

KENYA G-LAB TEAM FINAL PROJECT
DEVELOPING A SALES AND TRAINING PLAN IN NYANZA PROVINCE, KENYA

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Executive Summary:

This paper provides a summary of our Global Entrepreneur Lab (G-Lab) project in Nyanza province and Kisumu, Kenya during January 2005. The first section of this paper provides background on Kenya in general and Nyanza province in particular. We also discuss waterborne illnesses, point-of-use water treatment, and the Society of Women and AIDS in Kenya (SWAK), the organization that was the focus of our project. The second section outlines our project goals and describes our deliverables. We gave a presentation to SWAK which included business recommendations, as well as a suggested training curriculum for the SWAK groups who are selling WaterGuard. The third section of this paper delves into the details of the deliverables, and the fourth section describes where we see the Safe Water System project in Nyanza Province going in the future. The final section provides a conclusion and summary of the project.

Section I: Background

Kenya

Kenya is a country roughly twice the size of Nevada located on the equator in eastern Africa. Agriculture and wildlife safaris are two of Kenya's largest industries, and the country is rich in natural resources. Unfortunately, these resources and industries are not equally distributed throughout the country and some provinces are poorer than others. Nyanza province, where our project was located, is one of Kenya's poorest provinces.

Nyanza

Nyanza (Swahili for "Lake") Province has a population of approximately 4.5¹ million and is situated in western Kenya around the shores of Lake Victoria². (Figure 2) Lake Victoria is the world's second largest fresh water lake, and its shores reach Uganda and Tanzania. Trade was the main industry in the region for many years. Unfortunately due to the demise of the "East African Community" trading agreement in 1977, the introduction of an exotic, fresh water weed which clogged the shipping lanes, and the subsequent collapse of the trading industry, the economy of the area has suffered. In fact, in Nyanza's capital Kisumu (pop. 400,000³) the 2002 the annual per capita income of the area was only KSh. 14,160⁴ (approx. \$177⁵) This is more than 50% below the "dollar a day" poverty line set by the World Bank⁶.

¹ <http://www.cbs.go.ke/census1999.html>

² See Figure 1

³ <http://www.rvsci.us/html/kisumu.html>

⁴ http://www.nationaudio.com/News/DailyNation/12052002/Comment/Sp_Report43.html

This poverty is compounded by the HIV/AIDS epidemic that is sweeping Africa. Due to a number of local customs, the Nyanza province is suffering particularly hard from HIV/AIDS with approximately a 20%⁷ infection rate, although some estimate this rate may be higher.

The poverty in the region, as well as Kenya's corrupt national and local governments⁸, means that little infrastructure exists. This has resulted in only 0.6% of the population in the province having access to piped water⁹. The majority of the people in the province collect water from natural sources (e.g. rivers, rain, and wells). This water is often not disinfected to prevent microbiological contamination and is therefore highly susceptible to one or more disease-causing agents.

Waterborne Diseases and Nutrition

A variety of waterborne diseases and disease-causing microorganisms can be contracted by drinking untreated water. Among the worst diseases are cholera, dysentery, typhoid, and chronic diarrhea. These diseases cause massive dehydration by diarrhea in infected persons and can be fatal if left untreated. In fact, the Centers for Disease Control (CDC) estimates that annually one million people (mostly children) die from diarrhea each year¹⁰. In addition to these major diseases, drinking untreated water can also lead to less serious forms of diarrhea and can lead to increased susceptibility to infection and malnutrition. Malnutrition is already a major issue in Nyanza due to the poverty and drinking untreated water compounds the problem.

Point of Use Water Treatment

Drinking water can be easily treated and many non-governmental organizations (NGOs) are working on water treatment programs. A very popular focus of these programs is the treatment of water at the point of use (POU). This differs from the centralized treatment commonly found in developed countries, where the water is treated in a central treatment facility and then delivered via a piped infrastructure. Since Nyanza lacks a piped infrastructure, water is collected by individuals from their local source. This water is then transported in five gallon containers ("jerry

⁵ KSh 80 equals approximately \$1

⁶

<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/EXTPA/0,,contentMDK:20153855~menuPK:435040~pagePK:148956~piPK:216618~theSitePK:430367,00.html>

⁷ http://www.pathfind.org/site/PageServer?pagename=Programs_Africa_Kenya_Country_Profile

⁸ <http://www.transparency.org/cpi/2002/cpi2002.en.html>

⁹ <http://www.irc.nl/page/14671>

¹⁰ http://www.cdc.gov/ncidod/dbmd/diseaseinfo/waterbornediseases_t.htm

can”) to their homes where the water is ultimately stored in a wide mouth, open-topped clay jar. Cups are then used to scoop the water from the jar for drinking. Point of use treatment in Nyanza focuses on treating the water that goes into the clay jar.

A common form of water treatment in Nyanza is the addition of small amounts of sodium hypochlorite at the point of use. Sodium hypochlorite is cost effective, easy to use, and easily made. The focus of our project is a sodium hypochlorite product developed in conjunction with the CDC and branded in Kenya under the name “WaterGuard”. We also looked at a combination flocculent/sodium hypochlorite powder manufactured by Proctor & Gamble and marketed under the name PUR®. Because the findings and recommendations are similar between PUR® and WaterGuard, for the purposes of this paper, we will focus on WaterGuard specifically.

WaterGuard

Waterguard¹¹ is a liquid sodium hypochlorite solution sold in 500ml bottles at a retail price of KSh. 45 (approximately \$0.56) (Figure 2). For use, one-half capful of the solution is added to 20 liters of water and allowed to sit for thirty minutes. Waterguard’s per use cost is very low, and one bottle can treat up to 2500 liters. However, due to the high rate of poverty in the province, the absolute cost is very high for consumers in the region. While much is being done to keep down the cost, rising manufacturing cost and an increase in Kenya’s value added tax (VAT) added an additional KSh 10 to the price in the beginning of 2005.

In order to keep the costs of the product as low as possible, the CDC is working with a NGO, Population Services International (PSI), to distribute and sell WaterGuard. PSI coordinates the manufacture of WaterGuard, and PSI also sets the margins and spearheads all marketing efforts. WaterGuard is distributed wholesale in crates of 24 bottles, at a price of KSh 40 per bottle, leaving KSh 5 margin to the retailers.

Society of Women and AIDS in Kenya (SWAK)

SWAK is a loosely connected group of support and care groups whose main purpose is the emotional support and care those affected by HIV/AIDS. SWAK Nyanza is headquartered in Kisumu, and the groups are scattered throughout the region. The SWAK coordinating office in Kisumu identifies active community groups such as youth groups, widows and orphans groups

¹¹ WaterGuard was branded Klorin until May 2003

and womens groups. SWAK then supports these groups in their efforts to address the affects of HIV/AIDS in their area.

In addition to activities (Appendix 9), one way that SWAK contributes to the groups is through the provision of basic business training and relevant health-related products at wholesale prices. SWAK group members then go out into the community and sell these products, thereby filling two valuable needs. First, the community gets access to goods that might not be readily available, and the individuals in the groups can earn much needed income.

One of the newest products added to the SWAK “basket of goods” is the WaterGuard product. Unfortunately, the WaterGuard product was not selling as well as had been hoped, so SWAK and the CDC reached out to us as business school students to investigate the causes and potential solutions.

Section II: The Project--Scope, Methodology, and Final Product

Initial Project Scope

The scope of our initial project was determined after several conversations with Dr. Robert Quick, a medical epidemiologist with the CDC (who started The Safe Water System (SWS) program in Kenya along with CARE International and PSI), and Susan Murcott, Lecturer in the Department of Civil and Environmental Engineering at MIT. In the first draft of our letter of agreement, we indicated that our deliverables would include “a business plan for water purification products, including best practices and microfinance indicators.” Our second deliverable was “a marketing plan for water purification products, including training and scaling.” (Appendix 1). After discussion with various stakeholders, we decided that we would provide an outline for a training curriculum for the SWAK groups as a third deliverable.

Final Project Scope

Once we arrived in Kisumu and had spent some time with our key stakeholders, we changed the scope of our deliverables to best meet their needs. Because information transfer was limited between groups, we realized that while it was important that we understand the best business practices for the sale of the WaterGuard, it was more important that this information be shared between groups. In the end, we created a presentation for SWAK Nyanza that outlined:

- 1) Current best practices among SWAK groups for the sale of WaterGuard
- 2) The attributes of an “ideal group”
- 3) A business model, including marketing strategy, bookkeeping suggestions, and ways to deal with capital constraints
- 4) A five-day training curriculum for the SWAK groups on the business practices associated with POU water treatment products
- 5) Recommendations for addressing common challenges that SWAK groups faced

In addition, when we gave a presentation to PSI Nairobi, we included suggestions for inexpensive ways to market WaterGuard in rural Kenya. Due to the needs that we observed while in Kenya, the final deliverables focused more on the training curriculum, and less on microfinance (which was extremely limited) and less on tips for expanding WaterGuard globally.

Stakeholders

See Appendix 3.

Methodology

Our research consisted of three major components:

- 1) Preliminary research while in the United States
- 2) Interviews with stakeholders in Nairobi
- 3) Interviews with stakeholders in Kisumu

Prior to our arrival in Kisumu, our team prepared for our trip through extensive research and planning. We:

- 1) Created a Gant chart outlining our research plan prior to departing for Kenya (Appendix 2)
- 2) Conducted preliminary “book” research on Kenya, Kenyan culture, Kisumu, household water treatment, clean water, travel in Africa, and microfinance (Appendix 5)
- 3) Held phone or in-person interviews with key stakeholders as well as other individuals with relevant knowledge (Appendix 4)

During the day we spent working in Nairobi, we met with:

- 1) Leaders from PSI Kenya in Nairobi
- 2) The head of SWAK Kenya

After our arrival in Kisumu, we learned about SWAK and the sale of WaterGuard through:

- 1) **Interviews with Alie Eleveld, Technical Support Officer for SWAK Nyanza.** Alie arranged all of our transportation, lodging, and visits to our community groups. In addition to providing us with support, through our extensive conversations with Alie, we gained insight into the cultural and business climate of the region.
- 2) **Focus groups (interviews) with 14 local SWAK community groups.** Best practices and the needs of the community were determined through 2-3 hour focus groups with sellers of the SWS products. The bulk of our research was done through these interviews. See Appendix 4 for a list of groups.
- 3) **Individual, house-to-house visits to understand actual use and perception of safe water system products.** These visits were conducted by Pragnya Alekal, a MIT Civil Engineering masters student, who also served as our technical advisor. Each member of our team took turns shadowing Pragnya and learning more about the buyers of WaterGuard.

Final Product

- 1) Presentation to SWAK Nyanza as well as to SWAK community group leaders
- 2) Presentation in Nairobi to PSI with suggestions for rural marketing

Section III: Findings and Recommendations

General Findings and Recommendations

The current SWS business model is not conducive to financial success¹². The top-selling groups sell only 96 bottles of WaterGuard a month, which represents almost a 0% penetration rate. Most groups sell 48 or fewer bottles per month. Margins are pegged at a very low rate, incentives to sell are extremely low, access to training on products and basic business tactics is severely limited, and a lack of resources affects all aspects of selling, from distribution to marketing.

Nonetheless, trends did emerge in our research that shed light on opportunities for improvement within all groups, as well as at the SWAK administrative level. At the end of our on-site stay, we reported on the ideal business model, a marketing plan, a training curriculum, and solutions to common challenges.

¹² It is worth noting that the ultimate goal of SWAK's SWS sales is not financial success. Instead, the group aims to spread education about water-borne illnesses and improve the general health of each community where SWAK operates. With this goal in mind, even modest WaterGuard sales should be considered successful. Given the business-oriented nature of our project, however, we have focused our analysis on the viability of the SWS sales model from a business perspective.

Business Model Recommendation:

The most successful groups were ones who had spent time planning and thinking about the selling of WaterGuard. We recommend the implementation of formal business planning, from conception to implementation to maintenance. Our business model is subdivided into nine sequential sections:

1. Establish goals
2. Raise capital
3. Educate sales people on products
4. Create organizational structure
5. Create territory structure
6. Create customer segmentation to aid in sales planning
7. Implement plan
8. Keep records
9. Conduct follow-up appointments

Finding	Recommendation	Detail
<ul style="list-style-type: none"> • The most successful groups had discussed the reasons why they wanted to sell the Safe Water products and what they intended to do with the profits <ul style="list-style-type: none"> ○ Examples included: raising money to support widows and orphans, helping improve the health of the community, and complementing their services as community health workers 	<ol style="list-style-type: none"> 1. Establish Goals 	<ul style="list-style-type: none"> • Each group should discuss what is important to that group's particular purpose, and should make sure all group members agree on the overall goals. • Additionally, setting sales targets and revenue goals will help with motivation and creating a common ambition.
<ul style="list-style-type: none"> • Groups used a variety of means to save enough money for an initial capital investment to build an inventory of products. <ul style="list-style-type: none"> ○ Examples included: group member donation (merry-go-round saving), income from other income generating activities (IGAs), microfinance loans and donations • Some groups would not set aside the portion of revenues which was needed to sustain the business selling Safe Water products. <ul style="list-style-type: none"> ○ These groups were unable to maintain original levels of inventory, and they had long gaps in supply. 	<ol style="list-style-type: none"> 2. Raise Capital 	<ul style="list-style-type: none"> • First Time Capital: The amount needed to purchase the first round of inventory <ol style="list-style-type: none"> 1. Identify amount needed <ol style="list-style-type: none"> i. Start small (e.g.: one crate) 2. Think about possible sources of money and choose the mix that best suits the group 3. Arrange purchase of inventory with SWAK • Continuing Capital: The amount needed to either sustain or grow inventory <ol style="list-style-type: none"> 1. Maintain Original Capital- set this money aside, only spend profits. 2. Identify additional amount of money needed <ol style="list-style-type: none"> a. Sustainability: only original capital amount needed b. Expansion: estimate how many products can be sold based on past data

Finding	Recommendation	Detail
<ul style="list-style-type: none"> The level of knowledge about the products and waterborne illness was often limited within groups Only a few members in each group had attended the SWAK organized Safe Water System (SWS) training. The intra-group teaching of untrained group members was often informal and abbreviated. Questions raised by community members went unanswered if the salesperson did not have the answers. Training on products only occurred once within each group, and new members were not formally trained. 	<p>3. Educate salespeople on Safe Water Products</p>	<p>3. Think about possible sources of money, as in first time capital</p> <ul style="list-style-type: none"> Each group should create formal training procedures A representative should go to SWS training and then be in charge of teaching the rest of the group <ul style="list-style-type: none"> Create group training plan Schedule time in advance to share knowledge with group Don't let questions go unanswered <ul style="list-style-type: none"> Write down questions from community and group Arrange systematic way to get answers. (e.g.: have specific person in group responsible to get answers from SWAK or CDC) Hold regular training review <ul style="list-style-type: none"> Hold periodic and new member review sessions Ensure all members understand all product benefits
<ul style="list-style-type: none"> The most successful groups had assigned specific roles and positions to facilitate the sales of Safe Water products One reason often cited for not being motivated to sell was difficulty in dealing with rejection or bad sales days, and the isolation of walking door to door by yourself. Some groups reported difficulty in retrieving a consistent supply of inventory because they live far away from a central region and may not be able to make it to the appropriate contact in a timely manner to purchase more 	<p>4. Create Organizational Structure</p>	<p>Each group should have the following positions, and all positions should work closely with the record keeper:</p> <ul style="list-style-type: none"> Sales Manager <ul style="list-style-type: none"> Dedicated to managing and increasing product sales Makes sure everyone in group is familiar with products Coordinates sales teams Responsible for communication with other groups Distribution Manager <ul style="list-style-type: none"> Gets products from distributor (e.g. SWAK, CDC) Responsible for getting questions answered Record Keeper Sales teams <ul style="list-style-type: none"> Pairs for door-to-door Teams for events
<ul style="list-style-type: none"> Many salespeople focused only on houses close to their own. In some communities, one person might be familiar with the product, but a neighbor - or even someone within the same compound – might not be aware of the product Coverage of communities was generally sporadic 	<p>5. Create Territory Structure</p>	<ul style="list-style-type: none"> Review community area and establish sales territory Create systematic plan to reach each person in territory If one person does not buy the first time, continue to return to that house on a periodic basis

Finding	Recommendation	Detail
<ul style="list-style-type: none"> • Only a few groups actually planned out which houses and areas they would travel to each day that they were door-to-door selling. • No group had a defined sales territory 		
<ul style="list-style-type: none"> • All groups indicated that female heads of households were by far their most common customers • Some groups sold to men, but only at specific times (eg: at <i>community meetings</i>) • No group had examined opportunities in trying to segment the market 	6. Create Customer Segmentation to Aid in Sales Planning	<ul style="list-style-type: none"> • Identify types of customers • Identify influential people in community who might help you sell • Identify events and activities which will reach these people. • See attached example in Appendix 6
<ul style="list-style-type: none"> • There was a severe lack of marketing materials • The most successful groups relied on each other for support and encouragement 	7. Implement	<ul style="list-style-type: none"> • Use the information in steps 1-6 and go out and sell <ul style="list-style-type: none"> ○ Use customer segmentation plan ○ Create and use marketing materials ○ Use knowledge from training ○ Use group for support
<ul style="list-style-type: none"> • Inventory control is extremely important because of the low margins <ul style="list-style-type: none"> ○ Groups would have to sell 7 bottles to be able to repurchase one lost bottle • Some groups were using their capital replenishment revenue to purchase non-SWS products (such as goats) and were unable to sustain the businesses 	8. Keep Records	<ul style="list-style-type: none"> • Keep sales ledger <ul style="list-style-type: none"> ○ Keep capital money separate from profit ○ If you want to expand inventory, put profit in capital account • Keep pending sales ledger <ul style="list-style-type: none"> ○ Helps track inventory and ensures capital recovery ○ Give out more product only when salesperson has returned money for previous products • See attached example in Appendix 7
<ul style="list-style-type: none"> • Many community members were not using the proper dosing of the Safe Water products. Underdosing, overdosing and inconsistent use were the most popular misuses. • Boiling and no treatment are the most common competitors to Safe Water Products • When a potential client does not buy the product the first time he or she is approached, most groups did not return to that person to try to sell again • Because trust levels have to be high before someone will try something new, word of mouth is a very popular means of sales expansion 	9. Conduct follow-up appointments with customers	<ul style="list-style-type: none"> • After sale, visit customer at home <ul style="list-style-type: none"> ○ Make sure she is using product properly ○ Answer any questions ○ Add customer house to territory plan ○ Schedule next meeting with customer • Even if you were turned down once, try visiting potential customer again • Ask for referrals to find new customers <ul style="list-style-type: none"> ○ Ask if there is someone else in the area you can visit ○ Ask for testimonials ○ Ask customer to tell friends about product

Training Curriculum Recommendations

A new training curriculum is needed to promote the sale of WaterGuard. The existing training schedule inadequately prepares the SWAK groups to successfully sell the products.

Currently, the training consists of a three day "Income Generating Activities" (IGA) training and a one day seminar on waterborne illness and safe water products. The IGA training focuses more on assessing market need than addressing planning, and the IGA training does not help the group members to think about the variety of tactics they can use to sell their products.

Furthermore, there are barriers to the dissemination of information to the entire group or to new members. These barriers include centralized trainings that only one or two people from each group can attend, lack of materials, and lack of guidance on how to teach non-trained members.

A new training curriculum should be more rigorous, covering each section of the business model, field training, and a train-the-trainer section. Ideally this training would be done regionally, so all group members could attend. After training is complete, refresher training should be undertaken after six months to address any troubles or issues the community groups have encountered.

A five day training curriculum should look similar to this:

Day One

- Familiarize with product (SWS Training)

Day Two

- Establishing Goals
- Raising Capital

Day Three

- Organizational Structure
- Territory Structure
- How to Create Sales Plan (customer segmentation)
- Record Keeping

Day 4

- Implementation
- Familiarization with marketing materials
- Learn how to follow-up with customers
- Practice skits

Day 5

- Field-Training (mentoring, shadowing)
- Train-the-Trainer

6-Months after Training

- Regional refresher course

Marketing Plan

Current rural marketing for WaterGuard is minimal, and there is opportunity for effective and inexpensive marketing programs. The customer segmentation plan outlined in the business

model and exhibited in Appendix 6 is the first step in creating effective marketing. Each group needs to recognize the unique needs of different members of the community population, in order to create a customized sales approach. Additionally, there are a variety of marketing materials which would add incentives for salespeople and ensure the proper use of products.

- Instructional Materials such as brochures, hand-outs and calendars
 - Customers who used the products properly reported a reduction in diarrheal diseases and were more likely to want to purchase the products again
 - Many customers were not dosing properly or were not updated on changes in dosing schedules
 - Rural citizens have an extreme lack of resources and desire decorations of any kind. Offering free calendars with instructions for the products would be highly welcomed
- Rural Event Sponsorships such as football and athletic tournaments, local dramas and plays
 - Market penetration is highest at community events where large numbers of the rural population gather together
 - Public events allow for an educational opportunity to teach about why use of the products is necessary
- Low-Cost Sales Incentives such as badges and certificates for salespeople, or free pens with purchase
 - Group members are proud to be SWAK members, and uniforms solicit respect and trust from community members—two characteristics vital in the sale of health care items
 - Badges help to formalize the selling process, and highlight the importance of the work these SWAK members undertake.
 - Especially with door-to-door sales, morale can be low with long walks between houses and heavy products to carry. Any kind of reward to motivate salespeople and to encourage high sales is helpful.
- Sales Contests and Rewards, for example, award a bicycle to the group with the highest sales in region
 - Most groups lack sufficient access to transportation which limits their ability to have full territory coverage.
 - Contests and rewards will motivate salespeople to be more aggressive and intelligent about selling products.

Common challenges

Many groups experience similar frustrations in day to day operations. These are some suggestions to help address these issues.

Type of Problem	Problem	Recommendation
Demand Issues	Lack of Customer funds	<ul style="list-style-type: none"> Suggest creative ways to gather funds <ul style="list-style-type: none"> Example: buy 1 bottle for each compound Sell in small quantities <ul style="list-style-type: none"> Example: go door to door and sell one capful at a time.
	Low Awareness	<ul style="list-style-type: none"> Do more events: refer to sales plan/customer segmentation Perform demonstrations Be a role-model: Group should use product Make product suggestion at point of sale <ul style="list-style-type: none"> If someone buys a related product, suggest WaterGuard to them Use marketing materials (e.g. posters, handouts, brochures)
	Lack of Customer Incentive to Buy	<ul style="list-style-type: none"> For challenging sales, offer first time purchase at cost Offer free gift with large or bulk purchases
Supply Issues	Irregular Supply	<ul style="list-style-type: none"> Schedule regular delivery of product to central location
	Lack of group funds to repurchase Safe Water Products	<ul style="list-style-type: none"> Don't spend original capital on anything but product
Incorrect Usage of Product	Overdosing, underdosing, inconsistent use, no retreatment, using for purposes other than drinking water	<ul style="list-style-type: none"> Use picture-based instructional material Leave instructions for customers at house Include information on product choice and dosage Use follow-up meeting to check if product is being used correctly
Low Incentive to Sell	Margins are too low to have profit be a strong incentive	<ul style="list-style-type: none"> Give badges to all salespeople to wear while selling Give certificates to top-selling groups Create prizes for successful sales: in group, in greater community, regionally, nationally Set sales goals Give group recognition of top salespeople Give regular pep-talks to remind group of the great things they are doing to help the community

The Ideal Group

Although a more formalized approach to selling products will help increase sales, the main driver of success appears to be group members who are extremely motivated to help their community. These people have a passion to help and are motivated by the idea of improving lives within their communities. These groups create strategies to structure their activities and are continually

brainstorming to come up with unique ways to improve market penetration. The salience of their energy and enthusiasm inspires respect from the community. They are highly regarded because they are helping and educating the community as well as because they are trained, skilled and have exhibited success. Ultimately, these qualities are the foundation upon which a successful business model and marketing plan can be implemented. We outlined the qualities that we believe go into the “ideal group” and presented this to SWAK Nyanza (Appendix 8).

Section IV: Going Forward

In this section, we summarize the challenges presented by the SWAK business model, introduce options for future growth, and review the value that our team’s involvement added to the Safe Water initiative in Nyanza.

SWAK Business Model: Initiatives in Progress

As discussed above, the structure of the rural WaterGuard sales model poses significant challenges for growth in Nyanza Province. However, several key initiatives that were outside the scope of our project are in progress, and may address some of the most problematic features of the business model:

- VAT Tax Exemption: PSI submitted a petition to exempt WaterGuard from the 16% VAT tax to the Kenyan Government in late 2004, just after the product lost its tax-exempt status. The petition will be pursued in 2005, and it is entirely possible that the product will receive exemption (many other PSI products are VAT-exempt).
- New Bottles: PSI plans to introduce smaller bottles in 2005 to address both a) the high absolute cost of a KSh 45 product b) the rural purchasing patterns that encourage packaging in the smallest quantities available. The new bottles will initially cost KSh 25 (including VAT), but will include a more concentrated chlorine solution that will last almost as long as the existing, larger bottle. The reduction in price – particularly if combined with VAT tax exemption, which would lower the total price to KSh 21 – would help rural sales considerably: not only would the end-user purchase become more affordable, but individual groups would have lower capital requirements to buy and expand stock.
- PSI Rural Marketing Efforts: PSI currently does not fund any rural marketing. If PSI receives funding from its national office for the WaterGuard product, then PSI will support SWAK’s efforts with rural marketing resources.

In addition, SWAK’s efforts in rural areas have pushed the proportion of rural WaterGuard sales relative to total provincial sales well above the national average: to 13%, vs. the national average

of 5.6% rural sales. If the various initiatives described above are successful, then it is likely that the rural community groups selling this product could benefit considerably from increased product demand. In particular, if PSI launches a rural marketing campaign, the rural community groups will not have to shoulder the burden of conducting all marketing efforts on their own. With the introduction of the KSh 25 bottle, the community group margins will rise from 11% (KSh 5 per KSh 45 bottle) to 20% (KSh 5 per KSh 25 bottle). This will make the product more attractive, and easier to sell and re-stock.

Our Contribution to SWAK

The value that our team added to SWAK's point-of-use water sales project was really found in our introduction of a business focus to their rural sales initiatives. Most of the stakeholders involved in rural WaterGuard and PUR® sales view their activities from an education and health perspective. While SWAK focuses on AIDS-related activities, and the CDC is concerned about incidences of diarrhea, both groups are now involved with a considerable business initiative. Although the goal of selling point-of-use water products is to mitigate health- and AIDS-related problems, in practice SWAK is running a small business. The most important value that we brought to the project was the integration of a business perspective into their sales and training efforts:

- Customer Segmentation: Introducing customer segmentation and targeting to rural groups, to help them to create strategies to gain new customers and recruit influential community members to boost sales
- Business-Focused Training Plan: SWAK's existing "Safe Water" training did not include any business content, even though water product sales requires the management of a small business. We created a new training structure and content outline that emphasized accounting, inventory management, marketing, and sales.

Section V: Conclusion

Although SWAK's business model for the sale of water purification products does face a number of structural and environmental challenges, our team was impressed by the commitment and motivation of the grass-roots community groups who were selling the products. Despite incredibly low margins, inadequate training, and little bookkeeping or sales experience, groups continue to reach out to the community and spread awareness about water safety through the sale of the Safe Water products.

There is hope for future sales in Nyanza province: SWAK has recently received funding for an enhanced training program, and the new bottles have been designed and are ready to ship. If this is accompanied by the elimination of the VAT tax, and, most importantly, rural marketing support from PSI, it is likely that product sales in the region will take off. The Safe Water products could become a real income-generator for rural community groups.

Finally, this project was an incredible learning experience for the whole group. Not only were we faced with an entirely new culture and environment, but we were also presented with the opportunity to work with an incredibly diverse cross-functional team. During the project we worked with environmental engineers, P&G managers, CDC specialists, NGOs, and – most importantly – the community members who sold the water products. The project brought home to us the challenges facing communities devastated by HIV/AIDS, in a way that reading about the problem just cannot do. It was amazing to see so many dedicated people overcoming the challenges that this kind of environment presents, and this experience puts the challenges of our own daily lives in perspective.

Glossary of Acronyms:

CDC: Center for Disease Control

G-Lab: Global Entrepreneurship Lab, a MIT Sloan class

IGA: Income Generating Activity

MIT: Massachusetts Institute of Technology

NGO: Non-Governmental Organization

POU: Point-of-Use

PSI: Population Services International

SWAK: Society for Woman and AIDS in Kenya

SWS: Safe Water System (which includes: 1. disinfection 2. storage 3. education)

Figure 1

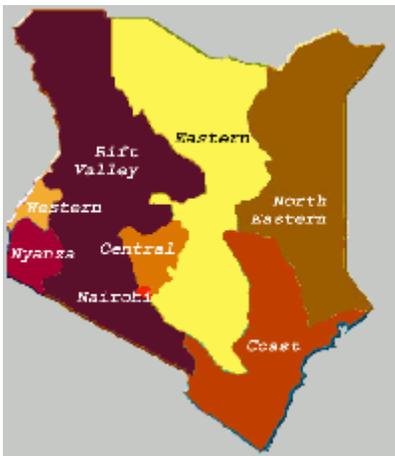


Figure 2



Appendix 1

Scope/Deliverables

During this project, we will focus on clean water distribution practices in Nyanza Province, Kenya. In particular, we will concentrate on developing a sustainable business and marketing strategy for two “point of use” water purification products: Pur & Water Guard.

Our final deliverables for this project will be:

1. A Business plan for water purification products, including best practices and microfinance indicators
 - Includes summary of best practices based on interviews with Nyanza Province SWAK groups
 - Will provide targeted advice to individual SWAK groups as needed
2. A Marketing plan for water purification products, including scaling and training recommendations
 - Will review existing training curriculum and update based on best practices from primary research & marketing strategy
3. Recommendations for Global Scaling
 - List of recommendations for further research in order to create a review of global safe water system implementations from a business perspective

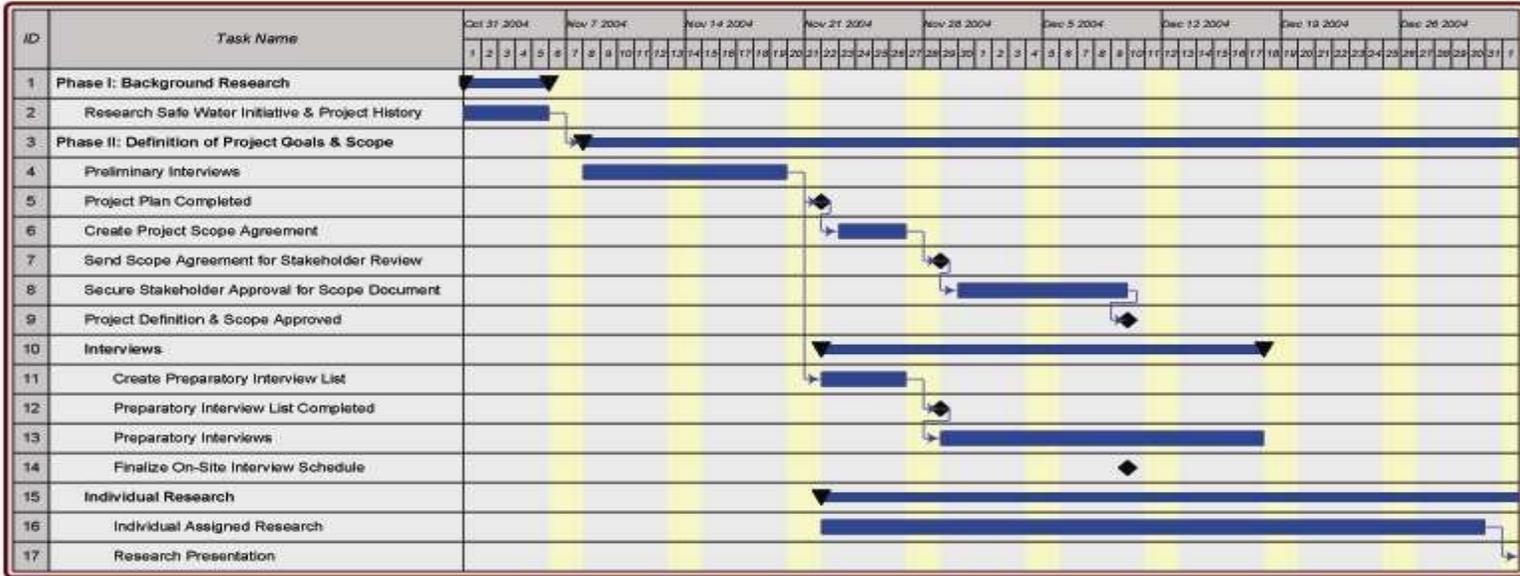
Approach

In order to complete these deliverables, we plan to interview and survey a wide sample of stakeholders (e.g. Buyers, Sellers, Influencers, etc)

To accomplish this, we have developed tentative work plan: (see attached exhibit)

Appendix 2

GLAB KENYA PROJECT PLAN



Appendix 3: Stakeholders

Name	Title	Organization
Rick Locke	Professor	MIT, Sloan School of Management
Susan Murcott	Lecturer	MIT, Dept of Civil and Environmental Engineering
Daniele Lantagne	PE	Center for Disease Control
Alie Eleveld	Technical Support Officer	SWAK Nyanza Province
Robert Quick	Medical Epidemiologist	Center for Disease Control
Pamela Ogoi	Chairperson	SWAK Nyanza Province
Pragnya Alekal	Masters Student	MIT, Dept of Civil and Environmental Engineering
Rachel Greenblatt	MBA Student	MIT, Sloan School of Management
Ellen Sluder	MBA Student	MIT, Sloan School of Management
Jody Gibney	MBA Student	MIT, Sloan School of Management
Mark Chasse	MBA Student	MIT, Sloan School of Management
SWAK Nyanza group members	Community Members	SWAK

Appendix 4: Interviews**Pre-Kenya Interviews**

Name	Title	Organization
Stephen Perrault	G-Lab alumni	MIT, Sloan School of Management alumni
Daniele Lantagne	PE	Center for Disease Control
Susan Murcott	Lecturer	MIT, Dept of Civil and Environmental Engineering
Rick Locke	Professor	MIT, Sloan School of Management
Robert Quick	MD	Center for Disease Control
Keith Zook	Spokesperson	Proctor and Gamble, PUR
Matt Freeman	MPH Student	Emory, Masters in Public Health Program
Shelley Bratton	MPH Student	Emory, Masters in Public Health Program
Robert Dies	G-Lab alumni	MIT, Dept of Civil and Environmental Engineering
Rachel Glennerster	Executive Director	MIT, Poverty Action Lab
Mark Bean	Chair	Amesbury for Africa
Sue Crawford	Member	Newburyport-Bura Alliance
Marcia Odell	Executive Director	WORTH (Microfinance Organization)
Diane Dorazio	Director	Roanoke-Kisumu Alliance

Appendix 4 Continued

Nairobi Interviews

Name	Title	Organization
Carol Wamatu	Marketing Director WaterGuard Brand	PSI
Grace Kiraguri	Manager	PSI
Mercy Wahome	Executive Director	SWAK Kenya

Nyanza Interviews**SWAK Group Focus
Groups**

Okok Widows
 King Pin Youth
 Mambo Youth
 Kazi Ngumu Women's Group
 Manyatta B Widows
 Hawi Project
 Barchando HIV AIDS and Poverty Eradication
 St. Mary's Widows and Orphans
 Kasiri Youth Group
 Saloo Women's Group
 Aluor Moyie Post-Test Club
 Dienya CBD
 Rise and Shine Youth Group
 Rufah Program

We would like to thank all of our stakeholders, sponsors and participants for their help and guidance. This project was truly a collaborative effort and we really appreciate everyone's generosity. Sincerely, Rachel Greenblatt, Mark Chasse, Ellen Sluder, Jody Gibney

Appendix 5: Written Sources**Travel Guides:**

Lonely Planet
Rough Guide
Brandt Guide

Internet Research:

World Bank website
The economist website
CIA Factbook
www.cgap.org
www.marketmix.org
<http://www.cbs.go.ke/census1999.html>
<http://www.rvsci.us/html/kisumu.html>
http://www.nationaudio.com/News/DailyNation/12052002/Comment/Sp_Report43.html
<http://web.worldbank.org/>
http://www.pathfind.org/site/PageServer?pagename=Programs_Africa_Kenya_Country_Profile

<http://www.transparency.org/cpi/2002/cpi2002.en.html>
<http://www.irc.nl/page/14671>
http://ceeserver3.mit.edu/~water/kenya_material.htm

Research Reports:

Proctor & Gamble. "PUR Technical Specification Sheet", 2004
Dreibelbis, Robert. "Combatting Diarrhea with a Household-based Treatment and Storage System:
A Community Based Project in Urban Bangladesh". Rollins School of Public Health, Emory University in Conjunction with the CDC. Sept 2004
Lantagne, Daniele "Executive Summary and Recommendations for Project Partners CDC TA Trip to Kenya: November-December 2003"

Appendix 6: Customer Segmentation “How to Reach Your Customers (Example of Sales Plan)”

Type of Customer	Influencer	Events and Methods
General population	<ul style="list-style-type: none"> • Chiefs • Pastors • Friends • Neighbors • Influential community members 	<ul style="list-style-type: none"> • Kiosk • Church Events • Chief Baraza • Market • Funeral • Wedding • Big Gatherings • Dramas • Door-to-Door
People who are sick	<ul style="list-style-type: none"> • Doctors • Community Health Workers • Clinics • Nurses • PTC/Support Groups 	<ul style="list-style-type: none"> • Home Visits • Hospitals & Clinics • Pharmacies • Group Visits
Mothers	<ul style="list-style-type: none"> • Schools • Doctors • Community Health Workers 	<ul style="list-style-type: none"> • Home Visits
Expectant Mothers	<ul style="list-style-type: none"> • Traditional Birth Assistant • Doctors • Clinics • Community Health Workers • Other Expectant Mothers 	<ul style="list-style-type: none"> • PMTC • Door-to-Door • Kiosk
Men	<ul style="list-style-type: none"> • Wives 	<ul style="list-style-type: none"> • Chief Baraza
Kids/Youths	<ul style="list-style-type: none"> • Youth Groups • Teachers • Peers • Parents 	<ul style="list-style-type: none"> • Schools • Parent-Teacher Meetings • Tournaments • Dramas
Hospitals	<ul style="list-style-type: none"> • Chiefs • Doctors • Nurses • Administrators • Patients 	<ul style="list-style-type: none"> • Hospital Visits
Schools	<ul style="list-style-type: none"> • Parents • Teachers 	<ul style="list-style-type: none"> • Parent-Teacher Meetings
Restaurants/Hotels	<ul style="list-style-type: none"> • Owners 	<ul style="list-style-type: none"> • Door-to-Door

Appendix 7: Record Keeping

Example of Pending Sale Ledger

Date Given	Sales Person	Product	Quantity Taken	Unit Cost	Total Owed	Amount Repaid	Date Repaid	Entered in Sales Ledger?

Example of Sales Ledger

Date	Sales Person	Product	Quantity	Unit Cost	Total Cost (-)	Price (+)	Profit (=)

Appendix 8: THE IDEAL GROUP

- 1. Motivated to Help Community**
- 2. Sustained High Sales**
- 3. Extensive Group Reach**
 - a. A strategy to ensure full coverage of community
 - b. Defined territory
 - c. Selling beyond individual home area
 - d. High number of customers
 - e. High percentage of repeat customers
 - f. Continual addition of new customers
- 4. Clearly Defined Goals**
- 5. Financial Records**
- 6. Group Highly Respected**
 - a. Helping community
 - b. Educating community
 - c. Highly trained group members
 - d. Variety of skills in group
 - e. Successful IGAs
- 7. Actively Promotes Product**
 - a. Contact with leaders & community influencers
 - b. Contact with community health workers
 - c. Frequent and varied promotions and events
 - d. Group members use products and act as role models
 - e. Knowledgeable about products
 - f. Encourages word-of-mouth and testimonials
- 8. Shares Training Information with Group**
- 9. Well Organized**
 - a. Individual roles and responsibilities
 - b. Cross-training and extensive member participation
 - c. Sales updates at meetings
 - d. Track against goals
 - e. Shares successes and failures
 - f. Sales targets and selling incentives
- 10. Works together as a group**
 - a. Selling in teams
 - b. General selling support
 - c. Practice selling
 - d. Mentorships for new salespeople
- 11. Works with other groups**
 - a. Joint events
 - b. Shares resources
 - c. Reaches all potential customers
 - d. Follow-up training events

APPENDIX 9: SWAK NYANZA

The following is a description of the activities that SWAK Nyanza performed in the last year, as listed in their 2004 Annual Report:

SERVICES OFFERED

SWAK Nyanza offers the following services:

- Pre and post test counseling for HIV
- Child Counseling
- Bereavement Counseling
- Paralegal Counseling
- Typesetting and printing
- Photocopying
- Sale of healthy products
- Capacity Building of registered SWAK groups and individual members
- Male initiative activities
- Children's club activities
- Community Mobilization

TRAINING PROGRAM

SWAK offers the following training for registered groups and members:

- Community Counseling Training
- Systemic Child Counseling Training
- Paralegal Training
- Advocacy Workshops
- Memory Project Training
- Prevention of Mother to Child Transmission Training
- Home Base Care Training
- Safe Water System
- IGA Training
- Nutrition Training
- Malaria Training
- Behavioral Change Workshops

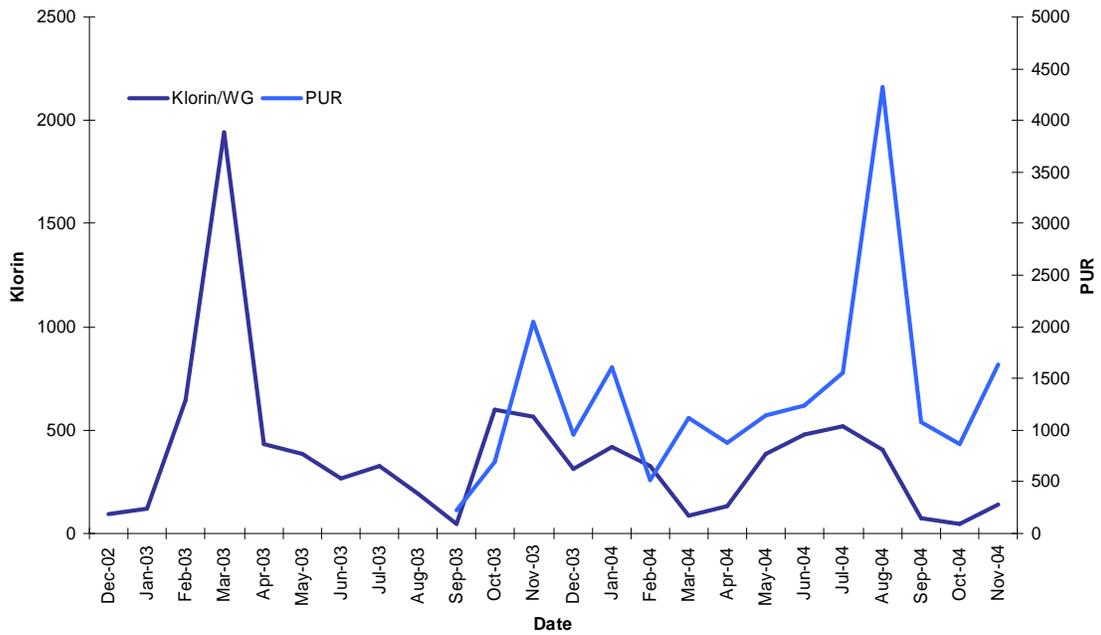
SWAK PRODUCTS

To promote positive living SWAK has been selling throughout 2004 the following products:

Product	Retail Price
Round Mosquitonet	Ksh 320
Rectangular Mosquitonet	Ksh 100
Powertab	Ksh 30
Mosqbar	Ksh 55
High Protein Flour	Ksh 110
Immune Booster Kemri	Ksh 1,000
Moducare Adults	Ksh 1,300
Moducare Children	Ksh 800
Waterguard	Ksh 45
Pur (treatment of turbid water)	Ksh 8
Modified Safe Storage Water Pot 20 L	Ksh 350
Modified Safe Storage Water Pot 40 L	Ksh 500
Savlon Ointment	Ksh 100
Benzyl Konium	Ksh 100
Mouth Gargle	Ksh 100
Red Ribbons	Ksh 100
Tshirts (SWAK)	Ksh 350
Tshirts (Womens AIDS Run)	Ksh 150
Condoms 3/pack	Ksh 10
Female Condoms	Ksh 50

Around 20 registered SWAK groups within Kisumu, Bondo and Siaya are vendors of the above products and are buying them from SWAK at wholesale price. The profit of the sales remains with the groups, so it becomes an income generating activity.

Appendix 10: SWAK Klorin/WaterGuard and PUR Sales Data



Source: SWAK Nyanza Central Office Sales Data (Alie Eleveld)

Appendix 11: Safe Water System Timeline in Kenya 1998-2005

