



THE NOURISH PROJECT

Experiences of Bundling WASH Products

May 2019

NOURISH Project

Authors: Sophorn Ngy, Sunetra Lala and Bronwyn Powell

SNV Netherlands Development Organisation Cambodia

#4A Street 228, Sangkat Chaktomuk,

Khan Daun Penh

Phnom Penh, Cambodia

Tel: +855 23 994 562

Web: www.snvworld.org

Disclaimer: This document is made possible by the generous support of the American people through the United States Agency for International Development (USAID) under Cooperative Agreement No. AID – 442-A-14-00006. The contents are the responsibility of SNV Netherlands Development Organization Cambodia and do not necessarily reflect the views of USAID or the United States Governments.

Led by Save the Children, NOURISH is implemented in Cambodia with five local and international partners: Operations Enfants du Cambodge, Partners in Compassion, SNV Netherlands Development Organisation, The Manoff Group, and Wathnakpheap.

TABLE OF CONTENTS

- Acronyms 4
- Introduction 5
 - Background 5
- Rationale for WASH product bundling..... 6
- NOURISH’s support to WASH product bundling..... 6
- WASH product bundling experiences 8
 - Incentivizing sales..... 8
- Challenges with WASH product bundling..... 9
 - Product quality and availability 9
 - Lack of willingness to sell all WASH products..... 10
 - Meeting customers’ preferences..... 10
- Conclusions and Recommendations..... 10
 - Ongoing support to sell WASH products 11
 - Private Sector 11
 - Local authorities..... 11
 - Project Implementer..... 12

ACRONYMS

BSC	Business Service Center
HWD	Handwashing Device
NGO	Non-government Organization
RGC	Royal Government of Cambodia
SBCC	Social and Behavior Change Communication
SME	Small and Medium Enterprise
SNV	Netherlands Development Organisation
USAID	United States Agency for International Development
WASH	Water, Sanitation and Hygiene

INTRODUCTION

BACKGROUND

In June 2014, USAID awarded a five-year integrated nutrition, hygiene and sanitation and agriculture project (NOURISH). Led by Save the Children, NOURISH is implemented in collaboration with the Royal Government of Cambodia (RGC), two international organizations — The Manoff Group and SNV Netherlands Development Organisation — and three local NGO-partners — Partners in Compassion, Operations Enfants du Cambodge, and Wathnakpheap.

With funding from both USAID’s Global Health Initiative and Feed the Future Initiative, NOURISH works to assist the RGC in accelerating stunting reduction by focusing on key determinants of chronic malnutrition in Cambodia across different sectors. NOURISH aims to reduce anemia in women and children and reduce the proportion of children who are stunted. Over the life of the project, NOURISH is expected to reach more than 600,000 people in over 565 villages across Battambang, Pursat, and Siem Reap provinces. In pursuit of its goal, NOURISH offers a comprehensive integrated approach through three components, and four objectives as follows:

- Improve community delivery platforms to support improved nutrition;
- Create demand for health, water, sanitation and hygiene (WASH), and agriculture practices, services, and products;
- Expand supply of agriculture and WASH products using the private sector; and
- Enhance capacity of sub-national government and civil society for integrated nutrition programming.

The core project activities related to each strategic objective are expected to lead to targeted outcomes that improve stunting and anemia in three project-supported provinces. NOURISH uses a multi-sectorial approach to improve the nutritional status of women and children through integrating health/nutrition, WASH and agriculture interventions to maximize the potential impact. In pursuit of its goal, NOURISH amongst many other activities works to improve the quality of related products and services, builds capacity of the private sector actors; and operationalizes instruments for regulating, setting standards and stimulating markets.

To improve access to safe drinking water at point of use and improve sanitation and hygiene, NOURISH works with both the public and private sectors, as well as the local NGO community and aligns closely with the government’s national WASH strategy and action plan. NOURISH develops the capacity of local bodies for sanitation demand creation at villages and supports the private sector to promote market-based approach for improved supply chains. To ensure safe drinking water at the point of use and sustainable and improved sanitation, NOURISH fosters development and promotion of water filters (WFs), latrines and handwashing devices (HWDs) by the private sector. Vouchers serve as incentives to expand hygiene/sanitation demand to “first 1,000 days” ID Poor families.

The NOURISH project supports the private sector by working directly with Business Service Centres (BSCs) - entities set up by the NOURISH project to stimulate and sustain the growth of selected small and medium enterprises (SMEs) working with NOURISH; and SMEs to improve their business operations. This includes supporting SMEs to expand their businesses to new areas of WASH products and services. Towards this, SMEs have been mentored and guided on business management and operations and one-on-one business consultations. A key area of capacity building has been on WASH product bundling and business diversification. Of the 26 SMEs participating in the NOURISH project, all 26 WASH SMEs were coached on the importance of WASH product diversification, bundling and product marketing. The section below describes the rationale for, and experiences of, WASH product bundling by these SMEs, including challenges and recommendations.

This reflection document is based on the feedback collected by the Supply Chain Advisor throughout project implementation and the on-going coaching and mentoring provided to SMEs. This is supplemented by informal qualitative interviews with 21 SMEs conducted in the first quarter of 2019. Their responses were collated from semi-structured interviews and unstructured interviews conducted through monthly ongoing business coaching and mentoring and monthly field reports.

RATIONALE FOR WASH PRODUCT BUNDLING

WASH product bundling was introduced to SMEs working with the NOURISH project as part of the business support work from BSCs. Product bundling was driven by a desire for the market to reach ‘first 1000 day’ and ID Poor 1 and 2 households with water, sanitation and hygiene products in a holistic way. The concept of product bundling was shared with SMEs participating in the NOURISH project to encourage them to sell WASH products all at once while generating more income. At the same time, it offered communities the option to access these products with ease at a “one-stop-shop” and single sales agent. Training and coaching on bundling skills including concepts of product bundling and production cost calculation, types of WASH products to go together, how to market the products all at once which including discount price (incentives) for customers, product linkages with local focal points on promotion, and the concept of time saving by selling the product all together. In addition to this programmatic objective the idea was to improve SMEs’ marketing and sales through bundling products with the view to generate greater revenues. It was envisaged that bundling could bring efficiencies in the transport of goods – for example, water filters could be transported inside empty cement latrine pit rings. SMEs with high sales could also consider bulk discounts in the form of bundling by, for example, selling a discounted water filter with a latrine as an incentive to gain more buyers.

NOURISH’S SUPPORT TO WASH PRODUCT BUNDLING

NOURISH has been supporting WASH SMEs to diversify and supply WASH products that meet the demands of the communities in the NOURISH target areas. NOURISH has supported these SMEs through regular business coaching and follow-up, short courses on business operations and management, book keeping, stock control, and business marketing. All the business-related trainings provided as part of NOURISH appear in the table below (Table I).

TABLE I: BUSINESS TRAININGS PROVIDED TO NOURISH SUPPORTED SMEs FROM PROJECT START TO MARCH 2019

Coaching/ training topics	Number of trainings	Participants
Entrepreneurship and business planning	4	BSCs in Siem Reap and Pursat and SMEs in the target provinces
Introduction to small and medium business marketing including using product bundling approach as a marketing technique	6	BSCs in Siem Reap and Pursat and SMEs in the target provinces
Basic financial recording	2	BSCs in Siem Reap and Pursat and SMEs in the target provinces
WASH production planning and introduction to product bundling and cost calculation	2	BSCs in Siem Reap and Pursat and SMEs in the target provinces
Consultative workshops and training on WASH product quality and standards	6	BSCs in Pursat, Siem Reap; BSC – University of Battambang and Build Bright University;

		SMEs from the three target provinces Provincial departments from the three provinces
Business coaching and mentoring for SMEs on WASH product bundling including toilets, hand washing devices and water filters	30	SMEs from Pursat, Battambang, and Siem Reap and BSC in Pursat and Siem Reap

Source: NOURISH monthly reports

NOURISH SMEs were also coached on business functioning and sustainability, and one of the key topics included in these coaching sessions was on WASH product bundling. SMEs were coached on the importance of product bundling as part of their business promotion and the types of WASH related products to be bundled. For instance, SMEs were able to understand that by bundling products they could generate more income as well as provide opportunities to households to access different WASH products that can ensure basic sanitation and hygiene. In addition, they were coached on marketing strategies on business expansion and product diversification, cost calculation and pricing, and marketing through village-level events and direct sales.

WASH SMEs working with NOURISH are primarily latrine producers and installers with a staff of masons and labourers. They are primarily cement producers and often produce and sell other construction materials. The NOURISH project has provided extensive training to expand their product diversity to HWDs and WFs. As demonstrated in the recent documentation of BSCs, there has been a demonstrable increase in product diversity offered by them.

Overall, NOURISH has supported 26 SMEs to sell latrines and other WASH products such as water filters and hand washing devices in Pursat, Battambang and Siem Reap. From the start of the project until March 2019, 26 participating SMEs sold 14,808 latrines across the target provinces (see Figure I).

Data on WF sales and HWDs was not recorded by NOURISH. Aside from SMEs voluntarily reporting the number of Tulip water filter sales (more than 300) there is a lack of data from SMEs to verify sales of these products. This lack of data makes it difficult to quantify sales of a range of products by SMEs involved in the NOURISH project whether sold individually or bundled together with other WASH products.

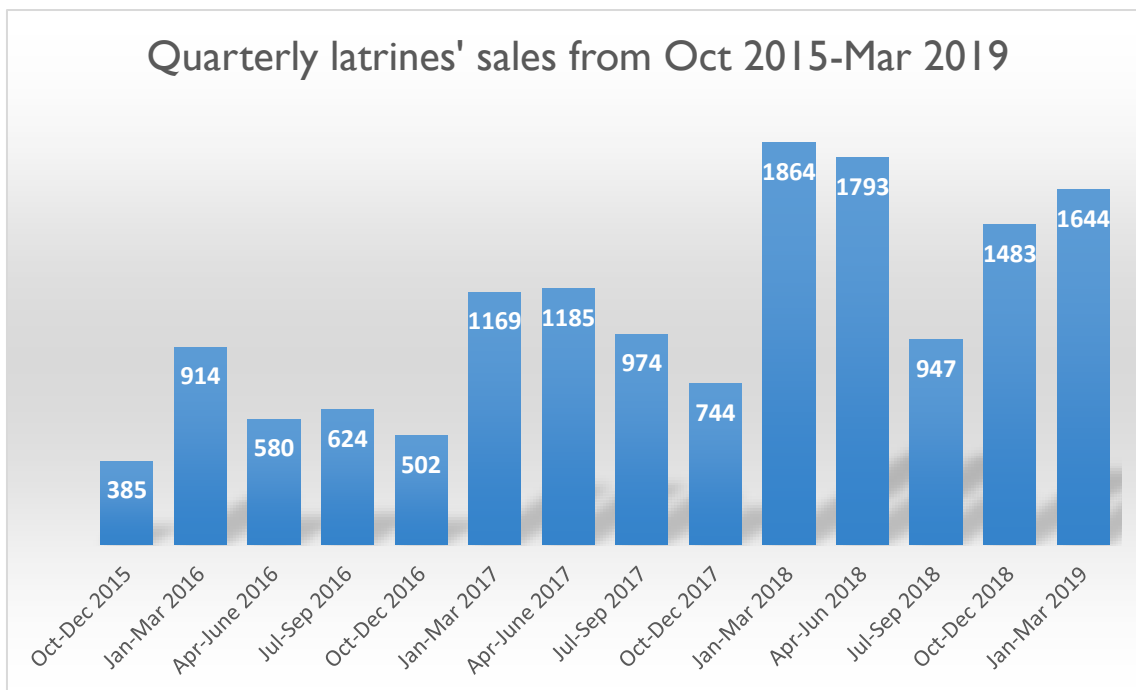


Figure I: Latrine sales figures

WASH PRODUCT BUNDLING EXPERIENCES

Based on interviews, SMEs reported they understand WASH product bundling is a good strategy for product marketing and promotion especially during NOURISH led events such as village fairs. However, none of the SMEs confirmed combined sales. SMEs reported that households prefer buying products separately or one at a time which could reflect their buying capacity. For instance, some prefer to buy latrines, while some prefer to buy WFs or HWDs. However, it has been observed that households tend to follow one another: if one of their friends decides to buy a toilet, then they may consider buying one.

Amongst the 26 SMEs who participate in the NOURISH project, 18 SMEs who have experiences of selling water filters, hand washing devices, and latrines in addition to other non-WASH products such as construction materials, tools, and equipment, concrete cooking bench, rain water harvesting containers, cement rings for usage other than latrines, and plumbing materials, tools, and equipment. These SMEs reported that on more than three occasions they attempted to sell WASH products as a package at village level events including village fairs but had not made any sales.

INCENTIVIZING SALES

These SMEs have also attempted to incentivize households in purchasing more than one WASH product at a time, by providing free-of-cost WASH stickers, promotional materials, and Chenda books developed as part of the NOURISH social and behavior change (SBCC) campaign. More than 300 Chenda books and stickers were distributed amongst the SMEs. In addition, some SMEs purchased soaps and plastic soap covers and fish powders from other NOURISH suppliers and used them as incentives for customers who were willing to purchase a WASH product. However, SME reported that none of these strategies were successful.

The price of each product varies based on the demand from communities, competitors' pricing and geographic location. For instance, in Siem Reap the average price of one latrine sub-structure is USD 70, in Battambang it is USD 73.75, and in Pursat it is USD 67.50. The average price of the bundled

products also depends on the price of the individual products. However, with a purchase of combined products customers are more likely to get an incentive. For example, in Siem Reap if a customer purchases a latrine, hand washing device and water filter (Rabbit brand) as a set it is priced at USD 93.75. In addition, customers also receive a Chenda book and sticker, a soap, a plastic soap cover and a discount of up to USD 7 as an incentive. See Table II for further details.

TABLE II: AVERAGE PRICE OF WASH PRODUCTS IN NOURISH TARGET AREAS IN 2019

Products	Pursat	Battambang	Siem Reap	Incentives
Toilet (sub-structure)	USD 67.50	USD 73.75	USD 70.00	No
Water filter (WF) (Rabbit brand)	USD 15.00	USD 15.00	USD 15.00	No
Water filter (Tulip Siphon brand)	USD 35.00	USD 35.00	USD 35.00	No
Hand washing device (HWD) (no brand)	USD 7.50	USD 7.00	USD 8.75	No
Combined toilet and WF (Rabbit brand)	USD 82.50	USD 88.75	USD 85.00	Chenda books and stickers, plus up to USD 2 as discount
Combined toilet and WF (Tulip brand)	USD 102.50	USD 108.75	USD 105.00	Chenda books and stickers, plus up to USD 5 as discount
Combined toilet, HWD, and WF (Rabbit brand)	USD 90.00	USD 95.75	USD 93.75	Chenda books and stickers, soap, plastic soap cover, plus up to USD 7 as discount
Combined toilet, HWD, and WF (Tulip brand)	USD 110.00	USD 115.75	USD 113.75	Chenda book and stickers, soap, plastic soap cover, and plus up to USD 10 as discount

Source: Based on SME reports

CHALLENGES WITH WASH PRODUCT BUNDLING

Whilst the potential benefits of bundling were outlined and explained to SMEs, unfortunately many report these benefits did not materialise as expected. SMEs encountered challenges implementing WASH product bundling. These have been detailed out below and pertain to the quality of the products, SMEs' willingness to bundle products and customers' preferences.

PRODUCT QUALITY AND AVAILABILITY

The WASH products that SMEs sell include latrines (including the sub and super structures), water filters, and hand washing devices. An assessment of WASH product quality was undertaken by NOURISH in 2018¹, and many issues were identified. Overall most households reported that they were satisfied with latrines. SMEs reported the NOURISH team that some householders conveyed dissatisfaction with locally produced water filters, indicating some are of low quality, not good for long-term use and have slow flow rates. SMEs reported that the locally produced water filters can be difficult

¹

Len A. and Shantz A. (2018). *Enhancing the Quality of WASH Products in Cambodia – Guidelines and Capacity Building-Phase II*. SNV Netherlands Development Organization, Phnom Penh, Cambodia.

to transport, break easily while cleaning, and that algae growth has often been observed in the containers and in ceramic filters. SMEs also confirm the findings of the report on *Enhancing the Quality of WASH Products in Cambodia: Guidelines and Capacity Building Phase 2 (NOURISH 2018)* that spare-parts including ceramic filters and taps are not readily available in the market. SMEs indicated a preference for imported water filters over locally produced ones, stating that they are of better quality and good for long term use. However, the imported water filter is more expensive in comparison with the locally produced water filter. For this reason, SMEs reported selling only a few of these products. Hand washing devices are hard to find in the local markets, and individual parts such as taps, and containers need to be procured prior to assembly and sales.

LACK OF WILLINGNESS TO SELL ALL WASH PRODUCTS

SMEs reported that they had to assemble handwashing devices prior to sale, and that this requires additional time and labor costs, which hampers their businesses. SMEs needed to be creative in their marketing strategies to include bundling, and they lacked the resources and/or business maturity to do so. For instance, some SMEs were encouraged to incentivize sales by providing “free-of-cost” soaps, soap dishes, etc. SMEs, however, reported that this only increased their costs and not their sales.

For latrine sales, some SMEs have developed a commission system where they provide sales agents with a commission per sale. Whilst being a successful means of linking demand and supply sides of sanitation at the local level, this has the effect of increasing costs for SMEs who need to pay USD 2.5 as commission per set of toilets ordered but cannot charge this extra amount to the customer as there is already an agreed unit price per latrine. Additionally, SMEs reported that they generate better revenue through sales of products which are in higher demand such as agricultural inputs (fertilizers, herbicides and pesticides), construction materials (such as cement, foundation columns and rain harvesting containers), concrete and clay bricks and toilet super-structures.

MEETING CUSTOMERS' PREFERENCES

The perceptions from households and SMEs of a perceived lack of quality of locally produced water filters mentioned above has meant a strong consumer preference for imported water filters according to some SMEs. However, these are priced higher than the locally produced one, thereby hampering sales. Some customers also reported to the SMEs that they did not really trust new technologies such as the Tulip water filters since the brand is new to the Cambodia context. The limited buying capacity of households also hinders sales of WASH products as a set. Households are often also dependent on NGO-supported projects offering WASH products for free through their subsidy programs.

Where handwashing devices are concerned, households reported to SMEs that they have to find a place to install it and they have to regularly clean it to ensure it is clean and safe for use. Some reported that hand washing devices easily collapsed when bumped by children and/or chickens. More households prefer to use their existing water sources such as ponds or rain water harvesting pots, containers and scoops for daily use and handwashing. All these factors contribute to an ongoing low demand for the type of handwashing devices being promoted by NOURISH. Handwashing behaviors themselves have markedly increased over the project period indicating that households do use existing water containers rather than buying new products. This makes it harder for SMEs to sell their handwashing devices either individually or bundled together.

CONCLUSIONS AND RECOMMENDATIONS

Small and medium enterprises working in the WASH supply chain play crucial roles in ensuring that products are available for communities in NOURISH target areas and beyond. Whilst the potential benefits of bundling have been promoted with SMEs, they have faced numerous practical challenges in making bundling successful and beneficial to their business. As discussed above, the barriers to the WASH product bundling initiative are not just the quality and availability of WASH products, but also

business impediments faced by SMEs and communities' purchasing preferences and capacities as well. Overall, based on project experiences to date, it is recommended that NOURISH should actively train and promote WASH product bundling initiatives only with 'mature SMEs'. SMEs need to have sufficient planning, marketing and management capacity to embark on and benefit financially from product bundling. For example, the BSC SMEs have sophisticated business operations and are most likely to be able to utilise bundling techniques.

ONGOING SUPPORT TO SELL WASH PRODUCTS

There does remain a need for ongoing support to SMEs to ensure a diversity of products addressing all WASH needs are sold to communities. The private sector, local authorities and NOURISH project itself can support this in the following ways.

PRIVATE SECTOR

As SMEs grow their business revenues and sophistication, they could provide capacity building to sales teams by focusing on the sales of WASH products, with the business deciding whether it makes sense to bundle products or not. Sanitation enterprise BSCs can assist SME members in recruiting and training sale agents to bolster sales. SMEs, coordinated by the BSCs, could also work together to recruit a joint sales team to promote sales of such products. This could save cost for businesses. However, commission and pricing structures would need to be well-designed to reflect the monetary benefits from products sold.

If SMEs become better informed of the pros and cons of various WASH products available in the markets, they will be able to set pricing in a more informed manner and make informed decisions about which products to sell. This is particularly true for water filters and hand washing devices of which there are many options on the market. For instance, there are many different types of water filters, branded and unbranded with different prices and quality. With a wider range of WASH product options, SMEs will be able to offer more options for price setting that meet communities demand.

Rather than doing direct sales of WASH product by themselves, SMEs could change their business strategies for some products such as water filter and hand washing devices. They can do so by using retailers or distributors or through local focal points who are willing to earn extra income by doing this business. SMEs need to follow up on sales and invest in strategic marketing efforts. Further, with more retailers and distributors, SMEs will better sell more products in larger quantities.

As SMEs grow and become more sophisticated there will be more opportunities for them to build better connections and linkages with local authorities, and with national and international organizations looking to provide WASH services in their areas. A number of SMEs for example have undertaken bidding for different organizations, and there are opportunities for them to market and sell products in addition to latrines.

LOCAL AUTHORITIES

Local authorities such as village chiefs, commune councils, and line provincial departments are key actors in promoting WASH behavior change, and demand for WASH products. They have engaged and linked with the private sector through quarterly meetings, consultative workshops, and exchange visits for this purpose. During village level events these local authorities can inform communities of the availability of WASH products, in addition to providing information on the price of each product, combined products, incentives when purchasing as a set (latrines, water filters, hand washing devices) delivery time, and product warranty. By doing so, they could play the role of intermediaries between sellers and buyers since SMEs lack time to regularly visit communities.

PROJECT IMPLEMENTER

NOURISH will continue to work closely with SMEs to improve their business operations and planning capacities. This will include providing regular business support and consultation and support them in research and development of new WASH products available in the market. NOURISH will continue to support SMEs through mentoring and training, including on innovative sales, ensuring compliance with product quality standards and marketing approaches. The concept of product bundling will continue to be included in training materials, but only strongly promoted with mature SMEs. NOURISH will monitor SMEs to see if the bundling concept is taken up as an attractive marketing option by the WASH private sector actors.