

National Utility Branding Trends



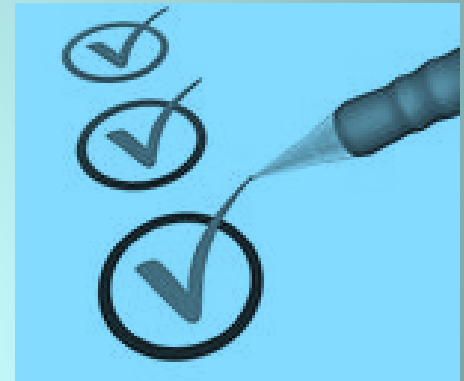
SGM Fall Forum
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Resource Trends, Inc.



Today's Outline

- **National Infrastructure Investment**
- **Utility Rate Setting**
- **Principles and Power of Branding**
- **Utility Branding Trends**
- **The Utility Branding Process**
- **A Local Example**
- **Why Branding for Utilities?**



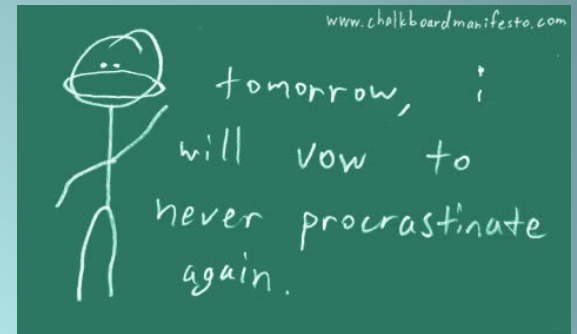
National Debate on Investment

- **Confused by Polarized Politics, Ideologies**
 - Push for Small Government – No Role for Federal Investment
- **Branding of “Spending, Bailouts, Earmarks”**
 - Concept and Value of “Investment” is Hidden, Diminished
- **The Case for Infrastructure Investment**
 - Private Sector Jobs - Assets that Pay Dividends for Decades
 - Low Cost of Money!



Local “Water” Rates and Investment

- **Dominated By “Politically Palatable” Rate Setting**
 - Even Before the Tough Economy
- **Deferred Investment**
 - Lower Rates Today, Higher Tomorrow
 - Delaying Debt, Diminished Reserves
 - Bad Economy - Current Excuse
- **No Industry Process for Local Funding, Setting Rates?**
 - GM’s, Staff Not Trained in this Skill - Covering Policy Makers
 - Do Not Have Equivalent “Political Networks”
- **Branding is the Tool, Process!**



The Power of Branding!

Constantly Happening

People, Products, Organizations, Departments....

Judgments, Perceptions, Expectations

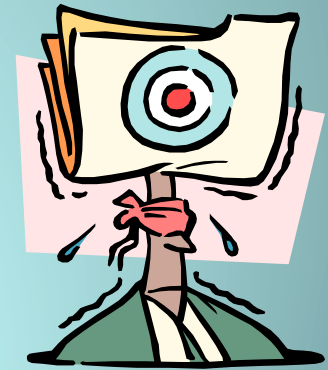
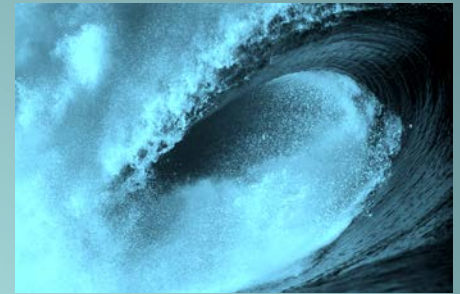
About Important “Value” Issues

Negatively Branded

Management Shake-Ups, Corporate Failure

Logo, Look, Slogan?

Brand = Value = Trust = Price!



Brands and Categories of Value



Great Brands Dominate a Category

Neutrogena®

People Categorize Value

NORDSTROM

“I Want an Energy Drink, I Want Red Bull.”

Categorize These Brands



Fill In the Dominant Brands

(Food Franchise Categories)

Chicken
Roast Beef
Hot Dogs
Doughnuts
Cinnamon Roles
Cookies
Ice Cream
Frozen Yogurt
Pancakes
Pizza
Submarine Sandwiches



A Promise and Expectation



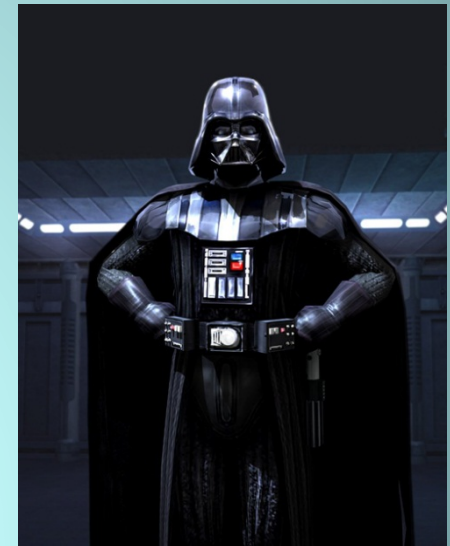
Advertising Builds Brands?

Branding Can Be Inexpensive – Small Organizations

Being Extreme, and the Dark Side

- Good Brands are Clearly Different Categorical, or..... Extreme?
- Negative Branding Generally More Powerful than Positive
- Political “Labeling” Doesn’t Have to Stand the Test of Time

An Effective Political Process?



Branding of Words

Bailout

Earmarks

Stimulus

Deficit (Debt)

Spending

Investment



Congress said they would protect **Main Street**.

Instead they used your money to *bailout* **Wall Street**.

Robbing you. Drowning America in debt.
Vote, no, on incumbents who voted, *yes*.

How did your representatives vote? Go to constituentresponse.com to find out.

Sponsored by the Constituent Response Team

The Decline of Investment!

Branding Process and Objectives

- **Creating** and Communicating Value
 - New Value/Category - **Publicity!**
- **Branding for Businesses**
 - Market Share, **Price**
- **The Brand and Brand Asset**
 - What People Can **Count On**
 - A Promise and Perceptions



Brand Value = \$68 Billion

Oakley Sunglasses

- High-Quality Optics
- UV Protection is Real
- Lenses and Frames are Shatter Resistant
- Well Designed – Functional
- Nose Piece – Glasses Don't Fall Off
- Oakley Will Replace Anytime
- Worth the Higher Price



Brand = Price!

Price = Brand!

Brand as an Integrating Force

- **Low Cost, On-Time Airline**
- **Inter-Linked Value Activities**
 - Single Aircraft Type
 - Second Tier Airports
 - No Assigned Seats
 - Flight Attendants Clean Aircraft
 - No-Hub Routing
- **The Brand/Activities Matrix**
 - Linking Promises to Actions



Utility Branding Trends

- **Not Much of a Trend - Yet**
- **Some Use Large “PR” Firms**
 - May Think This is Branding
- **Traditional Public Outreach**
 - Does Not Integrate Clarity of Value and Planning?
 - Not Focused on Specific Results, Policy Decisions?
 - Generates Materials and Events, Not Relationships?
- **A Rate-Setting Season oror Always Working Price?**
 - Again – Staff Not Trained on Branding, Rate Setting
- **The Special Case of Utility Branding!**



The Utility Brand

What People Can Count On!

Organization's Commitments

- Customer Service
- Long-Term Planning, Investment
 - Sustainability
- Specific Value Standards
 - **Water Reliability**
 - Water Quality, Public Health
 - Environmental Stewardship
 - Producer of Valuable Resources
- Efficient, Financially Competent

Staff Character Traits

- Honesty, Openness, Integrity
- Being Clear
- Problem Solvers
- Collaborative
- Innovative Leaders



The Utility's Products

- **Selling Water or Water Reliability?**
 - Clear Messages on Conservation and Revenues
 - Is the Product a Commodity Paid for in Dollars/Gallon?
- **Tap Water as Drinking Water**
- **Water and Energy Resources**
- **Recycled Water**
- **Biosolids/Organics**



Branding of “Recycled Water”

The Name!

Source = Quality



It's Not Water!

For Non-Potable Uses



A Manufactured Product!

Irrigation Water - Do Not Drink

Multiple Products - Multiple Uses

Back to Investment!

Branding in the Board Room



- **Policy Makers Brand Staff Members**
 - Financial Competency?
 - Efficient? Committed to Increasing Efficiency?
 - Clear, Proactive, Collaborativeor Bureaucratic?
- **Staff Brands Policy Makers**
 - Not Knowledgeable
 - Motivations - Politics, Career or.....?
 - Willingness to Vote for Rate Increases, Investment?
- **Staff Blames It on Politics and Policy Makers!**

Steps for Utility Branding

- **Define Your Brand**
 - What People Can Count On, Regulations Not Strong Branding
- **Plan Using the Brand**
 - Brand is the Framework for Investment
- **Develop Effective Communications**
 - More Meaningful, Brand as Context
 - Focus on Marquee Information
- **Build Community Relationships**
 - Use Near-Term Investment Story
- **“Cover” Policy Makers**
 - Focus on Investment and Relationships, Meet Policy Maker Needs

THE UTILITY BRANDING PROCESS
A Systematic Approach to Rate Setting & Investment



The Purpose and Power of Branding
Branding programs are designed to maximize market share and price for businesses and set appropriate rates for utilities. For businesses, consumers make the buying decision and ultimately determine price. For utilities, the price is water and wastewater rates, which are set by city councils or elected and appointed boards. Consequently, the utility branding process must ensure that these policymakers have the information, support and confidence to approve rates that fully fund needed investments.

Developing a name, logo, or slogan is often part of the branding process; however, these efforts do not address the true power of branding. A logo identifies, but a brand describes what you can count on from a person, product, or organization. Examples include Google's leadership in "linking and advertising things on the internet" and Facebook's brand, reputation, and reach that help people stay connected to family and friends. These simple ideas of value are powerful and determine success.

The Negatives of "Political" Rate Setting - Without a branding process, the utility staff's approach to building relationships with policymakers is often ad hoc, and rates are determined by what is perceived as politically palatable by policymakers. Politically palatable rates can lead to under-investment, water shortages, increased public health risks, and infrastructure failures.

The Utility Branding Process - The branding process described in the following five steps provides a systematic approach for rate setting and achieving investment goals.

Step 1: Define the Utility Brand
Establish Your Commitment to Value - Develop consistent statements that express what the public can "count on" from your utility, which also defines the brand you wish to build. These commitment statements typically address customer service, water reliability, water quality, public health, environmental protection, efficiency, and appropriate investments.

Develop Standards that Encourage Investment - Commitment statements need to be meaningful enough to influence membership and drive investment. For example, a utility that discharges wastewater into the ocean may want to adopt a "zero risk" standard for protecting its beaches, not risk in a licensing bill that leads to more investment in wastewater treatment. Similarly, water utilities should express water reliability in terms that people can appreciate, such as a commitment that water shortages will be "virtually rare."

Do Not Rely Solely on Regulations - Regulatory compliance is not a strong branding point. Compliance is often viewed as "doing the minimum." Utilities should be proactive and progressive in protecting public health and the environment. Furthermore, there are important areas that are not covered by regulations, requiring that utilities establish their own standards. Regulations are imposed, standards they set limit about the status, reputation, or brand of your utility and staff.

Step 2: Make Strategic Plans Compelling
Investigate the Brand from the Plan - Because the brand articulates your utility's value, it should be the framework for strategic planning and it should drive rate setting. For example, the strategic plan should outline activities, decisions, and investments needed to meet the standards defined by the brand commitment. What is the utility doing (and investing in) to ensure that water shortages are "virtually rare?"

Develop a Near-Term Investment Imperative - Strategic planning can have different uses for leaders. However, both policymakers and the public will be heavily interested in near- and projected rates covering the next 1 to 30 years. Therefore, the strategic plan should include a compelling narrative for investing in solutions for the current challenges.

Continued on January 24th

Tools and Tactics

- **Brand/Activities Matrix**
 - Connect Brand Commitments to Actions/Investments
- **Near-Term Investment PowerPoint**
 - Use to Build Community Relationships
 - Condense to Single Sheet Handout
- **Annual “Good Deal” Document**
 - Increased Efficiency, Return on Investment
- **Share Stories, Case Studies**
 - Especially with Policy Makers
- **Reach People When Paying Attention**
 - Bill Inserts, Customer Service, Construction

THE UTILITY BRANDING PROCESS
A Systematic Approach to Rate Setting & Investment

The Purpose and Power of Branding
Branding programs are designed to maximize market share and price for utilities and set appropriate rates for utilities. By themselves, consumers make the buying decision and ultimately determine price. By utilizing the price is value and wastewater rates, which are set by city councils or elected and appointed boards. Consequently, the utility branding process must ensure that those policymakers have the information, support, and confidence to agree rates that fully fund needed investments.

Developing a name, logo, or slogan is just part of the branding process. However, these efforts do not address the true power of branding. A high definition, but a brand denotes what you can count on from a person, product, or organization. Branding includes thought leadership in "finding and advertising things on the internet" and Facebook's brand, expertise, and reach that help people get connected to family and friends. These simple ideas of value are powerful and determine success.

The Negatives of "Political" Rate Setting - Without a branding process, the utility staff's approach to building relationships with policymakers is often ad hoc, and rates are determined by what is perceived as politically palatable by policymakers. Politically palatable rates can lead to under-investment, water shortages, increased public health risks, and infrastructure failures.

The Utility Branding Process - The branding process described in the following five steps provides a systematic approach for rate setting and advancing investment goals.

Step 1: Define the Utility Brand
Establish Your Commitment to Value - Develop commitment statements that express what the public can "count on" from your utility, which also define the brand you wish to build. These commitment statements typically address customer service, water reliability, water quality, public health, environmental protection, efficiency, and appropriate investments.

Develop Standards that Encourage Investment - Commitment statements need to be meaningful enough to influence rate setting and drive investment. For example, a utility that discharges wastewater into the ocean may want to set a "zero risk" standard for permitting its beaches, instead of a standard that just says "comply with all applicable laws and regulations." This standard would be more meaningful to the public and would be more likely to be supported by policymakers.

Do Not Rely Solely on Regulations - Regulatory compliance is one a strong branding point. Compliance is often viewed as "doing the minimum." Utilities should be proactive and progressive in promoting public health and the environment. Furthermore, there are important issues that are not covered by regulations, requiring that utilities establish their own standards. Regulations are imposed externally, they are built about the utility, organization, or brand of your utility and staff.

Step 2: Make Strategic Plans Compelling
Integrate the Brand into the Plan - Because the brand articulates your utility's value, it should be the framework for strategic planning and a should drive rate setting. For example, the strategic plan should outline activities, decisions, and investments needed to meet the standards defined by the brand commitment "What is the utility doing (and planning to) to ensure that water shortages are "virtually zero"?"

Develop a Near-Term Investment Imperative - Strategic planning can now address these concerns. Identifying both policymakers and the public will be likely assessed in surveys and proposed rates concerning the next 6 to 12 years. Therefore, the strategic plan should include a compelling argument for investing in solutions for some of the challenges.

Continued on Reverse Side



Water Reliability 20/20 Example

- **West Basin MWD Near-Term Investment Imperative**
- **Reduce Dependence on Imported Water**
 - From 66% to 33% by the Year 2020
- **Three Key Investments**
 - Double Conservation, Recycled Water
 - Implement Ocean Desalination
- **West Basin as a Vehicle for Relationship Building**
- **Policy Makers Have a Story to Tell, and Sell**



City of Rifle

- **Developed Branding Statements**
- **Improved Council Communications**
 - Used the Brand as Context for Reporting Activities, Progress
- **The Rifle Annual Report or “Good Deal” Document**
- **Rifle CCR – Example for the Industry**
 - Utility as the Source of Quality, Headlines, Context for Info.
- **Making the Case for the New Treatment Plant**

Investing In Our Future

water is life

Leadership and Innovation

**New Wastewater Facility
Improving Water Quality!**

Several years ago, the City increased its sewer rates to fund construction of the new Rifle Regional Wastewater Reclamation Facility (RRWWRF). These investments are now paying dividends! The RRWWRF dramatically increased the City's ability to accommodate future growth and economic development. But the state-of-the-art plant also is benefitting local endangered fish species in the Colorado River. The RRWWRF's ammonia discharges to the river are less than 10% of those from the old facility and are well below State limits designed to protect fish.

**City of Rifle
Utility Dept.
202 Railroad Ave.
Rifle, CO 81650
(970) 855-5355**

Sustaining Public & Environmental Health

www.riflencolorado.gov

Serving You Today

**Advanced Water Main Flushing
Program Underway!**

The Rifle Utility Department is committed to proactively maintaining the City's valuable assets and delivering high-quality water. This summer, Water Division staff have been using high-efficiency hydrant flushing techniques to remove accumulated mineral deposits from the insides of the City's water mains. The program aims to maximize tap water quality and maintain adequate water pressure. When the flushing crew is in your area, expect to see signs posted, and possibly, water being discharged from fire hydrants. Please contact the City at 865-6445 with any questions or concerns. Thanks!

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202 Railroad Ave.
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Sustaining Public & Environmental Health

Why Utility Branding?

- **Industry Needs a Process for Local Investment!**
 - Economy will Not Recover Fast
 - National Politics – Impotent!
- **Relatively Simple, But Powerful**
 - It's Critical to Appreciate It's Power
 - Being Clear and Disciplined
- **More Efficient and More Effective**
- **Small, Medium, and Large Utilities**
- **Your Community Wants Appropriate Investment**

THE UTILITY BRANDING PROCESS
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The Purpose and Power of Branding
Branding programs are designed to maximize market share and price for businesses and set appropriate rates for utilities. The business, consumers make the buying decision and ultimately determine price. For utilities, the price is water and wastewater rates, which are set by only one or a few elected and appointed boards. Consequently, the utility branding process must assure that these policymakers have the information, support, and confidence to approve rates that fully fund needed investments.

Developing a name, logo, or slogan is only part of the branding process; however, these efforts do not address the true power of branding. A logo identifies, but a brand describes what you can count on from a person, product, or organization. Describe the utility's leadership in "leading and advertising change on the industry" and Facebook's brand, expertise, and reach that fully people may connect to family and friends. These simple ideas of what are powerful and determine success.

The Negatives of "Political" Rate Setting – Without a branding process, the utility staff's approach to building relationships with policymakers is often ad hoc, and rates are determined by what is perceived as politically palatable by policymakers. Politically palatable rates can lead to underinvestment, water shortages, increased public health risks, and infrastructure failures.

The Utility Branding Process – The branding process described in the following five steps provides a systematic approach for rate setting and achieving investment goals.

Step 1: Define the Utility Brand
Establish Clear Commitments to Value – Develop commitment statements that express what the public can expect of their water utility, which also defines the brand you wish to build. These commitment statements typically address customer service, water reliability, water quality, public health, environmental protection, efficiency, and appropriate investment.

Develop Standards that Encourage Investment – Commitment statements lead to a strategic approach to influence rate setting and drive investment. For example, utility rate packages were made over the course of many years to adopt a "rate raise standard for protecting its leaders, research in a contracting bid that leads to more investment in wastewater treatment. Similarly, water utilities should express water reliability in terms that people can appreciate, such as a commitment that water shortages will be "virtually zero."

Do Not Rely Solely on Regulations – Regulatory compliance is not a strong branding price. Compliance is often viewed as "doing the minimum." Utilities should be proactive and proactive in pursuing public health and the environment. Furthermore, there are important issues that are not covered by regulations, requiring that utilities establish their own standards. Regulations are imposed externally, they set limits about the rules, regulations, or brand of your utility and staff.

Step 2: Make Strategic Plans Compelling
Integrate the Brand into the Plan – Because the brand outlines your utility's values, it should be the framework for strategic planning and a broad-based rate setting. For example, the strategic plan should outline activities, decisions, and commitments needed to meet the standards defined by the brand commitments. What is the utility doing (and how long) to ensure the water shortages are "virtually zero?"

Develop a Short-Term Investment Imperative – Strategic planning can have different time horizons. However, both policymakers and the public will be heavily impacted in years and proposed rates covering the next 1 to 30 years. Therefore, the strategic plan should include a compelling argument for investing in wastewater for immediate challenges.

Continued on Slide 3/6

Questions?



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