

Optimise Customer Base in Your Municipality



By the optimisation of customer base, revenues could be increased and business operations could become more efficient

The challenge

Waste management Utility Companies in the Western Balkans usually categorise their customers based on three major classes, i.e. residential, commercial and institutional customers. These classes are used as a base for determination of prices for services, including collection, transport and disposal of waste. However, certain number of service users are not “visible” through the existing billing system/customer database. In other words, although the service is provided, certain users are not recorded in the Public Utility Company (PUC) database and charged accordingly, which reduces the revenue of companies significantly.

Furthermore, in the majority of municipalities, there is no reliable system for tracking and regular updating of the customer base and exact number and characteristics of customers.

In conclusion, PUC customer databases used as bases for defining service tariffs are often outdated and inaccurate, which has a negative impact on achieving better revenue collection rates.

The possible solution – how to overcome the challenge?

Detailed customer base analysis, identification and inclusion of certain service users in existing billing systems will help local PUCs to increase revenues and potentially set up tariffs that are more reliable and in line with actual costs of the provided service, and thus, improve work efficiency and financial sustainability of PUCs in the long run. Additional determination of a reliable number and characteristics of customers will be of great importance to fair (i.e. more precise) revenue collection.

The Project has therefore developed a **methodology** for Local Governments and their Public Utility Companies to **optimise their customer bases**. *This methodology can be implemented either by Local Governments and their Public Utility Companies, if they possess enough internal expertise, or through engaging external advisory services for this task.*

Benefits

- To determine a reliable number and characteristics of customers
- To increase revenues and set up reliable tariffs for services provided by the Waste Utility Company
- To improve financial sustainability of PUC and waste management services
- To optimize the work efficiency of the PUC’s Department responsible for monitoring and updating of the customer database in order to establish a good basis for using available data and further planning of local policies in the waste sector

Facts and figures obtained through piloting the methodology

Public Utility Company “Komunalec” Gostivar, N. Macedonia

- **697 changes in customer base recorded**
- **373 new customers identified** – in total, 697 changes were recorded in the customer base. In addition to new users, 324 changes were related to the verification and correction of the existing users’ data
- **22,170 € additional revenues per year** – the process of customer base optimisation in the project pilot stage was applied to only 2 out of 13 zones in the municipality, which will increase the revenues in the future.

What should be done in your Municipality and Utility Company?

THE STEPS FOR CUSTOMER BASE OPTIMIZATION

STEP 1. PREPARATORY ACTIVITIES

1.1. Meeting with the municipal administration and Public Utility Company	Decision-makers and technical teams understand the advisory process, steps and activities to be taken.
1.2. Establishment of a Working Group	Municipal Working Group is in place. The Group will organise the process, monitor the implementation and report on the results.
1.3. Development of an Action Plan	The Action Plan will define objectives, activities, monitoring indicators, responsibilities, budget, timeframe and coordination between different stakeholders.

STEP 2. DATA COLLECTION AND PLANNING OF THE NEW PROCESS IMPLEMENTATION

2.1. Data collection on existing customer base:

- Detailed customer database with all relevant characteristics
- Detailed information about current customers categorization and applied tariff system
- Official Decision on determining the prices of waste management services
- Data about revenue collection efficiency
- Audit and relevant information related to the customer base tracking and updating system
- Information about potential synchronisation and linkages with other related institutions' databases
- Collection frequency for different groups of customers
- Information about the current waste collection system established for customers groups

2.1. Analysis of collected data

2.2. Defining a Plan for Process Implementation

STEP 3. PROCESS IMPLEMENTATION

2.3. Implementation activities

- Comparison of PUCs' customers bases with databases and information on users of other institutions
- Assessment of existing service users by using satellite images and maps (and/or including their positioning using GPS devices) and comparison with database customers
- Field testing/checking of existing service users and comparison with database customers
- Examination of the current tracking and updating of customers' database system

2.4. Provision and delivery of equipment

- Development of a detailed specification for necessary equipment
- Calculations and specification of costs required for equipment purchase
- Tender procedures
- Equipment purchase

2.5. Staff training (e.g. training for the usage of new "software tool" and synchronisation with other databases, client orientation training etc.)

The methodology for Municipalities and Public Utility Companies (Terms of Reference) to optimise their customer base is available at NALAS website www.nalas.eu and SeSWA website

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