Participant Handout

MODULE FIVE: Business Models, Communication, Sales Planning, Viability, and Sustainability

Overview of Common Business Models in Sanitation and Important Aspects of Communication and Sales Planning

In market-based sanitation (MBS), it is important to consider enterprises as key partners, consider their interests, and consider how communication and sales strategies can help ensure that the businesses are viable. This module will explore common business models in sanitation and important aspects of communication and sales planning. The module will also cover the key principle of economic viability and sustainability over time.

Module 5 Objectives

As participants in this module, you will:

- Explore common business and delivery models in sanitation
- Use the business model canvas tool
- Explore the steps for planning a communication strategy
- Explore the steps for planning a sales strategy
- Explore how to recruit businesses
- Explore the drivers of profitability leading to economic viability and sustainability

Business Model and Delivery

In its simplest terms a business model is a strategy to make a profit. USAID WASHPaLS explains that a business model defines how a business creates, delivers, and captures value—the benefit consumers receive by using a product or service. At the very least, a business model should answer the following important questions:

- Whom should we sell to and where should we sell it?
- What value does the product bring to our target market?
- How should we reach and convert our target market?
- How will we organize our operations to fulfill customers' orders?

The last question relates to the delivery model. A delivery model is the part of a business model that answers the question "How will I get the thing I am going to sell (product system) to my target market?" There are four types of delivery models:

- Do it yourself (DYI) delivery model: *Masons provide the service of assembling or constructing a latrine, with significant contributions by the customer, such as procurement of materials and arranging digging of the pit.*
- Network delivery model: *Loose affiliation of businesses where each business sells some components. A focal point business aggregates information so customers can navigate purchases more easily and quickly.*
- One-stop shop (OSS) delivery model: *One focal point business that adds value by offering increased convenience, such as bundling products or offering services related to the superstructure.*
- Turnkey solution provider delivery model: *One focal point business that aggregates all products and services needed to deliver the completed toilet system at a premium (higher price).*

Business Model Canvas (BMC)

A delivery model and business model cannot be the same thing. A business model canvas (BMC) is a tool to help think through and create a successful business model. It is important to clarify whom the business model is for. This course's point of view is that the business model should *always be for the enterprise*.

BMC Components:

KEY PARTNERS: Who do you need to partner with for your business to work? What is their role?

KEY ACTIVITIES: What are all the activities, jobs, and tasks that you need to do to run your business?

PRODUCTS OR SERVICES: What is your offering?

CUSTOMER RELATIONSHIPS: How do you know your customers?

USERS: Who are your customers?

RESOURCES: What resources do you have?

VALUE PROPOSITION: Why should people choose your business compared to others?

CHANNELS: How do you market and sell products to your customers?

COSTS: What costs you money in this business?

REVENUE: How do you make money in this business?

The Business Model Canvas

Demand Activation Design

For successful MBS, we must drive awareness and interest among communities and households in hygienic sanitation behavior and improved sanitation products or services (**demand generation**). Once there is interest, we must persuade customers to convert their intent to purchase into a decision to purchase (**demand activation**). Lastly, we must ensure successful delivery of sanitation goods and services to the customer once they have made the purchase (**demand fulfilment**).

This course will simplify the approach toward influencing consumer demand (generation, activation, fulfilment) into two categories of activities: **communication and sales**.

Communication Planning

A good communication strategy is *based on evidence*. Without deep consumer insights to guide their decisions, communication planners might risk making poor decisions and wasting project funds because of wrong objectives, wrong communication channels, or underexposure of the target market to the messages.

There are four steps to create a communication strategy to influence consumer behavior and demand for sanitation:

STEP 1: Set objectives	Objectives can be **behavior-related** (e.g., percentage of population that needs to adopt sanitation behaviors) or **sales-related** (e.g., number of units sold). Most projects will have both types of objectives and should revisit/adjust them on a regular basis. Setting clear objectives is critical for a communications strategy and requires a deep understanding of targeted consumers. **Consumer persona** is a tool you can use to distill data points around sanitation needs and help focus messaging. Personas are fictional characters created from research that represent the different user types that might use the service, product, site, or brand in a similar way. The **adoption ladder** can help us understand a customer better, such as the barriers they are facing and how far they are from adopting the desired hygienic behavior. This knowledge will help us design our communication strategy

	to influence their behavior to move up the ladder. Communication objectives should focus on behavioral determinants, which are triggers for behavior change. Selecting which trigger(s) to focus on should come from consumer insight and market research.
STEP 2: Develop key messages	A key message is an idea or belief the targeted audience is expected to retain after being exposed to a communication piece. The key message is not the actual text that will appear in the communication piece but a summary of what that text should convey. To save time and resources, a team should use sample key messages from other MBS programs and adapt them to their own context based on knowledge about the barriers and enablers that their consumer faces. There are three elements of a good key message: 1) it must focus on the **selected trigger** (behavioral determinant), 2) it must outline a **key benefit** to acting upon that trigger, and 3) it must have a clear **call to action.** Consider adding communication professionals and social and behavior change experts to your team to help develop effective key messages.
STEP 3: Choose the proper communication channels	Communication can be used in both marketing and sales. Think of **marketing** as the things said and done to a specific audience, ultimately leaving the decision to the targeted audience whether to take action to buy the promoted product or service. **Sales**, on the other hand, are actions taken to directly influence a consumer in their purchase process and convert an intent into a sale. In marketing, the terms **above the line (ATL)** and **below the line (BTL)** describe communication strategies for specific intended objectives. ATL communication promotes an offering to a broad audience, reaching a large volume of consumers at the same time (radio ads, billboards). BTL generates sales by targeting communication to specific groups (product demonstration with a community). Channels have different **reach** (number of people reached) and **depth** (how complex messages are). In general, the more depth a channel provides the less reach it will have.
STEP 4: Develop a media plan	A media plan is based on the communication objectives and key message(s) and the communication channels chosen as most suitable to reach the target market. The plan will indicate which objective(s) and communication channel(s) you plan to prioritize throughout the year and is usually presented in the form of a matrix table with months in columns and communication channels in rows.
After these four steps, communication specialists should be brought on board to develop a detailed communication plan and creative briefs to help produce compelling ads and other communication products/activities (not covered in this training).	

Designing a Sales Strategy

While BTL marketing sounds a lot like sales, there are some key differences between BTL in marketing and BTL in sales:

- In sales, there is a *direct request* to act and make a purchase.
- In BTL marketing, the decision to act and make a purchase decision is *left to the consumer*.
- In sales, being in a conversation with a consumer is an opportunity to also *ask for a sale*.

What is *similar* between BTL marketing and BTL sales is the use of inter-personal communication (IPC). A communication strategy generates demand, and it may activate demand in many cases, but for products such as latrines, which are relatively expensive purchases, consumers take a bit more convincing. This is where sales come in. The simplest way to describe sales is *closing the deal,* and this typically takes the form of a sales agent or promoter convincing consumers to make a purchase. But not just anyone who can be a sales agent.

A sales strategy can be planned using a sales strategy measurement formula, see figure below.

Performance = (System + Structure + Tools) x Motivation

Performance	System	+	Structure	+	Tools	×	Motivation
	The entire process, from recruiting to reporting sales.		The organization, roles, and responsibilities of the sales team.		The logistic equipment and job aids required for salespeople to do their work.		Even with the best sales systems, structure, and tools in place, a sales strategy won't lead to good results without the right motivation from the salespeople.

For market-based approaches to work well, it requires effective sales planning, recruiting, training, sales management, and other relevant business judgment. Here are five key mistakes project planners sometimes make when building sanitation sales capability: 1) Recruiting the wrong people to sell, 2) Failing to train salespeople and managers adequately, 3) Pitching and trying to convince people to buy, 4) Promoting the best salesperson to sales manager, 5) Planning and managing territory haphazardly.

Viability and Sustainability

For businesses to be interested in the sanitation market it is important that the business is a viable option. If businesses profit from sanitation, they will be motivated to continue or grow the business, leading to a robust market supply independent of external interventions.

Viability refers to profit relative to a variety of explicit and implicit factors considered by an entrepreneur (e.g., minimum income, expected income from other non-sanitation enterprises, time and effort, or financial investment and risk). Viability is a subjective measure that varies from entrepreneur to entrepreneur.

Sustainability refers to the likelihood that an enterprise remains viable over an extended period of time (i.e., multiple years) and continues operations without external, non-market-based support.

Demonstrating viability begins with identifying and engaging the most appropriate actors (also known as best-fit businesses). There are four steps to help participants and their teams identify and engage appropriate actors (entrepreneurs): (1) identify the context-appropriate businesses, (2) estimate profitability of narrowed-down entrepreneurs, (3) identify factors to improve viability, and (4) continuously track performance.

There are five drivers that differentiate the profit performance of enterprises and the potential strategies for each driver that could impact profitability. The five drivers are: (1) number of customers, (2) price, (3) cost, (4) product mix, and (5) additional related sanitation products.

Additional Market Terms

Profit: Revenue generated by an enterprise in excess of its costs, expressed in absolute terms (USD).

Profitability: Profit relative to the scale of an enterprise, such as profit margin, the ratio between profit and sales expressed by a percentage. Two enterprises may have equal profits (say, $1,000 annually), but one earning $1,000 in profit against $10,000 in sales is more profitable (10% margin) than another earning $1,000 against $50,000 in sales (2% margin).

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

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