

SMSU aims to scale Sanitation Marketing on a national level in Cambodia across seven provinces, distilling principles, methods, and tools to support the replication of Sanitation Marketing globally.

## SUMMARY REPORT

# Building Markets to Improve National Sanitation Coverage in Cambodia.

SMSU has demonstrated that developing markets for sanitation (a.k.a. Sanitation Marketing) is able to contribute to significant increases in latrine coverage. This summary focuses on SMSU 1.0, the first three years of SMSU.

SMSU 1.0 produced important lessons on how to further stimulate both demand and supply for sanitation and engage the enabling environment to support rural sanitation. This summary report highlights a few key lessons in the hope that they will inform the design, implementation, and cost-effectiveness of future sanitation marketing projects.

**BACKGROUND:** The Sanitation Marketing Scale-Up (SMSU 1.0) project was designed as a three-year project (August 1, 2011–October 31, 2014) that built on the success of the Sanitation Marketing Pilot Project, both of which were implemented by iDE Cambodia.

A sub-component of SMSU 1.0 included the “Going Deep” project (July 2011–December 2013), which was technically supported by the Water and Sanitation Program (WSP) of the World Bank. The SMSU 1.0 project was funded by the Bill & Melinda Gates Foundation and the Stone Family Foundation, both of which also provided supplementary funding to the Going Deep sub-component.

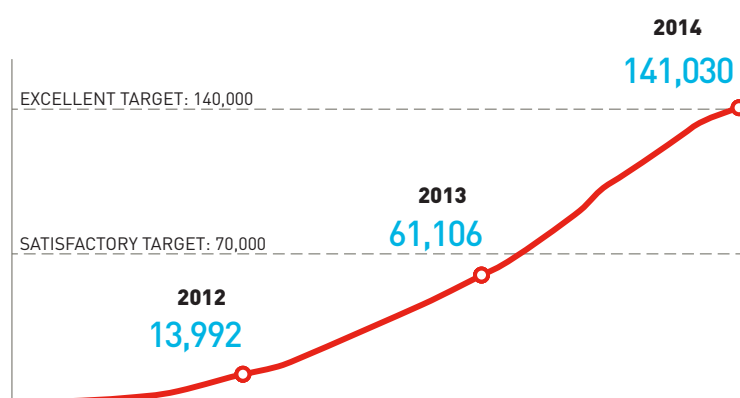
SMSU 2.0 (November 2014 – October 2017) builds on the success of SMSU 1.0, with continued focus on growing sales, improving penetration of the poor, and continuous R&D.

## Data Highlights

# Measuring impact at every level: from individual businesses to national coverage.

Below are a few key highlights from the SMSU monitoring and evaluation efforts from September 2011 – October 2014. For a complete analysis of results please visit [SanitationMarkets.iDEorg.org](http://SanitationMarkets.iDEorg.org).

## Cumulative Latrine Sales



The project surpassed the topline “excellent” target with 141,131 latrines sold through project-connected businesses, businesses that iDE has directly engaged through training and coaching. In addition to these sales, we’ve also seen a ripple effect. For every latrine sold by a project-connected business, another 1 latrine is sold by a non-project connected business, a business that has sold an improved latrine but has not experienced direct engagement with iDE.

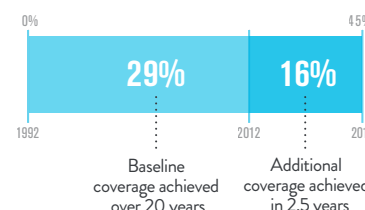
## Business Performance

Operating Profit Ratio	<b>\$0.26</b>	Average Monthly Net Profit	
A latrine business operator earns 26 cents of profit for every dollar of sale.			
Average Selling Price of Latrine Unit	<b>\$51</b>	Highest Tier Performers	<b>\$1,323</b>
Average Cost of Production of Latrine Unit*	<b>\$36</b>	Middle Tier Performers	<b>\$157</b>
		Lowest Tier Performers	<b>\$22</b>

\*Not including sales commission or cost of transport.

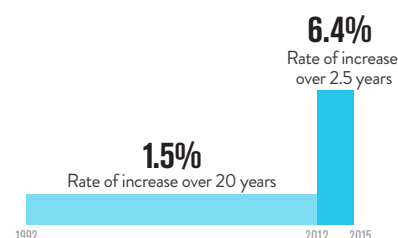
The sales data and revenue suggest that the sanitation business is profitable. Out of the 329 Latrine Business Owners (LBOs) the project has worked with, 246 LBOs (75%) achieved breakeven with their latrine sales, which bodes well for the latrine business in general, since the next stage is turning a profit. At the end of the project, 90% of active latrine businesses were profitable.

## Change in National Coverage



45% improved (pour-flush) latrine coverage was achieved in the seven project provinces, surpassing the satisfactory project target and a substantial increase from 29% at baseline in February 2012. This is a significant jump of 16% in coverage over a relatively short period of time (essentially 2.5 years from baseline to endline).

## Rate of Change



The rate of increase in coverage under SMSU is more than 4x the previous 20 years.

## Coverage Among Poor



Poor households defined as Cambodian government classifications IDPoor 1 and 2

Overall, there has been a doubling (12% increase) in IDPoor coverage since the baseline in early 2012. 22% of SMSU customers were classified as IDPoor. This equates to roughly 30,000 IDPoor sales to date.



## Lessons Learned

# Strengthening Supply Through A Direct Sales Management Model.

The project has seen an evolution from 'Latrine Business Owner' (LBO)- driven sales to sales agent-driven sales. LBOs have proven to be generally uninterested or incapable of effectively managing village level sales activities, necessitating a more active role by the project to support sales management to achieve the public health goals of rapid latrine uptake. The project decided to invest in sales management activities because achieving 100% latrine coverage is a finite goal that is foreseeably achieved in the near future; having a more hands-on approach means achieving the goals of hygienic sanitation access more quickly and effectively.



## Small and micro-enterprises showed low interest in actively selling.

Initially, we focused on the Latrine Business Owner (LBO) as the main actor driving latrines sales in order to reach more market segments in the rural communities. The hypothesis was that the LBO, driven by the profit motive, would be interested and motivated to support active and direct sales.

However, we observed that, for a variety of reasons, the LBOs have limited capacity and/or motivation to manage active sales and promotions of latrines. Most LBOs are concrete producers who are best at producing concrete products, but not so fluent in sales and sales management. In response to this learning, the project's next iteration of market facilitation focused on directly recruiting and managing sales agents and coordinating with the LBO to match supply and demand.



## Professionalized sales and sales management is critical for rapid uptake by households and replication across the project.

SMSU entailed an intentional effort to professionalize sales, sales training, and sales management. With the support of **Whitten & Roy Partnership (WRP)**, the project developed a sales approach that included systematic sales training and sales management processes and a package of supporting tools, which were developed in collaboration with **17 Triggers**. While the training materials and process were developed as a package, project staff are trained and coached on how to deliver personalized coaching based on individual needs of the LBOs and sales agents. From this experience, professionalization of sales is a crucial investment for sanitation market development efforts to ensure that the critical activity of selling is deliberate and based on industry best practices.



## Low prices may not be best for the consumer as it can undermine the sustainability of enterprise motivation.

We learned that enterprise motivation to sell latrines is dependent not only on profit margin, but may also depend on the opportunity cost of other lines of business. A low profit margin—\$5/latrine for the LBO and \$2/sales agent—is not sufficient for maintaining sustained engagement. Accordingly, the project started advising LBOs to raise the price of latrines, which would contribute to a higher commission for sales agents.

The project found that the most engaged LBOs were not necessarily the ones with the largest business. Rather, the highest selling LBOs were sometimes the smallest ones. It appeared that what mattered more in terms of LBO engagement had to do with the proportion that latrine sales comprised of their overall business; i.e., an LBO with fewer other lines of business, or whose other lines of business were less profitable than latrines, were more likely to be focused on selling latrines as the opportunity cost of doing so was not considered as high.

## Lessons Learned

# Stimulating Demand Through Intensive Customer Engagement.

We learned that if a customer has bought into the latrine as a solution, then they are likely to be more satisfied with the product and use the product properly and consistently, recommend their friends and family to buy, and be willing to pay a higher price, which will sustain LBOs' and sales agents' motivation to sell.

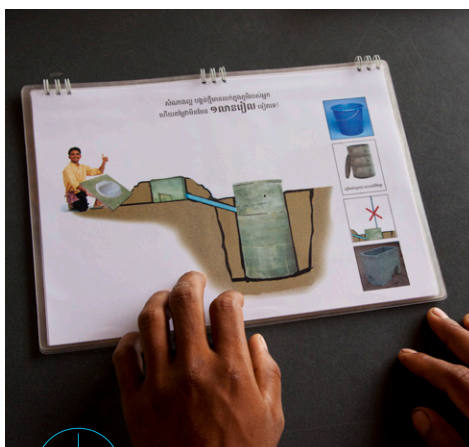


## Intensive customer engagement is needed for effective promotions.

Promotional efforts that lead to direct, significant impact on latrine sales need to have concentrated engagement with potential customers, such as a group sales event or door-to-door sales.

Light-touch promotion initiatives, such as promotions to health center staff and religious leaders, can add points of exposure. But without intensive training and coaching, such channels do not directly target the individual needs and desires of non-owners.

"Below the line" marketing is necessary for impact in rural village contexts, whereas "above the line" marketing is difficult to measure, and can be expensive.



## Human-centered sales approach: sell to the problem, not on price or product.

The Human-Centered Sales approach helps sales agents focus on selling to a customer's problem, rather than selling on product features or price.

Through a personalized conversation with the customer, the sales agent helps the customer identify all the problems he or she is encountering as a result of not having a latrine. Raising self-awareness about the problems of not owning a latrine intensifies the urgency and importance of resolving the problem(s) and helps the customer recognize the latrine as a viable solution to their problems.

The sales agent is equipped with a "sight seller," a flip-book style sales presentation tool that highlights the common drivers of latrine uptake as gleaned through the user insights research.



## Sanitation financing can significantly accelerate uptake, but requires significant field level coordination.

Microfinance institutions (MFIs) are for-profit enterprises. Latrine loans, though demonstrating profitability, are still less profitable than MFIs' other products because latrines are not income-generating assets nor high ticket items. Thus, latrine loans and other social-impact loans have been restricted to a minority percentage of an MFI's total portfolio and are not considered a core part of the business.

Sanitation financing (SanFin) is still a nascent field, and MFIs may be waiting for more proof of SanFin's positive business impact. The limited capacity of the MFIs to do SanFin at scale begs the question of whether the efforts to engage them are indeed worth the cost-savings demonstrated in the "Willingness To Pay" research. This research showed that financing decreases the operational cost per latrine sold by 70%, by spreading fixed costs such as travel and marketing over more sales. In SMSU 2.0, iDE is testing an in-house credit facility that overcomes these operational and financial challenges.



## What's next? | ONGOING INNOVATION IN SMSU 2.0



### Including Installation Cost in the Service Offering

In SMSU 1.0, latrines were sold and priced without an installation service. The program believed most households would install the latrines themselves. However, the team discovered that 37 percent of latrines remained uninstalled nine months after delivery. Customers delayed installation for two reasons. Some desired to hold off on installation until they could also afford a shelter. Proper installation of the underground component requires rudimentary masonry skills, which some users perceived as a need for expert services.

To address the time gap between delivery and installation, SMSU 2.0 bundles installation services with the purchase of the latrine. an installation fee in the cost of the latrine. Potential customers may choose to opt-out from installation service, which represents a cost of about \$10 USD. To date, more than 99% of the latrines sold in SMSU 2.0 have been purchased with the installation included.



### Addressing Users' Needs With A New Shelter Design

Using human-centered design, the project identified users' aspirational needs and wants to inform the shelter design. Key design elements include:

- Two water basins instead of one: one inside and one outside of the shelter. These basins are connected through a valve. While inside the shelter, users can use the inside basin and draw water when needed from the outside basin.
- A tiled area outside the latrine that enables family members to bathe or wash laundry even when the latrine is occupied.
- A lightweight corrugated metal cover over the outside basin to protect water from dust, debris, and falling leaves.
- A turnkey solution that is tiled, painted, and has smooth walls.
- A modular system that allows users to easily build onto the existing design.



### Designing and Commercializing a Hand Washing Device

iDE is developing a hand washing device for after latrine use, which will be integrated into the new latrine shelters and aims to be affordable, desirable, and feasible for local manufacturers. SMSU 2.0 plans to conduct extensive qualitative field research to identify current practices, beliefs systems, potential behavior change triggers, and aspirations associated with hand hygiene in rural Cambodia. Through a series of device prototypes, we will solicit user feedback to test desirability and product functionality. The project will also develop a manufacturing manual and training materials for latrine business owners to produce the device.



### Reaching the Poorest with a Targeted Subsidy Pilot

iDE is testing an approach combining microfinance and smart subsidies to ensure latrines are sold to the poorest Cambodians, while avoiding the market-distorting effects associated with traditional subsidy programs. In this approach, government-identified poor households are targeted through regular sales events and are able to purchase latrines at a discounted price. Unlike a standalone subsidy program, which can be inefficient and costly to administer, the pilot offers discounted latrines alongside market priced latrines with the option of financing for all approved purchasers. iDE is working in collaboration with Amplify Markets and Causal Design to test the program. Through this pilot, iDE hopes to develop a scalable strategy to serve the rural poor without compromising long-term engagement of the private sector.



The Easy Shelter is designed to catalyze both manufacturer supply and user demand.

#### IMPLEMENTING PARTNERS



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