced by his/her desire to please the interviewer.

These major sources of bias can, however, be addressed (Rogerson, 1996; Evans, 1992). Firstly, where the hypothetical service is not well known to the community information can be provided through pictures, films and discussions so that the nature of the service is clear. Secondly, it is possible to assess the magnitude of strategic bias through use of a variety of techniques. Thirdly, through careful recruitment and training of interviewers compliance biases can be minimised.

The direct method is in practice far more subtle than bluntly asking people to name a price for future water and sanitation services. A technique which has gained acceptance in recent years (Evans, 1992) is the “bidding game”. There are a number of variations of this method, but all involve a process of negotiation between the respondent and the interviewer. The game involves moving up and down a range of possible prices for particular types and standards of service until a level is reached at which the respondent agrees to pay a particular price and no more. The basic form of the bidding game is to ask: “If you were required to pay X per month for a connection, would you choose to connect to the system or would you prefer to use an alternative source?” Each household is asked this question across a range of tariffs with the sequencing of bids starting at the extremes and then converging inwards; for example, if the prescribed values were R5, R10, R20, R50, R70 and R100, the order would be: R5, R100, R10, R70, R20 and R50. The bid is closed with an open-ended final bid query. From this process it is possible to get an indication of the level of demand for improved services and the relative demand for the different levels of service.

Contingent valuation surveys are labour-intensive and thus relatively expensive. However, compared to the investment required for most piped water systems the cost of the survey is likely to be relatively small considering the information acquired. An assessment of willingness to pay should be an inherent part of project planning and design, and surveys are the most effective way to do this.

#### **5.3.8.5 *Target Groups for Survey***

Whatever method is used, it is important to direct the survey at the right people. To determine this target group it may be first necessary to find out who in the household will actually be responsible for paying the bill. Often it is assumed that “the household” will pay, with men assumed to be the principle providers. Frequently, however, it is women who bear the responsibility for both collecting and paying for the water. Surveys that do not take this into account and target the wrong group will produce misleading results.

#### **5.3.8.6 *Community Participation and Partnerships in Surveys***

The greater the distance between the researcher and the subjects of research the greater the likelihood of misleading results. An approach in which the community is involved in not only providing answers but also in posing questions, analysing the data produced and agreeing on practical solutions is more likely to produce accurate results (Evans, 1992).

#### **5.3.9 *Managing Without all Customer Information***

While it would be desirable to have access to all the information about the client outlined above, in reality there will always be gaps in this type of information. The water services provider will need to be able to continue managing effective service provision without all the required data. The water service provider/authority will need to be creative in finding proxy indicators to fill gaps where they may exist. Trends in areas that enjoy a similar demographic profile, for example, could be very useful if this information is not available for a particular area.

### **5.4 Customer Service in the Context of Free Basic Services**

It has been noted that the application of free basic services is a means to provide for

the 'public good' element of water services. As far as possible the public good component is dealt with through a subsidy framework and then customer relations can be managed under a common customer relations management system.

However, it has been noted that the 'value proposition' changes substantially when a customer does not have to pay for a service (See Section 5.3.1). If the level and quality of service remains the same the customer clearly gets better value if they do not have to pay. However, a free basic services policy has implications for the service provider/customer interface as the incentive for the services provider to deliver a good quality service is substantially reduced as they receive no income directly from the customer.

For example, in Durban, prior to the introduction of free basic services customers in many areas received a yard tank service for which they paid, with the money collected by a bailiff who also was responsible for customer relations and local maintenance. With the introduction of free basic water they bailiff was no longer required and the customers, although they got the yard tank service free of charge found the quality of service declining and they no longer had any contact with the bailiff who was a contact point for them and someone to whom they could take their complaints (PDG, 2000).

There are also dangers that the 'free basic water' message may be misinterpreted and result in increased non-payment by customers who are not poor in terms of the indicator used but consider themselves to be. This could mean an immediate loss of income that cannot be replaced in the short term. Therefore a free basic water policy needs to be well integrated with a customer management policy and include a strong information initiative for customers informing them of what free services means with regard to service level and/or poverty measures. If the policy is in place nationally and not locally then communication relating to interim arrangements needs to be included. It is important that local authorities communicate to customers that financial viability remains a key objective of local government and that customers will have to pay for services above the basic level. Depending on local conditions the message to customer needs to be very specific on how the policy will be applied and in what time frames.

## **5.5 Formalising Customer Rights and Obligations**

While the previous sections have focused primarily on the responsibility of water institutions to provide water services to citizens, this section will focus more on the rights and, as importantly, the obligations of citizens in terms of being the recipient of water services. In this section, the notion of a customer/consumer charter will be introduced, although it will be unpacked more fully in a later chapter.

While the constitution and other pieces of legislation set out the rights that customers

can expect in terms of being provided with basic services, it needs to be remembered that the relationship between the water services provider and the customer is essentially a contract between the two parties. Part of this contract implies that there are certain obligations on the part of the customer. Such obligations include: timely payment for services rendered, ensuring that the water service provider has appropriate access to the property to be able to effectively deliver the service, ensuring that any property related to the provision of services is well looked after, etc.

### 5.5.1 Customer Charter

Once customer service is identified as a critical success factor in terms of the appropriate functioning local authorities, it is important to begin to formalise and codify the concept. One way of doing this is via the production of a customer charter. Such a charter would have two distinct, but related components. On the one hand, there would need to be a process component, which would inform the way in which the charter is developed. On the other hand, the content of the charter itself would form the formalised, codified detail of the charter. Both these dimensions are important.

The process dimension is important as it is here that the various stakeholders will need to interact with each other in order to develop the document. This process itself has value in that it exposes the various constituencies to the views of others and encourages a consultative approach. Clearly the content articulated in the outputs of the process are important as these represent the charter, or agreement, itself.

A charter of this sort is typically aimed at informing the client of the services provided by the service provider and their responsibilities regarding the delivery of water and sewerage services. The charter typically outlines a number of performance standards in delivering the services. These standards are ideally set up in consultation with customer representatives. In some cases, where the service provider does not meet these nominated standards, the customer in question may receive a credit or payment.

The structure of a services or customer charter would vary from context to context, but would typically include clauses related to water services, billing, information, etc.

The term customer charter means different things to different people. In some contexts the charter is seen as forming a legal agreement between the service provider and the customer. On the other hand, the charter can also be viewed as a document of intent, or utility pledge, in which the utility sets out its intentions viz a vis customer service.

An example of the former type of customer charter, where the document sets the basis for the legal agreement between provider and customer, is the Residential Customer Charter issued by Yarra Valley Water in Melbourne, Australia (Yarra Valley Water, 2002). This Charter is a summary of the customer's rights and the utilities obligations as set out in the customer contract which in turn forms part of the Water Industry Legislation in Australia. This Charter then essentially serves as a legal agreement and sets out the sort of detail that one would find in such a contract including:

- ❑ Charges and billing
- ❑ Metering
- ❑ Responsibilities for maintenance
- ❑ Rights of review and appeal
- ❑ Disputes and complaints

On the other hand, an example of a Charter with a utility pledge or intent focus is the Customer Charter currently being developed by Johannesburg Water (Johannesburg Water, 2002). This Charter has as its focus the notion of customer care and sets out the utilities' intention viz a vis service standards and its customer assistance scheme. This charter includes as its objective: "provides a flexible framework that encourages an individual approach to responding to customers. If our service is below standard, or our activities cause unreasonable disruption or inconvenience, we will do everything we can to put things right quickly and without a fuss to honour our responsibilities and commitments to our customers" (Johannesburg Water, 2002, 5)

At this point it is important to note the relationship between a customer charter and what would be found in municipal bylaws. This is introduced in Section 4.2.5. Clearly there is a great deal of overlap between the first notion of a customer charter set out in the paragraphs above and the role of by-laws. Essentially both are regulatory in nature and both form a legislative framework as far as customer rights and obligations are concerned.

In summary, a customer charter could take a number of forms. It could have a strong regulatory component with overlaps with municipal bylaws, or it could be a softer vision statement outlining key principles.

Notwithstanding these debates, and definitional issues, the following section outlines, in heading form, a possible customer service charter:

#### **5.5.1.1 Draft Customer Charter Structure**

##### **Introduction**

A customer service charter will typically begin with a description of the water services authority, the area being serviced by the authority, and some description of the communities living in the community.

This section would also offer a brief outline of the process followed in developing and drafting the charter.

##### **Water Supply Services**

Here a description of the water quality standards that the water services authority intends to adhere to should be outlined. Other water supply issues, such as minimum flow rates will also be specified in this section.

##### **Wastewater and Sanitation Services**

The description of the intended service will be outlined as will the authority's planned response in the event of a wastewater overflow or sewer blockage. This section will also clearly outline which party is responsible for different categories of blockages. For example, blockages within the internal reticulation of the customer's home may be deemed to be his/her responsibility, while blockages outside this internal reticulation could be the responsibility of the local authority. These provisions may vary from place-to-place, but must be made explicit in this section.

##### **Information on Pricing and Tariffs**

In this section, the appropriate channels and processes for adjusting and communicating tariffs and prices are outlined.

##### **Continuous Service**

Where planned work on the system is scheduled, appropriate notice periods and the maximum length that services will be disrupted will be communicated.

In terms of unplanned interruptions, targets outlining the maximum number of such interruptions per annum will be set out, as will the maximum response time to the breakage. Where and when such interruptions do occur, this section will indicate the procedure or remedying this. Time targets for repairing the damage will also be presented here. Provision for the emergency supply of water services will be set out.

##### **Accounts**

The account cycle will be clearly set out in this section. This will indicate what information is to be found on the account, when accounts will be sent, and when they ought to be settled by. Account cycles may vary between categories of customers, and this will need to be set out here.

This section will also set out what is expected of both the service provider and the customer in the event of mistakes being detected in the accounts.

Typically, there are many channels available to customers to settle their accounts. For example, payment could be made via cheque, cash, post, debit-order, the internet, etc. The various payment channel options need to be set out in this document.

The charter also needs to set out what the customer ought to do in the event of having difficulties meeting their service payment obligations.

In some cases concessions may be granted to specific categories of water services customers including the aged, the indigent, or those involved in care industries. These user categories, as well as the nature of the concession that they qualify for need to be set out here.

The charter will also set out the procedure for cancelling subscription to the service in the event of the customer moving.

### **Metering**

This part of the charter will explain the metering process. It will describe the nature of the technology and its purpose. It will also outline the process for reading the meter, covering, inter alia, issues of access to the customer's property.

### **Maintenance**

Typically any pipes and/or fittings on the customer's side of the meter is his/her responsibility, while pipes and fitting on the other side of the meter are the responsibility of the water services provider. These responsibilities are detailed in this section of the charter.

### **Access**

This section of the charter sets out when the service provider may enter the customer's property and under what conditions. If there are time restrictions to this access, then they will be set out here.

### **Consultation and Information**

Where community structures are set up to liaise with the service provider, details of these bodies will be included in the charter. These structures could be established to facilitate customer consultation or to protect environmental interests.

This section of the charter could also indicate the service provider's intentions to regularly survey the client base and to communicate the findings.

The charter will also indicate what information is available to the customers and under what conditions. This information could include:

- ❑ Copies of this charter

- ❑ The client's account
- ❑ A schedule of tariffs and charges
- ❑ Educational material
- ❑ Contact names and numbers

#### **Restrictions or Disconnections**

This section of the charter will outline the procedure in the event of non-payment of accounts. The procedure would typically involve steps to agree on alternative payment options. It would also indicate the implications of not exercising these alternative options. If restrictions to the service are an option the nature of these restrictions will be set out with a clear indication of when they will be applied. The charter will also set out what the customer would need to do in order to ensure that normal services are resumed.

#### **Enquiries, Complaints and Disputes**

Detailed information on how to contact the service provider will be set out here, as will be the appropriate channels for levelling complaints. The chain of escalation *viz a* *vis* complaints will also be clearly set out. In the event of disputes, the process for resolution will be outlined, including any provision for mediation, arbitration, and review.

### **5.5.2 Model-bylaws - Formalising Customer Obligations**

Recently DWAF has published a set of model bylaws as they pertain to the provision of water services. These model bylaws may be used by water services authorities as a basis for promulgating their own bylaw. They will need to be tailored by the water services authority to suit its own particular needs.

These model bylaws are particularly important from the point of view of customer relations. An outline is given below:

#### ***CHAPTER 1: GENERAL PROVISIONS***

- ❑ Definitions
- ❑ Application for water services
- ❑ Tariffs and charges
- ❑ Payment
- ❑ Accounts
- ❑ Termination, limitation and discontinuation of services

- ❑ General provisions

#### *CHAPTER 2: WATER SUPPLY SERVICES*

- ❑ Connection to water supply system
- ❑ Communal water services works
- ❑ Temporary supply
- ❑ Standards and general conditions of supply
- ❑ Management of water supply services
- ❑ Installation work
- ❑ Water pollution, restriction and wasteful use of water
- ❑ Water audit
- ❑ General provisions

#### *CHAPTER 3: SANITATION SERVICES*

- ❑ Standards and general provisions
- ❑ On-site sanitation services and associated services
- ❑ Sewage disposal
- ❑ Sewage delivered by road haulage
- ❑ Disposal of industrial effluent and trade premises
- ❑ Measurement of quantity of effluent discharged to sewage disposal system
- ❑ Drainage installations
- ❑ Quality standards

### **5.5.3 Water Service Provider Contracts**

DWAF has developed regulations in terms of section 19(5) of the Water Services Act to outline compulsory provisions to be included in contracts between WSAs and WSPs. One of the key components of these regulations stipulates that the contract must require the water services provider to prepare a consumer charter (if the provider provides services directly to consumers). The consumer charter governs the relationship between the provider and the consumers by setting out the conditions of service and

the obligations on these two parties. It must also be consistent with the local bylaws, which regulate the relationship between the authority and consumers. The consumer charter should form part of the customer management system of the municipality as required in terms of the Municipal Systems Act.

In terms of these regulations, the customer must also provide for the manner and the means by which the water services authority must monitor the performance of the water services provider (DWAF, 2002: 95-97).

## **5.6 Incentivising Customer Behaviour**

The relationship between the service provider and customers is a bi-directional one, and apart from ensuring that service provision behaviour on the part of the provider is optimised, it is also important for the provider to ensure that obstacles to good customer behaviour are minimised. Some of these obstacles are related to communication and this will be explored as a section on its own. There are, however, various incentives that local authorities can offer that could encourage good customer practice. These incentives could take the form of either positive incentives or negative, punitive sanctions.

Positive incentives could include, inter alia, discounts for prompt payments, special offers linked to the completion of customer feedback surveys, the linking of customer payments to frequent user loyalty schemes, etc. Negative sanctions, already widely in use, include disconnections, reconnection fees, etc. Generally speaking, however, positive incentives are more likely to develop the type of relationship that is required in order to foster a positive working relationship between service provider and customer.

## **6 MANAGING CUSTOMER RELATIONS**

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### **6.1 Senior Management Buy-in**

Before a water service institution can harness the benefits of a robust customer centred programme, it has to institutionalise the notion that the customer is at the centre of the business. Customer care and relationship management is a corporate responsibility and as such requires that senior management endorses the programme in its entirety.

Successful CRM programmes are based on innovation and creativity and are facilitated or led by senior management. The initiating and motivating role of senior managers, and importantly of managing directors or Chief Executive Offices (CEOs) should not be underestimated. CRM will only be considered a critical success factor in a water institution's long-term survival if senior managers demonstrate involvement in terms of time, effort, commitment, persistence and visibility. This implies demonstrating commitment through concrete actions (Coates and Sansom, 2001: 6).

Senior managers should see their responsibilities as including the need to inspire and lead their subordinated and colleagues in the quest for client centred excellence. A philosophy based on these principles will simply not take hold unless it is seen to be embraced and championed by the leaders of the institution. Senior managers can demonstrate their commitment to institutionalising CRM by:

- ❑ Spearheading CRM campaigns by regularly attending launch events, training sessions and reviews, and getting involved in and encouraging company-wide debate about CRM issues
- ❑ Demonstrating visible commitment through regular direct contact with a cross-section of customers
- ❑ Pro-active monitoring of customer satisfaction
- ❑ Taking a personal interest in customer complaints and the subsequent recovery efforts
- ❑ Experiencing the treatment received by customers, in order to appreciate the problems the customers face in the service delivery process
- ❑ Setting an example, perhaps by communicating and acting upon personal standards and the codes of behaviour
- ❑ Providing regular feedback to the staff about the progress of the CRM programme
- ❑ Encouraging and accepting feedback from customers, suppliers and staff about the progress of the CRM programme (Coates and Sansom, 2001: 7)

## **6.2 Formalising CRM Principles in the Institution's Vision and Mission Statements**

The next step in institutionalising CRM principles is to codify them in the institution's formal vision and mission statements. In order to maximise the efficacy and impact of a mission or vision statement it is important for the senior management team to encourage input from other stakeholders including, other officials, customers, employees, etc. this can be done by the following:

- ❑ Communicating the mission and vision to all stakeholders via discussions and explanation,
- ❑ Asking stakeholders to make contributions during the process of formulation,
- ❑ Encouraging the establishment of stakeholder bodies to assist in the development of the mission and vision statements with senior management,
- ❑ Open channels of communication to allow individual stakeholder to share their views in the process,
- ❑ Involve stakeholders in any reviews of the statements,
- ❑ Ensure that these statements are actively and visibly distributed (Cook, 1994, Coates and Sansom, 2001: 17)

Apart from ensuring that customer relations issues find their way into the formal, public statements and documents of the water institution, it is important to ensure that this customer orientation is systematically reflected in the organisational culture of the enterprise.

Typically, and organisations culture is made up of a set of unwritten rules, stories, myths and beliefs. In order to shift this culture to reflect a customer orientation, many existing water institution beliefs, which are often based on a product/production orientation have to be challenged and changed. This requires the pro-active management of change, including the need for all employees to understand and commit to a customer focused service philosophy. In short, customer care should be systematically build into all the tasks and actions undertaken in the institution on a day-to-day basis. This can only be achieved through on-going awareness raising and the use of customer-centred business strategies (Coates and Sansom, 2001: 17).

### 6.3 Communication and Education

Effective communication lies at the cornerstone of any successful customer service strategy. Care needs to be taken to ensure that adequate systems are in place to facilitate this communication. Communication in this context has multiple dimensions including:

- ❑ *Ensuring that customers have a voice* - Adequate feedback mechanisms need to implemented to allow customers to offer feedback on their experience of services received.

- ❑ *Response systems* - It is not sufficient to simply listen to customer feedback, it is important to be able to respond to this feedback in the most constructive, positive manner. This means developing systems to handle customer complaints and queries.
- ❑ *Monitoring and evaluation* - Once systems have been developed to accommodate customer feedback, handle complaints, and assist with queries, it is important to continuously monitor the performance of these systems. The results of this monitoring can be used for comparative and benchmarking purposes and ultimately form the basis of a culture of continuous improvement.

The following diagram illustrates the relationship between customer expectations, and those of the service provider. It also illustrates the impact that communication can have on shaping customer expectations, which in turn informs perceived service.

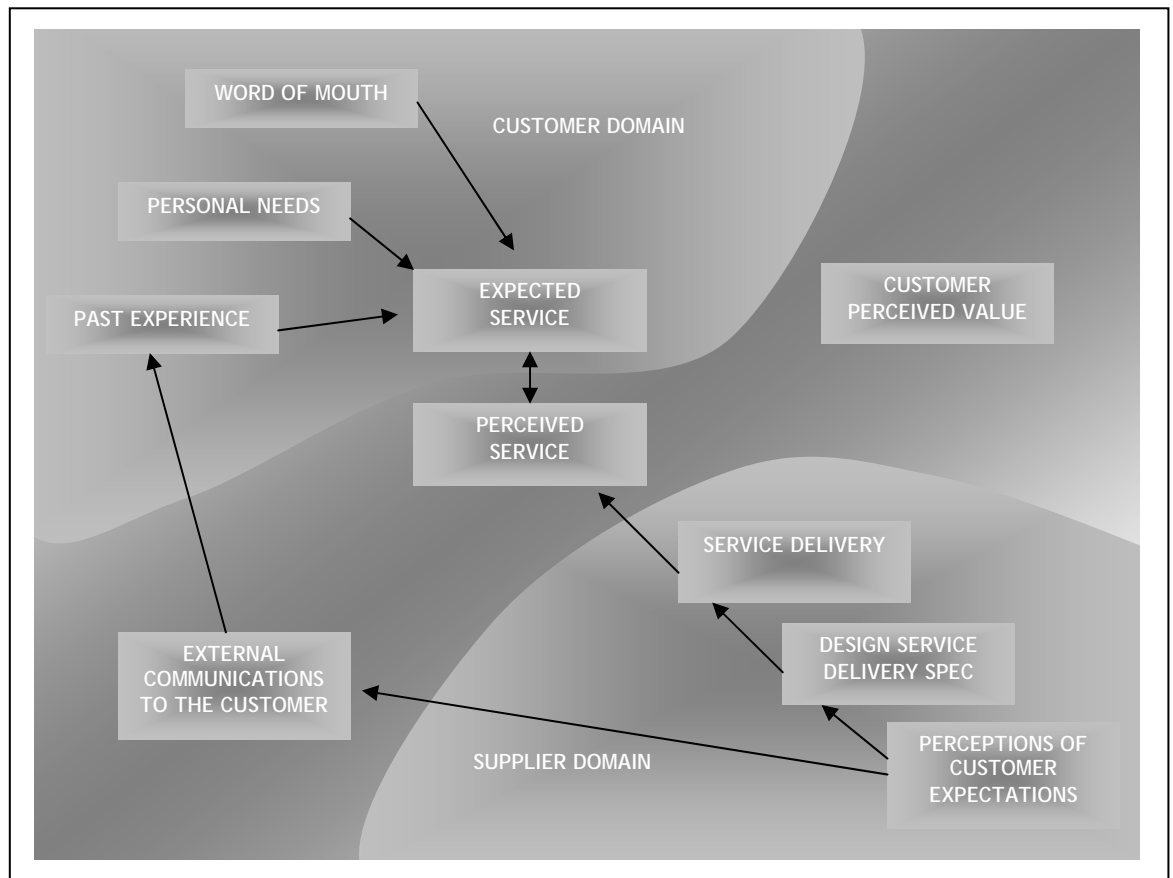


Figure 5 - The Drivers of Perceived Value

### 6.3.1 Informing Customers - Receiving Feedback

Effective communication with customers is a bi-directional process. On the one hand, it is important for any service provider to communicate with their client base. This communication should clearly set out the range of services offered to clients. In the case of water service providers, this will include the level of service that customers can expect to receive, an indication of the quality of the service, as well as pricing information. Ideally, the service provider should also set out the channels for communicating problems experienced by customers with the service with the service. Mechanisms that can facilitate this communication include:

- ❑ *More detailed bills sent to customers* - if customers are sent a regular bill for the services they receive, this is a convenient and cost effective way of communication. The billing document itself can be reformatted to include detailed pricing, service level, and quality related information (i.e. with the free basic water policy, WSP's could detail at the back of the billing document how many litres are free and how the customer is charged once the consumption exceeds the 6 kilolitre of free water). A good example of this approach is that applied in Hermanus (now Overstrand Municipality) where it is termed 'creative billing'

Inserts can also accompany these bills if more detail needs to be communicated.

- ❑ *Newsletters* - an effective way of communicated to the customer is by way of a regular newsletter. This is a good channel to use to familiarise the customer with the activities of the service provider.
- ❑ *Newsmedia* - advertisements placed in local newspapers and magazines can be used if changes to the services provided need to be communicated.
- ❑ *Radio* - in developing economies such as South Africa, radio is accepted as one of the most effective, cost efficient forms of communication. Municipal service providers can use this medium to communicate a range of information to their customer base.
- ❑ *Community meetings* - direct meetings with communities are also an effective way of communicating to customers, particularly if a new service is to be launched, or if significant changes to existing service arrangements are necessary. Community consultation, channelled through the appropriate leaders and structures is a good way of securing customer buy-in to new or substantial changes to services.

- ❑ *Outdoor advertising executions* - in certain areas, highly visual billboard style advertising can be an effective means to convey information to customers, particularly if they are appropriately located (eg at taxi ranks etc).

Apart from communicating its range of offering to its client base, it is key for the service provider to understand perceptions of and the issues facing its customers. This helps in building the 'virtuous cycle' of behaviour as illustrated in Figure 1.

At the heart of any successful strategy to manage customer satisfaction is the ability to listen and receive feedback from the customer. Thomas and Sasser argue that there are five major categories of approaches that businesses can use to listen to their customers (Thomas and Sasser, 1995: 93). Most highly successful firms or enterprises employ several of these. Many average or poor performers fail to use them at all, or if they do, they fail to properly incorporate the results into their strategies. The five categories are:

- ❑ *Customer Satisfaction Indices* - Surveying customers about their level of satisfaction and plotting the results can help managers understand just how satisfied or dissatisfied customers are with both their dealings with the service provider in general and with various elements of the products or services in particular. The fact that such indices are quantitative makes them a useful tool for comparing results from different time periods, locations and categories of customer.
- ❑ *Feedback* - Customers comments, complaints, and questions fall into this category. A company cannot implement a recovery strategy - a plan for making amends when something goes wrong - if it does not know that it has had a problem. Therefore it is important to review the company's approach to soliciting feedback - especially complaints - on product and service quality.
- ❑ *Market research* - Although companies and service providers traditionally invest in this area, they often overlook two critical listening points. Customers should be interviewed both at the time of beginning the relationship, and at the time of departure (or at such time as they cease paying for the services they receive). This information will provide data about the effectiveness of the enterprises' awareness advertising and will supply insights into some of the problems the customer may have with the service. Gleaning this information requires a high degree of sensitivity and skill because many customers may blame the price or other relatively basic product or service attribute in order to avoid discussing the real issue. Carefully questioning defaulting customers is important for two reasons: to isolate those attributes of the company's product or service that are causing customers unhappiness, and to make a last-ditch effort to keep the customer.

- ❑ *Frontline Personnel* - Employees who have direct contact with the customer provide a superb means of securing customer feedback. To take full advantage of frontline employee's interactions with customers, however, a company must train them to listen effectively and to make the first attempts at amends when customers have bad experiences. The also must have processes in place to capture the information and pass it along to the rest of the company. Many companies that excel in satisfying customers have institutionalised this interaction.

### 6.3.2 Public Relations

Effective service providers need to take steps to manage successful relationships with its customers. Most companies operate a public relations department or function to plan these relations. The public relations department monitors the attitudes of the organisation's customers and other stakeholders and distributes information and communications to build goodwill. When negative publicity breaks out, the public relations department acts as a troubleshooter. The best public relations departments spend time counselling top management to adopt positive programmes and to eliminate questionable practices to that negative publicity does not arise in the first place.

eThekwini Water Services is an example of good practice in terms of its public relations function. A regular newsletter in a magazine type format is sent to all customers. Apart from communicating the activities of the organisation to its customers, the newsletter also serves to incentivise good behaviour by offering incentive prizes and promotions.

Typically speaking, public relations departments perform the following five activities:

- ❑ *Press relations* - presenting news and information about the enterprise in a positive and constructive light.
- ❑ *Product/Service publicity* - sponsoring various efforts to publicise specific products.
- ❑ *Corporate communication* - promoting understanding of the organisation with internal and external communications.
- ❑ *Lobbying* - dealing with legislators and other government departments to promote or challenge policy and legislative shifts.
- ❑ *Sponsorships* - the local WSP can lobby and invite other local businesses for shared sponsorships aimed at social and economic development of the communities in their area of operation (i.e. building of schools, libraries etc.).

- ❑ *Counselling* - Advising management about public issues and perceptions. This includes advising in the event of a product/service mishap when the public confidence in a product/service is damaged.

### 6.3.3 Complaint Management Systems

Service providers need to develop what has become known as a service recovery programme (Kotler, 1997: 482). As a first step, the provider should make it easy for dissatisfied customers to complain. Too often the mechanisms and processes involved in making a complaint are complicated and not particularly user-friendly. Enterprises should maximise the ease with which customers can complain. They should provide facilities such as suggestion boxes, feedback/complaint forms, toll free numbers and the like. Service provider employees who receive complaints must be trained and empowered to resolve customer problems speedily, satisfactorily and must have the necessary competencies to:

- ❑ deal with angry behaviour,
- ❑ deal with resistant behaviour
- ❑ negotiate expectations, outcomes, criteria for success
- ❑ communicate clearly
- ❑ probe, question, assess and determine real needs
- ❑ listen and interpret problems
- ❑ recognise and respond differently to different customers
- ❑ manage stress, agenda, and priorities to attend to another
- ❑ convey respect, interest and concern
- ❑ say not to a customer under compelling circumstances.

More importantly, these facilities need to be serviced regularly and promptly followed up. Studies show that the faster the company responds to a complaint, the higher the customer's satisfaction with the company. The service provider should go beyond satisfying particular customers to discovering and correcting the root causes of frequent problems. By studying the pattern of complaints, the enterprise can correct system failures that give rise to these complaints.

The WSDP guidelines issued by the Department of Water Affairs and Forestry contains a section aimed at measuring how effective the municipality or other WSPs are in terms of responding and addressing complaints relation to water provision. This includes the following categories of data to be collected:

#### *6.3.3.1 Attending to Complaints for Water*

- ☐ Total number of customer units,
- ☐ Number of complaints of quality of service per year divided by the total number of customer units,
- ☐ Number of queries received within the year,
- ☐ Percentage of queries responded to within 24 hours,
- ☐ Number of major or visible leaks reported within the year, and
- ☐ Percentage of major or visible leaks repaired within 48 hours of being reported.

#### *6.3.3.2 Attending to Complaints for Sanitation*

- ☐ Number of queries/complaints received within the year
- ☐ Percentage of queries responded to within 24 hours
- ☐ Number of blockages reported within the year
- ☐ Percentage of blockages repaired within 48 of being reported
- ☐ Number of complaints per year divided by the total number of customer units
- ☐ Number of pits/tanks
- ☐ Number of call received within the year for emptying
- ☐ Number of calls received within the year for emergency maintenance to pits/tanks
- ☐ Percentage of queries responded to within 24 hours
- ☐ Percentage of pits/tanks pumped within 48 hours of being reported

These 'complaints' related indicators are those that DWAF has indicated ought to be collected by WSAs as part of the WSDP process. These should therefore be viewed as a basic, or minimum set of indicators and local authorities could ideally be more thorough in terms of identifying and responding to customer complaints.

Research has shown that in some cases you can regain, maintain or increase customer satisfaction by handling complaints extremely well ( Byrne, 2002: 49). However, emphasis should still be placed on getting things right the first time as this is less expensive, disruptive and risky.

## 6.4 Management Systems

The preceding sections have set out some of the context and issues related to customer service in the municipal services arena. This section is aimed at integrating this and making recommendations on the design and establishment of a customer management department or unit within a local water services institution. In principle, a good way of mainstreaming CRM into the day-to-day operations of the enterprise is to locate it within the broader ambit of performance management. All municipalities are required to implement a performance management system and many have already done so. Many municipalities are opting for the balanced scorecard approach which lends itself to accommodating performance indicators aimed at tracking CRM performance over time. The emphasis is on developing a capability and set of mechanisms aimed at measuring certain indicators related to customer behaviour and, over time, modifying this behaviour through good relationship marketing and communication. This section also examines ways of measuring the performance of service providers and how to translate this monitoring into sustainable good practice and continuous improvement.

### 6.4.1 Management Structure

Good customer management in the water sector revolves around a number of inter-related administrative elements, which if properly defined and managed would improve overall customer satisfaction.

#### Senior Management

Senior management buy-in is a key success factor in the development of a customer centred capability. From the outset, it is important that the customer service function enjoys a high level of status within the organisation. Most importantly, the function requires a clear champion within the institution. A number of options are possible in this regard. The function could fall directly under the Municipal Manager, it could enjoy its own dedicated unit, or it could form part of one of the other senior manager's portfolio.

#### Integration

It needs to be stressed that the customer service aspect of service provision should not be seen in isolation to the rest of the enterprise, and where possible there should be interaction between the various parts of the business. Essentially customer service permeates a number of different functions and it is a key responsibility of the CRM champion to ensure that CRM is appropriately infused into these functions. These functions include both administrative and technical departments. It is key that the

administrative systems interface effectively with the technical systems, given that problems and issues are often reported to, or identified, by administrative systems and addressed, in part, by technical solutions. The following represent some of the functions that are central to CRM.

- ❑ *Customer relations* - This is the primary and formal interface between the customer and the organisation. It often takes the form of a customer service desk or counter where the customer could obtain practical information, request information, create / apply for a new account or query a bill.
- ❑ *Meter reading management* - This is an essential part of the customer service, as it is the basis for billing and governs the billing quality; provides the means for notifying changes and any dysfunctions observed in the field and for updating the database. In addition, it must be noted that the meter readers are the ones who are most in contact with the customers.

An effective meter reading process must be based on the proper organisation of meter reading routes, the use of modern meter reading techniques e.g. portable terminals and the suitable training for meter readers.

A typical meter reading procedure will be such that:

- The reading frequency is adapted to the category of customer
- Spot checks are programmed to monitor the accuracy of meter reading
- All customers are read (with a second visit if required) and all customers registered
- A consumption estimate program can be set up (e.g. for monthly billing but quarterly reading)
- Quality metering can be ensured, by effectively managing the stock of installed meters (selection of suitable models, meter renewal policy)
- Consumption figures can be checked and discrepancies processed

In an informal locality, the meter reader is often the person the customer sees the most. He / she becomes the primary representative of the WSI and can be used as a means of communication between the customer and the WSI.

- ❑ *Billing management* - This process ultimately yields the document, which is received by the customer. The process involves the identification of billing errors, the management of the automated billing system and the preparation and distribution of the bills.

To optimise the billing and equally distribute the workload over a given period, it is desirable to set up a continuous billing a process, where meters are read and bills are issued every day, and bills are also paid every day, creating a constant entry of money into the commercial section and consequently improving its cash flow.

As the bill is the prime medium for communicating with customers, it should be designed so that the customer can clearly understand precisely what they are being billed for. In addition, the bill layout should be such that messages can be transmitted to customers. At a minimum, the bill should indicate the current reading, the previous reading and the consumption billed.

- ❑ *Payment management* - This involves the receipt of payment and the updating of customer accounts to reflect the new balances. Pay points need to be easily accessible and the WSI should investigate alternate vendors who would be able to receive payment on their behalf. Typical examples of alternate payment channels are banks, post offices, and stores.

All payments, which are received, should ideally be captured on a real time database. Where this is not possible, decentralised databases could be used to update changes in information daily back to a central database. Such a connection could be made through a telephone line or a radio transceiver.

- ❑ *Managing customer accounts and reminders* - This process is an integral one and forms the basis for delivering on the remaining processes. It relates to the establishment of a central relational database and the management of accounts. In most cases, there will be a few / handful of customers who contribute to a large portion of the income. Such customer accounts should be separated and managed to ensure that service standards are met / exceeded and that payment is made timeously.

Where payments are late, a suitable bill recovery / cut-off procedure should be implemented. It should include the:

- Automatic issuing of reminder letters by the billing system once the payment date has been exceeded
- Automatic generation of cut-off orders by the billing system for customers who do not respond to reminders
- Cut-off of supply by a team of inspectors, with the periodic checking of cut-off connections
- Closing of accounts and / or their transfer to litigations to implement legal action against defaulters

Where practical, and in light of recent legislation, alternatives methods should be explored to ensure a lifeline level of service. This could take the form of flow restriction or the establishment of communal dispensing points.

❑ *Technical support and maintenance*

While problems and issues are often raised via customers at the administrative level, it is often the case that these problems are of a technical nature and as such require the intervention of repair and maintenance staff. It is important that these functions are integrated into the customer service approach as a whole, and that the staff feel part of the CRM process. After all, in many cases, these staff represent the faces that the customer will see as addressing their concerns

The relationship between these processes (excluding technical intervention) is illustrated in the following figure.

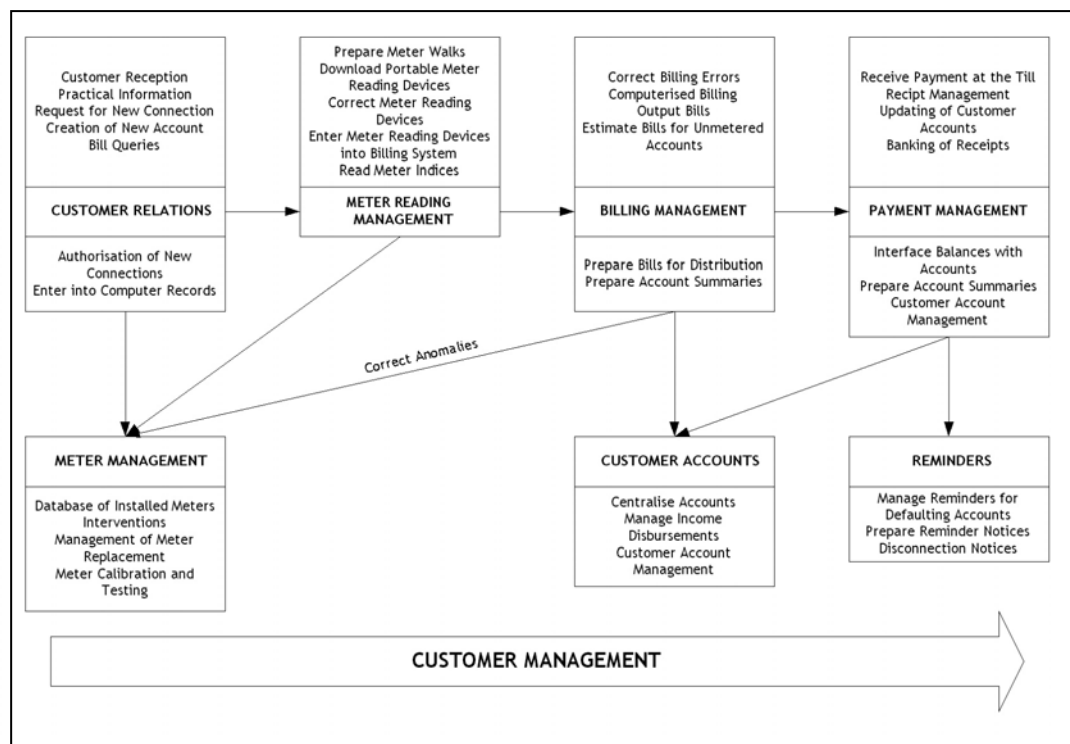


Figure 6 - The Administrative Elements Of Customer Management

It needs to be noted that the figure above represents the administrative elements of CRM. It is important too that these systems interact with the technical and maintenance functions.

### 6.4.2 Management Procedures

Apart from management commitment to instilling a customer service orientation, and buy in from different line functions, it is important that the institution develop systems and processes to adequately support CRM. These systems need to be flexible and should be driven by the needs of those staff members and departments who work directly with customers. Some of these systems/processes include:

#### Operating Procedures

Timely and efficient resolution to customer complaints and requests is central to CRM. Consequently operating procedures ought to be as simple and clear as possible. Where possible, staff from the different functions associated with customer relations ought to be involved in drawing up and reviewing these procedures. Once designed, these procedures should be written up and disseminated widely throughout the organisation. Where necessary, these procedures should be clearly communicated to the customer. Here a variety of communication channels could be used ranging from value-added billing information, pamphlets, the press, or the internet to name a few.

#### Technology

Information and management information is an important tool and can greatly benefit the process of customer relations management. Technology can greatly enhance the institutions ability in the early detection of problems, in inter departmental communication, and in terms of communicating with the customer. Other key operational areas for improved technology include billing, customer complaints, metering and procurement.

#### Recruitment

Ideally, in a customer-centred organisation, recruitment procedures ought to reflect the customer-focused philosophy of the organisation. Care needs to be taken to recruit staff that have the necessary skills and personality to give substance to this philosophy.

#### Staff Development

CRM should form the basis of one of the criteria against which staff should be appraised, rewarded and developed. Reward systems should be developed to encourage development in this area and could be based on demonstrated levels of customer satisfaction and loyalty based on customer feedback.

### 6.4.3 Performance Management

Performance management for the water services provider as a whole is an important tool for improving the service to customers.

Understanding how the customer management function is performing in relation to internal goals and objectives, past performance, and in relation to the performance of similar service providers is an important quality assurance mechanism and forms the basis of a culture of continuous improvement. Apart from informing the service provider on how the function is performing, this information will also form an important part of the feedback that customers ought to regularly receive.

The most commonly applied approach is based on a balanced scorecard where key performance areas are identified, performance indicators established and benchmarks set against which to measure actual performance. A guideline for applying this approach has been prepared by the Department of Provincial and Local Government. (DPLG, 2001)

The question arises around who ought to be measuring the performance of the service provider. There is an argument that this function ought to be located outside the enterprise and should be run by an independent body. On the other hand, as one of the key objectives of the performance measurement is continuous self improvement, there is an argument to keep it in-house. This could be done after close consultation with customer groupings in order to get their input on the measures and benchmarks used, as well as how frequently the indicators should be collected.

The Department of Provincial and Local Government (DPLG), through its Horizontal Learning Program (Hologram) is in the process of benchmarking the 'ideal' municipality. Over time, this initiative could provide the vehicle for benchmarking customer relations on a national basis.

Collecting data and constructing indicators is one thing, but what one does with the data is another. Clearly where indicators suggest problem areas, a remedial programme ought to be developed to redress these problems. Again, ensuring that customers have a say in the performance management aspects will also them to make an input in how problem areas can be resolved.

#### ***6.4.3.1 Service Standards***

A key component of any customer services strategy in the services sector is the identification and setting of standards, targets and benchmarks. These targets relate both to the quality of the physical service delivered (for example, water quality) as well as to the ancillary administrative functions that accompany and support the delivery of the physical services. These standards, and the adherence to or exceeding of them on the part of service providers, represent one of the key drivers of perceived customer value and consequently, customer satisfaction.

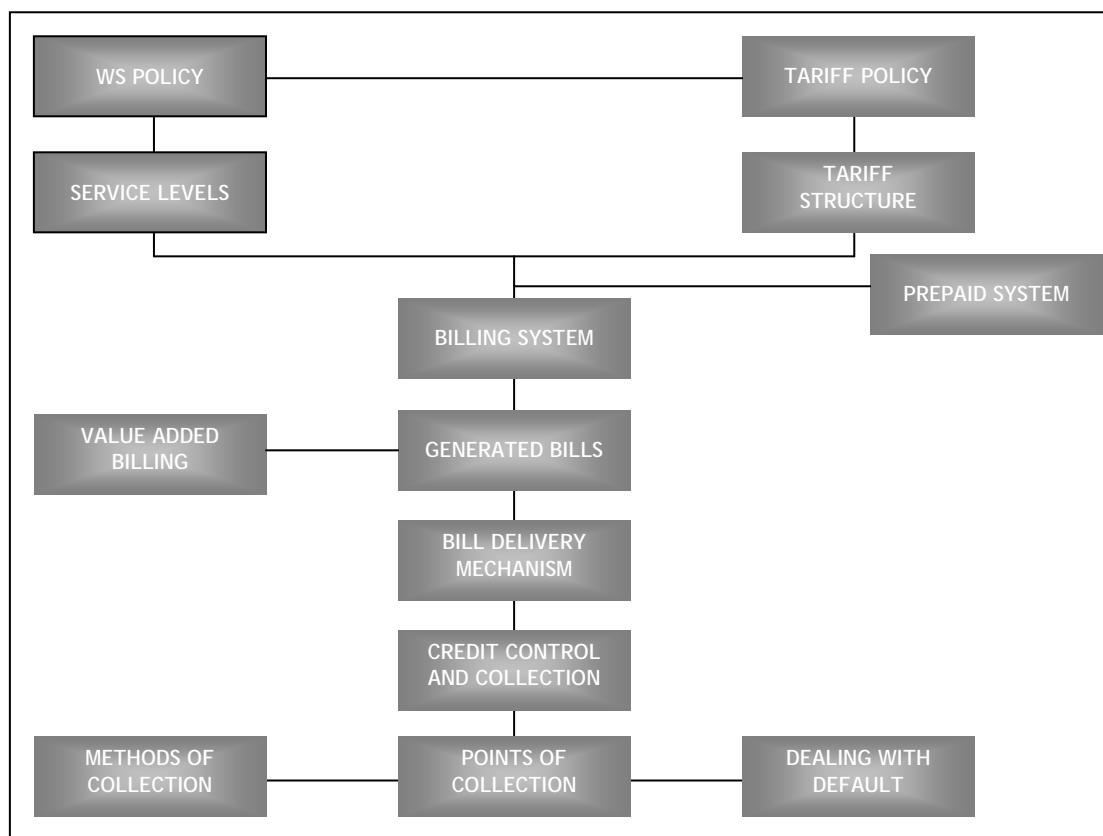
#### **6.4.3.2 Benchmarking**

A WRC report on benchmarking describes the process as follows: 'Benchmarking has two components. The first is that of measuring performance against the indicators that are precisely defined so that they may be compared with others. This is known as metric benchmarking. A value that is reasonably achievable is known as the benchmark for that activity. The next phase, which is performance benchmarking, is to identify other organisations that carry out the same activity in a better manner. They can then compare their results and ways that they took to achieve them so that the best methods can be identified. The remaining step is to incorporate the new ideas into the organisation and re-measure the performance and mark the improvement.' (WRC, 2001: ii).

It is important to ensure that the standards and benchmarks used are consistent with the requirements of the appropriate legislation. These targets and benchmarks could form the basis of part of a future customer charter and could manifest themselves as clauses in local authority by-laws.

#### **6.4.4 Financial Management**

One of the key elements in any service provider/customer relationship is the set of financial arrangements that bind the two parties. Indeed, much of the relationship is built on this set of arrangements, and many of the problems encountered by the parties seem to be related to financial issues. The following diagram illustrates the different financial components of this relationship.



**Figure 7 - Financial Aspects of The Service Provider/Customer Relationship**

The figure above illustrates the linkages between National Policy and the actual interface with clients at the operational level.

### National Policy

National water services policy as articulated in the legislation and other policy documents referred to earlier set out the guiding principles of financial management of the sector as a whole. The water services institution, however, has to ensure that the elements of the financial system are in place and that they are established in such a manner so as to ensure that they are consistent with, and encourage a customer-centred approach.

### Service Levels and Tariffs

One of the key challenges facing local authorities is to ensure that the correct balance is achieved between the financial sustainability of the service, what customers are willing/able to afford, appropriate service levels, and tariffs.

### Billing

A key element of a customer-centred financial system is the billing system and the way

which bills are generated. The arrival of a bill is a key moment in the interface between the institution and the customer. It represents a good opportunity for communicating with the customer, both in terms of providing information about the service and associated costs, but also as a mechanism for adding value to the customer's experience by providing additional information, services, and promotions.

#### **Collection and Credit Control**

Mechanisms to facilitate the collection of revenues is an often neglected aspect of financial management, yet is a crucial component of a customer-centred approach. Care needs to be taken to ensure that every possible obstacle to the payment of bills is reduced or eliminated. This involves both streamlining administrative systems, and ensuring that a wide and accessible range of payment options is made available to the customer. These measures range from the location of collection points, to the harnessing of technological innovations such as online and internet options for payment.

The other side of the collection coin is an effective credit control mechanism. Policies and procedures need to be developed to deal with the non-payment of services. These procedures need to be supported by mechanisms to deal with customers who cannot afford to pay for services and should include an indigent policy.

## **7 CONCLUSION**

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The preceding sections and chapters have highlighted various aspects of CRM, the main points of which could be distilled and used as a checklist for municipalities and utilities wanting to develop this function. These can be summarised as follows:

- ❑ Be aware of the legislation
- ❑ Be aware of the organisations role within the institutional context
- ❑ Consider the multiple elements and dimensions of a CRM programme
- ❑ Consider the management aspects of developing a CRM function
- ❑ Locate CRM in a broader performance management approach for the enterprise

This report has attempted to introduce the concept of customer relations management to the water services sector in South Africa. The concept of CRM was introduced drawing from the generic literature on the issue which provides compelling arguments for the introduction of the approach in the management of various types of enterprises. By taking the analysis of CRM from the generic, into the context of service provision in the developing world, the report illustrates the value of customer-centred

thinking in the management and operations of water services institutions.

The particular legislative and policy drivers underpinning water services in South Africa were explored, further contextualising CRM to the local situation. The elements of a CRM programme and the management systems to support such a programme were explored in some detail so as to provide the sector with a broad overview of the components, and steps required to develop such programmes to underpin the activities of water services institutions.

The next steps in this process would be to explore and debate the issues raised in this report with local authorities with a view to developing a set of guidelines that could be used as a generic tool for water institutions wanting to develop a CRM capacity within their institutions.

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## 9 YARRA VALLEY CUSTOMER CHARTER

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