

RURAL SANITARY MART-MANUAL



SAMARTHAN-CENTRE FOR DEVELOPMENT SUPPORT

INTRODUCTION

Samarthan under aegis of Small Industrial Development Bank of India (SIDBI) is implementing the project, entitled 'Empowering women to access improved sanitation facilities & participate as active entrepreneur to promote sanitation in three districts of MP' implemented from Aug 2017.

Amongst other objectives, one of the aims is to facilitate active women entrepreneurs to run sanitation shops.

There have been several efforts both on and off field around improving supply chain in sanitation sector but not much has been documented that may be referred to by a potential donor agency/local, state or national governments or a financing agency (NBFC/SCBs/MFIs etc) or NGOs. In view of the above, this material aims to bring together the principles and practices involved in improving sanitation facilities by ensuring the right product is available to the consumer, at right cost, quality and minimal efforts. Although India's diversity allows little that may be simply replicated from other areas, yet it is hoped that this document will act as reference material to the prospective agencies and will add momentum to other such efforts.

The sections were compiled based on Samarthan's own experience in sanitation, interviews of persons involved in the business, secondary data and discussions with self-help groups and community organizations in Madhya Pradesh.

The each section of the manual contains vital information that all stakeholders should know and understand, including the rights and duties of NGO, MFI and consumers of sanitation services

It is hoped that each section will improve upon the experiences of financing sanitation, both who borrowers and lenders.

THE NEED FOR A WOMEN LED SANITATION ENTERPRISE

Apart from creating demand for sanitation through Information, Education, and Communication (IEC), establishing an effective supply chain to respond to the demand generated at the community level is considered as critical component of the programme. Evidently, the “Demand Responsive Approach” (DRA) will yield results only when effective “Supply Chains” (the totality of processes spanning from supplier to end customer, focused on right products, information and services reach the target groups are in place.

To ensure its sustainability, it is crucial that it serves all the sub-sectors within sanitation and not just the constituting items of a household toilet that include sand, bricks, seat & pan, cement and pipes. Among other areas, personal hygiene including menstrual health, toiletries such as cleaning agents, brushes, plastic products such buckets and other household items that can be clubbed into the fast moving category of goods should also be provided at the outlet.

Women have always been central to sanitation program but never seen as economic agents that can generate demand as well as serve such consumers using their entrepreneurial skills. More women are engaging the community and championing the cause of menstrual hygiene management, they are instrumental in household decision making such as making the existing toilets of better quality and highlighting the need for privacy of bathrooms. The idea of women led sanitation shops is therefore not just a principled but can prove prudent two way strategy to not just expand the sanitation supply chain but also generate demand and awareness by engaging the community on issues around sanitation.

As a future expansion strategy, the entrepreneur may look at the allied sectors that have potential such as housing where rural demand is riding high on PMAY and similarly other programs that involve civil works

- Identification of combination of entrepreneurial potential of woman together at strategic location
- Market research:
 - i. Identifying the goods and services to be provided
This will be a match between internal strengths and external opportunities based on existing and latent demand and the practice in currently in place and how it could be improved.
 - ii. Profiling the potential customer: Once the products and services are identified, the specific consumer segment, scale and scope maybe identified. Separate strategies need to be designed for each segment.
 - iii. Once broad customer base is identified, a demand forecast can be made based on current levels of consumption
 - iv. Based on other competitors in the market, a market share will be calculated
 - v. Identifying suppliers and negotiating terms of purchase

Who will it cater to: Consumer segment-rural/Urban/ Households or Institutions

What kind/range of services will be provided

Infrastructure (sanitation, housing, farm assets, HH level):

- Latent demand due to pseudo ODF, share example of a district
- SLWM detailed project report, broad estimate of quantum of construction (waste segregation, schools, vermiculture, drain construction)
- PMAY
- MGNREGA works
- Watershed management
- Independent HH renovation and expansion

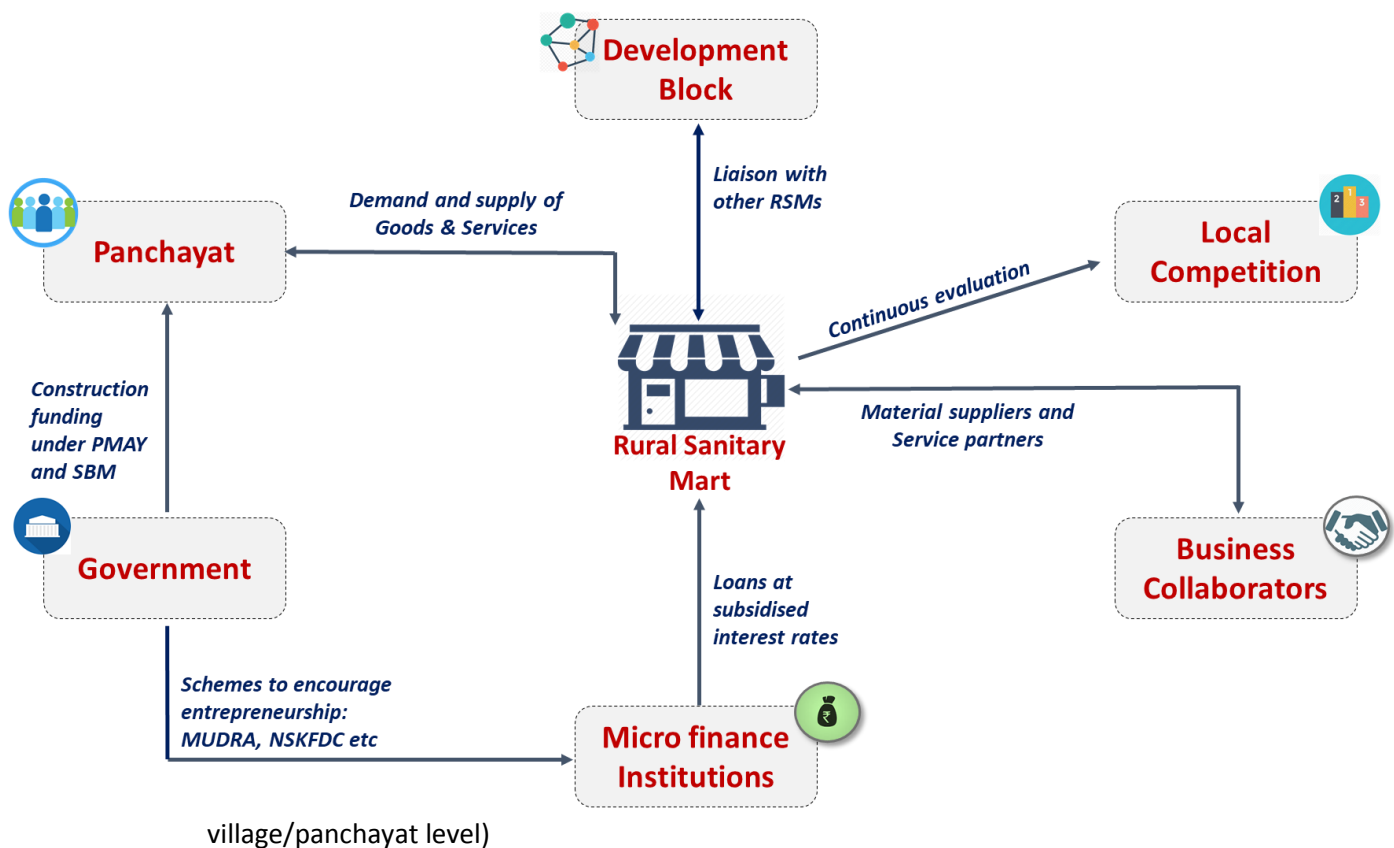
Availability sanitation products:

- Sanitation durables
- Sanitation consumer products

WASH services:

- Community building hygiene maintenance
- Sanitation service of drains
- Water collection, sourcing
- Motors, hand pumps, water delivery/transmission (pipes, taps)
- Household ladle, household piping

Explain why micro-level is relevant (wide variety of situations across the country, every panchayat has its unique dynamics, effective planning would need to be at the



1. Identifying RSM entrepreneurs?



Information/explanation about the questionnaire

From the point of view of a prospective entrepreneur, the biggest challenge is the risk involved with investing a large sum of money in the business. This primarily includes the initial one-time investment to set up the business and the average amount of working capital needed to smoothly run the business such as inventory of merchandise, minimal credit for purchases and credit sales. Considering the fact that a newly established mart would need to hold a high value inventory and that most of the purchases during initial periods would not have credit, it would be beneficial to have the RSM owned in the form of a partnership, with multiple partners.

Thus, if the RSM entrepreneur is setting up a business for the first time or has limited financial flexibility, it is highly recommended that the business be started by a group of individuals in the form of a partnership.

Annexure attached - Candidate response sheet

2. Micro-level business toolkit: (from the viewpoint of a budding entrepreneur)

2.1 Identifying local opportunities and what products/services to offer?

Identify Market Inefficiencies

When looking at the potential market in the closest panchayats, consider what kind of inefficiencies are prevalent in the market. Inefficiencies are existing methods by which goods and services are made available to consumers, that have a large scope for improvement.

Do you have any idea as to how these inefficiencies can be resolved?

The seller must try to identify the key hassles that the rural consumer experiences. These 'hassles' could be of the following types:

- a. Non-availability of good quality brands.
- b. Insufficient local supply, thus forcing customers to travel substantial distances even for basic household products.

Moreover, the process of purchasing can be a differentiating factor, such as making it easier for customers to acquire an existing product or service. For e.g. it is possible that most households of a village travel large distance by foot or other transport to collect water on a daily basis. Are there any methods by which water can be made available locally? Can it be transported efficiently to our village? Can we install reservoirs or a piping system?

Customers' Desire to Experience Something New

There may be a number of products and services that are either not available locally within the panchayat, or consumers are completely unaware of their existence. The seller would need to identify such opportunities to introduce new offerings to customers.

A few such opportunities are listed below:

1. A substitute of an existing product/service e.g. a cost effective sanitary pad
2. A new service that solves an existing difficulty e.g. water supply service
3. A product for which customers travel large distances e.g. non-pharmaceutical health products such as ORS, creams etc.

Pick a Growing Sector/Industry

When considering what kind of product or services to offer, it is important to identify the industries that are growing in demand. Such offerings would ensure that sales increase with time, which effectively improves profitability due an increasing scale of business.



For example, the PM Awas Yojana has increased the demand for construction material in rural regions. This increase is 5-6 fold as compared to average levels of demand, and is expected to remain so till 2022 at the least. An entrepreneur can look at this as an opportunity to quickly enter and expand sales by dealing in construction material.

This demand also poses an opportunity to provide construction services by joining hands with local masons, thus creating a combined product cum service offering, that does not exist in today's rural India.

Thus, the entrepreneur needs to identify such opportunities and sector-wise growth to modify her/his product and service opportunity.

Differentiation

The idea is that your offering must stand out from existing marts and service providers. The business thus creates a unique place in the customers' minds and reduces the impact of competition on your business.



Differentiation as a retailer can be done in the following ways:

1. Providing a unique assortment of products.
2. Stocking products that are not available in the panchayat i.e. there exists no local competition.
3. Combining products and services.
4. Locally manufacturing certain products e.g. low cost sanitary pads, soaps etc.

Is it a Seasonal product/service?

When deciding what to offer, the seller would need to consider whether it is a seasonal in nature.

If yes, it would be important to decide how the seller intends to plan to maximize sales during peak seasons.

E.g. paints and distempers in rural areas have a very high demand during the months of October to December, primarily due to the festival of Diwali. The seller would need to plan his/her activities before this period.

This would include a consideration of the following parameters.

1. Order to delivery lead time when sourcing from distributors/wholesalers.
2. Minimum order quantity for lowest prices.
3. At what price can the product/service be sold during off seasons (in case of unsold inventory)

Consumer segmentation

All customers are not the same, and the entire population of customers can be sorted into groups based on certain common traits. Identifying these traits and sorting the entire population of customers is referred to as segmentation.



These traits/variables can be as follows:

Hard variables: Age, gender, education level, income, community etc.

Soft variables: Attitude, values, personality, behavioural characteristics. Etc.

Generally, 'hard' variables tend to give more accurate estimates of demand.

For example, the number of babies/toddlers below 3-4 years in a village can give an estimate of demand for diapers.

2.2 How to estimate demand?

Estimation of demand the most critical step in running a business. The idea is to study the market and understand how much of each product/service category would be demanded for a unit area. For example, an entrepreneur can carry out a basic evaluation of his/her village and thus estimate the demand for the entire panchayat by scaling up the numbers.



Steps involved in forecasting demand:

A. Defining market size

One can define the scope of the market that he/she wants to cater to, based on geographical areas, number of villages, number of panchayats, population etc.

B. Estimate consumer demand based on existing sales.

An elementary way to understand current demand is to seek information from customers. The seller can speak to households in a village and understand from their buying patterns, monthly expenditure of different types of products etc. This activity can be carried out for multiple households to get a broad average. Preferably, the entrepreneur should interact with households from various strata within the village/panchayat to get a better estimate.

Conservative averages can be taken while finally estimating the total demand for the region.

C. Divide total demand into its main components

It is critical to estimate the demand of different product categories. This is needed to understand what different types of products/services need to be offered and in what relative quantities i.e. the product mix.

For example, a discussion with households on their monthly expenditure on FMCG items used for an individual's sanitation may reveal the demand for self-use sanitation consumables. If this demand in sales value turns out to be smaller than the estimated sales of floor disinfectants, it would entail that the seller stocks a higher amount of self-use sanitation products.

The intent of this activity is to understand the relative importance of different products/services to optimize one's sales.

2.3 How to translate total market demand into a sales forecast?

Sr.no	Product category	For 100 households	Average total demand		Market share (assumption)	Revenue/item	Monthly sales for RSM		Margins
			Units of measure	Min			Max	Min	
Construction Material									
1	Brick	Number/year	150000	500000	25.00%	4	₹ 12,500.00	₹ 41,666.67	5.00%
2	Cement	bags/year	225	1350	25.00%	310	₹ 1,453.13	₹ 8,718.75	10.00%
3	Sand	trolleys/year	20	50	25.00%	2500	₹ 1,041.67	₹ 2,604.17	15.00%
Toilet Hardware									
4	Seat + P-trap	No. of sets of toilets + replacement parts	10	25	25.00%	3300	₹ 687.50	₹ 1,718.75	18.00%
5	Piping								
6	Door + Roof								
7	Pit covers								
8	Basin + Fittings								
Sanitation consumables									
9	Soaps, Detergents, cleaning solutions, toothpaste, sanitary pads etc	Expenditure/year	300000	360000	25.00%	1	₹ 6,250.00	₹ 7,500.00	8.00%
Sanitation durables									
10	Plastic buckets, mugs, brooms/mops, ladles	Expenditure/year	50000	100000	25.00%	1	₹ 1,041.67	₹ 2,083.33	30.00%
Miscellaneous products									
11	ORS packets, Non-pharma health products (eg. Dabur products, Himalaya products)	Expenditure/year	50000	50000	25.00%	1	₹ 1,041.67	₹ 1,041.67	15.00%
Total							₹ 24,015.63	₹ 65,333.33	
Gross Profit							₹ 2,019.06	₹ 5,036.46	
							(Min)	(Max)	

2.4 Managing Finance:

A. Variables: (Yellow boxes)

- These values can be changed by the user, which in-turn would change the values of revenue, costs, break-even point etc.
- All cells coloured in 'yellow' are variable cells.

Market size:

Market size (HHs)	1000
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- Market size the total number of households that a seller is targeting.
e.g. if I target only 1 village of 100 households, then my target market size is 100 households. If I target the entire panchayat of 5 villages, then my target market size is 500 households.
- Market size does not mean that the seller would sell to all the households, rather it only represents the total customers that the seller will attempt to sell to.

Market share:

Market share	5.00%	10.00%	15.00%	20.00%	25.00%	25.00%
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- 'Market share' represents the proportion of the total customers within my reach that I am actually selling to.
e.g. If in my village (target market of 100 households) I sell vegetables to 20 households, then my market share is $20/100$ i.e. 20%

Interest rate:

Intrest rate (per annum)	6.50%
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- 'Interest rate' is the proportion of the loan's principal amount that is paid additionally as a fee for borrowing money
- Interest rate may be either a 'Flat rate' or a 'Reducing balance rate'
 - a. Flat interest rate: It is the interest based on the amount of money a borrower receives at the beginning of a loan, i.e. the principal amount
 - b. Reducing balance interest rate: Interest is applicable only on the amount of principal that remains to be paid back.
- To convert between the two types of rates, or to calculate EMIs, one may access the following website for easy calculations. <https://emi-calc.com>

Demand per item-category:

Sr.no	Product category	Average total demand	
		Min	Max
Construction Material			
1	Brick	150000	500000
2	Cement	225	1350
3	Sand	20	50
Toilet Hardware			
4	Seat + P-trap	10	25
5	Piping		
6	Door + Roof		
7	Pit covers		
8	Basin + Fittings		
Sanitation consumables			
9	Soaps, Detergents, cleaning solutions, toothpaste, sanitary pads etc	300000	360000
Sanitation durables			
10	Plastic buckets, mugs, brooms/mops, ladles	50000	100000
Miscellaneous products			
11	ORS packets, Non-pharma health products (eg. Dabur products, Himalaya products)	50000	50000

- ‘Demand’ is the expected amount/quantity of a particular product or service that a market would purchase over a certain period of time.
- These columns of the calculation sheet are used to enter the estimated yearly demand for 100 households.
- One can enter the minimum and maximum expected demand for different product categories.

Note:

- This is the full-year demand for 100 households or 1 village.
- For ‘Construction material’ and ‘Toilet hardware’, the demand is entered in terms of volume i.e. number of units sold.
- For ‘Sanitation consumables’, ‘Sanitation durables’ and ‘Miscellaneous products’, the demand is entered in overall sales value in INR.

Revenue per item-category:

Sr.no	Product category	Revenue/item
Construction Material		
1	Brick	4
2	Cement	310
3	Sand	2500
Toilet Hardware		
4	Seat + P-trap	3300
5	Piping	
6	Door + Roof	
7	Pit covers	
8	Basin + Fittings	
Sanitation consumables		
9	Soaps, Detergents, cleaning solutions, toothpaste, sanitary pads etc	1
Sanitation durables		
10	Plastic buckets, mugs, brooms/mops, ladles	1
Miscellaneous products		
11	ORS packets, Non-pharma health products (eg. Dabur products, Himalaya products)	1

- This represents the selling price of each item. In other words, this is the money that the seller would receive directly from the customer.

Note:

- For ‘Construction material’ the revenue is the same as the Selling price.
- For ‘Toilet hardware’, the revenue indicates the total selling price of 1 unit of all the toilet hardware items put together.
- For the remaining product categories, revenue has been entered as ‘1’ because the monetary value of sales has already been captured in the demand estimation column; as mentioned in the previous section.

Gross Profit Margin:

Construction Material		Margins
1	Brick	5.00%
2	Cement	10.00%
3	Sand	15.00%
Toilet Hardware		
4	Seat + P-trap	18.00%
5	Piping	
6	Door + Roof	
7	Pit covers	
8	Basin + Fittings	
Sanitation consumables		
9	Soaps, Detergents, cleaning solutions, toothpaste, sanitary pads etc	8.00%
Sanitation durables		
10	Plastic buckets, mugs, brooms/mops, ladles	30.00%
Miscellaneous products		
11	ORS packets, Non-pharma health products (eg. Dabur products, Himalaya products)	15.00%

- The margins indicated in the table represent the generally prevalent 'Gross profit margins'.
- Gross profit margins indicate the earning of the seller, as a percentage of the sales value.

e.g. If one sells an item for INR 100, and had initially purchased it for INR 95, the profit on the sale is INR 5, and the Gross profit margin is $5/100 = 5\%$

- Margins differ for different product categories, and can also change due to seasonality, buying bulk quantity, change in transportation costs etc.
- One of the ways to improve profitability is to maximize gross profit margins.

B. Costs (Red boxes)**Operating Costs:**

- Operating costs are all the costs associated with running the business.
- It does NOT include the costs associated with buying merchandise, materials etc.
- Operating costs generally include the following:
 - Salaries of employees
 - Rent for the facility
 - Maintenance costs
 - Repairs and damages
 - Stationery
 - Electricity bills
 - Telephone bills
 - Repayment of interest

	Month 1	Month 2
Operational costs	₹ 1,500.00	₹ 1,500.00

- One should identify the costs which are applicable to one's business and capture them in every month's accounting.
- The values within the yellow boxes can be altered, which would give a revised estimate of Income.

Purchasing costs:

- This is the total cost associated with buying materials, goods etc. with the intention of selling at a higher price to customers.
- This includes the price at which these items are purchased + the transportation cost associated with bringing these items to one's store.

Purchasing costs

Investment:

- Investment is a type of expenditure that is done for long term purposes.
- The idea is to spend money initially to procure the required resources/assets so that one can earn money using them.
- This can be in the form of land, constructing a building/shop, purchasing machines, purchasing shelves etc.
- It is an infrequent expenditure and should not be confused with operating costs.
- Investments are generally done using one's savings, or by availing a loan.

Investment

C. Earnings and Profits: (Green boxes)

In very broad terms, Profit = Sales – costs i.e. (money coming in)-(money going out)

There are two main types of profits- Gross profit and Net profit are measured to study the financial health of the business.

The margins associated with these 2 types of profits should be studied over time to identify whether the profitability of the business is improving or not.

Gross Profit:

- **Gross profit = (Sales revenue) – (cost of goods sold)**
- This means that it is the profit just buy buying goods and selling them at a higher rate.
- It does NOT take into consideration 'Operating costs'.
- As mentioned earlier, **Gross profit margin = Gross profit/Total revenue.**
- By analysing gross profit margin, one can understand the profitability of the procurement of goods vs. the final sales to customers.

	Month 1	Month 2	Month 3
Total revenue	₹ 48,031.25	₹ 96,062.50	₹ 1,44,093.75
Purchasing cost	43993.125	87986.25	131979.375
Gross Profit	₹ 4,038.13	₹ 8,076.25	₹ 12,114.38

Net Profit:

- Net profit is the final earnings that a seller will have after all the costs associated in purchasing goods and running the business are taken into consideration.
- **Net profit = (Sales revenue) – (Cost of goods sold) – (Operating costs)**
- Net profit tells about the overall earning of the business and all efforts should be directed to maximising it.
- **Net profit margin = Net profit/Sales revenue**
- ‘Net profit margin’ tells about the overall profitability of the business because it takes into account all the costs i.e. cost of goods as well as the operating costs.
- ‘Net profit margin’ can be compared with ‘Gross profit margin’ to understand the impact of operating costs on the business.

	Month 1	Month 2	Month 3
Total revenue	₹ 48,031.25	₹ 96,062.50	₹ 1,44,093.75
Purchasing cost	43993.125	87986.25	131979.375
Gross Profit	₹ 4,038.13	₹ 8,076.25	₹ 12,114.38
Operational costs	₹ 1,500.00	₹ 1,500.00	₹ 1,500.00
Net profit	₹ 2,538.13	₹ 6,576.25	₹ 10,614.38

		Market share	5.00%	10.00%	15.00%	20.00%	25.00%	25.00%	25.00%	25.00%
		Start of ops (Month 0)	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8
Investment		100000	0	0	0	0	0	0	0	0
Item-wise Revenue	Bricks		₹ 25,000.00	₹ 50,000.00	₹ 75,000.00	₹ 1,00,000.00	₹ 1,25,000.00	₹ 1,25,000.00	₹ 1,25,000.00	₹ 1,25,000.00
	Cement		₹ 2,906.25	₹ 5,812.50	₹ 8,718.75	₹ 11,625.00	₹ 14,531.25	₹ 14,531.25	₹ 14,531.25	₹ 14,531.25
	Sand		₹ 2,083.33	₹ 4,166.67	₹ 6,250.00	₹ 8,333.33	₹ 10,416.67	₹ 10,416.67	₹ 10,416.67	₹ 10,416.67
	Toilet hardware		₹ 1,375.00	₹ 2,750.00	₹ 4,125.00	₹ 5,500.00	₹ 6,875.00	₹ 6,875.00	₹ 6,875.00	₹ 6,875.00
	Consumables		₹ 12,500.00	₹ 25,000.00	₹ 37,500.00	₹ 50,000.00	₹ 62,500.00	₹ 62,500.00	₹ 62,500.00	₹ 62,500.00
	Durables		₹ 2,083.33	₹ 4,166.67	₹ 6,250.00	₹ 8,333.33	₹ 10,416.67	₹ 10,416.67	₹ 10,416.67	₹ 10,416.67
	Miscellaneous		₹ 2,083.33	₹ 4,166.67	₹ 6,250.00	₹ 8,333.33	₹ 10,416.67	₹ 10,416.67	₹ 10,416.67	₹ 10,416.67
Total revenue			₹ 48,031.25	₹ 96,062.50	₹ 1,44,093.75	₹ 1,92,125.00	₹ 2,40,156.25	₹ 2,40,156.25	₹ 2,40,156.25	₹ 2,40,156.25
Purchasing costs			43993.125	87986.25	131979.375	175972.5	219965.625	219965.625	219965.625	219965.625
Gross Profit			₹ 4,038.13	₹ 8,076.25	₹ 12,114.38	₹ 16,152.50	₹ 20,190.63	₹ 20,190.63	₹ 20,190.63	₹ 20,190.63
Operational costs			₹ 1,500.00	₹ 1,500.00	₹ 1,500.00	₹ 1,500.00	₹ 1,500.00	₹ 1,500.00	₹ 1,500.00	₹ 1,500.00
Net profit		-₹ 1,00,000.00	₹ 2,538.13	₹ 6,576.25	₹ 10,614.38	₹ 14,652.50	₹ 18,690.63	₹ 18,690.63	₹ 18,690.63	₹ 18,690.63

Net present value	₹ 5,997.27	(Break-even at the end of 8 months)
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2.5 Optimizing Operations:

What metrics should be added to assist in understanding results? These can include cost per order, 12-month customer counts seasonally/annually to see house file growth, inventory turnover and weeks of supply.

Sourcing:

Sourcing involves the selection of dealers/suppliers whenever goods are purchased. The following aspects need to be kept in mind while procuring goods:

1. Direct price comparison between suppliers of the same goods
2. Comparison of transport costs i.e. proximity of the supplier
3. Whether the supplier is offering credit on purchases
4. Quality of the products sold by the supplier
5. Minimum order quantity for buying from the supplier
6. Can the supplier offer lower prices if an entrepreneur enters into an agreement with them?

All these factors need to be considered simultaneously. In case of retailing, suppliers are not fixed and the large availability of dealers in urban areas allows a retailer to source from different dealers from time to time.

In most cases, it would be cheaper to buy from dealers in cities rather than dealers operating in rural areas, since the urban dealers are upstream in the supply chain and can hence offer lower prices.

The final goal of having a sourcing strategy is to minimize purchase costs.

Transportation:

Transportation costs form a significant part of the costs involved in purchasing merchandise. Transportation cost per unit is an indicator of this and the focus of a seller should be to minimize the per unit cost for every order placed.

For example, if a mini-commercial vehicle has a capacity of 1 ton, and the entrepreneur orders and transports material of 0.5 tons only, the per unit cost of transportation is double of what it would have been if the vehicle was fully utilized.

Transportation cost vs. order quantity is a trade-off and is determined by the desired level of inventory that the seller needs to maintain.

Inventory Management:

Certain products tend to be slow moving as compared to others. These products would thus occupy space for a longer time in the mart and get converted into cash slowly. Also, seasonal items that remain unsold because of excessive stock, tend to remain in the mart for long periods of time which eventually affects productivity of store operations. For e.g. cement may be slow moving during the rainy season, toilet hardware in an 'Open Defecation free' declared district may be slow moving items.

A thumb rule used in inventory management is that 80% of the cost of inventory/inventory value comes from 20% of the items by quantity. These are items such as expensive electrical items, sophisticated hardware etc. Thus, these items in spite of being lesser in number, contribute to a

major chunk of the total value of goods purchased. On the other hand, the remaining 80% of the goods by number, contribute to only 20% of total inventory value.

By identifying these items, the seller may optimize his/her inventory accordingly. The stock of high cost category items should be minimized and kept track of very closely. On the other hand, the stock of the remaining low cost/low value items can be tracked based on judgment.

Deciding the Location:

Deciding the location of one's central hub/mart/store is necessary to ensure that it has maximum outreach to the nearest villages in terms of distance, at the same time it should be easily accessible and preferably at an important junction on the main road.



Evaluation parameters:

- How large should the store be?
- How close is the store to the main road? Can customers use public transport to reach the store?
- Access to electricity sources?

Construction if needed:

In case the entrepreneur does not have an existing shop or any other existing construction, he/she would need to estimate the cost involved in setting up the new construction. This would be like a capital investment, that can either be funded from one's savings or be supported through a loan.

Operating/Running Costs

Before starting operations, it would be necessary to identify all the sources of operating costs, so that a realistic prediction of net profits can be made in the financial forecasting sheet.

Some of the key decisions with regard to this will be as follows:

- a. Salary: Do we need employees? If yes, how many?
- b. Rent: Will the store premises be rented or self-owned?
- c. How much would the expenditure on maintenance and general upkeep.
- d. If a loan has been availed, what would be the value of the EMI?
- e. Cost of carrying inventory? Damages to stock?



The focus has to be on minimizing these sources of periodic costs.

For example, if the seller intends to expand operations to an adjacent panchayat, he/she may obtain new premises on rent instead of buying/constructing a new store. This would allow minimum expenditure initially and give flexibility to easily come out of the new venture in case it fails.

2.5 Accessing finance:

What do Bankers expect?

Bankers are primarily concerned with only one thing, a realistic assurance of orderly repayment. It is strongly to evaluate the following metrics and present the same to a banker while attempting to avail a loan:

1. Amount of loan
2. How the funds will be used
3. What this will accomplish—how will it make the business stronger?
4. Requested repayment terms (number of years to repay). You will probably not have much negotiating room on interest rate but may be able to negotiate a longer repayment term, which will help cash flow.
5. Collateral offered, and a list of all existing liens against collateral.

2.6 Evaluating one's competitiveness – A continuous process

Once you've started your business, it is essential to constantly evaluate your position relative to competitors. The idea is to ensure that one is aware of his/her competitiveness.

For example, it may be possible that a competitor has relocated to the nearby main road or has started selling products that were sold only by you; such factors need to be considered and appropriate actions need to be taken. In this case, the entrepreneur cannot do anything about the location, but may be able to modify his/her own product offering to counter the competitions efforts.

Steps involved:

1. List down your relevant direct competitors.
2. Identify the product/services on which they would compete with you
3. Identify any indirect competitors, substitutes etc.

Affixed below is a basic evaluation matrix that can be used on a periodic basis .

Table 1: Competitive Analysis

Factors for comparison	My position	Strength? (yes/no)	Weakness (yes/no)	My Competitor's position	Degree of importance to customer
Product variety					
Prices					
Quality					
Customer Service level					
Location					
Reputation					
Credit purchases					
Advertising if any					

3 Good practices:

- Customer satisfaction
 - What does it broadly mean?
 - How it helps retain customers?
- Identifying unique local needs and opportunities
 - Why is it important?
 - How customers desires change with time
 - How to collect data by basic interaction with customers
 - How to go out and collect specific data
- Bundling of goods and services
 - What does it mean?
 - How is it beneficial?
 - How is it generally done?
- Advertising/appealing to customers
 - How does it help? What is the logic (creating a place in people's minds)
 - What modes of communication are effective?
 - Wall art? Images? Posters? Jingles?
- Minimizing transport costs
 - How much quantity to order such that my cost of transportation is minimum

- How can I transport multiple types of parts in single transport
- Optimizing inventory
 - Explanation of why high inventory is bad – money lock-up, carrying costs
 - Basic logic of 80:20 for stocking parts
 - How to manage inventory considering MOQs for different parts
- Quality management
 - How to check incoming quality of goods? -quality check-sheet
 - Parts that are prone to damages the most
 - Packaging for different parts to eliminate damages
- Checking financial health
 - Inventory levels
 - Gross margin, Operating margin, Net margin – how to analyse these and understand the health of your enterprise – what do these ratios mean

4 Quick-reference section of manual:

- Simplified flow chart for end user
- Story-line or a hypothetical case to explain practically (in the format of the simplified chart)
- Basic format of accounting revenue, cost of goods sold and operating costs

A. Understanding how much of the demand will I cater to:

The next step is to understand and forecast the drivers of demand in each category. 'Drivers' of demand are the

Questions to ask oneself:

- What is the total size of your market?
- What percent share of the market will you have? (This is important only if you think you will be a major factor in the market.)
- Current demand in target market.
- Trends in target market—growth trends, trends in consumer preferences, and trends in product development.
- Growth potential and opportunity for a business of your size.
- What barriers to entry do you face in entering this market with your new company? Some typical barriers are:
 - High capital costs
 - High purchasing costs/High minimum order quantity
 - High marketing costs

- Consumer acceptance and brand recognition
- Transportation costs
- And of course, how will you overcome the barriers?

Happy New Year to everyone, and I hope it's been a good one so far! I'm going to start out this year by talking about sanitation and a type of business that is helping people to gain access to improved sanitation and hygiene, the Rural Sanitation Mart (RSM). But first, let's talk about why RSMs are even needed.

Maybe some of you are sitting on your porcelain throne right now as you're reading this, but unfortunately 2.5 billion people worldwide don't have a toilet of their own. Never thought of reading on your toilet as a luxury, did you? Well it is. Besides being a luxury it keeps you healthy too (the toilet, not the reading). 700,000 children die every year from diseases that could have been prevented if they had access to a proper toilet, and soap to wash their hands. And it's not only children getting sick; adults get sick too. This leads to people having to stay home from work, which means there's no income, which makes their situation even harder. There are a number of other problems caused by the lack of access to proper sanitation and hygiene, but I'll stop here and move on to the topic at hand, rural sanitation marts.

There are several reasons why people don't have toilets in their home. Maybe they don't think they can afford it; or they see no reason to use a toilet; or they don't know where to get a toilet. Maybe they have a toilet but something broke and they don't know where to get spare parts, or have the skills to fix it. Whatever the problem may be there's a good chance that the good folks down at your local RSM will be able to help you out.

What is a Rural Sanitation Mart and What do They Offer?

RSMs aim to be a one-stop-shop for all things sanitation and hygiene. First, let's talk about what kind of products they have. RSMs stock everything that you need to construct a latrine of your own: toilets, latrine pans, traps, footrest, pit covers, pipes, pit lining rings, doors, material for concrete or mortar, bricks, etc. They also keep a stock of items needed to practice good sanitation and hygiene at home, for instance, long handled ladles to scoop water out of a container without touching the water, long neck water pots, brooms to keep areas clean, water filters, and material for cleaning toilets (brushes, disinfectant, etc). Further, they also provide personal hygiene products such as soap, nail cutters, footwear, toothpaste, toothbrush, toilet paper, and menstrual hygiene products. So now you have all these great products, but why use them, and what do you do with them?



That brings us to the services that RSMs offer. First, and most importantly, RSMs employ motivators. Motivators go out into the surrounding communities and provide sanitation and hygiene education as well as promoting good sanitation and hygiene practices. Motivators are driven to do this work by being offered incentives of a certain amount of money per each toilet they promote that is installed. Because a lot of people don't see the need for a toilet these motivators are critical in instigating behavioral change within the community. They spread the word by organizing community meetings, showing films, singing songs, or performing street plays about the importance of good sanitation. Schools are also a great place to promote proper sanitation and hygiene because, as one organization put it, "a convinced child is a committed advocate". Woman's groups should also be employed to promote good sanitation and hygiene practices, however, caution should be taken not to marginalize the men. Motivators also put up billboards and posters, as well as distributing pamphlets and brochures.

It doesn't always go smoothly for the motivators though. Sometimes they are challenged by someone that, even after hearing the health benefits of using a toilet, still don't see the need. Not a problem. There are a number of non-health related benefits of having your own toilet that can be used as motivation: privacy, convenience, safety, status, cost savings (because treating sickness caused by poor sanitation and hygiene is expensive), and income generation from selling compost or vegetables grown in a garden watered with reused water (if bathing station is included). A motivator's job is never done, and it is a good idea that they visit the same site multiple times in order to really get the point across.

Moving on, now that the people in the community are convinced they want a toilet they can head over to their local RSM and talk with the friendly people about what type of toilet is right for them. A good RSM should have multiple toilet and latrine options at different price points to fit everyone's needs. There should also be someone onsite that is trained to give people advice on which type of toilet or latrine is best for their situation.

The last crucial piece of the puzzle is having trained masons on staff to build the latrine and install all of the components. At the very least the RSM should have a list of local masons who are trained to build latrines available to their customers.

Table 2: Parameters of sustainability

<p>Demand generation: Focus on stimulating demand by a sustained, well-designed plan, for village-level promotional activities to change deep-seated unhygienic behavioural practices.</p> <p>Choose the right partner: As RSMs seek to harness private sector initiative, any partner/agency chosen must be aware of the needs, challenges and limitations of running a business.</p> <p>Binding agreements: To ensure the operation for a specified time period, contractual agreements between private entrepreneurs and the concerned agency must be drawn up with penal clauses for default such as premature closure or suboptimal functioning.</p> <p>Set up shop in the right place: Make demand assessment studies in each RSM's catchment area mandatory. Use the results to identify the different nodal points of demand and set up shop accordingly.</p>	<p>Understand the local context: Understanding the local socio-economic settings and cultural norms and practices is essential to designing viable strategies in the local context.</p> <p>Increase managerial and financial support: For the start-up phase there is a need for additional investment of time and money as RSMs often flounder as soon as the support is withdrawn. A phased withdrawal would be most appropriate.</p> <p>Integrated monitoring and evaluation: Creating markets being a complex process, an integrated monitoring and evaluation action plan must run in parallel to reduce the time-lags in executing mid-course corrections.</p> <p>Government/External agencies as guides, donors and evaluators: As demand varies across the country, there is a need for strategic guides to plan and execute a strategy and to evaluate the results.</p>
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Tips for a Successful Rural Sanitation Mart

Once the RSM has the materials/products, the motivators, and the masons all that is required is a sense of business, a little creativity, and some customers. Well, in the perfect world that is all that is required. Here are some other ideas that could help an RSM be successful. How about setting up models of the various toilet/latrine combinations for display so people can see how they'll look once they're installed? Or even better, the RSM could have working models that can be used to show what they'll look like, and to be used by motivators to show that latrines are not as dirty and smelly as some people may think. Also, I think it is a good idea to have a posted price list so people feel that they're being treated fairly and they're getting the same price as everyone else. Additionally, RSMs need to promote their business in the surrounding areas. How is someone going to buy a toilet from your RSM if they don't even know it exists?

Further, a successful RSM needs to have a good reputation. Therefore, it is very important that the latrines being built are of high quality. This starts with your supply chain and making sure the parts that are being bought are of good quality. Speaking of supply chain, RSMs also need to make sure that they have enough stock in their store at all times to keep up with demand. You never want to turn a potential customer away because you don't have what they need.

Now that the RSM is successful maybe they want to branch out into other markets. Besides sanitation and hygiene products RSMs could provide spare parts for water storage tanks, hand pumps, irrigation, etc., and maybe even employ someone that is trained to repair and install this type of equipment. Or how about setting up a system to provide low-interest loans or credit so people don't have to pay for their latrine all at once? The RSM could offer the option, for a little extra money, of having someone come out and check on the latrine once a year, or every two years, to make sure everything is working properly, and if not fix it. Kind of like a warranty. Then there's the critical question of what to do with all of the waste that is being generated by all the latrines being installed. This is another

potential business opportunity. There are actually a couple of opportunities. One is that the RSM could have a composting latrine available for sale for a little more money (because the compost will be a source of income for the owner). The second is to create a branch of the RSM that will go around and pump out the waste from the latrines. This could be a free service provided to people who buy a latrine from this RSM, and a service that people who have latrines from other sources could pay for. The free service would be worth it to the RSM because they could then take the waste, compost it, and sell it. These are just a few ideas of ways to branch out. Do you have any?

Potential problems

As with any business, there are some problems that can come up with RSMs, and I'll just quickly mention two of them that I came upon during my research. One that has been seen in the past is that the demand in an area can be fulfilled by a RSM (good!), and then the owner is no longer able to make a profit (bad). In order to avoid this a demand assessment study should be carried out in the area before a RSM is set up. Here are a few reports on demand assessment: [*Demand Assessment for Sanitary Latrines in Rural and Urban Areas of Cambodia*](#), [*Behavioral Indicators of Household Decision-Making and Demand for Sanitation and Potential Gains from Social Marketing in Ghana*](#), and [*Optimizing the Selection of Demand Assessment Techniques for Water Supply and Sanitation Projects*](#). Another option is to make the RSM semi-mobile so that if demand is



fulfilled the RSM can be moved to a new area that has demand. Or the RSM could shift focus from providing education and new latrines to only providing replacement parts and personal hygiene products; and other things that are still required. People will always need these. Another issue that I touched on already is what to do with all of the waste. This is actually a great opportunity for a second business, or for a partnership with an established waste removal business. Whichever direction the RSM goes, there needs to be a plan put in place (either by the RSM or by the local government) to dispose of the waste or else there will be a mess down the line (literally).

Case Studies

Government of India's Total Sanitation Campaign (TSC) in partnership with Ram Krishna Mission Lok Shiksha Parishad (RKMLSP) and UNICEF – This program to set up RSMs started back in the 1990s in two districts in West Bengal. With a

population of 9.6 million, this was no easy task. They started by reaching out to community organizations to promote proper sanitation and hygiene. Each of these 15 organizations opened 4-5 RSMs each. In large part because of these RSMs between 1991 and 2001 the number of households with sanitary latrines jumped from 5 percent to 60 percent! By 2007 coverage had reached just under 100 percent! Because of the success that was had the model was expanded and by 2007 there were 333 RSMs in 18 districts of West Bengal. To read more about this case click here: [*Rural Sanitary Marts: Developing a sustainable alternate delivery mechanism for sanitation in West Bengal*](#)

Local government of Rajarhat Upazila in partnership with the Department of Public Health Engineering (DPHE) and UNICEF – In this case the local government and the DPHE promoted a standardized toilet model that was sold at RSMs for US\$2.90. Sanitary health and hygiene was promoted by the Chief Administrator of the district, as well as community members, school teachers, and religious leaders. The enclosure for the toilet was separate, and was usually built by the homeowner with locally available material (bamboo, palm fronds, etc.). Because they realized at the beginning of the project that it would be hard for poor families to afford the \$2.90 they set up a saving scheme in which \$0.17 was collected monthly from groups of ten households. Every two months one of the ten families would receive the \$3.40 that had been collected, and this money would be used to buy their toilet components (2000 families bought their toilets through this savings scheme). In a little over two years the RSMs had sold more than 32,000 toilets which resulted in an increase in households with toilets from 16 percent to 99 percent! That's great, but as time passed toilet usage and sanitation coverage dropped. This was due to a number of factors, including damage to toilets, the modification of toilets to make them dump waste into nearby ditches. These problems could have been solved with the warranty type idea that I spoke of above. Even worst, some people interviewed said they were forced by government officials to buy toilets. This is a huge problem which does not lead to a sustainable solution. Were these people even educated or just told that they had to buy toilets? Intimidation is never the way to go with anything, and this case shows that it doesn't work. To read more about this case (and a few others) click here: [Scaling-Up Rural Sanitation in South Asia](#)

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No one can argue against the fact that access to good sanitation is needed by a lot of people, however, you can argue about how to get it to the people. I think the RSM model, when done right, is a great way to increase sanitation coverage and improve people's quality of life. And besides bringing toilets and hygiene products to people, it creates a livelihood for the people running the RSM, for the masons building the latrines, and for the motivators that are out educating the public. This article was meant to just to spread the word of what RSMs are and how they work, but I think it can be a great tool to help improve your local RSM, or to start your own (especially when used with the sources below). One question I

have for you: In my research I was only able to find RSMs in India/Asia. Does anyone know of RSMs in other places? Maybe they're called something different which is why I couldn't find them. Please let me know. I hope this was an informative and compelling write-up, and I'd love to hear your thoughts on it so please leave a comment below and share this with anyone you think it could be useful to. As always, thanks for reading!

Sources:

[Making Rural Sanitation Marts Viable and More Effective – Experiences, Examples](#)

[Water, Engineering and Development Center \(WEDC\) – Sanitation Promotion Through Rural Sanitation Marts](#)

[Rural Sanitary Marts: Developing a sustainable alternate delivery mechanism for sanitation in West Bengal, by Kumar Alok and Sumita Ganguly](#)

[Plan International – Sanitation Marketing: Supply and demand for improved sanitation](#)

[Water and Sanitation Program – Marketing Sanitation in Rural India](#)

[UNICEF – Rural Sanitary Marts and Production Centers – An Evaluation](#)

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[Demand Assessment for Sanitary Latrines in Rural and Urban Areas of Cambodia by Michael Roberts and Anthea Long](#)

[Behavioral Indicators of Household Decision-Making and Demand for Sanitation and Potential Gains from Social Marketing in Ghana by Marion W Jenkins and Beth Scott](#)

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[Water and Sanitation Program – Scaling-Up Rural Sanitation in South Asia](#)

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