Business model innovations for scaling-up faecal sludge businesses in developing countries

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Introduction

Pictures: Linda Strande
Developing innovations at the Base of the Pyramid

**Base of the Pyramid (BOP)**

- **Population**
  - 1.2 Billion ($\approx$ $365$ annum)
  - 1.6 Billion ($\approx$ $725$ annum)
  - $1.2$ Billion ($\approx$ $2000$ annum)

- **Exchange market**
  - BOP (Submerge and poverty) market
  - Emerging ‘mass’ markets
  - Industrialized markets

- **Income Levels**
  - > $20,000
  - $2,000-$20,000
  - < $2,000

- **Population**
  - 100
  - 2,000
  - 4,000
Traditional business growth thinking

1 - Existence
2 - Survival
3 - Success
4 - Scale-up
5 - Maturity

Time (or cumulative investments)

Market penetration
Business Model innovation for proving success and scaling-up

Creating **needs** where **markets** exist

Creating **markets** where **needs** exist

- **1 - Existence**
- **2 - Survival**
- **3 - Success**
- **4 - Scale-up**
- **5 - Maturity**

Business model innovation

Time (or cumulative investments)
Modes of business growth

• Organic business growth
  • A small Business gets bigger
  • Innovations are driven by the company

• Replication of micro-enterprises
  • Small Business stays small and gets replicated
  • Innovations are driven by the network
  • Achieves the same type of coverage
Manila Water – Philippines

- Private company that entered a PPP concession agreement with the National Philippine Government in 1997
- Responsible for water supply and sanitation in Metro Manila
- Primary focus in early years on water provision
- In recent years also working in Faecel Sludge Management
Situation before PPP Agreement

- Decades of under-investments
- Very low cash flows
- Government can't increase water rates
- Customer unwilling to pay / Poor Collection
- Poor service / Low coverage
Manila Water - Innovations leading to Fecal Sludge Management

Existence
- Corporate Strategy
- Low-cost funding
- Investments possible

Success
- Expanding the infrastructure
- Creating higher revenues

Scale-Up
- Septic Tank emptying service
- Faecel Sludge Treatment plants
Honeysuckers – Bangalore

Honeysucker businesses in Bangalore

Penetration
Septage sludge emptying

Existence & survival

Scale-up
micro-network

Existence & survival
• Loans and truck leases

Success
• “Coopetition”

Scale-up
• Extended number of micro-businesses

Success through innovation

Time

Pictures: Vishwanath Srikantaiah
Honeysuckers - Bangalore

Pictures: Vishwanath Srikantaiah
Conclusions

• Researching solutions for Faecel Sludge Management from a Business Model perspective is beneficial

• Organic Business growth can be successful with a strong municipality

• Network Business growth can be successful if a strong network can be established

• Innovative Business Models need to be developed
Questions?

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