

SaniShop

www.worldtoilet.org/wto/index.php/our-works/sanishop



Home toilets, Cambodia

History of organization: SaniShop is an initiative of the World Toilet Organization (WTO) started in 2008 in Cambodia to promote the sale of affordable home toilets throughout South East Asia. The initial pilot – funded by USAID - was launched together with LIEN and the University of Carolina in K. Speu province late 2009. This pilot was relying extensively on public officials to conduct the sales and monitoring, and was purely grant-based. Late 2010, SaniShop decided to experiment with a different approach in the province of K. Chhnang, leveraging the product and network it had developed by then, but relying less on public officials. Doing so, it left the continuation of the K. Speu pilot to WaterSHED (a USAID-funded program). SaniShop is now shifting to a market-based approach, whereby it will try to recover part of its operating costs by charging a franchise fee to latrine producers. It is piloting this approach in 6 new provinces starting early 2012.

SaniShop started its international expansion end 2011 in India (where it works through a master franchisor - eKutir (a social business engaging local entrepreneurs to provide various goods and services to farmers, leveraging IT solutions), and Vietnam in 2012 (relying on the local communist party to organize the network of salespersons, while SaniShop owns and operates the manufacturing itself). Nigeria is also planned for 2012.

Product/service offering and value proposition: In Cambodia, SaniShop has organized a local supply chain of home toilets¹⁷ at a price that is about 30% lower than any other commercial alternative (mid-2012, the price was ~\$40 for a one-pit concrete latrine, excl. the shelter structure, home delivered within 3 days).

In addition to the latrines, various types of shelters are available for a wide range of prices (\$5 to 200+), but SaniShop does not organize the provision of those; rather, it identifies - for the sales agents - workshops that can supply those to their customers. Latrine installation can also be performed for an extra \$5-10 (typically by the latrine manufacturer's workers or local work force). 1-pit latrines need to be emptied every 3-5 years, in which case villagers need to pay for the service (\$5 the pit) to the district entrepreneur who provides this type of service in the area.

SaniShop offers middle/low-income customers quality latrines at an affordable price, enabling them to afford what they thought was only for the richest people in the village. The value proposition of the SaniShop toilet is that of a quality latrine, delivered and installed within 3 days max., for 30% cheaper than other commercial alternatives (and up to 80% less than the 'perceived price', i.e. the price that villagers think a typical concrete latrine costs).

Value chain: In Cambodia, SaniShop has organized the local supply chain through a model of 'social franchise', i.e. it identifies, selects, trains and supports local masons (i.e. SaniShop franchisees) in manufacturing SaniShop toilets, and builds a network of salespersons to promote the product among villagers.

To do so, it works closely with provincial governments, including: assessment of feasibility and need among local rural population; identification of masons; identification and enrollment of sales persons; WASH campaigns.

Once the local entrepreneurs and partners are identified, SaniShop proceeds to a final selection of masons and salespersons (along set criteria), trains them, supports them actively for 3 months, before gradually withdrawing and solely tracking sales results.

In addition, for the latrine manufacturers, SaniShop identifies and provides linkages with a number of manufacturers/importers (e.g. the metallic molds and ceramic parts).

¹⁷ SaniShop is technology-agnostic – in Cambodia, the technology used is the single pit latrine (which can be later converted to a double-pit latrine).

Results: Through its network of franchisees and partners, SaniShop has sold 23k latrines in 8 provinces and about 2800 villages, as of April 2012. It now sells at an average of 1140 latrines per month¹⁸ in the 6 provinces where it is actively promoting the SaniShop franchise (through 636 sales agents and 57 manufacturers).

Given it facilitates a local value chain, rather than operating it, SaniShop manages to scale up its operations on a limited budget (5 local staff, for a total projected operating budget of \$86k in 2012 – or about \$5-6 per latrine sold). After 3 years of operations, SaniShop is testing the feasibility of charging a \$2 'franchise fee' per latrine sold to its manufacturers, to cover its operating costs. Hence, it still has very limited visibility on a) whether and to what extent this approach will work; b) whether other models would be more successful in the longer-run (e.g. a commission on sales is more acceptable than an upfront fee, however as the value of the franchisor decreases over time, SaniShop might encounter increasing difficulties in charging the commission).

Given it aims at building a local, commercially viable supply chain, SaniShop franchisees and salespersons focus first and foremost on customers able and willing to pay. That means, in terms of profile, that the majority of customers belong to the middle-income group (with a few exceptions among poorer customers)¹⁹. Given that this is a little segment in rural Cambodia (10-20% of population) SaniShop achieves about 13% penetration in its first year of operations, but this drops dramatically the 2nd year (an incremental 6% in average).

Sales performance in a given location seems to be primarily shaped by 3 factors:

- *Presence of subsidized latrines programs:* The performance in some provinces dropped dramatically after the introduction of large-scale subsidized programs (e.g., in K. Chhnang)
- *Ratios of villages per manufacturer and per sales agents:* Based on the ratios of past 3 years (taking actual penetration as the benchmark criteria), it appears that there should be no less than an average of 3 villages per sales agent, and 30 villages per manufacturer to keep the level of individual sales high enough to be motivating. This ratio needs to be even higher the second year of operations (when the less performing entrepreneurs should exit the program). Hence, the SaniShop team could be more selective to have only a few partners, but well performing ones
- *Profile of sales persons:* Public officials, for reasons of access, knowledge and credibility, often fare much better than local self-entrepreneurs chosen among villagers. Among public officials, commune counsels (responsible for the whole commune), are able to cover best a handful of villages; village chiefs come second
- *Level of support provided by the SaniShop team:* Since early 2012, the SaniShop team went for an aggressive scale-up strategy (with 7 provinces covered by 2 trainers). This seems to result in lower penetration, as it has not yet found ways to have the more successful manufacturers/ agents coach the less performing ones
- *Seasonality:* 90% of sales happen during 7 months of the year.

¹⁸ Estimated full year average (taking into account seasonality).

¹⁹ A middle-income family typically lives in a traditional wooden/bamboo house, earns \$1000-2000 a year, has land (2-4 ha), a motorbike, TV, more than 1 mobile phone (typically \$10-30 monthly top-up). It sometimes buys safe water (especially for the children), uses fire wood for cooking and a battery for lighting. A high-income family lives in a concrete house, has plenty land (over 3-4ha), owns cows, a TV, a truck, one or more motorbikes. A poor family lives in a small traditional house, earns \$500 cash a year, has little or no land (1 ha max), and often has 1 mobile phone (\$5 top-up a month maximum).

Most potential targeted customers (over 80%) say they prefer the very expensive shelter option (i.e. cement for \$200+) – and they either wait to save enough money to pay for it and do not buy the latrine, or buy the latrine (because they feel it is a great deal and fear that prices will go up) and store it in the meanwhile (about 40% of all customers who buy a latrine). This indicates that people want to pay for status, rather than health.

SaniShop does not monitor the health impact, or actual usage of latrines. This is considered a responsibility of the government.

Exchange rate: 1 USD=4000 KHR

Sources:

Field visit with the SaniShop Cambodia team on 22-24 May 2012 (Komchania district, Prey Veng province); Interviews with Mr. Pich Sen (latrine manufacturer) and Yam Yorn (sales agent)

www.worldtoilet.org/wto/index.php/our-works/sanishop,

Interview with Jack Sim on April 11th 2012

<http://reworktheworld.org/Portals/2/Documents/Project%20Descriptions.pdf>;

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