

Business model innovation in the water and sanitation sector

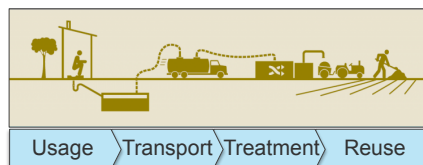
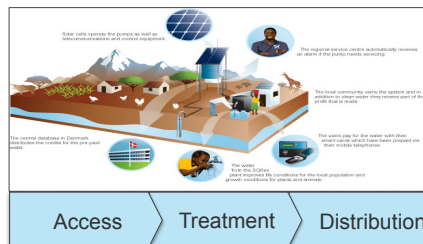
Heiko Gebauer

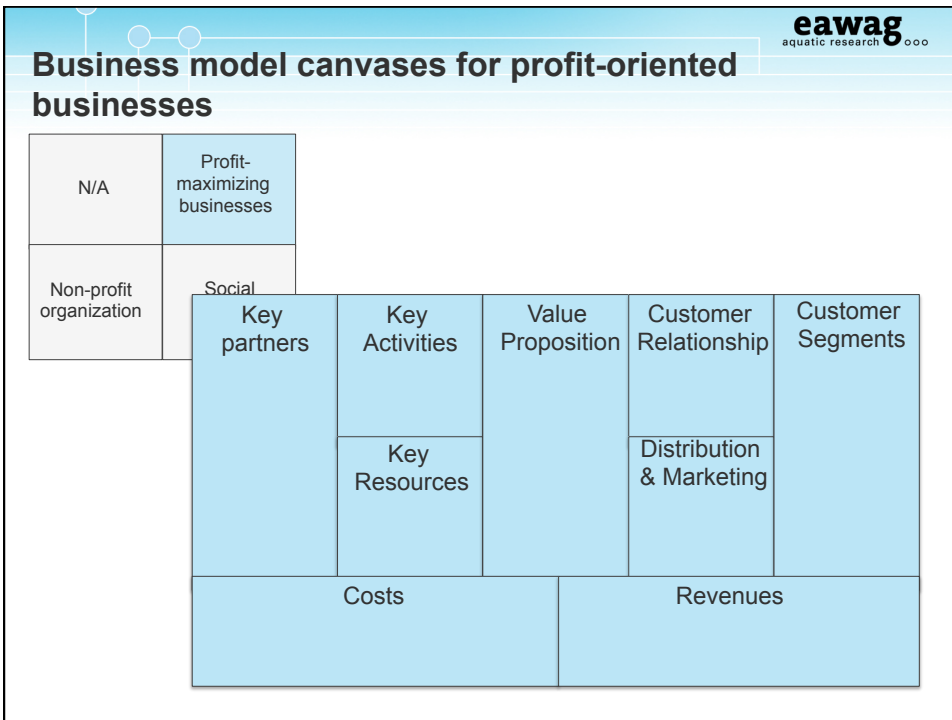
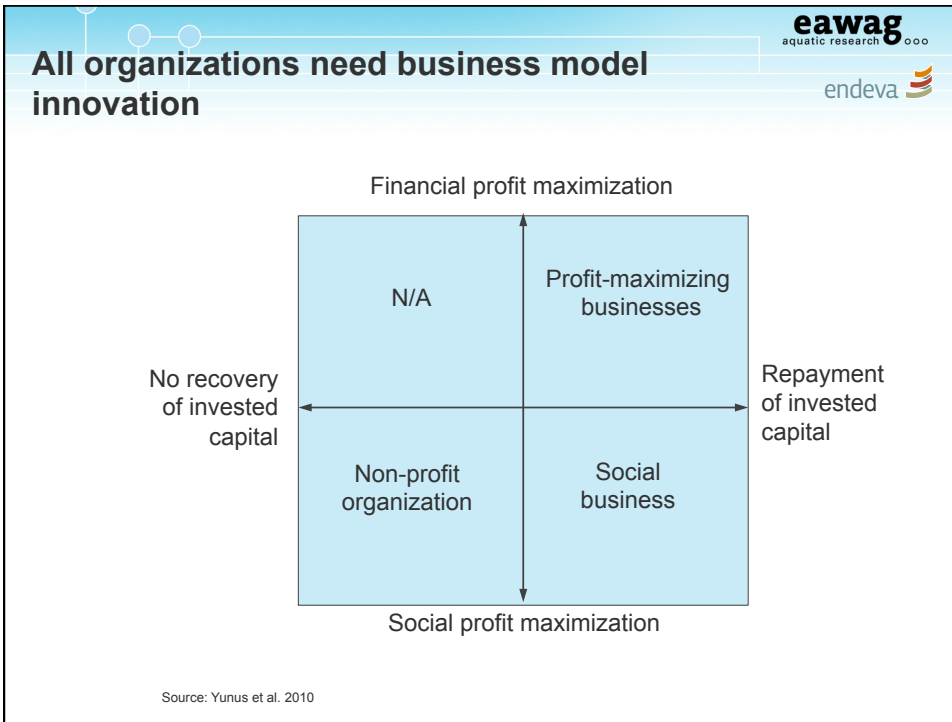
Characteristics of business models in the water and sanitation sector

Characteristics

- Water is a human right
- Conflicting goals between non-profit and for-profit organizations
- Middle income segments also lack water and sanitation services
- Low-experience goods
- (No) poverty penalty
- Mostly decentralized systems
- System perspective

Water & sanitation chain





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Non-profit organizations operate two differently oriented business models

N/A	Profit-maximizing businesses
Non-profit organization	Social business

Donor model canvas

Key Non-program partners	Key Non-program Activities	Donor-focused Value proposition	Donor Relationship	Donor Segments
	Key Non-Program Resources		Distribution & Marketing	
Non-program Costs			Revenue Streams (Donations)	

+

Beneficiary model canvas


Key partners	Key Activities	Mission offering (Benefit proposition)	Beneficiary Relationship	Beneficiaries Segments
	Key Resources		Distribution & Marketing	
Costs			Impact metrics	

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Going from pilot to scale?

Penetrating markets

Creating markets where needs exist

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Pilot phase for business models

Value capture (How do you finance the pilot?)
– Social goals >> Economic goals


Customer identification (What customers do we target?)
– Many, lowest to low-income and well-known

Value creation (How do you deliver value to the customers (beneficiaries)?
– Network-based & orchestration

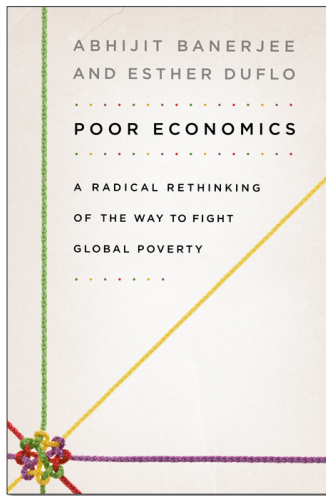
Customer engagement (How do you engage with the customers?)
– Passive, homogenous, and standardized

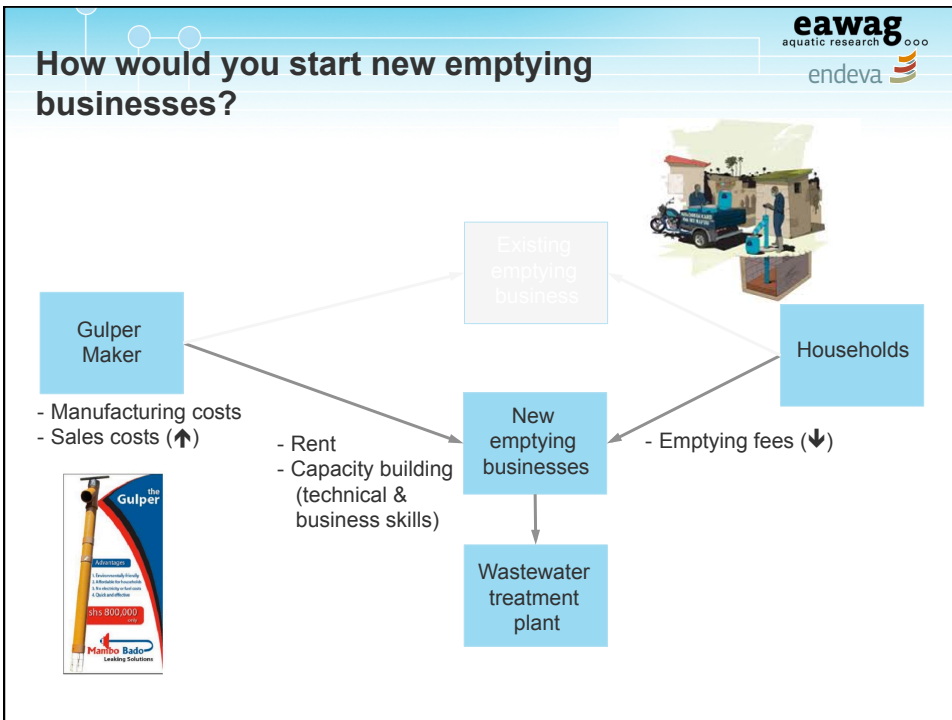
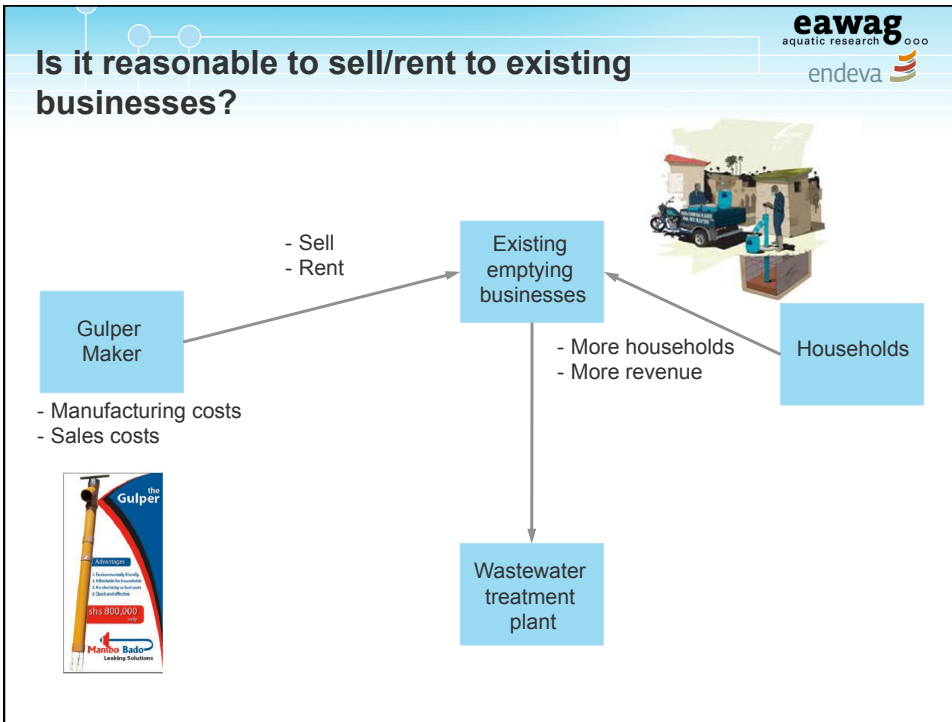



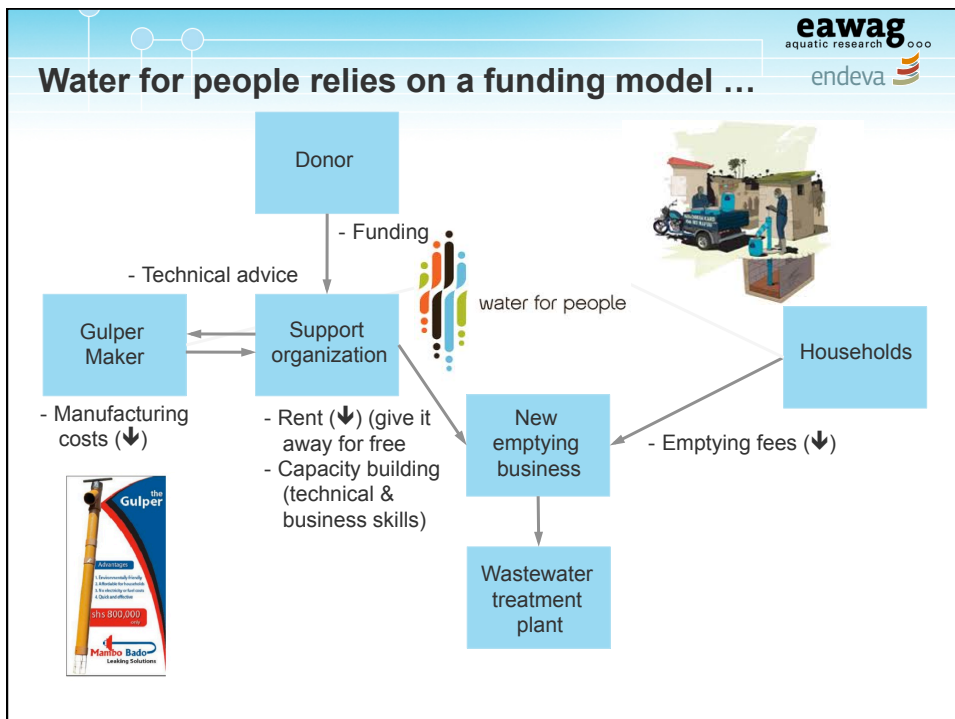
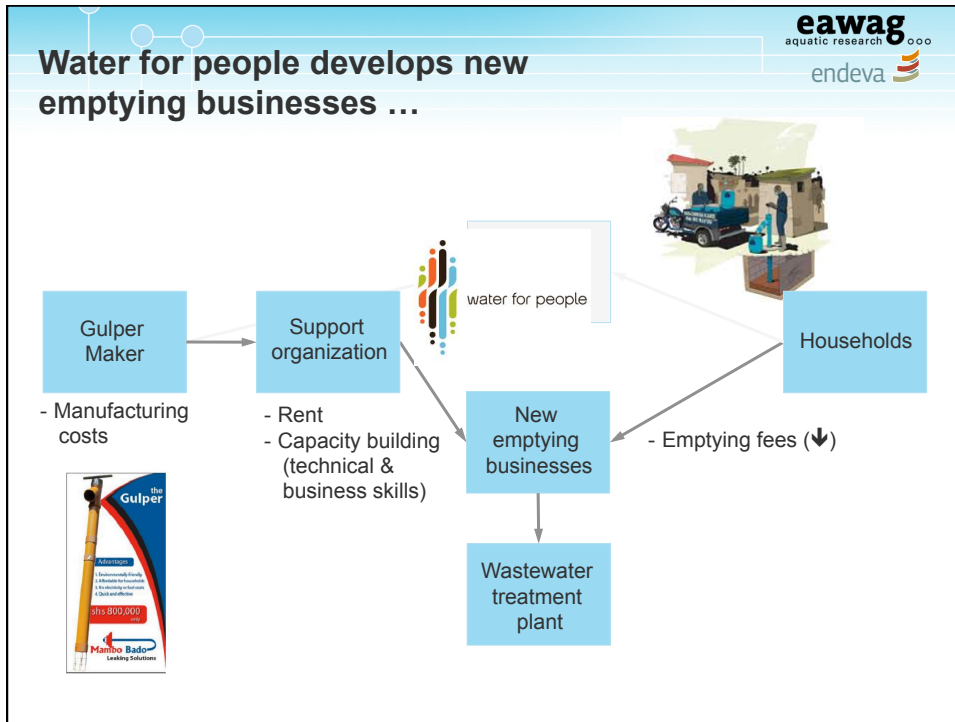
Source: Water for people


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Experiment with different business model options!





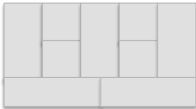







Experiments lead to a pilot business model


Profit-oriented
business model




Donor-driven
business model




Profit-oriented
business model






MC (+ Margin):
\$150





water for people



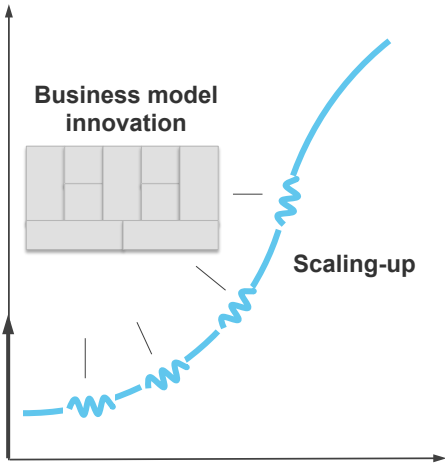
Two latrines per day:
 Income: \$120 (200l for \$10)
 Expenses = \$4 (dumping) + \$40 (truck)
 + \$16 (fuel) + \$32 (wages) = \$92
 Profit = \$120 – \$92 = \$28
 Payback period = \$150 + \$120
 (barrels)] / \$28 = 10 work days

Source: Water for people





Scaling-up needs continuous business model innovations



The graph shows a blue curve representing business performance over time. The curve starts low, has several small peaks and valleys, and then rises sharply. A box labeled 'Business model innovation' is connected to the start of the curve. The rising part of the curve is labeled 'Scaling-up'.

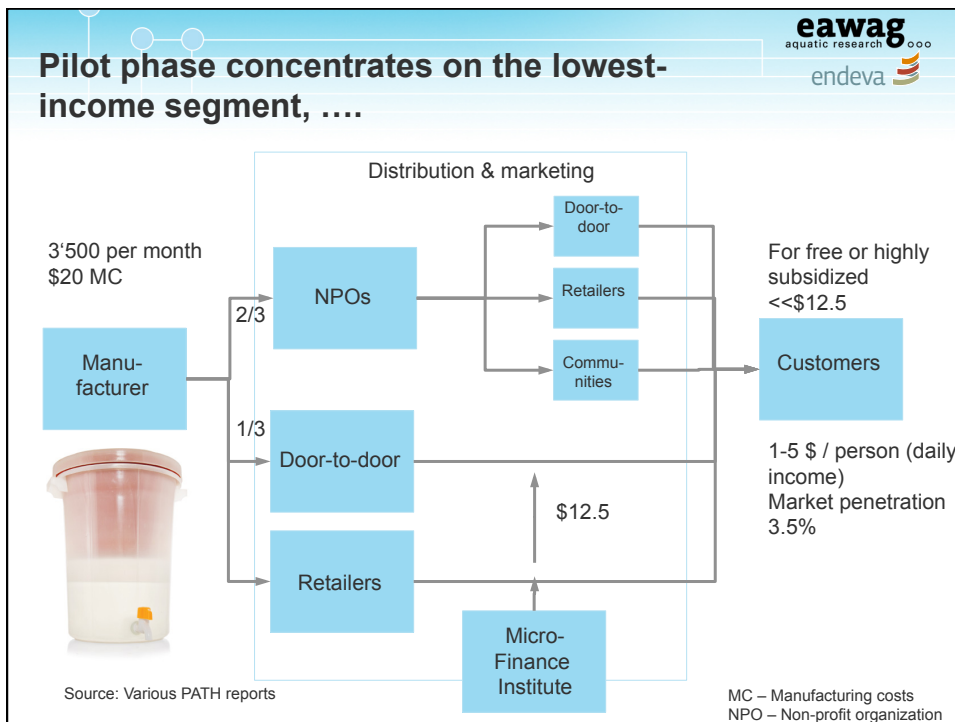
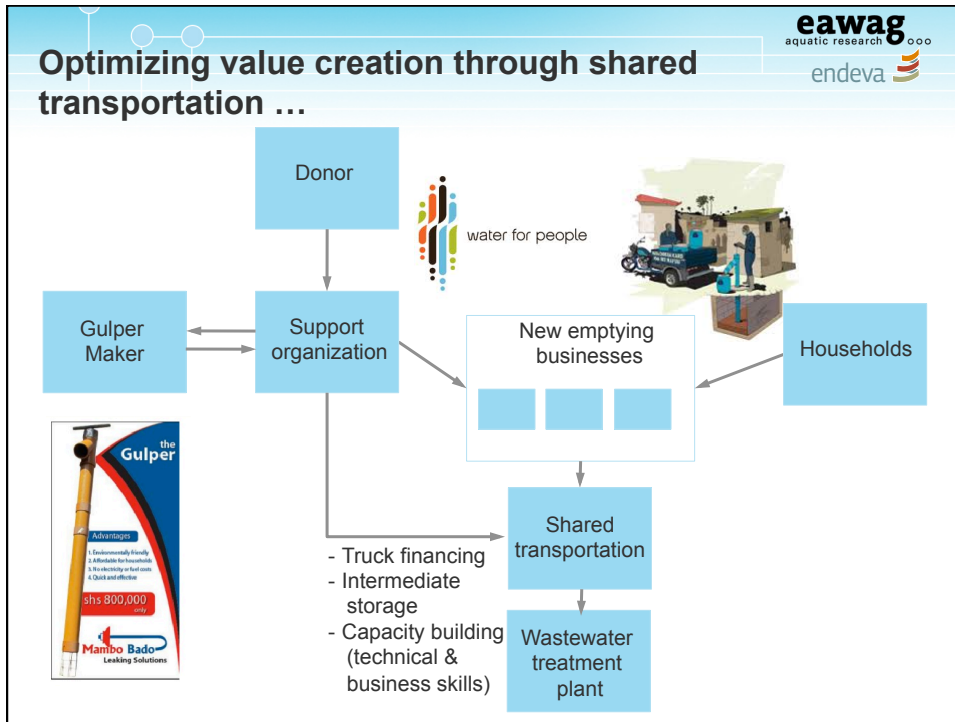
Scaling-up

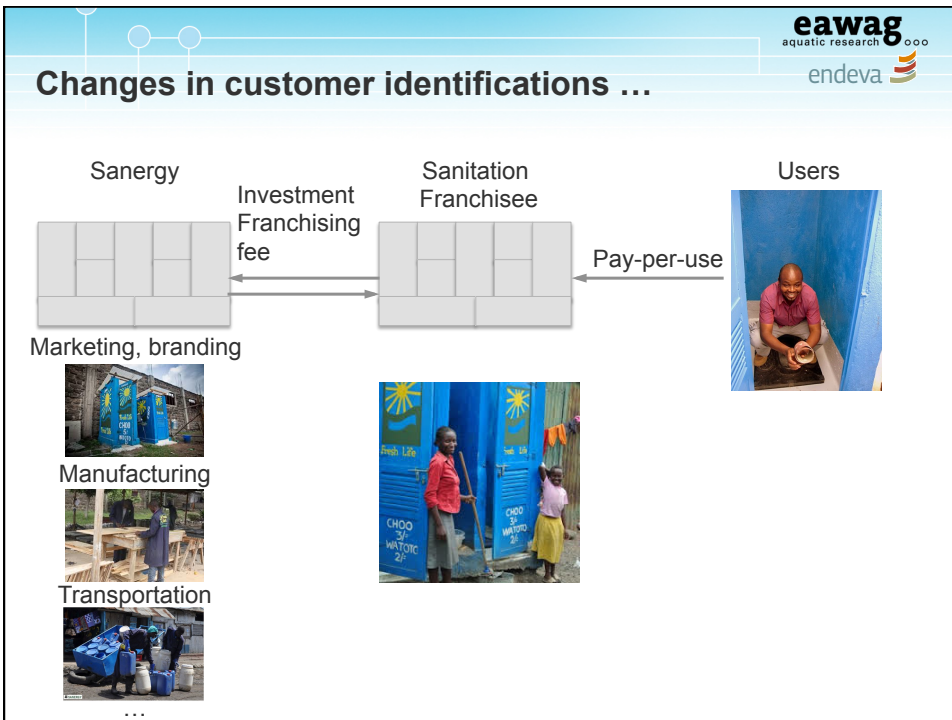
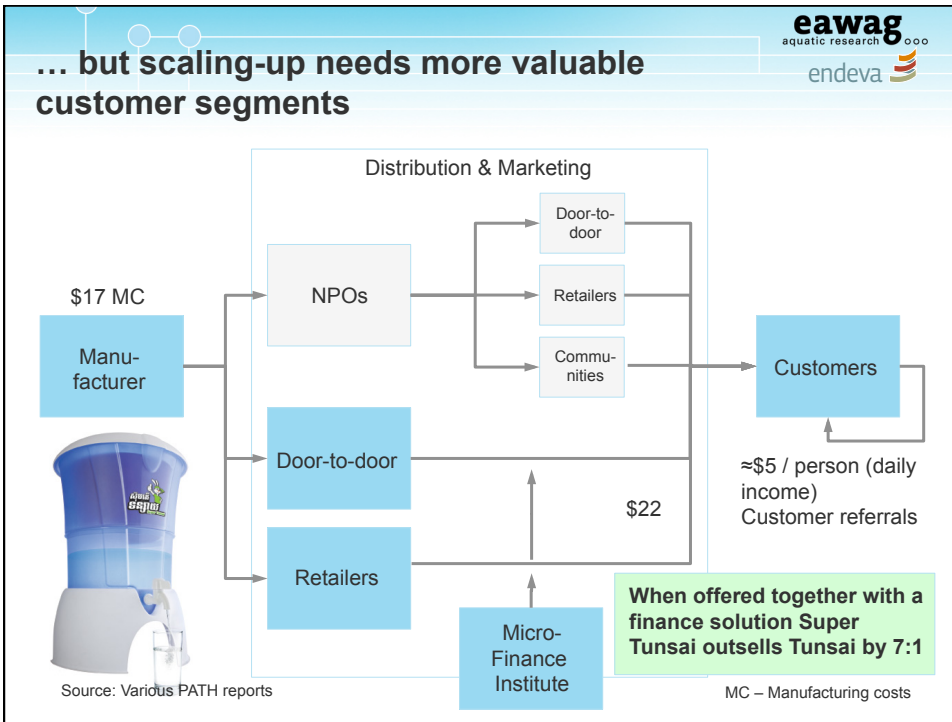
Value capture
– How do you finance the scale-up?

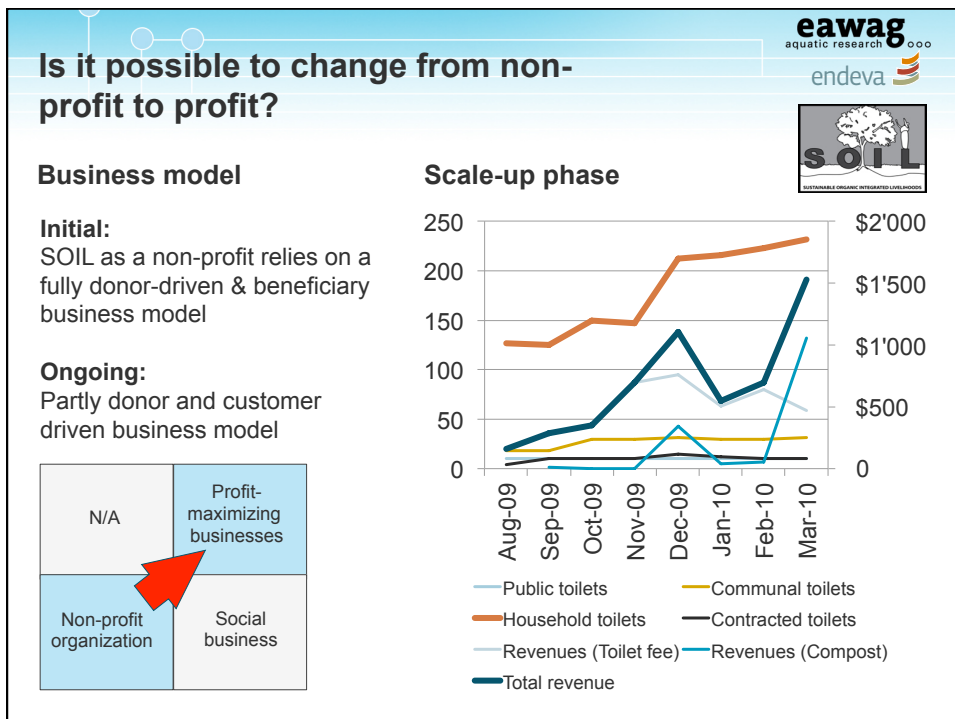
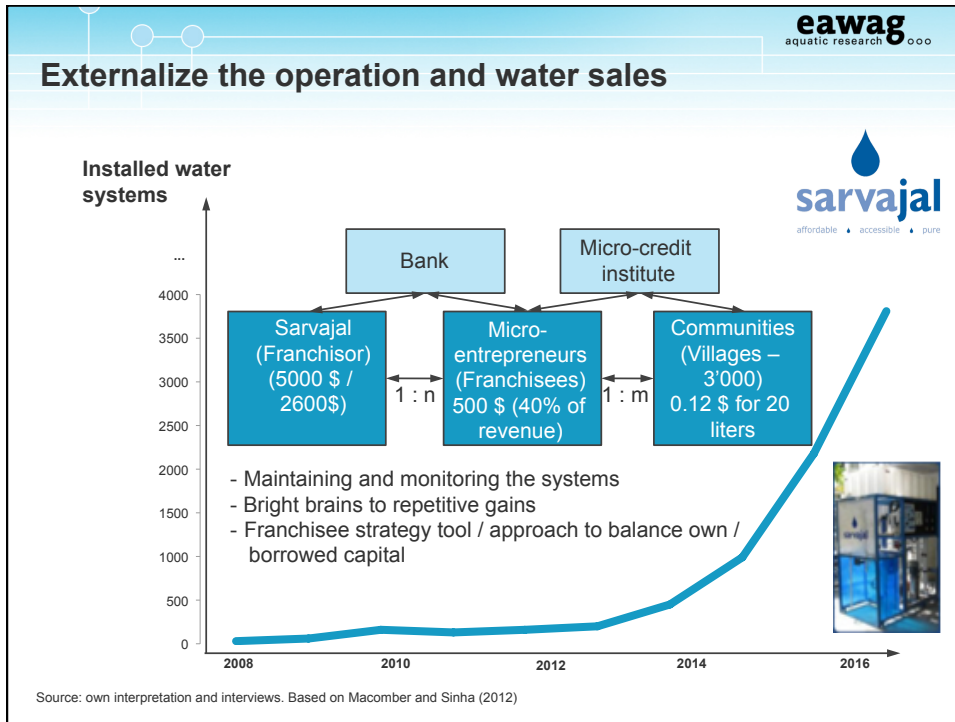
Customer identification
– What customers do you target?

Value creation
– How do you deliver value to the customers (beneficiaries)?

Customer engagement
– How do you engage with the customers?









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What additional sales and administrative costs would you have to cover?

Direct manufacturing costs



Sales and administrative costs





... 1:2

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IT can reduce costs dramatically

... reaching the smart phones, tablets, and apps



Picture: Thanks to x-runner

... to the Russian space pencil ...




From a Nasa Astronat pen ...



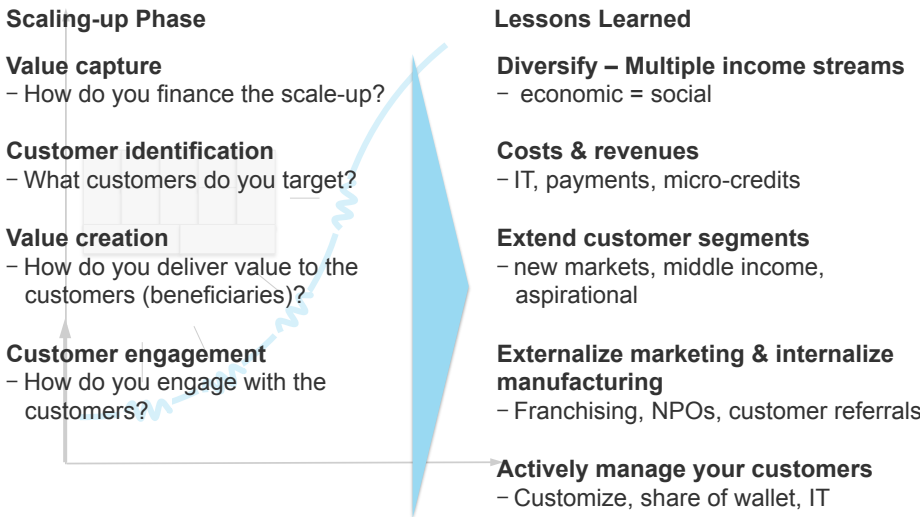


Receive an SMS 60 min before you get **Water**
Missed call: 07795590931 to join.
₹ 10/MONTH


Source: Nextdrop.org

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Lessons learned in the scaling-up



<p>Scaling-up Phase</p> <p>Value capture – How do you finance the scale-up?</p> <p>Customer identification – What customers do you target?</p> <p>Value creation – How do you deliver value to the customers (beneficiaries)?</p> <p>Customer engagement – How do you engage with the customers?</p>	<p>Lessons Learned</p> <p>Diversify – Multiple income streams – economic = social</p> <p>Costs & revenues – IT, payments, micro-credits</p> <p>Extend customer segments – new markets, middle income, aspirational</p> <p>Externalize marketing & internalize manufacturing – Franchising, NPOs, customer referrals</p> <p>Actively manage your customers – Customize, share of wallet, IT</p>
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Agenda – Afternoon

Time	Content
13:30	<i>Group Work:</i> Developing solutions for the business model challenges
14:30	<i>Group presentation:</i> Key findings from group work
15:15	Coffee Break
15:45	<i>Presentation:</i> Business ecosystems for creating social and economic value
16:15	<i>Group discussion:</i> Business ecosystems for water and sanitation services
16:45	Individual Reflection & Feedback
17:15	Summary
17:30	<i>Apéro</i>