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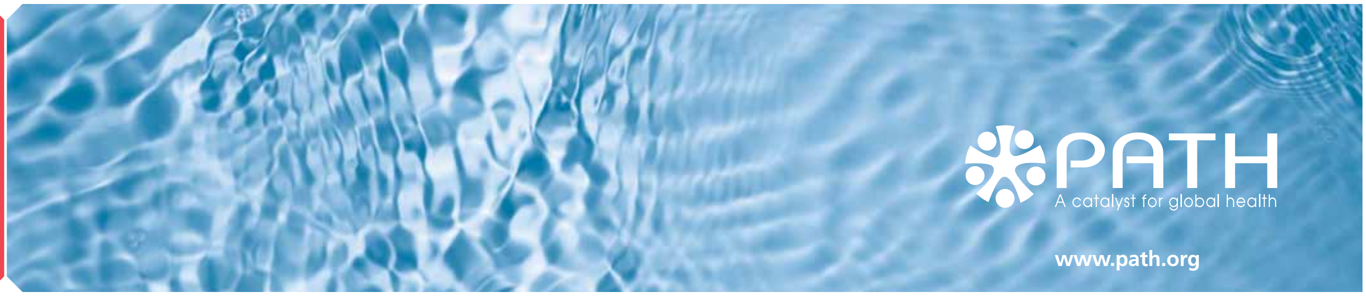

PATH's Safe Water Project in Cambodia

Household Water Treatment and Storage: Findings From a Distribution Channel Analysis

Introduction

Safe drinking water is essential to good health and quality of life. However in resource-poor settings such as Cambodia, water often comes from unsafe sources and carries dangerous pathogens.

The World Health Organization estimates that 1.8 million people die each year from diarrheal diseases. Many of these deaths are attributed to unsafe water. In Cambodia, around 80 percent of the rural population doesn't have access to safe water. Diarrheal disease remains a leading cause of sickness and death among children under five years of age, with unsafe water being a significant contributing factor.

What are we doing?

PATH is implementing an innovative project to enable commercial enterprises to produce, distribute, sell, and maintain good-quality household water treatment and storage (HWTS) products for low-income populations. We already know that commercial markets are a viable model for selling some products to the very poor because they currently supply low-income consumers with a variety of household goods including soap, food, and basic commodities. Through this project, we will determine whether HWTS products can be provided in the same way.

Following initial project learning in India beginning in 2006, PATH's Safe Water Project in Cambodia was launched in mid-2007. In Cambodia, PATH is working with potential partners to stage and implement test markets, along with applying a variety of distribution models to HWTS products. The first major milestone completed was a ten-month analysis of distribution and marketing channels conducted in 2008. The effort included more than 35 meetings and interviews with a broad range of players including private manufacturers, distributors, and promoters; nongovernmental organizations (NGOs); microfinance institutions (MFIs); nonprofit water programs; and social marketing programs. Follow-up research on vendor-consumer transactions with provincial commercial channel players was also conducted. Results of the channel analysis are discussed below.

The Cambodian marketplace

Almost US$5 billion in goods is imported into Cambodia annually, with point-of-use water filters typically being imported from China and Vietnam. Ninety-nine percent of the enterprises are small or medium in size. The average retail patron spends less than US$1.00 per day for their entire household, believes that "clear" water means "clean" water, and prefers surface water to ground water because of its taste.

Commercial distribution channel characteristics

The channel analysis revealed a comprehensive map of channel players and outlets (Figure 1). This channel is lengthy but compact, opportunistic, and largely outsourced, and it follows a traditional model:

MANUFACTURER ► DISTRIBUTOR ► WHOLESALER ► RETAILER

Distributors care more about volume than profit margins and offer high-end durables largely in urban areas. They have little organized presence in rural areas, so most village retailers buy in district markets to resell locally.

The variety of channels and outlets include:

- Organized retail—such as supermarkets and gas stations.
- Pharmacies and health service providers.
- Social franchise networks.
- Community-based groups.
- Battery-charging stations.

The channel ecosystem

The Cambodian market is still a cash economy in terms of trade and consumer transactions but is increasing use of formal credit for small businesses. Factors that can influence distribution include "pull" for new products using media or non-media-based commercial promotion, and NGO roles in behavior change, social marketing, rural outreach, partnering with channel players, and relationships with the requisite authorities.

Sales and marketing channel characteristics

Consumers trust a sales team more than a lone salesperson, so most manufacturers and distributors achieve brand penetration by enlisting a dedicated sales team to manage above- and below-the-line promotion, merchandising, and retail distribution. Within the channels, MFI credit officers take part in an integrated value chain with wide geographical and population reach.

The value chain in Cambodia: gaps and opportunities

As a result of the analysis conducted in 2007 and 2008, PATH mapped the value chain (Figure 2) and identified areas of strength and weakness. In general, distribution channels are strong, and customer service is adequate. Based on our preliminary analysis, it appears that major gaps lie in the areas shaded blue below. Specifically product or service design and marketing and sales are those that represent the largest gaps in Cambodia.

PATH will be focusing its efforts in 2009 on learning more about how to close these gaps and understanding ways to strengthen the other weak aspects of the value chain.

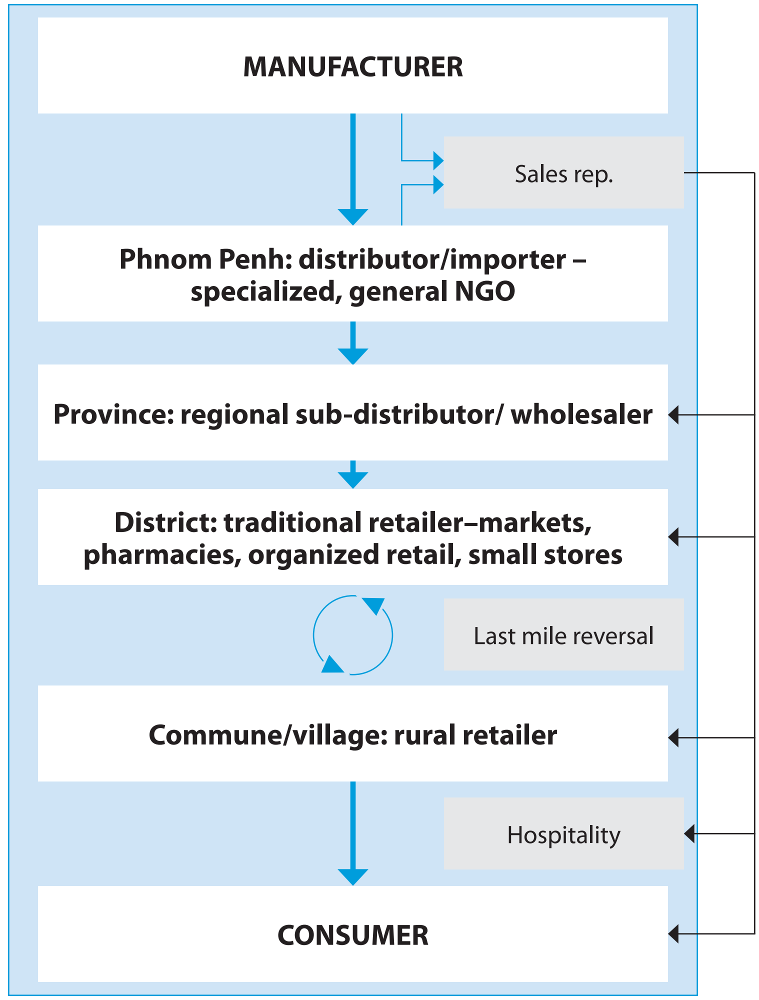

Figure 1. Commercial distribution channel

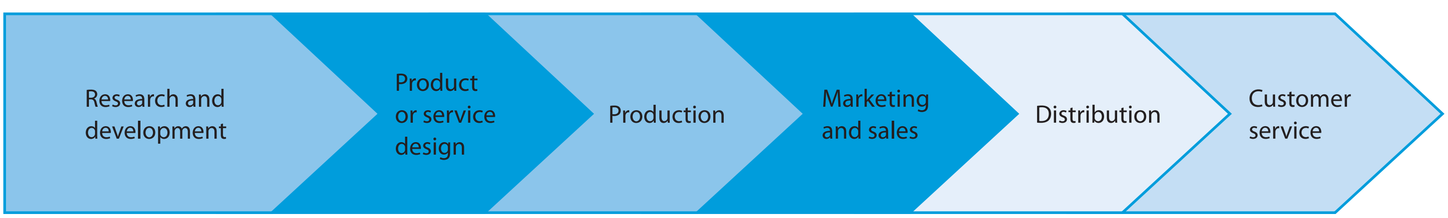

Figure 2. HWTS value chain in Cambodia

About PATH

PATH is an international, nonprofit organization that creates sustainable, culturally relevant solutions, enabling communities worldwide to break longstanding cycles of poor health. By collaborating with diverse public- and private-sector partners, PATH helps provide appropriate health technologies and vital strategies that change the way people think and act. PATH's work improves global health and well-being.

PATH

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