

Reaching remote customers by facilitating sanitation business linkages



Business associations link national manufacturers to last-mile customers in rural Bangladesh

BACKGROUND Almost 40 million rural Bangladeshis lack access to an improved latrine. While there are affordable, hygienic latrine products on the market in cities and surrounding areas, these products are not always for sale in remote villages. Anyone trying to build the capacity of the private sector to provide sanitation products and services faces many challenges. Using a market-based approach in remote, rural areas adds even more obstacles, such as underdeveloped supply chains, transportation issues, and lack of product distribution to hard-to-reach villages.

However, sanitation service providers working with iDE in Bangladesh have found a unique solution to many of these problems—forming business associations to leverage their collective

skills and buying power. As a result, customers in remote villages now have access to hygienic latrines at affordable prices and latrine producers who are a part of a business association have seen their sales of hygienic latrines almost double.

Project Background

The SanMark SYSTEMS project (SanMarks), funded by **UNICEF** and **SDC**, is a 46-month-long effort being implemented from November 2015 to August 2019 in 6 districts across Bangladesh. By building the capacity of local entrepreneurs to address sanitation needs, iDE Bangladesh will facilitate 450,000 Bangladeshis in rural households to gain access to improved sanitation products. Under this project, iDE will train 500 local service providers to expand the sustainability of their businesses through improved latrine products and linkages to the wider market.



SanMarkS focuses on bringing sanitation products to remote customers, which is made more challenging by lack of roads and seasonal flooding.

Photo: David Graham / iDE / 2012

One example of this linkage is between latrine producers and retailers of the SaTo Pan, an affordable plastic latrine pan with a water seal designed through a 2012-13 collaboration between iDE and American Standard. Plastic latrine pans are widely available in Bangladesh, but the majority are poor quality, lack a functional water seal, and are not durable enough for regular household use. In contrast, the SaTo Pan is higher quality, longer lasting, and hygienic due to an innovative water seal. Following the SaTo Pan's development, iDE engaged with RFL, a leading plastic producer in Bangladesh, to support the development of both RFL's supply chain to manufacture and distribute the SaTo Pan and the creation of a wider product line to address the improved latrine sector. Strengthening supply linkages builds sustainable supply chains of improved products, which are often overlooked in traditional development programming.

Challenges in Remote Markets

In iDE Bangladesh's previous sanitation marketing work, sanitation service providers identified several challenges to working in remote and difficult to access areas, including a high markup on prices for improved latrine pans, which were only available through a few retailers. Those from the most remote villages reported having to pay markups as much as 150 percent of the cost for a latrine pan compared to what providers paid in other regions. Others noted that pans that had been distributed for free by other NGOs were often sold on the black market, undermining the local supply chain and making it difficult for businesses to set a fair price for latrine sales.

Latrine producers in Patuakhali working with iDE Bangladesh in the SanMark SEAMs and PROOFS projects came up with the idea to solve these problems by forming **sanitation business associations (SBAs)**, a concept that is commonplace in Bangladesh, and widespread in sectors such as farming, textile manufacturing, and leather tanning, among other fields. For the Patuakhali entrepreneurs, forming a business association would enable their businesses to grow and prosper, however, there were no existing associations in the sanitation sector to serve as a model, so the entrepreneurs approached iDE for support and guidance.

While other NGO projects have been successful in delivering technical training to latrine producers, very few projects focus on building wider business capacity or strengthening entrepreneurial associations.

iDE viewed this as a unique opportunity to strengthen the local sanitation market and worked with the entrepreneurs to define the group's objectives, establish membership requirements, and outline responsibilities for the group's leadership. Entrepreneurs wanted to be able to order directly from improved suppliers to reduce their component costs. However, most businesses did not have the capital required to place the minimum order of 20,000 Bangladeshi taka (approximately 250 USD). One of the first actions undertaken by the Patuakhali business association was to pool orders from their members and place a bulk order directly with the manufacturer.

Locally Led Associations Grow with iDE's Support

When the Patuakhali district latrine producers attended iDE trainings on improved latrines as part of the PROOFS and SanMark SEAMs projects, they shared their experience in coordinating purchases with businesses from different regions, inspiring other entrepreneurs to form their own associations. Today, the Patuakhali association has grown from 30 to over 100 members and 5 other districts have also established SBAs under PROOFS and SanMark SEAMs. Over time, the SBAs have expanded their purpose beyond collective ordering to also focus on manufacturing quality. Members emphasize product quality as a key selling point in discussions with customers and focus on maintaining production quality across the association.

Under the current SanMarkS project, SBAs receive 6-12 months of dedicated support from iDE, then begin to establish their own charters, collect membership dues, register with the government, and select leadership to represent them in negotiations with improved input dealers and conversations with local government officials. They are also using guidance and training received from iDE to teach their members how to sustainably run a business that has historically been seasonal and viewed as a low class profession. These efforts have been highly successful—at the beginning of the SanMarkS project, hygienic latrines accounted for only 42 percent of latrines sold by latrine producers, whereas now hygienic latrines make up 72 percent of latrines sold through business association members. There are now 6 district level sanitation business associations working with the SanMarkS project, representing 170 entrepreneurs.



Better, more affordable sanitation products are encouraging customers like this man to purchase from SBA members in Barisal district.

As these associations became more formal, they reached out to iDE for suggestions on how to most effectively use their membership dues. iDE's SanMarkS team has developed a menu of options that leverage these funds to expand business capacity for association members.

Business Association Support Options

- Marketing, sales and distribution support
- Technical and production support
- Business expansion support
- Public sector engagement support
- Connections to private sector suppliers
- Links to banks and microfinance institutions for financing

Benefits of Business Associations

Customers are able to purchase sanitation products that would not have been available in their village before or would have cost significantly more than the same ones sold in urban areas. In many cases, latrine producers struggling to fill bulk purchase orders (i.e., for institutional buyers such as NGOs) will sacrifice quality for quantity. Associations incentivize members to uphold a group standard by basing membership on adherence to quality standards. This results in higher quality, longer lasting products for consumers.

Entrepreneurs pay reduced prices for latrine pans when they are able to place bulk orders through business associations; this savings is then passed on to the consumer. Additionally, a request from a business association for marketing materials from national manufacturers, such as posters and signs advertising the SaTo Pan, is more likely to be

answered than outreach from an individual small business. Associations also offer a platform for the exchange of creative ideas regarding business management or product design. This form of experience sharing and co-creation has been seen in similar farmer associations.

National manufacturers are able to reach new customers who were inaccessible before due to the high cost and logistical challenges of marketing in remote areas. By engaging with a single point of contact from a business association representing several entrepreneurs, companies like RFL have a simple and cost-effective way to distribute their products in sparsely populated rural regions.

Enhanced Quality Control Leads to New Opportunities

iDE provides training on the benefits of improved sanitation, how to correctly install a latrine, business operations, and marketing to one latrine producer in each of the 500 Union Parishads (local government administrative areas) of the SanMarkS project area. When this latrine producer is a member of a business association, he or she will share this new knowledge with other members, rapidly increasing the number of improved sanitation service providers. Although iDE often conducts spot checks among newly trained entrepreneurs, business associations have proactively taken on the task of quality control among members, enforcing high standards and ending memberships for those entrepreneurs doing subpar work. They have also begun engaging with the government to create national quality standards for improved latrines, leading to opportunities for business associations to receive government sanitation contracts.

Photo: Imran Nizami/iDE/2016



The Bangladesh Department of Health will soon begin to endorse sanitation business associations to provide services under large government and NGO contracts.

THE
BANGLADESH
EQUATION



Lessons Learned

ASSESS THE BENEFITS AND POTENTIAL CHALLENGES of creating business associations before engaging. Business associations are an effective approach in remote areas with few entrepreneurs, difficulty accessing product distribution channels, and low demand for products and services. In areas with more density of small businesses and robust markets, the value of a business association diminishes.

ENCOURAGE BUSINESS ASSOCIATIONS TO SELF-REGULATE as soon as they have capacity to do so. In the most effective associations, members determine the group’s objectives, goals, and activities, rather than relying on NGOs for guidance.

LEVERAGE THE MULTIPLIER EFFECT that business associations can bring. Even when some association members are unable to attend a training on a new

technology or latrine installation method, others in the association can share key points from the training with them.

EMPHASIZE QUALITY STANDARDS that business associations can adopt. Associations composed of many local businesspeople are able to more effectively ensure consistent quality among members than thinly-spread NGO staff and can use quality as a selling point when speaking with customers.

Impact

To date, business association members have sold over 150,000 latrines with support and training from iDE Bangladesh, reaching almost 700,000 individuals with affordable, improved sanitation. In addition to decreased incidence of diarrheal disease, families purchasing these latrines have saved an estimated 21M USD per year that would have been spent treating disease or not earned due to the inability to work while sick.

Photo: Imran Nizami/iDE/2016

“Before I began working with iDE, I never imagined that I would be sitting in a meeting next to the Union Parishad leader. Not only have I started my own latrine business—the first of its kind in this Union—but I am seated at a place of respect because of my networks to other larger latrine producers. My life has really changed.”

Sheikh Mohammad Altaf Hossain,
Sanitation Business Association
Member

Sher-E-Bangla Bazar,
Jagua, Barisal



Sanitation Business Association (SBA) – SBAs are groups of sanitation entrepreneurs organized to strengthen the capacity of members through benefits such as training, bulk ordering, and representation to national manufacturers.

Union Parishad – Union Parishads are the smallest local government division in Bangladesh. They are responsible for local governance and administration, public welfare, and economic and social development.

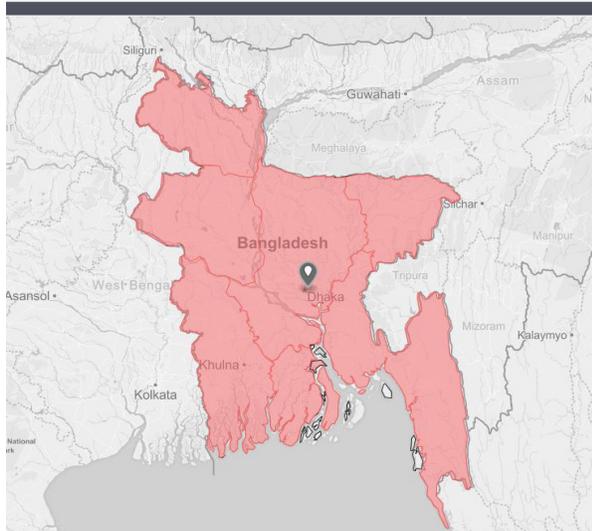
Sanitation Marketing – Sanitation Marketing is an approach that uses marketing to increase consumer demand for sanitation products and services, while building the capacity of local sanitation service providers to supply improved products and services.

 Read More: **Learn about iDE Bangladesh's work engaging private sector actors to address the sanitation gap for rural customers:**

<https://www.ideglobal.org/country/bangladesh>



Photo: Imran Nizami / iDE / 2016



iDE Bangladesh

Phone: (+88 02) 9886548

E-mail: bangladesh@ideglobal.org

Deepak Dhoj Khadka

Country Director, iDE Bangladesh

Dhaka

iDE

iDE creates income and livelihood opportunities for poor rural households across Asia, Africa, and Latin America. iDE builds markets in a range of sectors, including agriculture, water, sanitation, hygiene, and access to finance.

Contact Us

iDE Global WASH Initiative

E-mail: WASH@ideglobal.org

ideglobal.org