

Customers in focus: Strengthening social and financial sustainability of small town water supply in Northern Vietnam

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Abstract/Summary

The paper describes the objectives, main results and lessons learned regarding service provision development undertaken in cooperation with small town water supply operators in 22 small towns in Northern Vietnam. Water and Sanitation Program for Small Towns in Vietnam (WSPST) is a 12-year development co-operation program between Vietnam and Finland that provides financial support and technical assistance for the construction, operation and maintenance of water supply (and sewerage) schemes. Quality service provision remains a challenge on national scale. However, during WSPST program, water supply operators have shown positive development in their understanding on the importance of listening to customers' wishes and being active in promoting a change in local residents' water consumption habits.

Introduction

Water and Sanitation Program for Small Towns (WSPST) in Vietnam includes 25 small towns in Northern Vietnam and comprises 22 water supply projects. The utilities function as branches of state-owned provincial water supply companies. The total number of customers benefiting from the services is over 150,000 people. The program is spread over eight provinces, some of which are remote ethnic minority areas. The program towns are small towns of 4,000-16,000 inhabitants. There are about 640 such towns in Vietnam, and only about 10-15% of them have acceptable water service (World Health Organization, 2011).

In the last phase of the program, from November 2013 onwards, a social marketing approach, focused on advertizing tap water as a safe, reliable and attractive source of water to residents in the towns was adopted. Social marketing can be defined as “*marketing approaches to match available resources with social needs. Social marketing may be applied to service provision and use, the development and acceptance of products, or the adoption of new behaviour. It can be product or behaviour – focused?*” (United Nations Human Settlements Program UN-HABITAT, 2006).

In the context of the program, the technical assistance focused on giving training and workshops to water utility staff in marketing their services and growing their customer base to ensure financial and social sustainability of the services. The utilities then proceeded to plan and implement their own marketing campaigns, many through loudspeaker broadcast campaigns, flyers, household visits and public meetings.

The main reason why customer service development and social marketing was brought in WSPST third and final phase, was that customer bases in many towns remained insufficient to ensure coverage of investment and operation and maintenance costs through revenues. There was also a fear that tap water would not be socially accepted, as in many areas stream water and other (increasingly polluted) natural water sources were still widely used, mainly because they are free. As opposed to the traditional information, education and communication (IEC) activities of spreading information about why not to use natural water sources, the social marketing approach took as a point of departure the branding of tap water as “the water of the future” – related to concepts such as modernity, better living standards, quality

service. The water utilities were trained on the basics of marketing, and in cooperation with local authorities and mass organizations, planned and carried out campaigns encouraging residents to connect to tap water supply.

In Vietnam, the motivation of service providers to develop efficient customer services or financial sustainability has traditionally been low. In the beginning of WSPST program, per capita water consumption, acceptance of tap water services and thus cost recovery was poor. Most of the potential customers relied on and trusted traditional water sources (untreated water) more than tap water. From the beginning of phase III of the program, connection rates have increased from 43% to 102% of the detailed design (WSPST, 2016).

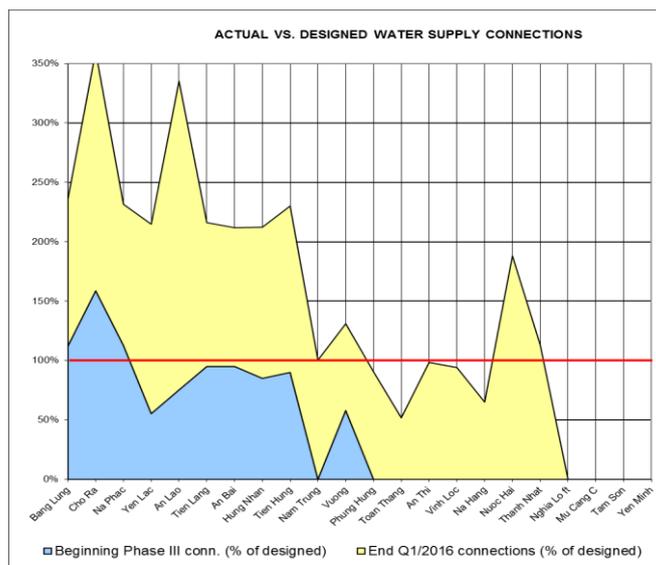


Figure 1: Actual vs. designed water supply connections

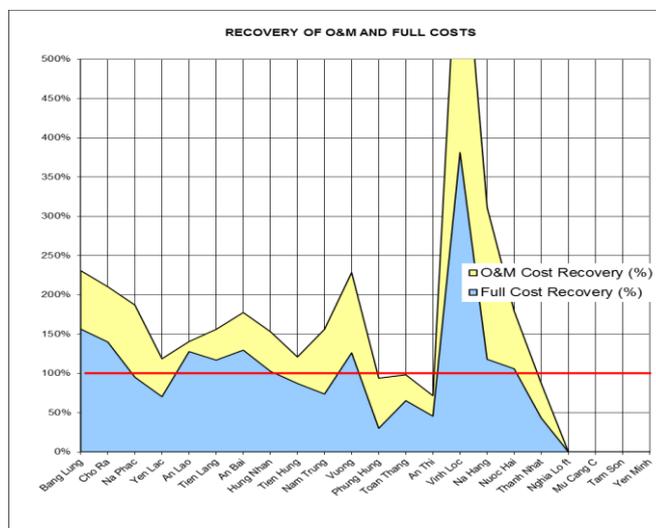


Figure 2: Recovery of costs

The last phase of WSPST set out to engage more tap water users, and also to strengthen ties between service providers and users. The objective was to work with both supply and demand side; customers redefine their identity as consumers, operators build professional pride and increased awareness of what customers want. The project document for phase III outlined this as: “More emphasis will be put on the social marketing to supplement awareness raising and information, education and communication methods by social marketing approach, in order to promote connection to water supply and sewer networks and to enhance behavioural changes” (WSPST, 2013).

There were some previous cases of social marketing approach used in Vietnam, with promising results. For example, the International Development Enterprises (IDE), with the support of Interchurch Organization for Development Cooperation (ICCO), started promoting the use of hand pumps and tube-wells in rural Vietnam for both garden irrigation and domestic water supply in 1995: *“In the start-up phase of the project, IDE conducted rural marketing including meetings to motivate hamlet and union leaders, group meetings of potential customers, self employed sales agents, open-air display stands at rural marketplaces, rural video shows, posters, and leaflets to stimulate sales throughout the countryside”* (International Development Enterprises Vietnam, year unavailable). Water and Sanitation Program under the World Bank had also positive experiences of the approach in sanitation in the early 2000s (WSP, 2002).

Description of the Case Study – Approach or technology

Social marketing of water supply services was used to improve social and financial sustainability of the schemes through strengthened ties between customers and providers, so that customers had greater awareness of their right and responsibilities and that water service providers were more accountable and responsive to their customers. The idea was not to focus on spreading information about risks of using untreated water, but to tap into customers’ hopes, wishes and conceptions of quality water supply.

Financial sustainability was to be attained through increased tap water connection rates and increased per capita consumption, as customers would gradually shift from using risky water sources to using tap water for all purposes. At the same time, social sustainability was to be improved by way of increased satisfaction with the services, and enhanced awareness about who is behind service provision, with what objectives, and what customers can expect from operators.

All water supply service providers were trained in 2014 and 2015 on basic principles of good customer service and basics of marketing. A road map was developed in cooperation with them on how to implement basic customer service and marketing mechanisms in each branch office. These included:

- a customer feedback/complaints mechanism (usually a paper-based logbook),
- guidelines for responding to feedback and suggestions within one week,
- improving billing practices by issuing a paper bill with contact information,
- visiting households to spread information about the schemes,
- sharing water quality results with customers,
- informing customers in advance of interruptions,
- processing new connections promptly,
- mapping out new potential clients and areas to extend the service,
- developing basic marketing materials and branding (uniforms, logo).

Marketing campaigns were carried out by service providers through loudspeaker broadcasts, attending residential group meetings, and sharing marketing materials and customer gifts like calendars with water bills. Most of the staff in small town water supply companies attended the training courses, and they had to practice by role-playing customer service scenarios (based on real-life situations).

Customer consultation has so far been carried out by the technical assistance consultant, but the service providers have assisted and participated in gathering the data. Customer satisfaction surveys have been carried out in all the water supply schemes of the program.

Main results and lessons learnt

Over 150,000 customers are served by improved water supply. In most program towns the community attitudes have been strongly in favour of water supply service improvement. Paying a fair price for good water supply service also has been generally accepted. Water tariffs are set by the provinces, so water utilities cannot regulate the price of water, which is why sufficient consumption is essential for their financial performance.

There is very little comparative data regarding consumer satisfaction and habits in small towns in Vietnam. However, some comparisons can be made by following progress in basic WSPST indicators with data from earlier years.

During the last phase of the program, customer satisfaction with water supply services in towns put into operation before phase III (November 2013) rose from 74% to 90%. 20 out of twenty one water supply schemes that have submitted data on their customer service development now have effective mechanisms in place (processing connections, billing, information on interruptions), whereas in the beginning of phase III there were no schemes with fully functioning customer service systems (WSPST, 2014).

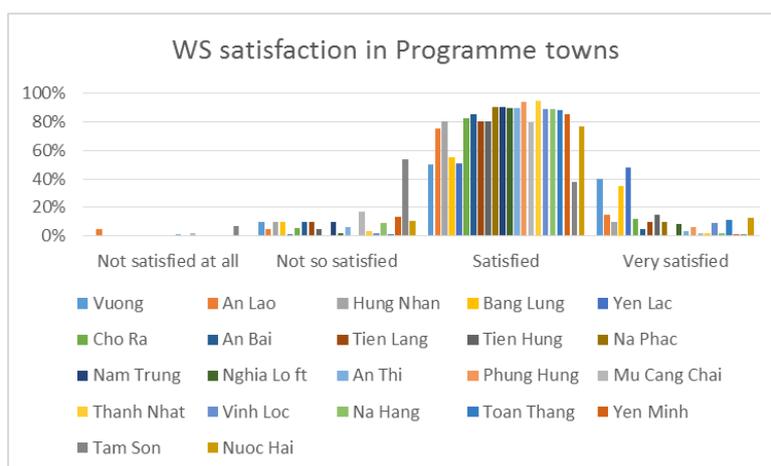


Figure 3: Satisfaction rate

Collection rate is 100% (of billing) in all schemes. Thirteen out of sixteen water supply schemes that had completed trial operation in the last quarter of 2015 covered their O&M costs from revenues, compared with three schemes in beginning of phase III (WSPST, 2014).

Awareness of the operator has increased, and 88% of customer survey respondents know who the operator is and how to contact them. 83% percent of customers say they have received a prompt and polite response after contacting the operator, and bill collectors have in many occasions been thanked for good customer service and professional attitude.

Social marketing has increased demand and acceptance of tap water; however, it could have been beneficial to engage sales agents of water supply related technology, eg. water meter sellers, kitchen sink sellers etc., as promoters.

Lessons learned:

Recruiting skilled individuals to key positions, who have strong feeling of responsibility and good professional motivation is clearly more important than the applied management model. Operators must have genuine interest and incentive in sound financial base and sales, ie. keeping customers happy.

Providing 24/7 safe water supply at the tap is still rarely considered a valuable target by scheme managers/operators, and they claim it increases power consumption and non-revenue water rate. Provincial water supply company directors claim they appreciate the 24/7 target, but mostly fail to demand it from their subordinates. In WSPST experience, 24/7 service certainly benefits the schemes. Even if it may slightly increase non-revenue water and power consumption in the short term, it will eventually help to ensure safety of tap water, reduce service pressure variation and leakages, improve customer satisfaction and willingness to pay.

Finally, proper plans and annual budgets for marketing the water supply service still lacking in many small towns and they are dependent on provincial parent companies to a great extent.

Conclusions and Recommendations

Customers’ awareness on who the water supply scheme operators are, what their responsibilities are, and how to contact them is satisfyingly high. Social marketing approach has achieved its goal of improving both social and financial sustainability in WSPST program in Vietnam.

The approach is easy to replicate in other geographical and cultural contexts, as long as local partners are involved in the planning early on, and participate actively in implementing the approach.

Finding the right staff within service providers, who have both power and interest to try a new approach is challenging, but when successful very rewarding. A clear idea of what each staff member is responsible for and within their mandate to carry out in the beginning of implementation is necessary. Engaging water equipment sales agents was not achieved in WSPST, but is recommended to ensure more local promotion on behalf of businesses.

Customer consultation and results obtained by it have proved not only to be a good motivator for staff, but have given small town water supply companies valuable insight into the expectations of their customers. This has not only created a better and closer relationship between the customers and operators, but also increased interest and connection rates to the services. It is highly recommended to train the local partners to engage in customer consultation from early on.

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