

USAID/WASHPaLS

Enterprise Viability & Sustainability Diagnostic Toolkit

Identify Factors to Improve Viability |
Data Requirements

Objective of this document

Specify the data requirements and potential sources of data for implementing the two activities that are part of the *Identify Factors to Improve Viability* module:

- Gross Margin Variance Analysis (GMVA)
- Strategy Identification

Please refer to the PDF documents for each of the activities for details on implementing the module and rationale for the data required. Additionally, please refer to the *Sample In-Depth Research Interview Guide for Entrepreneurs* to get a suggested list and format of questions to ask enterprises to gather data.

Table of Contents

- Data requirements for *Gross Margin Variance Analysis*
- Data requirements for *Strategy Identification*

Data requirements for *Gross Margin Variance Analysis*

Gross margin variance analysis (GMVA) is a tool that compares the gross profit earned by two enterprises or enterprise categories and highlights the drivers that contribute to the difference between the gross profits.

The data required for **GMVA** can either be sourced from completed **Profit & Loss (P&L)** statements of enterprises or through interviews with entrepreneurs.

Illustrative GMVA

GMVA template					
Template to build a gross margin bridge between two representative enterprises					
Legend					
			User input		
			Intermediate calculation		
			Sum total		
			Heading		
	AA1, AB1, AC1, ...		Variable codes		
Enterprise information					
Name	Enterprise A		Enterprise B		
Total customers served	20.0	AA1	40.0	BA1	
Common products are products sold by both enterprises being compared					
Product A	Price of Product A (per unit)	20	AB1	15	BB1
	Cost of Product A (per unit)	5	AC1	4	BC1
	Total volume of Product A sold (units)	20	AD1	32	BD1
	Volume of Product A sold (per customer)	1.00	AE1	0.80	BE1
	Revenue from Product A	400	AF1	480	BF1
	Gross profit (per unit of Product A)	15	AG1	11	BG1
	Gross margin (from Product A)	75%	AH1	73%	BH1
Product B	Price of Product B (per unit)	15	AB2	10	BB2
	Cost of Product B (per unit)	7	AC2	6	BC2
	Total volume of Product B sold (units)	10	AD2	22	BD2
	Volume of Product B sold (per customer)	0.50	AE2	0.55	BE2
	Revenue from Product B	150	AF2	220	BF2
	Gross profit (per unit of Product B)	8	AG2	4	BG2
	Gross margin (from Product B)	53%	AH2	40%	BH2

Data points
required for each
product sold by
enterprise to
conduct GMVA

Data requirements for *Gross Margin Variance Analysis*

Data category	Data required	Potential source
General business information	<ul style="list-style-type: none"> • Name of enterprise 	Entrepreneur interview
	<ul style="list-style-type: none"> • Total customers served 	Completed P&L statement or entrepreneur interview
Common products (sold by both enterprises)	<p><u>For each common product sold</u></p> <ul style="list-style-type: none"> • Name of common product sold • Price of common product (per unit) • Cost of manufacturing common product (per unit) • Total volume of common product sold (units) 	Completed P&L statement or entrepreneur interview
Additional, sanitation-related products (sold by one enterprise, not the other)	<p><u>For each additional product sold</u></p> <ul style="list-style-type: none"> • Name of additional product sold • Price of additional product (per unit) • Cost of manufacturing additional product (per unit) • Total volume of additional product sold (units) 	Completed P&L statement or entrepreneur interview

Table of Contents

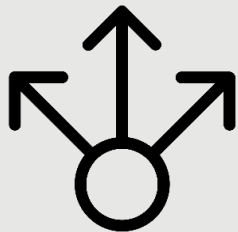
- Data requirements for *Gross Margin Variance Analysis*
- Data requirements for *Strategy Identification*

Data requirements for *Strategy Identification*

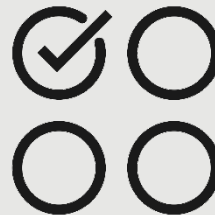
Strategy identification is the process of mapping the decisions of different enterprise categories to identify strategies that can improve profits (and hence viability) of enterprises.

Data needs to be gathered on the different choices enterprise make for each decision and the enabling conditions that inform or influence these choices.

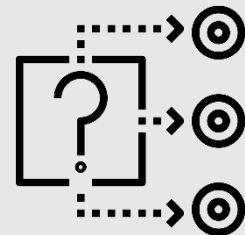
Areas of Enquiry



For each decision



What choices do enterprises make?



What enabling conditions (or lack of) inform/ influence these choices?

Data requirements for *Strategy Identification*

Data category	Example data required	Potential source
Decisions that influence revenue	<ul style="list-style-type: none">• What are enterprises' prices compared to competitors? How was this price decided?• What are the products offered? Why these? Why not others in a product system?• What share of products are sold on credit? How does it benefit the enterprise? What are the downsides (e.g., default rates)?• Do enterprises provide assistance to avail subsidy (if available)? How does it benefit the enterprise?• What related services (like installation and delivery) are provided? How does it benefit the enterprise?	Entrepreneur interview



The above serves as an initial list of decisions that influence revenue. MBS programs should enquire about additional decisions that are relevant in their contexts.

Data requirements for *Strategy Identification*

Data category	Example data required	Potential source
Decisions that influence costs	<ul style="list-style-type: none">• What are the procurement volumes for raw materials? Are there benefits (e.g., discounts, free transport) to placing bulk orders?• What are the raw materials used by enterprises? How do they compare to the market standard?• What is the quantity of raw materials used by enterprises, compared to standard specifications? What is the rationale, if different?• What type of labor is employed by enterprises? What is the rationale?• What type of transportation is used for procuring raw materials or delivering toilets?	Entrepreneur interview



The above serves as an initial list of decisions that influence expenses. MBS programs should enquire about additional decisions that are relevant in their contexts.