2

Water, Sanitation and Hygiene Financial Product Development

COLLABORATIVELY CREATED BY

MicroSave
Market-led solutions for financial services

water.org™

Acknowledgments

Toolkit 2 Contents

Table of Figures

List of Acronyms

FGD: Focus Group Discussion

FI: Financial Institution

IDI: In-depth Interview

MFI: Microfinance Institution

MIS: Management Information Systems

NGO: Non-Governmental Organization

TOR: Terms of Reference

WASH: Water, Sanitation and Hygiene

WHO/UNICEF JMP: World Health Organization/United Nations Children's Fund Joint Monitoring Programme

Preface

Overview of the Water, Sanitation and Microfinance Toolkits

Water.org and *MicroSave* have jointly developed a series of water, sanitation and hygiene (WASH) microfinance toolkits to provide the information and tools necessary for financial institutions (FIs) to develop products for financing WASH investments. The toolkits present essential information, principles and practices for successful development of WASH financial products and are designed to be applicable across a variety of markets, lending methodologies and business models.

Toolkit 1: Introduction to Opportunities in WASH Finance
Provides global WASH context and information on household WASH needs and demands for WASH financing; introduces the major WASH systems prevalent among low-income populations and explains which are suitable for loan products; provides an overview of WASH stakeholders with which FIs might collaborate to support their WASH financial products; and identifies potential challenges and keys to success.

Toolkit 2: WASH Financial Product Development
Explores the product development process for researching, designing and launching successful WASH financial products, including market research, product design and pilot, and preparation for product rollout.

Toolkit 3: WASH Financial Product Marketing
Explores different marketing strategies and tools to ensure effective demand generation, particularly given high latent demand for WASH financing in the developing world; helps FIs create a marketing plan and explores the cost benefit of a marketing campaign.

Toolkit 4: WASH Process Mapping, Pricing and Cash-flow Based Lending
Provides the tools for FIs to design effective processes for product delivery, introduces the concept of process mapping and helps FIs identify the process risks in delivering WASH products. This toolkit also includes pricing a WASH loan product and assessing a client's ability to pay (household cash flow analysis).

Toolkit 5: WASH Portfolio Management
Discusses keys to successfully managing sustainable WASH products, including staff incentives, portfolio monitoring and delinquency management.

Structure of the Toolkit

This Water, Sanitation and Hygiene Financial Product Development Toolkit is the second of five toolkits developed by Water.org and *MicroSave* to strengthen and expand the microfinance sector's capacity to offer sustainable products designed to finance WASH investments. The content draws heavily from Water.org's practical experience providing technical assistance to FIs over the past decade through the WaterCredit initiative.

The primary target audience of this toolkit is the staff, management and board members of FIs—including those who already offer WASH financial products, as well as those that do not. This toolkit builds on the background information provided in the first toolkit, Introduction to Opportunities in WASH Finance. This toolkit explores the product development process for researching, designing and launching successful WASH financial products, including market research, product design, pilot and preparation for product rollout.

Chapter 1 outlines the WASH product development process in four fundamental steps, which are subsequently covered in chapters 2–5. This chapter focuses on staffing and planning for product development.

Chapter 2 guides the reader through the market research process for WASH financial products. The materials explore unique aspects in conducting market research and the range of benefits.

Chapter 3 explores product design for WASH financial products to ensure that market research is effectively translated into market-friendly products. The chapter provides a practical framework for holistically analyzing product design and gathering initial market feedback prior to undertaking a pilot test.

Chapter 4 presents a system for pilot testing WASH financial products.

Chapter 5 discusses product rollout including staff preparation and effective process management.

About Water.org

Water.org is a non-profit organization that has transformed the lives of more than a million people in Africa, South Asia, Central America and the Caribbean by providing access to safe water and sanitation. Founded by Gary White and Matt Damon, Water.org pioneers innovative solutions, such as WaterCredit, to help solve the global water crisis, giving women hope, children health and communities a future.

WaterCredit by Water.org

WaterCredit is a microfinanced-based solution that first began in Bangladesh in 2003 and has since expanded into India, Kenya and Uganda. Under WaterCredit, financial institutions have the flexibility to use their existing lending methodologies to develop products that finance locally appropriate WASH facilities. To date, WaterCredit loans for water access have financed network connections, protected wells and boreholes, water pumps, rain water harvesting systems, and storage tanks. Loans for sanitation access have financed toilet and latrine construction, septic tank installation and sewage network connections. Water.org is currently launching WaterCredit programs in Peru, Indonesia and the Philippines and is exploring potential expansion to additional countries in Latin America, Asia and Africa. Learn more at http://water.org and http://watercredit.org.

About MicroSave

MicroSave is a consultancy organization that offers practical, market-led solutions to financial institutions and corporations focused on bringing value to the base of the pyramid. *MicroSave* is at the forefront of efforts to move financial services from a product-led to a market-led approach. The market-led approach focuses on putting customers at the center of the business, improving customer loyalty, establishing more profitable organizations and ensuring greater developmental impact. *MicroSave* works with investors, donors, financial institutions, private foundations, corporate businesses and regulators to enable them to deliver the high-quality, affordable financial services that are essential for sustainable and inclusive growth. The organization's expertise includes strategy development and governance, product and channel innovation, organizational strengthening and risk management, investment and donor services, research, training and dissemination of information and best practices. *MicroSave* has implemented projects across Africa, Asia and Latin America. Learn more at http://www.microsave.net/.

Executive Summary

The WASH Product Development Process

As outlined in the first toolkit of this series, there is significant global demand for capital to finance water and sanitation improvements. As financial institutions (FIs) broaden their services beyond business lending and develop products to more fully address their clients' diverse financial needs, WASH financing emerges as a clear opportunity.

WASH financing commonly represents a new area of business for FIs. A systematic approach to product development is essential to mitigate risks and position the FI to successfully roll out and scale WASH loans. Proper WASH product development requires upfront investment of time and capital to meet client needs and achieve long-term sustainability for the FI.

This toolkit segments the WASH product development process into five distinct phases:

1. Evaluation & Preparation is completed in order to determine if product development should take place. Critical steps include budgeting, staffing and capacity assessment.

2. Market Research is conducted to assess the potential market for a WASH product by identifying market needs and opportunities. Market research for WASH involves the collection of information from households, water and sewer utilities, government agencies and ministries, and private sector providers of WASH services and materials. The research informs the type of WASH investments to be financed, the financial product terms and the target geographies/clients.

3. Product Design reflects the FIs operating structure and the results of the market research. Product design should consider the product's purpose, pricing, location and target clients. FIs should consider WASH-specific factors such as current WASH access and the most appropriate technologies available, in addition to potential partners and regulatory constraints.

4. Pilot Testing evaluates product design and processes by offering the WASH product in a limited area for a finite period of time. Pilot testing allows the FI to assess and improve the WASH product prior to full-scale rollout. Pilot testing should be managed through a systematic process for preparing, implementing and evaluating the pilot.

5. Product Launch is the rollout of the WASH financial product, according to the plans that have been thoroughly informed by the previous steps in the product development process.

1

Evaluation and Preparation

This chapter covers the preliminary planning needed before developing a WASH financial product. The evaluation and preparation phase determines whether or not development is feasible and creates a plan for the institution to follow. Important steps include:

» Developing a charter statement

» Creating a staffing plan that includes:

　　» Technical WASH expertise

　　» Market research skills

　　» Microfinance expertise

Developing new WASH products is a complex process which can have far reaching implications for the FI. In order to ensure long-term success, the FI should first conduct an internal assessment to determine whether the organization has the capacity and commitment to properly develop and rollout a WASH product.

The FI should have a clear rationale for developing a WASH financial product, as much of a product's success depends on the commitment of management. Often these products demand patience, additional resources and perseverance through the initial phases of product development and launch.

The FI should incorporate the WASH product development process into its strategic plan and budget, and sign off on a **charter statement** that supports the product development process. A charter statement describes the basic rationale and plan for the WASH product. It typically includes the following:

Project/Product Name:

Problem Statement:
What is the problem? Why do we care? What can we improve?

Project Objective:
What is the goal and when will we finish?

Project Scope:
What is in scope? What is out of scope?

Team Members:
Who is on the team and what percentage of their time should they spend on the project?

The five-phase WASH product development process should be treated as a project with a finite beginning and end. FIs need to identify and commit appropriate resources and establish a timeframe for each phase.

When developing a project plan, it is important to include the following:

- A **charter statement** that outlines the FI's commitment to develop and launch the WASH product(s).
- A **scope of work** that outlines the activities of the product development process, including the development of a work plan, staff plan and budget. The staff plan should include staff capacity-building activities such as exposure visits to other FIs that have developed, tested and scaled WASH financial products.

- The **source of loan capital** to be disbursed, specifically in the testing period and the rollout, which typically takes place over several years.

- A commitment to enhance the **management information system** (MIS) to accommodate the WASH financial product.
- **Marketing**, community mobilization and demand creation strategies.
- **Stakeholder and partnership strategies** to coordinate with local government, commercial banks, WASH service providers and WASH non-governmental organizations (NGOs).

Project Staffing

The WASH product development process requires specific skill sets including market research and water and sanitation. The FI can secure the necessary expertise through staff, partner NGOs and/or third-party technical assistance providers. The following areas of expertise are important for successful WASH financial product development:

Technical WASH facilities and systems

WASH experts inform product development through knowledge of the types of safe WASH facilities suitable for the region, as well as technical knowledge of proper installation, costs and maintenance associated with the solution(s) selected. See Figure 1. WASH technical experts can be hired by the FI to work in-house or can be consultants.

Market research

Market research is critical to understand market variables such as current WASH provision, WASH investment demand and customer ability to pay.

Microfinance, especially operations and the product development process

Understanding microfinance operations and product development enables the FI to anticipate operational challenges in launching, marketing and scaling a WASH loan product. This team should understand the market research and advise on the suitability of the client segment for a WASH financial product.

It is important to note that having a **"product champion"** will infuse vitality into the process, and this role is often called upon to sell the product to decision makers including senior management and board members. This person typically becomes the product's main proponent and assumes responsibility for managing the development process and maintains the momentum of the project moving forward. The product champion should be an employee who has a thorough understanding of the internal workings of the FI and has adequate authority to delegate to the various members of the product team.

Figure 1: Expertise required from WASH expert

Functional area	WASH technical expertise
SANITATION	• Knowledge of different types and costs of sanitation facilities and the ability to identify the appropriate technical solutions depending on the client's household—space available, type of soil, water table level, client preference. • Local knowledge of construction costs and resource requirements of the various sanitation facilities, including knowledge of availability of materials and construction workers.
WATER	• Knowledge of different water sources including suitability of the source for a particular geographical context, cost of installation, sustainability of water source, water treatment, etc. • Knowledge of the local regulatory laws related to water extraction, terms and conditions for getting piped networks. Local knowledge of cost of construction and resource requirements of the various water facilities, including knowledge of availability of materials and construction workers.
HYGIENE EDUCATION	Experience providing community education covering the benefits of clean water, proper sanitation and safe hygiene practices.

Although the product champion is responsible for oversight of each step of the development process, the day-to-day tasks are undertaken by a cross-functional team of key personnel from across departments. The structure of the team is critical to the product's ultimate success. The size of the team varies with the size of the FI, but there are ten key areas of product development that should be covered. In most cases, staff members can cover multiple areas and teams typically range from three to seven people.

Figure 2: Key WASH product development staffing areas

Skill Area	Specific Activities
Product Champion	Manages the product development process, including the project plan and team members. This person is responsible for tracking progress, budget, deliverables and reporting.
Finance/Accounting	Prepares costing and financial projections, ensures liquidity.
Information Technology/MIS	Ensures integration of the new WASH product into the existing MIS software and identifies the information that needs to be collected to ensure effective monitoring and control of the product.
Marketing	Prepares the marketing plan, conducts product marketing training, coordinates the development of marketing documents and tracks marketing effectiveness.
Branch Staff	Informs product design and processes, particularly price sensitivities and effective delivery channels. Delivers the final product to clients.
Operations/ Management	Coordinates branch activities to ensure all new WASH-related product processes are in line with existing operational policies.
Human Resource Management	Supports development and launch of WASH training curricula. Coordinates staff training so everyone understands and can sell the new products.
Monitoring and Evaluation	Collects and summarizes data, prepares monthly and quarterly reports and evaluates product performance during pilot phase and beyond.
Audit/Controls	Assists in formalization of procedures, designs audit processes for the new product (and follow-up, if necessary).
WASH Technical Expertise	Reviews WASH technologies purchased by borrowers, coordinates with external product manufacturers and WASH service providers and guides the credit team in defining procedures for the WASH products (like formulating credit policies).

Checklist for Evaluation and Preparation:

- ◯ The FI is committed to developing a WASH product and has support at the management and board levels

- ◯ Adequate loan capital and operating funds have been identified in order to proceed with the WASH financial product development process

- ◯ The project plan and budget have been developed and approved

- ◯ Current staff capacities have been reviewed and an approved staff plan is in place

2

Market Research for WASH Finance

Market research is the first step in the product development process and is essential to evaluate the market demand for a product or a service. The research should capture information about:

» the market size and trends

» the demand for different types of WASH improvements

» potential partners

» competition

» market segmentation

Conducting WASH market research requires careful planning and execution. The market research typically occurs in the following four key steps:

STEP 1.   **DEFINE RESEARCH OBJECTIVES**
What are the goals for conducting the market research? What are the geographies where the assessment needs to be done?

STEP 2.   **DETERMINE METHODOLOGY**

STEP 3.   **DATA COLLECTION**

STEP 4.   **ANALYZE AND REPORT**
Who will conduct the assessment and what resources do we have available?

Step 1: Define research objectives

The first step is to define the research objectives. Typical WASH market research objectives:

Identify target client areas

Market research enables the FI to identify geographies that contain a high number of potential clients with a need for water and sanitation improvements and meet basic borrower requirements.

Estimate the demand for different types of WASH improvements

Market research enables the FI to gather information on the types of WASH improvements that are technologically appropriate and demanded within the target geographical area. Identifying the specific WASH needs of communities requires feedback from clients on their preference among the various WASH solutions available. There are situations where clients may prefer a particular WASH solution that may not be available due to infrastructure or environmental constraints. For example, to offer a piped network connection loan, the FI needs to identify the areas with primary and secondary piped networks and without pipe connections to offer this product.

Inform product terms and features

Market research provides an understanding of the clients' financial needs and behaviors. This, in turn, helps inform the product features.

Inform marketing strategies

Demand for WASH can be latent due to limited awareness and understanding of the benefits of proper hygiene and sanitation. Market research helps the FI understand the reasons for the latent demand, allowing them to tailor their marketing strategies accordingly.

Identify potential partners

Market research helps to identify potential partners like WASH service and product providers, WASH experts and WASH NGOs that can provide local expertise necessary to inform product development and train FI staff. This is particularly critical for a FI that is providing WASH loans for the first time and/or does not have staff WASH expertise. Partnerships with WASH NGOs are often mutually beneficial as the FI may lack WASH expertise and the WASH NGO may lack capital/financing to serve target communities.

◄ Toolkit 1 provides additional detail on partnerships for WASH financing.

Understand local regulatory issues

The research helps the FI better understand the regulatory aspects of a WASH financial product before it is launched. In some areas, digging a well may require government approval or may be completely disallowed. For example, in Gurgaon, India the Central Ground Water Authority (CGWA) banned installation of any new borewell or extraction of ground water in 2012. This was due to a falling water table in the region. Similarly, in Nagpur, India, the Nagpur Municipal Corporation's (NMC) health department has banned use of borewell water for drinking because of high nitrate content in the groundwater.

Identify potential competitors

Identifying direct, indirect and potential competitors is crucial to understanding the risks of launching a WASH financial product. For example, an area may be saturated with active government and NGO WASH programs that are providing free or highly subsidized WASH facilities to low income households. While they are not direct competitors, as they are not offering the same products as the FI, they are important indirect competitors that are satisfying the same client needs. During market research, the FI should identify such programs and understand their strengths and weaknesses. FIs should also identify financial products, such as home improvement products offered by other FIs, and understand the product models, challenges and successes.

Step 2: Determine methodology

The methodology encompasses the research approach and techniques used to collect and analyze data. It incorporates quantitative and/or qualitative research techniques and identifies the necessary sample size and selection process for gathering data. If a FI does not have a research unit or research expertise in-house, it may contract with a research expert to develop the methodology and carry out the market research.

For example, in collaboration with *MicroSave* and M2i, Water.org conducted two regional market assessments in India. The assessments were based on secondary and primary data collected through structured market research. Key components of the research were:

- **Geography selection:** Water.org selected the Indian states in which it planned to carry out programs for WASH lending.

- **Literature Review:** a review of available literature on water and sanitation, specifically pertaining to the selected states, was conducted to understand critical issues which would impact demand for water and sanitation loans. This included key demographic variables and institutional arrangements in water and sanitation, water availability, microfinance penetration, etc.

- **Sample size and selection process:** the number of districts and people to interview per district were determined based on the population sizes of the geographies. Districts were selected based on agro-climatic zones and the presence of FIs. Respondents were identified by randomly selecting households in rural and urban areas that have similar conditions to where FIs operate (e.g. average monthly household income less than US$200 in rural areas and US$400 in urban areas).

- **Primary data collection methodologies:** the data collection included both individual surveys and focus group discussion (FGDs). An individual survey was developed and administered to 400 respondents in five districts. FGDs were carried out in each district and each one was attended by 10–15 people from the village. At least half of the participants in each FGD were women. In total, 15 FGDs were conducted with 250 participants.

- **Demand Estimation:** M2i utilized the following demand estimation approach to approximate the potential loan demand:

  - **Step 1:** Utilizing national government data, obtain the number of total households without access to a water source/toilet within their premises. The value obtained in Step 1 is called Q1.

  - **Step 2:** Using the results from individual and FGD responses, estimate the proportion of households willing to obtain an improved

water source and/or toilet facility. The value obtained in Step 2 is called Q2.

– **Step 3:** Estimate the average investment required for different water and sanitation products. The value obtained in Step 3 is called Q3.

– **Step 4:** Estimate the potential investment in water and sanitation improvements by multiplying Q1, Q2 and Q3. The value obtained in Step 4 is called Q4.

– **Step 5:** Determine the estimated loan demand for water- and sanitation-related products. An assumption was made that 25% of those willing to obtain improved water and toilet facilities (Q2) would be willing to take out loans for water and sanitation products. Additionally, those willing to take out loans would put 10% of the total investment down as a deposit. Therefore, the total estimated loan demand was calculated as Q4 × 25% × 90%.

Step 3: Data collection

After the methodology is finalized, the next step is to develop the data collection tools and collect the data. The data collection tools range from simple spreadsheets that organize secondary data to more complex individual and focus group discussion questionnaires, guides and analysis tools. The types of information and data collection tools used to conduct WASH market research stem from the research objectives and methodology but almost always contain primary and secondary data.

PRIMARY DATA is original information obtained through various methods including questionnaires, focus group discussions and direct observation.

SECONDARY DATA is information obtained from reviewing previous studies or existing resources.

Figure 3 summarizes key information typically required to make informed decisions about WASH financial product development and target client areas. Figure 4 lists types of market research tools that have been used by FIs for product development.

Annex 2 provides more information on primary data research and contains samples and guides of the data collection tools.

Figure 3: Information collected during WASH market research

Information	Specific data	Examples of data sources
DEMOGRAPHIC DATA To identify geographies with potential to scale	Total number of people and households Number of male and females	Census data published by national or local governments
POVERTY DISTRIBUTION FIGURES To identify potential client populations	Number of poor households and the distribution of poor households across districts or states	World Bank National statistical agencies
HEALTH INDICATORS To identify geographical areas with high demand for WASH improvements	Prevalence of water and sanitation related diseases like diarrhea, typhoid, fluorosis, arsenicosis, etc.	World Health Organization (WHO) website Publications of national or local health ministries Interviews with local health offices Responses from community members/ households
ACCESS TO WATER (both in absolute terms and in percentage terms) To estimate the potential size of the market	Percentage of population dependent on unimproved sources of water, public sources of water and household piped water connection Percentage of population walking and/or waiting in long lines for water Identify types of facilities currently in use How much people pay currently for water and other WASH improvements People's willingness to take out loans for water improvements and the types of improvements demanded	United Nations Water statistics WHO/UNICEF JMP reports Reports of the national statistical agencies Interviews with local health offices Responses from community members/ households

Information	Specific data	Examples of data sources
ACCESS TO SANITATION (both in absolute terms and in percentage terms) To estimate the potential size of the market	Percentage of people using open defecation, public toilets and household toilets Access to sanitation across urban and rural areas Types of sanitation facilities currently in use How much time people spend traveling to a toilet People's willingness to take out loans for sanitation improvements and types of improvements demanded	WHO/UNICEF JMP reports United Nations sanitation statistics Reports of the national statistical agencies Interviews with local health offices Responses from community members/ households
WASH SERVICE PROVIDERS To identify potential collaborators To understand the WASH market scenario	Whether operated by the government, public and/or private sector Description of service(s) provided Current WASH service coverage (geographic areas covered, percentages of serviced populations, performance trends) and expansion trends Current status of operation and maintenance (funding, service breakdown rates) Service characteristics (water quality, hours of operation, metering coverage) Financial profile (connection fees, average tariffs, sources of financing and liquidity) Existing customer financing options (terms, scope/ reach, constraints)	Websites of water service providers/ government water utilities Public informational brochures or communication materials Personal interviews with water vendors/service providers Interviews with local health offices Responses from community members/ households
REGULATORY FRAMEWORK FOR WASH To understand the legal implications related to WASH	Overview of the laws and regulations related to WASH—parties responsible for WASH provision, water quality requirements, price limits and policies regarding disposal of waste water	Policy documents and acts of relevant government ministries regarding WASH and provision of WASH services

Information	Specific data	Examples of data sources
WASH PRODUCT MANUFACTURERS To identify potential collaborators To understand the client demand for various WASH products	Description of product or service provided Current service coverage and expansion trends (geographic areas, number of customers, gross sales estimates by product, growth trends) Cost of product or service provided Existing customer financing options (terms, scope/reach, constraints) Willingness to collaborate with FIs for customer financing	Interviews with WASH product manufacturers
WASH NGOS To identify potential collaborators To understand marketing strategies that work in the given area	Description of services provided by WASH NGOs Capacity to provide support to FI and/or WASH finance program Willingness to collaborate with a WASH finance program	Interviews with WASH NGO representatives
International Development Programs/Government WASH programs and competing FIs To learn from similar programs To identify opportunities for funding or collaboration To identify FIs offering WASH finance products	Identify the major programs of international development agencies (e.g. Water and Sanitation Program of the World Bank (WSP), CARE, Mercy Corps and Plan International) Understand the program features and identify possible areas of collaboration Identify areas that may already be saturated with WASH financing and understand the competition	Websites and brochures of the programs In-person meetings with representatives of these agencies or programs

Figure 4: Market research tools and objectives

Tool	Respondents	Objective
Focus Group Discussion (FGD)	FI Clients	To gain an in-depth understanding of client behavior and practices around ownership, access and usage of water, sanitation facilities and hygiene practices. To identify WASH finance products currently offered by FIs and client perspectives on access to finance for WASH.
FGD	Non-Clients	Assess potential demand for WASH finance amongst non-clients.
In-Depth Interview (IDI)	WASH Service Providers	Aimed at providing an overview of the needs, challenges and gaps in the provision of water and sanitation.
IDI	WASH Product Suppliers	To give an indication of WASH-related product offerings, possible partnerships, costs and delivery mechanisms.
IDI	Private Small Service Providers	To obtain an understanding of private WASH enterprises and opportunities for WASH products.
Product Attribute Ranking	FI Clients	To find out what participants view as the key preferred features of a WASH financial product and the relative importance of each feature.
Relative Preference Ranking	FI Clients	To find out which financial service providers are preferred when compared to the ranked product attributes.
Seasonality Analysis	FI Clients	To identify the seasonality of incomes, expenditures, savings and credit available to the clients to understand the existing credit-coping mechanisms and the suitable time when clients may be willing to utilize WASH financing.
Competitor Matrix	Competitors	To understand the strengths and weaknesses of the product offering of competitors and differentiate the WASH product from competitors' products.

Step 4: Analyze and report

Once market research data is collected, it needs to be cleaned, analyzed and organized into a report. The market research report must clearly identify the potential for launching a WASH financial product in the particular geography selected and articulate the needs of the population. The report should provide comprehensive information on the following:

- The WASH landscape and how it may impact development and scale (i.e. percentage of people without access to WASH improvements, government, private and NGO programs, types of WASH infrastructure in place and service costs, legal framework)

- The microfinance landscape as it relates to WASH financing (i.e. other FI competition in the regions, what has already been done or written about microfinance, etc.)

- The causes of low access to WASH

- Public willingness and ability to pay for WASH products and services

- Public prioritization of household improvements, if financing is available (i.e. roofing, flooring, electrification, water and sewerage)

- Identification of WASH technologies that are locally appropriate and available

- Key features of a WASH financial product

- Potential government, private sector, community-based and/or NGO initiatives which may complement potential WASH financial products, such as:

  – Health/hygiene education/behavior change programs

  – Financial inclusion programs

  – Poverty alleviation programs

  – Social entrepreneurship approaches

  – Environmental conservation measures

  – WASH-focused research and development (R&D)

- An assessment of the opportunities and risks for WASH financing

Please refer to Annex 3 for a sample outline of a market research report.

Checklist for Market Research:

- ◯   Developed a scope of work with goals, objectives, deliverables, budget and timeline
- ◯   Identified resources and staff to conduct the assessment
- ◯   Developed research objectives and identified the target geographies
- ◯   Developed a data collection methodology
- ◯   Developed data collection tools and processes
- ◯   Arranged logistics for collecting primary data
- ◯   Combined primary and secondary data to be summarized in final report

3

Product Design

This chapter explores the process for designing a
WASH financial product and include the following:

» Incorporating WASH-sector knowledge into the design

» Developing the initial product concept

» Considering potential risks

» Soliciting feedback from clients on the product

» Finalizing the prototype for pilot

Physical WASH improvement considerations

WASH improvements that are feasible, affordable, functional and in-demand in the targeted client areas can potentially be financed with WASH financial products. It is important to procure water and sanitation designs that include the technical specifications, as well as legal processes needed, for the client to be able to build a functional water or sanitation improvement. This information will describe what materials and contractors are needed and consider the availability of these resources. It is critical to discuss the top ideas with WASH experts, engineers, WASH NGOs and WASH government officials to make sure the product is feasible and appropriate in the targeted client locations.

An effective approach to illustrate the WASH loan product features, costs and materials is to have a **product design** for each potential WASH financial product. This can be used to communicate the product within the FI and to potential clients. It should be developed in collaboration with WASH experts and targeted towards specific geographic areas. The design should be clear, simple and be able to answer the following:

- What does the improvement look like?
- How much does it cost?
- What types of materials and labor is needed to build it?
- How long will it take to build?
- Will this improvement work for the clients' home (i.e. what space/ existing infrastructure is required)?
- How will clients know the water is safe to drink (in the case of water improvements)?

Annex 4 provides examples of water and sanitation product designs by GUARDIAN.

Product design framework

MicroSave recommends using a traditional marketing 8P's framework to guide the design of new WASH financial products.

See <u>Annex 5</u> for an example of the framework applied to WASH products in Kenya and India.

Figure 5: The 8P's of WASH financial products

1. PRODUCT	Includes:
The features of the loan.	• Target client
	• Loan amount
	• Loan term
	• Guarantees or collateral, if any
	• Security deposit
	• Borrower eligibility requirements
	• Loan purpose (WASH improvement type)

2. PRICING	Includes:
Considers the market potential and profit/sustainability objective using various strategies that include cost-based, cost-plus, demand-based and break-even. It looks at behavioral attitudes and perceived values. During the initial design phase it is best to price conservatively.	• Interest rate
	• Loan fees
	• Penalties
	• Incentives

3. PLACE	Includes:
Is the WASH financial product accessible where and when it is wanted? Important lessons can be drawn from the informal sector where access to debt is readily available, but at a high price.	• Place of loan disbursement/distributions
	• Place of repayment
	• Location of operations

4. PROMOTION	Includes:
Refers to sales communication, which is used to inform and persuade clients.	• Advertising
	• Marketing
	• Public relations

5. PEOPLE	Includes:
Considers how the clients are treated during the process of obtaining the WASH financial product. To deliver the best customer service, FIs need to recruit the right staff and invest in training on WASH financial products and the FI's processes/ procedures.	• FI staff

6. POSITIONING	Includes:
The FI's effort to occupy a distinct competitive position in the mind of the target customer; the clients' perception.	• Transaction cost • Price • Quality • Turnaround time • Professional service

7. PHYSICAL EVIDENCE	Includes:
The presentation of the WASH financial product.	• Physical appearance of offices, branches, points of service, ATM stations, loan officers • The appearance of the brochures and posters • Transaction receipts • Loan cards and passbook

8. PROCESS	Includes:
How the WASH financial product is delivered to a client.	• Loan origination • Loan appraisal and approval • Loan disbursal • Loan repayment • Processing and documenting of transactions

Introduction to product risk analysis

During the concept product design stage, it is helpful to conduct a product risk analysis on the top WASH financial product ideas, to highlight the potential risks associated with each product. The market research will help identify some of the risk areas and can inform the risk analysis. The risk areas may be adapted to the FI's context. Some risk areas to assess are:

Risk analysis covered in depth in the fourth toolkit in this series.

Institutional

- Is the staff supportive of a WASH product?
- Does the FI have sufficient WASH expertise?
- Are there any staff concerns with launching a WASH financial product (capacity, training, etc.)?
- Does the FI have a standard protocol in place for launching new products?
- Will the WASH financial product require special processes?
- What will the relationship be between the staff and contractors/vendors?
- What are the policies, procedures and internal controls like? Will the FI be able to adapt to product needs? For example, would the FI be able to create a new procedure for the loan amount to be disbursed directly to a vendor for construction of the WASH facilities?

External Factors

- Are the local economic, seasonal patterns, cultural norms, government regulations and programs conducive to the product? For example, is the FI considering the impact on financing water tanks if the government is planning to increase taxes on plastics? What else is involved if piped-water connections require government approval and paid household taxes?
- Is there competition from other FIs offering the same product?

Viability

- What is the potential for client default? Will the clients be able to afford the cost of the improvement?
- Are the terms of the WASH financial product manageable for the targeted clients?
- Will the product be demanded by the targeted clients?
- Is hygiene education or infrastructure-maintenance training required to create demand? If so, what are those costs?
- Will the cost of managing the WASH financial product be more than revenue earned?
- Is there sufficient cash flow to launch the product?

Figure 6: Sample product risk analysis

Internal Operations

Risk	Strategy to mitigate risk(s)
Resistance to change by employees	Capacity building and motivation through incentives Carry out training needs assessment
Human Resource capacity—no proper establishment of the personnel required to deliver the WASH products	Engage enough qualified staff to handle the WASH products Assess WASH staffing
Compliance/regulatory risk	Adhere to both the MFI Act and Water Act 2002
Lack of in-house WASH technical expertise	Engage third parties/consultants with sufficient WASH expertise
Reliance on low cost wholesale funds	Design the product for sustainability at market rates

Credit

Risk	Strategy to mitigate risk(s)
Diversion of WASH funds by clients	Direct loan disbursement to contractors and suppliers Close client monitoring
Non-payment of loan due to client relocation	Use group guarantees, personal guarantees, collateral, credit history reporting

Political Risks

Risk	Strategy to mitigate risk(s)
Political will and commitment; regulatory changes	Local partners offer insider knowledge and connections to mitigate political risk Knowing what local partners/agents are doing to exercise influence

WASH financial products market	
Risk	**Strategy to mitigate risk(s)**
Low market share	Create brand, product loyalty and awareness through advertising (television, newspapers, etc.)
Low quality items and materials supplied	Create agreements with manufactures and dealers to ensure adequate warranty periods and quality guarantees on items delivered
Borehole drilled and no water present	Use of borehole experts to provide opinions and assessments
Delay in service delivery by manufactures/contractors/dealers for construction of water tanks, toilets and/or septic tanks	Enter into a MOU with manufactures/contractors/dealers
Suppliers not having the required WASH items in stock	Enter into MOU with suppliers and dealers at the county/regional levels
Foreign exchange risk—price fluctuations of WASH materials and supplies	Enter into a memorandum of understanding (MOU) with manufacturers/suppliers and dealers at the county/regional levels

Client concept evaluation

The most valuable information for a FI developing a WASH product comes from its clients. Once the initial product concepts are developed based on the market research results, it is prudent to solicit feedback from clients on the product concept and further tailor the financial product design prior to the pilot. This process of client concept evaluation will also assist in simplifying and refining the language in which the product concept is described. Below is a four-step procedure[1] for concept evaluation to be followed with clients:

Step 1. Introduce concept to clients

The client focus groups should be presented with the statement of the WASH financial product concept and a detailed discussion should take place regarding product features/capabilities. The product development team should write each feature on separate cards to present during the discussion.

---

1   Adapted from E. F. McQuarrie and S. H. McIntyre, 1986

Step 2. Assess client reactions

There are three aspects which need to be evaluated:

- Product features: the product development team should solicit reactions, feature by feature (each of the 8P's) and continuously probe participants to identify the reasons for their reactions. Ask the group to rank the most attractive to least attractive features.
- Price: either suggest the price to the group or have the group suggest the price. The product development team should understand the reasoning provided by the clients for recommending a price.
- Product extensions: the product development team should determine if options could enhance product features. For example, a grace period for the WASH loan product or construction of a bath space in addition to the toilet (if this was not included in the initial product concept).

Step 3. Refine concept

Based on the feedback gathered, the product development team should brainstorm possible revisions and make appropriate changes to the product concept (8P's).

Step 4. Introduce concept to clients

If the product development team is not confident in the revised changes, it should repeat Steps 1–3 until confidence in the product concept is attained.

· · · · · · · · · · · · · · · · · · ·

The concept evaluation fieldwork ideally takes one day or less to complete. The sample size is generally very small as compared to the market research and the respondents may be selected from among the same respondents who were chosen during the market research phase. The advantage of this method is that it yields immediate feedback, allows for intense discussions with customers and enables the FI to apply real-world customer opinions to inform product refinements. The refined product, after the client concept evaluation, is called the "product prototype." The product prototype is pilot tested with clients before the launch. Figure 7 provides an example of changes made to a product concept for a water tank loan in Kenya.

Figure 7: Changes made to a water tank loan in Kenya

Product Concept	Client Reaction during Concept Testing	Product Prototype
Loan Term: 1 year	Clients felt the 1-year loan term was too short and as a result the monthly payment was too large; a 2-year loan term would be more convenient and better suit household cash flows	The loan term was increased to 2 years
Loan Amount: US$59−$118	Clients felt that the loan amount was adequate	The loan amount remained unchanged
Security/Collateral: 15% of the loan amount	Clients felt this was too high, since most of the existing products require only 10%	Cash collateral requirements were set at 10% for loans ≤US$235 and 15% for loans >US$235

Finalizing the prototype

A well-conducted prototype test will allow the product team to find out the level of appeal of the prototype. This information will allow the team to refine the idea or the marketing of the product, if necessary, so that it is targeted specifically to the most appropriate population. The more the prototype incorporates known consumer preferences, the more useful the pilot test results will be. Either way, valuable insights will come from the pilot test when the product prototype is offered in a real-market setting. Once the idea is developed qualitatively, it is important for the FI to find out:

- The proportion of its target customers who find the idea appealing
- Who is most, and least, likely to buy the product
- How different the product is from the competition's, if any
- If the appeal of the prototype is limited, why this is the case

The decision to carry out the prototype test must be based on cost and risk. If the proposed product would cost a great deal to deliver (necessitating changing systems or large-scale investment) and/or is considered high risk for the FI (such as client or revenue loss if misunderstood), a prototype test is necessary. Larger organizations are more likely to need to prototype test products before pilot-testing.

Checklist for Product Development:

○ Developed product concepts

○ Reviewed the concepts via the 8P's

○ Developed a product design

○ Conducted a risk analysis

○ Conducted a client concept evaluation

○ Finalized the prototype

4

Pilot Testing a WASH Financial Product

A pilot test is a limited offering of a product to a narrow geographic area and/or a limited number of clients. The test allows the FI to assess market demand and product effectiveness, which will inform product refinement prior to full scale rollout. By pilot testing a new product, an FI can identify potential problems and make the necessary adjustments to product terms, marketing strategies, staffing and/or procedures. Pilot testing offers an opportunity to test out the prototype, allowing the FI to avoid problems during full scale product rollout. The earlier problems are detected, the lower the cost of correction will be for the institution.

Effective pilot testing of a WASH financial product involves the following steps:

STEP 1.   Compose the pilot test team

STEP 2.   Define the objectives

STEP 3.   Develop the testing protocol

STEP 4.   Prepare systems

STEP 5.   Develop financial projections

STEP 6.   Document product definitions and procedures

STEP 7.   Train relevant staff

STEP 8.   Develop customer marketing strategies and materials

STEP 9.   Start the product test

STEP 10.   Evaluate the test results

Step 1: Compose the pilot test team

The team needs to be representative of the departments involved with the product to ensure effective coordination and product viability prior to launch. If possible, the product development team can continue as the pilot test team.

Step 2: Defining the product objectives

In order to determine the success or failure of the pilot test, it is essential that the objectives for the new product be clearly defined. The most common objectives FIs have, in relation to the WASH product, are:

- **VERTICAL GROWTH:** offering new need-based products to existing clients
- **IMPROVE SOCIAL IMPACT OF SERVICES:** impacting the health and dignity of clients
- **IMPROVE CUSTOMER LOYALTY:** improve client retention by offering more need-based products, compared to competitors
- **PRODUCT PROFITABILITY:** increase earnings for the FI; includes a break-even target for the product
- **EXPANSION:** reaching new clients

Each FI will have a very distinct set of objectives about the specific values/targets assigned to the different objectives mentioned above. The targets can also be set based on the estimates of the market research exercise in the project area. For example, during market research, Centre for Training and Development (CDOT), a microfinance institution (MFI) in North India, estimated that 30% of their existing clients were potential sanitation loan clients. This information helped them arrive at an annual target for the pilot, which was subsequently broken down into monthly pilot test targets for the sanitation loans and the outstanding portfolio.

Figure 8 describes sample product objectives for a water tank loan product offered by a Kenyan MFI. The MFI wants to deepen its engagement with existing clients, maintain high levels of customer service and improve its overall social performance.

Figure 8: Pilot test objectives for a water tank loan in Kenya

Growth	Customer Service	Improved Social Performance
• Target 500 clients with water tank loans in a sample branch during the pilot test • At least 50% of the clients must be existing clients of the MFI	• The water tank should be delivered within 5 days of an approved application • Improved client satisfaction, measured through client satisfaction surveys	• Increase in client satisfaction • Improve client retention • Offer need-based products • Improve quality of life of clients

How to arrive at the specific targets for the WASH financial product

WASH financial products are generally new types of products for the FI, making targeting somewhat challenging. In forecasting product demand, the FI needs to consider the following types of markets:

- **POTENTIAL MARKET:** consumers who state some level of interest in the WASH product

- **AVAILABLE MARKET:** consumers with the interest, the required income and geographic access to the product

- **QUALIFIED AVAILABLE MARKET:** consumers with the interest, the required income, access to the product and the minimum borrower requirements

Step 3: Develop the testing protocol

A testing protocol provides an outline for how the pilot test team will manage the test. It dictates the terms of reference (TOR) for the test and includes the specific tasks, requirements and precisely how and when the test will be monitored. It should also include guidelines under which the test would be paused or terminated.

The terms of the pilot test protocol should include the following:

- Anticipated location and number of clients to be included in the test
- Duration of the test (start/end dates)
- Reporting dates
- What data should be analyzed, and when
- Specific factors that may pause or cancel the test

Anticipated location and number of clients

The pilot test sample size must be large enough to accurately reflect the nature of the broader market. At the same time, the FI will want to limit the sample size to control costs and time invested. The actual size of the pilot test sample depends on the size of the FI and the number of offices or branches available. The following provides general guidelines for the location of the pilot test.

Small FI

Some very small FIs have only one or two market areas or offices. In this case, it is reasonable to offer the product to all the customers of one office. It should be made clear to all customers that this is a test, and therefore, there may be changes to the features, the terms of the product and/or the product rollout could be canceled.

Large Multi-branch FI

Homogeneous clientele
FIs with a fairly homogeneous clientele should choose one branch (not the main office) to run its pilot test. The pilot test should have a large enough number of customers to ensure the pilot test results can be replicated by other branches.

Clusters of homogeneous clients
FIs with very small clusters of fairly homogeneous clients should test with multiple "branches" under one or two supervisory units. After initial results are gathered, the test should be spread to other branches in other markets. Though the pilot will be run in parallel at multiple

branches, data from the pilot should be analyzed in aggregate, as well as at branch level, so that variability of client response is captured.

Dispersed clientele
The pilot test should be conducted in two or three areas. However, they should be staggered so that one test has operated for at least three months before the next one starts, and all must be clearly defined as pilot tests. Simultaneous testing carries the dual dangers of spreading the team too thin, and effectively becoming a premature rollout.

Small number of clients

For FIs with a branch structure but with relatively few potential customers for the product at any one branch, more than one branch should be selected for pilot testing (this would also be true of FIs who work with clients in smaller groups).

Duration of the test

The duration of the test depends on the terms of the WASH loan product. For WASH products whose terms are one year or less, the pilot test should be conducted for a minimum of one full cycle. For loan products with terms exceeding one year, the pilot can range from 9–15 months. The duration should be long to ensure the FI understands the seasonality effects which may arise during the loan cycle of the WASH financial product. FIs should avoid very short pilot tests (3–4 months) as this is inadequate to confidently determine market demand and repayment trends.

Reporting dates

Pilot team members need to be regularly updated on the progress of the test. During the first month, team members should meet weekly to react quickly to any problems that arise. Once the test has settled into a stable routine, monthly reports and review meetings are adequate. FIs should strive to complete pilot reports within five business days of the end of each month and the team should ideally meet within two days of receipt of the reports to discuss and make decisions based on the information gathered.

The types of reports generated regularly during the pilot test will vary according to the context of the FI and the specific objective of the test. Sample reports can include:

Figure 9: Reports generated during pilot test

Objective	Measure	Ownership/ frequency
Outreach	• Number/gender of clients who have been given a loan • % of existing clients • % of new clients • % of clients accessing banking services for the first time (if focus will be on unbanked population and non-clients) • Number of borrowers that have completed construction	Report generated by: MIS/Operations Frequency: Weekly
Service quality	Client complaints received Time from loan application to approval	Report generated by: Customer Service Department Frequency: Monthly
Performance	Geographic—rural vs. urban Product preference by existing credit customers and new customers Repayment rate	Report generated by: MIS/Operations Frequency: Weekly/ Monthly
Effectiveness of the processes and technology	• Time taken for loan approval • Ease of loan disbursement • Ease of loan repayment at a center • Findings from monitoring visits • Internal audit report findings • WASH infrastructure completion and functionality rate	Report generated by: Internal Audit Frequency: Monthly
Market segmentation	Number of clients in different housing structures and occupations Number of clients in different loan brackets (e.g. US$1000–$25,000, $25,001–$500,000, etc.) and monthly income levels	Research: Internal or External Frequency: At the end of pilot test

Partner Collaboration

Before piloting the product, it is critical to formalize relationships with all collaborating partners. This includes WASH NGOs, product manufactures, local government officials or WASH service providers.

•••

Step 4: Prepare all systems

Prior to launching a pilot test, the FI should prepare the management information system (MIS) as well as any systems necessary to manage collaborations with external parties. All of these processes and systems must be ready at least 15–20 days before pilot testing begins. Once the processes are finalized, all respective staff must be trained.

Preparing MIS

To ensure effective monitoring of the pilot test, the FI will need to update the MIS to capture relevant product information. For tracking the WASH product, the following questions may be considered:

- Is the MIS prepared to track the WASH product portfolio separately from other financial products?
- What client level information needs to be captured and are those fields available in the MIS?
- What forms are going to be used for the WASH product—loan applications, loan disbursement sheets and loan collection sheets?
- How will information collected be entered into the MIS?
- To ensure effective pilot monitoring, what reports does the MIS team need to produce and how often?

Preparing systems related to external collaborations

FIs offering WASH financial products may benefit from collaborations or partnerships with external parties such as water and sewer utilities, WASH NGOs and local governments. It is important that the procedures and systems for managing collaborations are well defined. Prior to launching the pilot test, the team should formally establish the following:

The first toolkit in this series explores these potential collaborations in detail.

- Purpose of collaboration
- Lead point of contact for both institutions
- Deliverables, timelines and persons responsible for the various activities
- Documents related to the collaboration
- Process map outlining flow of information and documents

Step 5: Develop financial projections

Financial projections for the WASH product should be developed to provide a clear financial picture and serve as a basis for informed decision-making. As new products are unlikely to reach their full potential within the first year, the financial projections are usually prepared for a three- to five-year period.

Some of the costs are easily determined like the direct costs of staff, training and fixed assets. Indirect costs and variable direct costs, on the other hand, can be difficult to project and track. Though this can be a difficult process, it is critical to understand the full cost of the product.

For more details on pricing WASH products, please refer to the fourth toolkit in this series.

Figure 10: Cost and revenue projections for WASH products

Direct Costs

Cost of funds	The cost of funds specifically used for giving out loans
Loan administration costs	The costs of documentation involved at the time of loan origination, payments and managing overdue loans
Marketing	The marketing costs for the promotion of the WASH product
Number of staff	Employees involved in the delivery of the WASH products; varies with product sales volume
Provision for loan losses	Bad debt provisioning expenses for the WASH loan portfolio
Staff training costs	All costs incurred training the FI staff on the WASH product
WASH Specialization	All costs related to engineers or activities performed by community educators to monitor/ evaluate WASH improvements and provide health awareness to stimulate demand

Indirect costs

Typically refers to the overhead costs and support departments that have been allocated to support the WASH product; the basis for allocation involves a more detailed cost analysis.

<div style="float:right">◀ Refer to the third toolkit for detailed cost analysis.</div>

Depreciation on furniture, fittings and other equipment	If equipment is shared at the branch for all product segments, an appropriate allocation should be made based on the loan portfolio
Office rent	A portion of the branch rent has to be allocated to the WASH product on some preset allocation base

Revenue Side Projections

Interest income	The interest earned on the WASH loan product
Fee income	Fee income related to WASH loans
Interest on cash collateral	Though cash collateral itself is not a revenue item, the interest earned on it is generally taken as revenue for the FI

Growth Projections

FIs can use any of the techniques below to make assumptions about the growth of the new WASH product:

- Growth rates from similar products introduced previously
- Growth rates for similar products in a similar market that might be available from other institutions; for example, a similar product to a water tank/water filter loan could be a solar lantern or clean energy cookstove loan given by another FI
- Market intuition of operational and marketing staff
- Results of market research done with respect to the product; most of the FIs may have to depend on this for basing their initial projections if they do not have experience with any similar products

FIs offering WASH products for the first time may have to make assumptions and estimates to arrive at projections once the test has commenced. The team should be able to obtain actual data quickly through close monitoring. Over time, actual data will replace the previous estimates, allowing for refined projections.

Step 6: Document product definitions and procedures

Clear documentation is necessary to ensure that everyone implementing the pilot test will fully understand both the policies surrounding the product and the procedures for its operation. Policy and procedure definitions must address all areas that affect, or are affected by, the product, including credit staff (with direct customer contact) and their supervisors, marketing staff and back-office operations (human resources, accounting and IT).

FIs should already have a formal policy and procedures manual, and it is best to draft the new product policies and procedures in the same format. When the pilot is complete, the draft form of the new product policies and procedures can be presented to the appropriate authorities for approval (likely the FI's Board of Directors), and will then become part of the institution's formal policy and procedures manual.

Detailed instructions should be included regarding usage of the product-related forms, such as loan applications, payment and fee slips, as well as the delinquency lists. Document in detail the procedures for each process relating to the product. For a WASH loan product, these processes will include the following:

- WASH marketing
- Client identification
- Loan application
- Application review and assessment
- Credit officer documentation seeking loan approval after assessment
- Application approval with specific instructions on who approves what and what each looks for
- Disbursement processes
- Monitoring
- Payment processes
- Delinquency management
- Posting of data into MIS
- Supervisor approvals and authorizations
- Supervisory activities (monitoring and reporting)

Step 7: Train relevant staff

Effective training of all staff involved with the WASH financial product is essential to ensure:

- Standard application of policies in accordance to the manuals
- High-quality customer service
- Prompt, complete and accurate recording of transactions
- Optimal use of MIS to inform management decisions
- Effective, consistent and persuasive marketing
- Informed risk control through internal audit and systems

The basic training modules that the FI will need to prepare include:

- Basics of WASH including the type of WASH improvements relevant to the geography, regulations or specific knowledge related to the improvement (i.e. legalizing water connections and associate fees, regulated distance between a toilet and water source, dangerous hygiene practices, etc.) and costs of construction of basic WASH improvements
- Policies and procedures for delivering the WASH product
- WASH marketing

Step 8: Develop customer marketing strategies and materials

Marketing WASH financial products may require unique marketing strategies in cases where demand is latent rather than active. For example, to generate active demand for toilet construction financing, FIs may need to educate potential clients about the importance of proper sanitation and hygiene.

Various WASH marketing techniques are explored in the third toolkit.

Step 9: Start the pilot test

Before the pilot test begins, the team should meet and review all of the steps. Once the team is satisfied that the requirements of all steps have been fully satisfied, the team should formally notify other colleagues in the organization about the status of the pilot, including senior management and the branch and department managers.

Finally, **expect challenges**. It is very rare for a pilot test to proceed without them. After all, the goal of the pilot is to identify any problems so they can be addressed prior to product rollout. The important thing is to have the team ready, willing and able to help, so that when problems arise, relevant team members can address them immediately. Contingency funds should be built into the budget to deal with any issues as they arise.

Step 10: Evaluate the test results

The pilot test team should meet as needed to evaluate the data and the progress of the pilot against the previously defined objectives. These meetings will lead to one of the following decisions:

- **TERMINATE OR SUSPEND:** it may be necessary to terminate the pilot if there is significant underachievement of key objectives like profitability, customer acquisition, etc.

- **CHANGE AND CONTINUE:** make appropriate changes to the terms or procedures of the product and continue with the test, extending the completion date if the changes are dramatic. This is common as credit staff and clients provide feedback on the key product features.

- **CONTINUE:** progress data may indicate that no changes are needed and the test may continue as originally planned.

- **ROLLOUT:** if the test is complete, and the data indicates that the product is well structured and valuable to the institution and its customers, the organization can proceed with a full product rollout.

Monthly reviews provide data from relatively short periods of activity, allowing the team to see what is happening with the product, enabling them to identify problems as they arise and facilitating decision-making that keeps small problems from becoming larger. Quarterly evaluations allow for a much greater degree of trend analysis, which is helpful for making broader conclusions about the product. Thus, quarterly evaluations offer a point at which the projections may be reassessed and significant decisions made about the progress of the test.

Analyzing the data

Throughout the pilot, information about the piloted product is continuously coming into the FI via the FI's MIS. This data is utilized to evaluate the product's performance indicators. The following are examples of WASH financial product performance indicators:

- The number of applications received for a WASH loan
- The number of WASH loans disbursed (by branch and by WASH product type if more than one product exists, e.g. water connection and improved pit latrine)
- The loan amount by WASH product type
- Tenure of the loan
- Interest rate
- Repayment rates
- The percent of WASH infrastructure found to be functioning
- The percent of loans utilized for the correct purpose
- Revenue, including the amounts repaid on the loans
- Expenses related to the WASH product

When analyzing the data, all team members must remember that their loyalties should remain with the FI and its integrity, not with the product. No matter how much effort has gone into the pilot, the purpose is to determine if the product is likely to be successful for the FI and if it should be launched at all. Tracking and measuring key performance indicators will help provide a clear picture. Team members should compare the actual data closely with the financial projections, the formalized objectives and the pilot test protocol. The protocol formally sets the parameters for continuation, suspension and termination of the test.

Once the FI has considered all the implications of the new product for the FI and the customers, it must decide whether or not to recommend going forward with the product launch. Based on the analysis, the team has three general options to recommend:

- **Expansion of the product to other market areas.** This should be done with revised financial projections and a rollout plan, both directly reflective of the results of the test.
- **A continuation of the test.** This option should be suggested if significant adjustments were introduced late in the test (to correct for problems with the product or its administration) and results of the adjustments are not yet conclusive.

- **Termination of the product.** This should be accompanied by a report evaluating the test and the reasons for the termination recommendation. The test is conducted so that the FI can determine if the proposed product will satisfy its objectives. Even if the product is terminated, the institution will have likely saved itself from a large-scale problem. FIs must not fear recommending this option when it is warranted.

When the team has decided on a recommendation, they should draft a formal recommendation report to the Managing Director and/or the Board of Directors. With this report, and the supporting documentation, management will be able to make an informed decision about the product. Also, when applicable, all parties tasked with launching the product will be fully informed about its history and status, have a plan for rollout (which they should have had a hand in developing) and receive all the documents related to the product.

An outline of a recommendation report can be found in <u>Annex 8</u>.

To ensure a smooth transition of the product after the handover, the pilot test team should continue to work with the department managing the product (most likely the credit department if it is a loan product).

Checklist for the Pilot Test:

○ Developed a prototype to test

○ Formed the pilot test team

○ Defined the objectives

○ Developed a testing protocol

○ Selected the branches for the pilot test

○ Formalized relationships and agreements with collaborating partners

○ Prepared MIS

○ Developed financial projections

○ Documented product definitions and procedures

○ Trained all relevant staff, including the staff in the pilot test branches

○ Developed customer marketing strategies and materials

○ Finalized a monitoring plan and identified key performance indicators

5

Product Launch

This chapter discusses the preparation for the launch, the launch-day activities and the post-launch evaluation. This often requires a step-by-step approach to move the product from the successful conclusion of the pilot test, to the point where it is fully operational. The product launch process involves multiple steps and feedback loops that provide data for decision making.

There are seven essential steps in the product launch:

STEP 1. Team formation

STEP 2. Examine internal capacities

STEP 3. Organize product rollout

STEP 4. Conduct a product cost analysis

STEP 5. Train staff

STEP 6. Update the marketing plan

STEP 7. Product launch and rollout

Once the pilot testing is completed, the WASH product is ready for launch. Often, FIs will treat the product launch as a one-time event, but the product launch and rollout is a process. After spending months on research, product design and product testing, FIs are often anxious to get the new product out to the market quickly. However, the product development team must translate the research conducted into a product that will meet clients' needs.

The launch objectives should be similar to those of the pilot test, as the initial objectives set for the product during the pilot test were closely related to the long-term objectives of the institution. Additionally, there should be a set of targets for the whole exercise and a set that relate to each administrative unit (branch, region or other). These administrative targets should satisfy the targets of the institution as a whole.

Step 1: Team formation

A specific product rollout team needs to be identified to manage and complete the product rollout process. The product champion and other members of the product development team should be retained to provide historical knowledge of the product and the process to date. However, during the transition phase, the leadership of the overall team must shift to the person who will be responsible for the product soon after the launch.

While the finance, research and audit representatives are not necessarily included on the rollout team, their roles should now be institutionalized based on activities from the pilot test. They will continue to perform their regular functions with respect to the product. Their processing and monitoring roles remain critical to the success of the WASH financial product.

Human resource issues are among the most critical to a successful rollout. Much like income-generating loan products, the formal and informal incentive structures throughout the institution need to be aligned so that all staff see a benefit in the new product and need to be guided to work as a team for the benefit of the institution. Training, branch incentives and attention to teamwork can all have a highly positive impact on the rollout of the new WASH financial product.

Step 2: Examine internal capacities

The FI's capacity must be reassessed at every step of the product development process. This is especially important when considering the rollout of a new product. Lessons learned from the pilot phase are integrated into the launch and rollout of the product. The table below provides a list of questions to help the FI complete this assessment.

Figure 11: Product launch capacity assessment

Questions to ask:	Yes/No
Institutional Strategy	
Does the WASH financial product still fit within the FI's strategic plan? Has the FI's commitment to WASH product(s) changed?	
Based on results from the pilot test, does the product satisfy objectives relating to expected product returns?	
By the end of the pilot test, did the product satisfy the product objectives in terms of growth, customer satisfaction and product quality?	
Is there still sufficient financing allocated to support the WASH product through launch and rollout?	
What are the targeted geographies and rollout plans for each over time?	
What monitoring steps will be involved initially and long-term?	
Financial Viability	
Has the pilot test created any liquidity management problems that have not been completely resolved?	
Is the institution's asset/liability management team including the new product in its assessments? Are they projecting for the full impact of the rollout? Do the projections confirm the ability for effective management during and after rollout?	
Are there sufficient, dedicated financial resources and staff to cover the product rollout, and for how long?	
During the pilot test, has the impact of the new product on portfolio-at-risk remained within acceptable limits (as per policy guidelines and the strategic plan)?	

Questions to ask:	Yes/No
Has operational efficiency of the new product improved during the pilot test and reached acceptable limits?	
Do projections based on the reality of the pilot test show improvements in institutional profitability relating to the rollout of the new product?	
Organizational Culture	
Have the pilot test staff closely followed the draft procedures manual? Are the rest of the staff likely to follow the formal procedures?	
Human Resources	
Are management and staff positive about the new WASH product and their role in its implementation? If not, has an internal marketing plan been developed to mitigate any problems that might arise?	
Is the new WASH product compatible with the existing incentives for branch staff?	
Delivery Networks	
Have any weak links (frequently between the credit staff and the back office and/or the product manufacturers and the clients) been fully addressed?	
Does the WASH product manufacturer/service provider have the ability to effectively deliver their products/services across the rollout branches? Are there sufficient masons in targeted areas to complete the construction? Are the delivery networks developed during the pilot test fully replicable to all branches where the product will be rolled out? If not, has a plan been developed to test whatever adjustments are required?	
Systems	
Based on the reality of the pilot test, is the MIS of the organization capable of capturing all of the relevant product information required for effectively tracking and monitoring the WASH product?	
Has the risk/audit department signed off on the controls related to the MIS?	

Step 3: Organize product rollout

There are several methods an institution can select for a phased rollout. The choice should be based on the FI's capacity and geographical conditions of the targeted client areas. For example, with income-generating products, the branch capacity is built rather quickly since much of the rollout process is the same for each branch. In the case of WASH financial products, a fixed-period rollout may be most appropriate since the success of the WASH product depends on a number of extraneous factors. These factors which depend on the individual branch location and include the demand for the products, intensive training for the branch staff on the WASH product, demand generation through a sustained marketing effort and the availability of the services of the product manufacturer and the service providers.

Generally, the product launch can be either **soft** or **public** depending on the marketing strategy adopted by the FI.

The "soft" rollout

This occurs when a branch office begins to offer the product with no fanfare and little marketing. This provides an opportunity to test staff and systems with a limited number of real customers, allows the FI to minimize problems that might occur and allows staff to develop confidence in the product before large volumes of customers arrive. Another benefit of a "soft" rollout is the ability to address any pent-up demand in a quieter, more controlled manner. Many FIs in India have adopted this method.

The "public" rollout

This method includes a marketing surge with the expectation of receiving many new clients. All systems and staff will have been tested off- and on-line, and the office should be fully prepared. The "public" rollout builds momentum for the product and will often take advantage of several marketing/promotional tools to make sure that everyone in the target market knows about the product. It is an important event for the branch as it provides an opportunity for potential customers to develop a positive impression of the FI, its new product and the FI's brand. Ecumenical Church Loan Fund (ECLOF) in Kenya used a road campaign to promote its water tank product. The water tank was paraded through the streets on a truck with banners highlighting the name of the product.

Three of the most common rollout methods are as follows:

- **A FIXED-PERIOD ROLLOUT**: the institution chooses to rollout the product to a new branch during a fixed period, such as a month or quarter.
- **AN ACCELERATED-PHASED ROLLOUT**: the institution begins the rollout at a careful pace and then accelerates rollout as problems are addressed and the team becomes more comfortable with the rollout process.
- **A REGIONAL-PHASED ROLLOUT**: the institution rolls out the product to all branches in a geographical region at the same time.

Considerations Regarding the Method of Rollout

How many branches will rollout the product(s) and when?

The more branches, the more likely it is that the FI will need to rollout in phases.

How much WASH input is required for rollout?

The more technically complicated the product is, the more likely it is that WASH expertise will be required at the branch site during the rollout. The number of technicians available will determine the rollout speed. For example, some FIs train local masons to build toilets for clients, which takes time and resources. The branch may also require health experts to meet with community members to explain water- and sanitation-related diseases in order to create product demand.

Is there a need to customize the MIS in each of the rollout branches?

If IT is using a software package that needs to be upgraded in each of the rollout branches, additional time is required.

How far are the rollout sites from the head office?

The further the rollout sites are from the head office, the more likely the FI will need to rollout in phases as coordination with support staff may take additional time.

How much staff training is required and what is the level of capacity of the branch staff that will implement the product?

It is necessary to assess whether a new product will overwhelm the staff and effect overall productivity. The productivity of staff and training required during the pilot test should be a good indication of their capacity to take on the new WASH product.

Can the projected cash flow be adequately managed by the FI?

A new financial product can greatly alter cash flow. After a pilot test, the FI should have an indication of the potential cash flow issues that might occur during the rollout.

Is the capacity of the required product manufacturer/service providers sufficient for the rollout plans?

The volume of loans will increase significantly from the pilot period. If the rollout is done across all branches at once, they may not have the capacity to effectively deliver.

Things to remember:

- The rollout pace should always be based on the capacity of the institution and the rollout branch staff.
- Each rollout is a bit different. The team must recognize this and adapt the rollout accordingly.
- Time should be allotted to correct any problems and make sure any lessons learned are applied to subsequent branch rollouts.

Branch Rollout

Once a rollout method is selected, the team can determine the order in which the product(s) will be rolled out at the branches. Several things should be considered when determining the rollout order:

- **Market demand:** is there significant demand for the WASH financial product in one area? This demand should be satisfied first, if practical.
- **Geography:** does the branch location have favorable conditions to offer a product sustainably? For example, a water utility should have an extensive piped network near the client location to offer loans for water connections. Similarly, a branch location with access to masons may be considered earlier if a toilet construction loan product is being launched.
- **Management and staff demand:** the eagerness of branch staff and management can be critical to the rollout.
- **Distance from the head office:** new products need close monitoring. The FI should select branches that can be easily monitored from the head office provided they meet the other criteria listed here.

Step 4: Conduct a product cost analysis

One of the basic objectives of pilot testing is to determine product profitability. Profitability is a factor of the:

- Costs related to the product
- Revenues earned from the product

It is recommended that FIs conduct product costing analysis to understand product profitability.

Step 5: Train staff

Training conducted during the pilot test should have been assessed and the results compiled to give the institution a reasonably clear idea of the training necessary for the rollout. If this was not done, the training department will need to go back and reassess based on qualitative research. A conversation with the staff discussing strengths and weaknesses of the training should prove useful in discovering areas and issues that should be included in rollout training. Two highly effective means of improving the quality of training include:

- Having the pilot test branch staff conduct some of the training. They can discuss the processes, procedures and issues firsthand, which may have a positive impact on the trainees.
- Conducting some or all of the intensive training in or near the pilot test branch so the trainees can meet the customers, observe transaction processing, see the marketing and observe branch-related back-office activities.

The FI may also hire external experts to enhance the training curriculum created in the pilot phase. For example, if the WASH financial product is to finance shallow borewells, the staff should be trained on things like the suitable location for drilling the borewell, the appropriate depth based on the soil conditions and estimating the cost of construction.

Step 6: Update the marketing plan

The marketing plan developed during the pilot should be updated. Marketing and advertising during the pilot test was localized and soft. This was necessary because of the limited scope and nature of the test. Now that the

test has been completed and the FI is ready to launch the product, marketing must be re-addressed to focus on a much larger market. In the hand-over package[1] there should have been an assessment of the effectiveness of the marketing strategies used during the pilot test as well as suggestions for rollout marketing. The marketing plan used for the rollout should focus on demand-generation tools like information, education and communication (IEC) materials.

Elements of a marketing plan

The marketing plan does not need to be long and tedious, though it should include enough detail to guide the team in relation to marketing expectations. The plan should incorporate information learned in the market research. An appropriate format for a product rollout marketing plan might look like this:

Refer to the third toolkit in this series for details on how to research, develop and structure the marketing plan.

I. Assessment of Market

    a. Background:

        1. Macro-environmental analysis

        2. Micro-environmental analysis

        3. Institutional self-analysis

    b. Conclusions and key assumptions

II. Product Marketing Goal and Objectives

    a. Statement of the marketing goal—the major outcome of the marketing activities regarding the product

    b. Marketing objectives for the new product

III. Core Marketing Strategies

    The strategies that will help the institution achieve the objectives from Step II.

    a. Brand name, taglines, ultimate selling proposition, benefit statement and positioning statement (all of which should have been tested and refined during the pilot test)

    b. Target market segments—identify primary and secondary target markets (if secondary is significant); what marketing tools/sales strategies are most effective for each target market

IV. Key Product Policies

    Outline the product policies arranged by the "8P's" of marketing to assist staff with marketing the product in a cohesive and comprehensive manner.

---

1   The hand-over package includes the results of the pilot test and the full packet of policies, procedures and materials developed for the pilot. It should be given to the person/team managing the WASH financial product going forward. See Annex 8 for more information.

V. Tools

Develop specific strategies for each objective and sub-objective in Part II.

    a. Marketing activity work plan—describes the marketing activities to be undertaken in the head office and each branch during each month of the year

    b. Advertising and promotion schedule—this should be developed to coordinate advertising and promotion activities with launches and other opportunities

    c. Monitoring techniques—marketing must be monitored in order to manage it adequately; it is important to track the effectiveness of each marketing effort and objectives monthly; it may be helpful to divide the objectives by branch and month for ease of tracking

VI. Budget

The budget should include the costs of all activities of the marketing department with regards to the new product. When linked with the monitoring techniques, the FI should be able to conduct cost-benefit analyses for the different marketing activities.

Step 7: Product launch and rollout

The preparation and strategies developed during steps 1–6 lead to the launch and rollout of the product. With preparations complete and plans in place, the FI is ready to launch and rollout the WASH product.

Launch Considerations

- Don't oversell the product; instead, present the product in a manner that clearly articulates what it is, and the costs, terms and benefits associated with it. Staff should be trained and documents should be on hand to distribute. Do not exaggerate and be as transparent as possible.

- The final timing of the launch must be based on the level of preparedness and comfort of the rollout office staff. There may be synergies when overlapping rollouts with other events that may draw a crowd within the target market, but this can result in a lack of adequate staff or resources if the office is unprepared.

- Focus the rollout on the target market as activities can be expensive. Inefficient investments can be avoided by targeting all rollout activities specifically to your intended market.

Product monitoring and evaluation

Once the product is launched, the FI needs to monitor the product continuously to ensure all product objectives are being met. There are several types of assessments that are needed regarding the new WASH product.

Figure 12: Assessment matrix for rollout

Analysis of:	Purpose:	Responsible Party:	Frequency:
SYSTEMS (MIS)	To confirm data accuracy and proper performance of the systems	Internal auditor External auditor	Within 2 months of rollout at each branch Annually by sampling
POLICIES AND PROCEDURES (documents)	To confirm validity of policies and procedures and effectiveness of the product operations	Head of operations/ credit	Six and twelve months after rollout to second office Then annually two months before audit
POLICIES AND PROCEDURES (adherence)	To confirm that controls are adhered to in a consistent manner throughout the institution	Internal and external audit (formally) Supervisory staff (informally)	External audit annually Internal audit six months after every launch, then include in routine audits Supervisors review continuously
PRODUCT SATISFACTION	To confirm client satisfaction with product	Research department or staff/consultant trained in qualitative and quantitative research methods	Within six months of launch institutionally for the product and then as part of the regular research schedule
COMPETITIVE POSITION	To understand the product's positioning in the market relative to competitors (formal & informal)	Marketing, research department or a consultant	Twice a year
PROFITABILITY	To make sure the product is moving towards/improving in profitability	Finance	Annually by branch, region and institution

Analysis of:	Purpose:	Responsible Party:	Frequency:
PRODUCT OBJECTIVES	To confirm progress towards objective satisfaction	Branch managers Regional managers Head of operations/ credit	Monthly by branch, region and institution
INSTITUTIONAL ASSESSMENT	To identify and track the impact on staffing, system capacity and physical infrastructure as a result of the new product	Product manager Finance Human resources	Quarterly Year 1; semi-annually after that

Product Performance

The performance measurements collected during the pilot should continue to be collected. The FI may want to add additional measurements as needed.

The WASH performance indicators are provided in Chapter 4 of this toolkit.

Can we adjust the product once it is rolled out?

Certainly, new products are likely to be adjusted in small ways after rollout. These often occur through minor adjustments to policies, procedures or systems, and are usually imperceptible to customers while increasing efficiency or improving processes.

Making larger adjustments—new restrictions, fee increases—will potentially have a seriously detrimental impact on customers, and thus the product. A reasonable approach to such a problem is to apply any adjustments to new customers only. Allow the current customers to retain the product features they were offered either indefinitely, or for a certain period of time.

What are some key things to consider when adjusting the product?

- Communicate quickly with the customers about the changes so they understand.
- Always comply with contracted agreements with customers. For example, FIs cannot change the interest rate or the repayment structure on a loan in progress without a new loan agreement.
- One strategy employed by FIs to avoid negative impacts on customers, is to price the new product at a premium and then lower prices as real data reveals that costs are covered and some of the surplus can be passed on to the clients.

Checklist for Product Launch:

◯   Completed steps 1–7

◯   Have a protocol in place to continuously monitor and evaluate the WASH financial product's performance

◯   Continue to make adjustments to the product as needed

Annexes

ANNEX 1
Product Development Process Template

	A	B	C	D	E	F	G	H	I	J	K
1		Budget	Staff Responsible	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8
2	*Sample Task*	*Amount*	*Persons responsible*		*Duration/timing of task*						
3	**Evaluation & Preparation** to get ready for the next four phases and to ensure this is the right choice for the institution										
4	*Task 1 - Analyze institutional capacity/readiness for product development*										
5	*Task 2 - Assemble the multidisciplinary product development team*										
6	*Task 3 - Prepare a project plan/scope of work*										
7	*Task 4 - Adequate loan capital and operating funds determined*										
8	**Market Research** to assess the potential market for a WASH product by identifying market needs and opportunities										
9	*Task 1 - Identify research objectives*										
10	*Task 2 - Select research methodology*										
11	*Task 3 - Perform data collection*										
12	*Task 4 - Analysis and reporting*										
13	**Product Design** to develop a successful WASH product based on market research results										
14	*Task 1 - Initial concept development*										
15	*Task 2 - Complete the product design framework (the 8P's)*										
16	*Task 3 - Client concept evaluation fieldwork*										
17	*Task 4 - Finalize the prototype*										
18	**Pilot Testing** to evaluate product design and processes by offering the WASH product in a limited area										
19	*Task 1 - Compose the pilot test team*										
20	*Task 2 - Develop the testing protocol*										
21	*Task 3 - Define the objectives*										
22	*Task 4 - Prepare systems (MIS, collaboration, etc.)*										
23	*Task 5 - Develop financial projections*										
24	*Task 6 - Document product definitions and procedures*										
25	*Task 7 - Train relevant staff*										
26	*Task 8 - Develop customer marketing strategies and materials*										
27	*Task 9 - Start the pilot test*										
28	*Task 10 - Evaluate the test results*										
29	**Product Launch** to begin offering the WASH financial product according to the plans that have been thoroughly informed by the previous steps										
30	*Task 1 - Team formation*										
31	*Task 2 - Examine internal capacities*										
32	*Task 3 - Organize product rollout*										
33	*Task 4- Conduct a product cost analysis*										
34	*Task 5 - Train staff*										
35	*Task 6 - Update the marketing plan*										
36	*Task 7 - Product launch and rollout*										
37											

Figure 13: Screenshot of product development process template

The product development process template active spreadsheet is available for download here.

ANNEX 2
Market Research

Collecting Primary Data

Process

Collecting primary data requires careful planning and execution. The FI needs to develop a research design, including a methodology, in order to obtain valid information. The process for collecting and utilizing primary data includes five steps:

1. Define Goals and Objectives

The first step is to outline a scope of work that contains the FI's goals and objectives for the research. Defining the goals and objectives guides the data collection and analysis process.

2. Define Research Questions

The second step is to define the study's research questions. These are high-level questions that target specific information related to the study's objectives. Sample research questions for a WASH market assessment include:

- What types of improved water and sanitation facilities do people want?
- What is the willingness of the poor to pay for improved water and sanitation facilities?
- What are the barriers to obtaining WASH improvements? Is credit one of them? Are there any regulation or environmental challenges people face?
- What is the perception of the people in regards to a particular WASH technology?
- What is the amount people are willing to pay for improved water and sanitation facilities?
- How does the level of demand and willingness to pay for improved water and sanitation facilities change by geography?

3. Determine Methodology

Selecting the type of research methodology will be dependent on the assessment's goals, objectives and overarching methodology.

Components include:

- Type of data to be collected
- Locations to collect data and sample size
- Method for selecting people to interview
- Data collection tools—the design of stakeholder, household and FGD questionnaires

Note that research tools can be qualitative and/or quantitative. The decision about which type(s) of data to collect is determined in the methodology.

- **QUALITATIVE RESEARCH** is primarily used to examine and understand the complexity of human behavior, and is more descriptive than definitive.
- **QUANTITATIVE RESEARCH** is usually conducted by means of pre-tested questionnaires and administered to a sampled population.

Quantitative research usually facilitates faster data processing, as well as statements such as "65% of the target population buy water from water vendors, 20% have piped water connections and the rest use their own sources like wells or borewells." This is obviously an effective way of presenting survey data but it restricts the data collected to specific pre-determined questions. Moreover, it rarely provides the reasons for the stated practices, which are the domain of qualitative research.

4. Develop the data collection tools

The next step is to develop or procure the data collection tools which are qualitative and/or quantitative. Some common tools covered the upcoming section include:

- In-depth interviews
- Focus group discussion
- Product attribute ranking
- Relative preference ranking
- Competitor analysis
- Seasonality analysis

5. Data collection and analysis

Once methodology and data collection tools are designed, data can be collected through a variety of formats including by hand or electronically. The data will need to be entered into a repository for data analysis.

Data Collection Tools

The data collection tools below are examples of tools that can be used to collect primary data. Note that the tools should be customized to the FI's particular research needs and methodology.

In-depth interviews (either qualitative or quantitative)

In-depth interviews consist of one-on-one interviews with relevant persons. A semi-structured questionnaire can be used as a guide for the researcher, allowing the researcher to ask additional questions that arise. The flow of the interview doesn't need to follow the order of questions in the guide.

Figure 14: List of people for in-depth interviews

People to Interview	Information needs
WASH PRODUCT MANUFACTURER	Types of WASH services
	Processes and deliveries
	Supplies and availability
	Ways to collaborate
GOVERNMENT WASH DEPARTMENTS	Details of local and national WASH programs
	Requirements and regulations
FI STAFF	Feedback from key FI staff on the delivery process, client needs and marketing requirements for the WASH product
CLIENTS	Needs and demands
	Socio-economic situations
	WASH infrastructure in the area
	Willingness and ability to take loans for WASH improvements

Focus Group Discussion (qualitative)

A focus group discussion (FGD) is a group of participants discussing a particular issue led by a moderator. FGDs allow the collection of relatively large amounts of data in a short period of time. They also allow more in-depth examination of issues through the dynamics of a peer-group discussion.

Prior to conducting the FGD, several preliminary steps must be completed:

STEP 1.   Select techniques to be used

STEP 2.   Get to know the subject of discussion

STEP 3.   Determining a sampling strategy

STEP 4.   Select FGD participants

STEP 5.   Arrange logistics

STEP 6.   Prepare discussion guide

STEP 7.   Pre-test discussion guide

STEP 8.   Run focus group discussion

STEP 9.   Analyze data/results

STEP 10.   Prepare a report and presentation

Select a moderator that is well informed about the FI's operations and commitment to develop a WASH loan product. After a moderator is selected, the FI will use a sampling strategy (determined in the methodology) to come up with the number and location of the FGDs. Local branches will be used to facilitate the moderator and assemble the groups. Criteria then needs to be developed for selecting the FGD participants. The following is an example:

- The size of FGDs is between 4–10 people
- 50 percent of the participants use unimproved water and/or sanitation
- Participants feel comfortable sharing their thoughts/opinions in group settings
- Participants agree to be respectful and allows others to speak
- Participants have not participated in market research in the recent past

FGDs require planning. The following are logistical items to consider:

- Make sure the local leadership is aware of the purpose of the meetings
- Secure an appropriate, non-intimidating meeting place
- Choose a convenient time for the respondents, e.g. avoid market days in rural and peri-urban areas, avoid mornings in rural areas during the planting/harvesting seasons
- Make appointments with the participants and ensure the invitations are clearly communicated
- Consider using a community mobilization agent to help confirm the appointments and ensure that participants attend on time

- Arrange for transport/translation where necessary
- Provide refreshments to the respondents, if possible, as an incentive

Tips for conducting a FGD:

- Clearly explain the purpose of the exercise
- Do not prompt a particular response from the group, let the group explore the issues on their own
- Record the discussion via notes or audio recording
- Keep the groups small so that everyone is able to participate
- Use the research design guides to select the group members; the FI may elect for the group to be homogenous or diverse, for example an all-female or all-male group, or different social classes
- Prior to conducting the discussion, make sure the discussion guide and pre-test are designed and are in the local language
- Listen, learn and facilitate; interrupt only when necessary
- Choose a place where participants feel relaxed

Sample FGD agenda

1. Welcome participants

2. Introduce all team members and explain the purpose of the discussion in clear, local terms

3. Collect the following information from each participant:

   - name
   - age
   - major occupation
   - characteristics of house (materials, size and assets)
   - the number of family members in house
   - characteristics of neighborhood (paved streets, public services, distance to doctor, land ownership)
   - frequency and type of illnesses
   - current water and sanitation sources used

4.   Ask questions similar to the chart below

Figure 15: Sample FGD guide for WASH finance market assessment

Name of the village/area:	
Date of focus group:	
Core questions	Probing questions
Water supply and access	
1. What is their source of water (both daily usage and drinking water) and how much do they pay?	What is the water source?
	How far is the water source?
	How much time is spent collecting water daily?
	What charges are paid by users for the various sources of water—public/ private water utilities, government agencies, water vendors, etc.?
2. How do they feel about the water supply from public utilities?	How easy is the water to access for the poor? (cost, time, procedural hassles)
	What are the usage rates; how often do the clients pay?
	What is the quantity and quality of service from the water utilities?
3. What sources of water are used in communities without access to public utility services?	What is the quantity and quality of the water?
	Why is there no public utility supply?
	Is cost an issue or are there other reasons preventing the service?
Sanitation	
1. What are the sanitation habits of the participants and, if applicable, how much do they pay?	What is the prevalent mode of sanitation? (individual toilet, public toilet, open defecation)
	What is the cost of installation for each type?
	Which ones do the participants prefer and why?
2. What is the reason for no access?	Not enough space?
	High costs to build a new toilet?
	Scarcity of skilled masons or suppliers?
	Are public toilets available? If yes, what their perception about usage of public toilets?

3. For participants who have individual toilets, where is the waste disposed of and why?	Is the service provided by a public or private party for waste disposal satisfactory?
	What costs are involved in waste disposal at the individual level?
	Do all the household members (including men and children) use the toilet?
Financing needs	
1. What are their priorities for home improvements?	Are loans available for home improvement?
	Which activities are most important (roofing, flooring, electrification, water or sewerage)?
2. Are participants willing to pay for water and sanitation services?	Which service and products do participants want?
	For which services are they willing to pay?
	Is their ability to pay equal to the cost of a toilet or water connection?
	Is any financing currently available to them for water and sanitation improvements? What are the sources?
3. What sources of finance are used by participants?	What is the major source of credit and savings for the community?
	Have they taken out loans? For business, consumption, home improvement? Why or why not (collateral requirements, interest rates, distance to branch, loan tenor)? From where? What were the terms?
	Do they save with any institutions? Why or why not?
	Do they save for specific purchases?
	Do they prefer formal or informal financial services? Why?
	What is their perception of the various financial service providers they've accessed?

5. Thank the participants for their time. Share that their participation in the FGD will help design better services, which will benefit a wider population.

Product Attribute Ranking

This tool identifies the product attributes that are most important for clients in a particular WASH financial product. Using a simple ranking technique, the potential clients are asked to list the attributes they feel are the most important (loan size, installment size, product quality). Participants are then asked to rank these attributes according to their importance and note why.

Procedure to conduct product attribute ranking:

1. Have participants describe what is good or bad about the financial service or problem that is being ranked; probe for further criteria/components, follow up on points of interest and encourage participation by different people

2. Have participants list all the criteria/components generated in this way. Change negative ones into positive/neutral statements (e.g. "high minimum deposits" becomes "minimum deposit" or "low possibility of getting credit" becomes "possibility of getting credit")

3. Write each criterion/component on cards, one for each

4. Ask the participants to rank the attributes by arranging the card with the most important criterion/component at the top to the least important at the bottom

5. Ask participants probing questions like: why is this component important? why is it more important than another component? what makes that a relatively small issue for you?

6. Do not add your own criteria

7. Listen and learn from the participants, particularly as the merits are discussed

8. Record the findings in a notebook. The results might look like this:

Figure 16: Sample product attribute ranking

Criteria/component	Rank	Comments
Loan size	1	The loan amount should be sufficient to cover the cost of the water tank
Product Quality	2	The water tank offered must be reliable and of good quality
Loan processing	3	The loan should be processed without too much paperwork
Loan term	4	The loan term should be long enough to allow for convenient repayment; reasonable installment size
Interest rate	5	Should be equal to the prevailing market interest rate; respondents felt the existing interest rate was acceptable as long as the above attributes are met

Relative Preference Ranking

Compares clients' perceptions of similar products and services offered by other sources. Participants are asked to list attributes of the WASH financial product that they consider important. The participants are then asked to list the competitors who offer similar products in their geographical area. The researcher must include informal and government programs if these are important sources of financing for the clients. The competitors' products/services are ranked across all the product attributes by the participants. This helps give insight to the clients' needs and preferences for the various product attributes and will help the FI finalize its own product.

Relative preference ranking procedure:

1. Have participants list all the financial service providers in the area, including the informal services like RoSCAs[1] ("merry-go-rounds"). Probe to ensure that you have a complete list and make sure participants have a reasonable level of knowledge of the services they provide. Follow up on points of interest and encourage participation by different people.

2. Enter this list along the top of the relative preference ranking matrix. See Figure 17.

---

1   RoSCAs (Rotating Savings and Credit Associations) are informal groups of individuals found in most countries which are formed to save and take credit through pooling of cash within their group.

3. Have the participants list the most important elements of the financial products/services that are being ranked.

4. Have participants list all the criteria/components generated in this way on the left hand side of the matrix. Remember to make negative ones, positive/neutral (e.g. "high minimum deposits" becomes "minimum deposit" or "low possibility of getting credit" becomes "possibility of getting credit").

5. Ask participants to rank the financial service providers for each component of the financial services they provide by putting bottle-tops/stones/seeds in each box.

6. Ask participants questions like:

   a) Why is this financial service better at meeting the given component/criterion?
   b) Why is this better than that one?

7. Listen and learn from the participants—particularly as they discuss the merits of each financial service provider/criterion.

8. The final result should be a table that looks something like:

Figure 17: Sample relative preference ranking matrix

	FI A	FI B	Government subsidy program	Informal Sources
Distance/Proximity	4	4	1	3
Interest	2	3	5	1
Adequate loan amount	5	4	1	4
Friendly Staff	5	3	1	1
Loan Term	4	2	—	1
WASH product quality	4	2	1	—

Seasonality Analysis

This tool examines the seasonality in income, expenditures, savings and credit needs for a household. The insights gained will help researchers identify the specific products which are needed by the clients and what the existing gaps are, in terms of financial products. The tool helps identify the period when the loan can be offered, what the seasonality in income is and helps design the repayment pattern for the credit product.

Sample agenda for conducting seasonality analysis

Note: It is often necessary to prepare separate seasonality calendars for different sub-sectors within the area under research. For example, in a rural area, coffee farmers are likely to have a different seasonality calendar from poultry farmers.

1. Choose a quiet area to meet and a small working group of 6–8 people who are familiar with the community in terms of it general patterns of income, expenditure, savings and credit.

2. The seasonality chart can be drawn on paper or with chalk on the floor.

3. The moderator should explain the reason for conducting the seasonality calendar—what information s/he is looking for.

4. Participants should then be asked to place bottle-tops/stones/seeds (minimum 0, maximum 5 per variable per month) to indicate the relative magnitude of the four key variables under consideration for that month.

   Note: The expenditure should include the repayment of loans; for credit, the community should place bottle-tops/stones/seeds for new credit taken (from any source), not outstanding credit, where they come from and why these sources are used; for savings made, participants should be asked where and what form they save (not just FI; if other systems/organizations are used a place to save, participants should be asked to explain the advantages and disadvantages of each).

5. Typically, it is best to start with the income row and ask participants to place the maximum number (5) of small stones on the months when they get the most income. Then they can start placing small stones on the other months to show the relative income derived in these months.

6. Once the income row is complete, the moderator can move to the other rows.

   Note: The small stones are not representative of fixed, quantified amounts but are used to indicate the relative amounts of income, expenditures, etc. So, do not try to ensure that the calendar "adds-up."

7. Remember that the discussions between the participants as they prepare the chart are as important as the final chart itself—these discussions should be noted carefully.

8. The final chart (which should be captured) will look like:

Figure 18: Sample seasonality calendar

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Income	**	**	*	*	*	***	********	*******	***	*	**	***
Expenditure	*****	**	**	***	***	******	***	****	****	****	*****	**********
Savings			*****	****								
Credit	****	***	***	***	***							

Things to listen for during the construction of the seasonality calendar, and all product attribute ranking instruments:

- **Income-Generation Activities:** what income-generating activities are undertaken, by whom and how do financial institutions and informal financial arrangements (e.g. RoSCAs, ASCAs, relatives) support these?

- **Income and Expenditure:** which period(s) do the households receive the highest cash income, which months contain the highest expenditures and for what, when is food plentiful or scarce and how do financial institutions' services support these?

- **Credit:** what are the main sources of credit, what interest rates are charged, in which period is credit needed and for what, what formal and informal credit organizations are prevalent in the community (e.g. RoSCAs, ASCAs, relatives), how many loans are dispersed and how do financial institutions' services support these?

- **Savings:** where and how are savings made and stored, how are they liquidated and turned into cash and how do financial institutions' services support these?

Competitor analysis

Gathering information about competitors who have piloted or launched similar financial products can provide valuable insight into product design. Relevant information includes financial product features and terms, target population, loan purpose, communication and marketing strategy, and collaborations with WASH product manufacturers, WASH NGOs and international development agencies.

The product-specific information required for conducting a competitor analysis and the form in which it can be tabulated is shown below:

Figure 19: Competitor analysis table

Product features	Competitor 1	Competitor 2	Competitor 3
Purpose of the loan (type of WASH improvement for which the loan is given)			
Target population and geographical spread			
Loan size			
Installment frequency			
Installment amount			
Other requirements			
Security amount			
Grace period			
Interest rate			
Other charges (like processing fees)			
Promotion	**Competitor 1**	**Competitor 2**	**Competitor 3**
Promotion/marketing information			
Description of the marketing campaign			
Product image			
Physical evidence			
Forms and documentation used for the WASH loan process			

People	Competitor 1	Competitor 2	Competitor 3
Designations of in-house and external staff involved			
Process	**Competitor 1**	**Competitor 2**	**Competitor 3**
The length of the loan process from application to disbursement and utilization			
Collaboration	**Competitor 1**	**Competitor 2**	**Competitor 3**
Collaborators—external agencies involved in the WASH financial program—product manufacturers, international development agencies			
Nature of collaboration			

ANNEX 3

Sample Outline of the WASH Financial Market Research Report

Executive Summary

Background of the Market Assessment

Objective

Methodology: qualitative research, which "tools" were utilized—FGDs and product attribute ranking tools such as seasonality, ranking, etc.

Sample Covered: and the number of participants by "type" (male, female, urban/rural, current client, etc.)

Geographic Scope

Demand Side Scenario of WASH

- Current situation of access to water sources and sanitation situation
- Challenges with sanitation
- Major WASH programs by stakeholders
- Summary of findings
  - Interviews with key stakeholders
  - Summary of customer needs and implications for the FI
- Summary of findings from FGDs with households and communities

Water & Sanitation Sector Landscape

- Natural resources & environment
- WASH access rates
  - Access to improved drinking water
  - Access to improved sanitation
- WASH service providers
  - Water and sewer utilities
  - Private water suppliers
- WASH products
  - WASH products and services (tube-wells, water connections, toilets)
  - Manufacturers and suppliers of WASH products

– Existing promotion projects with WASH manufacturers

– Key WASH product manufacturer challenges

- Sector stakeholder analyses

– WASH service providers/utilities

– WASH product manufacturers

– WASH NGOs

– Government entities/agencies

Water & Sanitation Sector Finance

- Overview of the competitors/other financial institutions offering WASH finance

– Details of strategies adopted and products offered

– Challenges/learning from these initiatives

- International financial institutions/donor agencies

Regulation and Commercial Environment

- Legal and regulatory framework in water
- Legal and regulatory framework in sanitation

Conclusion and Recommendation

- WASH finance readiness & expansion potential
- Key market gaps/principal unmet WASH demands
- Product concepts

ANNEX 4
Sanitation Product Designs

Guardian - Tiruchirapalli
Cost wise Toilet Models

① Toilet with Roof (Hollow Bricks)
Size 4 x 4F, (LB) 6.5 feet Hight

② Toilet with Plastering (Bricks)
Size 4 x 4F, (LB) 6.5 feet Hight)

③ Toilet attached bathroom (Hollobricks)
Size 8 x 4F, (LB) 6.5 feet Hight

Toilet with Roof (Hollow Bricks)

Sl. No.	Materal & Others	No's	Unit cost (In Rs)	Total (In Rs)
	Bricks	5	4	20
1	Hollow bricks	80	12	960
2	Cement (50 kg in Bag)	2	325	650
3	Sand (1/2 Unit)	1	600	600
4	Mason (Charge Per day)	3	300	900
5	Unskilled labour (wages Per day)	3	120	360
6	Door (No's)	1	600	600
7.	Rough Stone (Unit)	1	400	400
8	Concrete Ring(No's)	6	225	1350
9	Pre-cast cover cement slab	1	275	275
10	Pre-cast Roof Cement Slab	2	275	550
11	Closet (No's)	1	250	250
12	Connecting Pipe (In Feet)	1	70	70
13	Transport Charges (Materials)	1	400	400
14	Loading Unloading Charges	1	400	400
15	Others	1	465	465
			Total	9000

Toilet with Plastering (Bricks)

Sl. No.	Materal & Others	No's	Unit cost (In Rs)	Total (In Rs)
	Bricks	320	4	1280
1	Hollow bricks	0	0	0
2	Cement (50 kg in Bag)	3	325	975
3	Sand (1/2 Unit)	1	750	750
4	Mason (Charge Per day)	4	300	1200
5	Unskilled labour (wages Per day)	4	120	480
6	Door (No's)	1	600	600
7.	Rough Stone (unit)	1	400	400
8	Concrete Ring(No's)	6	225	1350
9	Pre-cast cover cement slab	1	275	275
10	Pre-cast Roof Cement Slab	2	275	550
11	Closet (No's)	1	250	250
12	Connecting Pipe (In Feet)	1	70	70
13	Transport Charges (Materials)	1	400	400
14	Loading Unloading Charges	1	400	400
15	Others	1	770	770
			Total	10500

Toilet attached bathroom (Hollobricks)

Sl. No.	Materal & Others	No's	Unit cost (In Rs)	Total (In Rs)
	Bricks	0	0	0
1	Hollow bricks	124	12	1488
2	Cement (50 kg in Bag)	2	325	650
3	Sand (1/2 Unit)	1	600	600
4	Mason (Charge Per day)	3	300	900
5	Unskilled labour (wages Per day)	3	120	360
6	Door (No's)	1	600	600
7.	Rough Stone (unit)	1	400	400
8	Concrete Ring(No's)	6	225	1350
9	Pre-cast cover cement slab	1	275	275
10	Pre-cast Roof Cement Slab	2	275	550
11	Closet (No's)	1	250	250
12	Connecting Pipe (In Feet)	1	70	70
13	Transport Charges (Materials)	1	400	400
14	Loading Unloading Charges	1	400	400
15	Others	1	457	457
			Total	9500

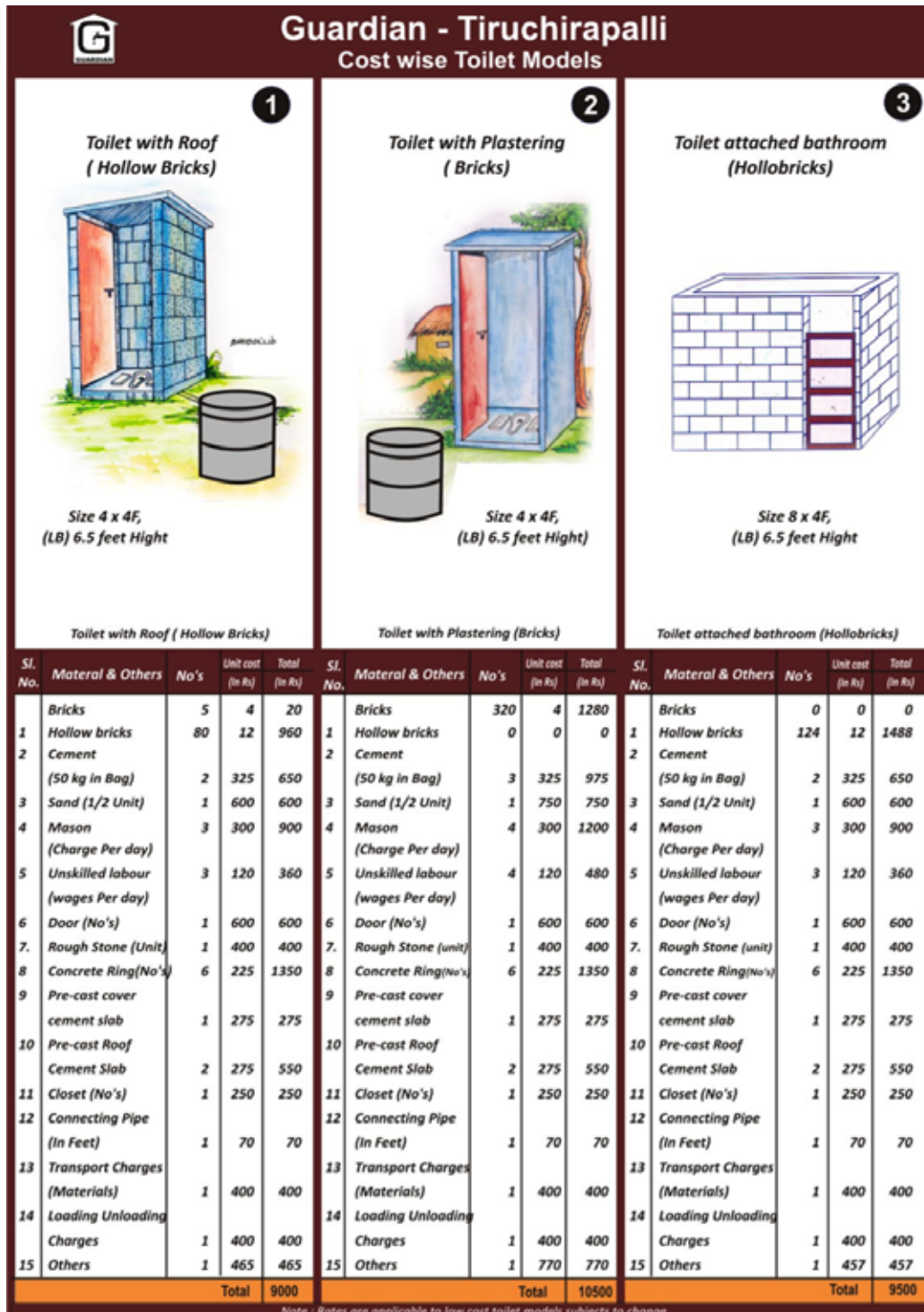Note : Rates are applicable to low cost toilet models subjects to change

Figure 20: Sample sanitation product designs

ANNEX 5
The 8P's Framework

Example:
Sanitation loan product from Kenya

Product	
Target Client:	Landlords, individual households and institutions
Purpose of Loan:	To facilitate construction of: • Latrines/toilets and bathrooms (for sanitation improvement) • Latrines/toilets, bathrooms and septic tanks for institutions
Supplier:	Qualified contractors will use local technology
Loan amounts:	Between US$235–$2,350 (institutions may require higher amount). The accredited vendor is paid the loan amount directly, upon completion of the work.
Loan tenor:	Proposed repayment of up to 24 months: • Under US$353—up to 12 Months • Between US$354–$470—up to 18 Months • Above US$470—up to 24 Months
Repayment Frequency:	Weekly or monthly payments to allow flexibility and accommodate different income streams
Price	
Interest on loans	1.8% per annum
Cash Collateral	10%
Loan Application Fees	0.5%
Place	

• Loan amount to be disbursed at the FI branch office to the vendor constructing the toilet
• Repayment at client location

Promotion

- Increase product awareness through personal selling by staff during group meetings and marketing drives
- Promotion materials include product brochures with visual images of the toilets and detailed product features and eligibility criteria

People

The FI has dedicated WASH and microfinance staff at the branch location to:

- Manage the partnership with suppliers and stakeholders, as applicable
- Train the staff and clients on hygiene education including encouraging the use of compost pits as an extension of hygiene

    Note: This could be done through partnerships with WASH NGOs

- Prequalify service providers like plumbers
- Assess loan appraisals that are likely to be technical with regards to various toilets and water connection options
- Inform head office about issues related to WASH and branch-level experiences
- Monitor the construction of the WASH improvement
- Manage and monitor the loan repayments and client experience

Positioning

Offer affordable WASH financing that allows clients to acquire clean and hygienic improvements that guarantee social dignity

Physical Evidence

Quality and brand of physical WASH product, brochure and fliers of the FI, loan card and receipts

Process

- FI to sanction loan and assign an approved vendor for the construction of the toilet
- Loan officer from FI monitors the progress of construction
- Branch manager conducts visits to the site and issues the certificate of construction after satisfactory completion of the toilets, or instructs the vendor to make amendments to the structure if variance exists in the quality standards
- Loan amount is disbursed by the branch office after the vendor constructing the toilet issues a certificate of completion

Example:
Sanitation loan product from India

Product	
Target Client:	Existing female clients (only individual households)
Purpose of Loan:	To facilitate construction of toilets
Loan amounts:	Loan amount between US$200–$300. Clients are allowed to choose different types of toilets and the loan amount is paid to the client in cash
Loan tenor:	Proposed repayment of up to 24 months with an option of foreclosure
Repayment Frequency:	Monthly
Security/Collateral:	No requirement of cash or social collateral. Husband of the client has to be the guarantor of the loan. Client has to invest upfront by digging the pit.
Price	
Interest on loans	18.16% per annum
	No additional fees

Place
The loan disbursement takes place at the branch and repayment occurs at the monthly group meeting at the client's doorstep

Promotion
The product is promoted through the loan officers in the group meeting

People
• Loan officer • WASH program officer (at the branch) • Technical consultant for sanitation

Positioning
Loans to facilitate construction of toilets for loyal clients of FI

Physical Evidence

Loan application, technical feasibility report of the toilet plan, receipts and loan-utilization check reports

Process

- Technical feasibility of geography (type of terrain and soil type, ground water depth, water availability, sewerage infrastructure) is completed by the technical consultant
- Client identification in geographies which are suited for toilet construction
- Awareness generation among clients by WASH program officers
- Upfront investment of pit by client and identification of mason by client
- Site visit by WASH program officer
- Training of mason on the toilet model by the technical consultant
- Credit appraisal and loan disbursement
- Site visits and loan utilization monitoring

ANNEX 6

Terms of Reference for the Pilot Test

The pilot test team should have documented terms of reference (TOR) that outlines the background of the pilot test, as well as the specific tasks, obligations and expectations of the pilot test team. The TOR will be structured to clearly define the roles, responsibilities and resources of the team.

Section I: Background of the Relevant Product, Desired Results and Activities

This section summarizes the work that has already been completed prior to pilot testing and explains the motivations and objectives of the product in both general and specific terms.

THE GENERAL BACKGROUND notes the history of the product concept and product design. This section should specify how the general need for the new product was discerned.

THE SPECIFIC BACKGROUND identifies the desired results for the new product in relation to both market and institutional needs. For example, it states the need for a new loan product to provide for diverse needs/desires of clients and lists them in detail. Additionally, it should indicate the FI's desire to make its operations more efficient to reduce costs.

Section II: Description of Required Activities

This section of the TOR describes the methodology for conducting the test, the composition of the team, formally designates the Product Champion and outlines the specific activities required from the pilot test team which could include:

- Developing formal quantitative and qualitative objectives
- Finalizing product design based on the prototype
- Preparing for the test
- Testing the product
- Identifying and developing the process to determine success or failure of the pilot

Section III: Duration and Timing

This section stipulates the time frame for the pilot test and also outlines the meeting commitment of the team members so that they, and the approving managers, understand the time commitment.

Section IV: Monitoring/Progress Control

This section assigns accountability for the test and its outputs. It also assigns the general supervisor of the pilot test team.

Section V: Definition of Expected Outputs/Results

This section defines the results expected from the pilot test team. It outlines when the final report is due, stipulates what other reports are to be completed and when and to whom the team must provide its recommendations about the potential for future implementation and expansion of the product. Finally, this section should reflect the consequences in the case of non-compliance with the guidelines of the TOR.

Section VI: Budget

This section outlines the budget for the pilot test and clarifies the resources required. Although it may be more accurate to complete a budget inclusive of the costs of management and staff time, the budget advocated here is an incremental budget that records only the costs that are additional to the FI due to the pilot. If the institution has a well-developed, activity-based accounting system you may want to prepare the budget inclusive of all costs related to the pilot test.

Finally, the Managing Director (or equivalent) and the Product Champion should sign the TOR. Copies should be distributed to all members of the pilot test team.

ANNEX 7

Format of Pilot Testing Protocol

The active spreadsheet of the following testing schedule is available for
[download here](#).

TESTING PROTOCOL FOR THE _____ WASH LOAN PRODUCT

I. GENERAL INFORMATION

Process to be tested:

Purpose of test:

Date test team composed:

Members of test team: (From the TOR)

Product Champion: (From the TOR)

Anticipated duration of test:

II. TESTING SCHEDULE

Figure 21: Pilot testing schedule

Preparatory Phase:

Activity:	Start date:	Date due:	Responsible:	*Resources:
Define objectives:				
Client/branch sample size determined:				
Testing location(s) determined:				
Perform risk analysis:				
Consider impact of any staff incentive scheme:				
First draft financial projections:				
Working draft financial projections:				

Activity:	Start date:	Date due:	Responsible:	*Resources:
Fixed asset (F/A) requirements determined:				
Monitoring indicators finalized:				
Marketing plan:				
Stationary and other required documents designed:				
Training plan developed:				
Accounting codes and procedures finalized:				
F/A ordered:				
Stationary and other required documents ordered:				
Full testing of software:				
Preparation of site for F/A finalized:				
F/A delivered:				
Monitoring forms (based on objectives) available at data collection location(s):				
Document operational policies and procedures:				
Training "curriculum" finalized:				
Operations training implemented:				
Evaluation indicators defined (what is critical to success/failure decision):				
Marketing training session with all relevant staff:				

Activity:	Start date:	Date due:	Responsible:	*Resources:
General information on test sent to any offices/staff likely to be impacted by test:				
Marketing starts:				
Product test begins:				

*Resources would be anything needed or already available such as equipment, expertise, money, staff and consumables. Be sure to indicate if the listed resource is needed, or available.

Testing Phase:

Activity:	Start date:	Date due:	Responsible:	*Resources:
Initial product launch review (basic assessment one week after launch of test):				
Initial monitoring report provided to team (after one month):				
Month 1 evaluation meeting:				
	Month 1 evaluation meeting is for reviewing overall response to product, problems, issues, review monitoring report.			
Month 2 monitoring report:				
Month 2 monitoring meeting:				
Month 3 monitoring report:				
Three-month evaluation meeting:				
	3-month evaluation meeting is for reviewing projections against actual, monitoring reports, issues, market response, problems. Decisions about continuation, alteration, discontinuation of test will be made at this meeting.			
Review the impact of the pilot test on the staff incentives scheme:				

Activity:	Start date:	Date due:	Responsible:	*Resources:
Quarterly presentation on progress to senior management:				
Revising projections:				
Month 4 monitoring report:				
Month 4 monitoring meeting:				
Month 5 monitoring report:				
Month 5 monitoring meeting:				
Month 6 monitoring report:				
Six-month evaluation meeting:				
	6-month evaluation meeting is for reviewing projections against actual, monitoring reports, issues, market response, problems. Decisions about continuation, alteration, discontinuation of test will be made at this meeting, as well a review of the test completion date projected.			
Conclusion of test:				
Product recommendation and presentation:				
Monitoring forms available at branch or data collection location:				
Document operational policies and procedures:				
Training curriculum finalized:				
Operations training implemented:				
Evaluation indicators defined (what is critical to success/failure decision):				
Marketing training session with all staff at branch location:				

Activity:	Start date:	Date due:	Responsible:	*Resources:
General information on test sent to any offices/staff likely to be impacted by test:				
Marketing starts:				
Product test begins:				

Resources would be anything needed or already available such as equipment, expertise, money, staff and consumables. Be sure to indicate if the listed resource is needed, or available.

Key evaluation issues to illicit immediate action by the team to correct, pause, postpone or cancel the remainder of the test:

- If protocol reporting is off schedule by more than two weeks
- If profitability targets move more than 20% below original targets
- If break-even point in revised projection moves beyond 3 years

ANNEX 8
Pilot Recommendation Report

Components of a formal recommendation report

A formal report outlining the team's recommendation should also serve as the "handing over" or department transfer document from the pilot test team to the particular department (generally the Operations team) who will own this WASH product. This report should include the following sections:

1.0 Executive Summary

2.0 Recommendation with major supporting justifications which should consider:

    2.1 Institutional profitability

    2.2 Efficiency improvements

    2.3 Satisfaction of corporate and market needs

    2.4 Corporate image improvements

3.0 Full description of the product, its terms and conditions and basic date on product acceptance and customer attitudes about the product

4.0 Summary of pilot results versus objectives

    4.1 Discussion of any significant variance (±20%)

    4.2 Discussion of the reasons behind any significant projection adjustments made during the test

5.0 Discussion of the interrelationships of all significant departments with the product, noting any material issues that arose during the test and how they were resolved

6.0 Confirmation of procedures, policies and systems (software and hardware) from the internal audit department

7.0 Portfolio and financial projections based on actual data from the test

    7.1 Note any anticipated deviations from the test branch that are likely to be experienced in different branches

8.0 Discussion of potential product risks and mitigating strategies

9.0 Draft plan for rollout, including procedures for addressing:

    9.1 Training

    9.2 Infrastructure

9.3 Marketing

9.4 Controls

10.0 Appendices containing:

10.1 Full procedures manual section "draft" ready for corporate approval

10.2 Training curriculum

10.3 Systems manual specific for the product

10.4 Copies of all marketing documents

10.5 Copies of all audit reports of the product

10.6 Copies of team meeting minutes

10.7 Copies of documents related to any collaboration with WASH product manufacturer, WASH NGO, etc.

With this report, and the documents attached, management will be able to make an informed decision about the product. Also, when applicable, all parties tasked with launching the product will be fully informed about its history and status, have a plan for rollout (which they should have had a hand in developing) and receive all the documents related to the product.

On the cover:
Water vessel carried by
a woman in Bangalore,
India

For more information visit Water.org