Chapter 5

Targeting, selling to and servicing low-income customers

'The one who rides the donkey does not know that the ground is hot'
(Holland and Blackburn 1998:97)

5.1 Summary: targeting, selling to and servicing low-income consumers

Locating low-income customers
The urban poor are complex and diverse from a social (cultural, religious, legal), financial (amount of money, wage security, access to credit), human (educational levels, health status), and especially from a geographical (location) perspective. Locating them is not always straightforward. One city may find its poorer communities huddled between richer residential areas while in another they are on the periphery of town. Increasingly cities are unable to say where low-income areas stop or start, as once-contained areas spill across invisible boundaries and neighbourhoods. Utilities looking to provide services to all consumers must think strategically about how and where to target resources. Such strategic thinking requires the establishment of different criteria to identify different types of consumer.

Providing a choice
Communities alone cannot decide which service options are best for their situation, they require information and technical expertise. A utility needs to be prepared to negotiate by discussing with the community the feasible service options, including an estimate of the price per unit to the consumer.

Choices of service, management and payment options in low-income communities
In using PREPP the development of a range of potentially viable service options for water services to low-income consumers is important. These basic service options become more sustainable if correctly matched with suitable management systems and, where appropriate, payment mechanisms. Assuming technical feasibility is ensured, the final decision must take into account the elements of demand discussed earlier in Section 2, and the communities' perceptions, experiences (existing services and coping strategies) and preferences.

Ensuring that a combination of service, management and payment alternatives results in an adequate and sustainable service requires a sustained effort on the part of everyone involved. Stimulating demand is also a process that may involve raising awareness of what is feasible; returning to demonstrate these options, and perhaps piloting preferred options in selected areas before scaling up. The whole process takes time and requires a team of people with a mix of skills, knowledge, experience and perspectives.

Tri-sector partnerships
The benefits of tri-sector partnerships between public, private and civil society groups, including NGOs, are becoming more apparent in relation to service delivery. Tri-sector partnerships bring together skills, knowledge, experience and perspectives. Such partnerships work to achieve complementary aims in pursuit of one goal, for example water services for low-income customers. Partnerships are context driven and require time to form and develop and few, if any, are perfect.

Consumer participation, consultation and dialogue
Effective consultation requires effective methods of participation. Communication must be inclusive, that is upward, downward and sideways, and consistent. Besides generating valuable information the act of participating can also serve to foster ownership and responsibility. In the complex business of providing urban services, the participation of stakeholders is the main mechanism for agreeing the roles, responsibilities and actions that result in improved situations. Gaining the participation of different stakeholders is an ongoing challenge, particularly for utilities that have so far worked in isolation. For this reason participation in the context of PREPP is closely linked to partnership development.

Delivering that service in a consistently acceptable manner and finding ways to incrementally improve it is a huge challenge for service providers. Servicing is an essential part of the ongoing loop that is the 'customer value chain'. In practice finding ways to keep dialogue open with new consumers can be difficult, but once a service is provided PREPP can help to make the process of maintaining dialogue easier.

Using and adapting the same basic PREPP steps, engineers and social teams can return to consumer groups to continue the development of long-term partnerships while also stimulating demand for new or incrementally improved services.

5.2 Locating low-income customers

The urban poor are complex and diverse from a social (cultural, religious, legal), financial (amount of money, wage security, access to credit), human (educational levels, health status), and especially a geographical (location) perspective. Locating them is not always straightforward. In one city the poorer communities may be huddled between richer residential areas while in another they are on the periphery of town. Increasingly cities are unable to say where low-income areas stop or start as once-contained areas spill across invisible boundaries and neighbourhoods.

The poor cannot be appropriately targeted unless their location, demographic profile and social behaviour are known. This is an obvious statement but deciding which low-income area to work in and how to relate efforts there to citywide investment planning will not be so obvious. It is true that in every city people can point to where they typically consider poor people to be. It is also true that certain slums are legitimate target areas for repeated project money and upgrading programmes. However a utility looking to provide services to all consumers must think more strategically about how and where to target resources.

Establishing criteria and using data sources

Such strategic thinking means establishing different criteria to identify different types of consumer. Whichever way this exercise is approached it is important to ensure that the data is verified to ensure trustworthiness of the information. There are different sources of information and data that may be used including:

- Maps and city plans (see Figure 5.1)
- Housing (density, types, population and land ownership)
- Census and socio-economic data (household income, family size, employment patterns)
- Health data (monthly clinic returns for recurrent top five diseases, reported diarrhoea, cholera, typhoid, malnutrition, maternal-related health, child morbidity and mortality, malaria, acute respiratory infections (ARIs)
- Donor-funded activity and poverty-focused work (concentration of donors, active NGOs)
- Knowledge of existing services and supply options (customer billing databases, service maps, distribution reports, willingness to pay surveys)

The following examples show (a) how consumers in Guntur, India were targeted for a water survey through the mapping of housing type (Table 5.1) and (b) how social maps in La Paz and El Alto, Bolivia were used to locate the proportion of poor households (Figure 5.1). The information from social mapping can be used to plan consumer surveys of all consumers, ensuring all groups are covered, developing and implementing marketing strategies for each segment, and acting as the basis for supporting plans for service improvements to poorly served areas and informal settlements.

To develop a more thorough understanding of where different consumer groups are located, an area-based approach should be used. Figure 5.1 shows a market segmentation map for La Paz and El Alto, in Bolivia. Effective mapping ensures that decision-making and resource allocation is based on needs and the distinct characteristics of each area and its residents. When conducting surveys it is necessary to sample each area to understand the differences in perceptions and demand. It is unlikely to be sufficient to survey one area in depth and assume exactly the same results from its neighbours.

5.3 Providing a choice

Participatory wish lists

Arriving in a community with a blank sheet of paper and asking 'what do you want?' does not make sense. The consequences of these approaches and unfortunately those of much so-called participatory work in urban communities is unrealistic expectation, participation fatigue and ultimately disappointment.

Over the years it has been common to see as the outcome of participatory approaches a 'wish list' or of desired community services: school, water supply, roads, latrines, electricity. While there is no denying that these services are basic requirements for human development, the wish list is at best a starting point that confirms a crude expression of demand. What the water supply might look like and who might manage it, or which latrine design is most appropriate, still has to be defined. The community alone cannot reach these decisions. They require information, technical expertise and facilitators to ensure that everyone has a voice and time to digest ideas before reaching decisions. It is therefore better that a utility is prepared to negotiate by entering into dialogue with an informed idea of feasible service options, including an estimate of the price per unit to the consumer.

Table 5.1. Social mapping of areas for organization of a water survey in Guntur, India

Type of dwelling	Example areas for each market		Ward no./broad area
Bungalows	Ring Road Nalanda Nagar Vidya Nagar	Siddhartha Nagar Krishna Nagar	3, 4 New Guntur
Independent houses in planned area	SVN Colony New Pattabhipuram	Shyamala Nagar Venugopalanagar Colony	1, 50, 2 New Guntur
Independent houses in unplanned area	Old Guntur Main Road Nandivelugu Road SVN Colony Extension	Shyamalanagar Extension Housing Board Colony	30, 31, 25, 24, 2, 1 Old Guntur Periphery
Flats in planned area	Brindavan Gardens	Laxmipuram	4, 5 New Guntur
Flats in unplanned area	Pandaipuram Cobaltpeta	Ashok Nagar	9, 6 New Guntur Periphery
Slums having some/ full water supply coverage	A.T. Agraharam Nallacheruvu Israelpet	Venkatraopet Suddapalli Dunka Pond	50, 41, 23, 37 New Guntur Old Guntur
Slums having no water supply coverage	Nallakunta KB Colony Shashanka Goyal Colony,	Balajinagar Extension, Laxminagar Extension	50, 47, 31, 32 Pheriphery

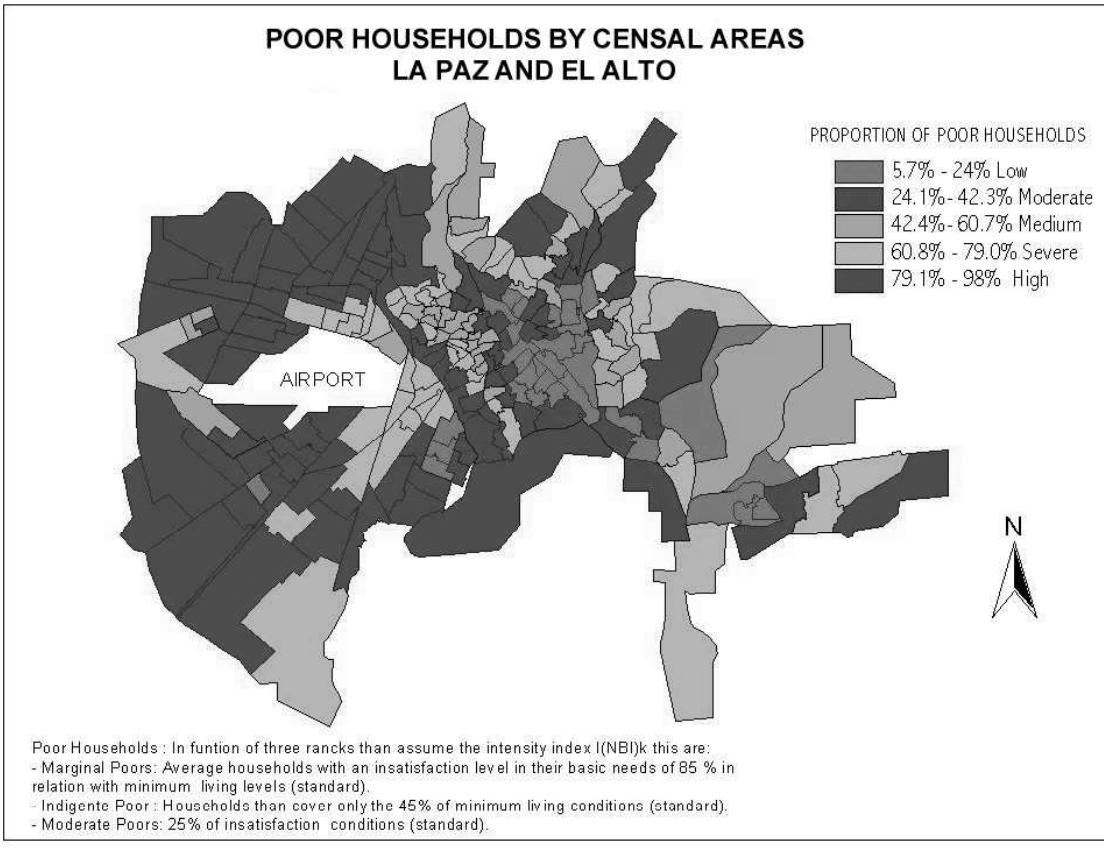

Figure 5.1. Segmentation map of La Paz and El Alto, Bolivia

Option development

Determining and calculating which service, management and payment options are appropriate for each situation is a complex process. The service option has ultimately to sell at a price the consumer is willing to pay and be financially viable for the service providers. The process for calculating this is not discussed here apart from (a) to say that good water utilities seek to develop and introduce viable options whenever they can and (b) to present an overview of the types of option that might be considered. However it is worth illustrating the likely process for option development, as it relates to the use of PREPP (see Figure 5.2). PREPP provides a sound basis for developing, testing and providing feasible options that are valued by users.

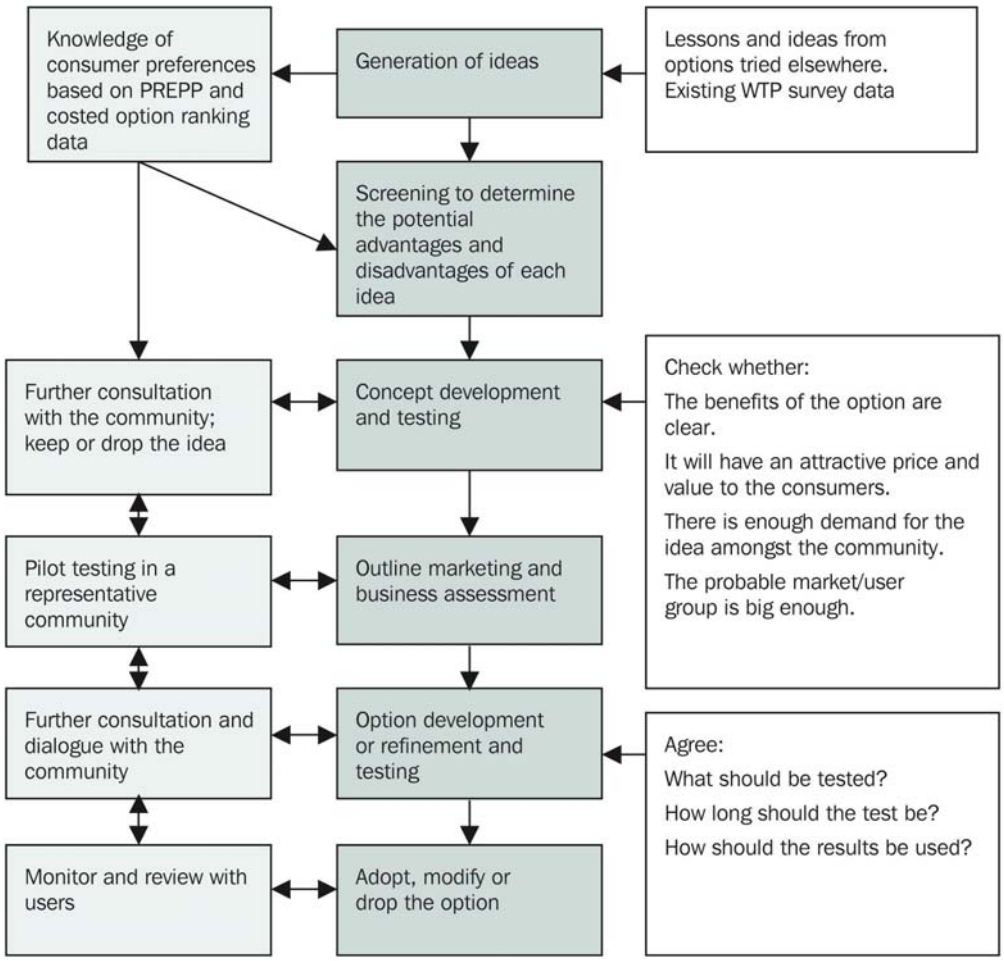

Figure 5.2. Outline process for developing new options in low-income communities[1]

1. Source: Adapted from Sansom at al (2004), based on Wilson & Gilligan, p.413 (1998)

5.4 Choices of service, management and payment options in low-income communities

During the development of PREPP the following seven utility-provided service options for water services to low-income consumers were identified.

Individual house connections with various pressure regimes and frequency of water supply. Water is usually obtained from a tap in the house.

Individual yard connections at various pressure regimes and frequency of supply, where water is obtained from a tap outside the house. The house may not have internal plumbing.

Shared (yard) connections at various pressure regimes and frequency of supply (with a few households sharing one connection), or on-selling from one household to their neighbours.

Standposts communal/public points where many people collect water. Standposts are usually without an attendant and water is usually provided for free (particularly in South Asia).

Water kiosks communal/public water points, technically similar to standposts where people buy water from the person who sells it from the kiosk. A water kiosk may be sheltered (with a structure) or open. A utility, a private operator or a community group may manage the water kiosk and sell water at a predetermined price per container, although different payment methods may be adopted.

Supply by vendors using various modes of transport such as bicycles, hand carts, animal-pulled carts and motorized delivery vehicles (trucks) to deliver water to consumers.

Supply by water tankers by the utility or a private provider especially in cases of water shortages.

These basic service options become more sustainable if adapted to suit local situations and if they are correctly matched with suitable management systems and, where appropriate, payment mechanisms. Assuming technical feasibility is ensured the decision must above all take in to account the elements of demand discussed earlier in Section 2; and the communities' perceptions, experiences (existing services and coping strategies) and preferences. An example of the classification of existing and potential service options in Kampala is shown in Table 5.2.

Obviously the choice of service option, as stated above, is determined by many factors, but the management and payment option has until now not been given the same level of consideration. Management options that might improve compliance and so sustainability include:

- Utility managed (e.g. contracted tap attendants, kiosk operators)
- Shared management (e.g. water point committees, community-contracted tap attendants, community-managed kiosks with payment for bulk supply)
- On selling (e.g. household connection where the house owner pays the utility water bills but takes revenue from sales of water to neighbours)
- Privately managed kiosk (e.g. small water enterprises)
- Community management (e.g. handpumps)

Examples of shared management options are included in Box 5.1.

Table 5.2. Indication of likely service level options in Kampala, Uganda

Customer categories	Definition	Service option
Utility direct	HH billed direct by utility *Note: Member of household (HH) collect water from a utility tap*	HH connection Private yard tap Communal yard tap Public standpipe managed by utility Public standpipe managed by private operator Individual ground tank Pre-paid meter (smart card)
Utility indirect	HH receives supply from the utility through a third party (i.e. HH not a direct customer of utility water but a consumer of utility water) *Note: Water believed to be from the utility, delivered to the HH by an agent*	Private vendors Utility supported vendors HH connection through on-selling Private yard tap through on-selling Communal yard tap Public standpipe through community Public yard tap through private operator
Non-utility	HH receives supply other than from the utility either by self or through a small operator *Note: HH receives supply from sources other than from the utility either by self or through a small operator*	River Stream Bend and fetch Unprotected spring Rainwater harvest Protected spring Borehole Shallow wells

Box 5.1. Shared management options

In Dakar, (Senegal), Haiti and Kibera (Nairobi, Kenya):

- Community groups manage small tertiary water distribution systems and pay the utility or municipal council for the bulk water supply.

In Arusha (Tanzania), and Dhaka (Bangladesh):

- Community groups manage water kiosks that are supplied with water by the utility and payment is based on meter readings.

There is also flexibility (where to pay, how to pay, when to pay, who to pay) in payment mechanisms:

- pay as you use (e.g. by the bucket at the water point);
- pre-paid (e.g. purchase of tokens); and
- billing (e.g. where bills can be paid in installments, at local offices, by collection, to groups or individuals).

Ensuring that a combination of service, management and payment alternatives results in an adequate and sustainable service, requires a sustained effort on the part of everyone involved. Stimulating demand is also a process that may involve raising awareness of what is feasible; returning to demonstrate these and perhaps piloting preferred options in selected areas before scaling up one or more. The whole process takes time and requires a team of people with a mix of skills, knowledge, experience and perspectives.

Table 5.3. Payment option summary

Dimension	Payment choices	
Method of payment	By cash By cheque By bank debits	By prepayment cards or tokens By water stamps A combination of methods
Where to pay	Pay at a cash point at utility head office Pay at a cash point at utility zone office Pay at a cash point at utility zone and head offices Deposit cash or cheque onto a bank account Through direct debit of your accountPay to a water vendor Pay to a private operator of a standpipe or kiosk	Buy a pre-payment card/token from a water cash office, chainstore, or bank Pay to a community water- user committee Pay to a landlord Pay as part of a local tax rateA combination of places
When to pay	Per month, per quarter, half-yearly, annually, etc. in arrear Per day Every time one draws water	Per month, per quarter, half-yearly, annually etc. in advance Whenever convenient but with a time limit A combination of these
Basis of payment	Fixed charge Volumetric charge, basing on metered rates Per house value	Per plot value Estimated consumption A combination
Who to bill?	Collective community billing using a bulk meter Street billing	Landlord billing Household billing

5.5 Tri-sector partnerships

The benefit of tri-sector partnerships between public, private and civil society groups, including NGOs to service delivery improvement is becoming more apparent. Tri-sector partnerships bring together skills, knowledge, experience and perspectives of key stakeholders. Such partnerships work jointly to achieve complementary aims in pursuit of one goal, for example water services for low-income customers. Partnerships are context driven and require time to form and develop, and few, if any, are perfect. Partnerships can also be developed with other capable organizations that could include: university departments, multi-disciplinary consultancy companies, or with trained staff in specialist utility/municipality sections that focus on services to poor areas.

Partnerships with NGOs and civil society groups

NGOs are key actors with the skills, approach and knowledge to help a utility make sense of the urban poor and their demands. The need for prolonged dialogue and joint decision-making with the consumer group (men, women; those with status, those without) needs the skilled use of participatory approaches to stimulate effective communication.

Such partnerships need both parties to be aware of the other's needs, perceptions and objectives, the careful selection of partners, clear contractual obligations, and terms of reference. These criteria are best backed up with a commitment to well-targeted capacity

strengthening. Perceptions of the benefits and requirements of partnership are captured in Box 5.2.

Box 5.2. Perceptions of partnerships[1]

- The three sectors of society - government, private and civil - can no longer afford to promote separate agendas (Lydia Marshall, CARE US).
- Across the board, the most challenging aspect of any partnership is that of managing the expectations of both partner and beneficiary groups (Workshop Synthesis, BPD).
- …multi-sector partnerships promote innovation and ensure greater accountability because of their continuous 'cross checking' of each other (BPD).
- ..thought needs to be given to what each partner will regard as success, how to measure such success, and how to 'share' the credit between parties (BPD).

1. Source: Caplan (2001) and Jones (2002)

5.6 Consumer participation, consultation and dialogue

Effective consultation requires effective methods of participation. Communication must be inclusive, that is upward, downward and sideways, and consistent. Besides generating valuable information the act of participating in decision-making about service options can also foster ownership and responsibility. In the complex business of providing urban services, the participation of stakeholders is the main mechanism for agreeing the roles, responsibilities and actions that result in improved chances of sustainability. Gaining the participation of different stakeholders is an ongoing challenge, particularly for utilities that have so far worked in isolation. For this reason participation in the context of PREPP is closely linked to partnership development.

Consultation is about partnership development and relationship building and it is a process that ideally lasts the lifetime of the service. Effective consultation is about opening up the design of the service to include the perceptions and preferences of those most directly affected by its presence. Figure 5.3 illustrates where stakeholder, and primarily consumer participation is useful in the process of developing new service options.

Consumers and utilities may have very different perceptions about the value of consultation and whether problems have been adequately dealt with (see Box 5.3). A number of things can go wrong during a consultation process, including:

- unrealistic or unstated expectations - *which can cause frustration and cynicism*;
- insufficient time - *allowed for proper dialogue*;
- inadequate dissemination - *of information, or providing it in an inaccessible style or language;*
- representation - *lack of transparency over the criteria for selecting people to be consulted, and a failure to represent the poorest, most marginalized groups*; and
- lack of follow-up and feedback - *and failure to follow the process through to its conclusion.*

Refer to Figure 5.3 for a typical process showing where consumer consultation can fit into utility service option development.

5.7 Servicing low-income consumers

Maintaining and improving agreed service levels

Agreeing a preferred service option with low-income consumers is in many respects only the beginning of the story. Delivering that service in a consistently acceptable manner and finding ways to incrementally improve it is a huge challenge for service providers.

Servicing is an essential part of the ongoing loop that is the 'customer value chain'. Finding ways in practice to keep dialogue open with new consumers can be difficult as once a service is initially provided utilities divert attention to revenue collection or to establishing services with other consumer groups. PREPP can help to make the process of maintaining dialogue easier.

By using and adapting the same basic PREPP steps engineers and social teams can return to consumer groups to continue the development of long-term partnerships while also stimulating demand for new or incrementally improved services.

Continually developing services

Dynamic utilities are continually improving services by refining their marketing mix and finding innovative ways to keep in touch with customers. PREPP allows utilities to assess consumer perceptions and satisfaction, as well as providing a relatively rapid means of promoting service options and assessing demand. Following the use of PREPP, more detailed issues can be pursued by the utility with communities in their service areas using similar focus group discussion methods. Such issues could include:

- Promoting new payment options
- Negotiating tariff increases
- Introducing new procedures for obtaining pipe connections or complaints and redressal procedures
- Promoting water conservation
- Explaining customer charters
- Assessing community based management

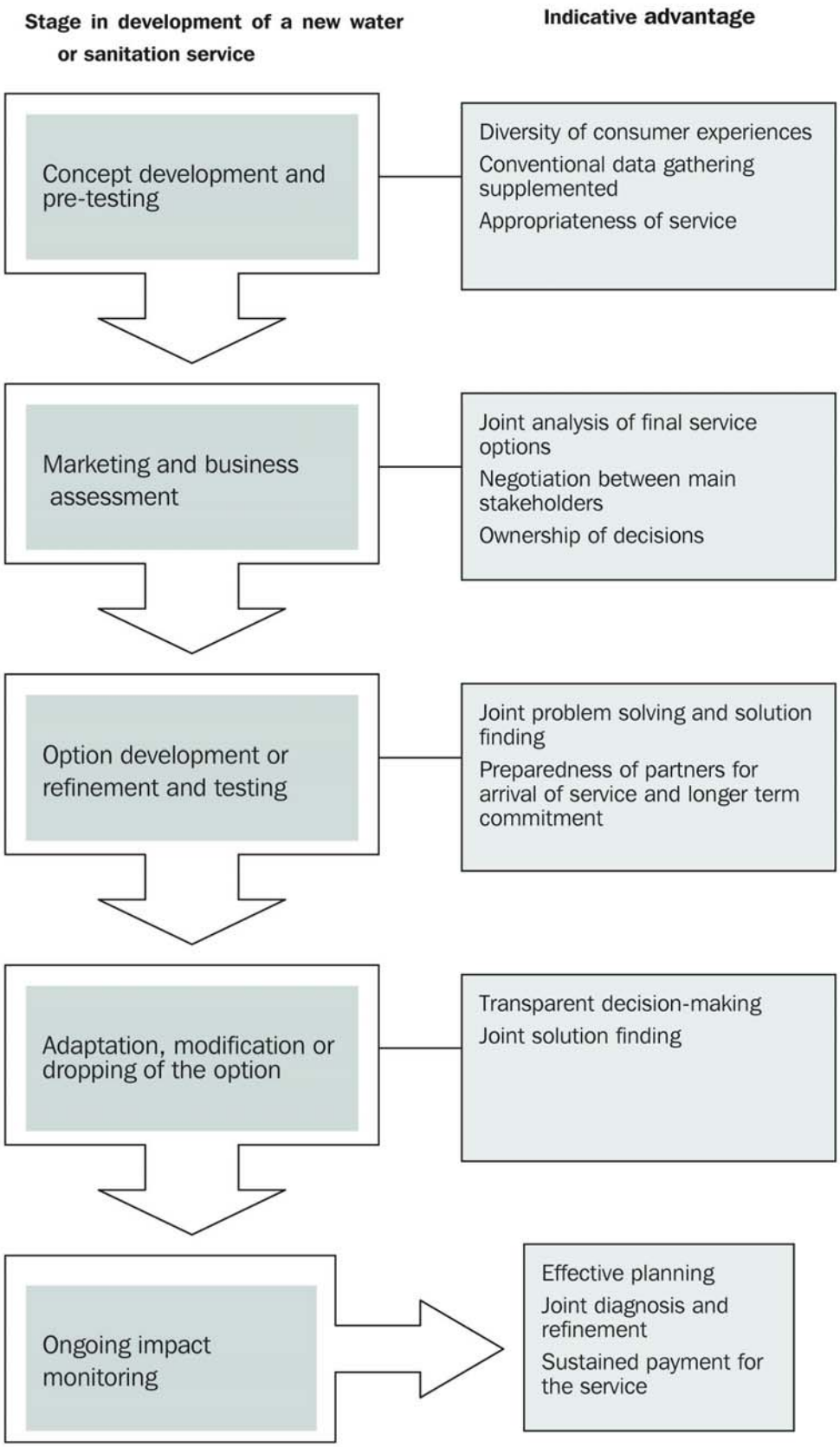

Figure 5.3. Where consumer participation fits in a utility service development process

Box 5.3. Consumer attitudes towards consultation

During focus group discussions held by an African water and sewerage utility to explore what low-income consumers thought about the services provided by the utility, staff were told that:'

We will not see you [the utility] again. If you are serious we need to know who is responsible for what. If you get your plan together then the community will know what to do. You should return.....';
'.....if you stay in touch with us we will be more willing to co-operate - we want to see results - we have been contributing for a long time'.

Prior to the survey staff thought that their dialogue with the community was satisfactory and meaningful.