



## **Branding Finances and Efficiency**

**July 14, 2009**

In previous editions of "Branding Moments," we have summarized elements of both the water and wastewater utility brands, such as water reliability, water quality, public health, and environmental stewardship. However, the real challenge for utilities is to clearly understand what these commitments to value mean and how to demonstrate credibility with respect to a given commitment. Given this, we will continue to explore in more detail key elements of the utility brand, their meaning, and how to demonstrate credibility.

### **The Commitment: Sound Financial Management and Increasing Efficiency**

***What it Means*** – Sound financial management is an important element of a utility's brand. Public or government agencies are often branded as inefficient because they do not operate in a competitive business environment. Elected officials or board members often see themselves as the watchdogs who will ensure that inefficiencies are eliminated. Unfortunately, this oversight often manifests itself as refusing to vote for rate increases that are necessary to maintain and improve infrastructure. Policy makers are understandably very sensitive about financial issues and rates. Most policy makers would just as soon avoid anything to do with rate increases. However, sound financial management means investing in maintenance and future needs, advocating for full-cost pricing, and implementing programs that increase efficiency. It is important to recognize that perceptions related to financial management are tied to value. People want to feel that they are getting a "good deal," which involves assessing both value and price.

***Demonstrating Credibility*** – Staff characteristics of openness and being collaborative are important when dealing with financial issues. Leading a collaborative dialogue with policy makers about rate impacts (in dollars per

month) of different decisions helps to build financial credibility. An ongoing efficiency improvement program discourages policy makers from thinking they can avoid a rate increase simply by stating that the utility needs to be more efficient. On the other hand, utility officials need to be sensitive to requests to save money and minimize rate impacts without under-investing. These types of exercises with policy makers often lead to innovative solutions and a better understanding of the relationship between assets, value, and risks. Asset management programs can help increase financial credibility. However, the focus should not be entirely on the condition of an asset. Often, utilities find more cost-effective or financially-sound courses of action when they focus on problem solving and value creation rather than maintaining or replacing the asset.

Utility managers who are being scrutinized over a request for large rate increases may get asked to benchmark efficiency. Rate comparisons are not a good way to measure efficiency. This situation brings to the forefront some important points that relate to science and branding. If people believe and can see direct evidence that the utility is committed to constantly increasing efficiency (a core value of the organization), then they will be less likely to demand “scientific” proof of this efficiency. If non-scientists are asking for scientific proof or benchmarking, a branding problem exists that is difficult to solve with technical benchmarking. A better solution is to work on demonstrating the organization’s commitment to efficiency by describing past and current efforts to improve it. This effort brings to light another important idea. Efficiency is difficult to analyze or prove as an absolute state, but is better understood and demonstrated as a culture of constant improvement.

***A Practical Implementation Idea*** - People want to know that they are getting a "good deal." A marquee publication for the utility should be one that communicates this idea. Utilities can create a yearly financial summary that is designed to help customers understand the “good deal.” The summary would include key investments and the value that is realized from these investments, as well as highlight the utility's ongoing efficiency improvement efforts. This publication should be brief and avoid details or technical information that are not related to meaningful value or price (investments or cost savings in dollars per month).

In summary, be clear on the standard of value you are committed to, and demonstrate credibility through actions that bring to light organizational choices and ethics.

***Questions and Comments*** - *Feel free to ask questions or to comment on this email. Questions and comments will be compiled and responded to with a follow-up call or email. Please reply to this message or email us at [news@utilitybranding.net](mailto:news@utilitybranding.net).*

**About the Network** - *The Utility Branding Network for water and wastewater agencies is committed to helping utilities better understand branding principles and to help them build a strong brand with their communities. A strong brand increases trust, support, and investment.*

If you are not yet a member of the Network, or just want more information, please contact John Ruetten at [john@utilitybranding.net](mailto:john@utilitybranding.net) or Jeff Mosher at [jeff@utilitybranding.net](mailto:jeff@utilitybranding.net).

*The Network is administered by the National Water Research Institute (NWRI).*

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