

Customer Services

Cancellation policy review and recommendation

Customer & Revenue Optimisation – Lisa Hale



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Executive Summary

- No cancellation policy currently exists for registrars attendance fees at approved venues for legal ceremonies. (Marriages and Civil Partnerships). The majority of ceremony cancellations (c80%*) occur at 10 weeks prior to the planned ceremony date. As a result:
 - Cancelled wedding slots are left unfilled due to the late nature of the majority of cancellations
 - There is limited opportunity to market late availability slots
 - Loss of revenue to ECC
 - Loss of income for the registrars (paid by ceremony)
 - Few customer contact points
- Further to feedback at previous Customer Board, we have:
 - Enhanced the benchmarking activity
 - Explored the option of cancellation fee in more detail
 - Developed an outline implementation plan
 - Developed draft terms and conditions
 - Updated and validated the financial modelling
- Today we are seeking approval to proceed with the recommended option and undertake corporate governance.
- Following approval of this recommendation paper at Customer Board we will:
 - Submit the Equality Impact Assessment
 - Submit the CMA
 - Develop detailed implementation plan including revised and published terms and conditions

Recommendations

- **Implement a Cancellation Policy (Recommendation 5)*:**
 - Increase deposit to £120 (c20% of average fee)
 - Customer to pay Balance @ 6 months
 - Full refund less deposit
- Further recommendations:
 - Investigate possibility of advertising for late availability slots as a result of cancellations:
 - Review relationship with key venues for information sharing
 - Review as is process for cancellations to capture data for future accurate modelling
 - Ensure that any future system upgrades can accommodate cancellation processing requirements

* Note that the new policy will only affect those customers booking a ceremony from a given date (not those ceremonies already booked). Income changes to be profiled accordingly for financial management.

Recommended approach – option 5

Financial impact

- Increased income on cancelled ceremonies by c.£45k
- Current percentage revenue lost is reduced
- Potential revenue from resale of later availability slots - eg if 5% of previously cancelled slots are resold generates c.£15k
- Service receives revenue 16 weeks earlier than currently

Rationale

- No complicated system changes required
- Suitable for current manual processes
- Streamlines processes as fewer last minute changes
- Cancellation behaviour potentially changes
- Increased ability to refill cancelled slots
- Simple and consistent approach for customers to understand
- Simple implementation for operational staff to apply
- Opportunity to capture meaningful data for future models
- Consultation not required
- Aligns more closely to comparative authorities
- Provides leverage for future policy changes

Options in detail



Problem Statement

No cancellation policy currently exists for registrars attendance fees at approved venues for legal ceremonies. (Marriages and Civil Partnerships)

Current Process

Customers pay a non-refundable deposit of £50 at the time of booking. The balance is payable 10 weeks prior to the ceremony date. Note that the balance payable depends on the day of the ceremony.

Customers receive a full refund (less the £50 deposit) regardless of cancellation date where a request for a refund has been made by the customer in writing.

There were approximately 550 cancellations for this ceremony type in the financial year 2018/19.

Current cancellation behaviour

In the majority of cases (c80%*) ceremonies are cancelled at 10 weeks prior to the planned ceremony date. This appears to be driven by the current approach, i.e. a low deposit, late balance payment and no prior contact with the customer until 10 weeks prior to the planned ceremony date.

As a result:

- Cancelled wedding slots are left unfilled due to the late nature of the majority of cancellations
- There is limited opportunity to market late availability slots
- Loss of revenue to ECC
- Loss of income for the registrars (paid by ceremony)
- Few customer contact points

*It should be noted that this figure is an estimate from Registration Services as no reporting facility for this data currently exists.

Options Considered

Option	Advantages	Disadvantages
1. Increase to £100 deposit Balance @ 10 weeks Full refund less despot	Simple change and roll out Revenue from cancellations doubles	Loss of income remains from unfilled slots Late cancellation behaviour remains unchanged Little change
2 25-50% deposit Balance @ 10 weeks Full refund less deposit	Revenue form cancellations increases Deposit relative to ceremony charge	Variations in deposit amounts due to % charge Cancellation behaviour unchanged Slots remain unfilled Limited opportunity to market late availability slots Large jump in upfront payment
3 Full payment upfront 4 tier staggered refund	Generation and retention of income Change cancellation behaviour	Manual process heavy – Stopford does not have functionality to manage Risks to volume of ceremonies booked Legal uncomfortable with such a wide-ranging change
4 £100 deposit Balance @ 12 weeks – 3 tier staggered refund policy	Revenue from cancellation incomes increases Aligns closely to comparative authorities	Difficult to apply cancellation charges prior to balance payment point. Manually process heavy – Stopford does not have functionality to manage Loss of income from unfilled slots
5 £120 deposit (c20% of average fee) Balance @ 6 months Full refund less deposit	Cancellation behaviour shifts Increases opportunity to market and sell late slots Increased customer touch points Clear and concise for all customers and operational staff.	Loss of revenue from late cancellations
6 £120 deposit Balance @ 6 months Full refund less deposit less a £25 cancellation fee for cancellations >6 months	Cancellation behaviour shifts Increases opportunity to market and resell slots Increased customer touch points Additional revenue c.£3* from cancellation charges	Loss of revenue from late cancellations Additional governance requirements due implementation of a new fee

Option Models

Option	Description of Option	Revenue from Cancellation	Revenue Impact of Change (Increase/ Decrease)
0	Current Policy	£32,320	£0
1	Increase Deposit (£100)	£64,639	£32,320
2	Increase Deposit (25% Fee)	£94,839	£62,519
3	Staggered Pay Back (Pay up-front)	£201,093	£168,773
4	Staggered Pay Back (Pay @ 10 Weeks)	£180,405	£148,086
5	Increase Deposit (£120) - Pay @ 6 months	£77,567	£45,247
6	Increase Deposit (£120) - £25 Cancellation Fee < 6 months	£80,799	£48,479

Model Assumptions:

- Demand for ceremonies/ the volume of ceremonies booked stays the same regardless of the deposit amount/ pay up-front system.
- The profiling of when people decide to cancel their ceremonies, in terms of how soon before the occasion was accurately reported by the service.
- Cancellation fees do not impact on the volume of ceremonies booked/ demand for ceremonies.
- All cancellation fees are collected without any bad debt or customers refusing to pay.
- There are no administrative overheads included in the calculation for the collection of these sums. It is possible that staggered pay-back options might result in more administrative costs as the current Stopford system does not allow for any automated collection of income and payments.
- We assume that no additional income is generated from re-booking slots. With an earlier income collection date (i.e. 6 months prior instead of 10 weeks), we might be able to re-book some slots and therefore reduce the amount of income lost, rather than chasing for the full payment at a later date and not having enough time to re-book the slot.
- The 2019/20 ceremony prices were used to calculate these figures. An average of the fee was based on the total number of ceremonies held in 2018/19.
- A 13.5% ceremony cancellation percentage was based on a three-year average of ceremonies held, as a proportion of the total number of ceremonies cancelled. Due to restrictions in our current Stopford system, we were unable to profile the type of ceremonies cancelled, or what time the cancellation date occurred in relation to the date the ceremony was scheduled to be held. Therefore we used an overall average for all calculations and based this figure on three years' worth of data, in order to reduce the risk of any annual discrepancies impacting on our analysis.

Benchmarking 1 – Neighbouring Authorities

Authority	Deposit	Ceremony Fee*	Payment Terms	Cancellation Structure
Kent	£70 (in addition to fee)	£675	Balance due 16 weeks before ceremony	Fee returned less deposit £30 cancellation fee
Suffolk	50% of fee	£580	Balance due 3 months before ceremony	Where the balance has been paid in full: <ul style="list-style-type: none"> • >12 weeks balance of fees (less the deposit) paid will be repaid • >8<12 weeks 50% of the balance (less the deposit) will be repaid • <8 no refund.
Hertfordshire	None	£545	All fees payable 6-8 weeks prior to ceremony	None
Cambridgeshire	£35 admin fee - converted to notice fee following a successful appointment	£540	At time of notice appointment	Ceremony payments subject to the following refund schedule: <ul style="list-style-type: none"> • >6 calendar months full refund of the fees paid (less administration fee) • >6 -<3 months 75% refund of the fees paid (less administration fee) • Between 3 months and 30 days 50% refund of the fees paid (subject to the deduction of the administration fee) • Less than 30 days before the ceremony or failure to cancel in writing before the ceremony date no refund will be made on fees paid
ECC	£50	£606	Balance 10 weeks prior to ceremony	Fee returned less deposit

* Benchmark fee is for a Saturday wedding 2019/20 including certificate fees

Benchmarking 2 – CIPFA Comparative Authorities

Authority	Deposit	Ceremony Fee*	Payment Terms	Cancellation Structure
Hampshire	£68	£618	Balance due 3 months prior to ceremony	Where fee has been paid: >3 months full refund less deposit 1 to 3 months 50% of fees less deposit <1 month no refund
West Sussex	Full fee at time of booking	£615	Full fee at time of booking	Full refund less £100 cancelation fee
Warwickshire	£120	£537	Balance due 12 weeks prior to ceremony	.>8 weeks full refund less deposit 3 to 8 weeks 50% fees less deposit <3 weeks no refund
Worcestershire	£50 bookings 1 year to 29 days in advance £100 booking 1 to 2 years in advance		Balance due 3 months prior to ceremony	> 3 month full refund less deposit 2 to 3 months 20% of fees less deposit 1 to 2 months 30% of fees less deposit < 1 month no refund
Gloucestershire	£50	£500	Balance due 2 months prior to ceremony	>2 months full refund less deposit 2 months and 2 weeks 50% fees less deposit < 2 weeks no refund
Staffordshire	£100 (in addition to ceremony fee)	£500	3 weeks prior to ceremony	Discretionary – deposit not refunded.
Northamptonshire	£100	£525	8 weeks prior to ceremony	>6 months full refund less deposit 6 to 3 months 75% fees less deposit 3 months to 30 days 50% fees less deposit <30 days no refund

Observations and considerations

- ECC currently has the lowest deposit among it's top CIPFA comparative authorities
- Simply increasing the deposit is unlikely to change cancellation behaviour
- Revenue may not have been lost if 'slots' are filled by new ceremonies which has not been taken into account. (No data exists)
- Data is required to track cancellation dates and when the slots are replaced. Current figures are 80% cancel at 10 week payment chase, 5% after and 15% before payment chase. These assumptions are used to calculate the staggered profiles but cancellation behaviours may change dependant on the model implemented.
- Consideration has to be made to the most efficient way of managing any payments (pay up front / deposit and pay balance at 3 months) in isolation to what staggered pay back to apply. What has to be considered is that if you pay balance at a given point, e.g. 3 months, you cannot apply a charge for cancellation prior to that point (difficult to collect).
- Staggered payments / refunds will have to be managed manually and will be process heavy. The Stopford system does not currently have the functionality to manage this process.

Recommended approach – option 5

Aligns more closely with our neighbouring authorities and current cancellation policy for other ECC establishments

Benchmarking example. - cancellation of Saturday wedding following full payment 8 weeks prior to ceremony

	Fees Paid	Refund to customer	% Refund
Essex (as is)	£606	£556	92%
Essex (to be) £120 deposit	£606	£486	80%
Kent	£745	£645	86%
Suffolk	£580	£0	0
Cambridgeshire	£540	£235	44%
Hampshire	£618	£275	44%
West Sussex	£615	£515	84%
Warwickshire	£537	£417	78%

Further recommendations

Investigate possibility of advertising for late availability slots as a result of cancellations:

- ECC website
- Contact Centre
- Venues

Review relationship with key venues for information sharing:

- ECC to communicate late notice slots that have become available.
- Venues to advise ECC of cancellations

Review as is process for cancellations to capture data for future accurate modelling:

- How far in advance ceremonies are cancelled
- Identify how many and in which cases cancellation fees are waived
- Identify quantity of cancelled slots that are refilled / remain unfilled
- Ensure that cancellation dates are recorded correctly on Stopford

Ensure that any future system upgrades can accommodate cancellation processing requirements

Next Steps

Following approval of this recommendation paper at Customer Board:

- Submission of Equality impact assessment
- Submission of CMA
- Develop detailed implementation plan including revised and published terms and conditions in conjunction with the service