

APPENDIX F

Why does RBKC have a higher rate of income per customer than LBHF?

It has been identified that RBKC generates in excess of £300 per customer more than the LBHF average.

In this report we have looked at the reasons why RBKC has a higher rate of income per customer than LBHF, and identify recommendations that could be implemented to improve the LBHF rate of return.

Key Accounts

The first step was to look at both boroughs largest customers in terms of revenue.

Name	Market Share	Number of customers	Yearly Income	Average Income Per Customer	Income From Top 10 Customers	Income From Top 20 Customers
LBHF	54%	2151	£2.2m	£1022	£225k	£341k
RBKC	71%	3535	£4.8m	£1358	£470k	£621k
CoW	55%*	12000	£12m	£1000	N/A	N/A

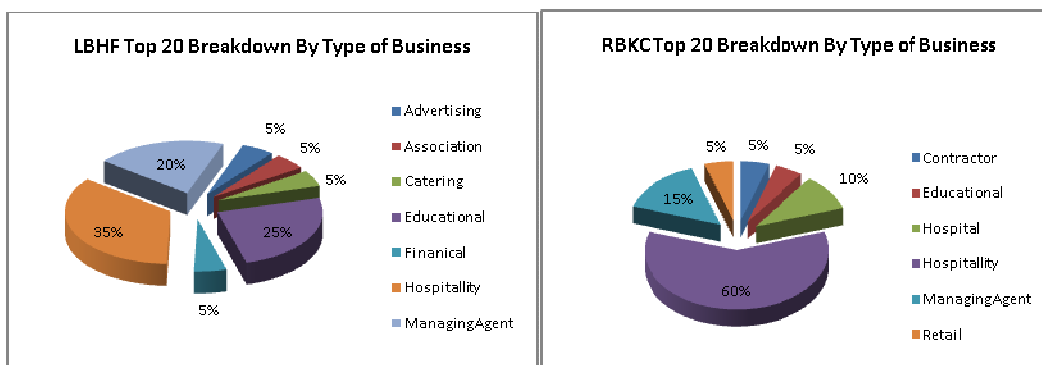
*City of Westminster calculates its Market share by counting all the waste that has been placed out. They believe that using NNDR is flawed as there could be within one building hundred businesses with the waste being collected by one service provider.

The top ten customers at RBKC provide in excess of £245k more in revenue than LBHF. We have identified reasons why this could be the case.

1. RBKC for many years have targeted organisations that produce a higher revenue stream, such as large hotels, restaurants and department stores. The team created a one-stop shop to deal with large quotations or tenders, which may have included additional non-general waste services such as fluorescent tubes, animal-by-products, waste cooking oils and others. The team would then bring in third parties to deal with the products we could not deal with, thus creating a relationship with a new supplier. By doing this gave us the opportunity to cover all aspects of a quotation and the opportunity for increased revenue. Within the quotation was the offer of a personal one to one service, as well as adding the customers own corporate identity onto containers in partnership with RBKC, as well as the offer of 24hr contact via the out of hours service. These key accounts are classified as hotshot accounts and would receive a dedicated contact within RBKC as well as service analysis such as recycling figures as often as they requested. The boroughs contractor Sita would also have a role to play as the customer was not to have a missed collection under any circumstances.

The department store Harvey Nicholls is a classic example of how this works. The customer was with the private contractor Bywaters for many years previously until they decided to see what others could offer, and went out to quotation. RBKC were awarded the contract worth in excess of £100k in 2007 and still collect the waste from this site.

2. The customer breakdown type using the top 20 customers between the two boroughs shows that within RBKC the hospitality sector is higher at 60% while at LBHF is 35%.



This is also reflected by the industry breakdown figures that show that hospitality only represents 19.4% at LBHF while its 35.4% at RBKC of all businesses within the two boroughs.

- The significance of this is that the hospitality industry sector is one of highest producer of waste within city centres. They require daily collections and produce larger amounts of waste, which means they have a higher expenditure on waste collections.

This raises a couple of questions in terms of LBHF and targeting large accounts.

- 1) Has there been a concerted effort to target these organisations?
- 2) If there has been, what was the success rate?
- 3) How many businesses are currently with national contractors?
- 4) What obstacles did the trade officers face when it came to winning these accounts

Service Type

I have identified that there is a significant difference between LBHF and RBKC in the service that customers use.

In LBHF the breakdown is 60% Bins and 40% sacks whilst at RBKC its 85% sacks and 15% bins.

What does this mean in terms of income?

Within the industry a kerbside sack collection service is more expensive than a bin collection service. This also applies to both RBKC and LBHF prices.

To show the difference that this can make to a contract please see the example below using RBKC prices.

Customer A produces 12 sacks of general waste per day

Service Type	Lifts per day	Unit Price	Daily Charge	Weekly Charge (based on 7 days per week)	Annual charge
Sacks	12	£1.74	£20.88	£146.16	£7,600.32
1100 General Waste Bin	1 (average 12 sacks per bin)	£13.31	£13.31	£93.17	£4,844.84
Difference			£7.57	£52.99	£2,755.48

Over a period of 12 months that equates to over £2700 difference. This is a key contributing factor on why RBKC has a higher rate of return.

Excess Waste/Black Sack Abuse

In the last two years a lot work has been put in by both RBKC Commercial waste and Enforcement teams to reduce the amount of black sacks being placed on the public highway from commercial premises. This included both RBKC customers and non-customers. It was identified as long ago as 2007 that we were losing in excess of 500k of income per annum in customers abusing our own bag scheme.

Within our own customer base we noticed a pattern where some businesses were placing out black sacks with their blue and orange sacks. In some cases two unpaid for black sacks to every paid for sack. This issue was tackled by implementing night operations by both teams to identify the culprits with the option that they either upgraded their contract or faced enforcement action.

Brief overview on Westminster

While we will be looking in more detail about CoW trade waste service, the headline figures we have obtained indicates the following.

In terms of Market share and income per customer it is comparable to LBHF and lower than RBKC. Please see the first table.

The revenue at CoW is considerable larger but this due to the fact their market is over 5 times larger than both LBHF and RBKC.

Conclusion

In conclusion the reasons that have been identified why RBKC income is significantly higher than LBHF are:

- RBKC have targeted over the year's larger organisations that generate higher revenue.
- RBKC have higher percentage of hospitality businesses than LBHF. This industry sector is one of highest producer of waste within city centres.
- With over 80% of RBKC customers using sacks means that our income per customer would be higher with a comparable business in LBHF on a bin contract.
- Targeted campaigns against businesses placing unpaid for waste out on the public highway.

Recommendations

- Look at what strategies have been used to target large accounts at LBHF borough.
- The Trade officers to gather intelligence on the top 20/30 potential non-customers (in terms of revenue) in their territory. On whom they are using, prices, service type, if they have contact the customer to win the business and what was the reason why they were unsuccessful in winning the business. Once this information has been obtained a realistic strategy has to be implemented as part of the sales plan to target these businesses. This exercise should highlight reasons why LBHF does not attract the larger organisation i.e. pricing, no skip/compactor service or terms & conditions.
- Further investigation to see if there is a requirement to introduce skip service at LBHF.
- Audit the amount of black sacks are being placed out the public highway and how much excess waste is being collected by Serco from LBHF bin customers. (review Serco reports on black sack abuse)
- An abuse project should be formed to target businesses, both LBHF customers and non-customers that place black sacks out on the highway. This should be focused on evening and night collections, as our experience shows that these are consistent times when the highest numbers of unpaid for sacks are placed out.