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**Strategic Management Report Case Study of SANERGY**

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## **Executive Summary**

The paper will focus on Sanergy a sanitation company established in Nairobi of Kenya. Sanergy provides high quality and low cost sanitation units to franchise them to local entrepreneurs. Sanergy then treats and converts this waste into organic fertilizers and animal feed.

The co founders of Sanergy face challenges getting the profit wing of their business to gain economies of scale as well as their products to produce new products and pursue large government infrastructure projects in other countries or stay focus on growth in Nairobi where they knew the local community or extend to new markets in different towns in Kenya.

This report has done a strategic analysis around the strategic choices being considered by Sanergy, the strategic capabilities and direction to be taken by the company. An internal and external analysis of the company was also carried out. The paper carried out this analysis with the use of theoretical frameworks and models used in this field of study.

The company uses a hybrid model, a for profit and non-profit wing. The non profit wing is funded by non profit cooperate organisations and family ( World bank 2019).

## **INTRODUCTION**

“Strategic management is the pattern of major objectives or goals and essential policies for achieving those goal, stated in such a way as to define what business the

company is in or is to be in and the kind of company it is or is to be” (Lynch 2018)

This paper seeks to carryout a strategic analysis around the strategic choices being considered by Sanergy, an internal and external analysis of the company and possible recommendations. The main issues being is it best for Sanergy to stay focused on growth in Nairobi. Where the team knew its local community and had a proven track record or did it make sense to pursue large governmental infrastructure projects in other countries, where public funds for sanitation projects might be more readily available” and how to gain economics of scale.

### **Company Background**

The co-founders of Sanergy all agreed that sewage collection and treatment in the developing world could only become profitable if they took a systems-level approach; governments in emerging markets were unlikely to be able to afford traditional sewage infrastructure, so they would have to devise a company that could somehow add enough value to the waste to subsidize collection and treatment. This lead to the establishment of a new company Sanergy.

Sanergy a sanitation company established to tackle the sanitation needs of people leaving in the slums of Nairobi Kenya. Sanergy’s approach is to address the whole value chain of sanitation within the slums of Nairobi. Sanergy builds a network of high quality ‘fresh life’ branded toilets and franchises them to local micro-entrepreneurs. Sanergy employees collect waste from the toilets daily and deliver to central processing facility where the waste is processed into organic fertilizers for local farmers and insect based animal feed. This one of the co-founder described as ‘turning shit into gold’. (Waldman & Flatter 2018). “

### **Key factors for Success**

These are the features that are particularly valued by a group of customers and, therefore where the organisation must excel to outperform competitors (Johnson et al 2008)

### **Business Model**

Sanergy has demonstrated not only the effectiveness of market driven approach to sanitation infrastructure, and also a profitable. Sanergy operated on two winged model a profit model “Farm Star” for finish products from the collection of waste and the non profit wing “Fresh Life” the build toilets. Fresh life was funded by funds they received from international and national NGOs. The company had been successful so far with this model but its founder intended to change things in the long run to make fresh life to be funded by the government. The farm Star the profit wing was funded by the revenue made from its produce.

### **Available Markets**

Sanergy greatly succeeded because of the ready available consumers who were already available. A good number of people living in the slums and the toilets were also to address health issue. The government limits attention to the sanitation issues of the slums made it a very successful venture for Sanergy giving them a high competitive advantage.

### **Cooperate Social Responsibility**

The main aim of the company was to solve a social problem, that is to provide a solution to toilet problem in the slums, reduce health hazards associated with lack of toilets and improve general wellbeing of those that live in these areas. The company had a good business model as it was tailored towards the society and environment. This corporate social responsibility and its non profit model attracted and made the company more viable for people and organisation to fund them. Sanergy also built toilets for primary schools, churches and clinics and even landlords.

### **The availability of funds**

The business diversification strategy of turning raw waste to finished products that were environmental friendly both for animal and food production. They had readily available raw material which was the toilets. This helped to prevent any huddles in the production cycle as well as add the company's competitive advantage.

Sanergy had a very robust team of workers and also maintained good external relations especially with the government. This gave the company almost monopoly of the region and helped in the easy penetration of the market and hence more market share and overall growth. As the government gave them land to establish their production plant and build more toilets.

### **Competitive Intelligence**

The company had a good knowledge of the market conditions surrounding the industry prior to establishing their company. This helped shape their business model and strategy to suit the environment before they got into it. Sanergy studied their competitors' strategies and business models and this helped them shape their own strategies before getting into the market. They could also identify the gaps in the supply chain of waste management in Nairobi and add some new value to the supply chain of waste management and be the first of its kind and have no competition.

### **Research and Development**

Sanergy was constantly carrying out research and development. Also within industry, like minded businesses turned to help each other.

Sanergy located their toilets close to each other, this meant the toilets could be open at night and also greatly reduced cost for Sanergy. Sanergy also realized that instead of franchising their toilets to local entrepreneurs at an upfront price of \$500 that really slowed the acquisition of the toilets even when the price was lowered as far as \$350. So a new method of franchising these toilets was established to give them out to the entrepreneurs with no upfront payment. Sanergy compensated for this by raising its annual waste removal fee by about \$30. In this way Sanergy still owned all its toilets and franchisees paid for per service for the regular waste removal and collection rather than for the toilets itself. A few months into using this pay-per service model Sanergy tripled its rate of new toilet installations. This led to an increase in waste collected and hence an increase in Farm Star's produce and helping the company gain more

competitive advantage. Farm Star also has a number of other pilot initiatives still in the research and testing phase, including a reexamination of the Sanergy co-founders’ initial idea of turning sanitation waste into biogas.

INTERNAL ANALYSIS

Value Chain management

Value Chain analysis describes the categories of activities within and around an organisation, which together create a product or service (Johnson et al 2008). Sanergy can be distinguished in both primary (value creator)activities and secondary(support) activities in the value chain.

Figure 1: Porter's Generic Value Chain

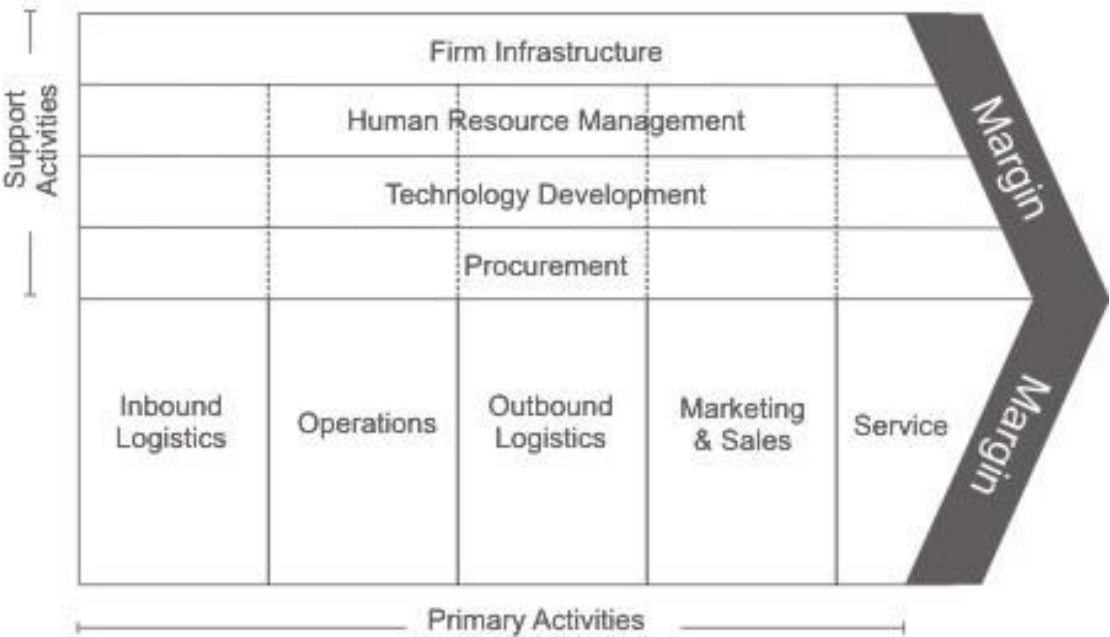


Fig 1: Value Chain(Cited by Bhasin 2020)

The value chain is a model that describes a sequence of value adding activities of a single organisation, supply side (raw materials, inbound logistics and production processes) with its demand side( outbound logistics marketing and sales including supporting activities( firm infrastructure, human resource management, technology development and procurement).(Porter,1985)

Primary activities are directly related with creating and delivering a product. They can be grouped into five main areas, inbound logistics, operations, outbound logistics, marketing and sales and service. Each of these primary activities is linked to support activities which help to improve the efficiency of the firm.(Porter, 1985)

### **INBOUND LOGISTICS**

Sanergy is located in Nairobi where the population of people living in slums in Nairobi is high.

Sanergy hybrid business model with a for profit and a non profit model made the company the ability to make revenue for itself while being funded by other organisations. This made Sanergy financially viable and also achieve the purpose of solving a social problem.

Sanergy's co-founders studied the industry well enough to identify the gaps within the sanitation and waste management value chain so as to avoid having competitors but adding value to the society.

Sanergy has a robust research and development team along side professionals to carry out the task. This gives Sanergy the competitive advantage it needs to be ahead of their competitors. Also with their ownership of a DML laboratory to carry out their research.

The fact that Sanergy's toilets are closely located to each other makes management and the collection of raw material from its toilets easier. Fresh Life's waste collectors were trained professionals with excellent employee benefits. All workers received health insurance, full personal protection equipment, and inoculations to protect against waste-borne disease. They used handcarts to safely carry covered barrels of waste out of densely populated areas, then loaded them onto specialized trucks for transportation to Farm Star facilities.

### **OPERATIONS**

Sanergy is one of the main producers of her raw material which is human waste collected from their Fresh life toilets. Sanergy also gets biodegradable rubbish from other waste management companies to produce their fertilizers. Sanergy owns the vans that are used to collect the waste from their toilets that is a great way to save cost of production and ensure a reliable source and delivery of raw material. Sanergy provides protective equipment to their franchisee and barrels are used to store the waste collected before the can finally be taken to the factory. The waste is treated by experts that kill all harmful pathogens in them before it is converted into fertilizers. Sanergy has plants located at the outskirts of the city where this raw material are converted into finished products. The company's ability to get cheap land to open its factory and also Sanergy owns the cars that transport the waste collected from their toilets to the manufacturing plants. Sanergy's engineers designed a robust toilet station which was easy to clean and empty, and eventually decided to build all its

outhouse components in-house. Sanergy constructed its own concrete factory for pouring slabs to make the outhouse walls, which were simple to transport and install. This lengthy production period farm star's products had proven a particular challenge for Sanergy, as it requires a huge amount of solid waste as well as land to culture the product. Sanergy has her own rubbish collection company which is helping to bridge this gap even though not enough to achieve economies of scale.

### **Outbound Logistics**

Sanergy build its toilets in the neighbor hoods of the slums who are Sanergy's target customer group. The fact that their toilets are located close to each other and open 24hours makes easily accessible for they customers.

Sanergy owns the vehicles the use, the carts the use for the transportation of waste. Ensuring the constant flow of raw material and ensures that the finished goods reach the market on time.

### **Marketing and Sales.**

Sanergy advertises its toilets by using hip hop songs on local radio and hiring a local advertisement team that rebranded the toilet by giving it Fresh life. Their free trials the offered made their presence in the market as the customers had a good user experience. Sanergy's model of zero cost upfront payment to the franchisee also increased the number of toilets the installed while still owning their toilets.

The free samples of farm star products also given to farmers also formed the customer base for the company to gain satisfied and loyal customers. The customers experienced the benefit of the farm fertilizers as the soil was improved and yields increased by 30%. The insect base animal feed also yielded same results as farmers saw the significant change in the growth and quality of their animals.

Sanergy customer testimonies and feedback as its promotional strategies as now advert was mostly done by word of mouth.

### **Services**

Sanergy aims to provide high quality toilets, organic fertilizers and insect based feed for the local population to solve a health and environmental problem makes gives them the ability to gain competitive advantage over their fellow competitors. Also Sanergy's ability the get the people involved as much as possible in their activities and follow up their customers even after purchase to get their customer experience and the value they are adding to them.

### **SUPPORT ACTIVITIES**

The support activities when implemented properly will help make the primary activities more efficient in adding Value (Johnson 2008)

### **Infrastructure**

Sanergy has a dedicated team of workers that efficiently manage the affairs of the company for example, Sanergy's team keeps a good relations with the local government which has enabled them to be able to acquire land the use for the culturing of their products. These workers manage different diversified functions within the company and help it achieve its goals. Sanergy also practices a non-hierarchical model among their staff which facilitates the smooth flow of information

within the various departments. Sanergy's ability to get the people of the local communities involved as much as possible in their activities and the follow up the give to the customers even after they have purchased their products to walk through their customer journey with them. Sanergy's hybrid model that allows her to raise funds for their non-profit wing of the firm makes the company very financially viable in running their affairs, as they use the out come of the non-profit wing as raw material for their profit wing.

### **Human resource management**

Sanergy has a very dedicated team. Sanergy hired executive coaches to help them create a company that will attract top talent. Sanergy aimed to have its headquarters resemble a hip, friendly startup from Silicon Valley or Boston. The unstructured, open office layout allowed for easy collaboration across different teams. Inspirational quotes emblazoned the walls. These choices set Sanergy far apart from other Nairobi offices, most of which followed a more traditional, individualistic layout with clusters of cubicles. Auerbach attested that his company's open culture helped with retention and increased productivity. (Waldman-Brown & Flatter, 2018)

Sanergy recruited employees primarily through word-of-mouth marketing rather than by soliciting applications from the general public. Only a few of their full-time employees had college degrees, but Sanergy also recruited many fellows from top North American universities (e.g. MIT, Yale, and Stanford) to intern for the summer and sometimes longer. Auerbach said that even three months could provide enough time for interns to develop interesting projects and create value for Sanergy, especially because they were embedded in local teams and managed by Kenyan team leads. (Waldman-Brown & Flatter, 2018)

### **Technology development**

Sanergy's engineers designed a robust toilet station that was easy to clean and empty, and eventually decided to build all its outhouse components in-house. These cheerfully painted boxes featured blue concrete walls decorated with the Fresh Life logo, a sturdy concrete base covered in tiles, and a plastic squat-toilet in which urine and feces were separated into their respective buckets. Sanergy constructed its own concrete factory for pouring slabs to make the outhouse walls, which were simple to transport and install. The team started with an off-the-shelf toilet bowl, but eventually developed a more ergonomic design of their own, which was injection-molded in Nairobi to Sanergy's specifications. Each toilet included hand-washing facilities as well as a mirror, just like the amenities of any modern bathroom. (Waldman-Brown & Flatter, 2018)

Sanergy is involved in a lot of research and development in the use of advance industrial processes the production of their farm star products like the conversion of urine into nitrogen rich liquid fertilizers and

Sanergy is in continuous research on other ways they can transform human waste to goods and services. This research has lead to the production of new products like Kuza Pro and in the future biogas.

### **Procurement**

Sanergy's ability to maintain a good relationship with the government has given them the ability to obtain land they can construct their toilets and factory at a low cost.

Sanergy is the main source of her raw material (waste collected from the toilets), to ensure that there is a constant availability of raw material Sanergy purchases waste from other waste management company and is also working on increasing the number of toilets they have installed. All these activities contribute to add value to the industry.

### EXTERNAL ANALYSIS

External analysis involves an assessment of the changing environment in which businesses operate within. There various frameworks used to analyse these external environment ( Johnson et al 2008).

### SWOT ANALYSIS

A SWOT analysis explores the relationship between the environmental influences and the strategic capabilities of an organisation with its competitors (Johnson et al 2008).

SWOT Analysis

|          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |   |                                                                                                                                                                                                                                                                                                        |
|----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| INTERNAL | <b>STRENGTHS</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | - | <b>WEAKNESSES</b>                                                                                                                                                                                                                                                                                      |
|          | <p>Good human resource management</p> <ul style="list-style-type: none"> <li>- Research and development</li> <li>-Good knowledge of competitors</li> <li>-Hybrid business model</li> <li>-Sustainable and environmental friendly products</li> <li>-Solving societal problem</li> <li>-Few competitors</li> <li>-Robust IT system and facilities for research</li> <li>-Sanergy is located in Nairobi where there is an already large existing target customers available.</li> <li>-Good logistic management</li> <li>-Available raw material and complementary business</li> </ul> |   | <p>Facing difficulty to convince customers to use their products and services.</p> <ul style="list-style-type: none"> <li>-High cost in installing the fresh life toilets</li> <li>-In ability to get enough waste to reach economies of scale and diversify to other markets like bio gas.</li> </ul> |
| EXTERNAL | <b>OPPURTUNITIES</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |   | <b>THREATS</b>                                                                                                                                                                                                                                                                                         |
|          | <p>Easing of restriction by the government that helps them acquire land.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |   | <p>-Fresh life can easily shut down due to lack of funds and subsidies from the</p>                                                                                                                                                                                                                    |

|  |                                                                                                                                                                                                                                                                                      |                                                                                                           |
|--|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|
|  | <ul style="list-style-type: none"> <li>-A robust research and development team</li> <li>-Well equipped laboratory and good IT platform</li> <li>-good Networking within the industry and on a global scale</li> <li>-Sanergy addresses a social and environmental problem</li> </ul> | <p>government.</p> <p>-Farmers could easily go for chemical fertilizer substitutes and the fish feed.</p> |
|--|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|

### Porters Generic Strategies

Porter's generic strategy is an effective strategic framework used by organisations to define its industry niche and know their customers (Porter 1980).

### **Cost leadership Strategy**

Sanergy is trying to keep cost of production as possible low and increase the number of toilets being franchised. Reduced its price of acquiring their toilets upfront to zero cost at upfront but periodic payment for waste collection services and this lead to the franchising and installation of more toilets. Sanergy is trying to gain economies of scale in the farm star products to reduce cost and increase the number of customers using these products. In this way competitor entering the market will find it very difficult to beat Sanergy's prices as they are the highest producers and set the price for the market. Sanergy is trying to achieve this through economies of scale.

### **Differentiation Strategy**

Differentiation strategy is providing products/service that offer benefits different from those of competitors and are widely valued by buyers (Johnson et al 2008)

Sanergy got into the industry studied their competitors identified gaps in the market and had as mission to add value to lives of customers as well as the industry as a whole and this kept at position with no competitors for their Fresh life toilets and few competitors on their Farm star products. The improvement of soil quality, increase in farmers produce and the better animal growth by the farmers is an indication of the different benefits offered by Sanergy's products. The company is already the top producer for organic fertilizers and insect based animal feed giving them a good market share especially as pioneers. In addition to these its corporate social responsibility and globalisation agenda makes the company able to establish and exploit new markets.

### **Cost Focus Strategy**

Sanergy is very focused reducing cost of production and making their goods and services prices lower than that of the competitors according to the different product and services they offer. 'Fresh Life' has a different pricing strategy from the farm star produce. Organic fertilizers are priced to gain a competitive advantage in the fertilizers market and insect based animal feed at prices as well to place Sanergy at a competitive advantage within the animal feed market.

### **Focus Differentiation Strategy**

A focused differentiation strategy seeks to provide high perceived product/service benefits justifying a substantial price premium, usually selected market segment (Johnson et al 2008). Sanergy studied the industry they were getting into and simply came in filling the gaps their competitors did not see and instead of competing they were adding value to the supply chain. They found their niche and worked to improve their product and their business model to satisfy their customers. Sanergy's Farm star fertilizers even though expensive than the chemical fertilizer is still making profits because of the perceived quality of the fertilizers and animal feed. Sanergy is continuously carrying out research to find new and exclusive markets that their competitors have not yet exploited. The focus on narrow markets of producing organic finished products from waste. This market they have dominated and are endeavouring to gain economies of scale that will enable them to lower cost of production and saturate the market of which they are already market leaders.

### **PORTERS FIVE FORCES**

Portes five forces is a model used to identify and analyse the attractiveness of a market segment or the industry in general (Johnson et al 2008)

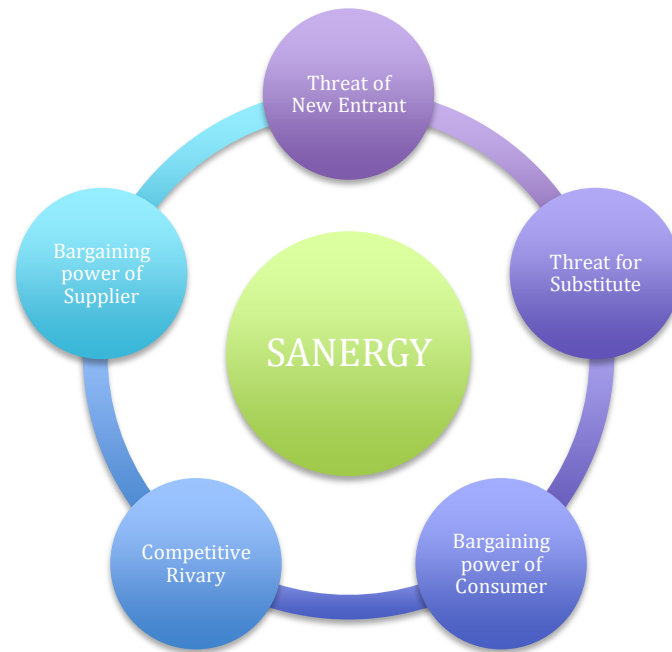


Fig 2:Porters Five Forces

Source: Adapted Kumar, Sukant. (2019)

#### 1.Threat of new entrant: MEDIUM

The government has a lot of control on the activities of companies involved in this industry. That notwithstanding there are no strict restriction that prevent new companies from entering the market. This is why Sanergy has to maintain a good relation with the government in order to remain in business and benefit from government funds. Also with the production of organic fertilizers and insect base animal feed can be copied by new companies not necessarily starting up as sanitation companies as the raw materials are easy to get.

#### 2.Bargaining Power of Supplier: LOW

Sanergy is the main source for her raw material which collected from her fresh life toilets. Sanergy gets compost for its organic fertilizers this is also very readily accessible and available as very few buyers for this raw material.

#### 3.Bargaining Power of Buyer: LOW

Being the giant in the market sanergy determines the price of their finished products. The customer's perception of the brand already established in their minds as a high quality but affordable product. The brand is well established in the customers mind as the results and testimonies from customers are very positive making them gain brand loyal and satisfied customers that will keep coming back.

#### 4.Threat for substitutes products: HIGH

Sanergy toilets face substitution with the locals building their own pit toilets as some are already doing. Also with the organic fertilizers there was the alternative chemical fertilizers that were cheaper in the market and the fishmeal animal feed that was already being used by the farmers.

#### **5.Rivalry among competitors: MEDIUM**

Sanergy spotted gaps in the supply chain and value chain of the provision of sanitation and management waste in the industry. Sanergy sort to fill this gaps and not have competitors in the industry but add value to the goods and services being offered by the industry especially with the Fresh life. The other wing of the business the farm star already had a few competitors who were already producing similar goods they produced but Sanergy dominated the market and became the highest producer of organic fertilizers.

## PESTEL ANALYSIS

The PESTLE analysis is a framework that provides a comprehensive list of influences on the possible success or failure of particular strategies. PESTEL stand for Political, Economic, Social, Technological, Environmental and Legal (Johnson et al 2008).

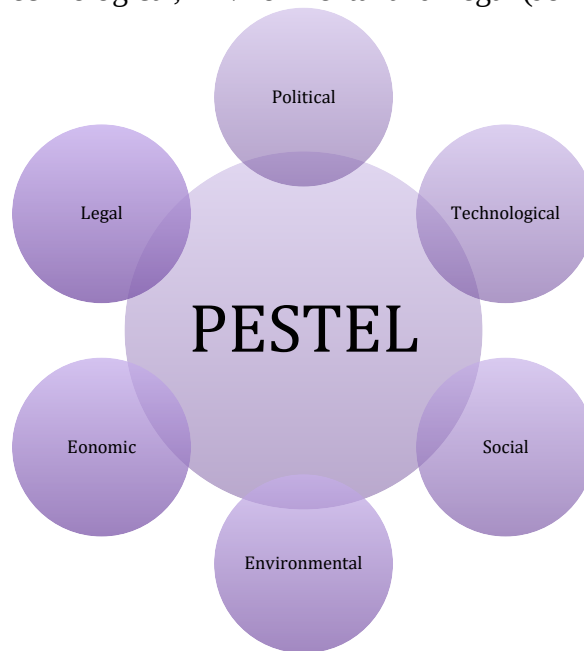


*Fig 3: PESTEL Analysis*

Source: Adapted from [www.stratagoras.com](http://www.stratagoras.com)

### **Political**

Government placed very heavy restriction to the establishment and activities of companies such as Sanergy because they were carrying out a job meant done by the government. Sanergy solved this problem by hiring staff responsible for maintaining external relations especially with the government. This made their business to run more smoothly than other business within the same sector.

### **Economic**

Sanergy operates on a hybrid model a non profit wing which is the fresh life toilets and the profit wing which is the farm star.

Poor Sanitation let to global loss of \$260 billion annually and more than two million preventable deaths per year and most pf them children. The World Bank estimated that every \$1 invested in sanitation generated a \$5 return between the prevention of sanitation-related deaths, overall savings on healthcare, and increases in productivity and working hours due to reduced illness. Kenya's urban slums alone lost \$270 million dollars due to poor sanitation. Sanergy aimed to provide this sanitation at a very much lower cost. (Waldman &Flatter 2018)

Sanergy was also providing profitable jobs for the franchisees and also providing a service that will increcase the standard of living of the people in the slum. This also increases the GDP.

Sanergy used the human waste from their Fresh Life toilets as raw material for the profitable wing of the company the farm star. The use of farm star has increased local farmers produce by 30% which will lead to an increase in the local production and

consequently more sales and a boost to the local economy. Sanergy experienced a fast growth rate and intends to use this waste to produce more goods of economical value like biogas. (Waldman-Brown & Flatter, 2018)

### **Social**

Sanergy was serving the society and solving a serious social problem. school, clinics landlords. Every body benefits from adequate sanitation services offered by Sanergy. The toilets provided by Sanergy in schools will make girls have regular attendance at school which will affect their performance, as well as reduce the spread of disease in the slums as reduced number of toilets flooding and the use of paper bags for toileting. The toilet are located close to each other and open twenty four hours a day also help to reduce crime rates like rape when people had to go far and in the dark to use toilets at night.

### **Technological**

Good technological infrastructure to carry out their processes of converting raw material into finished products. Sanergy has developed technologies that from the construction of their toilets that eliminate human waste through life safe collection and urine diverting dry toilets.

### **Environmental**

Sanergy was producing environmental friend products and also solving the environmental health hazards brought about by lack of proper sanitation and sewage management. Sanergy toilets will help to reduce the number of deaths and disease infection rate in the slums due to poor sewage management and pollution. The number of toilets that flood during heavy rains will be reduced.

### **Legal**

The government of Kenya has regulatory bodies put in place to monitor the activities of organisations such as Sanergy. Like the Kenya Environmental Sanitation and Hygiene Policy (KESHP) that encourages the use of use of local technology like the urine diverting toilets and toilets that eliminates human fecal contact through safe collection and containment in sealable and easy to transport containers which are already being used by Sanergy. The Water Services Regulatory Board (WASREB) regulates sewerage and wastewater treatment. These bodies and many more regulate the activities of Sanergy and also provide them safe space to operate. (World Bank 2019)

### **Benchmarking**

A frame work used to understand how an organisations strategic capabilities, in terms of internal processes, as compared to those of other organisations (Johnson et al 2008)

Sanergy has set a very high benchmark for any other company intending to get into the industry to produce the same things that they produce. Also, their continuous research and development sets them ahead of their competition as they are finding new products they can produce and also gain economies of scale.

Sanergy provides high quality sanitation units and products for a low cost. Sanergy provides affordable alternatives to sewer for its users. They collect this waste with their own trucks and use them to produce organic fertilizers an insect based animal feed that they sell to the local farmers. This helps Sanergy to bring down operational

management cost on raw material and logistic making the process less complex. Sanergy is one of its kind and cannot be compared to the former used public toilets.

### Financial Performance Of Sanergy

The company is funded by cooperate foundations and family for the non profit wing. The for profit wing is funded by the fees received from the non-profit wing. The profit wing of the company started realizing profits just after few years of operation.

### Strategic Direction

#### Ansoff Matrix

Ansoff product or market growth matrix provides a simple way of generating four basic alternative directions for strategic development (Johnson et al 2008).

|          |                                     | PRODUCT |                     |
|----------|-------------------------------------|---------|---------------------|
| Existing |                                     | New     |                     |
| A        | Market penetration<br>Consolidation | B       | Product Development |
| C        | <b>Market Development</b>           | D       | Diversification     |

Market  
Existing /new

#### Market Penetration

Where by the organisation takes increased share of its existing markets with its existing products range (Johnson et al 2008). Sanergy already enjoys an added competitive advantage for its farm star products as they are the largest producers of organic fertilizers so achieving economics of scale can be possible. On the non the profit wing of the business the Fresh life toilets.it is easier for Sanergy to continue expanding in Nairobi as they have already mastered the market dynamics in Nairobi.

#### Product Development

Johnson *et al*(2008) defined product development as “where the organisations deliver modified or new products/services to existing markets.” Sanergy continues to carry out research to see possible products they can produce from waste transformation like the production of Biogas. The company will still use the same raw material which is human waste but produce a new product which is bio gas.

#### Market Development

Market development involves offering existing products to new markets ( Johnson et al 2008). Sanergy considers going into new markets in other African countries that are offer better chances of making profits in the sanitation industry like Ghana. On the other hand, Sanergy’s profit wing of the organisation may not do well in Ghana not withstanding the fact that the will easily get funds to build the toilets but the fertilizer,

animal feed and even biogas industry may already be very saturated and Sanergy may not be able to meet the critical factors of success within this new market.

### **Diversification**

Diversification is strictly a strategy that takes the organisation away from both its existing markets and its existing products (Johnson et al 2008). Sanergy does not plan on diversification and as a strategy. Diversification may have its advantages but a company like Sanergy should not diversify because of the size of the organisation and its ability to achieve economies of scale within their existing market. Also diversification will mean division of resources which the company is not very financially viable for that.

### **Recommendation**

Sanergy should not diversify too much, by trying to produce so many products from human waste. Sanergy should focus on its particular niche.

Sanergy should consider a strategic partnership strategy in acquiring a rubbish collection company or partnering with one to increase the amount of rubbish to add to the compost that is used to produce farm star and achieve economies of scale. I think with this the acquisition of raw material from supplier will be cheaper, it will increase its corporate social responsibility of taking care of the environment and enhance the company's image. This will also increase revenue from sales and provide revenue for the future constructions of more toilets in Nairobi.

Sanergy could also introduce the collecting of waste not only from its Fresh life toilets but also from the owners of pit toilets on an annual basis. This will really help in completely reducing the health hazards associated with overflowing toilets during floods and people connecting their toilets into nearby water sources and contaminating them.

With the level of experience Sanergy has gathered in Kenya, they can introduce units in the other African countries where the government is more willing to invest in sanitation.

## **Conclusion**

Sanergy has as aim to establish toilets to solve the sanitation problem and the sustainable transformation and management of human waste. Which they have so far been achieving progress and making life better for the slum inhabitants.

The internal and external environment was well analysed and proved suitable for the company to add value to the sanitation and waste management industry. A good number of toilets were build to achieve this purpose and the waste collected was transformed into insect based animal feed and organic fertilizers and the company was diversifying into new markets as the gain more market share and furthered their research.

Sanergy formulated good strategies like its hybrid business model, rebranding of its toilets, franchising at zero cost upfront payment changing its promotion model. It implemented its business model in the construction of 'fresh life' toilets and 'Farm Star' projects. These has proven to be successful and has kept the company at a very strategic position away from its competitors and also creating a strong brand name for the company and also a good market share in the sanitation and waste company because of the strategic decisons the choose to implement.

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