Communicating Water’s Value
Talking Points, Tips & Strategies

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Introduction: Confessions of a Marketer

“Advertising is the art of convincing people to spend money they don’t have for something they don’t need.” — WILL ROGERS

It was the late 1970s: the beginning of the end for traditional advertising. The Internet didn’t exist. Personal computers were in their infancy. Emails were not even a glimmer on the horizon. It was Telex, not text message. No overnight air, cell phones, or iPads. Communication was relegated to wall-mounted landlines and Princess telephones, typewriters, and snail mail—otherwise known as the US Postal Service (the “Post Office” disappeared in a 1971 reorganization of Richard Nixon’s cabinet).

When I started in the ad business, one of our firm’s clients was a mineral-water bottler by the name of White Rock. Founded in 1871 by Larry Bodki, a pharmacist from Waukesha, Wis., the corporate headquarters for White Rock were (and still are today) in Whitestone, N.Y. Once a household name, White Rock thrived until the 1980s when Pepsi and Coca-Cola kidnapped the beverage market and took the industry into boom times. Today, this venerable bottler still has a handful of employees.

The agency handled advertising for a Denver-based White Rock distributor, and it was a solid account for us. I believe my title was something like “Coordinating Junior Assistant Associate Account Executive,” but at the time, I couldn’t have been more excited for the opportunity.

White Rock mineral water was enshrined in a beautiful glass bottle with an alluring fairy kneeling on a rock overlooking a mineral spring. Exotically named “Psyche,” she appeared tastefully topless in their ads (a sign of the product’s purity), which spun fantastic tales of the water’s power to enhance the spirit and cure whatever ailed you.

Little did I know that working on that account provided me a front-row seat for a sneak preview into the future.

I remember believing that advertising “hype” was nothing more than an attention-getting tool and had little relation to reality. I had no idea, at
that time, about idyllic concepts surrounding perception and leveraging the predictability of human nature. I only knew that when our ads worked and the more bottles that were purchased, the more the client would shower down on us for the next advertising campaign. At our agency, retail was our bread and butter.

Yet, buying bottled water—even water spirited out of a mineral spring on the East Coast—seemed a ridiculous waste of money to a $600-a-month employee like me. (Ironically, by the way, the headquarters in Whitestone are actually most unromantically situated at the tip of the less-than exotic borough of Queens—a few scant miles from Flushing Meadows.)

Clueless at best, I didn’t know how colors, shapes, touch, and even aromas were used to build a product’s brand. I was about to find out. Our agency conducted focus groups, interviews, and surveys to try to understand the motivations behind people’s buying habits. Over and over, consumers told us they wanted our client’s products to sing out, ever so sweetly, “buy me—buy me!”

We obsessed about the customer’s emotionally charged perceptions of colors associated with products. Some seemed obvious, if inconveniently named, like the sky-blue so often associated with water.

Packaging almost invariably incorporated warm colors that attracted the eye, and “green was seldom seen.” I even learned that the way a product felt in the customer’s hands mattered.

Sounds and smells were injected into cans of potato chips. The perky sound and fresh scent that burst forth as a can of Pringles chips pops open are no accident. These sensory, sensual impressions are carefully calculated to tantalize and entice.

I also learned a lot at photo shoots for our food-industry clients. We would spray water on acid-saturated peanuts to mimic the sight of hot, steaming snack trays (a scene so captivating that no one ever paused to wonder whether donning gas masks might not be prudent). Shaving cream was used to replace whipped cream, ice cream was lard, and the ice cubes used in whiskey ads were glass. It’s a little different today, though the inconvenience of OSHA safety rules largely offsets the impact of rapid-fire digital cameras and high-tech gimmicks designed to speed creative images and content to the client in mere minutes.

A lot has changed since my first job.
Some things haven’t.
In the advertising business, perception is still reality.
The predictability of human behavior goes hand in hand with the same bottom-line driven outcomes pursued all those years ago.

After working in marketing for more than 30 years, I must confess that while the industry has gotten more strategic, little has been added to our knowledge of what it takes to make people spend their cash for a product or service (cash itself having long since been supplanted by credit and, more recently, electronic/virtual forms of payment).

The messages we provide to our clients via the campaigns we create are still steeped in the Five Senses of the consumer audience. A Sixth Sense—common sense—often evaporates into the air, like the evanescent steam of those snack-tray peanuts. Little is left to chance. Products are placed strategically (and unabashedly) into TV and movie sets. Professional athletes and Hollywood celebrities hawk Nike shoes and Fiji water with the reckless abandon of a blitzing linebacker.

By invoking the powerful memory synapses of our senses, a simple bottle of water is made to revive memories of health or to guarantee spiritual rejuvenation. A Westin resort hotel smells faintly like a tropical rain-forest, the aroma of bakery goods flows unapologetically through grocery store ventilations systems, and Fiji bottles are square. A profound understanding of human behavior has helped advertising create empires around the product offerings of McDonald’s, Coca-Cola, and Ray-Ban Sunglasses.

The underlying tenets of advertising go a long way toward explaining why bottled water is a multibillion-dollar industry, and why people see purity in a plastic bottle of water that they would never attach to water flowing from their kitchen faucets.

You see, consumers have come to almost universally undervalue water. They believe it should be free, like the air we breathe. From the largest to the smallest, utilities must change that perception to the true story: The guarantee of a pure and plentiful supply of water is a precious commodity—one well worth paying a reasonable and justifiable price for.

Having written several articles for the Journal American Water Works Association, I was often contacted by people who said one article or another had gotten them thinking. Some even said they were inspired by the concepts I outlined but didn’t think they could change the ways their utility had been operating for so many years.

Yet, hour upon hour of research and interviews led me to example upon example of unsung industry heroes who had overcome seemingly intractable challenges. From the largest utility to the smallest, lessons were gleaned from individuals who deviated from long-established norms and
found successes great and small in the positive behavioral changes that resulted from their positive deviations.

Behaviorists have long been tasked by the corporate world to provide an understanding of how humans process data. Much of this, I must confess, has been to the detriment of our own good. For the utility, however, I truly believe there is much to be learned from behavioral economics, marketing, neurology—and from partnering with other utilities. That is why I have written this book. If my sometimes edgy take on what’s possible or the recounting herein of many utility company success stories helps you to pause, think, and then approach your daily tasks differently, then this book has done its job.
Chapter 1

Framing Transparency: Crafting the Utility Bill to Promote the Real Value of Water

“Reality is merely an illusion, albeit a very persistent one.” — Albert Einstein

Dozens of books are dedicated to the subject of the complexity of setting water rates, but little is published on strategies to shape public perception once those rates are translated into an invoice. Make no mistake, though: The way you frame your billing statement greatly influences the value your customers place on your services.

Basically, framing tries to create both a first and a lasting impression. It is an effort to control customer’s reactions to something with respect to how it is presented. A crummy photo in a beautiful frame can be considered amazing; an award-winning one, without a frame, might go unnoticed. People react instinctively to how things are framed, a fact of life that can even encompass a utility’s bill. Utilities don’t operate in a creative market. Rates are compulsory, and the way those rates are framed—worded, explained, and presented—can make all the difference in the world in how they are received.¹

Framing Changes Perception

To really comprehend the value of framing, we should examine it from a different point of view: The billing statement can actually be the focal point
of efforts to educate the consumer on the true value of water. Suppose a water utility approached you with a life-or-death situation. Its water supply has been compromised, and a deadly bacterial outbreak threatens a small town. All 600 residents are assumed to have drunk the water. If nothing is done, all 600 will die.

A medical expert offers two alternatives to fighting the bacteria, with two projected outcomes:

**Outcome 1:** Two hundred people in the town will be saved.

**Outcome 2:** There is a 1-in-3 probability that all 600 people will be saved and a 2-in-3 probability that nobody will be saved.

Which would you pick—outcome one or two?

Now take the same situation, for which a different medical expert offers two additional outcomes.

**Outcome 3:** Four hundred people in the town will die.

**Outcome 4:** There is a 1-in-3 probability that nobody will die, and a 2-in-3 probability that 600 people will die.

Between outcomes three and four, which one would you pick?

If you are like most people, outcome one gets your vote in the first situation. In the second example, deciding between outcomes three and four, if you choose option number four, you are with the majority.

Tversky and Kahneman\(^2\) conducted a study regarding people’s responses to the preceding scenarios, and their results show that we are greatly influenced by how external input frames a situation. In the first example, 74 percent of the people involved in the study chose outcome one. Why? Well, it is likely because the focus of that option was on the people who would be saved, rather than on the number of people who would die. But when it came to deciding between outcomes three and four, 78 percent chose number four—the option that leveraged the exact words “nobody will die” rather than the number of people who would actually die as stated in option three.

It’s simple human nature: People prefer to view themselves as potential saviors rather than potential killers, and they gravitate toward the seemingly more positive alternative.
The takeaway: A strong majority of people based their decisions on how the options were worded—how they were framed—rather than focusing on the final outcome. The process of problem solving becomes more important than the solution itself. And that is precisely why the choice most of us make in the first example is the direct opposite of our choice in the second example, even though, as you probably already realize, outcomes one and three outline identical results, as do outcomes two and four.

Utility Bills Go Against Preconditioning

For the most part, a consumer’s internal mindset is based on what he or she is accustomed to seeing. Reactions to framing are deep-seated, stemming from personal experience and cultural norms. This preconditioning determines how we react to incoming data. But this prevailing mindset, for a variety of reasons, doesn’t mesh well with the way today’s utilities commonly bill their customers.

Pay for it even if you don’t use it

First, in this opposite way of thinking is the “use it or pay for it anyway” concept. Many consumers have the preconception that when they want something, they’ll pay for it. After all, natural resources such as water and energy should be readily available and paid for on demand. This issue arises when customers see a line item such as base rate on their statements. The charge undoubtedly is a legitimate and essential line item. It has to go on the bill. But it can evoke great confusion when a customer evaluates the monthly accounting. Suppose this same line item was reworded—perhaps to read water availability or readiness to serve. Might that clarify these specific services and make the charges a little easier for consumers to understand? Utilities can also facilitate understanding by providing a definition, perhaps on the back of the invoice or on their websites, fully detailing the monthly service charge. (At the same time, keep in mind that it’s counterproductive to repeat the word charge over and over in the definition or on the actual statement line items.)
Forget volume discounts

The second issue that arises is the common concept of “the more you use, the more you pay per unit.” Few other products are priced this way; most offer a discount for quantity purchases. Many people are unaware that the more water they use, the more it costs per gallon. After all, you can buy a bottle of water for $1 at the grocery store or purchase a case and end up paying less than a quarter a bottle. The public has a difficult time grasping the difference between what might be called resource pricing and retail pricing. But the difference goes beyond public perception: If you believe the water your utility provides is not a commodity, then why refer to it that way in the billing statement? Using water commodity charge as a line item frames water as just that—a commodity, a product the price of which should go down as volume goes up. So utilities with tier pricing need to frame the value of water by using words to differentiate it from a generic product. The fix can be easy—perhaps replacing the word commodity with words such as water usage or purified water usage in customer documents.

The third major element that affects a customer’s perception of the water bill is the concept of paying “into the future”—funding future needs now. Today, in order to carve out costs associated with critical needs, many utilities are adding new line items such as to purchase a sustainable water supply, to replace infrastructure, or to fund capital improvements. The concept of funding future needs frustrates people. They question who is in control of the money being escrowed for these needs. With the increasing economic sophistication of today’s consumer, utilities may want to be cognizant of how they portray the value of line items that contemplate future needs. Instead of using descriptions such as facility rehabilitation charge or revenue stability fee, some utilities invoke such phrases as water protection fee or set-aside for future needs. This couples the fee with a sensible reason to pay today—even though it is for future infrastructure. Phrases like these basically acknowledge the practice of saving for future needs. Among them, however, there is a big difference in framing how customers perceive the charges.

The Problem Isn’t the Rates; It’s the Structure

Getting into your customers’ heads is tricky; you’re dealing with an array of mindsets, varying scopes of knowledge, and infinite variations in human nature from household to household. But an honest assessment of your
actual line item descriptions may well reveal that it is not the actual rates, but the complexity of the rate-setting process that makes it difficult for customers to interpret their statements. Parsing out strange or legalized language and elaborately constructed rate rationalizations can give a customer a headache, and such unpleasantness, in the end, is sure to reflect on the utility’s image in the public eye.

To evaluate this theory further, Hughes & Stuart Marketing conducted some research into actual utility statements. We discovered a host of confusing line items and a few miscellaneous charges that would make even the most qualified industry experts stop and scratch their heads. At the same time, we also found utilities of all sizes where incisively worded line items were paired with clear, understandable descriptions and definitions. The size of the utility seemed to have little bearing on the clarity of the statements. In fact, we discovered that some of the smaller utilities provided the best overviews of water charges.

Here are some examples of well-crafted line items. The descriptions are transparent, acronyms are avoided, and expectations of funds usage are clearly identified. With the “water consumption charge” line item, the customer might also be made aware of the higher-tier usage costs as part of a water efficiency education effort.

- **“Water Protection Fee.** The water protection fee is a new funding mechanism for the utility’s water supply protection programs. The funds will be used to pay for water initiatives as well as additional drinking water quality improvements to our treatment system and for protective restoration projects.”

- **“Water Consumption Charge.** The water consumption charge is based on how much water your service address uses as measured by the water meter at your home. It’s calculated on a per 1,000-gallon basis.”

This following line item and its description on a water utility statement drew so much fire when it was brought to our attention on AWWA’s LinkedIn Group that it seemed worthy of presenting here.

- **“State-Mandated Jail Cost.** The city does not operate its own jails. The city collects this money in order to pay the county to house inmates who are arrested in the state as well as to pay the costs for state-mandated jail sentences.”
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To the utility’s credit, the jail cost being a separate billing line item screams transparency, and it is certainly clear about why the charge is being levied. Thus, it is framed as well as it could be. The question becomes, however, “Is it hung in the right room?” since utility managers and customers alike might very well wonder whether this relatively arcane little factoid is something they really needed to know. In your efforts to provide clarity and transparency, do strive to strike a balance with the significance and relevance of your information.

The Big Picture

Water isn’t something we can produce more of. It’s immediately understandable to those in our industry why there’s a cost for water, whether we use it or not. There’s also good reason why water becomes more expensive as usage goes up. But all too often, we look up from our work-piled desks and realize that the public may not understand these rationales clearly at all. People have their own lives to deal with, their own priorities, and are almost all too busy and too distracted to keep up to speed on Water Economics 101—let alone the intricate graduate-level studies required to understand a world complicated today by federal regulations, scientific advances, and the like.

That’s why it might benefit the utility to explain this complex, ever-changing landscape to its customers. Economics is rarely any citizen’s first choice of a topic sparking intense interest. Yet economics pervades our lives at every level, and the rationales underlying the recent history of development and preservation of our precious water resources are a topic that can indeed prove quite compelling. So if you bring those concepts down to a local or even personal level, tally up those very reasonable rationales, and sprinkle in some line items for future costs, I think you’ll find they add up to a big picture the public is starting to notice.

Utilities across the United States are facing some big-ticket items and are up against a discount-hungry consumer who isn’t used to understanding the real cost of water. Given the ongoing customer communication inherent with billing, perhaps the customer’s monthly water statement itself is a logical place to start as we begin to “unbottle” the real value of tap water.