Participant Handout

MODULE TWO: Understanding How Markets Work

Overview of Markets

This module provides a better understanding of markets and MBS, explaining key market concepts, components, and dynamics. MBS aims to increase sanitation coverage among households. It does this by supporting sustainable, competitive local businesses to better reach and serve the unmet sanitation needs of households.

Module 2 Objectives

As participants in this module, you will:

- Define key market and MBS terms
- Discuss the importance of being adaptive, iterative, and flexible in the context of market shocks
- Practice key market concepts (e.g., supply and demand) using an example from daily life
- Apply key market concepts to the sanitation market

Why Market-Based Sanitation?

MBS goals are to:

- See households as customers not beneficiaries.
- Provide customers with products and services they want and for which they are willing to pay.
- Make sanitation enterprises viable to attract and retain entrepreneurs—a sanitation enterprise earns profits by delivering products.
- Be cost-effective and scalable.
- Make households more likely to derive the benefits of sanitation (improved health, privacy, dignity) through the use and maintenance of toilets they value.
- Ensure that interactions among actors are NOT dependent on nonmarket intermediation, facilitation, and support (e.g., support from NGOs).

Key Market Terms in MBS

- A **market** is a place or set of formal or informal arrangements where buyers and sellers exchange goods, labor, and services.
- **Supply** is the availability of a product or service. For example, if I go to the market right now, I might see that the vendor has a supply of soap available. Or, if I go to the tap stand, I can see if water is available.
- **Demand** is the desire for a product or service, often referred to as consumer demand. For example, if many people go to the market to buy potatoes, there is high demand for potatoes.
- **The customer** is the person who makes the purchase. For example, the mother or father who purchases the soap for the family or pays for latrine construction is the customer. In MBS, households are considered customers, not beneficiaries.
- **Consumer** is anyone who uses a purchased product. In the example above, all members of the family who might use that soap or installed latrine are consumers.
- **Market shocks** are events that change supply and demand, or both. They are often unexpected, compelling people and/or businesses to adapt. For example, after a natural disaster, fewer products and services may be available on the market, and the customer and the business will have to adapt.

- **Business environment:** The government policies, access to materials and resources, access to financial services and credit for businesses, and business development opportunities.
- **Supply chain:** The actors producing and trading (or taking possession) of a product or service within the market system. Supply chains are about all the materials that go into a product or service, but also how those materials move from suppliers to manufacturers to distributors and, ultimately, to the end consumer. The main goal of analyzing a supply chain is to understand what goes into the delivery of a specific product or service.
- **Value chain**: The activities carried out by multiple actors to produce and sell products and services, and to add value to them during the process.

Sanitation Market

It is important to understand the **broader context** behind the sanitation market, including social norms, economic environment, and geographical conditions. Other crucial aspects include **business environment** or government policies, **access to materials and resources,** access for businesses to **financial services and credit**, and business development.

Designing and Implementing an MBS Activity

Developing an MBS strategy must follow a rigorous process. This training is largely inspired by the phases proposed by UNICEF in its MBS guide.

UNICEF's Phases for Implementing MBS

Scope	Components		Time Frame
Phase 1: Planning	1	Assessment and Planning	2–3 months
Phase 2: Program Design (1 year minimum)	2	Market Research	4–6 months
	3	Product Design	3–4 months
	4	Business Model and Delivery	3–5 months
	5	Demand Activation Design	
	6	Consumer and Business Financing	Throughout all phases
Phase 3: Implementation (3–4 years)	7	Implementation	2–3 years
	8	Monitoring	

For more information and resources on MBS, visit:
https://www.fsnnetwork.org/PRO-WASH/Market-Based-Sanitation.

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