Consumer Motivation and Satisfaction on recovery of outstanding water bills

P.Khidmat Maklumat Akademik
UNIMAS

By

Ir. Teo Seo Lin

(Matrix No: 00-02-0501)

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APPROVAL PAGE

I certify that I have supervised and read this study and that in my opinion it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a research paper for the degree of Corporate Master in Business Administration.

Norzaidahwati Zaidin
Supervisor

This research paper was submitted to the Faculty of Economics and Business, UNIMAS and is accepted as partial fulfillment of the requirements for the degree of Corporate Master of Economics and Business.

Assoc. Prof. Dr. Shazali Abu Mansor
Dean, FEB
UNIMAS
DECLARATION AND COPYRIGHT

Name: Ir. Teo Seo Lin

Matric Number: 00 – 02 – 0501

I hereby declare that this research is the result of my own investigations, except where otherwise stated. Other sources are acknowledged by footnotes giving explicit references and a bibliography is appended.

Signature: 

Date: 15 [Month] [Year]

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ABSTRACT

The purpose of this research paper is to examine and investigate consumer motivation and satisfaction for prompt payment of their water bills. It defines the motivating factors for looking at this area, reviews some recent related literatures and explores areas of overlapping interest.

The aims and objectives of this study is to investigate the underlying problem(s) pertaining to non-payment of water bills by consumers with the aim of improving the existing recovery system and related work procedures in Kuching Water Board* (KWB), and to develop and recommend for adoption by KWB management a set of integrated applications that help the organization connect disparate system and more closely link the employees and the consumers. The findings and analysis from the consumer survey will provide the means for KWB management to reengineer its work processes particularly in the area of customer service for enhancing its bill (revenue) collection. The ultimate objective of this research is to instill consumer motivation for bill payment and subsequently contribute towards reduction of the considerable outstanding bill amount to an acceptable level. This research will also examine the impact of information and communication technology as a valuable tool and improvement agent on KWB 's organizational support system (workflow and procedures), consumer data management, consumer response management system, payment (billing & collection) system, and account management. With improvement and the enhancement of customer service and customer relations, the consumers will benefit from greater value service such as faster response time, cheaper water rates from cost reduction due to better integration of service and overall improved service.

This research will contribute towards the reduction of outstanding water bills and inactive accounts. The improved revenue collection would make available the capital required for implementation of infrastructure projects, and the consumers would benefit from the upgrading of water production and distribution systems in the form of a more reliable and adequate supply of quality treated water.

This research has discovered that, in general, consumers’ perceived satisfaction of payment facilities (i.e. locality of payment counters, conditions of payment counters, sufficient counters, waiting time at counters) are somewhat more important than other motivational factors for consumer behavior in bill payment. Consumers’ perceptions and feelings about ‘Process’ (i.e. bill enquiry service, billing system, complaint receiving and processing system), ‘People’ (i.e. efficient collection staff, courteous and responsive telephone operators, reliable customer service staff), and ‘Physical’ (i.e. bill delivery and service complaint system) are all found to have a significant effect on the consumers’ motivation towards bill payment but their effects are less profound than those factors related to payment facilities.
ABSTRAK

Tujuan kajian ini adalah untuk mengkaji dan menyiasat tahap kepuasan dan motivasi pelanggan terhadap penyegeraan pembayaran bil air mereka tepat pada masanya. Ianya akan mengenalpasti (atau menjelaskan) faktor motivasi untuk meninjau pada bahagian berkenaan, mengkaji beberapa penulisan dan mengenaipasti pendapat yang bertindih (atau berbeza).

Maklamat dan objektif kajian ini adalah untuk menyiasat masalah-masalah sedia ada berkaitan dengan bil air yang tidak berbayar oleh pelanggan dengan tujuan untuk memperbaiki system pembayaran balik yang sedia ada dan berkaitan dengan prosedur kerja di Lembaga Air Kuching (LAK), untuk membangun dan mencadangkan (atau mengesyorkan) kepada pihak pengurusan satu set implikasi yang dapat membantu organisasi dan supaya perhubungan di antara pekerja daan pelanggan lebih rapat lagi. Hasil dari penemuan dan analisa yang diperolehi dari kajian terhadap pelanggan adalah amat bermakna kepada pihak pengurusan LAK bagi menyusun semula atau memperbaiki proses kerja di dalam perkhidmatan pelanggan terutamanya melibatkan kutipan bil. Maklamat utama kajian ini adalah untuk menggalakkan pelanggan untuk membuat bayaran terhadap bil air mereka, seterusnya mengurangkan jumlah bil-bil tertunggak ke satu tahap yang paling minima. Kajian ini juga akan mengkaji atau mengenaipasti kesan teknologi maklumat dan komunikasi sebagai satu kaedah yang berguna dan dapat memperbaiki system sokongan organisasi LAK (proses dan prosedur kerja), pengurusan data pelanggan, system pengurusan bertindak pelanggan, system pengurusan pembayaran (bil dan kutipan) dan pengurusan akaun.

Hasil kajian ini akan menyumbang kepada penurunan bil-bil air yang tidak berbayar dan akaun yang tidak aktif. Peningkatan hasil kutipan yang diperolehi akan membolehkan projek-projek infrastruktur dilaksanakan dan pelanggan akan menikmati keuntungan dari peningkatan pengeluaran dan pengagihan air yang terawat serta berkuantiti.

Kajian ini mendapati secara amnya, pelanggan berkehendak kepuasan terhadap kemudahan pembayaran yang disediakan (iaitu lokasi kaunter pembayaran, keadaan kaunter pembayaran, kecekapan kaunter pembayaran, masa menunggu di kaunter) adalah sangat penting berbanding faktor motivasi yang lain terhadap tindak laku pelanggan dalam pembayaran bil mereka. Anggapan dan sikap terhadap ‘Proses’ (perkhidmatan bertanyaan bil, system bil, system penerimaan aduan dan pemprosesan), ‘Manusia’ (kecekapan pekerja kutipan, operator telepon yang bersopan santun dan peka (responsive), pekerja khidmat pelanggan yang boleh diharap), dan ‘Fizikal’ (perhantaran bil dan system khidmat aduan) semuanya dikenalpasti memberi kesan terhadap motivasi pelanggan terhadap pembayaran bil. Namun begitu kesannya adalah lebih kurang berbanding faktor berkaitan dengan kemudahan pembayaran.
Chapter 1: Introduction

1.1 Problem Statement

Outstanding water bills owing by consumers and inactive accounts deprive Kuching Water Board * (KWB) of the valuable and needed capital for carrying out water supply infrastructure (development) works which cater to providing an adequate and reliable potable water supply to consumers within its area of supply. The Board indicates concern over the considerable amount of non-payment of water bills by consumers and has advised the management to take proactive actions for reducing the outstanding owed to KWB and also undertake to re-organize the work procedure in the Enforcement Section to make it more effective to recover as much of the outstanding amount as possible. The question is whether just merely re-organizing the work procedure of the Enforcement Section is sufficient or adequate enough to address the underlying problem. I feel that the problem has to be viewed from a wider perspective, one that would involve the whole organization (work process) of KWB, and customer relationship management is the key to resolving the problem (issue).

Why do consumers choose not to pay their water bills on time? and how to instill motivation in the consumers for paying their bills promptly?

Consumer motivation for prompt payment of water bills is related to the consumer behavior which, in turn, is influenced by the consumers’ perceptions of the organization (KWB) including their perceptions of its levels of service, and the promptness in dealing with their water supply problems, and etc. For instance, Is the long queue at payment counter a deterrent to consumers for paying bills? Quite often a time, consumers complain about non-receipt of water bills, and thus they are unable to make payment for the water consumed. In view of this consideration, there is a need for KWB to review its support system and work processes including its billing and collection system. When the service is disconnected due to non-payment, it is a cost to the organization as additional mobilization
and manpower are required for performing the disconnection. The customer also experience inconvenience as water supply is disrupted and this may lead consumers to resort to illegal connections and usage. On the other hand, Is the existing customer relationship management of KWB effective in dealing with the consumer problem pertaining to water supply, and whether the existing customer relation infrastructure that caters to the needs of the consumers is effective or adequate.

The inability on the part of KWB to resolve the issue of non-payment of water bills would have far reaching consequence in terms of tarnishing the corporate image and loss of revenue. Effective and efficient billing and recovery system creates good public image for KWB. The loss of revenue arising from non-payment of water bills results in shortage of funds for KWB to upgrade the existing water supply systems as well as to undertake to adopt new technology for improving water treatment and water distribution systems. Thus, in view of the above-stated problem and its implications, my research will aim to study the impact of the customer relationship management system (including the Information technology aspect) on recovery of outstanding amount. The research will also examine and investigate the necessary tools and facilities such as Internet infrastructure needed for enhancing the existing bill recovery system.

(Note: * A Water Supply Authority established on 1 January, 1959 by authority of the Kuching Water Board Order 1959, and vested under the State Government of Sarawak. Presently, KWB has about 90,000 meter connections and the total population served is about 540,000. About 99% of the population within its supply boundary (Area of supply=730 sq.km) is served with potable water supply).

1.1.1 Inefficient Counter Service in Government Agencies

A study on the standard of counter service in the public service sector by the Public Service Complaint Bureau revealed that about 85% of government departments in Malaysia lacks effective and efficient customer service. The report says that the Bureau receives numerous complaints from public of the inefficient counter service including

The long waiting time at some government agencies are almost unbearable to some customers. Very often, the number of counters is not enough to cope with the number of complaints, not manned (either due to shortage of staff or staff having long coffee break leaving the counter empty). The paper concluded that the Heads of Departments must improve and enhance the performance management of its staff such that efficient and reliable service can be provided for the convenience of the public. Apart from performance management, the government departments must harness the power of Information Technology (hardware and software) to further improve its counter and telephone inquiry service.

The paper reiterated that it is timely for the government agencies to seriously look into its organizational processes, work procedures, system re-engineering such that the efficiency of counter service is improved. The management must be proactive, motivated to look into the causes of the problem and corrected where necessary. The public expects effective, efficient and reliable service as a return of their contribution in tax payments.

### 1.2 Background of Study

Instilling motivation in consumers to pay their water bills promptly is complex and challenging indeed. Motivation of consumers to pay water bills promptly is closely linked to their "willingness to pay" (WTP). The study arose from an increasing awareness that little is known about the individual’s WTP. Broadly speaking, unwillingness to pay on time or no motivation to pay on the part of the consumers results in delayed payments (outstanding water bills) and in the case of inactive accounts, the consumers chose not to pay at all. These groups of consumers (inactive accounts) would resort to
water stealing by all means, and consequently erode KWB of its precious revenue apart from incurring additional expenditure in its surveillance (enforcement). Cost recovery is critical for KWB to recover its capital costs and become more financially able to provide further water supply (water infrastructure) and enhance its level of service to consumers. Are the current water charges acceptable to consumers so as to achieve maximum cost recovery (bill payment).

Apart from acceptable water charges, motivation of consumers to pay their water bills promptly is also influenced by the organization’s level of consumer service, the effectiveness of its relationship management system and bill recovery system, work procedures and processes, reliability of supply etc. In many cases, households might be willing to pay for higher prices in return for better quality service. This would have the effect of increasing KWB’s revenue for future development.

The tool that today’s organizations have utilized to improve consumer service and relation with consumer is Information Technology (IT). Many evidences have proved that IT can foster effective and efficient consumer service and consumer relation. This research aims to study and draw conclusion of the causes of the lack of motivation on the part of the consumers to pay or willingness to pay promptly their water bills. The mission is to investigate the impact of customer relationship management system, including the Information and communication technology (ICT) aspect, on recovery of outstanding bills.
1.3 The Rationale for the Research

The major question as illustrated above is why do consumers choose not to pay their water bills promptly (or even not paying at all – inactive accounts)?

Other sub-questions are summarized as follows: -

(1) How to instill motivation in consumers to pay their water bills on time?

(2) How does the level of customer service affect the bill payment?

(3) What are the facilities and systems that induce consumers to pay their bills on time?

(4) Which type or group of consumers (by demographic, location, profession, education level, etc.) has the high tendency not to pay bills on time?

1.4 Objectives of Study

1.4.1 To investigate the underlying problem pertaining to non-payment of water bills by consumers with the aim of improving the existing recovery system and related work procedures.

1.4.2 To develop a set of integrated applications that help the organization connect disparate system and more closely link the employees and the consumers.

1.4.3 To reduce outstanding water bill amount to an acceptable level.
1.4.4 The findings arising from the research can serve as a guide and can be used by other utility agencies in resolving the issue of non-payment of bills by consumers.

1.4.5 To enhance the existing applications and develop and introduce new applications that keep pace with technological developments, satisfy consumer requirements, and achieve operation objectives.

1.4.6 To adopt application software to tie the consumers on the outside with the line of systems on the inside.

1.4.7 To enhance the company operation and corporate strategy including improving corporate image, customer service, etc.

1.5 **Significance and Benefits of the Study**

The proposed research will contribute towards the reduction of the outstanding water bills and inactive accounts. Also significance is the enhancement of customer service and customer relationship management to meet increasing customer needs and expectations. The study also will provide opportunity for KWB to integrate its work processes and cut down repetitive works thereby reducing wastage (cost reduction). Logistics system can be improved with effective customer relationship management and this leads to increase of profit margin.

The improved revenue collection would make available the capital required for implementation of water infrastructure projects, and the consumers would benefit from the upgraded water production and distribution systems in the form of a more reliable and adequate supply of quality water.

The integration of customer contact information through electronic capture of customer information would be vital for monitoring bill payment of consumers. The consumers both internal and external will benefit from greater value service such as faster response time,
cheaper water rates from cost reduction due to better integration of service, and overall improved service. As for KWB, the benefit from better relationships with consumers is the increase in revenue collection.
Chapter 2: Literature Review

This chapter presents some evidences from previous research of the impact of CRM on business operations. Several related issues are discussed such as the organizational support system, customer service and support, consumer contact database, electronic payment system and account management. The impact of Information Technology (IT) on consumer support system and payment (billing and collection) system is also discussed.

It has been envisaged that consumer relationship is vital for excellent service. Organizational support emerges as one of the essential elements of customer relationship management. It is about effective use of integrated information for providing excellent service i.e. using consumer information to better serve his or her needs. It’s about saving time and easing frustration for consumers. For instance, they shouldn’t have to repeat information to various departments/divisions over and over again.

2.1 Motivation for Consumer Behavior

The motivational complexity of consumer behavior needs to be clearly elaborated. Motivational behavior of consumer determines their willingness to pay bills promptly. Although there is no agreed-upon definition for the term ‘motivation’, the term usually refers to the question of why a given behavior occurs. Atkinson (1967) defines ‘motivation’ as ‘the problem of accounting or direction, rigor and persistence of behavior’.

According to Wilkie (1992), the study of consumer motivation addresses questions of how behavior gets started, sustained and directed, and stopped. He defines motive as a reason for behavior or as a strong and persistent internal stimulus around which behavior is oriented. Motivation may be viewed to have two important components, intensity or strength of the motivation, and direction, which determines which behavior is chosen from all those possible and why. The underlying assumption usually present in
conceptualizations of ‘motivation’ holds that consumer behavior is purposive; in other words, that people aim to satisfy needs or to attain some goals. Nevertheless, it is usually accepted that the associated motives can be both overt and hidden, i.e., consumers may or may not be aware of their motives for a given behavior.

In addition to motivation, consumer behavior is usually assumed to be determined by their ability to perform a behavior (Ajzen & Madden 1986, Bagozzi & Warshaw 1990, Pieters, 1992). Ability refers to personal resources within the consumer needed to perform the behavior, as well as to opportunity, which is determined by aspects of the immediate environment and refers to various external factors that impede or facilitate behavior. Consumers’ perceptions of their ability or the degree of behavioral control they have in the action situation is usually also postulated to influence both the strength and direction of the motivation in a given behaviour. In other words, people are not always motivated to do something for which they lack the necessary resources and opportunities. Moreover, strong motivation is generally presumed to enhance people’s abilities, and also, their perceptions of the behavioral control they have (Moisander 1996). The relationship between motivation, ability and behavior is illustrated in Figure 2.1 below.
In the relationships with customers, an organization must adopt some sort of tactful but effective technique (policies and strategies) to guarantee payment (O'Deady, M, 2001). The author in his research, entitled the “Collecting of Accounts: Getting paid when you should”, argued that the monetary form of penalty such as imposing stringent penalty for late payment would only increase the debts of the consumers, and is not the most effective way to boost bill recovery for an organization. The drawback is that the customers do not risk losing anything when their accounts become past due. Consequently, the chance of improving a customer’s payment habits is not significantly increased.

2.1.1 Performance Management (Employee Performance)

Employee is a valuable asset of any organization. If an organization has sophisticated equipment and efficient system but lack skilled and motivated employees, its operation will not be effective and efficient. Research by Mcgladrey & Pullen (1999) on research of “Seven steps to successful performance management, 1999” has noted that employee performance should be evaluated through meaningful measurement of skill and knowledge improvement. According to Brown A. (1995), an organization’s management must ensure that the employee performance appraisal, recognition, and reward processes are effectively utilized for promoting employees’ motivation in delivering customer satisfaction. Successful performance management creates satisfied employees, and in turn, these satisfied employees treat the consumers much better, more capability to perform the service accurately and more responsive to the consumers’ complaints. How then can consumer be motivated by improvement in employee performance? Satisfied employees create satisfied customers, and satisfied customers create momentum, and help the company innovate, by giving it ideas and valuable feedbacks on how it can improve. As these ideas are implemented, improved customer satisfaction results, which, in turn, stimulates new ideas and keeps the process alive.

However, the management must be prepared to receive negative feedback and committed to acting on the data gathered. An opinion survey of consumers, internal and external, is an excellent, cost – effective means to assess consumer attitudes towards the organization, its operations and environment in confidential, non-threatening style. Gathering honest feedback can help clarify areas of confusion or concern, leverage organizational strengths and weaknesses, and improve communication and cooperation. By conducting surveys on consumer opinions, an organization is positioned to continuously adapt to its changing environment, meet the challenges of the business to maximize consumer satisfaction and improve its profitability. (Mcgladrey & Pullen (1999)).
2.1.2 Electronic Payment System

Commerce on the Internet is already a reality. Whilst there are strategic challenges for all business, they are especially ominous for financial services and banking organizations (Derek, 1996). The inherent communication facilities offered are rapidly being integrated into every day usage (Cronin, 1994). Business transactions carried out over the Internet were estimated at $500 million in 1995 and projected at $1 billion in 1996 (Waraker, 1996). This is still significantly less than 1% of retail sales in the US. According to INPUT IT Intelligence Services, interactive retailing via the Web will grow to $165 billion by the year 2000. So, what is the implication for KWB? It presents an opportunity for KWB to boost its bill recovery through adoption of an electronic payment system. Besides, effective and efficient billing system also creates good public image for KWB organization in terms of its service delivery. The introduction of electronic payment system provides exciting new opportunities both for Maybank’s credit card holders and also business partners as it increases convenience, efficiency and provides new delivery channels as well as access to new markets and business opportunities (extracted from Maybank’s website, www.maybank.com.my). Maybank credit cardholders also will be able to make their purchases not only from the comfort of their home or office, but most importantly their purchases can be carried out securely over the net without compromising their credit card information.

Maybank and Mesiniaga Berhad are taking e-commerce a step further with the introduction of Malaysia’s first ever “View & Pay” service using credit card and direct debit via the internet. The service, called “Maybank e-bills” will allow consumers to view their bills on-line and then pay on-line using their deposit accounts or credit card account (The New Strait Times, 19 May, 2000). The benefits to customers from using the electronic payment system are: -

- It is fast and convenient: A customer can perform his or her transactions anywhere, any time, 24 hours a day.
• E-bills: Customers can view and pay their bills online at a time convenient to them.

• Less queues in the bank.

• Enhance corporate image since customers feel that Maybank is constantly enhancing their services and facilities to serve customers conveniently.

• The 24 hours availability of Maybank2u.com has ease the inconveniences of those customers who are not able to do transactions during normal office hours.

2.1.3 Organizational Support Systems

Underpinning the activities of an organization is its business processes and information support systems. A major development in computerized support systems is the advent of process support software that allows work to be routed (similar to a paper file) around the business. These products use a variety of methods to integrate with information systems, delivering the context for action to the appropriate user (Miers, D., 2000).

2.2 Customer Satisfaction

Basically, the service delivery aspects evolve round the following five dimensions propagated by Parasuriman, 1985: -

(1) Tangibility – this includes the physical facility, equipment and staff appearance.

(2) Reliability – ability to perform the promised service accurately.

(3) Responsiveness – willing to help customers and provide service.