



SaniShop Cambodia Business Plan

June 2014

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Executive Summary

The World Toilet Organization (WTO) pioneered a market-based approach bringing low-cost sanitation solutions to rural communities at the Base of the Pyramid. The programme began in Cambodia in 2009, and is now in early scale stages in India. The WTO operates these social enterprises under the SaniShop banner to build sustainable business ecosystems that aim to better the lives of the 2.5 billion people who don't have access to safe sanitation. So far, we have installed over 11,000 toilets in Cambodia.

It costs SaniShop USD 50 to make a toilet in Cambodia. In a charity model, where toilets are given away, funding 2000 toilets a year would run up to USD 100,000 for raw materials, labour and overhead costs. With installation and implementation, this could be as high as USD 150,000 and is not sustainable.

WTO believes in approaching access to sanitation as a business instead, promoting local production (via masons) and demand creation/sales (via respected community leaders and local entrepreneurs). Our demand creation strategy includes packaging toilets and associated products as an appealing and aspirational priority item for villagers to purchase. The idea of an integrated value chain unites the ecosystem to expand latrine coverage and boost the local economy through job creation and skills development. Furthermore, the commitment and symbolism shown by purchasing a toilet, demonstrates successful behaviour change and a sense of ownership. Experience has shown that buyers who pay for their toilets maintain them much better than if they received them for free.

In addition to providing access to sanitation, SaniShop also aims to improve quality of life. Providing safe sanitation and hygiene practices protect children and adults from disease like diarrhoea, which impacts child mortality. SaniShop products also offer dignity, convenience, safety and privacy to women and girls, especially during the rainy season and at night. By structuring SaniShop as a business, we aim to make a sustainable movement that outlasts WTO's intervention.

The SaniShop social enterprise model is built for profit. All raw material, labour and commission involved in production and delivery of toilets and sheds are covered by the sale price. To scale the programme, we will diversify demand creation channels by working with NGOs/MFIs with sanitation agendas and continue to develop and expand our product range. In addition, we plan to franchise SaniShop to local entrepreneurs (i.e. masons), empowering them to take ownership of the business in order to expand impact.

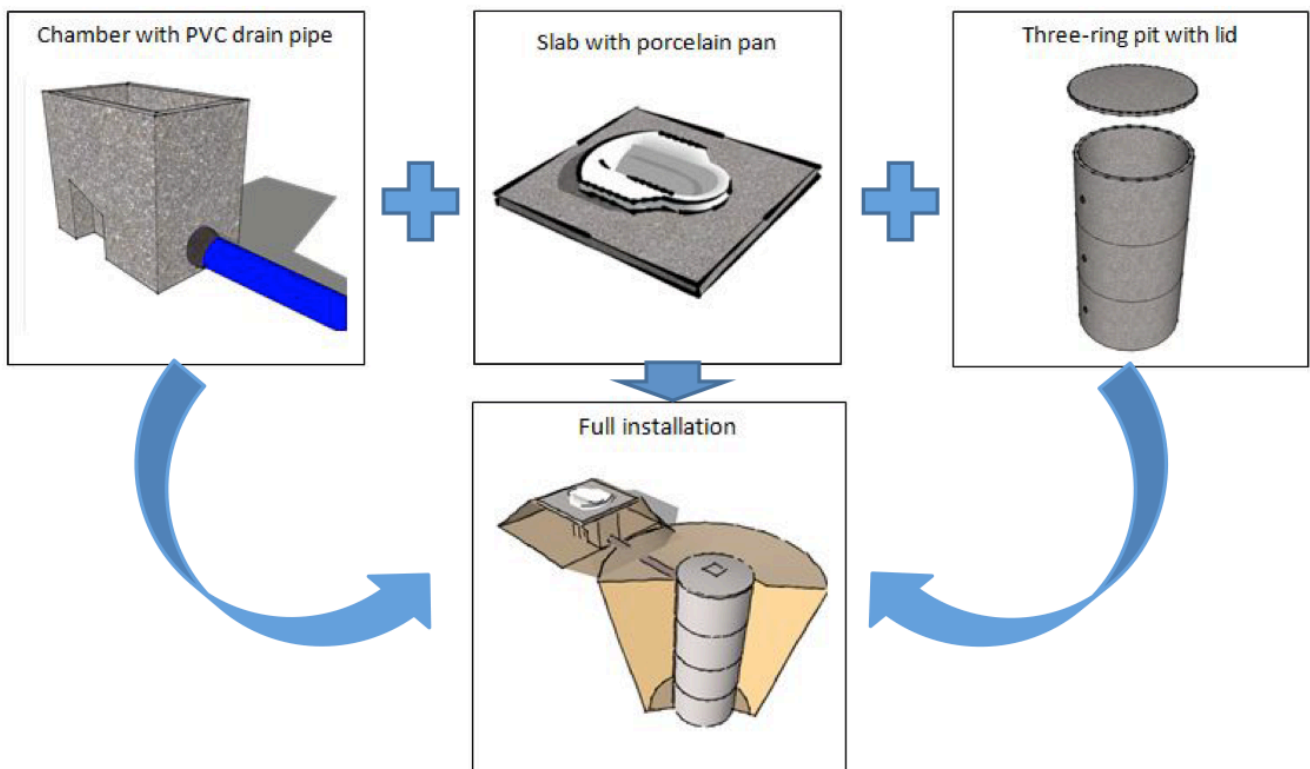
1. Situation in Rural Cambodia

“Water and sanitation has been identified as one of the major causes of the high diarrhoea incidence in Cambodia. In particular, the sanitation situation is very poor. Cambodia has in fact been classified as one of the countries in the world with the lowest sanitation coverage in the rural areas.” - UNICEF Cambodia Project Officer Hilda Winarta

There are over 11.5 million people living in rural Cambodia as of 2006. According to WHO/UNICEF statistics in 2011, 69% still practice open defecation, the highest open defecation rate in East Asia and the Pacific.

Many rural households lack basic sanitation facilities and awareness of good hygiene practices is limited. There is often no toilet or any soap for hand washing at home or in school. Children are more likely than adults to touch unclean surfaces and particularly vulnerable to unhealthy environments. Poor sanitation and hygiene leads to the transmission of numerous water-borne diseases including Diarrhoea, Dysentery, Typhoid, Cholera, and Hepatitis A.

2. The SaniShop Model



The World Toilet Organization's SaniShop social enterprise model was built to address the lack of improved sanitation in rural areas. We currently sell Sulabh twin-pit toilets and locally innovated sheds.

The model has a participatory approach, not just focusing on rural households as customers, but also engaging and empowering them as part of the solution. This simple model is easily adaptable, replicable, scalable, and localised to local traditions. The model is also driven by the spirit of entrepreneurship – focusing on the last-mile entrepreneur – who has the drive, energy, motivation, local connections and

understanding to change perceptions and behaviours around sanitation, facilitating demand creation.

2.1 Brief History of SaniShop Operations

From 2010-2012, SaniShop Cambodia piloted a franchise model where a network of local masons who paid a training fee, were supported with marketing materials and local promotion of latrines. In little time, 7 provinces were covered with 600 Sales agents.

However, this approach was discontinued when it was discovered that the coordination, monitoring and fee collection was too costly to organize on a large scale. The commitment of sales agents also diminished and it became increasingly difficult to maintain a high level of sales.

As a result, SaniShop Cambodia launched a new model in April 2013. We scaled-down to focus on one province (Kampong Chhnang) and started producing slabs, lid covers, and chamber boxes in one centralized production centre. The biggest advantages of this shift were:

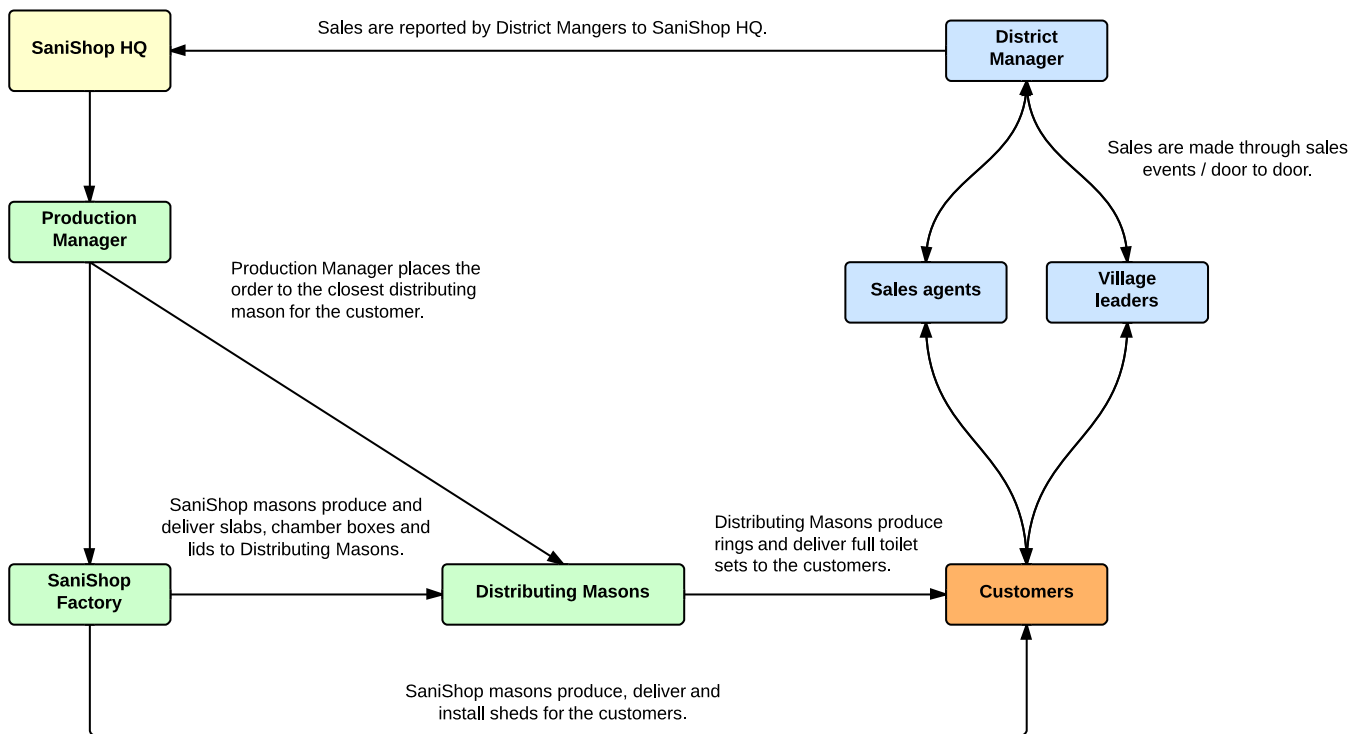
- 1) The ability to maximise economies of scale in bulk purchasing pans and
- 2) Improvements experienced in our response time to product innovation based on customer desires.

The production centre has a capacity to produce 300 toilets a month, for an area comprising about 80,000 households. Ring production was outsourced to the former network of 14 masons active in the area, who were keen to jump back into a scheme with SaniShop. SaniShop delivered products from the production centre to the distributing masons, who then delivered the full toilet set to customers.

Having re-evaluated our franchise scheme, SaniShop believes that we can achieve scale by outsourcing production and delivery to franchisees once demand exceeds 300 toilets a month in Kampong Chhnang.

3. SaniShop Cambodia's Business Model

3.1 Current Business Model



SaniShop Cambodia oversees the operation of a sanitation ecosystem and is responsible for product development. This is done through a Sales and Marketing Manager, Production Manager, accountant and Country Manager. The District Managers through Sales agents are in-charge of marketing and sales. Distributing masons are responsible for distributing the products to the final customers.

3.1.1 Demand Side

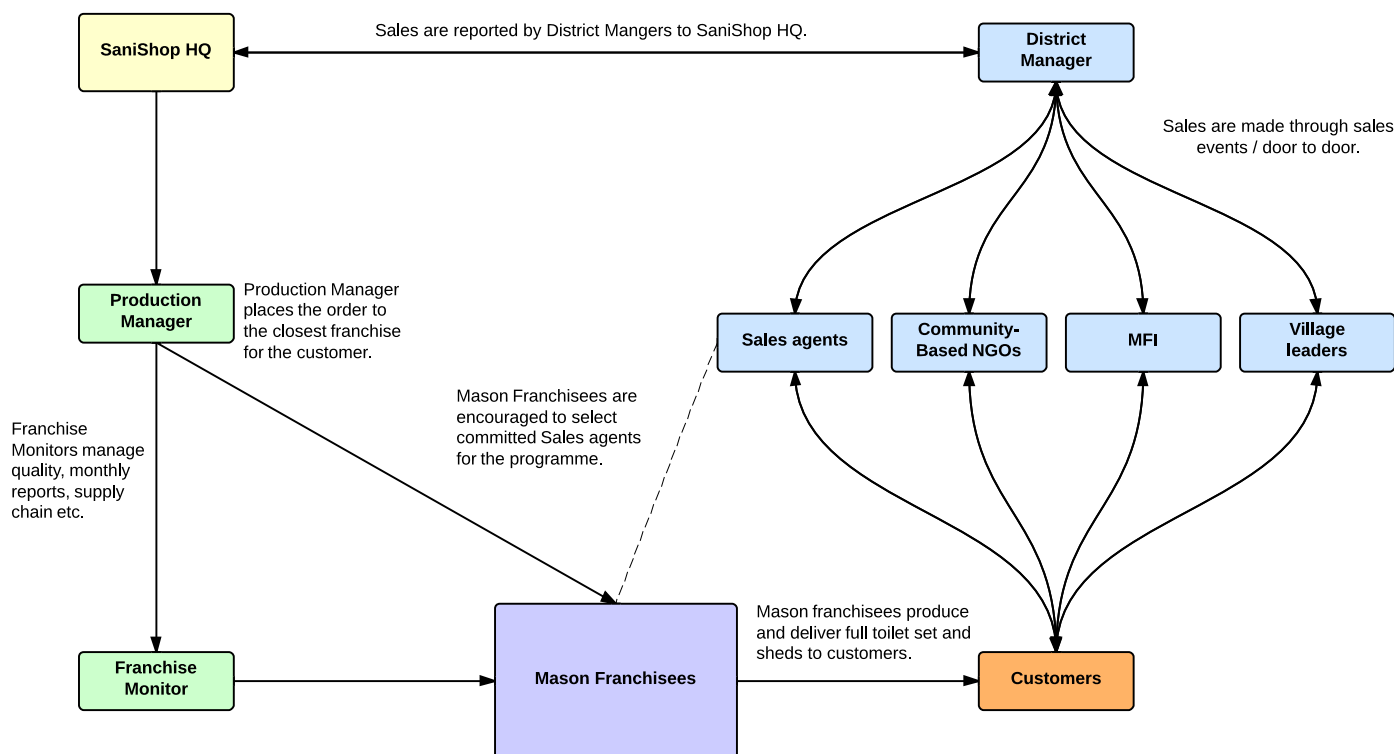
The Sales and Marketing Manager is in charge of District Managers who are selected locally for their strong oratory skills, entrepreneurial spirit and desire to improve community well-being. They are responsible for:

- 1) Building relationships with local community leaders i.e. Village Chiefs and Village Health Volunteers
- 2) Training and motivating the Sales agents in their district/s
- 3) Conducting sales events to create awareness and demand for toilets.

3.1.2 Supply Side

The Production Manager is responsible for all activities at the production centre including product innovation. He coordinates the delivery of slabs, lid covers and chamber boxes to distributing masons. The distributing masons in turn produce the rings for the leach pits and deliver the toilet to the customer's home. Distributing masons are selected based on their entrepreneurial spirit and reputation in the community.

3.2 Expansion Model



With the support of other NGOs and micro-finance institutions that have a sanitation agenda, SaniShop Cambodia hopes to scale via the franchise model.

3.1.1 Demand Side

To generate enough demand for SaniShop to be an attractive business, SaniShop will negotiate for cheaper raw material prices, explore product diversification (i.e. solar lighting systems and hygiene kits), and expand demand creation channels. District Managers will be responsible for:

- 1) Working with NGOs and local community leaders to generate awareness and demand for toilets
- 2) Building relationships with health professionals at local community clinics, encouraging them to recommend SaniShop toilets to villagers who show signs of water-borne disease
- 3) Identifying and training demand creation stakeholders to develop sales strategies
- 4) Promoting SaniShop to build brand recognition and desirability

3.1.2 Supply Side

Distributing Masons become SaniShop franchisees who produce and deliver full toilet sets and sheds to customers. They will make a profit of USD 2-4 per toilet and at least USD 20 per shed. They will be encouraged to nominate sales agents (most likely their family members) to undergo SaniShop training in order to market toilets in their area and increase their income.

3.3 Pricing Strategy for Both Models

According to an impact assessment done in 2013, SaniShop's target demographic earns about USD 903/year (USD 2.50/day); 50% of SaniShop customers earn less than USD 2/day.

Naturally, SaniShop walks a fine line between keeping prices low for consumers and ensuring profitability and attractiveness of the model to local entrepreneurs; it is a delicate balance. Responding to feedback from those without disposable income for a toilet, we have partnered microfinance institution - VisionFund to offer toilet and shed bundled products with a 6 – 18 months repayment scheme. In May 2014, 30% of our sales were the result of this new payment option. As the partnership grows, we predict that our sales will see exponential growth.

SaniShop's appeal is in its all-inclusive model with home delivery that costs USD 50. In the existing marketplace, toilets parts are sold in a fragmented manner for about USD 56 and the customer handles all of the coordination. With SaniShop, customers pays 11% less for a SaniShop toilet, saving USD 6 on their investment, not to mention the hours spent on coordination that could have gone into work. SaniShop not only makes toilets more affordable, but also creates income streams i.e. 8% of the USD 50 goes towards sales commission (6% to Sales Agents and 2% to District Managers).

Price paid by the end customer to SaniShop (home delivery included)

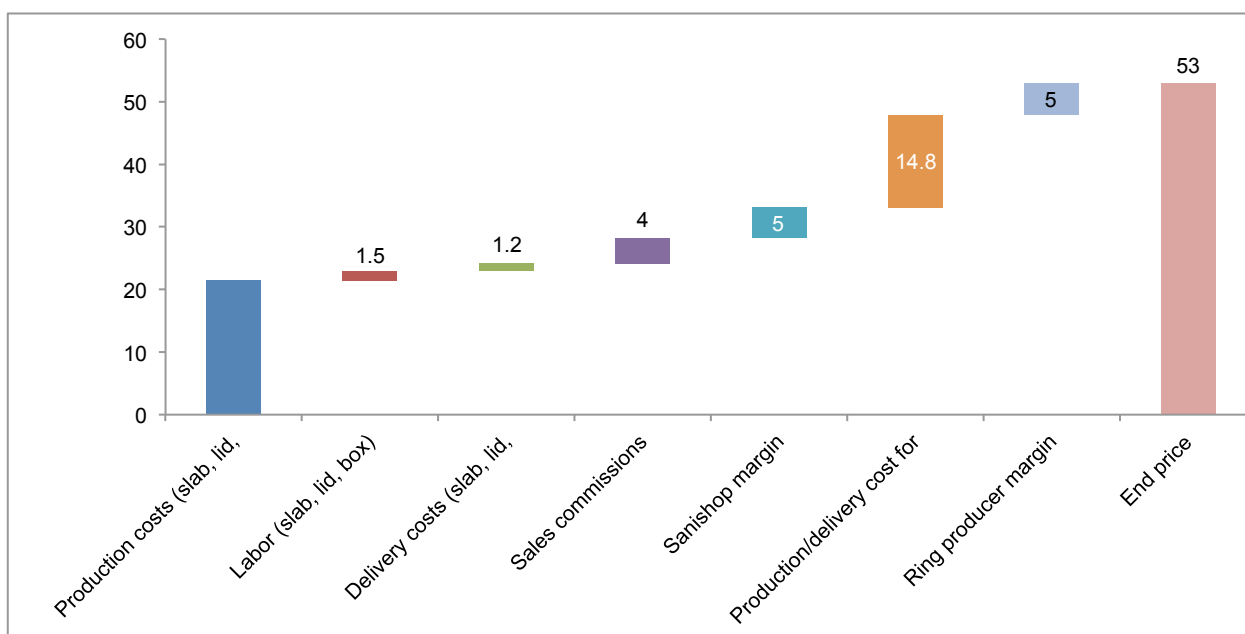
- Toilets: USD 50 – USD 80 according to the number of rings in the leach pit
If households are not able to spend the ½ day installing their toilet, labour can be contracted for USD 4.85.
- Sheds: USD 150 - Ring shed; USD 190 - SaniShed aka. Square shed; a Premium shed is currently being developed – price TBC. Prices for sheds include installation.

Current Model: Price paid by SaniShop to Distributing Masons

- Between USD 6.00 – USD 6.50 for each 1m-diameter cement ring (transport and delivery to end user included). Masons earn a USD 5 profit for every 3 rings sold.

Expansion Model: Price paid by franchisees to SaniShop

- USD 1.50 – 2.00/toilet hidden in the sale of discounted raw materials. This will encourage honesty in the reporting of sales because no royalty fee per toilet will be asked from the franchisee.



3.4 Marketing Strategy

3.4.1 Current Outreach Methods

SaniShop moved its headquarters to Kampong Chhnang in April 2013 and began building its demand/supply ecosystem, reaching out to community based NGOs and local leaders to grow deeper roots in the province.

SaniShop's main community outreach channel is through sales events.

1. Identify potential customers: District managers work with Village chiefs to identify and gather villagers for sales events from households who don't have toilets.



2. Sales: During the sales event, District managers deliver an awareness programme with a flipchart, speaking first about the importance of good WASH practices (i.e. hand washing, drinking clean water) before going into the common arguments:

- 1) Convenience and safety;
- 2) Health;
- 3) Social status and dignity;
- 4) Savings on medication and productive workdays.

Several villagers who have toilets at home are also invited to attend to give testimonies to their neighbours and encourage them to stop practicing open defecation. Without public understanding on the benefits and importance of good WASH practices, physical toilets are not enough to break the cycle of open defecation and disease; hence most of the event is spent on raising awareness.

Towards the end of the event, SaniShop's low cost affordable toilets are presented to the villagers as a way to act on the new knowledge they have received. Sales and awareness brochures are given out for villagers to take home for discussions with their families and purchase orders are written for interested buyers. After the first touch is made at sales events, locally recruited sales agents go door-to-door for a follow-up, usually resulting in more sales.

ផ្ទះបង្គន់ សានីសប ទើបមកដល់ថ្មី!

គំរូសមរម្យ • គុណភាពល្អ • សេវាកម្មល្អ

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3.4.4.1 Key Challenges

- Behaviour change is the greatest challenge we face and SaniShop is constantly trying to improve our awareness and sale methods.
- Weather is also a significant hurdle. Rainy season lasts from May-October. This is a time when farmers are busy sowing their crops and it is very challenging to gather people for Sales events. Villagers are also more frugal during this period because the money earned during the previous harvest has largely been spent and the remainder tends to be invested in the next cycle of crops.

3.4.2.2 Examples of improvements undertaken in 2013 – 2014

- From October 2013, we positioned SaniShop as the technical expert on sanitation and have been selling toilets nationwide to NGOs interested in providing subsidised sanitation solutions for the communities they are working in i.e. World Vision, Rotary Club Singapore, Room to Read Cambodia
- From December 2013, SaniShop started to bundle toilets and sheds.
- From March 2014, SaniShop began a partnership with microfinance institution (MFI) - VisionFund, a Kiva partner in Cambodia. VisionFund acts as an alternate sales channel, marketing SaniShop bundled products through their local loan committees.
- From June 2014, SaniShop began developing a premium SaniShed model with a larger floor space in response to customer demands for a shower area in the toilet.
- From July 2014, Wetland Works! will train SaniShop to build toilets suitable for floating villages to further diversify SaniShop's product range and target demographic.

4. SaniShop Cambodia's Impact

Since SaniShop Cambodia started in 2010, we have installed 11,058 toilets, mostly in Kampong Chhnang Province (as of 30 May 2014).

With start-up resources from the USAID WaterSHED project in form of grants and technical assistance, SaniShop together with Lien Aid produced 4,500 toilets in Kampong Speu. From 2010-2012, we expanded into 7 provinces, installed 2300 toilets and trained 600 Sales agents. Thereafter, as mentioned above, SaniShop decided to consolidate its efforts to focus on the needs of five of eight districts in Kampong Chhnang province where there is a large underserved population.

No.	Districts SaniShop covers in Kampong Chhnang	# of Households in 2012	Estimated # households practicing open defecation (WHO/UNICEF-2011)	# of SaniShop toilets sold since 2010
1	Baribou	13,043	9000	1,317
2	Rolea B'ier	23,430	16,167	1,149
3	Toek Pos	14,497	10,003	1,747
4	Kampong Tralach	20,071	13,849	932
5	Samakimeanchey	15,977	11,024	3,592
Total		87,018 Households	60,043 Households	8,737 Toilets (as of 30 May 2014)

Given the statistics from the WHO/UNICEF that 69% of the rural population still practice open defecation (2011), SaniShop has reached **10% of Kampong Chhnang's population** and has about 59% of the population to go.

The following impact data was collected from qualitative surveys conducted in July 2013 by Planète d'Entrepreneurs.

- 99% of SaniShop customers found that a toilet improved convenience and safety in their daily lives. Examples include proximity when it rains, convenience at night and for guests, as well as safety for women and girls.
- 86% of customers felt that a toilet improved their social status and reputation in the community and it filled them with pride.
- 49% of SaniShop customers shared their toilet with people who did not live with them, indicating that SaniShop's reach was wider than the reported figures.
- A majority of villagers polled felt that they understood the benefits of toilets and practicing good hygiene after participating in a SaniShop sales event. 96% understood the link between open defecation and the spread of disease when only 42% of customers surveyed understood this before the sales event.
- Of the customers who own toilets, 14% still practiced open defecation occasionally, mostly because toilets are too far for the farmers in the field. This showed that the majority of customers who purchased toilets changed their habits and mindsets and used their toilet.
- Though it is difficult to attribute this statistic entirely to the presence of a toilet, 80% of customers noticed that they fell ill less since they started using a toilet.

Through our sales events in Cambodia that incorporate WASH education, we have reach an estimated 78,986 (as of 30 May 2014) people representing about 75,500 households since SaniShop started. From sales events, we have a 13-15% sale rate.

[NOTE: Assumption is that we've had an average of 14% sales rate = total number of toilets sold since 2009, so 100% = about 78,986 people reached as of 30 May 2014]

5. Projections

Over the next three years (2014 – 2016), as we continue to improve our model and provide support to the local community, we anticipate the following outputs:

Item	Quantity			Total
	2014	2015	2016	
Toilets	2,000	5,000	10,000	10,700
Sheds	450	1500	3500	5,450
Sales Events*	1,000	2,500	5,000	8.500
People Reached*	20,000	50,000	100,000	170,000

*Assumption: Future partnerships with other NGOs and MFIs taken into consideration. An average attendance of 20 people per sales event.

Providing sanitation solutions for 10,700 households not only lead to privacy, convenience, safety and dignity for the 55,640 people who own the toilets, but it is also benefits the larger community. More toilets mean less people practice open defecation, pollution rates decrease and the collective health of a community improves. Even for households that don't have toilets, a cleaner environment means that adults have more productive days to work and children are less likely to miss school, ultimately helping to reduce the poverty rate. This benefit is even more significant amongst infants and children under-5 who are less vulnerable to malnutrition, stunting and even death.

5.1 Sustainability

The only way for SaniShop to achieve sustainability is through increasing our profit margin. As such, we will pursue the following expansion strategy:

- 1) Increase demand creation channels
- 2) Expand product range
- 3) Re-franchise supply chain

5.1.1 Increase demand creation channels

Similar to the relationship established with VisionFund, SaniShop will pursue collaborations with NGOs/MFIs in Cambodia who have sanitation agendas. We plan to train and partner these NGOs/MFIs to act as awareness and demand creation channels for SaniShop products. This will increase our reach and accelerate the latrine penetration rate in rural Cambodia. Once we sell a monthly average of 168 bundled toilet+sheds (assuming a USD 28 profit margin per bundled product), SaniShop will be sustainable.

5.1.2 Expand product range

One of the unique elements of SaniShop is the production centre. This centre has enabled us to develop products and respond quickly to consumer demands. Since the production centre started in March 2014, SaniShop has innovated three shed models that have enabled us to cover operation costs at the factory level. By responding to consumer needs and developing more products, we hope to increase the profitability of SaniShop.

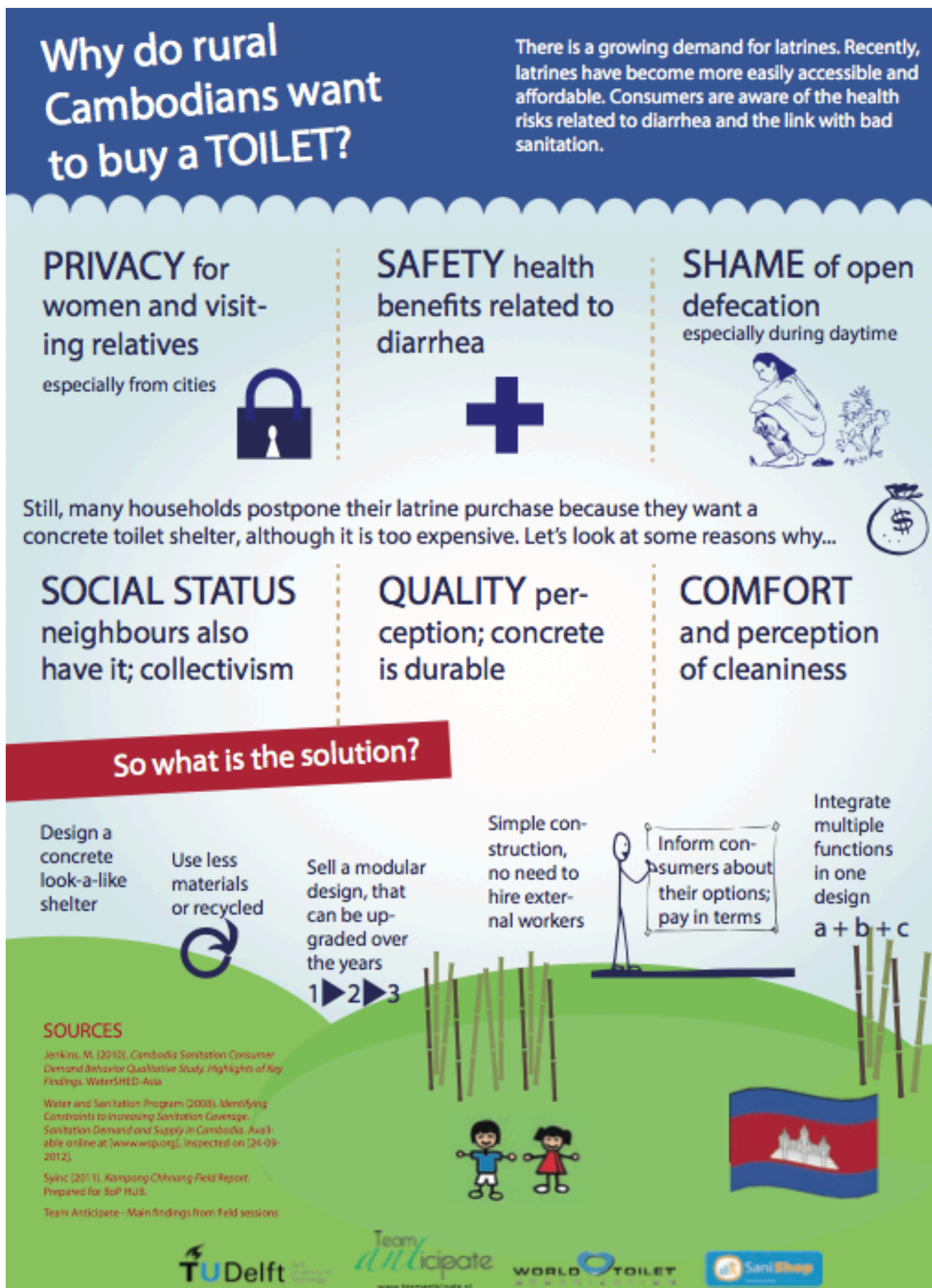
We also plan to diversify into other consumer goods i.e. hygiene products.

5.1.3 Re-franchise Supply Chain

After a failed attempt to run a franchise model from 2010-12, SaniShop redirected its efforts to a central production centre. As we prepare for expansion however, we plan to relaunch the franchise model through a different approach. Instead of asking for a royalty fee per toilet from the mason business owner (which is sometimes a disincentive to report sales), we will establish a partnership with a raw materials supplier for larger bulk discounts than we already benefit from. We will then sell these raw materials to masons at a slight profit, yet lower than market rates, in order for SaniShop to make a small income. This still ensures the competitive price of the end product.

6. Appendix: Infographics

6.1 Reasons Cambodians Want Toilets



What's Cambodian's daily life?

