

The Commercialization Toolkit offers guiding principles, tools, and case studies to demonstrate how PATH has helped partners through the commercialization process in several developing countries.

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PATH'S Commercialization Toolkit for Small- and Medium-Sized Enterprises

Executive Summary

Background

For the past five years, PATH's Safe Water Project has worked to identify, evaluate, adapt, and develop appropriate products and strategies that enable enterprises to sustainably produce, distribute, and support household water treatment and storage products for low- and middle-income populations. As a component of this program, we have worked extensively with developing-country small- and medium-sized enterprises (SME) and social organizations (such as local nongovernmental organizations [NGOs]) to build commercial capacity and create, test, and refine social business models that can have a meaningful impact on important health issues.

While the organizations with which we work are frequently well positioned to have a health impact

on their communities, we often find they lack the necessary commercial tools and expertise to do so in a sustainable or scalable way. Therefore, in order to address this capability gap, PATH developed a core set of tools and approaches to be utilized by these partners as they seek to identify market opportunities, devise strategies to address these markets, and develop the capacity within their organizations to ensure successful execution of each strategy. As these tools and approaches took shape, we began to recognize universal themes and applications across the many diverse countries, environments, and products with which we work and assembled them into the Commercialization Toolkit for Small- and Medium-Sized Enterprises, with the hope that they can be of use to future PATH partners and other social entrepreneurs and NGOs working in the health space.

Toolkit overview

Through illustrative examples and case studies, the Commercialization Toolkit is intended to be a user-friendly means to demonstrate how PATH has helped partners through the commercialization process in several developing countries. It is broken into eight modules, each covering a different commercial discipline or approach. It is a living toolkit, in the sense that PATH and our partners will continue to add and refine the tools and approaches contained within the kit. Although many modules are labeled in the familiar language of commercial disciplines, they are not meant to present a comprehensive overview or a detailed dive into each discipline, as there are many

other useful approaches that are not contained here. What is contained in the toolkit are specific examples and tutorials of best practices, tested and proven in our work to be effective for social entrepreneurs and NGOs that wish to apply commercial approaches to addressing the issues of global health.

Toolkit modules include Market Landscape, Product or Service, Operations, Working with Key Opinion Leaders, Sales, Marketing, Reporting, and Financing. Modules can be expanded and new ones added as PATH extends our work into new countries and health areas, such as sanitation and air quality.

Modules

I. Market Landscape

Whether introducing a new product or service or attempting to increase the adoption of a current offering, understanding the market landscape in which the organization operates is a must. This module will help SMEs and social enterprises to assess:

1. What consumers need and desire in a product or service and their willingness and ability to pay for it.
2. How other organizations (e.g., the public sector, private competitors) are serving consumer needs, and what products and services are available.

3. The most appropriate methods and channels by which to distribute each product or service.

The Landscape Module approaches this by introducing several important tools:

1. The Value Chain.
2. Market Segmentation.
3. Product Scan.
4. Consumer Survey.
5. Channel Analysis.

II. Product or Service

This module describes what SMEs or social enterprises should consider when developing or delivering a product or service to their target population. The toolkit provides three approaches to consider when introducing or supporting new or existing products or services:

1. Product/Service Mix: Two or more product offerings may support the commercial viability and sustainability of the organization by better targeting simple, low-cost designs to the subsidy market and more aspirational designs to full-cost recovery consumers.

2. Product/Service Optimization: PATH's experience in collecting and translating user wants and needs to develop appropriate and desirable durable household water treatment products has been documented in our *Household Water Treatment and Storage (HWTS) Guidelines*.¹ This knowledge can be leveraged and/or complemented with additional studies to ensure that future products are focused on the target market. The design guidelines may also offer a template for developing a clear understanding of other product categories.

¹ PATH developed its Household Water Treatment and Storage (HWTS) Guidelines to help advance development and use of household water treatment and storage devices by providing benchmarks for product attributes and performance. The guidelines are available at: www.path.org/hwts-design-guidelines/index.php.

3. Design and Manufacturing: Product designs and manufacturing processes can often be dramatically improved to minimize inefficiencies, waste, and

breakage, which increases profit margins and thus supports both the sustainability and scalability of the entrepreneur's organization.

Case Study: Expanding the CWP product mix in Cambodia

The ceramic water purifier (CWP) has been in production in Cambodia since 2001 and consists of a ceramic pot nested inside a clear plastic bucket with a tap. PATH's research in Cambodia found that while users did not like the external look of the CWP, once they had the opportunity to use it, they often rated it higher than other options and stated a desire to make it their primary source of water treatment. Encouraged by this finding, PATH worked with the local manufacturer, Hydrologic, to develop a more aesthetic exterior, based on preferences identified by users themselves. Sold side by side, the basic model targeted low-income households, while the enhanced design was sold to middle-income buyers. In a pilot program, this expansion of the product mix increased the total CWP sales dramatically, contributing to both increased CWP coverage and greater sustainability of the manufacturer, through higher profits.



The original CWP and redesigned CWP

III. Operations

Even the brightest ideas and best products do not get far without proper execution in the field. That is where operations come into play. PATH's experience working with SMEs and social enterprises has shown that improper operational execution can be a prominent barrier to achieving scale and the sustainability of the enterprise. Topics covered in the Operations Module include:

1. Processes
 - Throughput.
 - Quality Control.
 - Inventory Management.
2. Effective Partnering.
3. Distribution Models and Logistics.
4. Customer Interactions and Post-Sale Support



IV. Working with Key Opinion Leaders

Every community has important individuals to whom others turn for advice or guidance in making everyday decisions; we call these people key opinion leaders (KOLs). SMEs and social enterprises wishing to operate in local communities will benefit from the support of these important people. This module describes how to identify and create alliances with KOLs and work with them to:

1. Locate and recruit high-quality staff for the organization.
2. Educate the target population about the need for each product or service (generate demand).
3. Develop distribution channels for each product or service.
4. Support correct and continued use of each product or service.

V. Sales

If the SME or social enterprise requires a target population to purchase a product or service, an effective sales force is vital to its success. Even the best-designed products or services require qualified and motivated salespeople to get them into the hands of the right people. This module supports the sales management program, from the initial decision of which sales model to use, to recruiting and training the right people, to managing a sales force on a daily basis, and finally, how simple tools can aid salespeople on calls. The Sales Module has five components:

1. Sales Model (Direct vs. Retail).
2. Sales Recruiting.
3. Sales Training.
4. Salesperson Management.
5. Sales Tools.



Sales Tools: Participatory flipbooks provide salespeople with a tool through which they can guide customer interactions.

VI. Marketing

Products and services will not be successful if the target population is unaware of them or does not understand their benefit to their lives. This module provides an outline for assisting SMEs and social organizations in developing the appropriate messages, targeted to the optimal audience for each product or service. It also supplies a framework for creating marketing and promotional assets and examples of various forms these may take. The key components of this module are:

1. Determining the marketing medium and message.
2. How to work with media partners.
3. Metrics for measuring messaging success and return on marketing investments.
4. Sample marketing and promotional assets and how to create and distribute them.

Case Study: Product demonstration stations in Kenya

In Kenya, PATH collaborated with Chujio Ceramics and the Safe Water and AIDS Project to sell a ceramic water filter. Because customers wanted to see the filter and taste the water prior to purchasing the expensive item, vendors in remote areas initially had a difficult time meeting the demand, as the filters are bulky, fragile, and difficult to transport. To address this, PATH helped establish public demonstration centers throughout rural areas as a convenient and low-cost option for demonstrating the product to potential customers. Having a physical unit on display allowed consumers to evaluate the product prior to purchase and provided an opportunity to interact with the filter in a convenient location, such as a school health clinic. Further, placing the filter at these locations had the added benefit of providing an endorsement from respected sources (teachers or health professionals). The month after these stations were implemented, sales increased dramatically from the prior month.



PATH

VII. Reporting

The Reporting Module is key in the optimal management of sales efforts and a critical element in the support of efficient operations and business sustainability. There are three components to this module:

1. The Value of Metrics

- Why should you measure?
- What should you measure?
- How to establish a baseline and track improvements against baseline.

2. Sales Reports

- Field Sales Reports: Allow the sales manager to interact with salespeople in real time, using fresh data to assess and guide salespeople to improve performance.
- Master Sales Reports: Allow management to view sales data across the sales team over time, spotting trends and identifying best practices for program improvement.

3. Profit and Loss Reporting

- Tracking product and service sales by category over time.
- Understanding fixed and variable costs.
- Tracking return on investment of funds spent on capital assets, marketing, etc.

Case Study: Sales reports in Vietnam

In Vietnam, PATH collaborated with Zuellig Pharma and District Preventative Medical Centers to distribute Aquatabs® (AT) to households in a direct sales

model. Commune health station collaborators (HSCs) went door to door among households to explain to them the importance of treating and storing water properly. They also explained that Aquatabs® are an affordable and convenient way to treat water and sold them. Sales were tracked according to each health station collaborator's employment status, gender, and age as well as whether the communes received free storage containers. This tracking revealed that part-time employees, who were females between the ages of 50 and 59, had higher closing ratios and sales volumes. This allowed partners to recruit new salespeople according to these criteria and led to an increase in sales by these new salespeople when compared to those who were replaced.

Dec 2010 - Jun 2011 Aquatabs sales analysis

		Average # of HSC	Average Closing Ratio	Total # of AT sold	Average AT sold per HSC
TOTAL					
Full Time Employee	Ytd	29	18%	1,5553	467
	Mo	48	28%	22237	517
Free Storage Container	Ytd	37	22%	18679	505
	Mo	35	28%	17109	489
Gender					
	Male	29	22%	13930	446
	Female	48	25%	22808	532
Age Group					
	20-29	12	38%	5458	455
	30-39	18	22%	6099	466
	40-49	21	22%	10140	484
	50-59	21	28%	11249	536
	60-69	3	20%	862	284
	TOTAL	72	24%	38828	489

VIII. Financing

SMEs face ongoing difficulties in not only financing their operations but also in providing financing options for customers. This module describes the financing options available to SMEs and social enterprises, the benefits and risks of each, and how to determine which option is appropriate for the organization. The module includes:

1. Options and guidelines for financing the start-up and growth of an SME.
2. Guidelines for working with local lenders (microfinance institutions, banks, savings and lending groups) to make consumer financing available for the purchase of products or services.

Case Study: Financing water filters in Asia

Market research in Cambodia and India indicated that while there was demand for household water treatment devices, access to these products was often limited by consumers' ability to pay for them in one lump sum. In addition, while many lending institutions are active in both countries, these lenders historically have not been comfortable making loans to consumers for household items. To address this, PATH teamed up with two filter manufacturers, Hydrologic in Cambodia and Hidustan Unilever (HUL) in India, and worked with local microfinance institutions (MFIs) to create a consumer water filter loan program. Under this program, Hydrologic and HUL salespeople accompany loan officers to regular meetings of joint borrowers, where they educate participants on the need to treat water and offer filters for sale on installment. Households that wish to purchase are then able to do so through a loan from the MFI, paying for the filter over several months.

To date, results have been promising in both countries. In Cambodia, Hydrologic's sales more than quadrupled in the pilot area, while its MFI partner, VisionFund, is now enthusiastically adding filter financing to its lending mix and looking for ways to scale up the program. In India, HUL is committed to expanding its filter financing program with support from multiple MFIs, in spite of what is otherwise currently a challenging environment for MFIs in the country.

For more information about this program or detailed results of the program evaluation, please contact info@path.org.

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